

Study on the responsible management of the supply chain in the garment sector

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Table of acronyms and abbreviations

APTA	Asia Pacific Trade Agreement
ASEAN	Association for South East Asian Nations
BFC	Better Factories Cambodia
BIF	Business Innovation Facility
BSCI	Business Social Compliance Initiative
CBI	Centre for the Promotion of Imports from Developing Countries
CECA	Comprehensive Economic Cooperation Agreement
CEN	European Committee for Standardisation
CEPA	Comprehensive Economic Partnership Agreement
CIESIN	Center for International Earth Science Information Network
CMP	Cut-make package
CSR	Corporate Social Responsibility
DCFTA	Deep and Comprehensive Free Trade Agreement
DFID	Department for International Development
DISHA	Driving Industry towards Sustainable Human Capital Advancement
EBA	Everything But Arms
Commission	European Commission
EFTA	European Free Trade Agreement
EPI	Environmental Performance Index
ETI	Ethical Trading Initiative
EU	European Union
EUR	Euro
EVFTA	EU-Vietnam Free Trade Agreement
FLA	Fair Labour Association
FTA	Free Trade Agreement
FOB	Free on Board
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GOTS	Global Organic Textile Standard
GSCP	Global Social Compliance Program
GSTP	Global System of Trade Preferences
GSP	Generalised Scheme of Preferences
HS	Harmonised system
IFC	International Finance Corporation
ILO	International Labour Organization
ISO	International Organization for Standardization
ITC	International Trade Centre
JV	Joint Venture
LDC	Least Development Country
MFN	Most Favoured Nation
MGMA	Myanmar Garment Manufacturers Association
NGO	Non-Governmental Organisation
ODM	Original Design Manufacturer

OECD	Organization for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
PTA	Preferential Trade Agreement
REACH	EU Regulation on Registration, Evaluation, Authorisation and restriction of Chemicals
SA8000	Social Accountability 8000 Standard
SAARC	South Asian Association for Regional Cooperation
SAC	Sustainable Apparel Coalition
SAFTA	South Asia Free Trade Area
SAPTA	SAARC Preferential Trading Arrangement
SATIS	SAARC Agreement on Trade in Services
SCAP	Sustainable Clothing Action Plan
SEDEX	Supplier Ethical Data Exchange
SME	Small and Medium-Sized Enterprises
TPP	Trans Pacific Partnership
TSD	Trade and Sustainable Development
US	United States
USD	United States Dollars
WRAP	Worldwide Responsible Accredited Production
WTO	World Trade Organization
WWF	World Wildlife Fund
YCELP	Yale Center for Environmental Law & Policy

Terms and definitions

Most of the terms used in this report are identical or very similar to those used in the ISO 26000 standard.¹ In ISO 26000 the term “organisation” is used throughout the standard. In this study the term “company” is used instead, because it is more relevant to the subject matter. In cases where there is no ISO 26000 definition, references were included to indicate the source.

Accountability	State of being answerable for decisions and activities to a company's governing bodies, legal authorities and, more broadly, its stakeholders.
Audit	Systematic, independent and documented process for obtaining objective evidence and evaluating it objectively to determine the extent to which the audit criteria are fulfilled. ²
Certification	Third-party attestation related to products, processes, systems or persons. Certification of a management system is sometimes also called registration. Certification is applicable to all objects of conformity assessment except for conformity assessment bodies themselves, to which accreditation is applicable. ³
Conformity assessment	Demonstration that specified requirements relating to a product, process, system, person or body are fulfilled. ⁴
Code of conduct	Principles, values, standards, or rules of behaviour that guide the decisions, procedures and systems of an organisation in a way that (a) contributes to the welfare of its key stakeholders, and (b) respects the rights of all constituents affected by its operations. ⁵
Compliance	Meeting all the company's compliance obligations. Compliance is made sustained by embedding it in the company's culture and in the behaviour and attitude of people working for it. ⁶
Due diligence	Comprehensive, proactive process to identify the actual and

¹ ISO (2010) *ISO 26000:2010, Guidance on social responsibility*.

² ISO (2015) *ISO 9000:2015(en) Quality management systems — Fundamentals and vocabulary*. Available at: <https://www.iso.org/obp/ui/#iso:std:iso:9000:ed-4:v1:en:term:3.13.9> (Last accessed: 23 September 2016).

³ ISO (2004) *ISO/IEC 17000:2004(en) Conformity assessment — Vocabulary and general principles*. Available at: <https://www.iso.org/obp/ui/#iso:std:iso-iec:17000:ed-1:v1:en> (Last accessed: 23 September 2016).

⁴ Ibid.

⁵ PAIB Committee (2007) *Defining and developing an effective code of conduct for organizations*. Available at: http://www.ifac.org/system/files/publications/files/Defining-and-Developing-an-Effective-Code-of-Conduct-for-Orgs_0.pdf (Last accessed: 1 October 2016).

⁶ ISO (2014) *ISO 19600:2014(en), compliance management systems — Guidelines*. Available at: <https://www.iso.org/obp/ui/#iso:std:iso:19600:ed-1:v1:en:term:3.19> (Last accessed: 5 October 2016).

	potential negative social, environmental and economic impacts of a company's decisions and activities over the entire life cycle of a project or organisational activity, with the aim of avoiding and mitigating negative impacts.
Gender equality	Equitable treatment for women and men. This includes equal treatment or, in some instances, treatment that is different but considered equivalent in terms of rights, benefits, obligations and opportunities.
Global Framework Agreement	An instrument negotiated between a multinational enterprise and a Global Union Federation (GUF) to establish an ongoing relationship between the parties and ensure that the company respects the same standards in all the countries where it operates. ⁷
Governance (in relation to a country)	The exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises the mechanisms, processes and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences. ⁸
Governance (in relation to supply and value chains)	Governance structures in value chains were originally defined as producer- or buyer-driven. ⁹ It is generally agreed that governance structures in supply and value chains can range from completely uncoordinated market relations to perfectly vertically integrated firms. ¹⁰
Initiative / sustainability initiative	Programme or activity expressly devoted to meeting a particular aim related to responsible supply chain management, responsible sourcing, (corporate) social responsibility or sustainable development. Initiatives can be developed, sponsored or administered by any type of organisation.
Impact	Positive or negative change to society, economy or the environment, wholly or partially resulting from a company's past and present decisions and activities.
Living wage	Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a

⁷ ILO (2007) *International Framework Agreements: A global tool for supporting rights at work*. Available at: http://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_080723/lang-en/index.htm (Last accessed: 21 October 2016).

⁸ United Nations Committee of Experts on Public Administration (2006) *Definition of basic concepts and terminologies in governance and public administration*. Available at: <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan022332.pdf> (Last accessed: 5 October 2016).

⁹ Gereffi, G. (1994). The Organisation of Buyer-Driven Global Commodity Chains: How US Retailers Shape Overseas Production Networks. In G. Gereffi, and M. Korzeniewicz (Eds), *Commodity Chains and Global Capitalism*. Westport, CT: Praeger.

¹⁰ Gereffi, G., Humphrey, J. and Sturgeon, T. (2005) 'The governance of global value chains', *Review of International Political Economy*, 12(1), pp. 78–104.

	decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events. ¹¹
Responsible sourcing	Commitment by companies to take into account social and environmental considerations when managing their relationships with suppliers. Also often referred to as supply chain responsibility. ¹²
Label	Claim which indicates the environmental and / or social aspects of a product or service. An environmental or social label or declaration may take the form of a statement, symbol or graphic on a product or package label, in product literature, in technical bulletins, in advertising or in publicity, amongst other things. ¹³
Management system	Set of interrelated or interacting elements of a company to establish policies and objectives, and processes to achieve those objectives. ¹⁴
Responsible supply chain management	A commitment by companies to manage their relationships with suppliers in a responsible way. ¹⁵
Social dialogue	Negotiation, consultation or simply exchange of information between or among representatives of governments, employers and workers, on matters of common interest relating to economic and social policy.
(Corporate) social responsibility	Responsibility of an organisation or company for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour.
Standard	Document that provides requirements, specifications, guidelines or characteristics that can be used consistently to

¹¹ Anker, R. and Anker, M. (2013) *A shared approach to estimating living wages*. Available at: <https://www.isealalliance.org/sites/default/files/Descripton%20of%20Living%20Wage%20Methodology%2020131124.pdf> (Last accessed: 6 December 2016).

¹² International Chamber of Commerce (2008) *ICC guide to responsible sourcing*. Available at: <http://www.iccwbo.org/Data/Policies/2008/ICC-guide-to-responsible-sourcing/> (Last accessed: 23 September 2016).

¹³ Derived from ISO (2006) *ISO 14025:2006(en) Environmental labels and declarations — Type III environmental declarations — Principles and procedures*. Available at: <https://www.iso.org/obp/ui/#iso:std:iso:14025:ed-1:v1:en:term:3.1> (Last accessed: 14 October 2016).

¹⁴ ISO (2015) *ISO 9000:2015(en) Quality management systems — Fundamentals and vocabulary*. Available at: <https://www.iso.org/obp/ui/#iso:std:iso:9000:ed-4:v1:en> (Last accessed: 14 October 2016).

¹⁵ van Opijnen, M. and Oldenzil, J. (2011) *Responsible Supply Chain Management: potential success factors and challenges for addressing prevailing human rights and other CSR issues in supply chains of EU-based companies*. Available at: <http://ec.europa.eu/social/BlobServlet?docId=6729&langId=en> (Last accessed: 23 September 2016).

	ensure that materials, products, processes and services are fit for their purpose. ¹⁶
Subcontracting	Subcontracting occurs when one firm, the prime manufacturer or contractor ("principal"), contracts with another firm, the subcontractor or "supplier", for a given production cycle, one or more aspects of production design, processing or manufacture, or construction or maintenance work. ¹⁷
Supply chain	Sequence of activities or parties that provides products or services to a company.
Supply chain responsibility	A commitment by companies to manage their relationships with suppliers in a responsible way. (also see "responsible supply chain management") ¹⁸
Sustainable development	Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.
Tier 1 supplier	Company that directly supplies products or services to a retailer, usually through a contractual arrangement. ¹⁹
Transparency	Openness about decisions and activities that affect society, the economy and the environment, and willingness to communicate these in a clear, accurate, timely, honest and complete manner.
Traceability	Ability to trace the history, application or location of an object. When considering a product or a service, traceability can relate to: (1) the origin of materials and parts; (2) the processing history; (3) the distribution and location of the product or service after delivery. ²⁰
Value chain	Entire sequence of activities or parties that provide or receive value in the form of products or services. Parties that provide value include suppliers, outsourced workers, contractors and others. Parties that receive value include customers, consumers, clients, members and other users.

¹⁶ ISO (no date) *ISO standards*. Available at: <http://www.iso.org/iso/home/standards.htm> (Last accessed: 1 October 2016).

¹⁷ OECD Statistics Directorate (2007) *OECD glossary of statistical terms - international subcontracting definition*. Available at: <https://stats.oecd.org/glossary/detail.asp?ID=7260> (Last accessed: 5 October 2016).

¹⁸ Ibid.

¹⁹ ISO (2015) *ISO/TS 22318:2015(en) Societal security — Business continuity management systems — Guidelines for supply chain continuity*. Available at: <https://www.iso.org/obp/ui/#iso:std:iso:ts:22318:ed-1:v1:en:term:3.3.7> (Last accessed: 6 December 2016).

²⁰ ISO (2015) *ISO 9000:2015(en) Quality management systems — Fundamentals and vocabulary*. Available at: <https://www.iso.org/obp/ui/#iso:std:iso:9000:ed-4:v1:en:term:3.13.9> (Last accessed: 23 September 2016).

Executive summary

The objective of this study is to contribute to an ongoing background analysis, building on work already carried out within and outside of the European Commission with respect to engagement in the garment sector to support sustainability in the garment industry. The analysis will essentially serve to assist the Commission in clarifying its ideas and identifying potential focus areas on where added value in the sector can be provided at EU level.

The main components of this study are (1) an analysis of social, environmental and economic indicators for different garment producing countries, (2) an overview and characterisation of key sustainability initiatives in the garment sector and (3) an analysis of possible opportunities to make supply chains in the garment sector more responsible.

To identify the most important garment producing countries, the consultants looked at the following aspects: (1) trade flows, (2) economic importance of the garment sector, (3) EU trade and development interests, (4) potential for the garment sector, and (5) social and environmental performance. This exercise led to a long list of 29 countries that produce or export garments. Given the EU's engagement in and with its partner countries and the objective to further strengthen this approach, EU countries were excluded from the analysis, even though some of them are important garment producers. For the countries on the short list, the consultants sought to identify "gaps" in relation to social, environmental and trade performance.

Chapter 1 seeks to analyse the most relevant sustainability initiatives and voluntary standards in the garment sector. By listing and comparing these initiatives and standards, the authors find that there have been many attempts, in the garment industry and other sectors, to standardise and harmonise requirements. In some cases, these attempts have even led to new organisations with their own specific requirements. The proliferation of sustainability standards has created awareness among garment producers, but it has also led to confusion, duplication, increased costs and more red tape. Garment producers often complain about the multiple audits they have to undergo and the many different requirements with which they have to comply. This comes at a cost to them and does not always lead to the intended behavioural changes.

Consumers now know that the conditions under which garments are produced can be bad. Over the years, most initiatives have focus on core labour issues, such as child labour, low wages, excessive working hours and obstruction of the right to organise. In the past three years, since the collapse of the Rana Plaza Complex in Bangladesh, a great number of initiatives have been set up to address safety issues for workers in factories.

There are few voluntary standards and initiatives that focus primarily on environmental issues in the garment sector. The most likely reason for this is that labour issues have always seemed more pressing for consumers, civil society organisations and campaign groups. While the textile sector has a very large impact on the environment due to the nature of its processes which involve chemicals, the direct impacts of garment producers are mainly related to energy use, waste and transport. Indirectly the production of garments has a much larger impact because of highly wasteful consumption patterns (fast fashion) and logistical arrangements.

A typical sustainability initiative is very much an amalgamation of different elements that have been introduced over time to make the initiative better. For this study, the authors have chosen to distinguish between initiatives that are aimed at implement a specific standard in the sector and initiatives that take a different approach. In general, it is safe to say that the first efforts to make supply chains more responsible were focused on the standardisation and certification of certain best practices. Many of these certification schemes were set up in the 1990s and 2000s. More recently the sector has witnessed the emergence of initiatives that seek to address social and environmental issues through collaboration with different stakeholders.

Several initiatives have a multifaceted or comprehensive approach to responsible business conduct, particularly the ones that have created systems to measure a producer's performance. An important initiative that aims to address a wide spectrum of issues is the OECD Advisory Group on Responsible supply chains in the textile and garment sector. This group is assisting the OECD Secretariat in developing a guidance document to support a common understanding of due diligence and responsible supply chain management in the garment and footwear sector, together with some capacity building activities to encourage responsible business practices in the sector.

Chapter 1 also identifies three main trends in sustainability trends: (1) A move from voluntary standards to partnership programs; (2) Focus on one production country, and (3) Back to basics: occupational health and safety. These trends are all discussed in chapter 1.

Chapter 2 identifies and maps key garment producing countries that are hotspots for development cooperation. The selected countries are:

- Far: Bangladesh, India, Cambodia, Sri Lanka, Pakistan, Vietnam, Indonesia
- Close to the EU: Turkey, Tunisia, Morocco
- Emerging: Myanmar and Ethiopia

The chapter provides snapshot of the abovementioned countries and the garment sector in these countries. For each country, the consultants describe the following aspects:

1. Key indicators
2. Key issues

3. EU trade and development interest, economic importance of the garment sector
4. Trade flows

A link is made to the implementation and importance of the Sustainable Development Goals (SDGs). The core issues and gaps in each of the countries are linked to relevant SDGs. The issues that need to be address in most of the garment producing countries are:

Political and business environment and infrastructure (SDGs 11 and 16)

Many garment producing countries deal with low levels of security and political stability. This makes these countries less attractive for foreign investment, despite preferential agreements.

Good and strong stakeholder engagement in the country through inclusive public private partnerships and forums are required for the long-term stability and sustainability of the garment manufacturing sector. Poor infrastructure, lack of streamlined logistics and / or customs procedures, and high interest rates add to the cost of doing business in the country.

Workers' rights (decent work and living wages) for garment industry workers (SDG 8 and 9)

Poor industrial relations and strikes are seen in many of the garment manufacturing countries. While minimum wages in many producing countries have been increased recently, in general workers still work on very low wages, with low levels of safety. With the help of the International Labour Organization's (ILO) presence and the Better Work programme in partnership with the International Finance Corporation (IFC) in many countries, data and statistics are recorded and more information is visible and available. Due to subcontracting and outsourcing to informal suppliers, this information does not cover all producers. Working conditions in smaller informal factories, vendors and workshops are the most worrying as they are neither visible, nor audited by international agencies.

Worker safety in general, and safety for women workers in particular, is under pressure in many countries. Although there is an ongoing dialogue among stakeholders on living wages, there are few producers that pay a living wage to their workers.

Gender equality and the economic empowerment of women in the garment sector (SDG 5)

It is estimated that in some producing countries up to 90% of the workers in the garment industry are women. The key indicators used in this study show that most garment producing countries perform poorly on gender equality. The hardship and precarious position of many of the women who work in the sector are well-documented. The media in many western countries have reported extensively on this subject.

There is little focus on improving the quality of employment for women in the sector. While more women are being added to the workforce, a very small proportion moves through the ranks and lands supervisory or management roles, for instance. This reflects their subordinated role in many societies. Some directed efforts through development funded programmes have actively facilitated training of women workers up to the next levels in garment factories. However, these are still fragmented initiatives with little strategic focus on long term capacity building or ownership at the national level.

Transparency and traceability in the supply chain (SDGs 12 and 17)

Supply chains in the garment sector can be highly fragmented and diverse, with several actors adding value at different levels. There are two key issues related to achieving transparency across garment supply chains:

- 1) It is difficult to trace the origin of a garment back to the textile production and further to the raw materials. The current system of production makes it almost impossible to assess how sustainably or ethically the fabric for the garment was processed from its raw material fibre state (e.g. natural fibre, man-made or synthetic origin such as the region or way in which the cotton was sourced, or the factory in which the polymers were extruded) to yarn or fabric. Quite often the focus of transparency initiatives is on the garment production. Not enough effort is put into looking further down the chain to see how the raw materials were processed or where they came from. Some companies that focus on producing sustainably have been able to set up adequate systems of traceability, but they usually produce and market a limited number of items or cater for a specific high-end segment.
- 2) Attempts to achieve more transparency and improve traceability systems are thwarted by subcontracting practices. This issue is very sensitive and has been a point of focus for several retailers, as well as NGOs and development agencies. While orders for garment production are given to a specific factory, often production of the complete order does not take place in the nominated factory. The nominated factory is likely to have been audited by the international retailers and brands. However, there is almost zero visibility of the various subcontractors who continue to work in the next tiers of the sector. These smaller subcontractors are often informal and unregistered, and thus have no access to direct export options or international buyers due to lacking technical skills, the absence of management systems, poor language skills and / or substandard working conditions.

Environmental sustainability and access to clean energy (SDG 7, 13 and 11)

There is less focus on environmental issues in the garment sector than there is in the textile and wet processing industry. As regions get more populated and garment manufacturing units become bigger, clean energy, sustainable waste management practises are adding to the challenges for the sector. There is a lack of awareness and the necessary information or training towards developing best practises in the sector. As a result, areas in the vicinity of factories become polluted. Clean energy for

transport of workers and staff back and forth each day is a vital component of the overall effort towards ensuring the growth of sustainable cities and townships.

Chapter 3 looks at different ways for the EU to address social and environmental issues in the garment sector. It suggests several methods to select countries and issues. Different factors are mentioned, such as:

- where the best impact could be achieved,
- which country would be interested and willing to cooperate,
- where they may be some existing EU presence and engagement or
- where an activity is most likely to be absorbed.

Chapter 4 summarizes the findings of the study and makes recommendations to the European Commission on how to contribute to making garment supply chains more sustainable and responsible. The recommendations are divided in three categories:

1. Countries: Where could EU action in the garment sector be implemented?
2. Issues: What could be the key issue / issues to focus on?
3. Implementation: What sort of actions could be developed?

Three strategies are suggested as options to consider while deciding where to geographically focus the resources and efforts. A SWOT analysis is also offered by comparing the three strategies. These are:

- Strategy 1: Many countries (e.g. the selected countries: top ten exporting countries and two emerging exporters to the EU)
- Strategy 2: Selection of countries (e.g. specific groups from within the top 10 exporting countries and emerging exporters to the EU)
- Strategy 3: Selection of one country such as an emerging garment producing country

The authors suggest to focus potential interventions on the following issues:

- Gender equality and the economic empowerment of women in the garment sector (SDG 5);
- Environmental sustainability and access to clean energy (SDG 7, 13, 11, 12);
- Workers' rights (decent work and living wages) in the garment industry (SDG 8, 9);
- Transparency and traceability in the supply chain (SDG 12, 17).

Based on the data analysis and mapping of the industry and the key initiatives, there appears to be a need for a system that helps compare / harmonise best practises and agreed benchmarks. There could be several ways of implementing EU action in the garment sector. This will eventually depend on the approach or approaches adopted by the European Commission which is / are best suited to the overall set of priorities and focus going forward.

The set of suggestions and recommendations in this report are by no means exhaustive. The approach adopted here focuses on linking thematic issues with intervention methods, which could further be customised, based on the geographical focus

The suggested areas or methods for implementation include:

- 1) Best Practices
- 2) Development cooperation as a tool
- 3) Awareness building and reaching out to consumers

There is an urgent need for collaboration, coordination and a directed effort at addressing gaps in the garment industry across key producing countries. In doing so, not only will this potentially have great impact on the welfare of people in global garment value chains, but it will also help several countries move a step closer to reducing the gaps in realising the Sustainable Development Goals.

The Commission could lead the way in an effort that could grow in sectors much beyond just the garment industry. This could have a rippling effect across the garment and textile value chain and subsequently in industries that are related and unrelated. Moving away from ad hoc interventions, this could be a first step towards the setting up of a model for continuous development and growth in a global environment, which is often lead by “quick fix” solutions and isolated initiatives.

Introduction

The European Commission is looking into strengthening support to foster responsible management of the supply chain in the garment sector. The medium to long-term objective of this approach is to achieve concrete improvements in terms of human and labour rights and environmental conditions for garment workers in developing countries.

In the informal consultations the Commission has engaged in since late 2014, all consulted actors have confirmed their interest. At the same time, stakeholders' expectations and suggestions for such an initiative vary widely, and the EU's added value as well as EU possible concrete actions is still under internal reflection.

The aim is to define a focused yet inclusive approach, which would build on an analysis of the main challenges, of the weaknesses in the garment supply chain, of the existing state-of-the-art research on relevant priorities in responsible garment supply chain management, of the areas already covered by existing initiatives (mapping), of the identified gaps, and of the EU's corresponding comparative advantage. This study seeks to provide such an analysis.

In commissioning this study it was not the European Commission's intention that the report should analyse the policy and regulatory environment. As a result no findings and recommendations related to the policy and regulatory environment have been included in this report.

The objective of this study is to contribute to an ongoing background analysis, building on work already carried out within and outside of the Commission with respect to an initiative in the garment sector to support sustainability in the garment industry.

The analysis essentially serves to assist the Commission in clarifying its ideas and identifying potential focus areas on where the EU can provide added value in the sector.

Methodology

This report is the result of secondary desk research, stakeholder input and five meetings with the Commission. It was written in the period between January and December 2016. Both researchers had a total of approximately 30 days to carry out data analysis, attend progress meetings and write the report. Given the limited time available, this study offers an overview (or snapshot) of the issues and solutions in the sector. The authors believe that a more in-depth analysis of issues, initiatives and stakeholder demands is needed.

The main components of this study are (1) an analysis of social, environmental and economic indicators for different garment producing countries, (2) an overview and characterisation of key sustainability initiatives in the garment sector and (3) an analysis of possible opportunities to make supply chains in the garment sector more responsible.

To identify the most important garment producing countries, the consultants looked at the following aspects: (1) trade flows, (2) economic importance of the garment sector, (3) EU trade and development interests, (4) potential for the garment sector, and (5) social and environmental performance. This exercise led to a long list of 29 countries that produce or export garments:

Austria	Myanmar
Bangladesh	Netherlands
Belgium	Pakistan
Bulgaria	Poland
Cambodia	Portugal
China	Romania
Czech Republic	Slovakia
Denmark	Spain
Ethiopia	Sri Lanka
France	Sweden
Germany	Tunisia
India	Turkey
Indonesia	United Kingdom
Italy	Vietnam
Morocco	

Given the EU's engagement in and with its partner countries and the objective to further strengthen this approach, the study focuses on producing countries outside of the EU, even though some European countries are important garment producers. The shortlist of countries for analysis was defined as:

Bangladesh	Sri Lanka
Cambodia	Tunisia
China (as an investment partner)	Turkey
India	Vietnam
Morocco	Ethiopia
Pakistan	Myanmar

For these countries, the consultants sought to identify “gaps” in relation to social, environmental and trade performance. The following indicators were used:

Social and environmental indicators	Trade-related indicators
Gender equality	Competitiveness
Anti-corruption	Ease of trading
Protection of collective labour rights	Trade facilitation
Ratification of fundamental ILO conventions	
Political rights	
Civil liberties	
Environmental performance	

These indicators were selected because of the availability of objective and comparable data from authoritative sources for all, if not most of the shortlisted countries. The following sources were used for the indicators:

Gender equality

Global Gender Gap Index 2016, World Economic Forum²¹

Anti-corruption²²

Corruption Perceptions Index 2015, Transparency International

This index measures the perceived levels of public sector corruption worldwide, on a scale from 0 (highly corrupt) to 100 (very clean).

Protection of collective labour rights²³

ITUC Global Rights Index 2016, published by the International Trade Union Confederation (ITUC).

²¹ World Economic Forum (2016) *The global gender gap report 2015*. Available at: <http://reports.weforum.org/global-gender-gap-report-2015/> (Last accessed: 10 October 2016).

²² Transparency International (2015) *Corruption perceptions index 2015*. Available at: <https://www.transparency.org/cpi2015> (Last accessed: 10 October 2016).

²³ ITUC (2016) *The 2016 ITUC Global Rights Index*. Available at: http://www.ituc-csi.org/IMG/pdf/survey_ra_2016_eng.pdf (Accessed: 17 November 2016).

The main indicators used in this index are: (1) Civil liberties, (2) Right to establish or join unions, (3) Trade union activities, (4) Right to collective bargaining, (5) Right to strike.

Ratification of fundamental ILO conventions²⁴

ILO's Information System on International Labour Standards.

Political rights and civil liberties²⁵

The Freedom in the World 2016 report was used for this indicator. This report evaluates the state of freedom in 195 countries and 15 territories. Every country is assigned two numerical ratings - from 1 to 7 - for political rights and civil liberties, with 1 representing the freest and 7 the least free. These the main indicators:

Political rights	Civil liberties
Electoral process	Freedom of expression and belief
Political pluralism and participation	Associational and organizational rights
Functioning of government	Rule of law
	Personal autonomy and individual rights

Environmental performance²⁶

For this indicator, the Environmental Performance Index (EPI) was used. This index was developed by the Yale Center for Environmental Law & Policy (YCELP) and the Center for International Earth Science Information Network (CIESIN) at Columbia University. The scores in this index are made up of two sets of indicators:

Environmental Health (40%)	Health Impacts (33%)	Child Mortality (100%)
	Air Quality (33%)	Household Air Quality (33%) Air Pollution - Average Exposure to PM2.5 (33%) Air Pollution - PM2.5 Exceedance (33%)
	Water and Sanitation (33%)	Access to Drinking Water (50%) Access to Sanitation (50%)
Ecosystem Vitality	Water Resources (25%)	Wastewater Treatment (100%)

²⁴ International Labour Organisation (no date) *NORMLEX - information system on international labour standards*. Available at: <http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:1:> (Last accessed: 10 October 2016).

²⁵ Freedom House (2016) *Freedom in the World 2016*. Available at: <https://freedomhouse.org/report/freedom-world-2016/table-scores> (Accessed: 17 November 2016).

²⁶ Yale Center for Environmental Law & Policy (2016) *Environmental Performance Index*. Available at: <http://epi.yale.edu/country-rankings> (Last accessed: 10 October 2016).

(60%)	Agriculture (5%)	Agricultural Subsidies (50%) Pesticide Regulation (50%)
	Forests (10%)	Change in Forest Cover (100%)
	Fisheries (10%)	Coastal Shelf Fishing Pressure (50%) Fish Stocks (50%)
	Biodiversity and Habitat (25%)	Terrestrial Protected Areas (National Biome Weights) (25%) Terrestrial Protected Areas (Global Biome Weights) (25%) Marine Protected Areas (25%) Critical Habitat Protection (25%)
	Climate and Energy (25%)	Trend in Carbon Intensity (weighting varies according to GDP) Change of Trend in Carbon Intensity (weighting varies according to GDP) Trend in CO2 Emissions per KWH (33%)

Competitiveness²⁷

The Global Competitiveness Report 2016–2017, World Economic Forum.

This study assesses the competitiveness landscape of 138 economies, providing insight into the drivers of their productivity and prosperity.

Enabling trade²⁸

Global Enabling Trade Index 2014, World Economic Forum.

The Enabling Trade Index (ETI) Framework is a compilation of individual indicators into a single index. The ETI framework captures the various dimensions of enabling trade, breaking them into four overall issue areas, called subindexes:

- Market access: This subindex measures the extent and complexity of a country's tariff regime, as well as tariff barriers faced and preferences enjoyed by a country's exporters in foreign markets.
- Border administration: This subindex assesses the quality, transparency, and efficiency of border administration of a country.

²⁷ World Economic Forum (2016) *The global competitiveness report 2016–2017*. Available at: <https://www.weforum.org/reports/the-global-competitiveness-report-2016-2017-1/> (Last accessed: 17 November 2016).

²⁸ World Economic Forum (2014) *Global enabling trade report 2014*. Available at: <https://www.weforum.org/reports/global-enabling-trade-report-2014/> (Last accessed: 10 October 2016).

- **Infrastructure:** This subindex assesses the availability and quality of transport infrastructure of a country, associated services, and communication infrastructure, necessary to facilitate the movement of goods within the country and across the border.
- **Operating environment:** This subindex measures the quality of key institutional factors impacting the business of importers and exporters active in a country.

These four areas are in turn subdivided into components, called pillars that capture more specific aspects within their respective broad issue areas. Each of them is composed of several indicators.

Trade facilitation²⁹

Organization for Economic Co-operation and Development (OECD) Trade Facilitation indicators.

This set of trade facilitation indicators identifies areas for action and enables the potential impact of reforms to be assessed. Estimates based on the indicators provide a basis for governments to prioritise trade facilitation actions and mobilise technical assistance and capacity-building efforts for developing countries in a more targeted way.

The OECD indicators cover the full spectrum of border procedures for 152 countries across income levels, geographical regions and development stages.

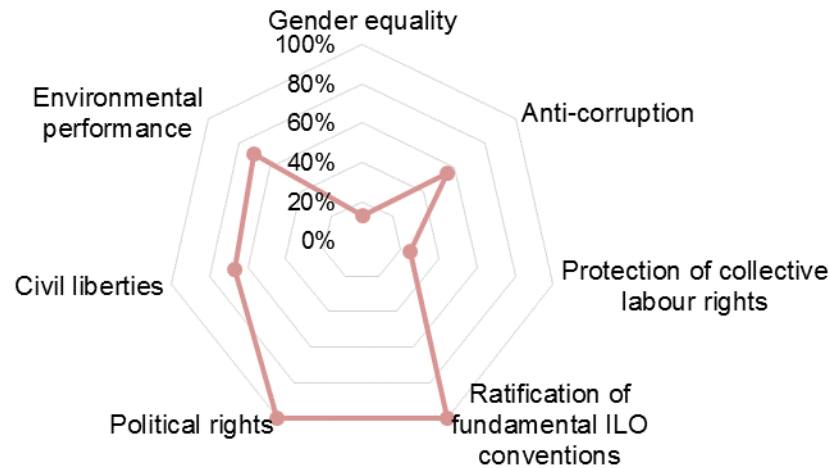
Garment sector characteristics

Information from World Trade Organization (WTO) statistics, International Trade Centre (ITC) Market Analysis Tools such as Trade Map and MacMap, ILO, inputs from country sector associations, sector knowledge of consultant experts supported by a review of published sector studies and reports.

For each country, the social, environmental and trade indicators were plotted in two spider charts. Figure 1 and Figure 2 show how indicators are visualised in this report. Tunisia is used as an example.

²⁹ OECD (no date) *Trade facilitation indicators*. Available at: <http://www2.compareyourcountry.org/trade-facilitation> (Last accessed: 10 October 2016).

Figure 1: example of spider chart with social and environmental indicators - Tunisia



Tunisia scores a 100% in two categories: political rights and ratification of fundamental ILO conventions. This means that Tunisia gets the highest score (1) for political rights in the Freedom in the World 2016 report and that it has ratified all fundamental ILO conventions. Countries that have ratified 7 of the 8 fundamental ILO conventions get 88%; countries that have ratified 4 out of 8 get 50%. In gender equality, Tunisia ranks 126 out of a total of 145 countries. This is a very low score: the country gets 13.19%. Here is a table with all scores and calculations for Tunisia:

Table 1: social and environmental indicators, scores and calculations for Tunisia (example)

Indicator	Score	Calculation	Percentage
Gender equality	Ranks 126 of 145 countries (145 is the worst)	$((144+1)-126)/144=0.13194$	13.19%
Anti-corruption	Ranks 76 of 167 countries (167 is the worst)	$((167+1)-76)/167=0,550$	55%
Protection of collective labour rights	Score of 4 on a scale of 1 to 5 (5 is the worst)	$(5-4)*(1/4)=0.25$	25%
Ratification of fundamental ILO conventions	Has ratified 8 out of 8 fundamental ILO conventions	$8*(1/8)=1$	100%
Political rights	Scores 1 on a scale of 1 to 7 (7 is the worst)	$(7-1)*(1/6)=1$	100%

Indicator	Score	Calculation	Percentage
Civil liberties	Scores 3 on a scale of 1 to 7 (7 is the worst)	$(7-3) \cdot (1/6) = 0,666$	66.67%
Environmental performance	Ranks 53 out of 180 countries (180 is the worst)	$((180+1)-53)/180 = 0,711$	71.11%

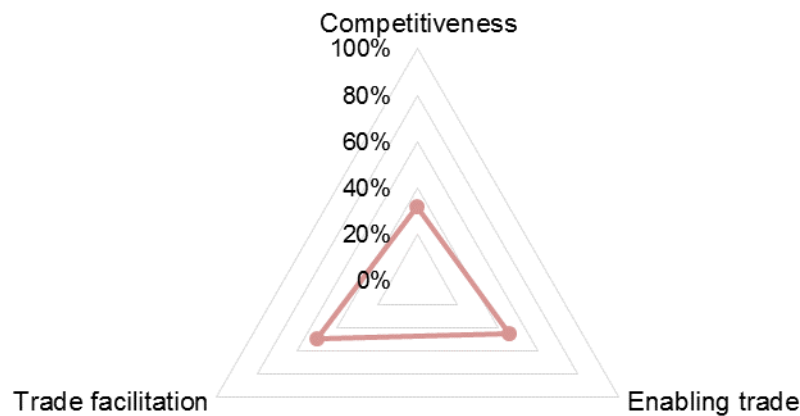


Figure 2: example of spider chart with trade indicators - Tunisia

In competitiveness, for example, Tunisia ranks 95 out of 138 countries. This is a relatively low score: the percental score is 31.88%. Table 2 explains the calculations of the trade indicators for Tunisia.

Table 2: trade indicators, scores and calculations for Tunisia (example)

Indicator	Score	Calculation	Percentage
Competitiveness	Ranks 95 of 138 countries	$((138+1)-95)/138 = 0.3188$	31.88%
Enabling trade	Ranks 76 of 138 countries	$((138+1)-76)/138 = 0.4565$	45.65%
Trade facilitation	Scores 1 on a scale of 0 to 2 (2 is the best)	$(1 \cdot 1)/2 = 0.5$	50%

1 Sustainability initiatives and voluntary standards in the garment sector

1.1 Introduction

In the early 1990s, the Clean Clothes Campaign started mobilising civil society organisations, workers, and activists to push for better working conditions in the garment supply chain.³⁰ Since then, the world has seen scores of global and local initiatives to address labour, environmental and other sustainability issues in the garment industry. Many are still around; others have merged, failed or faded.

With corporate social responsibility (CSR) on the rise in the 1990s and 2000s, companies and civil society organisations developed many different types of voluntary standards and compliance mechanisms for garment supply chains, often without the participation of governments.³¹ Retailers started adopting codes of conduct, which required manufacturers to adhere to certain standards if they wanted to be a vendor or a supplier to them.³²

Simultaneously, civil society organisations called for the creation of a specific regulatory framework for business behaviour in global value chains. These efforts led to the development of quasi-legal or soft-law instruments endorsed by governments, such as the principles of the UN Global Compact, the revised OECD Guidelines for Multinational Enterprises, and the UN Guiding Principles on Business and Human Rights.

The reality is that most social and environmental “requirements” are voluntary and set by non-governmental organisations, multi-stakeholder initiatives and business associations. In some industries, voluntary sustainability standards function as *de facto* regulation and play an important role in building responsible supply chains³³, but this is hardly the case in the garment sector.

³⁰ Sluiter, L. (2009) *Clean clothes: A global movement to end sweatshops*. London: Pluto Press.

³¹ Ward, H. and Ha, M.-L. (2012) *Voluntary social and environmental standards and public governance: Reviewing the evidence and setting principles for standards-setters*. Available at: <http://pacinst.org/app/uploads/2013/06/pacinst-standards-and-public-governance-review-nov-2012.pdf> (Accessed: 21 September 2016).

³² Slob, B. (2008) 'Global supply chains: the importance of traceability and transparency', in *Business and poverty: Innovative strategies for global CSR*. Vienna: ICEP, pp. 167–174.

³³ An example of this is sustainable timber in the Netherlands, where about 75 percent of timber is either FSC or PEFC certified. Cf. *Duurzame productieketens: Hout, 2005-2013* (2015) Available at: <http://www.clo.nl/indicatoren/nl1465-duurzaam-hout-import-en-marktaandeel> (Accessed: 21 September 2016).

There have been many attempts, in the garment industry and other sectors, to standardise and harmonise requirements.³⁴ In some cases, these attempts have even led to new organisations with their own specific requirements.³⁵ The proliferation of sustainability standards has created awareness among garment producers, but it has also led to confusion, duplication, increased costs and more red tape.³⁶ Garment producers often complain about the multiple audits they have to undergo and the many different requirements with which they have to comply. This comes at a cost to them and does not always lead to the intended behavioural changes. It may cause producers to see social auditing and conformity assessment as a merely bureaucratic exercise. As a result, scholars, civil society organisations and activists have questioned the reliability of social audits and certification systems.³⁷

Both retailers and manufacturers find it time-consuming and expensive to undertake extensive audits.³⁸ Initiatives with relatively low standards and less demanding requirements are more popular than initiatives that set the bar very high. An example of the latter is the Fair Wear Foundation, which has grown at a slow pace since it was founded in 1999. A more popular and less demanding initiative, the Business Social Compliance Initiative (BSCI) has become quite common as a factory audit system and is required by many retailers and brands across Europe.³⁹

Larger retailers who develop sourcing strategies often have to engage with many different initiatives at the same time. H&M, one of the world's major retailers, is

³⁴ An example of a failed attempt to harmonise standards in the sector is the Joint Initiative on Accountability and Worker's Rights (JO-IN), which started in 2004 and ended, without results, in 2007.

³⁵ FRANSEN, L. (2011) 'Why do private governance organizations not converge? A political-institutional analysis of transnational labor standards regulation', *Governance*, 24(2), pp. 359–387.

³⁶ Huijstee, M. van, Kerckhoffs, T. and Slob, B. (2010) *Making private standards work for you: a guide to private standards in the garments, footwear and furniture sectors*. Available at: https://www.unido.org/fileadmin/user_media/Uploads/Documents/UNIDO_%20Guidelines_web.pdf (Accessed: 26 September 2016).

³⁷ Cf. Pruett, D. (2005) *Looking for a quick fix: how weak social auditing is keeping workers in sweatshops*. Available at: <https://cleanclothes.org/resources/publications/05-quick-fix.pdf> (Accessed: 26 September 2016); Ruwanpura, K.R. (2014) 'Scripted performances? Local readings of "global" health and safety standards (the apparel sector in Sri Lanka)', *Global Labour Journal*, 4(2); Marx, A. and Wouters, J. (2015) 'Redesigning enforcement in private labor regulation: will it work?', *International Labour Review*. Kim, J.Y. (2013) 'The politics of code enforcement and implementation in Vietnam's apparel and footwear factories', *World Development*, 45, pp. 286–295.

³⁸ Sinkovics, N., Hoque, S.F. and Sinkovics, R.R. (2016) 'Rana Plaza collapse aftermath: Are CSR compliance and auditing pressures effective?', *Accounting, Auditing & Accountability Journal*, 29(4), pp. 617–649.

³⁹ Cf. Knudsen, J.S. (2012) 'The growth of private regulation of labor standards in global supply chains: Mission impossible for western small- and medium-sized firms?', *Journal of Business Ethics*, 117(2), pp. 387–398; International Trade Centre (no date) *Standards Map*. Available at: <http://www.standardsmap.org/> (Accessed: 30 September 2016).

worried about this. In a policy statement sent to the European Commission in June 2016 it said: "We are concerned that multiple and parallel initiatives may be counterproductive or duplicative between each other, or between other existing international guidelines, standards, or existing partnerships and collaboration forums." The company highlights several practical examples of duplication: "We are already implementing strategies for all the issues addressed in both the German as well as the Dutch Initiatives. International collaboration forums bringing together a critical mass of international brands have already been formed with the aim of, for example achieving Fair Living Wages in the supply chain. Repeating same or similar (and in the worst case slightly different) parallel conversations and processes will slow down the progress we all want to see. We can already observe for example that the German Partnership for Sustainable Textiles is currently mapping an own set of KPIs to measure members on their sustainability performance, instead of using what is developed by the industry together with NGOs and academia".⁴⁰

In the field of safety, ISO and EU standards should be noted. The European committee for standardisation (CEN) has set standards that focus on EU-wide product safety. There are several EU standards that are relevant for textiles and clothing. The key areas of focus are chemical content, dimensional stability (for certain types of fabrics and textile products) flammability, product safety for babywear and children's products and strength of some fabric types.⁴¹ These standards are not analysed in this report, because they do not address social or environmental impacts primarily.

1.2 Grouping standards and other initiatives

While studying standards and initiatives across the textiles and garment sector, one can observe certain trends that have evolved over the years. It is important to note that any attempt to group and categorise sustainability initiative will always be an incomplete and somewhat arbitrary exercise. A typical sustainability initiative is very much an amalgam of different elements that have been introduced over time to make the initiative better. An initiative that functions as a certification scheme, for example, may also develop guidance for companies in the supply chain, set up a platform for dialogue and engage in advocacy with governmental organisations. For this study, the authors have chosen to distinguish between initiatives that are aimed at implement a specific standard in the sector and initiatives that take a different approach. In general, it is safe to say that the first efforts to make supply chains more responsible were focused on the standardisation and certification of certain best practices. Many of these certification schemes were set up in the 1990s and 2000s. More recently the

⁴⁰ Halldin, P. (2016) *H&M's comments on EU-Garment Initiative and National Initiatives – June 2016*.

⁴¹ European Parliament and of the Council (2002) *DIRECTIVE 2001/95/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 3 December 2001 on general product safety*. Available at: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32001L0095&from=EN> (Accessed: 26 September 2016).

sector has witnessed the emergence of initiatives that seek to address social and environmental issues through collaboration with different stakeholders.

Table 3 is a non-exhaustive list of voluntary standards that are relevant to the garment sector. Not all of these initiatives were conceived specifically for the garment industry, but all of them are now used as standards by companies in the sector. The list is by no means exhaustive, but it compares the characteristics of initiatives that have developed standards with different categories of criteria. It is based on data provided by ITC's Standards Map, the initiatives' websites, and independent academic studies.⁴² ITC's Standards Map distinguishes five different categories of criteria: social, environmental, management, quality and ethics. The table shows that many standards are mainly about social aspects. For example, social criteria cover 84 percent of the SA8000 standard. Only 1 percent of the criteria in this standard relate to the environment.

Table 4 lists initiatives that do not function as conventional standards - with codes of conduct, conformity assessments and certification mechanism. In general, these initiatives seek to bring about structural changes in the sector. Some involve binding agreements between companies, governments and trade unions, but most of them operate as development programmes backed with public funds.

⁴² Cf. International Trade Centre (no date) *Standards Map*. Available at: <http://www.standardsmap.org/> (Accessed: 30 September 2016).

Table 3: Non-exhaustive list of voluntary sustainability standards in the garment sector⁴³

Initiative	Origin	Country of origin	Main market orientation	Type	Founded	Social	Environment	Management	Quality	Ethics
OEKO-Tex	Industry	Germany, Austria	Germany	Certification scheme	1992	1%	27%	2%	53%	0%
EU Ecolabel	Government	European Union	Europe	Label	1992	17%	76%	2%	4%	2%
SA8000	Civil society	USA	Europe, North America	Certification scheme, label, code of conduct	1997	84%	1%	9%	0%	6%
Ethical Trading Initiative (ETI)	Multistakeholder	UK		Code of conduct	1998	88%	0%	6%	0%	6%
Initiative Clause Sociale (merging with BSCI)	Industry	France, Belgium	France, Belgium	Code of conduct, certification scheme	1998	89%	0%	11%	0%	0%
FLA	Multistakeholder	USA	North America	Code of conduct	1999	88%	0%	6%	0%	6%
Fair Wear Foundation	Civil society	Netherlands	Europe	Code of Conduct, label	1999	90%	0%	7%	0%	3%
Worldwide Responsible Accredited Production (WRAP)	Industry	UK	Europe, North America	Certification scheme	2000	69%	17%	8%	0%	6%
SEDEX	Industry	UK		Data sharing	2001	55%	23%	11%	0%	11%

⁴³ Data obtained via International Trade Centre (no date) *Standards Map*. Available at: <http://www.standardsmap.org/> (Last accessed: 14 October 2016).

Initiative	Origin	Country of origin	Main market orientation	Type	Founded	Social	Environment	Management	Quality	Ethics
BSCI	Industry	Belgium	Europe	Certification scheme, label, code of conduct	2003	75%	9%	8%	0%	8%
Asia Floor Wage Alliance	Civil society	Netherlands, India	Europe, North America	Standard	2005	100%	0%	0%	0%	0%
Fair Trade	Civil society		Europe, North America	Certification scheme, label	2005	37%	38%	13%	9%	3%
Cotton Made in Africa	Civil society	Germany	Europe, North America	Standard, certification scheme	2005	39%	43%	11%	3%	4%
Global Organic Textile Standard (GOTS)	Industry	Germany	Europe, North America	Standard, certification scheme	2006	51%	33%	9%	5%	2%
Global Social Compliance Program (GSCP)	Industry			Harmonisation programme	2006	100%	0%	0%	0%	0%
Global Social Compliance Program (GSCP), environment levels	Industry	Germany	Europe, North America	Harmonisation programme	2006	0%	100%	0%	0%	0%
Better Cotton Initiative	Multistakeholder	Switzerland	Europe, North America	Standard, certification scheme	2009	46%	45%	4%	1%	3%

Table 4: Non-exhaustive list of sustainability initiatives and programmes (other than standards) in the garment sector

Initiative	Origin	Country of origin	Main market orientation	Type	Founded
Clean Clothes Campaign	Civil society	Netherlands	Europe	Campaign	1989
Maquila Solidarity Network	Civil society	Canada	North America	Campaign	1994
Ethical Trading Initiative Norway	Multistakeholder	Norway	Norway	Guidelines	2000
Better factories Cambodia	ILO	Cambodia, ILO	Europe, North America	Programme	2001
Garments without Guilt	Industry	Sri Lanka	Europe, North America	Programme	2002
Made-By	Civil society	Netherlands	Europe	Consultancy	2004
Better Work Programme	Government	ILO, IFC	Europe, North America	Programme	2006
Danish Ethical Trading Initiative	Multistakeholder	Denmark	Denmark	Programme	2008
ITC Ethical Fashion Initiative	United Nations	United Nations	Europe, North America	Programme	2009
Sweden Textile Water Initiative	Multistakeholder	Sweden	Sweden	Guidelines	2010
Responsible and Accountable Garment Sector Challenge Fund	Government	UK	UK	Programme	2010
Sustainable Apparel Coalition (SAC), HIGG Index	Industry	USA	North America, Europe	Guidelines	2011
Sustainable Clothing Action Plan (SCAP)	Multistakeholder	UK	UK	Programme	2011
Accord on Fire and Building Safety in Bangladesh	Multistakeholder		Europe	Legally binding agreement	2013
Alliance for Bangladesh Worker Safety	Multistakeholder	USA	North America	Partially binding agreement	2013
Responsible supply chains in the textile and garment sector (OECD advisory group)	Multistakeholder		Europe, North America	Guidelines	2013
Action Plan on Bangladesh	Government	Italy	Italy	Programme	2013

Initiative	Origin	Country of origin	Main market orientation	Type	Founded
Bangladesh Sustainability Compact	Government	EU	Europe	Programme	2013
Initiative to Promote Fundamental Labour Rights and Practices in Myanmar	Government	USA, Japan, Denmark, ILO	Europe, North America	Programme	2014
Buyers Forum for Textiles Pakistan	Government	Pakistan, ILO	Europe	Programme	2014
Race to the Top Vietnam	Multistakeholder	Vietnam, Netherlands, Denmark	Europe	Programme	2014
Partnership for Sustainable Textiles	Government	Germany	Europe	Programme	2014
Action Plan for making the Dutch textiles and garment industries more sustainable	Industry	Netherlands	Netherlands	Programme	2014
Improving industrial relations in Cambodia's garment industry	Industry, ILO	Sweden	Sweden	Programme	2014
Social and Labor Convergence Project	Multistakeholder	Netherlands	Europe, North America	Harmonisation programme	2015
Business Environmental Performance Initiative (BEPI)	Industry	Belgium	Europe, North America	Management system	2015
Dutch Textile Covenant	Government	Netherlands	Netherlands	Binding agreement	2016

1.3 Focus on social aspects

Since the late 1980s, civil society organisations have advocated for better working conditions in the garment sector. The publication of research reports, investigative journalism and naming-and-shaming campaigns by watchdogs and some public initiatives have resulted in increased consumer awareness. Mainstream media have also contributed to this.⁴⁴

Consumers now know that the conditions under which garments are produced can be quite bad. Over the years, most initiatives have focus on core labour issues, such as child labour, low wages, excessive working hours and obstruction of the right to organise (see Table 3). In the past three years, since the collapse of the Rana Plaza Complex, a great number of initiatives have been set up to address safety issues for workers in factories. Organizations like the Accord on Fire and Building Safety in

⁴⁴ See for example BBC (2008) *Blood, sweat and t-shirts*. Available at: <http://www.bbc.co.uk/programmes/b00b0xsh> (Last accessed: 17 October 2016).

Bangladesh seeks to ensure workers' safety by inspecting factories.⁴⁵ It is too early to fully assess the extent to which this approach will make a long-lasting difference for workers and companies in the sector but it has enabled some significant progress with regard to workers' health and safety with numerous Bangladeshi garment factories being inspected.⁴⁶

When it comes to non-technical labour standards, such as freedom of association, the right to bargain collectively and the elimination of discrimination, there is a realisation that auditors cannot assure that producers do not violate these rights.⁴⁷ That is why many organisations are now discussing the alternatives or possible complement to social auditing. So far the "beyond auditing" debate has not led to many practical solutions for the garment sector. For lack of anything better, companies that want to show that they are socially responsible still rely heavily on standards with auditing systems, i.e. BSCI, SA8000 and the Ethical Trading Initiative (ETI).

The industry, civil society organisations and governments are aware of the limitations of auditing, but there does not appear to be any easy solution to replace the current system. These are some of most heard criticisms:

- Audits do not reveal an accurate picture of what conditions are like. Most audits represent a snapshot of a given point in time. Standard audit methodologies rarely allow for digging deep to discover the root causes of workers' rights violations, or for assessing the risk of future violations;
- Companies often employ external, or "third party" auditors to carry out site inspections. In many cases, the budgets available to pay them are quite small, so quality is compromised. Companies also often lack the bargaining power to get the individuals they want and there is a limited supply of experienced auditors with the necessary range of skills required;
- Suppliers have been complaining about the number of audits they have to go through, which has contributed to audit fatigue. The majority of retailers and brands do not accept audits conducted for other companies. To help combat audit fatigue, industry-wide audit sharing initiatives have been set up, such as SEDEX.⁴⁸ The issue with these sharing initiatives is that none of them have achieved a significant market share in the garment sector.

⁴⁵ Accord on Fire and Building Safety in Bangladesh (2015) *The Bangladesh accord on fire and building safety*. Available at: <http://bangladeshaccord.org/> (Last accessed: 19 October 2016).

⁴⁶ Reinecke, J. and Donaghey, J. (2015) 'After Rana Plaza: Building coalitional power for labour rights between unions and (consumption-based) social movement organisations', *Organization*, 22(5), pp. 720–740; Reinecke, J. and Donaghey, J. (2015) *The 'accord for fire and building safety in Bangladesh' in response to the Rana Plaza disaster*. Available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2562144 (Last accessed: 19 October 2016).

⁴⁷ Short, J.L., Toffel, M.W. and Hugill, A.R. (2015) 'Monitoring global supply chains', *Strategic Management Journal*, 37(9), pp. 1878–1897.

⁴⁸ SEDEX (no date) *Empowering sustainable and ethical supply chains*. Available at: <http://www.sedexglobal.com/> (Last accessed: 19 October 2016).

- Many companies continue to adopt a zero-tolerance approach to auditing, threatening to drop suppliers if they fail to make the grade. This has encouraged suppliers to deceive auditors and brands in order to stay in business.⁴⁹

A relatively recent development is the emergence of initiatives that aim to improve social conditions in the sector in one specific country. Examples are the initiatives focused on in Bangladesh, Cambodia and Myanmar (see Table 4).

1.4 Focus on the environment

There are few voluntary standards and initiatives that focus primarily on environmental issues in the garment sector. The most likely reason for this is that labour issues have always seemed more pressing for consumers, civil society organisations and campaign groups. While the textile sector has a very large impact on the environment due to the nature of its processes which involve chemicals, the direct impacts of garment producers are mainly related to energy use, waste and transport. Indirectly the production of garments has a much larger impact because of highly wasteful consumption patterns (fast fashion) and logistical arrangements.⁵⁰

One of the few initiatives that focus on environmental issues in the garment supply chain is the Sustainable Clothing Action Plan (SCAP) aims is to improve the sustainability of clothing across its lifecycle. Starting from a baseline year of 2012, SCAP signatories have committed to:

- 15 percent reduction in carbon footprint;
- 15 percent reduction in water footprint;
- 15 percent reduction in waste to landfill; and
- 3.5 percent reduction in waste arising over the whole product life-cycle.

SCAP was set up by the Waste and Resources Action Programme (WRAP) and has been signed by 87 organisations in the UK. In November 2015, WRAP reported that after two years retailers, brands and organisations from across the clothing supply chain had reduced water impacts by 12.5 percent per tonne of clothing, against a 15 percent reduction target by 2020. According to WRAP, they were also making progress to cut carbon impacts, having achieved a 3.5 percent reduction per tonne of clothing against a 15 percent reduction target.⁵¹

⁴⁹ Ethical Trading Initiative (no date) *Auditing working conditions*. Available at: <http://www.ethicaltrade.org/issues/auditing-working-conditions> (Last accessed: 19 October 2016).

⁵⁰ Turker, D. and Altuntas, C. (2014) 'Sustainable supply chain management in the fast fashion industry: An analysis of corporate reports', *European Management Journal*, 32(5), pp. 837–849; Kozlowski, A., Bardecki, M. and Searcy, C. (2012) 'Environmental impacts in the fashion industry', *Journal of Corporate Citizenship*, 2012(45), pp. 16–36.

⁵¹ WRAP (2015) *Clothing sector 'looking good' as it cuts carbon and water impacts on way to 2020 targets*. Available at: <http://www.wrap.org.uk/SCAPprogressupdate> (Last accessed: 19 October 2016).

Although the EU's REACH legislation is not a voluntary private standard, it has had an impact on the production methods of many garment producers.⁵² REACH came into force in 2007 and focuses on the chemical content of the fabric. This is now mandatory and set at the EU level for all imports coming into the EU: "*REACH (EC 1907/2006) aims to improve the protection of human health and the environment through the better and earlier identification of the intrinsic properties of chemical substances. This is done by the four processes of REACH, namely the registration, evaluation, authorisation and restriction of chemicals.*"⁵³ REACH is now in its third phase, which focuses on sharing information and reducing testing of substances if they have already been done. These databases are intended for sharing and cooperation between REACH registered companies.

1.5 Initiatives that address several aspects of responsible supply chain management

Several initiatives have a multifaceted or holistic approach to responsible business conduct, particularly the ones that have created systems to measure a producer's performance. The Sustainable Apparel Coalition (SAC) is one of these. They have developed a set of self-assessment tools that can help companies measure their environmental and social impacts and identify areas for improvement.⁵⁴

An important initiative that aims to address a wide spectrum of issues is the OECD Advisory Group on Responsible supply chains in the textile and garment sector. This group is developing guidance to support a common understanding of due diligence and responsible supply chain management in the garment and footwear sector, together with some capacity building activities to encourage responsible business practices in the sector. The idea here is to apply due diligence to all themes covered by the OECD Guidelines for Multinational Enterprises.⁵⁵

⁵² European Commission (no date) *REACH - chemicals - environment - European Commission*. Available at: http://ec.europa.eu/environment/chemicals/reach/reach_en.htm (Accessed: 19 October 2016).

⁵³ Ibid.

⁵⁴ O'Rourke, D. (2014) 'The science of sustainable supply chains', *Science*, 344(6188), pp. 1124–1127.

⁵⁵ OECD (no date) *Responsible supply chains in the garment and footwear sector*. Available at: <https://mneguidelines.oecd.org/responsible-supply-chains-textile-garment-sector.htm> (Last Accessed: 20 October 2016).

1.6 Key trends in sustainability initiatives

1.6.1 From voluntary standards to partnership programs

There is a trend towards setting up partnerships between organisations – public and private - to help solve structural issues in the garment sector. An example of this is the partnership between H&M and ILO to develop a sustainability initiative to address industrial relations in Ethiopia for the garment sector.⁵⁶ This type of collaboration goes beyond the conventional global framework agreement approach between trade unions and multinationals. In 2016, for example, Inditex and IndustriALL signed an agreement to designate trade union experts to reinforce workers' rights in Inditex's supply chain.⁵⁷

Companies, unions, governments and NGOs team up to address specific issues in the sector. Amongst others, there are partnership programmes to improve wages, to promote freedom of association, to make factories safer and to reduce the ecological footprint of the sector.

The rise in partnership programs represent a move away from certifiable voluntary standards for suppliers. Most of the newer initiatives are programmes focused on structural changes in the sector rather than efforts to codify responsible supply chain management (see Table 3 and Table 4).

It is also important to note that some of these partnership programs involve binding commitments. This means that, at least in theory, there are consequences for participating companies that do not show sufficient progress. The most remarkable initiative with this kind of approach is the Accord on Fire and Building Safety in Bangladesh. The companies that have signed the Accord pay a membership fee and are responsible for ensuring sufficient funds are available to pay for structural repairs or renovations.⁵⁸ Another example is the Dutch Textile Covenant. The aim of this agreement is to prevent child labour and improve working conditions and wages in textile producing countries. Signatory brands have also agreed to inform consumers about the source and production process of their collections. Therefore, brands are

⁵⁶ ILO (2014) *ILO and H&M sign unique agreement on sustainable global supply chains in the garment industry*. Available at: http://www.ilo.org/pardev/information-resources/news/WCMS_306151/lang--en/index.htm (Last accessed: 21 October 2016); ILO (2016) *Decent work and sustainable development in the textile and garment industry in Ethiopia*. Available at: http://www.ilo.org/addisababa/media-centre/pr/WCMS_448711/lang--en/index.htm (Last accessed: 21 October 2016).

⁵⁷ IndustriALL (2016) *Experts to boost trade union rights in Inditex supply chain*. Available at: <http://www.industriall-union.org/experts-to-boost-trade-union-rights-in-inditex-supply-chain> (Last accessed: 21 October 2016).

⁵⁸ Accord on Fire and Building Safety in Bangladesh (2015) *FAQs | the Bangladesh accord*. Available at: <http://bangladeshaccord.org/about/faqs/> (Last ccessed: 21 October 2016).

expected to map their supply chains. If brands encounter risks, they should intervene and report on it.⁵⁹

1.6.2 Focus on one production country

Most initiatives in the 1990s and 2000s sought to address social and environmental issues in multiple producing countries. This seemed logical, as garments are produced in many different countries. Moreover, the negative impacts related to the production of garments in these countries were fairly similar.

There are now many initiatives with a programmatic approach that focus on one country, such as Bangladesh, Cambodia and Myanmar. In addition to efforts from the government in the producing country, usually at least one other government (in most cases Western European or North American) is involved. In some cases multiple stakeholders are involved including global retailers. Funding is often received from one or more stakeholders in Europe and / or North America.

Examples of this are the Accord⁶⁰ and Alliance⁶¹ programmes in Bangladesh, which are multistakeholder partnership initiatives focussed on one country. An example of EU supported country-focused initiative is the Bangladesh Sustainability Compact. The benefit of this type of approach is that there is a core focus on a specific country with an in-depth understanding the socio-cultural context.

Once an approach has been piloted in one country, it is often introduced or implemented in other countries. Another good example is the ILO – IFC programme 'Better Work'⁶² which started as 'Better Factories' by the ILO in Cambodia and was subsequently adapted and further developed using the learnings from Cambodia to

⁵⁹ SER (2016) *Convenant Duurzame Kleding en Textiel*. Available at: http://www.ser.nl/~media/files/internet/publicaties/overige/2010_2019/2016/convenant-duurzame-kleding-textiel.ashx (Last accessed: 21 October 2016).

⁶⁰ The Accord is an independent, legally binding agreement between brands and trade unions designed to work towards a safe and healthy Bangladeshi Ready-Made Garment Industry. Our purpose is to enable a working environment in which no worker needs to fear fires, building collapses, or other accidents that could be prevented with reasonable health and safety measures.

⁶¹ The Alliance for Bangladesh Worker Safety (Alliance) is a legally binding, five-year commitment to improve safety in Bangladeshi ready-made garment (RMG) factories. The Alliance was organized in 2013 through the Bipartisan Policy Center with discussions convened and chaired by former U.S. Senate Majority Leader George Mitchell (D-ME) and former U.S. Senator Olympia Snowe (R-ME), both of whom have a strong track record of forging consensus-oriented solutions. The collaborative process involved apparel industry companies and stakeholders including: the U.S. and Bangladeshi governments, policymakers, NGOs, members of civil society, and organized labor.

⁶² As a partnership between the UN's International Labour Organization and the International Finance Corporation, a member of the World Bank Group, Better Work brings diverse groups together – governments, global brands, factory owners, and unions and workers – to improve working conditions in the garment industry and make the sector more competitive.

develop new country programmes in Indonesia, Haiti, Lesotho, Vietnam and Jordan, which has brought on board several retailers as partners over the years.

1.6.3 Focus on health and safety

The collapse of Rana Plaza in 2013 was a shock for the entire garment industry. It showed how dangerous conditions can be in certain factories is and how little the industry paid attention to health and safety. Working in old and residential buildings which have turned into factories over time is extremely dangerous as the foundations of the buildings were never meant to support the level of vibrations and weight that a factory experiences every day. Building and structural safety and worker safety have been taken up in a very focussed manner by the Accord and Alliance initiatives in Bangladesh. This has brought together public, private and international organisations together to address these issues and to come up with common solutions.

Since the Rana Plaza disaster, some smaller incidents have happened in Bangladesh, but also in China, India and Pakistan.⁶³ It is too early to conclude that the efforts and financial resources focused on health and safety in Bangladesh could or should be replicated in other producing countries. However, the combination of an extensive inspection programme, ample financial resources and a binding agreement between major retailers and trade unions appears to have the right ingredients for long-term improvements in workplace safety.⁶⁴

⁶³ Agence France-Presse (2016) *Bangladesh packaging factory fire kills 15 and injures many more*. Available at: <https://www.theguardian.com/world/2016/sep/10/bangladesh-garment-factory-fire-kills-injures> (Last accessed: 21 October 2016); AFP (2016) *Three killed in Bangladesh textile factory fire*. Available at: <http://www.abc.net.au/news/2016-05-21/fire-kills-three-in-bangladesh-textile-factory/7434820> (Last accessed: 21 October 2016); The Fashion Law (2016) *Updated: At least 9 killed this week in Chinese, Bangladesh garment factory fires*. Available at: <http://www.thefashionlaw.com/home/at-least-eleven-killed-in-chinese-garment-factory-fire> (Last accessed: 21 October 2016).

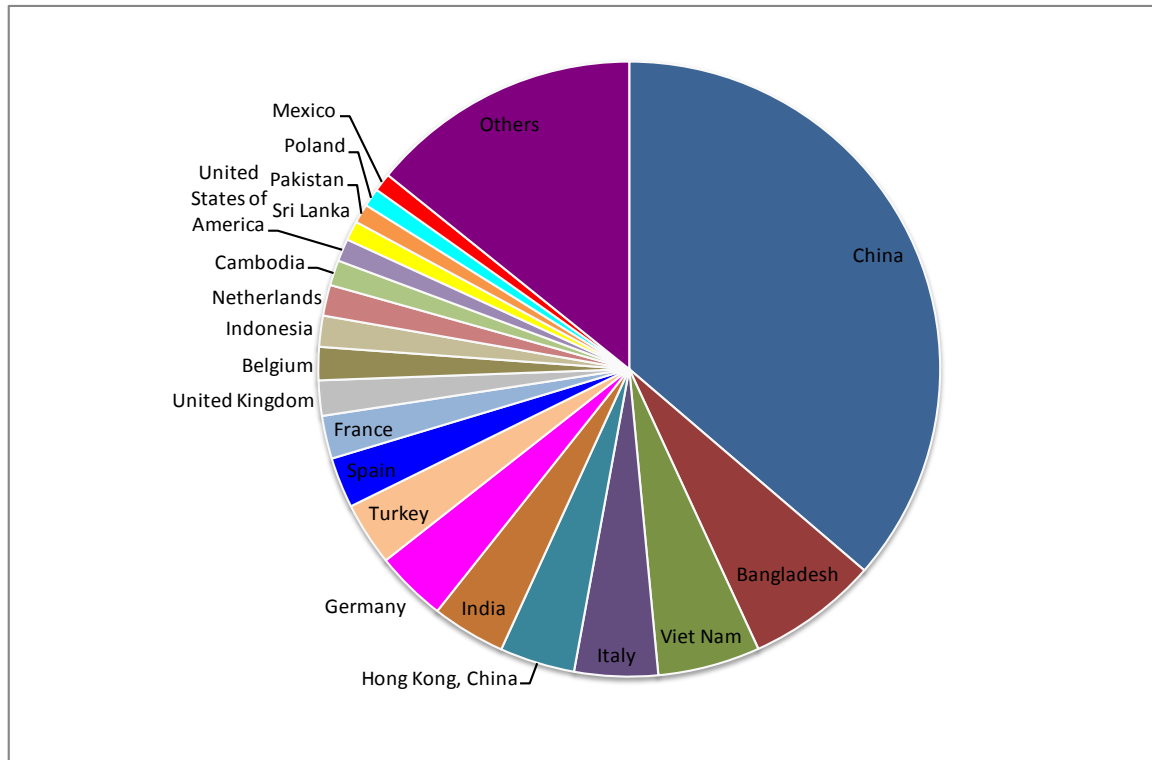
⁶⁴ Sinkovics, N., Hoque, S.F. and Sinkovics, R.R. (2016) 'Rana Plaza collapse aftermath: Are CSR compliance and auditing pressures effective?' *Accounting, Auditing & Accountability Journal*, 29(4), pp. 617–649.

2 Garment producing countries

2.1 Introduction

The global trade in textiles and clothing has grown substantially over the past years. In 2015, clothing exports were recorded at approximately USD 450 bn. China had a share of just under 30% the global clothing export trade in 2015. This is down from 2014 where China's share was close to 40%. Although China still has the biggest share of clothing exports globally, its share of global trade is shifting. Increasingly international retail brands are looking at adopting a 'China + 1 or 2' strategy where they are keen to look at other options, since China is beginning to become more expensive due to rising costs. Several manufacturers in China are now looking at production for their fast-growing domestic market. China is beginning to gain importance as an investor in other developing countries. Chinese investors are setting up factories in many lower cost garment producing countries such as Myanmar, Bangladesh, Vietnam and Ethiopia. This could, in the near future, have an influence on factory standards in these countries as well as the production methodology and have a great impact on society as well as political culture of the garment producing countries. Figure 3 provides an overview of the key clothing exporters and their share of global exports in 2015.

Figure 3: Top 20 global exporters of clothes, globally 2015⁶⁵

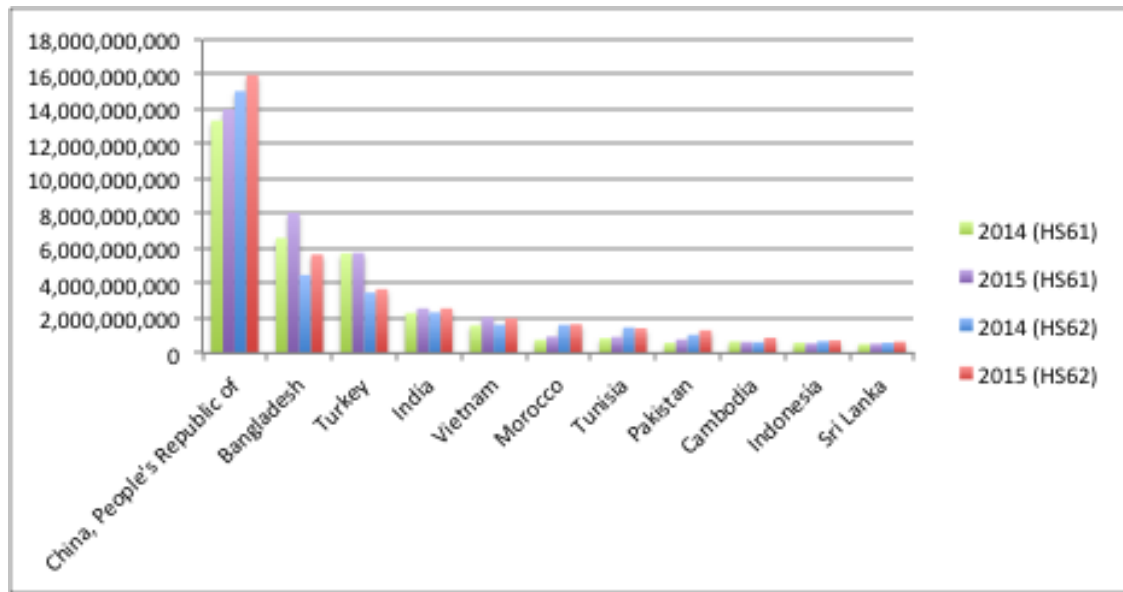


⁶⁵ International Trade Centre (no date) *Trade Map*. Available at: http://www.trademap.org/Country_SelProduct_TS.aspx (Last accessed: 6 October 2016).

This chapter provides snapshots of each of the main garment producing countries. Further information on some of the countries can be found in Annex 1.

Figure 4 shows the top clothing exporters for both knits (HS61) and non-knits (HS62) to the EU (2014 - 2015).

Figure 4: Top clothing exporters to the EU (2014 – 2015)⁶⁶



The focus of this chapter is to identify and map key hotspot garment producing countries for the EU.

As a first step, the top exporters to the EU were identified. The main non – EU garment exporting countries with the largest exports to the EU can be divided into two key regions:

- Far (Asia) and
- Close to EU (Turkey and North Africa).

The type of orders placed by EU retailers and brands tend to vary in type and price when placed 'far' or 'close'. Based on the strategies of several of the major retailers, orders placed in Asia are generally very price sensitive and more basic in design. These have longer lead times and are larger in terms of order sizes. The producing countries close to the EU often tend to be design sensitive, with smaller order sizes. They are more time sensitive in terms of quick turnaround times and the ability to provide higher value design and flexibility.

⁶⁶ Export Helpdesk of the European Commission (2016) *European commission: Trade: Export Helpdesk: Statistics*. Available at: http://exporthelp.europa.eu/thdapp/display.htm;jsessionid=68EA22A71565DE1042043806988F45F9?page=st%2fst_Statistics.html&docType=main&languageId=en (Last accessed: 10 October 2016).

Two emerging clothing exporters have also been added to the list because of their growing importance: Myanmar and Ethiopia. Both countries have the potential to become important sourcing destinations.⁶⁷ Development cooperation agencies also have a keen interest in these countries.⁶⁸

Myanmar⁶⁹

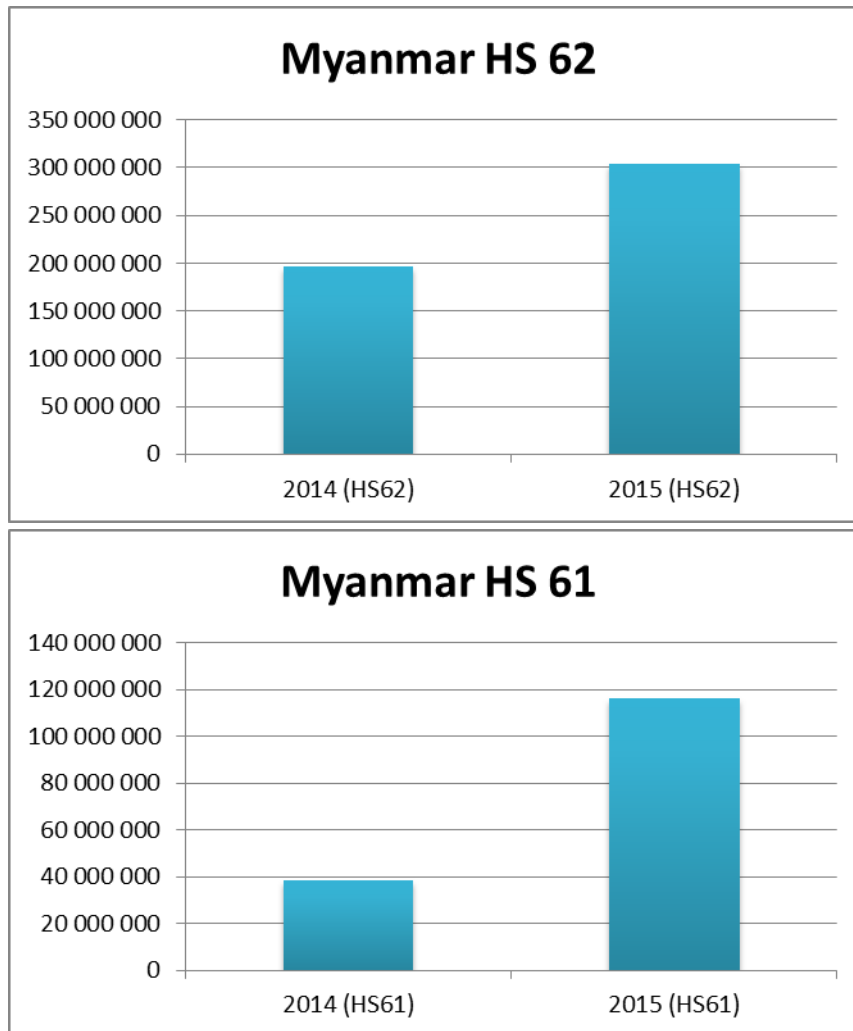
Myanmar has started exporting globally only since 2013 after years of sanctions. Garment exports to the EU have risen substantially since 2013. Exports in 2015 have grown more than 2-fold to the EU compared to 2014. The EU was one of the first to reinstate Myanmar as a beneficiary of Everything but Arms (EBA) under the Generalised Scheme of Preferences (GSP) in 2013. The EU remains strongly committed to supporting Myanmar in its economic and political development over the coming years.

⁶⁷ Tsui, W. (2016) *Myanmar rising: The garment sector takes off*. Available at: <http://economists-pick-research.hktdc.com/business-news/article/Research-Articles/Myanmar-Rising-The-Garment-Sector-Takes-Off/rp/en/1/1X000000/1X0A6IQS.htm> (Last accessed: 18 November 2016); Berg, A., Hedrich, S. and Russo, B. (2015) *East Africa: The next hub for apparel sourcing?* Available at: <http://www.mckinsey.com/industries/retail/our-insights/east-africa-the-next-hub-for-apparel-sourcing> (Last accessed: 18 November 2016); Passariello, C. and Kapner, S. (2015) *Search for ever cheaper garment factories leads to Africa*. Available at: <http://www.wsj.com/articles/search-for-ever-cheaper-garment-factories-leads-to-africa-1436347982> (Last accessed: 18 November 2016).

⁶⁸ OECD (2016) *Aid at a glance charts: Top ten recipients of bilateral ODA*; Available at: <https://www.oecd.org/dac/stats/aid-at-a-glance.htm#recipients> (Last accessed: 18 November 2016); European Commission (no date) *Ethiopia - international cooperation and development*. Available at: http://ec.europa.eu/europeaid/countries/ethiopia_en (Accessed: 18 November 2016).

⁶⁹ European Union Delegation to Myanmar (no date) *Political & economic relations*. Available at: http://eeas.europa.eu/delegations/myanmar/eu_myanmar/political_relations/index_en.htm (Last accessed: 7 October 2016).

Figure 5: Myanmar clothing exports to the EU (in €)⁷⁰



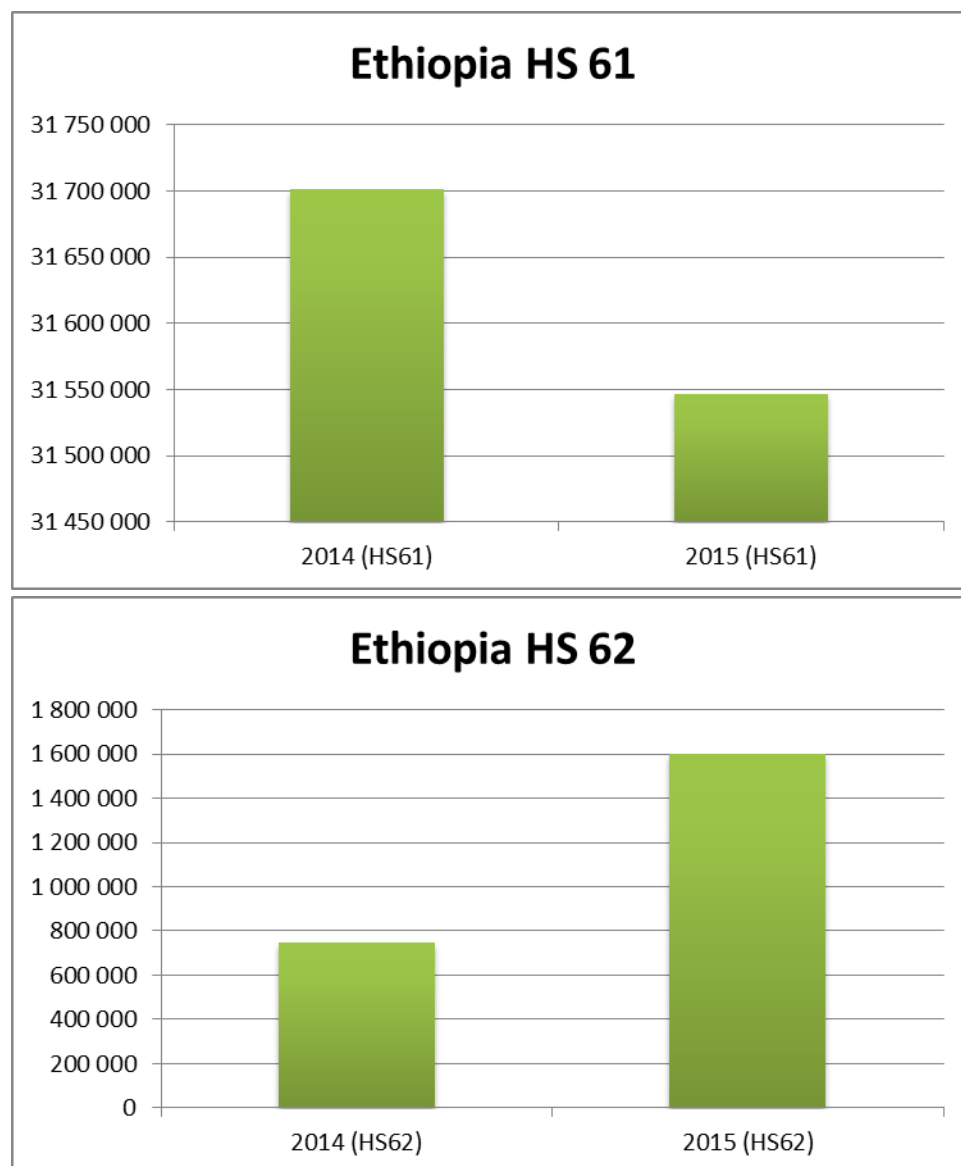
Ethiopia

Ethiopia has been identified as potential sourcing destination by many EU brands and retailers in recent years. The Ethiopian government has identified the textiles and clothing sector as a priority sector for development. Currently only 6 to 7 percent of its available land is being cultivated for cotton. However there are several issues to work on to ensure sustainable and ethical cotton production takes place. Several buying teams from key brands have sent sourcing. Teams to Ethiopia to explore manufacturing possibilities.

⁷⁰ Export Helpdesk of the European Commission (2016a) *European commission: Trade: Export Helpdesk: Statistics*. Available at: http://exporthelp.europa.eu/thdapp/display.htm;jsessionid=68EA22A71565DE1042043806988F45F9?page=st%2fst_Statistics.html&docType=main&languageId=en (Last accessed: 10 October 2016).

Figure 6 shows the level of Ethiopian global clothing exports in knits (chapter 61) and wovens (chapter 62).

Figure 6: Ethiopian clothing exports to EU (in €)⁷¹



While the growth in exports has not been so significant for Ethiopia as compared to Myanmar, several eyes are on Ethiopia due to the potential for and growth of the supply chain in and around the country using the raw materials that could be locally used. However currently, most raw materials are still being imported and production

⁷¹ Export Helpdesk of the European Commission (2016a) *European commission: Trade: Export Helpdesk: Statistics*. Available at: http://exporthelp.europa.eu/thdapp/display.htm;jsessionid=68EA22A71565DE1042043806988F45F9?page=st%2fst_Statistics.html&docType=main&languageId=en (Last accessed: 10 October 2016).

timeframes are still long. Big retailers such as H&M, Tesco and Primark have already started exploring garment manufacturing out of Ethiopia.⁷²

Table 5 provides data for the countries analysed in this report, with an overview of their ranking in exports to the EU as well as the value of exports to the EU for 2015 for knits and wovens (chapters 61 and 62). The table illustrates the importance of the selected countries as garment exporters for the EU.

Table 5: Top exporting countries to the EU, 2015 (in €)⁷³

Top garment exporting countries to EU	HS 61	Clothing (Knits - 61)	HS 62	Clothing (woven - 62)
Non-EU garment exporters				
China	1	13,998,085,112	1	15,975,894,151
Bangladesh	2	8,053,673,147	2	5,663,804,909
Turkey	3	5,764,469,683	3	3,673,566,461
India	4	2,570,082,844	4	2,568,591,376
Cambodia	5	2,067,976,133	9	886,536,830
Sri Lanka	7	932,615,110	11	658,708,128
Pakistan	6	964,006,169	8	1,317,028,113
Morocco	9	652,168,147	6	1,663,456,290
Tunisia	10	569,234,457	7	1,427,209,527
Vietnam	8	791,429,663	5	2,013,159,876
Indonesia	11	554,652,462	10	731,515,890
Emerging				
Myanmar		116,086,428		196,234,866
Ethiopia		31,546,682		745,198

This chapter provides a snapshot of the abovementioned countries and the garment sector in these countries. For each country the following aspects are shown or described.

5. Key macro indicators⁷⁴

- Trade performance
- Social and environmental performance

⁷² Russell, M. (2014) *Ethiopia a rising star for sourcing garments*. Available at: <https://agoa.info/news/article/5379-ethiopia-a-rising-star-for-sourcing-garments.html> (Last accessed: 18 November 2016).

⁷³ *European commission: Trade: Export Helpdesk: Statistics* (2016) Available at: http://exporthelp.europa.eu/thdapp/display.htm;jsessionid=68EA22A71565DE1042043806988F45F9?page=st%2fst_Statistics.html&docType=main&languageId=en.

⁷⁴ See the chapters introduction and methodology for an explanation on the sources for these indicators.

6. Key issues

Using the Sustainable Development Goals (SDGs)⁷⁵ as a guide, this section provides an overview of some of the core challenges experienced in the garment industry of the country.

7. EU trade and development interest, economic importance of the garment sector

This includes the overview of the and a snapshot of core highlights of EU trade and development involvement based on the reporting by the respective EU delegations⁷⁶ in the relevant countries selected for the study.

8. Trade flows

This provides a visual representation of the country's garment sector (HS 61 and HS 62) exports using ITC's Trade Map tool.⁷⁷

2.2 Some general observations about the selected countries

In this section, commonalities between the selected garment producing countries are explored.

2.2.1 Key indicators

2.2.1.1 Trade performance

Table 6: trade performance of the selected countries

Country	Competitiveness	Enabling trade	Trade facilitation	Average
Bangladesh	24%	17%	55%	32%
Cambodia	36%	33%	45%	38%
China	80%	62%	70%	71%
Ethiopia	22%	15%	50%	29%

⁷⁵ United Nations (2016) Sustainable development goals - United Nations. Available at: <http://www.un.org/sustainabledevelopment/sustainable-development-goals/> (Last accessed: 7 October 2016).

⁷⁶ European Commission (2016) *European Union External Action*. Available at: http://eeas.europa.eu/headquarters/headquarters-homepage_en (Last accessed: 9 October 2016).

⁷⁷ International Trade Centre (no date) *Trade map*. Available at: http://www.trademap.org/Country_SelProductCountry_TS.aspx (Last accessed: 10 October 2016).

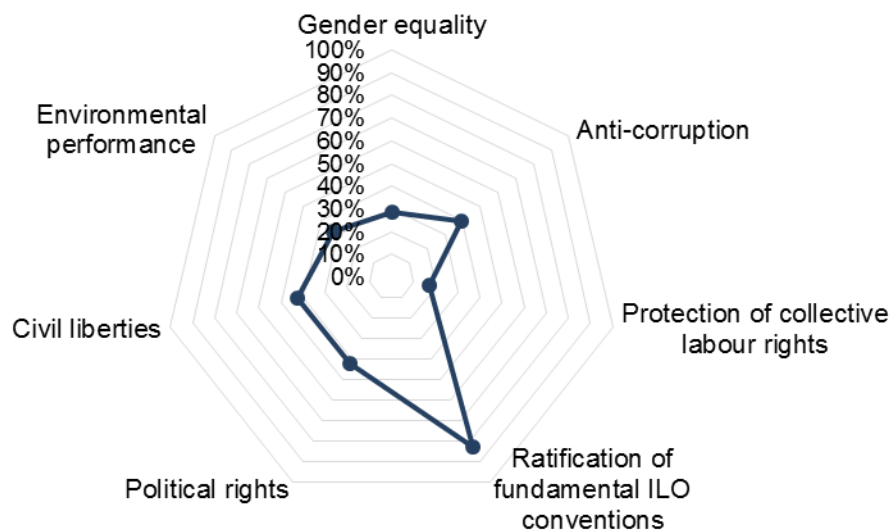
India	72%	31%	75%	60%
Indonesia	71%	59%	70%	67%
Morocco	50%	70%	70%	63%
Myanmar	No data available	13%	35%	24%
Pakistan	12%	18%	60%	30%
Sri Lanka	49%	40%	70%	53%
Tunisia	32%	46%	50%	43%
Turkey	61%	67%	65%	64%
Vietnam	57%	49%	65%	57%

The selected countries vary enormously when looking at their trade performance. Some countries are very competitive on the international market, whilst others perform poorly in this area.

Some countries, such as China, Turkey and Indonesia, perform well in all three rating systems. The worst overall performers are Myanmar, Ethiopia and Pakistan.

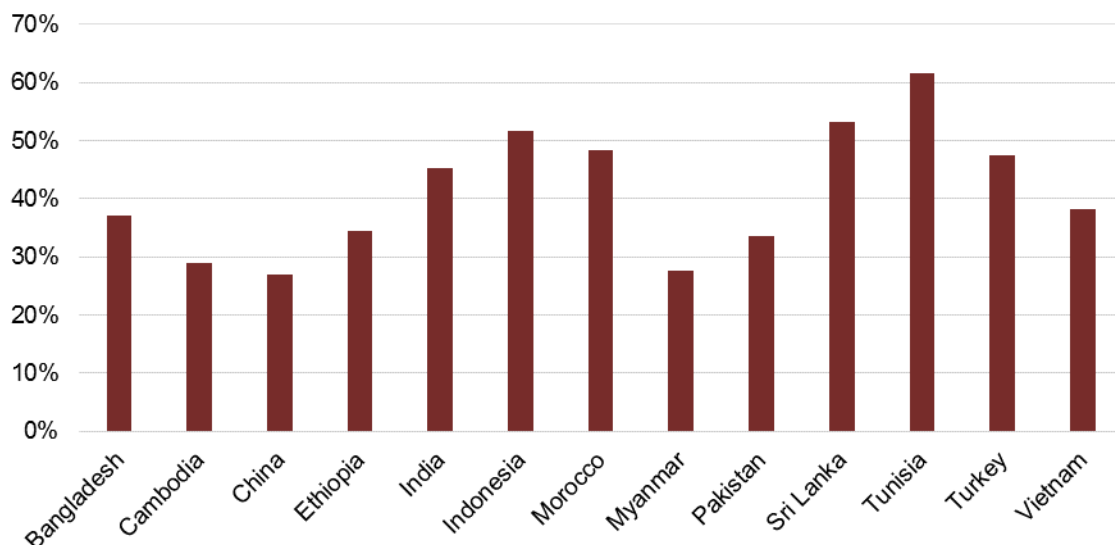
2.2.1.2 Social and environmental performance

Figure 7: average social and environmental performance of selected countries



The areas in which the selected countries perform the worst, on average, are gender equality (29%) and protection of collective labour rights (17%). There is not a single selected country that scores higher than 50% in the field of collective labour rights, although most of them have ratified all fundamental ILO conventions. This shows that in most of the garment producing countries there is a significant gap between the letter of the law and practices on the shop floor.

Figure 8: social and environmental performance – average scores of the selected countries



If one looks at the averages of scores in all ranking systems, Tunisia, Sri Lanka and Indonesia are the only countries that score above 50%. The worst performing countries, on average, are China, Myanmar and Cambodia.

2.2.2 Key issues in the garment sector

For each country, the authors have conducted an in-depth analysis of the main social, environmental and trade issues in relation to the garment sector. The issues are framed within the context of the sustainable development goals and are listed below.

Political and business environment and infrastructure (SDGs 11 and 16)

Many garment producing countries deal with low levels of security and political stability. This makes these countries less attractive for foreign investment, despite preferential agreements.

Good and strong stakeholder engagement in the country through inclusive public private partnerships and forums are required for the long-term stability and sustainability of the garment manufacturing sector. Poor infrastructure and lack of streamlined logistics and / or customs procedures, high interest rates add to the cost of doing business in the country.

Workers' rights (decent work and living wages) for garment industry workers (SDG 8 and 9)

Poor industrial relations and strikes are seen in many of the garment manufacturing countries. While minimum wages in many producing countries have been increased recently, in general workers still work on very low wages, with low levels of safety. With the help of ILO' presence and the Better Factories programme in many countries, data and statistics are recorded and more information is visible and available. Due to subcontracting and outsourcing to informal suppliers, this information does not cover

all producers. Smaller informal factories, vendors and workshops are the most worrying as they are neither visible, nor audited by international agencies.

Worker safety in general, and safety for women workers in particular, is under pressure in many countries. Although there is an ongoing dialogue among stakeholders on living wages⁷⁸, there are few producers that pay a living wage to their workers.

Gender equality and the economic empowerment of women in the garment sector (SDG 5)

It is estimated that in some producing countries up to 90% of the workers in the garment industry are women.⁷⁹ The key indicators show that most garment producing countries perform poorly on gender equality. The hardship and precarious position of many of the women who work in the sector are well-documented. The media in many western countries have reported extensively on this subject.⁸⁰

There is little focus on improving the quality of employment for women in the sector. While more women are being added to the workforce, a very small proportion move through the ranks and land supervisory or management roles. Some directed efforts through development funded programmes have actively facilitated training of women workers up to the next levels in garment factories. However these are still fragmented initiatives with little strategic focus on long term capacity building or ownership at the national level.⁸¹ Gender equality is being discussed at various forums, including most recently at the WTO Public Forum 2016 in Geneva.⁸²

⁷⁸ Cf. Round Table Codes of Conduct (2013) *Der Runde Tisch - about*. Available at: <http://www.coc-runder-tisch.de/index.php/en/european-conference-on-living-wages/about> (last accessed: 25 November 2016); Komives, K. (2016) *Global living wage coalition*. Available at: <http://www.isealliance.org/our-work/improving-effectiveness/global-living-wage-coalition> (last accessed: 25 November 2016); National Contact Point OECD Guidelines in the Netherlands (2015) *27/10/2015-NCP conference on 'achieving a living wage in the agriculture/food & electronics/technological manufacturing supply chain'*. Available at: <https://www.oecdguidelines.nl/events/contents/ncp-conference-on-living-wages> (last accessed: 25 November 2016).

⁷⁹ ILO Regional Office for Asia and the Pacific (2012) *Action-oriented research on gender equality and the working and living conditions of garment factory workers in Cambodia*. Available at: http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-bangkok/documents/publication/wcms_204166.pdf (Last accessed: 24 November 2016).

⁸⁰ Cf. *China Blue* (2008) Directed by Micha X. Peled [Film]; *Jungle Sisters* (2016) Directed by Chloe Ruthven [Film]; Roscoe, A. (2013) *What BBC's panorama didn't say about workers in Bangladesh*. Available at: <https://www.theguardian.com/sustainable-business/sustainable-fashion-blog/bbc-panorama-workers-bangladesh> (last accessed: 25 November 2016).

⁸¹ See for example: Kably, L. (2016) *Helping women garment-factory workers stand up for their rights*. Available at: <http://timesofindia.indiatimes.com/india/Helping-women-garment-factory-workers-stand-up-for-their-rights/articleshow/46136079.cms> (last accessed: 25 November 2016).

⁸² WTO (2016) *Public forum 2016: Leading the way for inclusive trade through innovation in fashion and textiles: Can women entrepreneurs become the norm rather than an exception?* Available at:

Transparency and traceability in the supply chain (SDGs 12 and 17)

Supply chains in the garment sector can be highly fragmented and diverse, with several actors adding value at different levels. There are two key issues related to achieving transparency across garment supply chains:

- 3) It is difficult to trace the origin of a garment back to the textile production and further to the raw materials. The current system of production makes it almost impossible to assess how sustainably or ethically the fabric for the garment was processed from its raw material fibre state (e.g. natural fibre, man-made or synthetic origin such as the region or way in which the cotton was sourced, or the factory in which the polymers were extruded) to yarn or fabric. Quite often the focus of transparency initiatives is on the garment production. Not enough effort is put into looking further down the chain to see how the raw materials were processed or where they came from. Some companies that focus on producing sustainably have been able to set up adequate systems of traceability, but they usually produce and market a limited number of items or cater for a specific high-
- 4) Attempts to achieve more transparency and improve traceability systems are thwarted by subcontracting practices. This issue is very sensitive and has been a point of focus for several retailers, as well as NGOs and development agencies. While orders for garment production are given to a specific factory, often production of the complete order does not take place in the nominated factory. The nominated factory is likely to have been audited by the international retailers and brands. However, there is almost zero visibility of the various subcontractors who continue to work in the next tier of the sector. These smaller subcontractors have no access to direct export options or international buyers due to lacking technical skills, the absence of management systems, poor language skills and / or substandard working conditions.

Environmental sustainability and access to clean energy (SDG 7, 13 and 11)

There is less focus on environmental issues in the garment sector than there is in the textile and wet processing industry. As regions get more populated and garment manufacturing units become bigger, clean energy, sustainable waste management practises are adding to the challenges for the sector. There is a lack of awareness and the necessary information or training towards developing best practises in the sector. As a result, areas in the vicinity of factories become polluted. Clean energy for transport of workers and staff back and forth each day is a vital component of the overall effort towards ensuring the growth of sustainable cities and townships.

2.3 Bangladesh

2.3.1 Key indicators

Figure 9: Bangladesh's trade performance

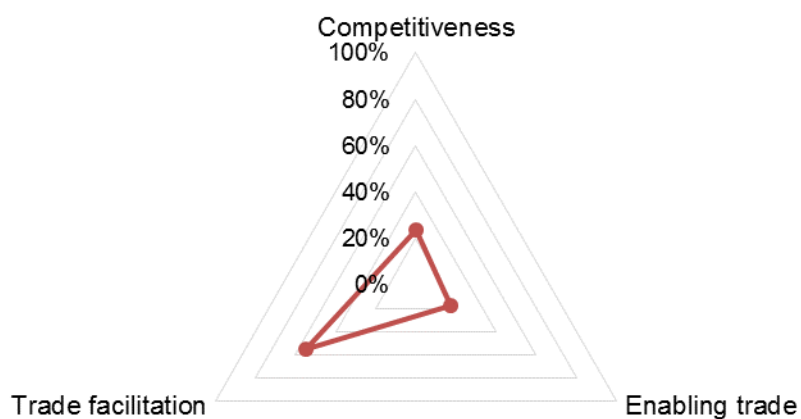
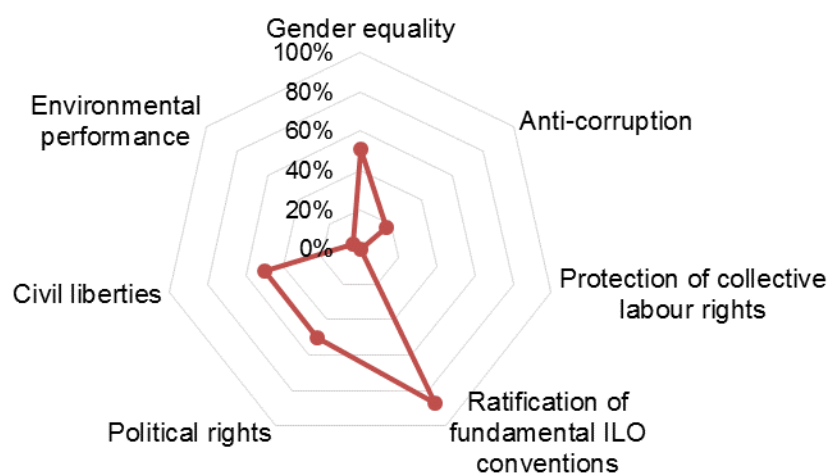


Figure 10: Bangladesh's social and environmental performance



2.3.2 Detailed sector profile

Size of the industry (no of companies / factories in country)	There are approximately 5000 garment factories, which are members of BGMEA in Bangladesh (2014-2015).
No. of people employed in the sector	Approximately 4 million people are employed directly in the sector (2014 – 2015).
Company structures	Most garment factories (almost 90%) are locally owned.

(foreign owned, locally owned etc)	There is a new trend of Joint Ventures (JV) beginning to gain momentum. These JVs are mainly with Chinese and other foreign investor partners.
Key characteristics of the value chain / supply chain in the country (top points)	<ul style="list-style-type: none"> • Bangladesh is the world's second-biggest producer of garments in absolute terms after China; • Garment exports rose by 6.5% on average in 2015; • Garments accounted for 69.6% of Bangladesh's exports in the first 11 months of 2015 according to data from Bangladesh Bank (central bank), and increased by 6.1% year on year over that period in local-currency terms.
Highlights of key trends in the garment sector in the country ⁸³	Bangladesh's garment industry has developed over the past 40 years. It started out with providing simple CM (cut make) and CMP (Cut Make Package) to FOB (Free on board) to Full Package and even OEM / ODM in some highly-sophisticated factories in the country. Raw material is still mainly imported from countries such as China, Taiwan, Korea, India, Pakistan, etc. While the supporting industries have developed over the years to support the local garment producers in country, a lot of these products are still imported. The knitting industry has become more vertically capable in the country (chapter 61) and yarn is knitted into fabric in the country, but the woven textile sector still depends largely on imports. The trend towards increased Joint Ventures with foreign investors (especially Chinese investors) has started increasing in the past years. This has also started changing the nature of the sector. While productivity improvements and quality improvements can be seen in the new factories, compliance standards still have much to be improved. However, despite the challenges, Bangladesh also has some of the most sophisticated factories in the garment industry, which have gone far above industry expectations.
Key challenges of the sector	<ul style="list-style-type: none"> • Bangladesh is vulnerable to changes in global supply patterns because it depends on this goods category for four-fifths of its exports revenue; • The main risk to its exports performance is an intensification of regional competition as other Asian countries focus on developing their garment industries; • Short-term risks also remain on the demand side if new safety scandals emerge, similar to the factory collapse in 2014, which could result in access to export markets being blocked and the retraction of foreign investment.
Key strengths of the sector	<ul style="list-style-type: none"> • The crux of Bangladesh's export success is primarily its garment production industry;

⁸³ Sources: BGMEA and EPB, Clothing Connect B.V., Value chain analysis Bangladesh Garment industry, CBI (2013), Commission, EUROSTAT, EIU.com.

	<ul style="list-style-type: none"> • Its low-cost structure and cheap labour has helped the industry grow.
Transparency / traceability	<p>Most garment exporters in Bangladesh offer FOB exports. This makes the garment manufacturer responsible for the raw materials (in the majority of cases) and all the inputs. In some cases there are nominated raw material suppliers provided by the buyer (brand / retailer / agent). Traceability of all production is still an issue where sub-contracting takes place. While the tier 1 factory many be compliant to EU and US buyer requirements, the sub contracted factories are most often not up to standard. This system of subcontracting often creates problems with production quality, safety standards and environmental regulations amongst others.</p>

2.3.3 Key issues in the garment sector

<ul style="list-style-type: none"> • Political and business environment and infrastructure (SDG 11 and 16) • Workers' rights (Decent Work and living wages) for garment industry workers (SDGs 8 and 9) • Gender equality and the economic empowerment of women in the garment sector (SDG 5) • Transparency and traceability in the supply chain (SDG 12, 17)
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2.3.4 EU trade and development interest, economic importance of the garment sector

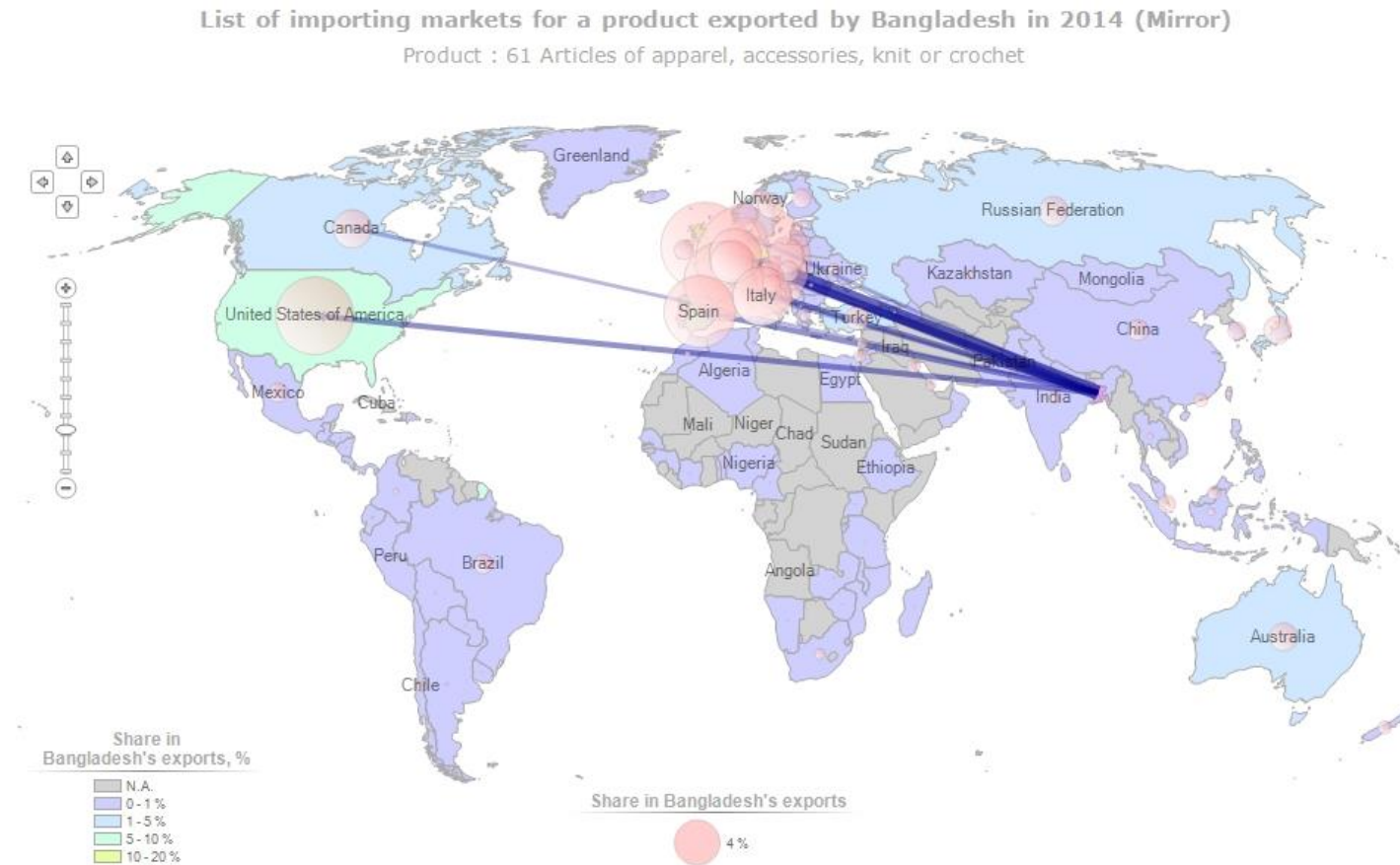
Top importing countries	Approx. 60% EU, approx. 20% US, approx. 3% Canada, 17% other countries (2014 - 2015)
GSP / trade agreements	Duty free market access to most of the developed countries & Preferential Trade Agreements (PTA) with India, China, Korea, Malaysia. Least Developed Country (LDC) Status
Key product categories exported	T-shirts, men's, women's, children, jerseys and pullovers, underpants, briefs, trousers, blouses, woven shirts (men and women)
Some key initiatives used in practice in the country	BSCI, WRAP, SA 8000, SEDEX, Fairwear Foundation, Fair Trade, ETI, SAC
Economic importance of the sector	<p>Approximately 80% of overall exports from the country are from the garment sector. According to the Economic Intelligence Unit in their country report on Bangladesh, merchandise exports rose by 13.7% year on year in November 2015 to USD 2.8bn. This was mainly achieved due to the exports from the garment sector.</p> <p>As can be seen from the trade flows, Bangladesh has a developed knitting and weaving industry and as per</p>

	<p>garment export figures for 2015, Bangladesh is the 2nd largest exporter globally.</p> <p>Knitting is already well developed in the country and weaving has recently started being developed. 80% of the knitwear fabric is sourced locally for garment making reducing costs and lead times substantially. Support industries such as finishing and dyeing, embroidery and other requirements have developed and are available locally.</p> <p>The garment industry in Bangladesh is mainly located around the city area of Dhaka and Chittagong and originally grew out of small flats and buildings as a result did not develop in a very strategically planned way. Floors were added onto buildings and more machines were put onto these factory floors. These buildings were never geared to have so many machines nor were they set up as factories. In the past 2 – 3 years, with the help of several collaborative efforts between retailers, governments and manufacturers, this has started changing with the development of new purpose built factories. After the Rana Plaza incident, several initiatives, both multi stakeholder (public - private) and donor funded programmes have been set up to address some of the core issues related to worker health and safety, building safety. However infrastructure still remains a point of concern. Travel across the city is highly congested and is a cause for concern in terms safety and security. The consistent political uncertainty and lack of any presence of one of the biggest political parties in opposition has made the situation volatile. This is a cause for concern for business which creates uncertainty and a lack of trust.</p>
<p>EU trade and development interest⁸⁴</p>	<p>As mentioned in the MIP 2014-2020, there are three focal areas: (1) Strengthening democratic governance; (2) education and skills development, and (3) food and nutrition. Trade and private sector development has been phased out.</p> <p>As a response to the Rana Plaza tragedy in 2013, the EU, the ILO and the Bangladesh government initiated the Sustainability Compact, which focuses on freedom of association and collective bargaining amongst other points.</p>

⁸⁴ European Commission (2014) *Development cooperation instrument Multi-annual Indicative Programme (MIP) 2014-2020*. Available at: http://eeas.europa.eu/delegations/bangladesh/documents/projects/mip_bangladesh_2014-2020_en.pdf (Last accessed: 10 October 2016).

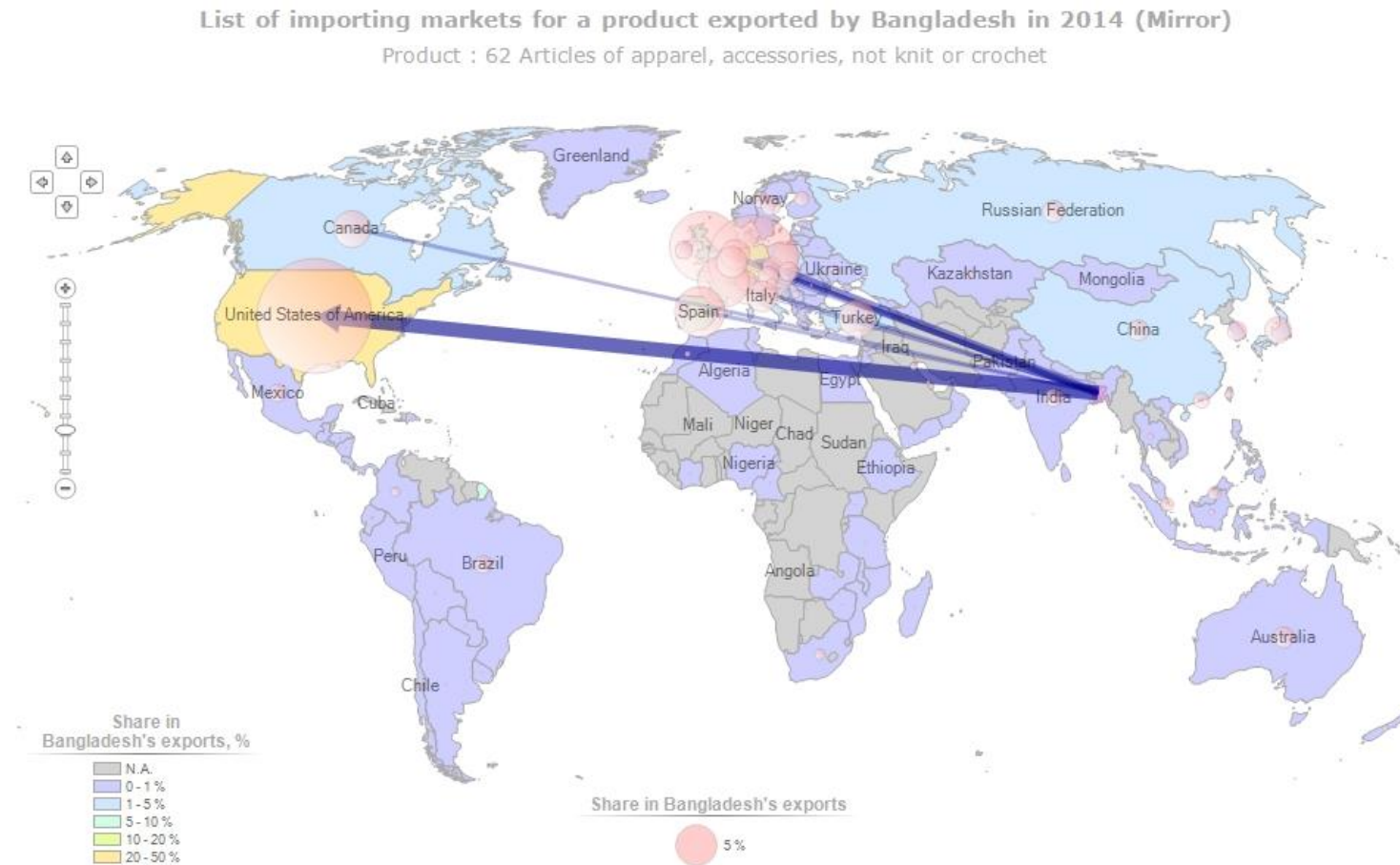
2.3.5 Trade flows⁸⁵

Figure 11: Export markets for Bangladesh for product HS code 61: knits



⁸⁵ International Trade Centre (no date) *Trade map*. Available at: http://www.trademap.org/Country_SelProductCountry_TS.aspx (Last accessed: 10 October 2016).

Figure 12: Export markets for Bangladesh for product HS code 62: wovens



2.4 Cambodia

2.4.1 Key indicators

Figure 13: Cambodia's trade performance

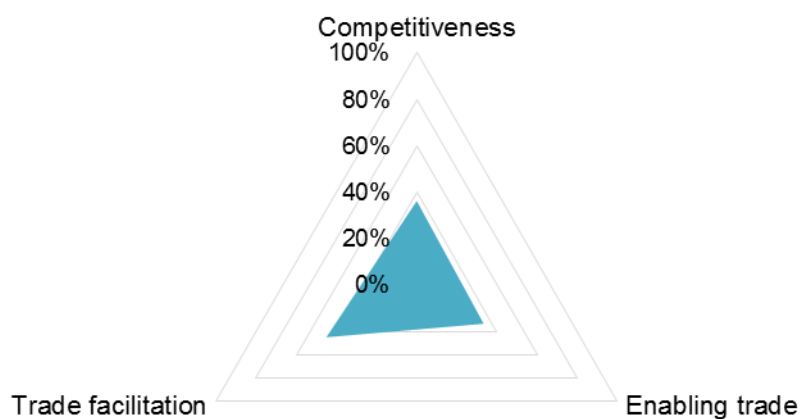
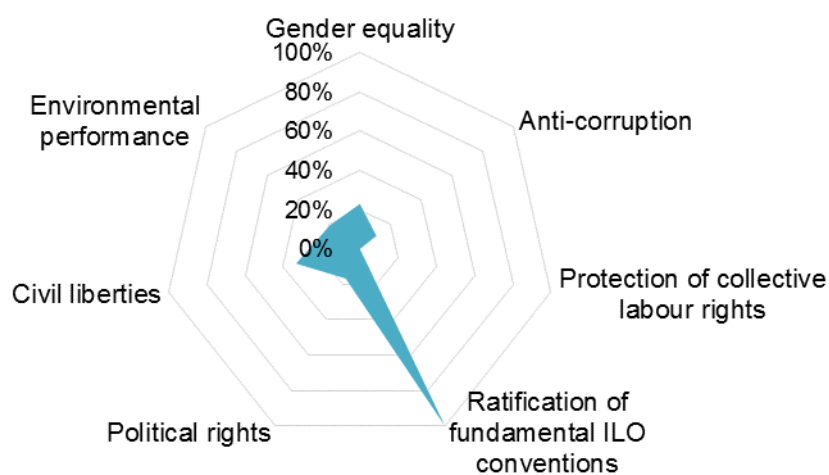


Figure 14: Cambodia's social and environmental performance



2.4.2 Detailed sector profile

Size of the industry (no of companies / factories in country)	560-600 direct export factories. About 600-800 sub-contractors (acc. to GMAC) 2014-2015
No. of people employed in the sector	500,000-600,000 direct, 1m in sector if including supporting industries such as packaging and dyeing. 14m people indirectly related to the sector

Company structures (foreign owned, locally owned)	Approx. 99% foreign, less than 1% local
Key characteristics of the value chain / supply chain in the country (top points)	<ul style="list-style-type: none"> • Most of the raw materials in Cambodia are all imported; • Cambodia is often seen as a destination for low value, high volume production; • EU buyers have been working closely with factories in Cambodia to develop more flexible order quantities as well as slightly higher-level products such as men's suits and women's dresses; • The country has increased its exports to the EU making the region its largest export destination. Knitwear (HS chapter 61) showed the biggest growth to the EU in 2014. This is largely due to the relaxed rules of origin to qualify for GSP⁸⁶ (duty free access). Exports have risen to Canada as well as Japan and Korea. They have however, dropped to the US; • Cambodia does not currently have a preferential access scheme to the US; • It is clear that trade advantages or duty free access plays a vital role for price sensitive categories of exports.
Highlights of key trends in the garment sector in the country	<ul style="list-style-type: none"> • Approx. US\$5.8bn of exports in 2014; • 80% of total exports is from garments; • ILO has been running the BFC programme since the 1990s to support the development of industrial relations and fair working conditions. However the programme is limited in its reach to only those factories that have been provided with an export license. This does not take into account the many sub-contracting factories which take on orders from the main tier 1 factories. Labour conditions have been a key point of discussion in the garment industry in Cambodia with several reports by many NGOs, UN organisations, associations, news journals and independent researchers.
Key challenges of the sector	<ul style="list-style-type: none"> • Regarding the drop in exports to the US, a US brand buyer told us: "<i>The lack of reliability makes Cambodia a bit of a risk</i>". This is in relation to labour unrest and rising wages over the past year and half. In addition, demand is falling for the type of products exported to the US from Cambodia, which includes knitwear for women and girls, as well as woven bottoms;

⁸⁶ European Commission (2016) *Generalised scheme of preferences (GSP) - trade - European commission*. Available at: http://ec.europa.eu/trade/policy/countries-and-regions/development/generalised-scheme-of-preferences/index_en.htm (last accessed: 25 November 2016).

	<ul style="list-style-type: none"> • The wage increase in itself is not seen as the issue, as several countries are now looking at increases in minimum wages and there is a strong discussion about moving up to 'living wages'⁸⁷. However the issue is lack of transparency as to what the increase would be and the timeframe. Ad hoc increases are difficult to deal with from a planning perspective; • Other neighbouring countries are becoming more competitive; Vietnam has concluded negotiations with several countries and regions recently. This could have a negative impact on Cambodia, which relies heavily on trade preferences and low costs. Bangladesh and Myanmar also have GSP advantage to the EU; • With the majority of the industry owned by foreign manufacturers, there is a risk that investments could leave the country if neighbouring countries become more competitive in price and provide a more transparent and reliable business environment.
Key strengths of the sector	<ul style="list-style-type: none"> • GSP advantage to the EU market will continue to drive increased interest in Cambodia; • Cambodia is a member of ASEAN. This will remain important from a regional cumulation perspective as well as in shortening lead times, thus increasing competitiveness, and having a duty advantage.
Transparency / traceability	<p>Several garment factories working with large retailers and brands have a 'bar coding' system and an ERP system in place which carefully monitors all elements across the supply chain that come in and go out of the factory. In many cases workers also have a sign in and sign out system based on finger print access. This has helped develop transparency and traceability. However the implementation of such systems are a very small percentage.</p>

⁸⁷ Living Wage Foundation (2016) *What is the living wage?* Available at: <http://www.livingwage.org.uk/what-living-wage> (last accessed: 16 November 2016).


2.4.3 Key issues in the garment sector

- Workers' rights (Decent Work and living wages) for garment industry workers (SDGs 8 and 9)
- Gender equality and the economic empowerment of women in the garment sector (SDG 5)
- Transparency and traceability in the supply chain (SDGs 12 and 17)

2.4.4 EU trade and development interest, economic importance of the garment sector

Top importing countries	EU, US, Canada and Japan.
GSP / trade agreements	GSP to the EU. Zero duty to the EU under the GSP's preferential trade scheme Everything But Arms (EBA). Zero duty to Canada (LDC country status). Cambodia is a member of ASEAN and benefits from the ASEAN agreements with third countries
Key product categories exported	Knitwear tops, woven jeans, woven shirts, active and casual sportswear, men's suits. Many suppliers able to work value added
Some key initiatives used in practice in the country	BSCI, WRAP, SA 8000, Better Factories Cambodia (BFC), SEDEX, Fair Wear Foundation, Fair Trade, ETI,
Economic importance of the sector	Cambodia's garment industry has been set up largely with foreign investment. Almost 99% of the industry is foreign owned and managed. Quality levels of products are fairly good from an industry perspective. The garment industry can offer flexible production based on EU buyer needs. The country has increased its exports to the EU while exports to the US have fallen. Approx. 80% exports from the country are from the garment sector. Some small environmental initiatives including the use of Biomass for energy are taking place in the country in the garment sector. Basic trims and accessories are available as are cartons and hangers. However the majority of key materials such as fabrics and trims are imported from other Asian countries.
EU trade and development interest ⁸⁸	As discussed in EU's MIP for Cambodia 2014 – 2020, The EU's development cooperation aims to support Cambodia in achieving the goals in The Rectangular Strategy Phase III (RS III), the country's overarching "Socio-economic Policy Agenda" for the period 2013-2018. The EU intervention will focus on selected sectors to have

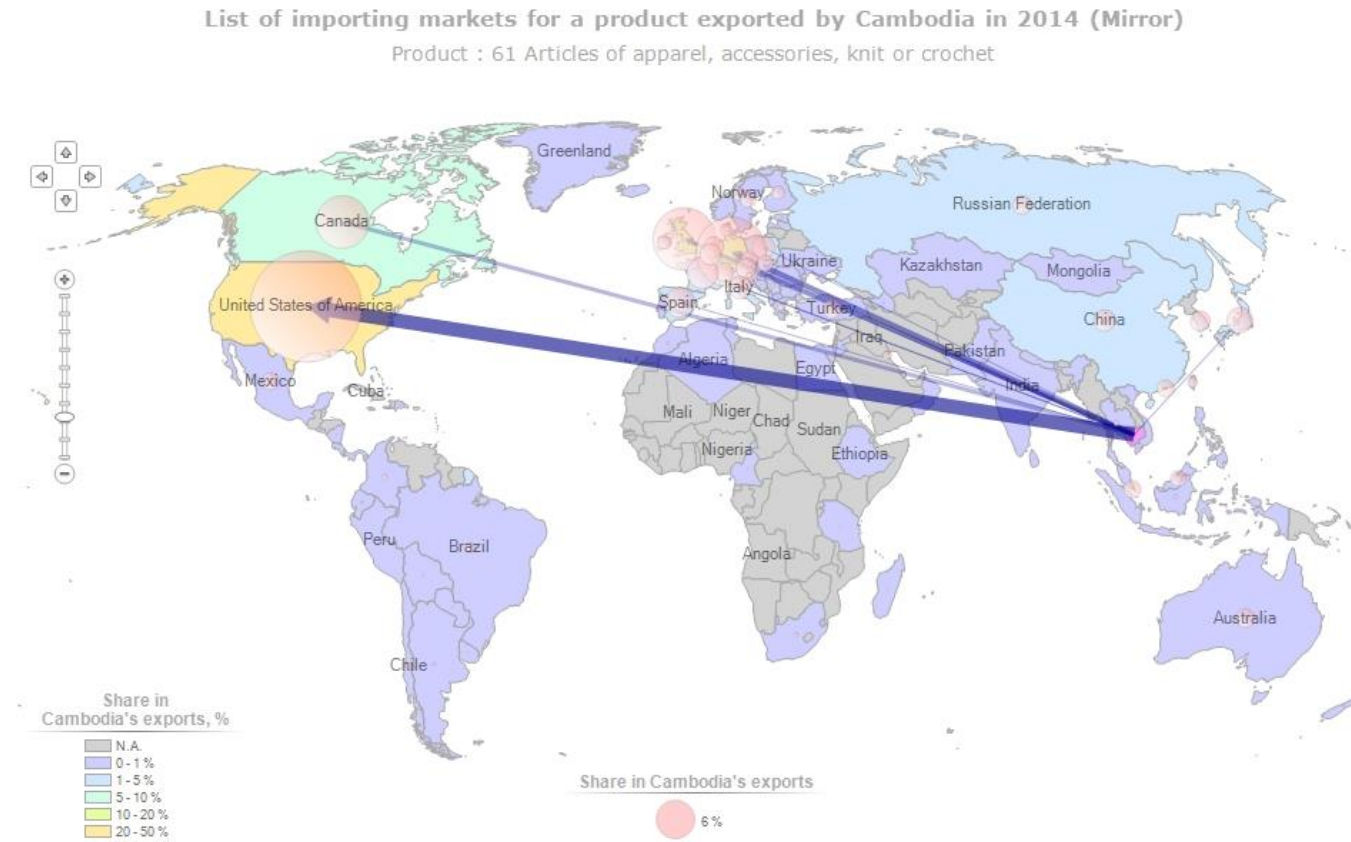
⁸⁸ EUROPEAN COMMISSION (2014) adopting a Multiannual Indicative Programme between the European Union and Cambodia for the period 2014-2020. Available at: <https://eeas.europa.eu/sites/eeas/files/mip-cambodia-2014-2020-commission-decision-en.pdf> (Last accessed: 7 October 2016).



maximum impact. The focal areas identified by the EU are: Agriculture/Natural Resource Management, Education/ Skills and Good Governance.

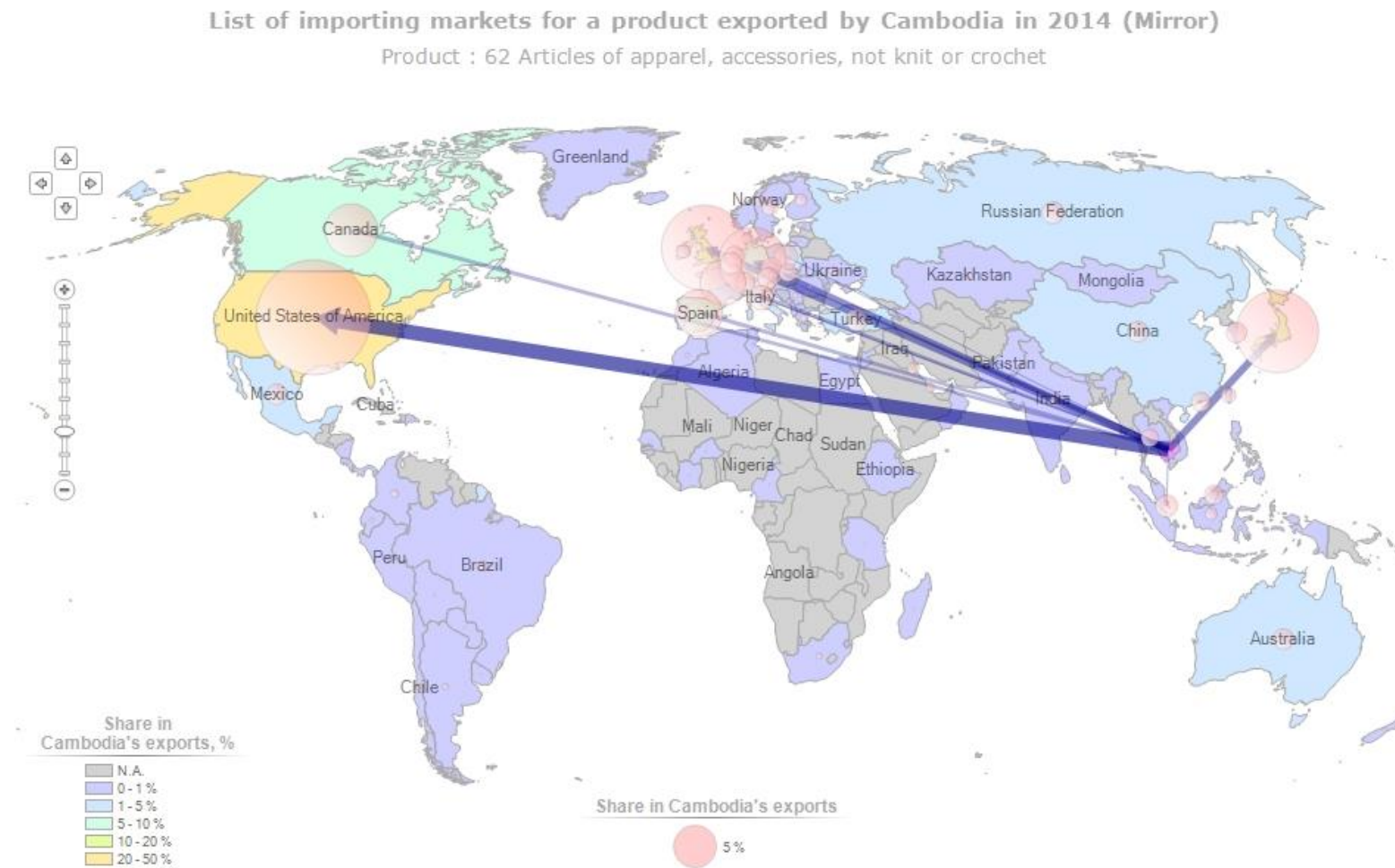
2.4.5 Trade flows⁸⁹

Figure 15: Export markets for Cambodia for product HS code 61: knits



⁸⁹ International Trade Centre (no date) *Trade map*. Available at: http://www.trademap.org/Country_SelProductCountry_TS.aspx (Last accessed: 10 October 2016).

Figure 16: Export markets for Cambodia for product HS code 62: wovens



2.5 India

2.5.1 Key indicators

Figure 17: India's trade performance

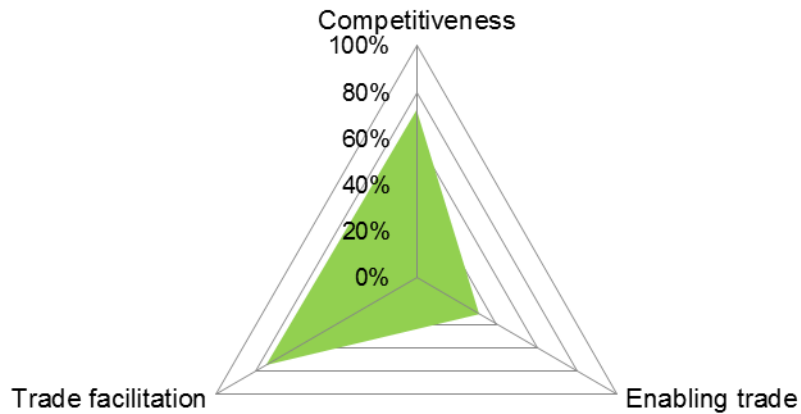
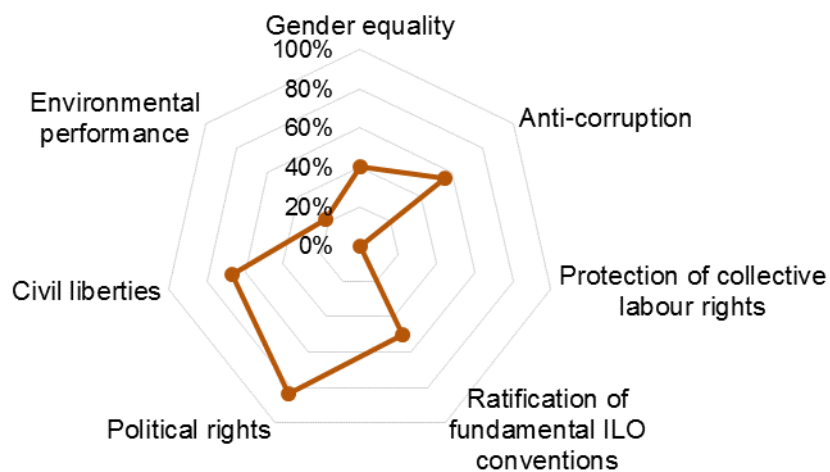


Figure 18: India's social and environmental performance



2.5.2 Key issues in the garment sector

- Environmental sustainability and access to clean energy (SDGs 7, 13 and 11)
- Gender equality and the economic empowerment of women in the garment sector (SDG 5)
- Transparency and traceability in the supply chain (SDG 12 and 17)

Environmental sustainability and access to clean energy (SDG 7, 13, 11)

The garment manufacturing industry has often had little focus on environmental issues as compared to the textile and wet processing industry. However as regions get more and more populated and garment manufacturing units become bigger, clean energy, sustainable waste management practises are adding to the challenges for the sector. There is still a lack of awareness and the necessary information or training towards developing best practises in the sector. As a result regions in the vicinity of the factories are becoming more and more polluted. Clean energy for transport of workers and staff back and forth each day is a vital component of the overall effort towards ensuring the growth of sustainable cities and townships.

2.5.3 EU trade and development interest, economic importance of the garment sector

Top importing countries	USA, UAE, EU, Saudi Arabia, Mexico, Canada, Japan
GSP / trade agreements	<ul style="list-style-type: none"> • Agreement of Cooperation with Nepal to Control Unauthorised Trade • Agreement on Economic Cooperation between India and Finland • Agreement on South Asian Association for Regional Cooperation (SAARC) Preferential • Trading Arrangement (SAPTA) • Agreement on South Asia Free Trade Area (SAFTA) • Asia Pacific Trade Agreement (APTA) • CECA between The Republic of India and the Republic of Singapore • Comprehensive Economic Cooperation Agreement between India and Malaysia • India Africa Trade Agreement • India Chile PTA • India Afghanistan PTA • India ASEAN Agreements • India Bhutan Trade Agreement • India Japan Comprehensive Economic Partnership Agreement (CEPA) • India Korea CEPA • India MERCOSUR PTA • India Nepal Trade Treaty • India Sri Lanka Free Trade Agreement (FTA) • SAARC Agreement on Trade in Services (SATIS)
Key product categories exported	T-shirts, men's and women's trousers, baby garments, men's and women's shirts, blouses, dresses.

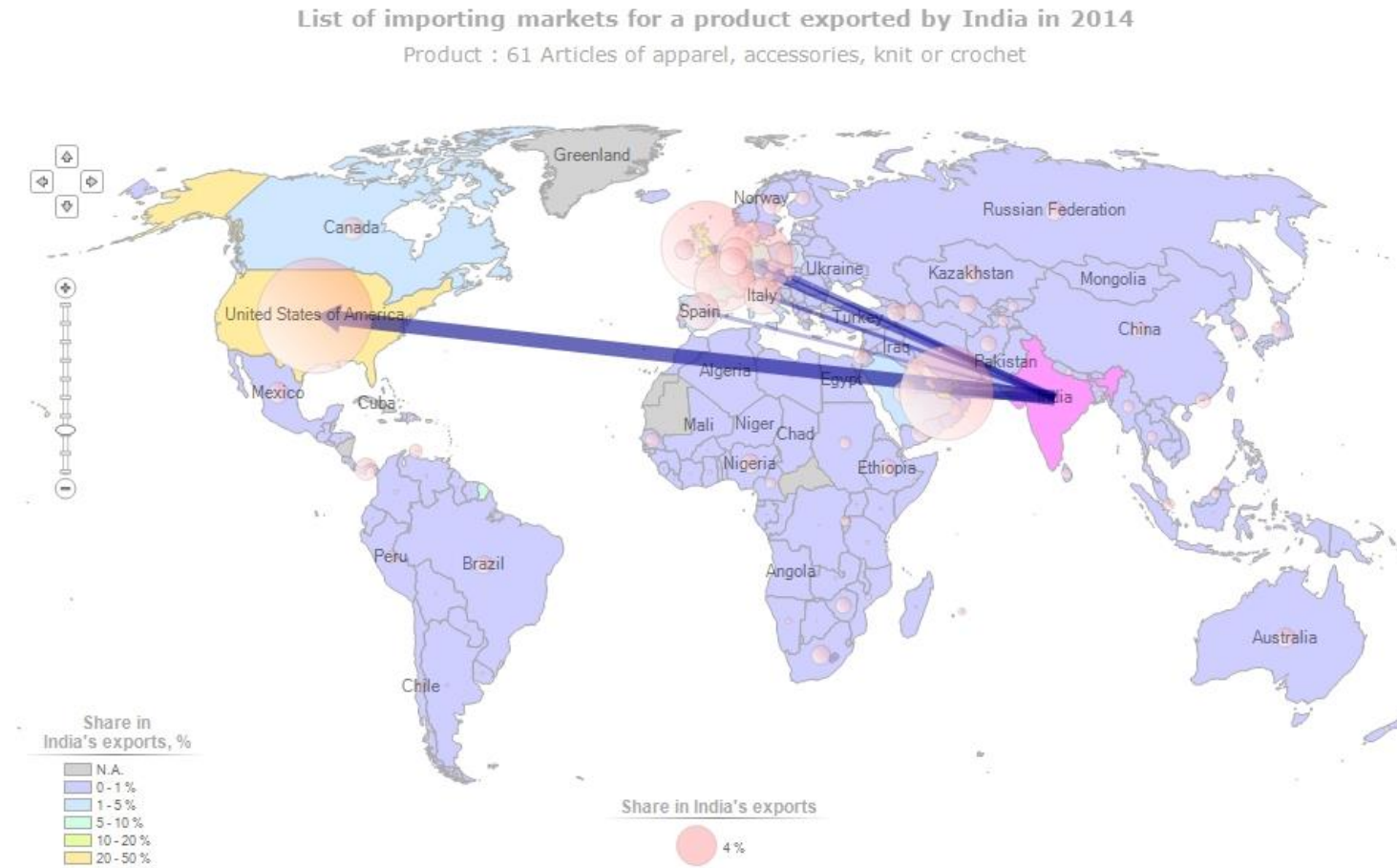
Some key initiatives used in practice in the country	There have been concerns about compliance across this large and varied textile and apparel industry in India. Some initiatives and schemes that have been set up in recent times include the following: BSCI, WRAP, SA 8000, Fair Trade, FLA, ETI, SEDEX system, International Organization for Standardization (ISO).
Economic importance of the sector	A recent study by Corporate Catalyst India Ltd. says, " <i>The potential size of the Indian textiles and apparel industry is expected to reach US\$ 223 billion by 2021</i> " and " <i>India has overtaken Italy, Germany and Bangladesh to emerge as the world's second largest textile exporter. Textiles exports from India will touch USD 300 billion by the year 2024-25</i> ". ⁹⁰ Several garment sector initiatives have grown organically through local entrepreneurs who are engaging with a variety of donor agencies as well as with private investment and private equity to develop organic clothing production. Several training institutions and universities geared towards developing textile and fashion education have been set up over the years in the country. The fashion sector has grown rapidly and many Indian fashion designers now regularly show in fashion shows globally. There a high presence of NGOs and government funded initiatives including several cluster initiatives and apparel parks. Indian textile and apparel industry is one of the oldest industries in the country and has the complete value chain from fibre to fashion and retail. It is categorised by a dual system, an organised highly modern organised sector as well as an unorganised handloom sector. Both the sectors function in parallel and cater to different segments and buyers.
EU trade and development interest ⁹¹	As discussed and reported by the Delegation of the European Union to India, in 2004, India became one of the EU's strategic partners. As of 2005, the EU – India joint action plan (revised in 2008 was set up with the aim to fully realising the partnership in areas of key interest to both, India and the EU.

⁹⁰ <http://www.cci.in/pdfs/surveys-reports/textile-industry-in-india.pdf>

⁹¹ Delegation of the European Union to India (no date) *Trade*. Available at: https://eeas.europa.eu/delegations/india/eu_india/trade_relation/index_en.htm (Last accessed: 10 October 2016).

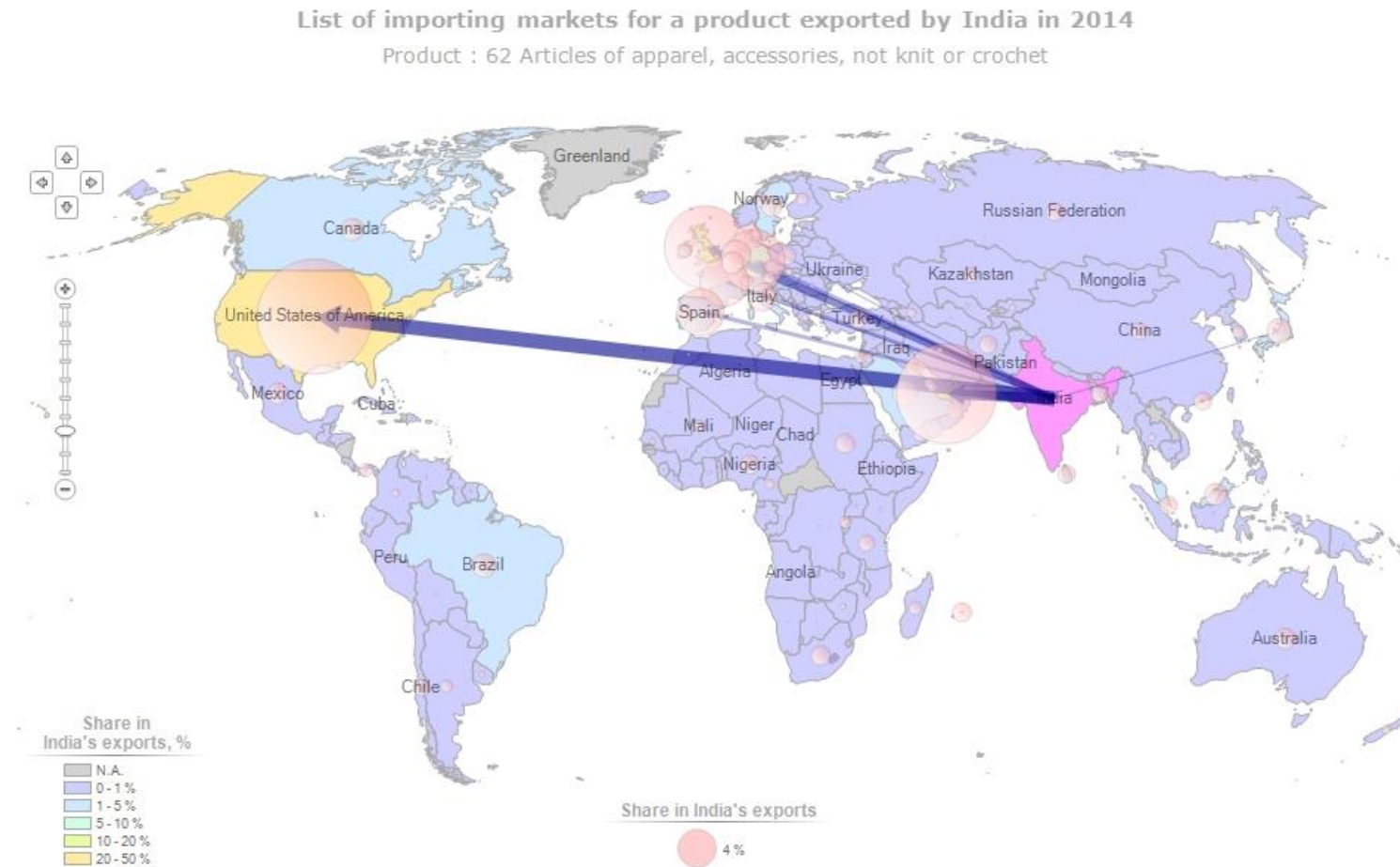
2.2.4 Trade flows⁹²

Figure 19: Export markets for India for product HS code 61: knits



⁹² International Trade Centre (no date) *Trade map*. Available at: http://www.trademap.org/Country_SelProductCountry_TS.aspx (Last accessed: 10 October 2016).

Figure 20: Export markets for India for product HS code 62: wovens



2.6 Indonesia

2.6.1 Key indicators

Figure 21: Indonesia's trade performance

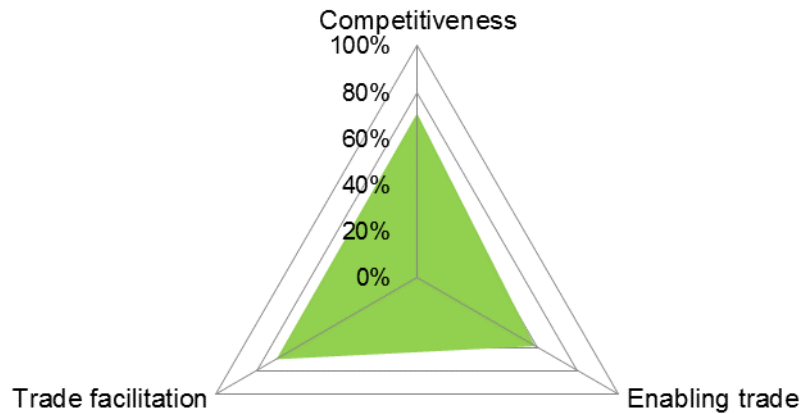
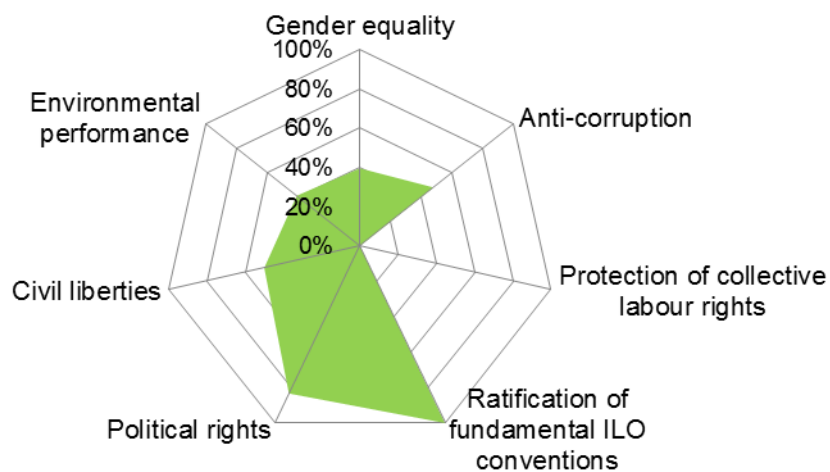


Figure 22: Indonesia's social and environmental performance



2.6.2 Key issues in the garment sector

- Gender equality and the economic empowerment of women in the garment sector (SDG 5)
- Transparency and traceability in the supply chain (SDGs 12 and 17)

2.6.3 EU trade and development interest, economic importance of the garment sector

Top importing countries	USA, Japan, Korea, EU, Canada, UAE, China
GSP / trade agreements	GSTP Argentina, GSP Australia, GSP Belarus, GSTP Brazil, ASEAN preferential tariff for ASEAN countries, GSP Canada, Regional ASEAN China agreement, GSTP India, GSP Japan, ASEAN preference JAPAN, GSP Kazakhstan, GSTP Korea, ASEAN preference – Korea, GSP Liechtenstein, GSP New Zealand, GSP Norway, GSP Russian Federation, GSTP Sri Lanka, GSP Turkey, GSP USA.
Key product categories exported	Jerseys, Pullovers, women's dresses, suits knitted, men's knitted shirts, track suits, ski suits, swimsuits, T-shirts, women's blouses knitted, women's suits, men's suits, jackets, men's shirts, brassieres, women's and men's overcoats and jackets.
Some key initiatives used in practice in the country	BSCI, WRAP, Better Factories, SA 8000, ISO, SEDEX, FLA
Economic importance of the sector	The sector is categorised by large garment factories and several textile mills. Buyers view Indonesia globally as a key garment exporter. Almost all mid to large size brands have at least some component of their production in Indonesia. By adopting technology and with the help of skilled worker training over the years, the country is able to produce a variety of product categories from the lowest to the highest value added product. However as Indonesian exports do not benefit from duty free agreements with key importers EU and US, price is still a key concern. Exports in garments have fallen in 2015. The country has the complete supply chain in the country from some of the finest spinning to high quality garments. All the components of the supply chain are available within the country. While special technical fabrics may be imported, several innovative materials are spun and developed in the country. There is also a very vibrant traditional hand loom and dyeing industry. The industry is however feeling pressure in the fibre and yarn segment of the industry. More investment is needed to maintain competitiveness of the industry

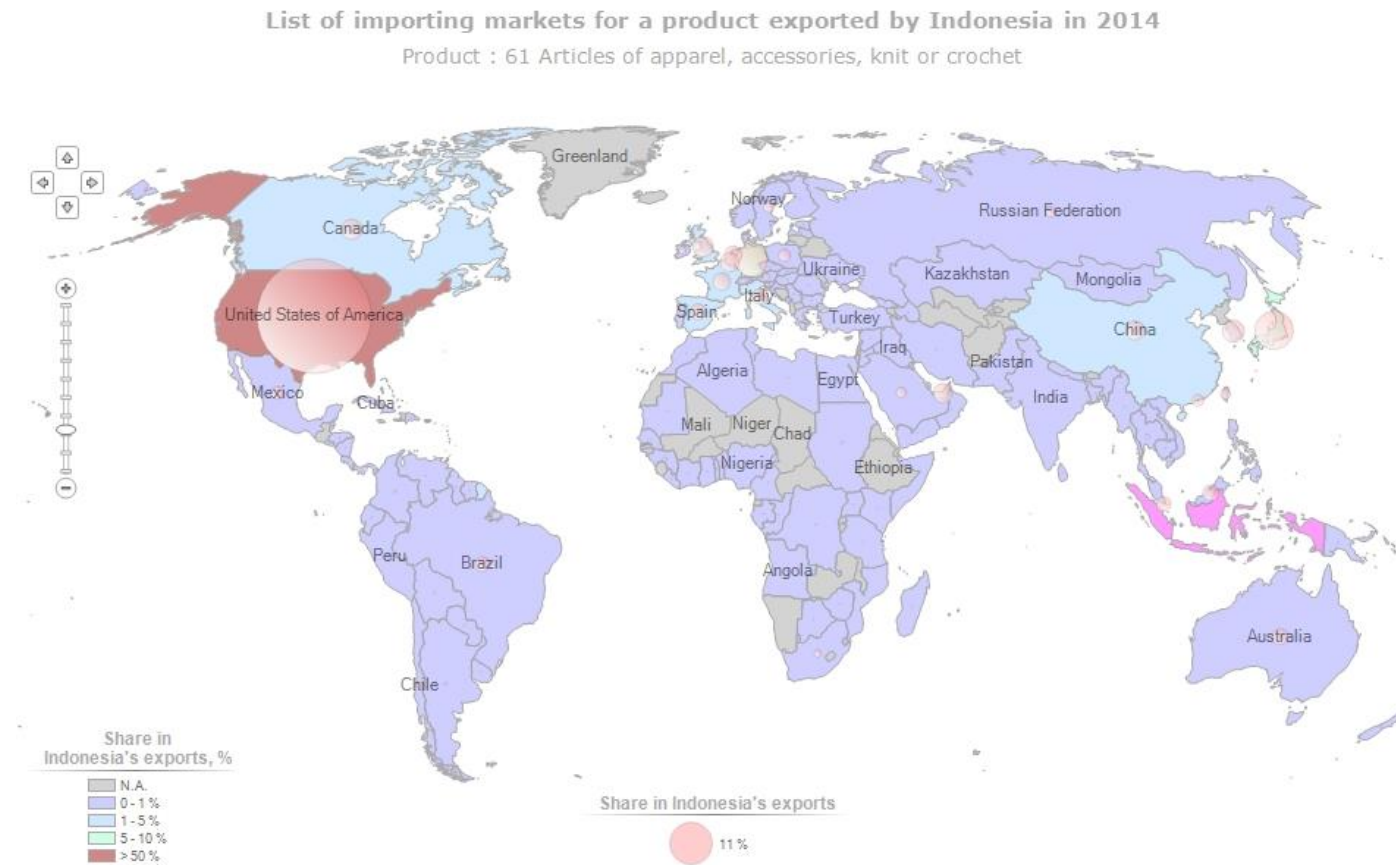
EU trade and development interest⁹³

The EU has been involved in Indonesia with several projects and is committed to assisting Indonesia to integrate into the international trading system. As per reporting by the Delegation of the EU in April 2016, EU and Indonesian leaders are currently negotiating the Comprehensive Economic Partnership Agreement (CEPA), a Free-Trade Agreement (FTA). The EU-Indonesia Trade Cooperation Facility (TCF), was set up in 2013 for a period of 4 years, a €12.5 million project, which focused on strengthening capacity of government institutions to improve the trade and investment climate. Several other projects including the EU-Indonesia Trade Support Programme II (TSP2), which ran from 2011 to 2015 focussed on supporting Indonesia in developing better trade and export facilities.

⁹³ COMM (2016) *Relations between Indonesia and the EU - eeas - European commission*. Available at: https://eeas.europa.eu/delegations/indonesia/680/relations-between-indonesia-and-the-eu_en (Last accessed: 9 October 2016).

2.2.4 Trade flows⁹⁴

Figure 23: Export markets for Indonesia for product HS code 61: knits

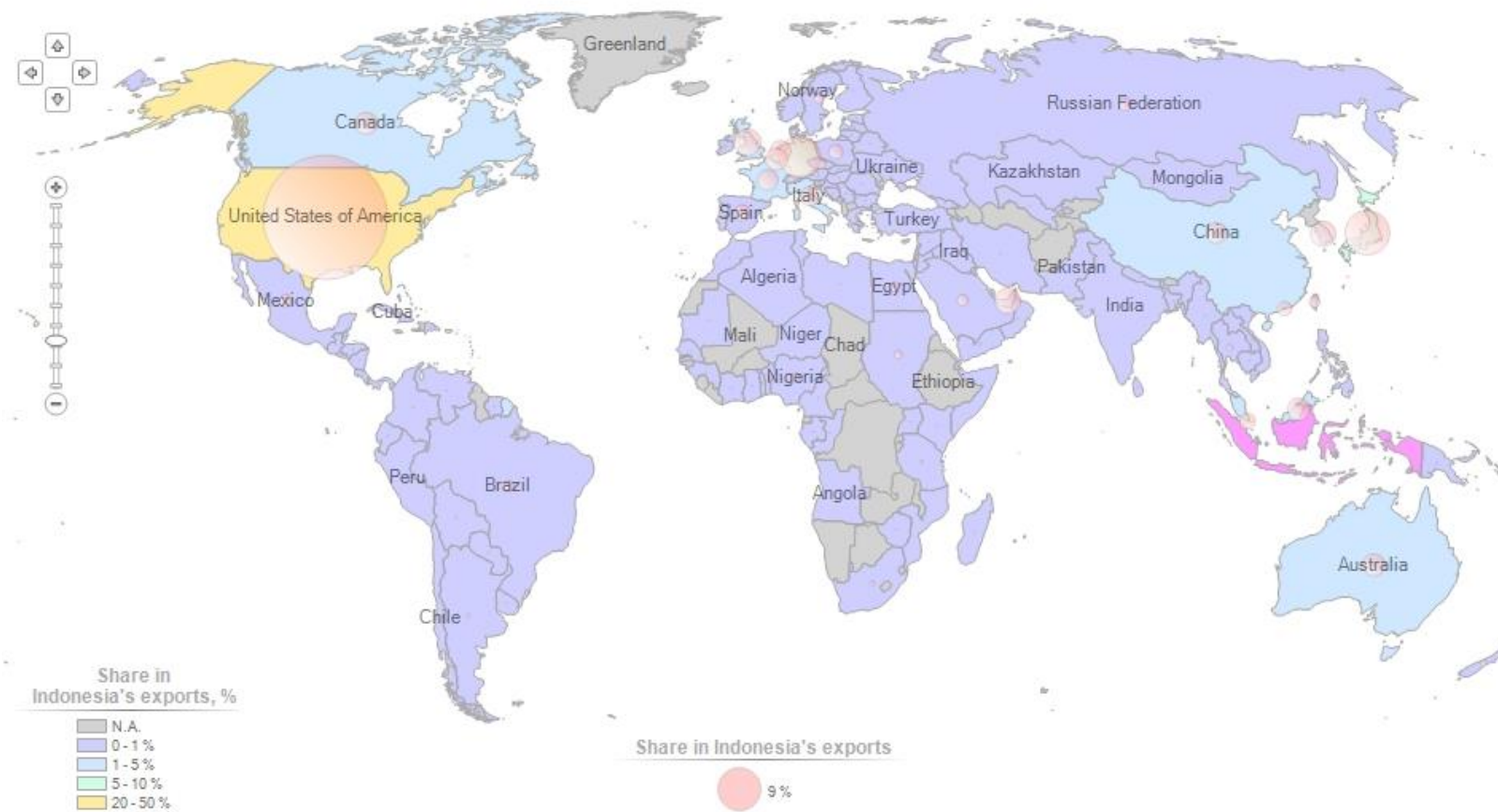


⁹⁴ International Trade Centre (no date) *Trade map*. Available at: http://www.trademap.org/Country_SelProductCountry_TS.aspx (Last accessed: 10 October 2016).

Figure 24: Export markets for Indonesia for product HS code 62: wovens

List of importing markets for a product exported by Indonesia in 2014

Product : 62 Articles of apparel, accessories, not knit or crochet



2.7 Morocco

2.7.1 Key indicators

Figure 25: Morocco's trade performance

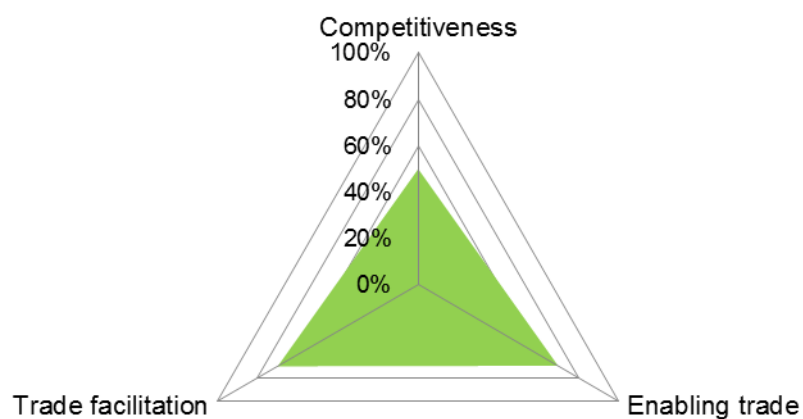
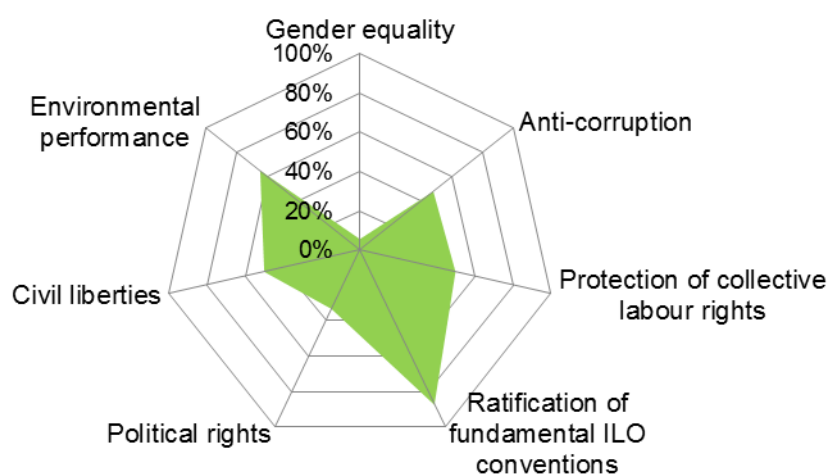


Figure 26: Morocco's social and environmental performance




2.7.2 Key issues in the garment sector

- Environmental sustainability and access to clean energy (SDGs 7, 13 and 11)
- Gender equality and the economic empowerment of women in the garment sector (SDG 5)
- Transparency and traceability in the supply chain (SDGs 12 and 17)

2.7.3 EU trade and development interest, economic importance of the garment sector

Top importing countries	EU, US, Saudi Arabia, Turkey
GSP / trade agreements	Preferential tariff for League of Arab States, GSTP for Mercosur, GSP Australia, GSP Canada, Preferential ROO for Iceland, Preferential tariff India GSTP, Kazakhstan GSP, New Zealand GSP, Russian Federation GSP, Switzerland, FTA European Free Trade Agreement (EFTA)-Morocco, Turkey GSP, USA GSP, Association Agreement - EU, negotiations with EU on Deep and Comprehensive Free Trade Agreement (DCFTA).
Key product categories exported	Suits, lingerie, swimwear, coats, blouses, sweaters
Some key initiatives used in practice in the country	BSCI, WRAP, SA 8000, SEDEX
Economic importance of the sector	<p>Textiles and garments makes up part of Morocco's industrial strategy 2014 – 2020 as a priority sector. The ambition is to grow the sector to create another 90,000 jobs in the sector by 2020. There were approximately 175,000 people employed in 2014. A priority focus is being placed on backward integration and investment in the textile manufacturing sector.</p> <p>Morocco being in the 'euro-med' region is a key sourcing destination for 'fast – fashion' and quick turn around high value added garments for EU buyers. Orders are quite often made within eight days from order placement to finishing and packing. Morocco is particularly appreciated for its flexible production ability. Morocco also exports large quantities to the US market. Morocco has a complete supply chain in the country with increased investment in the spinning sector focussed on knits.</p> <p>Raw materials are also brought in from Turkey for manufacturing in Morocco.</p>
EU trade and development interest ⁹⁵	The EU and Morocco are part of the signed Euro-Mediterranean Association Agreement which came into effect in 2000 with the aim to provide an appropriate framework for political dialogue between the EU and its partners in the Mediterranean Basin. The relationship and cooperation further developed with the European Neighbourhood Policy (ENP) launched by the EU in 2003. In addition to the enhanced status, technical

⁹⁵ Delegation of the European Union to Morocco (2016) *Morocco and the EU*. Available at: https://eeas.europa.eu/delegations/morocco/4347/morocco-and-the-eu_en (Last accessed: 10 October 2016).

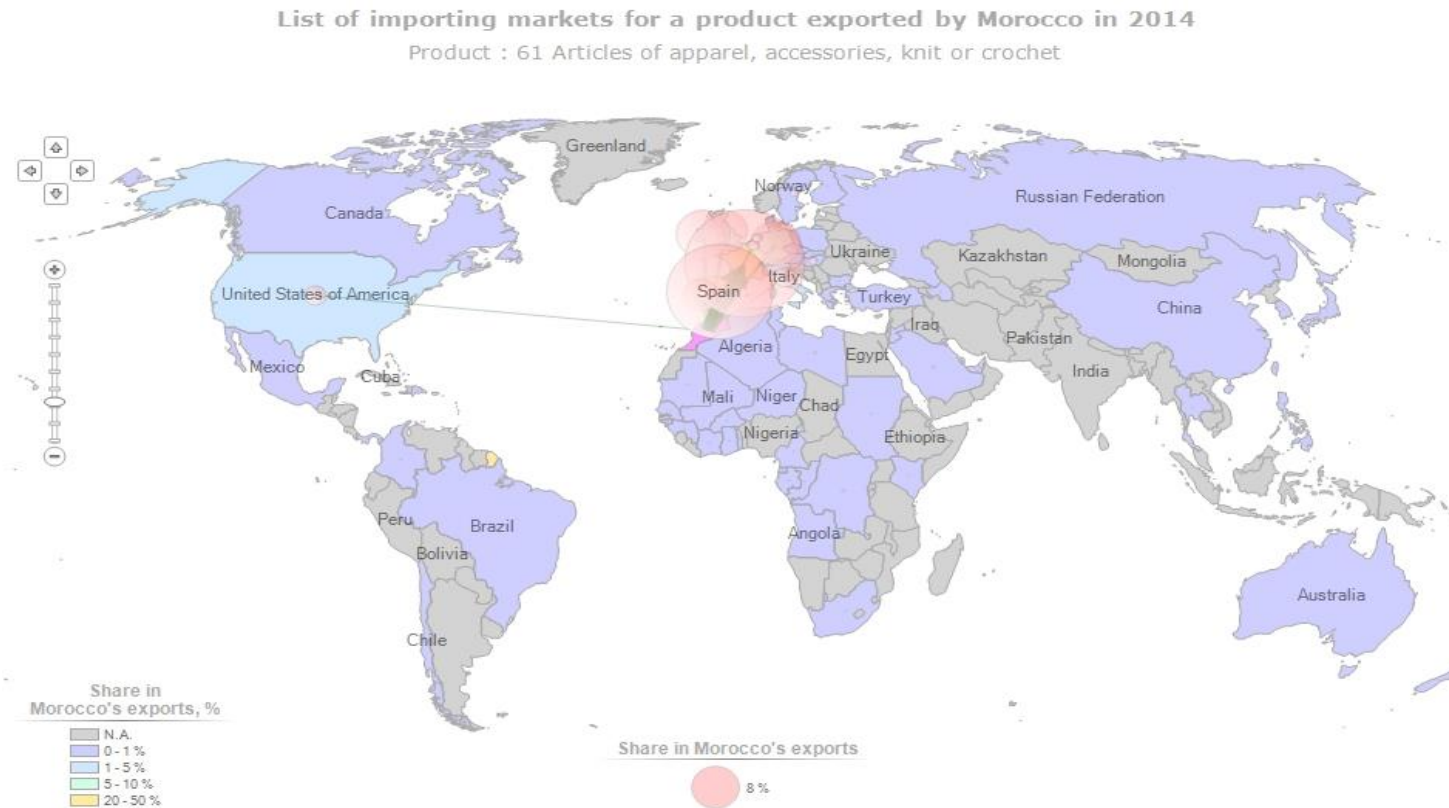


assistance programmes from the EU have been assisting in increasing exports and promotion of products from Morocco.

The 'Making a Success of Advanced Status II' programme - with a sum of €87 million - launched in 2013, aimed to support the efforts for a progressive integration of the Moroccan economy into the European single market.

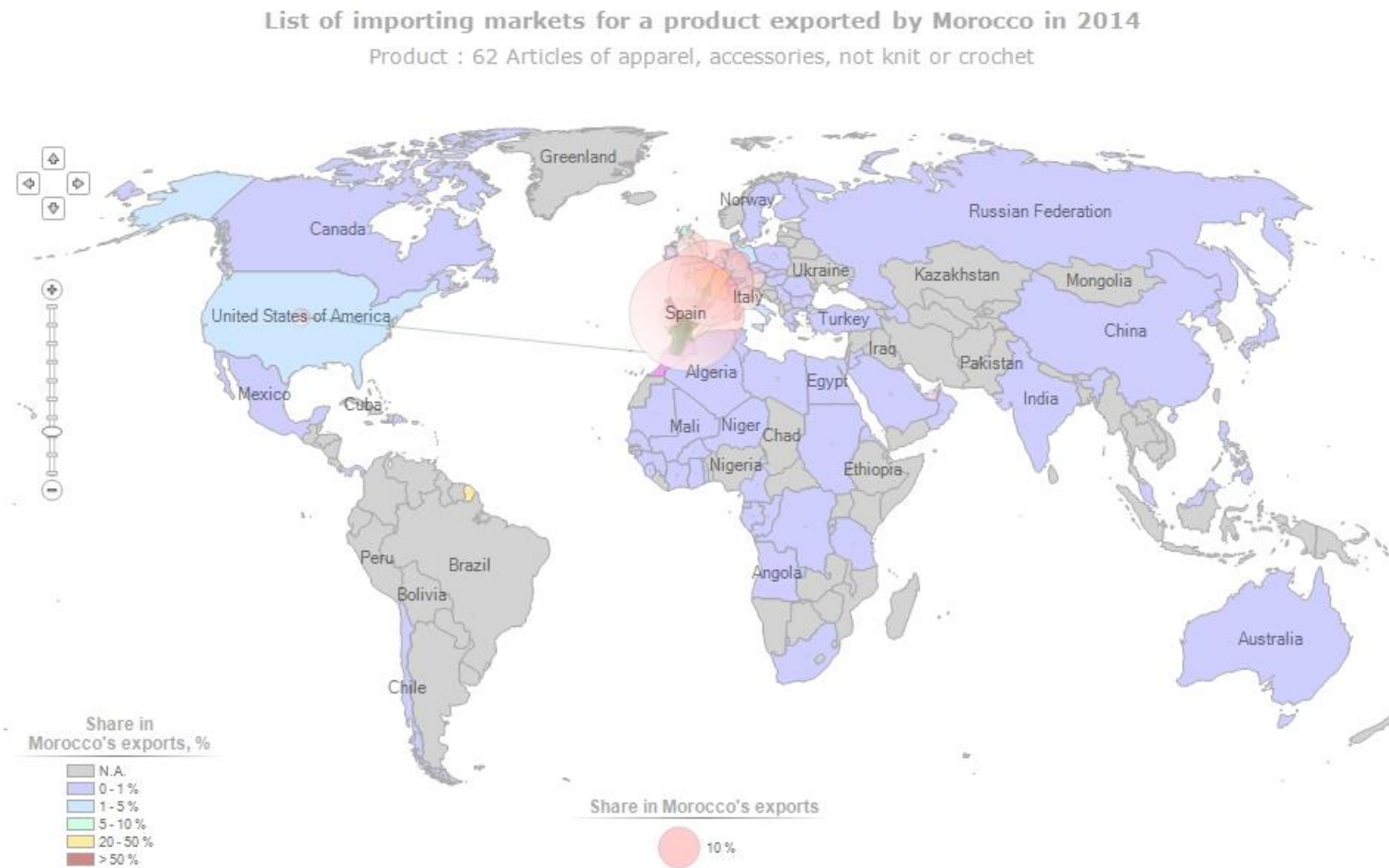
2.2.4 Trade flows⁹⁶

Figure 27: Export markets for Morocco for product HS code 61: knits



⁹⁶ International Trade Centre (no date) *Trade map*. Available at: http://www.trademap.org/Country_SelProductCountry_TS.aspx (Last accessed: 10 October 2016).

Figure 28: Export markets for Morocco for product HS code 62: wovens



2.8 Pakistan

2.8.1 Key indicators

Figure 29: Pakistan's trade performance

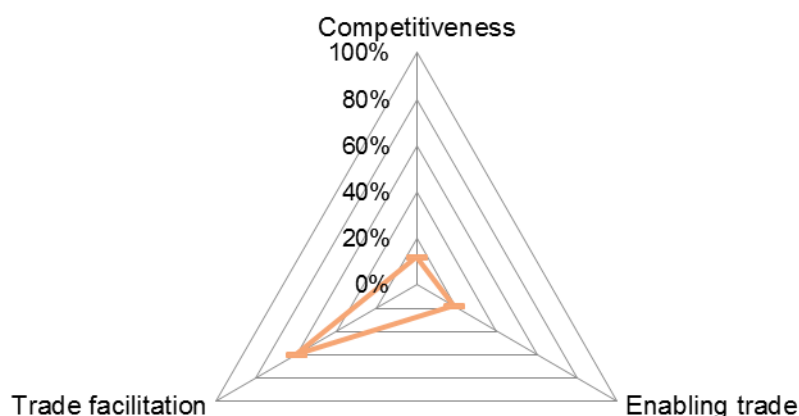
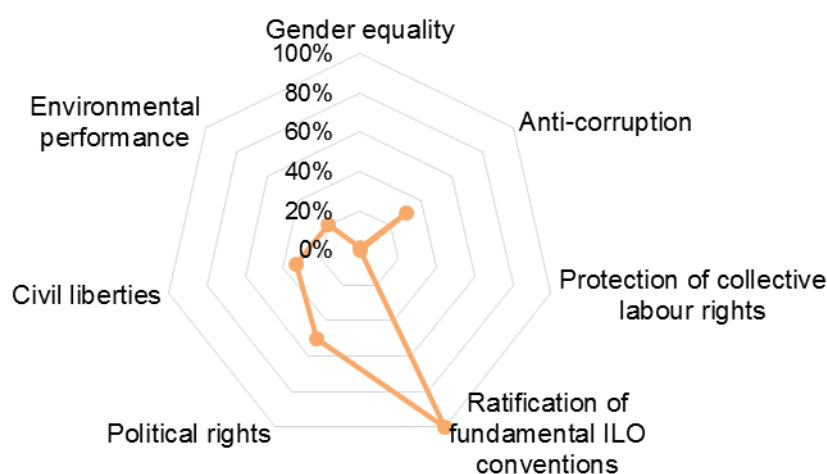


Figure 30: Pakistan's social and environmental performance



2.8.2 Key issues in the garment sector

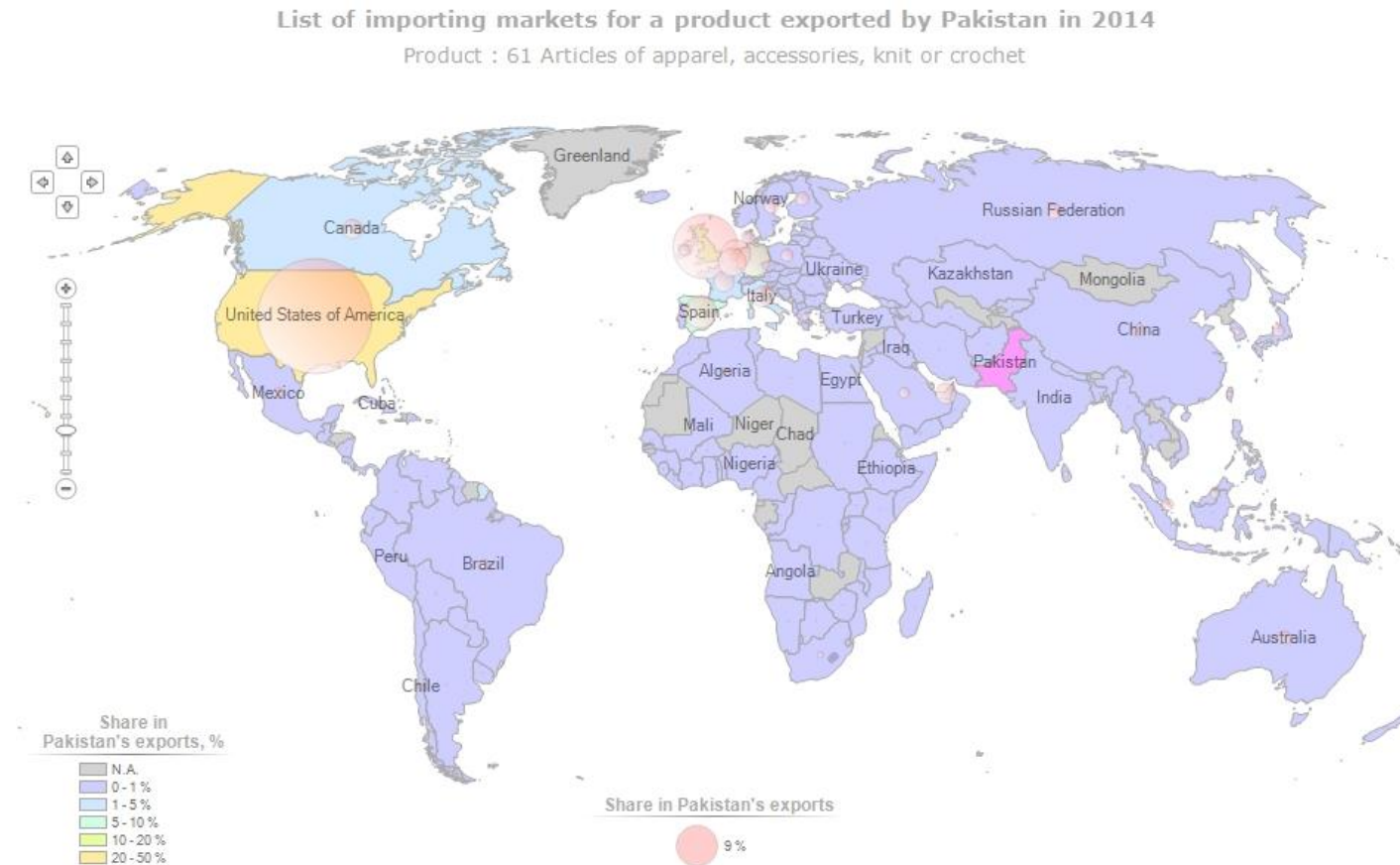
- Political and business environment and infrastructure (SDGs 11 and 16)
- Workers' rights (decent work and living wages) for garment industry workers (SDGs 8 and 9)
- Environmental sustainability and access to clean energy (SDGs 7, 13 and 11)
- Gender equality and the economic empowerment of women in the garment sector (SDG 5)
- Transparency and traceability in the supply chain (SDGs 12 and 17)

2.8.3 EU trade and development interest, economic importance of the garment sector

Top importing countries	US, EU, UAE, Canada, Russian Federation
GSP / trade agreements	Preferential tariff for all SAFTA countries, GSTP Mercosur, GSP Australia, GSP Belarus, Preferential tariff Canada, Preferential tariff China, Japan GSP, Kazakhstan GSP, Korea GSTP, Swiss ROO for GSP, Malaysia Preferential tariff, Mauritius preferential tariff, New Zealand GSP, Turkey GSP, USA GSP, EU GSP +
Key product categories exported	Men's shirts knitted, Men's suits trousers, Panty hose, tights, Jersey, pullover, cardigans, women's suits, dresses, gloves, mittens, women's blouses and shirts, Men's singlets, briefs.
Some key initiatives used in practice in the country	BSCI, WRAP, SA 8000, ISO
Economic importance of the sector	Textile and apparel exports make up about 70% of total exports from the country. However the sector has been facing several challenges in spite of preferential access into EU market (offered since 2014). Pakistan has set out a new Textile Policy in 2015 which aims to double exports by 2020. Almost 1 million people are employed by the sector. Exports from the sector have fallen over the year 2015. Security and compliance issues which have made the sector less attractive. However according to information provided by representatives from the 'Buyers Forum' in early 2016, which was organised by the ILO, IFC and Dutch Government, several remedial actions were discussed in the area of increased governance, compliance with national labour laws and international standards. Pakistan has a strong backward integration with textile weaving, knitting and spinning. Several training programmes and improvement programmes are being launched in the country to support the development of a sustainable textile supply chain.

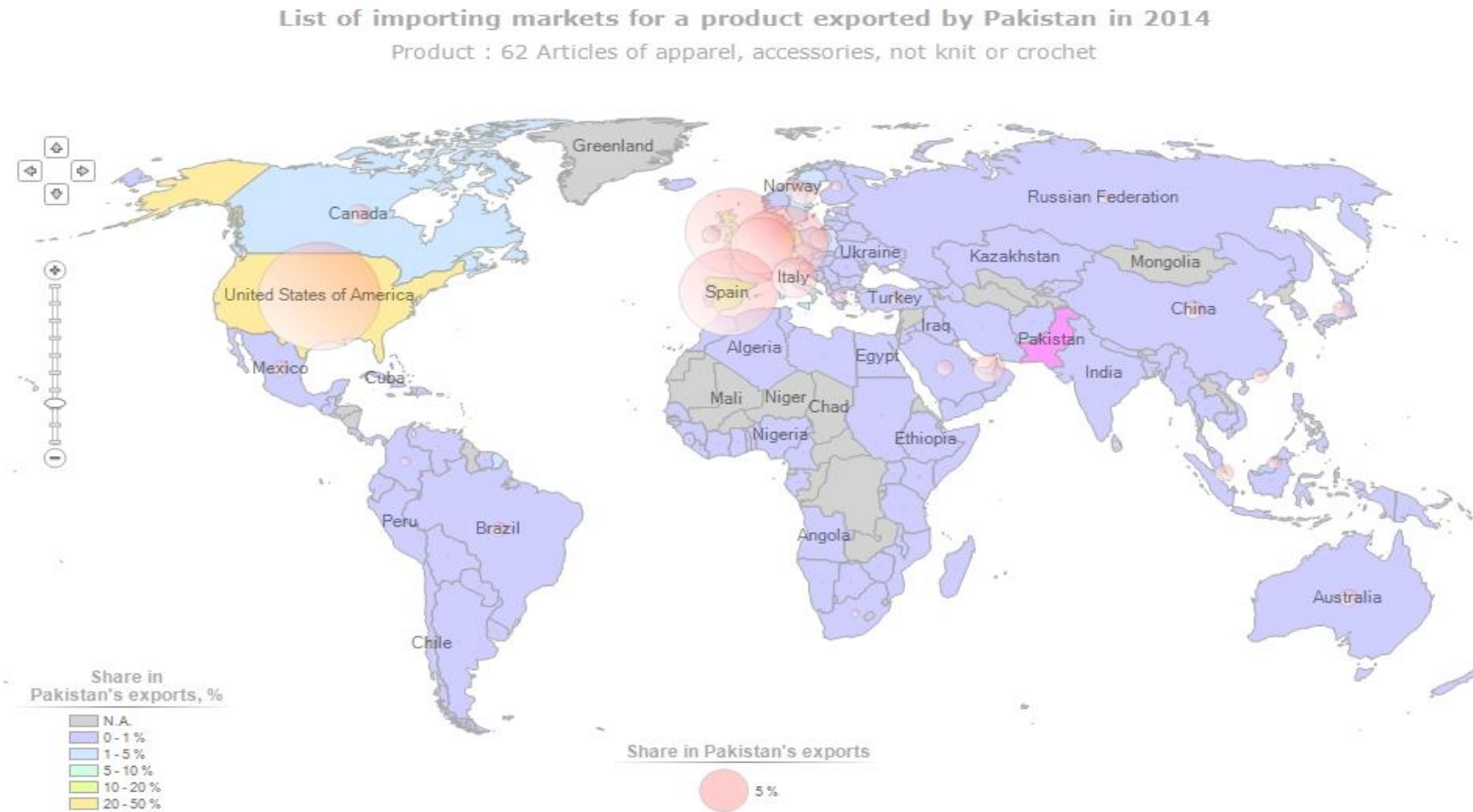
2.2.4 Trade flows⁹⁷

Figure 31: Export markets for Pakistan for product HS code 61: knits



⁹⁷ International Trade Centre (no date) *Trade map*. Available at: http://www.trademap.org/Country_SelProductCountry_TS.aspx (Last accessed: 10 October 2016).

Figure 32: Export markets for Pakistan for product HS code 62: wovens



2.9 Sri Lanka

2.9.1 Key indicators

Figure 33: Sri Lanka's trade performance

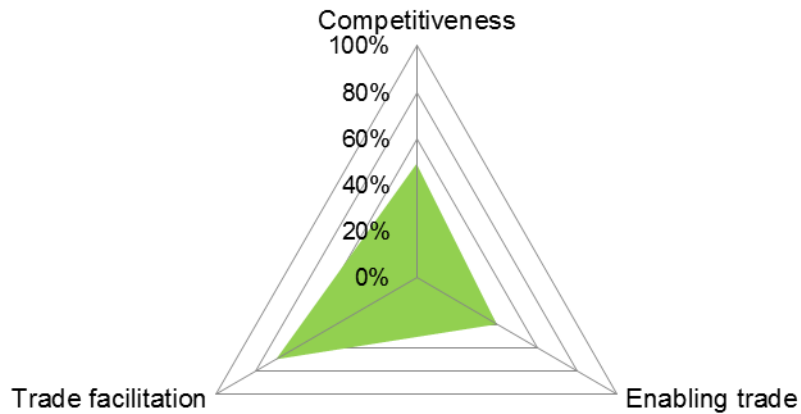
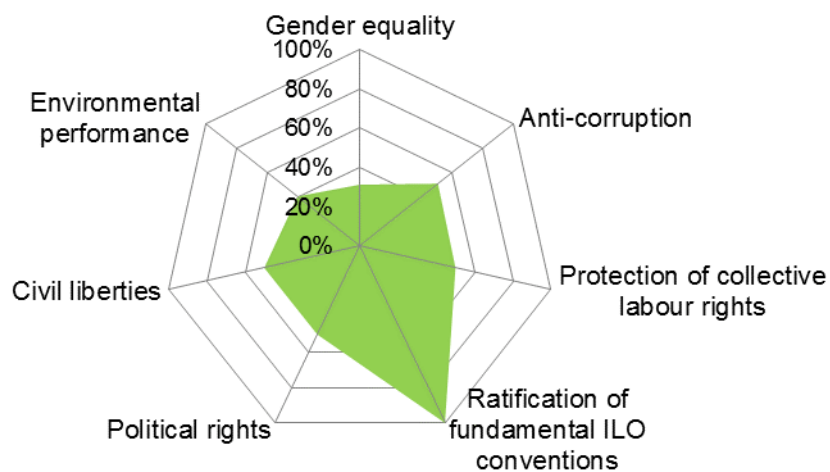


Figure 34: Sri Lanka's social and environmental performance



2.9.2 Key issues in the garment sector

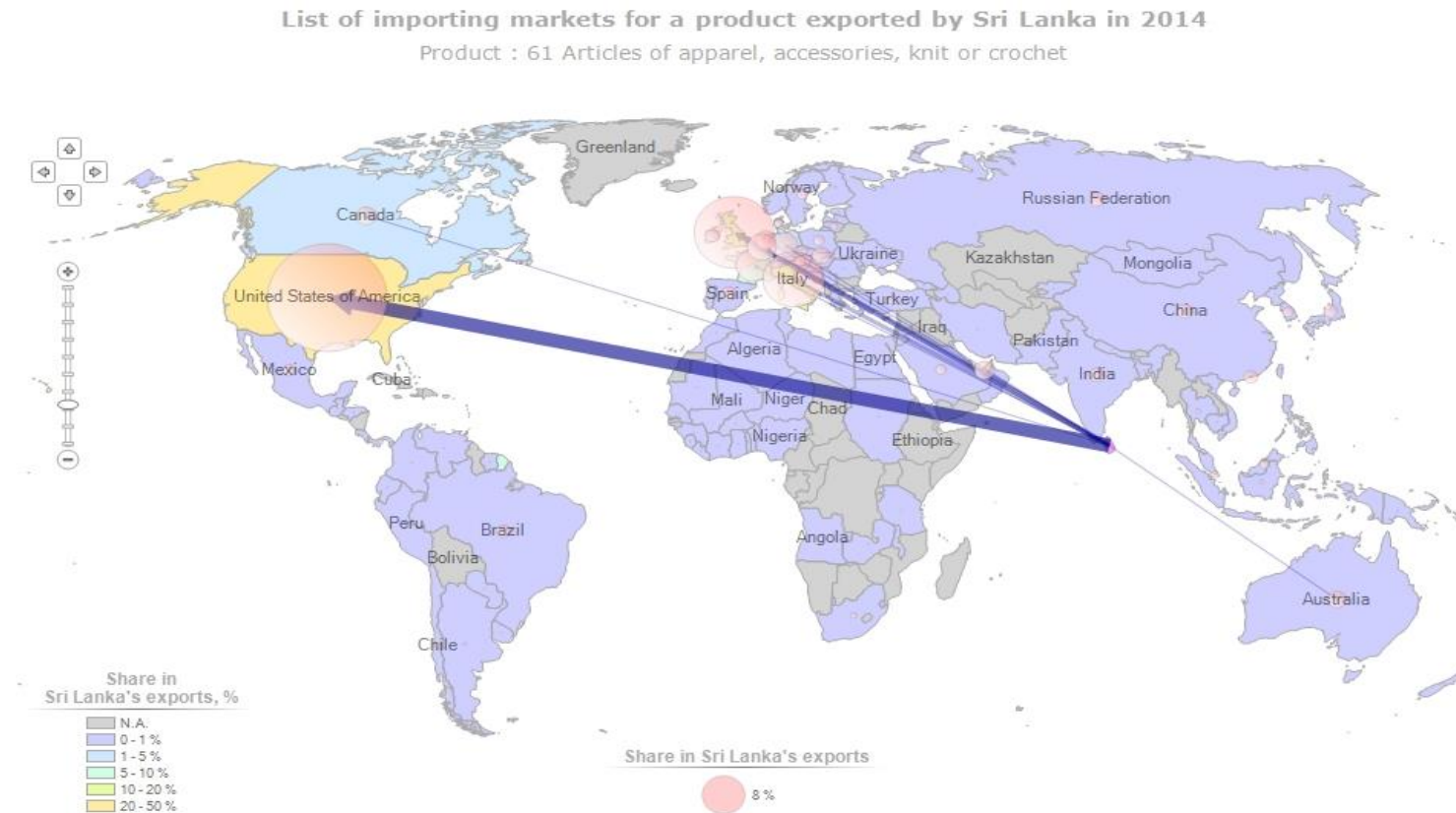
- Political and business environment and infrastructure (SDGs 11 and 16)
- Gender equality and the economic empowerment of women in the garment sector (SDG 5)
- Transparency and traceability in the supply chain (SDGs 12 and 17)

2.9.3 EU trade and development interest, economic importance of the garment sector

Top importing countries	US, EU, Canada, UAE, Japan
GSP / trade agreements	EU GSP, US GSP, SAFTA, Merosur, Australia GSP, APTA, Canada GSP, India GSTP (and SAFTA and APTA), Japan GSP, Kazakhstan GSP, New Zealand GSP, Japan GSP, Norway GSP, Swiss GSP, Turkey GSP.
Key product categories exported	Women's jackets, brassieres, men's suits and jackets, men's shirts, women's blouses and shirts, women's briefs, pyjamas, singlets, women's slips, panties, bathrobes, T-shirts, women's suits and dresses, gloves and mittens, jerseys, pullovers, men's underpants, swimwear, track suits.
Some key initiatives used in practice in the country	BSCI, WRAP, SEDEX, SA 8000, ISO, FLA
Economic importance of the sector	Apparel and textiles exports account for around 45% of total exports. The EU and US are the biggest markets for Sri Lanka's exports. However with competitors being part of the Trans Pacific Partnership (TPP) agreement, Sri Lanka could lose market share in the US. Sri Lanka had lost its GSP+ status with the EU in 2010. Discussions focus on re instating these preferences to offer duty free access to the EU market. Sri Lanka's industry is currently reputed for its compliance with International standards. Sri Lanka has some of the best environmentally sustainable factories in the world. Several factories in Sri Lanka have lead the way in issues such as waste management. Several big holding companies own several factories in the country. These are mainly locally owned. The textile industry in Sri Lanka is vertically integrated. It also has world class trims and accessories available. In addition high end fashion shows and local designer names are also growing with their collections starting to be shown at international catwalks and shows.

2.8.4 Trade flows⁹⁸

Figure 35: Export markets for Sri Lanka for product HS code 61: knits



⁹⁸ International Trade Centre (no date) *Trade map*. Available at: http://www.trademap.org/Country_SelProductCountry_TS.aspx (Last accessed: 10 October 2016).

Figure 36: Export markets for Sri Lanka for product HS code 62: wovens



2.10 Tunisia

2.10.1 Key indicators

Figure 37: Tunisia's trade performance

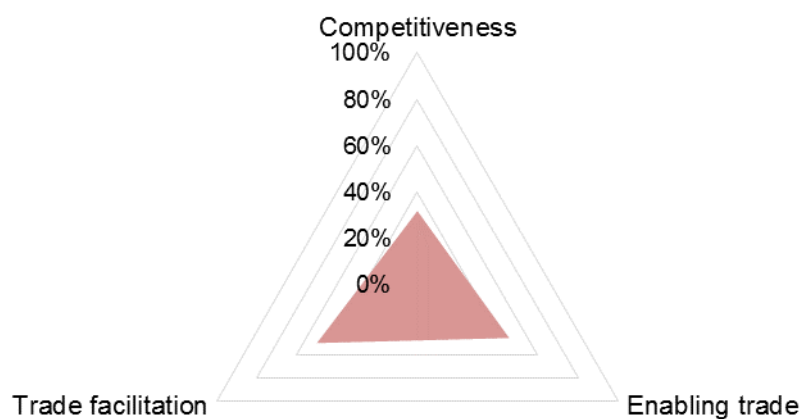
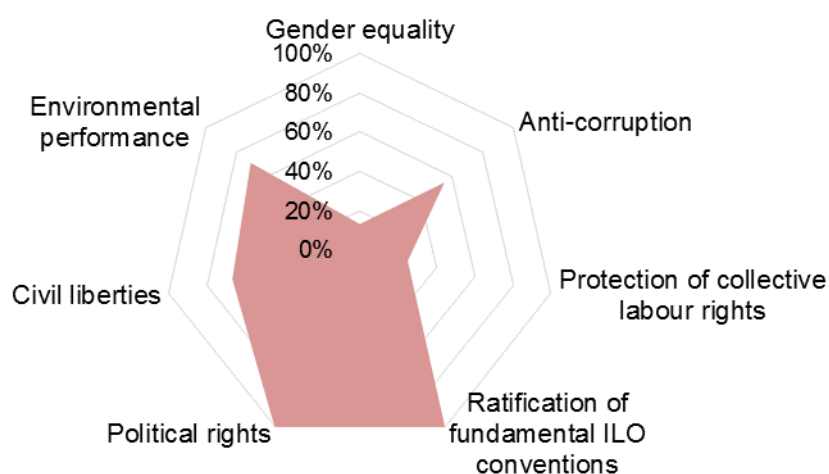


Figure 38: Tunisia's social and environmental performance



2.10.2 Key issues in the garment sector

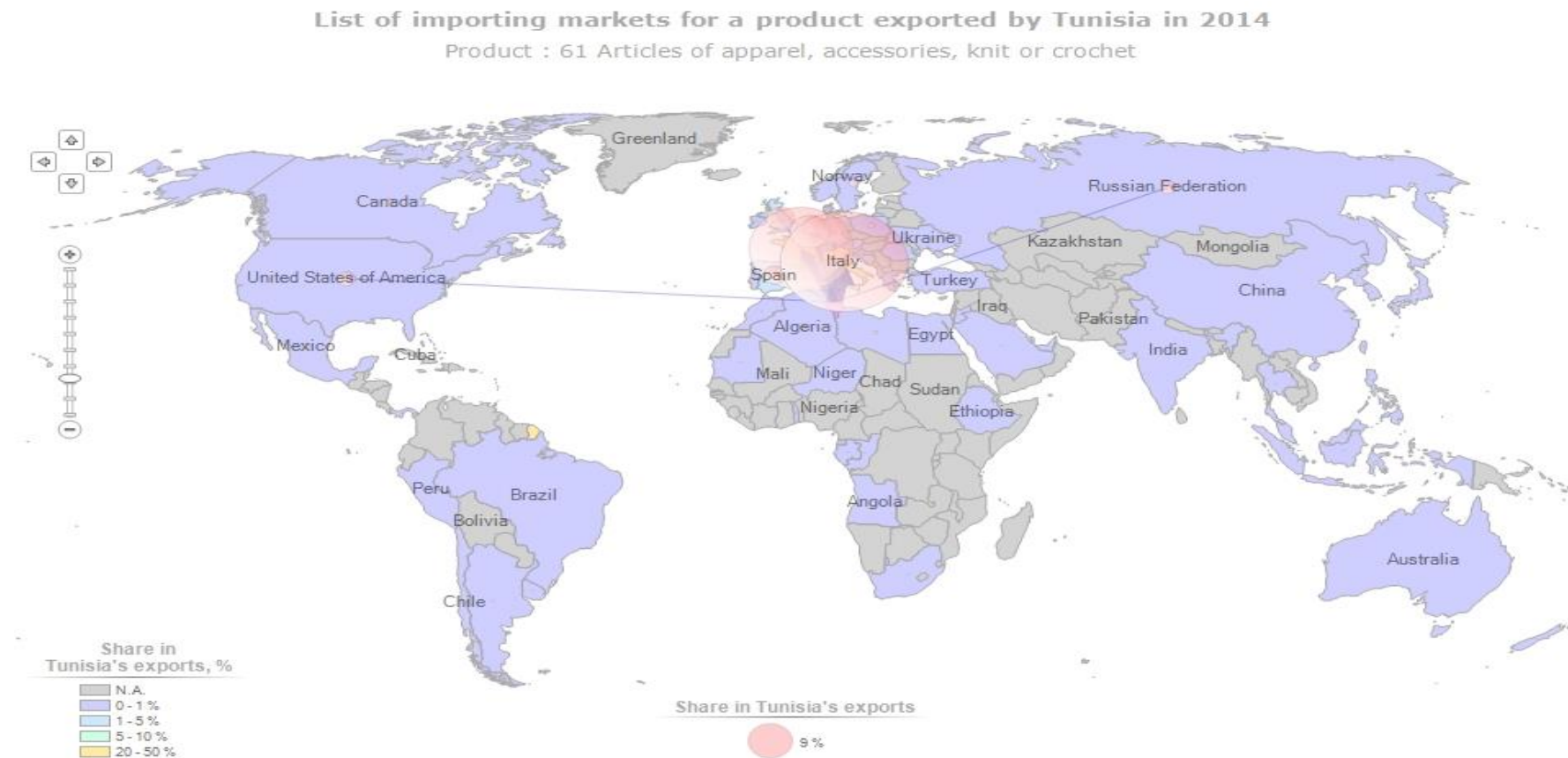
- Gender equality and the economic empowerment of women in the garment sector (SDG 5)
- Workers' rights (decent work and living wages) for garment industry workers (SDGs 8 and 9)
- Environmental sustainability and access to clean energy (SDGs 7, 13 and 11)
- Transparency and traceability in the supply chain (SDGs 12 and 17)

2.10.3 EU trade and development interest, economic importance of the garment sector

Top importing countries	EU, US, Russian Federation, China, Japan, Turkey, South Korea
GSP / trade agreements	Preferential tariff for League of Arab States, Mercosur, Australia GSP, Belarus GSP, Canada GSP, FTA-EFTA Tunisia, India GSTP, Japan GSP, Kazakhstan GSP, New Zealand GSP, Norway GSP, Russian Federation GSP, Sri Lanka GSTP, Turkey GSP, USA GSP, EU – Association Agreement, EU – DCFTA negotiations.
Key product categories exported	T-shirts, jerseys, pullovers, cardigans, women's slips, panties, pyjamas, track suits, ski suits and swimwear, men's suits, jackets, shorts, women's suits, jackets, dresses, brassieres, girdles, women's blouses, and shirts.
Some key initiatives used in practice in the country	BSCI, SA 8000, ISO
Economic importance of the sector	The industry has approximately 1900 companies (2014) of which about 1600 are exporters. Majority of companies are Small and Medium-Size Enterprises (SME) producers and have less than 100 employees. The textiles and clothing industry is categorised with cut and sew operations, making garments for export into the EU. 90% of the textile and clothing exports go the EU to countries such as Italy and Spain. There is a presence of Italian and Spanish investments / joint ventures in the industry. The sector is known for high value cut and sew and a lot of the raw materials are brought in from Europe for conversion into final product and for re – export back into Europe. The industry is characterised by approx. 900 very strong companies which control majority of the textile and clothing industry export. Environmental impact and working conditions are seen as key issues for improvement at the sector level. Several development projects are focussing on awareness building and training on best practises. Spinning, knitting, weaving, washing, dyeing and other support services required for short lead times are mostly available within the country.

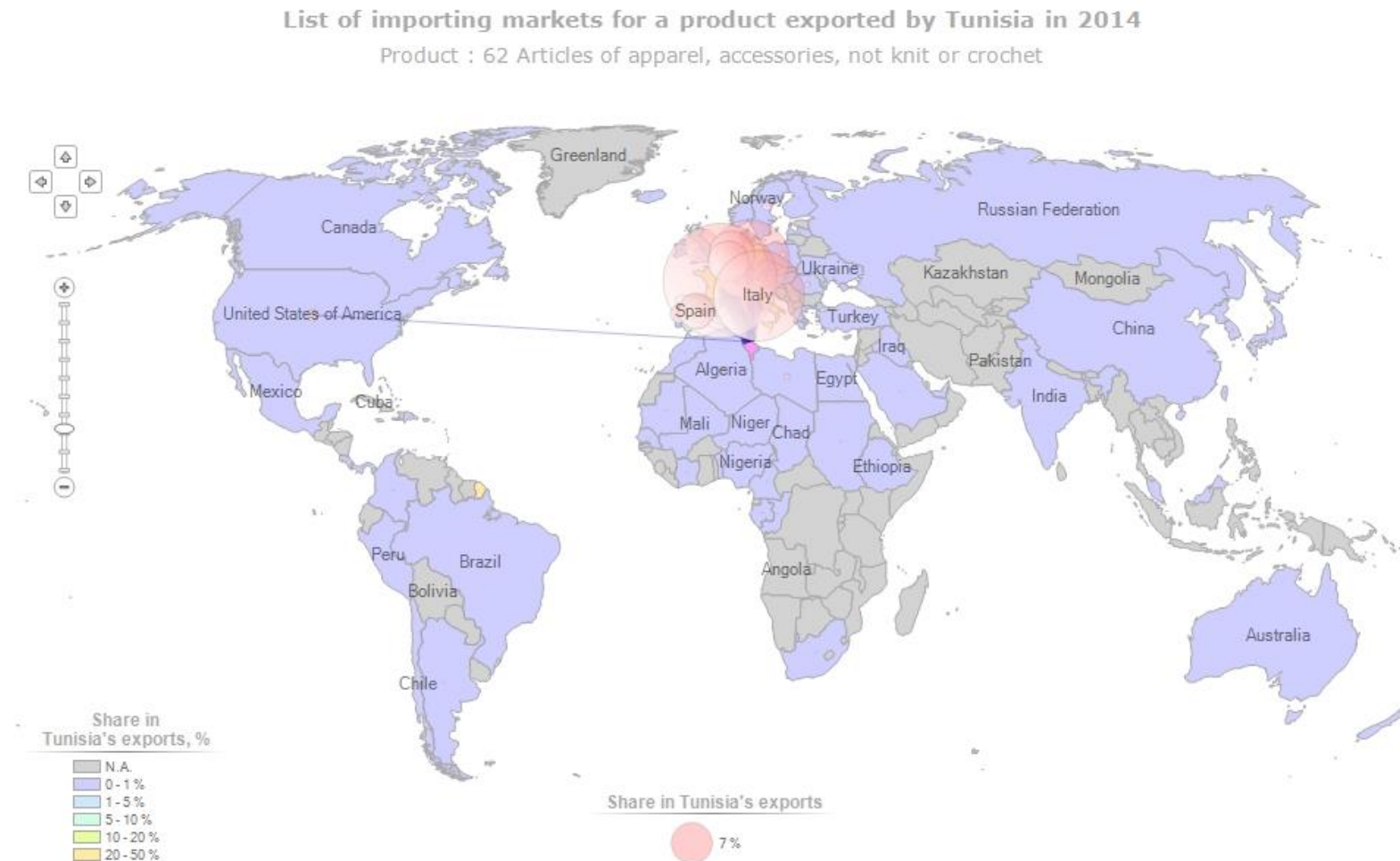
2.9.4 Trade flows⁹⁹

Figure 39: Export markets for Tunisia for product HS code 61: knits



⁹⁹ International Trade Centre (no date) *Trade map*. Available at: http://www.trademap.org/Country_SelProductCountry_TS.aspx (Last accessed: 10 October 2016).

Figure 40: Export markets for Tunisia for product HS code 62: wovens



2.11 Turkey

2.11.1 Key indicators

Figure 41: Turkey's trade performance

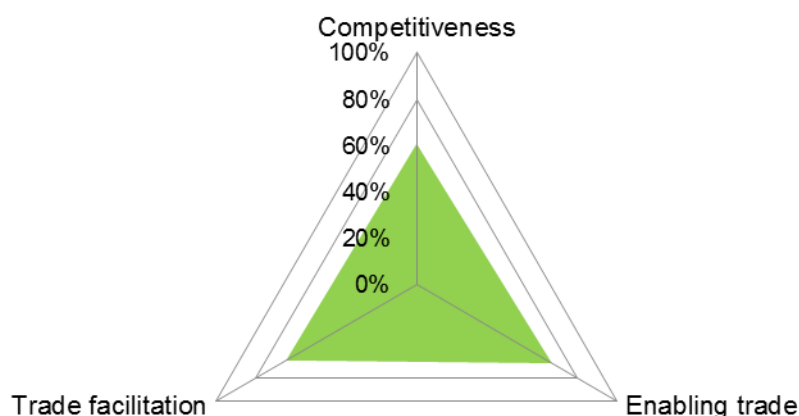
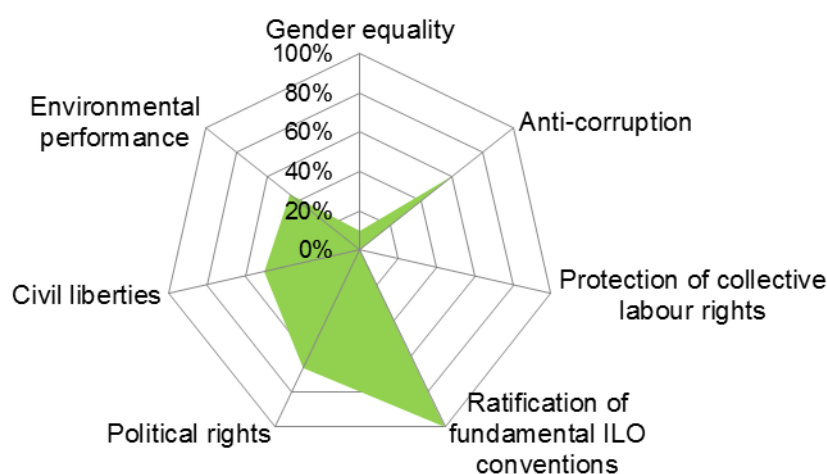


Figure 42: Turkey's social and environmental performance



2.11.2 Key issues in the garment sector

- Political and business environment and infrastructure (SDGs 11 and 16)
- Workers' rights (decent work and living wages) for garment industry workers (SDG 8 and 9)
- Environmental sustainability and access to clean energy (SDGs 7, 13 and 11)
- Gender equality and the economic empowerment of women in the garment sector (SDG 5)
- Transparency and traceability in the supply chain (SDGs 12 and 17)

2.11.3 EU trade and development interest, economic importance of the garment sector

Top importing countries	EU, Israel, Saudi Arabia, US
GSP / trade agreements	Albania, Australia GSP, Belarus preferential, Bosnia and Herzegovina, Canada GSP, Egypt preferential tariff, Georgia preferential tariff, EFTA- Turkey, Israel preferential tariff, Japan GSP, Jordan GSP, Kazakhstan GSP, Macedonia, The former Yugoslav Republic of preferential tariff, Mauritius preferences, Montenegro preferences, Morocco, New Zealand GSP, Norway preferential, Palestine preferences, Russian Federation GSP, Serbia Preferential tariff, Tunisia preferential, USA GSP, EU Customs Union Agreement, member of EU – med partnership.
Key product categories exported	Women's and men's suits, jackets, women's dresses, women's blouses and shirts, men's shirts, women's slips, briefs, pyjamas, women's overcoats, capes, track suits, swimwear, men's overcoats, jackets, T shirts, jerseys, pullovers, panty hose, tights, stockings, women's slips, panties, bathrobes, pyjamas, men's knitted shirts, men's underpants, baby garments.
Some key initiatives used in practice in the country	BSCI, SEDEX, FLA, SA 8000, ISO
Economic importance of the sector	It is one of the strongest countries providing high value and mid-level products to the EU market. The textile and clothing sector makes up about 20% of the total exports. The industry (textile and clothing) employs more than a 1 million people directly and almost 2 million indirectly. From sourcing houses and agencies to clothing manufacturers and mills with fabric, yarn and access all the way to various types of fibre. Turkey is one of the larger cotton producers in the world (8 th largest in 2013). Turkey is geared to cater to the EU market and is well positioned to provide high end design, sample and product development and manufacturing. With its geographically advantageous location, Turkey can send products in 2 to 3 weeks as compared to other providers in Asia who would take 2 – 3 months. There is a vast diversity products that can be made in Turkey. Turkey is a country with the complete supply chain within the country right down to the fibre level. From Silk, Wool, filament yarn, manmade fibres and cotton, Turkey has a strong history of textiles since the Ottoman Empire.

2.10.4 Trade flows¹⁰⁰

Figure 43: Export markets for Turkey for product HS code 61: knits



¹⁰⁰ International Trade Centre (no date) *Trade map*. Available at: http://www.trademap.org/Country_SelProductCountry_TS.aspx (Last accessed: 10 October 2016).

Figure 44: Export markets for Turkey for product HS code 62: wovens



2.12 Vietnam

2.12.1 Key indicators

Figure 45: Vietnam's trade performance

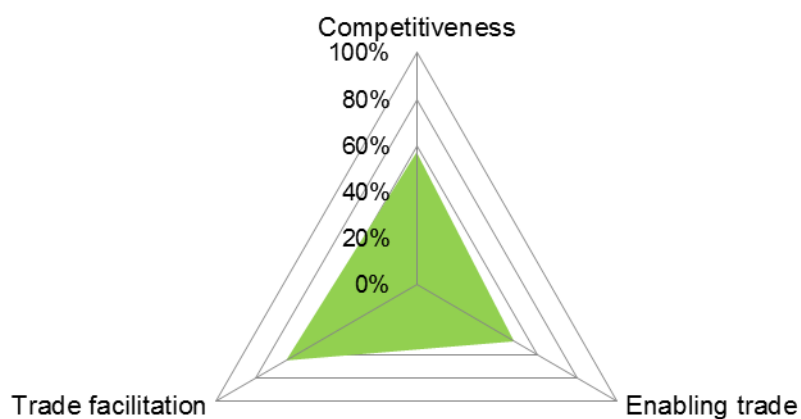
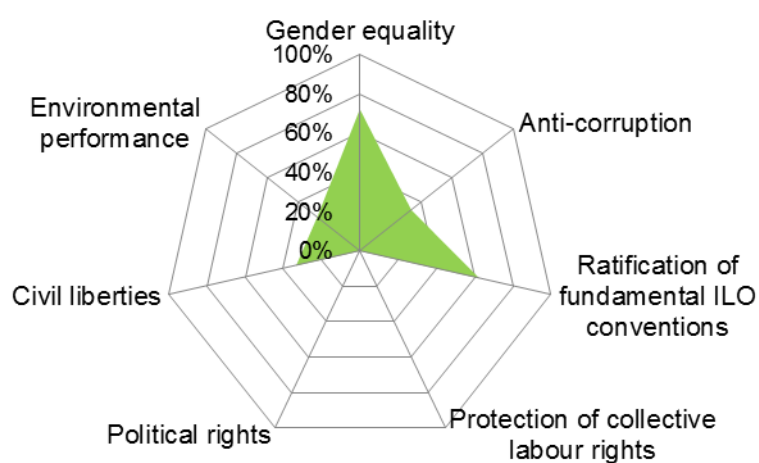


Figure 46: Vietnam's social and environmental performance



2.12.2 Detailed sector profile

Size of the industry (no of companies / factories in country):	5,000-6,000
No. of people employed in the sector	Approximately 2.5m people directly employed in the sector and another 2m in support industries.
Company structures (foreign owned, locally	30% fully locally owned, about 10% have JVs and the remaining 60% are foreign owned.

owned etc.)	
Key characteristics of the value chain / supply chain in the country (top points)	<ul style="list-style-type: none"> • Most of the orders are FOB, and several even ODM/OEM which are carried out by big sportswear brands who have shares in production capacities present in the country; • Efficiency levels are seen to be mid-range and could be higher.
Highlights of key trends in the garment sector in the country	<ul style="list-style-type: none"> • Vietnam is one of the largest exporters of garments in the world and ranks 4th globally (by value); • There are still bottlenecks that need to be ironed out, but as a sourcing destination, Vietnam is being touted as one of the top destinations in Asia and will undoubtedly see an increase in orders over the next five years; • Buyers see Vietnam as a country with political stability and reliability; • Price is closely linked to the tariff advantages. While Vietnam does not have duty free access to either the EU or the US currently, it has just concluded the TPP and EVFTA agreements with the US and the EU respectively. Although the benefits are unlikely to be seen soon. The EU-Vietnam FTA may enter into force in late 2017 or early 2018; while there is no timeframe for TPP. Once buyers are clearer about the sourcing requirements and rules of origins of these agreements and how they could use these to their advantage, this will become a huge plus point; • However, changes in trade patterns will not take place quickly. New sources of raw materials may have to be identified, sourced and tested before using them to benefit from the TPP duty advantage.
Key challenges of the sector	<ul style="list-style-type: none"> • Flexibility of order sizes has been seen to be a challenge especially for EU buyers who prefer smaller quantities and many repeat orders as compared to larger scale orders; • Compliance will need to be re-visited if the factories are indeed in compliance with environmental regulations; • This is stated in the Global Competitiveness Report as one of the most problematic factors for doing business in Vietnam. The government is in the process of restructuring the banking sector. It is actively allowing for and pushing for mergers between smaller struggling banks and larger, more stable and stronger banks amongst other things. It has also set up the Vietnam Asset Management Company (VAMC) to buy non-performing loans (NPLs). Current rate of interest for borrowing is 7%.
Key strengths of the	<ul style="list-style-type: none"> • Vietnam has a very stringent waste water treatment

sector	requirement in place now.
Transparency / traceability	As most raw materials are still imported, a lot of the production work in Vietnam focuses on Cut Make. While exports go out as FOB orders, the majority of smaller (SME) factories which make up about 70% of the industry still are order takers and do not implement the highest levels of new systems unless specifically asked by brands / buyers. While there are very large production factories offering world class services, these make up only about 20% of the industry. With the new EVFTA (the EU Vietnam FTA) being implemented as well as the TPP (Trans Pacific Partnership) with the US and other countries (total of 12 countries) the Vietnamese government has put in place a 2020 – 2030 strategy for the sector which envisages the development of several textile yarn and fabric weaving and knitting factories to support backward integration in the country. This would have, it is hoped, a much cleaner and more visible and environmentally friendly supply chain in place over the next 5 – 10 years.

2.12.3 Key issues in the garment sector


- Workers' rights (decent work and living wages) for garment industry workers (SDG 8 and 9)
- Environmental sustainability and access to clean energy (SDGs 7, 13 and 11)
- Gender equality and the economic empowerment of women in the garment sector (SDG 5)
- Transparency and traceability in the supply chain (SDGs 12 and 17)

2.12.4 EU trade and development interest, economic importance of the garment sector

Top importing countries	US (approx. 49%), EU (approx. 17%), Japan (13%), S. Korea (8-9%)
GSP / trade agreements	Approx. 16-18% tariffs on average to the US, 12% on average to the EU FTA with Eurasia ¹⁰¹ In addition, the much-awaited TPP has been finalised in October 2015, which aims to grant duty free access for Vietnam's products into all the TPP member countries (once ratified). Negotiations between the EU and Vietnam have just been concluded (2 nd December 2015) towards the EU-Vietnam

¹⁰¹ Eurasian Customs Union includes Russia, Belarus, Kazakhstan and most recently, Armenia and Kyrgyzstan.

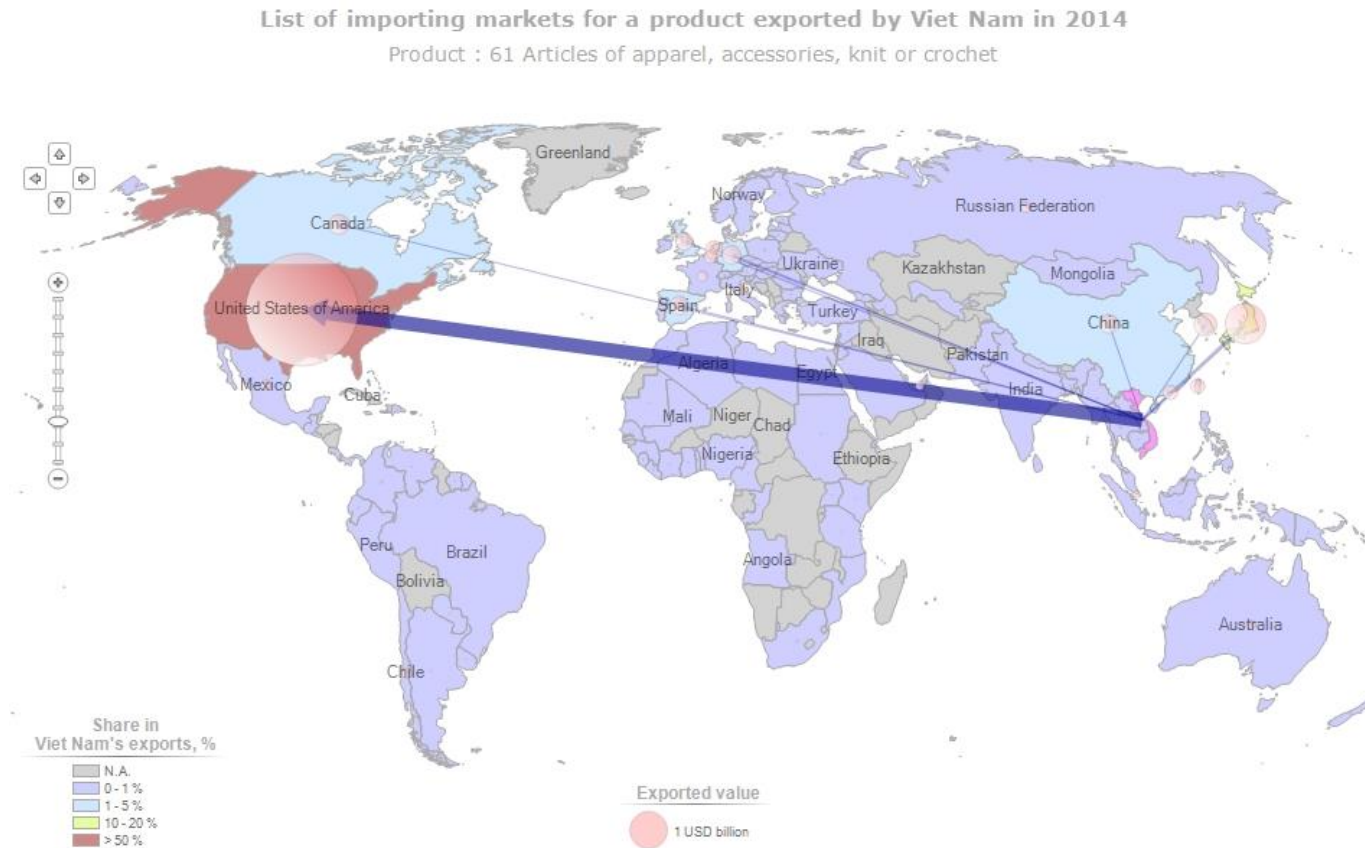
	<p>Free Trade Agreement (EVFTA). This will see a series of products gaining duty free access from Vietnam into the EU market over the following seven years (after the agreement comes into force). Although the benefits are unlikely to be seen soon. The EU-Vietnam FTA may enter into force in late 2017 or early 2018; while there is no timeframe for TPP.</p> <p>Vietnam benefits from two FTAs with Japan (Vietnam-Japan and ASEAN-Japan) which are fabric forward. Also an FTA with South Korea (garment forward rule of origin).</p>
Key product categories exported	Shirts, trousers, jackets, t-shirts, polo shirts, sports and outdoor wear, children's wear, underwear, swimwear, workwear and denim
Some key initiatives used in practice in the country	BSCI, WRAP, Better Factories, SA 8000, ISO, SEDEX
Economic importance of the sector	<p>Vietnam is one of the largest exporters of garments in the world and ranks 4th globally (by value). Most of the orders are FOB, and several even ODM/OEM which are carried out by big sportswear brands who have shares in production capacities present in the country. Efficiency levels are seen to be mid-range and could be higher. There are still bottlenecks that need to be ironed out, but as a sourcing destination, Vietnam is being touted as one of the top destinations in Asia and will undoubtedly see an increase in orders over the next five years. Buyers see Vietnam as a country with political stability and reliability. Price is closely linked to the tariff advantages. New sources of raw materials may have to be identified, sourced and tested before using them to benefit from the TPP duty advantage. As the majority of raw materials are still imported, a lot of the production work in Vietnam focuses on Cut Make. While exports go out as FOB orders, the majority of smaller (SME) factories which make up about 70% of the industry still are order takers and do not implement the highest levels of new systems unless specifically asked by brands / buyers. While there are very large production factories offering world class services, these make up only about 20% of the industry. With the new EVFTA (the EU Vietnam FTA) being implemented as well as the TPP (Trans Pacific Partnership) with the US and other countries (total of 12 countries) the Vietnamese government has put in place a 2020 – 2030 strategy for the sector which envisages the development of several textile yarn and fabric weaving and knitting factories to support backward integration in the country. This would have, it is hoped, a much cleaner and more visible and</p>



environmentally friendly supply chain in place over the next 5 – 10 years.

2.12.5 Trade flows¹⁰²

Figure 47: Export markets for Vietnam for product HS code 61: knits



¹⁰² International Trade Centre (no date) *Trade map*. Available at: http://www.trademap.org/Country_SelProductCountry_TS.aspx (Last accessed: 10 October 2016).

Figure 48: Export markets for Vietnam for product HS code 62: wovens



2.13 Ethiopia

2.13.1 Key indicators

Figure 49: Ethiopia's trade performance

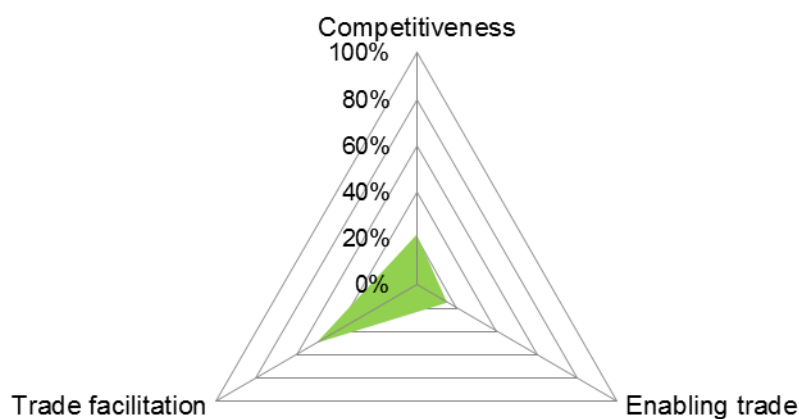
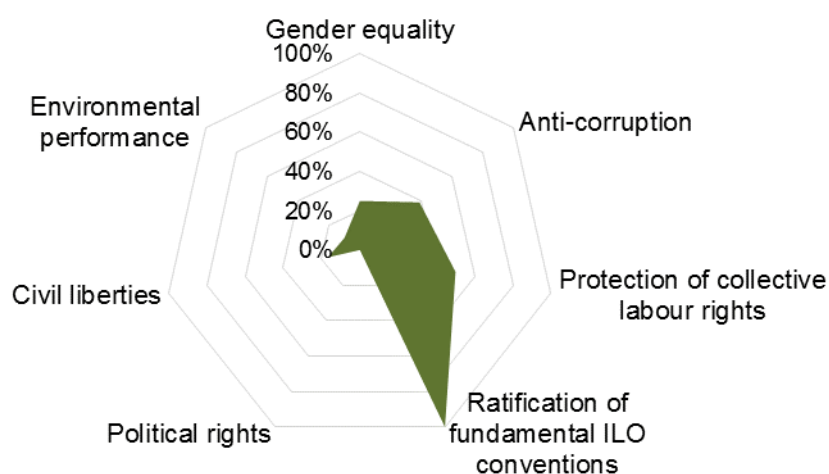


Figure 50: Ethiopia's social and environmental performance



2.13.2 Key issues in the garment sector

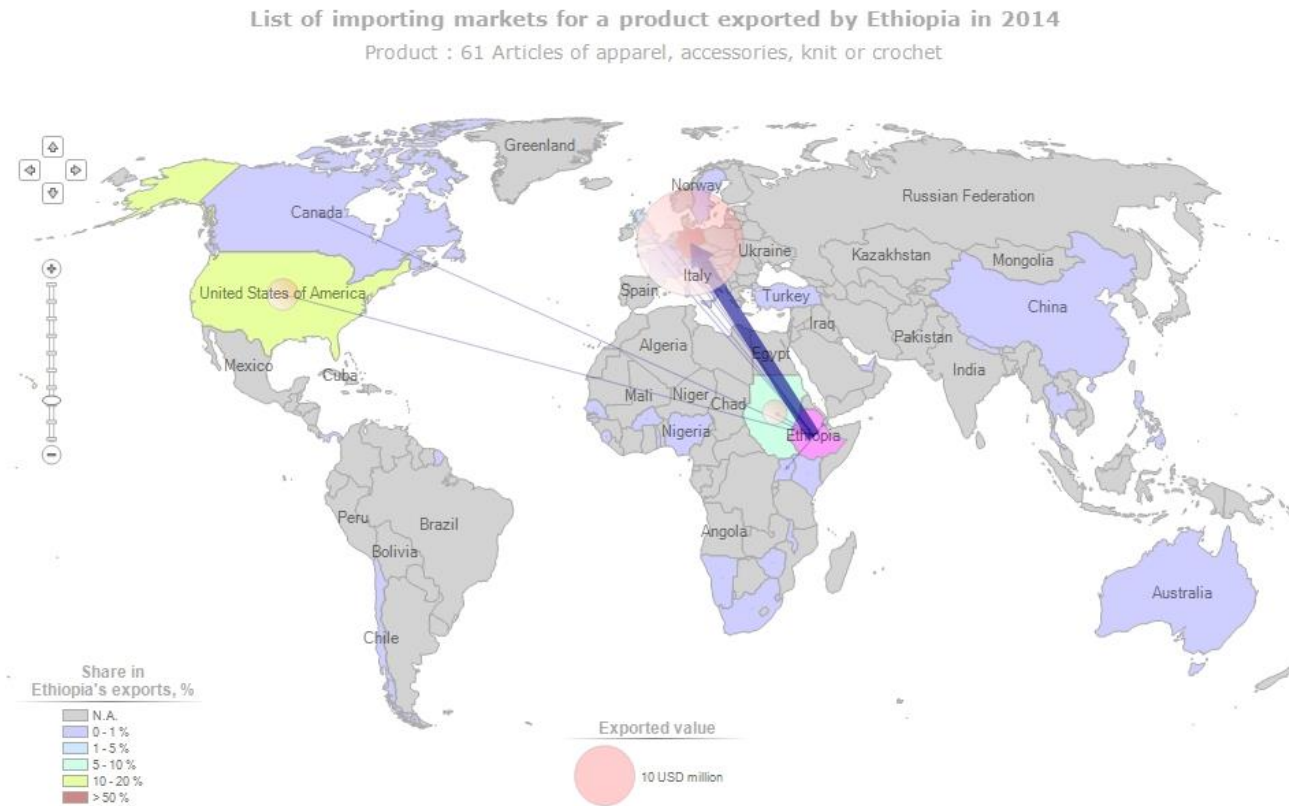
- Workers' rights (decent work and living wages) for garment industry workers (SDG 8 and 9)
- Environmental sustainability and access to clean energy (SDGs 7, 13 and 11)
- Gender equality and the economic empowerment of women in the garment sector (SDG 5)

2.13.3 EU trade and development interest, economic importance of the garment sector

Top importing countries	US, EU, Sudan, Canada
GSP / trade agreements	Australia LDC, Belarus LDC, COMESA, Canada LDC, China LDC, Comoros preferential tariff, EEA LDC, India LDC, Japan LDC, Kazakhstan LDC, Korea LDC, Kyrgyzstan LDC, Swiss GSP, Morocco LDC, New Zealand LDC, Norway LDC, Chinese Taipei LDC, Tajikistan LDC, Turkey LDC, USA AGOA, LDC, Zimbabwe Preferential tariff.
Key product categories exported	T Shirts, men's underpants, pullover cardigans, women's suits, jackets, dresses, men's singlets, pyjamas.
Some key initiatives used in practice in the country	WRAP (some factories), BSCI (not in use across many, but is being implemented in some factories).
Economic importance of the sector	Ethiopia benefits from large vertically integrated garment and textile factories. In addition it is a cotton rich country with organic cotton production as well as potential for further cultivation of 'virgin cotton'. However cultivation of more land for cotton remains a highly sensitive area of discussion due to related problems and challenges such as land laws and legal ownership issues. Ethiopia benefits from large vertically integrated garment and textile factories. In addition it is a cotton rich country with organic cotton production as well as potential for further cultivation of 'virgin cotton'. However cultivation of more land for cotton remains a highly sensitive area of discussion due to related problems and challenges such as land laws and legal ownership issues. While a lot of interest has been generated, this has not as yet translated into that many trade deals.

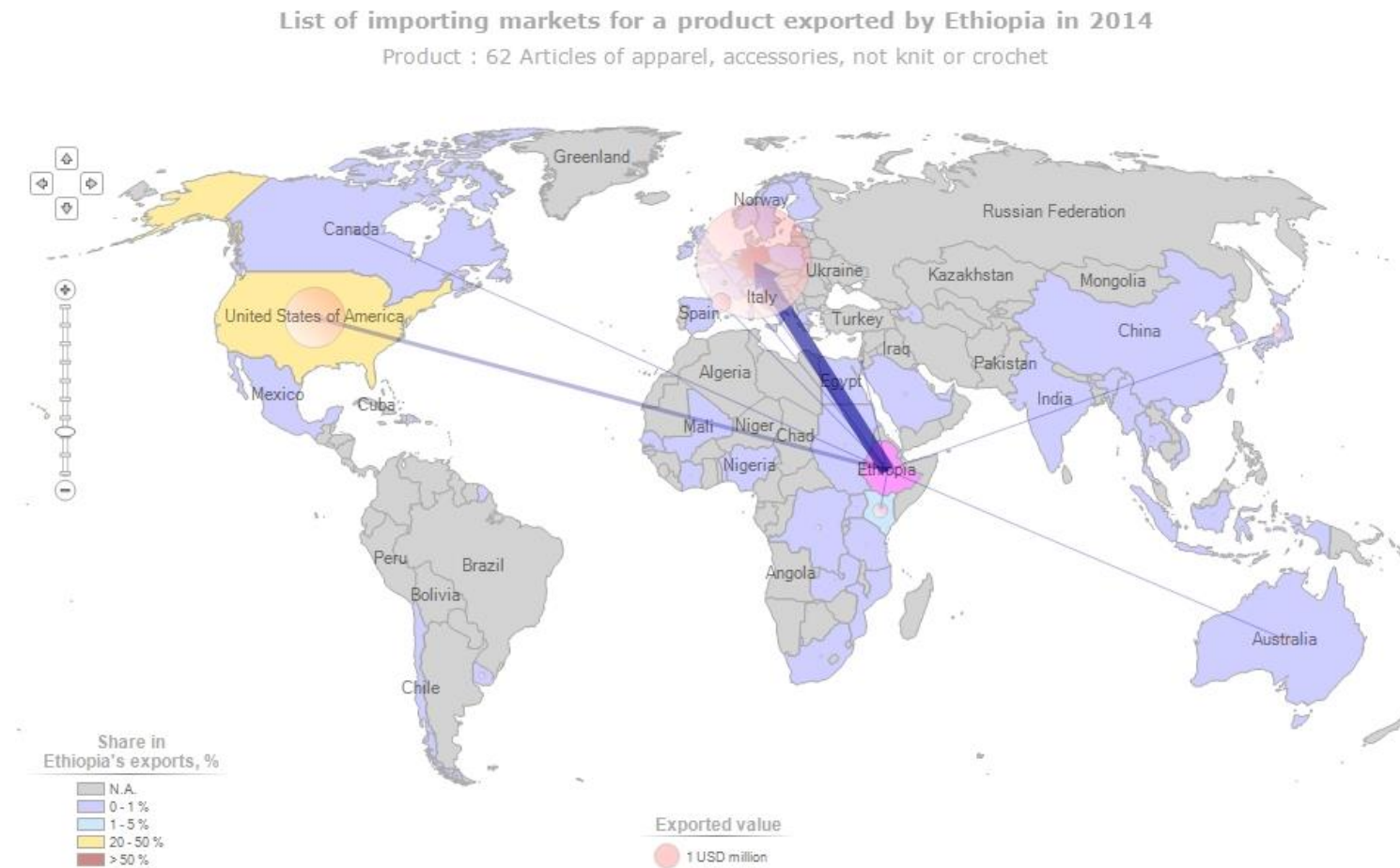
2.13.4 Trade flows¹⁰³

Figure 51: Export markets for Ethiopia for product HS code 61: knits



¹⁰³ International Trade Centre (no date) *Trade map*. Available at: http://www.trademap.org/Country_SelProductCountry_TS.aspx (Last accessed: 10 October 2016).

Figure 52: Export markets for Ethiopia for product HS code 62: wovens



2.14 Myanmar

2.14.1 Key indicators

Figure 53: Myanmar's trade performance

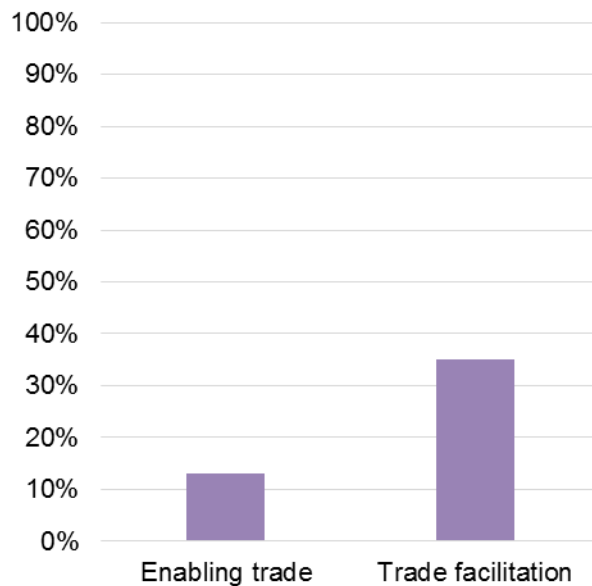
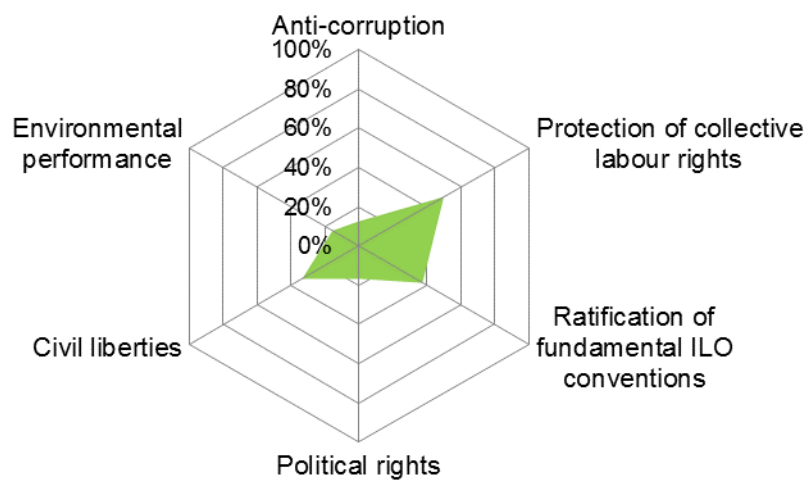


Figure 54: Myanmar's social and environmental performance



2.14.2 Detailed sector profile

Size of the industry (no of companies / factories in country)	Approximately 300
No. of people employed in the	Over 250,000 people

sector	
Company structures (foreign owned, locally owned etc.)	Majority foreign owned or joint ventures. About 50-60 (20%) are locally owned factories.
Key characteristics of the value chain / supply chain in the country (top points)	10-12% of total exports CM, CMP by local companies, only companies with JVs and foreign ownership can currently offer FOB.
Highlights of key trends in the garment sector in the country	<ul style="list-style-type: none"> • Myanmar is the latest country in recent times to join the group of Asian garment exporters; • After the country's economic liberalisation in 1989, the garment industry grew in Myanmar and developed relations internationally. However after trade embargoes imposed in 2003, garment exports only grew into Japan, Hong Kong and South Korea on a subcontractor basis or a 'CMP' basis where all the patterns, fabrics, trims and information were supplied. The factory in Myanmar only needed to produce / sew the pieces together for export; • As of July 2013, the EU reinstated trading relations and Myanmar started benefiting from the GSP's EBA (Everything But Arms) scheme, which provides duty free access for Myanmar's products into the EU; • New ports are being built and older ones are being refurbished and privatised.
Key challenges of the sector	<ul style="list-style-type: none"> • Accessing finance is one of the biggest constraints for conducting FOB business in the country. National banks do not offer financing to local garment companies to conduct FOB business. The interest rates levied by the banks for local companies is approximately 13% while for JVs or foreign owned companies, the international banks (only six who have started to set up a base) are able to provide more competitive rates such as 6%; • The national labour law of Myanmar is not in line with ILO. This is a very serious challenge and Myanmar Garment Merchant Association (the association) has been involved in supporting and helping factories to make the required changes so as to have at least minimum social compliance for EU buyers; • Tax laws in Myanmar act as a major constraint to local garment manufacturers who are not able to conduct FOB business profitably. Some of the current laws are still remnant of the earlier system where all garment manufacturing work was done on a contractual CM (cut make) basis for mainly Japanese and Korean clients. However for the local entrepreneurs to remain competitive and to grow, it is vital that the national laws are adapted and aligned for the new reality;

	<ul style="list-style-type: none"> Environmental regulations are not effectively implemented as yet and this can be seen in the discharge of chemicals and waste as well as in the fumes from some factories (not always garment producing factories, as there is little impact directly on heavy environmental pollution as there is no dyeing or printing only stitching).
Key strengths of the sector	<p>Low wages and cheap labour</p> <p>Strong donor and international organisation interest in the country. Several development projects are currently operating in the country. These have a positive impact on hand holding the industry to move ahead through this transition phase. Some of the prominent programmes include:</p> <ul style="list-style-type: none"> the 4-year Dutch government (CBI) agency programme (2015 – 2019) on supporting local garment manufacturers to make the move from CM production to sustainable FOB production and export; There are several programmes focussing on productivity improvement (BIF programme funded by the UK Department for International Development (DfID), implemented through PriceWaterhouseCoopers); business planning and introduction to sustainable business practises (Pyoe Pin funded by the UK and setting up of a PMU – project management unit to oversee and cooperate with other initiatives in the country by donors centralised through the MGMA); SMART Myanmar (funded through the EU and implementation through German sequa gGmbH); ILO supporting the development of and change in Labour laws and improvements in human rights.
Transparency / traceability	<p>Transparency and traceability is a very big issue in the country due to the lack of information and knowledge of the complete sector. There are new factories being set up “every day” as mentioned by the Chairman of MGMA in 2015. Most these are Chinese investments. There are several local SME and very small factories, which act as sub-contractors for bigger factories that are completely filled in capacity. These smaller factories are far from being compliant (according to EU general requirements). In addition the raw materials are all imported, as there are no export quality fabric and yarn factories in Myanmar currently. There is only 1 textile mill in all of Myanmar, which focuses weaving for the local market.</p>

Myanmar has only recently developed into a sourcing destination after years of being closed to the western brands and retailers. Since 2013, the EU granted Myanmar GSP benefits and several EU brands and retailers started exploring the possibility of sourcing from Myanmar once again. However developing export relations with the

suppliers meant setting up systems and compliance mechanisms and training factories on production methods for the type of product categories of interest for the EU.

Several donor initiatives have been set up in Myanmar. Some of the key ones include:

Labour rights initiatives:

- SMART Myanmar: EU SWITCH Asia funded development project focussed on skills development of worker, middle management, setting HR best practises etc. at the factory level;
- Pyoe Pin: funded by the UK government focussed on coordinating initiatives on the ground, supporting institutional development and providing skills training for garment factories;
- BIF: funded by the UK implemented by PriceWaterhouseCoopers, this programme is handled locally by a local agency. This focuses on improving productivity, quality and applying best practises in selected factories;
- CBI: Myanmar garment export coaching programme is funded by the Dutch government and it focuses on supporting the move from CMP to FOB exports and helps companies to connect with buyers once they are prepared;
- AVE is also providing support to the Myanmar Garment Merchant Association with funding from the German government;
- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) also through the Social und labour standards in the textile and garment sector in Asia Programme. I would invite the consultants to contact SMART Myanmar/SEQUA. The project has a very comprehensive and detailed overview of the various garment initiatives being implemented.

More generally on CSR and sustainability initiatives:

In May 2015, the EU joined the **Myanmar Labour Rights Initiative**, which promotes fundamental labour rights and practices in Myanmar.

Also: Currently ongoing is the project on Strengthening the impact on employment of sector and trade policies, implemented by the ILO.

2.14.3 Key issues in the garment sector

- Political and business environment and infrastructure (SDGs 11 and 16)
- Workers' rights (decent work and living wages) for garment industry workers (SDG 8 and 9)
- Environmental sustainability and access to clean energy (SDGs 7, 13 and 11)
- Gender equality and the economic empowerment of women in the garment sector (SDG 5)
- Transparency and traceability in the supply chain (SDGs 12 and 17)

2.14.4 EU trade and development interest, economic importance of the garment sector

Top importing countries	Japan, South Korea, EU
GSP / trade agreements	Recent GSP status – EBA duty free access to the EU provided by EU since 2013
Key product categories exported	Down jackets, trousers, knit shirts, woven shirts, workwear, hoodies and sweatshirts, lingerie
Some key initiatives used in practice in the country	BSCI, SEDEX (just starting) Myanmar Garment Manufacturers Association (MGMA) code of conduct (local national by the sector association)
Economic importance of the sector	There are new factories being set up “every day” as mentioned by the Chairman of MGMA in 2015. The majority of these are Chinese investments. There are several local SME and very small factories, which act as sub-contractors for bigger factories that are completely filled in capacity. These smaller factories are far from being compliant (according to EU general requirements). Transparency and traceability is an issue in the country due to the lack of information and knowledge of the complete sector. Several donor funded programmes are currently working with the garment sector to develop skills through technical assistance activities. Myanmar's garment industry employs about 250,000 people directly as of 2015. This number is projected to increase to about 1 million within 10 years. Raw materials are all imported, as there are no export quality fabric and yarn factories in Myanmar currently. There is an industry of handloom weaving which focuses on silk and lotus fabric. But this is not used in the mainstream garment production. However there are still several concerns in the country including issues related to their labour laws, tax laws and financial regulations. Myanmar is a country, which is growing very fast and is very open to adopting new standards. Myanmar is a hotspot for the EU in relation to the clothing sector.

Textiles and clothing has been identified as one of the priority sectors by the Burmese government as well

2.15 China as an investment partner

China is not being considered a 'hotspot' for the purposes of this report.

While China is still one of the biggest trading partners globally for the garment industry, there is a very prominent shift from low cost manufacturing to slightly higher value production of products in China. While the production in neighbouring countries to the EU such as Turkey, Tunisia and Morocco produce fast fashion, higher value added products, the production in China focuses a lot on slightly higher volume as compared to fast replenishment type products made close or within the EU. A lot of the lower cost manufacturing is slowly but surely moving off shore from Chinese factories to other neighbouring lower cost South East Asian countries as well as African countries. In addition, China cannot be categorised and discussed as one country when it comes to garment production and costing. The rules, regulations and practises in the coastal regions of China are vastly different from those in the interiors where costs are lower, and in many cases, standards adopted are also much lower.

At the macroeconomic level, China is shifting from primarily being a garment manufacturing destination to also being an 'investor in garment manufacturing'. Using the years of expertise in garment manufacturing, high productivity and high quality, highly valued Chinese garment technicians, along with directors and CEOs of some of the biggest garment manufacturing companies in China are actively exploring alternative locations such as Myanmar, Vietnam, Cambodia, Laos, Bangladesh, Ethiopia and several others. In doing so, China is more of an investment partner now as compared to just a manufacturing partner. This also has implications on how the industry in these developing countries will evolve and what guidelines they will adopt going forward.

For the EU, its Member States and other donors engaging in the sector, it would be relevant to take into account this newly evolving situation.

As the EU and other countries put in place initiatives in 'hotspot' countries, it would be very important to seek to engage with the growing Chinese ownership and management in these factories. These Chinese factories operating in the developing countries would be most likely to follow the model where only production facilities will be used in the country and operators will be trained to become more skilled. However supervisors and management would still be controlled from China. The consequences of such models have already been seen in the past in the garment industry. In the pre quota days (before 2005) factories were set up in many 'attractive countries' to benefit from quota regulations and low cost manufacturing. Ownership was controlled mainly by companies from Taiwan, Hong Kong or South Korea (as can still be seen in many parts including e.g. countries in Central America, Myanmar and Vietnam). Once the quota advantage was phased away, several of these investments were taken out

of the countries and these countries were left with large numbers of operators, but very few skilled managers and supervisors.

To ensure that skills are retained and sustainability initiatives have an impact on the local population, local management and support governments of these countries towards developing responsible supply chains, all new strategies and processes should include an element, which takes this into account.

Development agencies and other civil society players engaged in these countries should focus on ensuring that a 'capacity building' initiative is included into any enterprise or sector development programme. To do this, 'meso' level institutional partners should be included from the beginning. By building capacity and skills at the institutional level and by training 'trainers' and 'multipliers' there would be more ownership at the national level which would lower the risk of social disruption.

Industry forecasts (According to reports from industry leading journals such as just-style.com, BBC, EIU) suggest that the next 5 – 10 years the garment manufacturing industry will see many more Chinese owned factories in some of the lowest cost countries. These low-cost countries, mainly in Asia and Africa also happen to be 'hotspots' for garment exports to the EU.

3 Engaging in responsible management of the garment supply chain at EU level – looking ahead

In this study, two types of hotspots are identified:

Country hotspots

There are a number of countries where activities of the EU could engage in / intensify its engagement in the garment supply chain, and where specific action could be launched. This would depend on factors such as:

- where the best impact could be achieved,
- which country would be interested and willing to cooperate,
- where they may be some existing EU presence and engagement or
- where such action is most likely to be absorbed.

The countries are important in themselves as potential candidates due to their importance as a key exporter of clothing to EU countries. It also means that the clothing manufacturing industry has a large impact on the poverty reduction in country with impact on employment and industrial development.

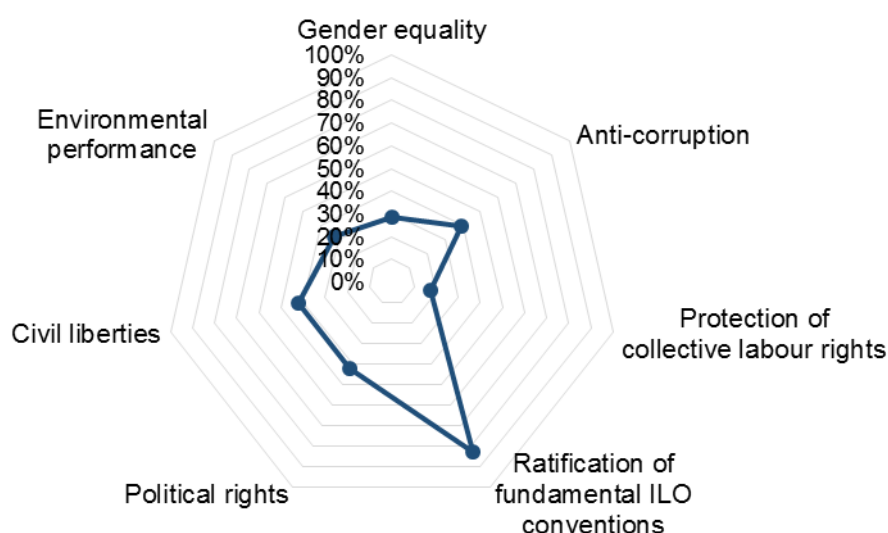
- Near (close): **Turkey, Tunisia, Morocco** with a high level of economic and political interest for the EU through the Euro-Mediterranean Association Agreement and the European Neighbourhood Policy (ENP). These countries have growing garment sectors which have a large impact on their employment. They also make up very strategic locations for buyers who are keen to source from close by locations which are competitive.
- Far: While Bangladesh is one of the biggest suppliers of garments, there are several initiatives already present in the country. The EU is also engaged through a variety of development cooperation and multi stakeholder discussions. The ability of Bangladesh to further absorb more inputs may be challenging. **Vietnam, India and Indonesia** come across as potential strategic locations for involvement and engagement on sustainability initiatives. The governments of these countries have already embarked on sustainability initiatives in the garment sector. In addition, there is a strategic relationship between the EU and all these countries. Through partnership, trade agreements and through technical assistance and development cooperation, these three countries offer great scope for impact in the sector and could serve as an example for further development
- Emerging: **Myanmar** has more than doubled its garment exports to the EU (2014 – 2015). The sector in the country is ripe to absorb information and inputs which could further support the existing engagements in the country. While EU is already engaged through its various initiatives, there is great scope for capacity building and consolidation and collaboration between existing

varied inputs. The key to focus on within Myanmar's garment sector would be the development of local ownership and local awareness of the owners of the garment industry.

Thematic hotspots

While studying the social and environmental performance, the selected hotspot countries score worst in the area of gender equality (29 percent on average). They also perform poorly in the field of protection of collective labour rights (17 percent) and in environment (33 percent). Table 7 shows the average social and environmental scores of the analysed countries.

Table 7: Average social and environmental scores of the analysed countries



There are some key issues that come up across hotspot countries where major gaps have been consistently identified across the hotspot countries. These key themes are:

- Workers' rights (Decent Work and living wages) for garment industry workers (SDG 8, 9)**

This key issue comes up as a core gap in 8 out of the 12 countries discussed as hotspots. While this issue of workers' rights has been addressed by many organisations and several initiatives and continue to be addressed, further progress is needed. Social conditions of workers include the workplace, their rights, the working hours, wages, ensuring adherence to the ILO conventions, moving on from the concept of 'minimum wage' to a possible scenario of 'living wages'.

There is still no valid standard adopted or accepted globally in the industry other than ILO conventions. Several countries have not yet adhered to these

conventions or ratified them into their national laws. Interventions such as EU - Bangladesh Sustainability Compact¹⁰⁴ of 2013, which brings together multiple stakeholders and coordinates with other initiatives is a good example.

2. Environmental sustainability and access to clean energy (SDG 7, 13, 11)

This key issue comes up as a core gap in 9 out of the 12 countries discussed as hotspots. Environmental issues have not been addressed in the garment sector part of the supply chain over the years as a priority. The issue of environmental impact has been discussed within the spinning, weaving, knitting and wet processing part of the supply chain over several years. It has also been discussed in great detail at the fibre stage of the supply chain for e.g. Impact of chemicals on cotton and use of pesticides.

Some regulations have been seen in textiles and fibre stages of the supply chain such as REACH¹⁰⁵ regulation in place as of 2007 and Biocide Regulation¹⁰⁶. However there are no accepted standards on how waste is taken care of in the garment sector nor on the energy efficiency or best practises on water utilisation.

3. Gender equality and the economic empowerment of women in the garment sector (SDG 5)

This key issue comes up as a core gap in all 12 countries discussed as hotspots. This is the least directly addressed issue in the sector. There is no initiative focussed on empowering women in the garment sector globally. Across all the hotspot countries, (which make up the top exporters of garments to the EU and the world) at least 75-80% of the workers are women. There is great scope for bettering the conditions of women workers and women entrepreneurs in the industry.

At the recent WTO Public Forum 2016 for the first time on Inclusive Trade¹⁰⁷ in September 2016, initiatives such as #SheTrades by the International Trade Centre (UN) and #SPINNA (by SPINNACircle Ltd.), were amongst the few showcased which provided solutions and information on how women in the

¹⁰⁴ industriALL (2013b) *EU - Bangladesh global sustainability compact* industriALL Europe news. Available at: <http://www.industrial-europe.eu/news/list2.asp?stid=122> (Last accessed: 9 October 2016).

¹⁰⁵ ECHA (2007) *Understanding REACH*. Available at: <https://echa.europa.eu/regulations/reach/understanding-reach> (Last accessed: 9 October 2016).

¹⁰⁶ ECHA (2012) *Understanding BPR*. Available at: <https://echa.europa.eu/regulations/biocidal-products-regulation/understanding-bpr> (Last accessed: 9 October 2016).

¹⁰⁷ WTO (2016) *WTO Public Forum 2016: Resources - photo gallery*. Available at: https://www.wto.org/english/res_e/photo_gallery_e/photo_gallery_e.htm?subject=PFOR&year=2016 (Last accessed: 9 October 2016).

garment sector could be empowered and how solutions such as focussed market access and policy engagements could be undertaken through dialogue and multi stakeholder engagement. The discussion also focussed on use of alternative channels such as digital platforms for SME and women entrepreneurs to gain market access.

While almost every audited garment factory has some type of social compliance certification, very little is being done to support the development of women workers into supervisors, managers and entrepreneurs. The levels of unemployment amongst women still remains higher than men. As mentioned in the report by ILO on Bangladesh Decent Work Country Programme 2012 – 2015, *"the unemployment rate is nearly double that of the rate for men, the underemployment rate for women exceeds the rate for men by five per cent, the labour force participation rate of women is only about one-third of men, and the formal sector is clearly male-dominated. It is therefore no surprise that women earn on average 21 per cent less than men"*¹⁰⁸. According to the recent joint publication of the ADB and ILO¹⁰⁹ Bangladesh Looking Beyond garments, *"the impact on employment has been less positive. Instead, the economy is still beset by underemployment, widespread informal employment, low productivity and earnings, and poor working conditions"*.

4. Transparency and traceability in the supply chain (SDG 12, 17)

This key issue comes up as a big gap in all 12 countries discussed as hotspots.

One of the most critical issues these days seen in garment production is the concept of sub-contracting.

While big retailers and buyers conduct several audits in the selected factory, more often than not, the factory sub contracts work out to other smaller factories especially during peak and busy seasons. In some cases, capacity gets over full and factories are not able to meet shipment dates. In such a case sub-contracting takes place all over the world. The problem and challenge with this is that sub contracted factories are most likely smaller workshops with almost no standards in place. As a result, garments get produced under working conditions that do not respect core ILO standards/fundamental Conventions. In the majority of cases, the buyer or retailer is not aware of this scenario. Contracts are usually signed at the beginning of the production and at the time of order confirmation. Although almost all contracts include the clause on no sub-contracting (or informed sub-contracting), this practise continues to take place around the world.

¹⁰⁸ International Labour Organization (ILO) (2012) *Bangladesh - Decent Work Country Programme 2012 – 2015*. Available at: <http://www.ilo.org/dhaka/country/lang--en/index.htm> (Last accessed: 9 October 2016).

¹⁰⁹ BANGLADESH LOOKING BEYOND GARMENTS EMPLOYMENT DIAGNOSTIC STUDY (2016) Available at: http://www.ilo.org/wcmsp5/groups/public/---dgreports/---integration/documents/publication/wcms_216901.pdf (Last accessed: 9 October 2016).

Some recent initiatives including findings and recommendations in the UN Global Compact and BSR (2014)¹¹⁰ suggest 3 traceability models. These would need to be developed further for the garment manufacturing component of the supply chain as it may be possible to work on the 'Product Segregation' or 'Mass Balance model' however due to the complex and varied nature of the supply chain, perhaps the key challenges in tracing the components across the supply chain perhaps is best described in the report on page 9, *"In order to achieve full traceability, various levels of verification are needed at all stages throughout the supply chain. This means that supply chain actors need to collect and validate data and commit to chain of custody standards. Technological platforms, bar codes, and chips represent some technological advances; however, mastering these technologies for traceability purposes is a challenge. Since suppliers are located throughout the world and sometimes in remote areas, there are language, skill and access barriers to fully using technology. In addition, there are also challenges around ensuring that data systems are secure for all users"*.

Looking ahead:

Any future (further) engagement in these garment-producing countries would be most useful if it was able to bridge the existing gaps and address on-going challenges in the sector.

While the private sector has been involved in developing various initiatives, there is a need for facilitation platforms, which could provide transparency and suggest some clear options. There was no comparable index that could be used to measure the transparency across the clothing supply chain.

This is a large gap in the industry and has been identified as a big challenge by several private sector brands and retailers in the EU. There is no standard requirement or guideline by which this can be measured or mapped.

To achieve a comprehensive approach with an impact in the key issues identified, a combination of best practises, awareness building and skills development through technical assistance and capacity building would be needed. This is discussed in more detail in chapter 4.

¹¹⁰ United Nations Global Compact (2014) *A guide to traceability: a practical approach to advance sustainability in global supply chains*. Available at: https://www.unglobalcompact.org/docs/issues_doc/supply_chain/Traceability/Guide_to_Traceability.pdf (Last accessed: 9 October 2016).

4 Findings and recommendations

Drawing upon findings in chapters 1, 2 and 3, the recommendations in this chapter are structured in such a way that they provide consumers and companies in the EU with added value, while ensuring complementarity with existing policies and initiatives.

The recommendations are divided in three categories:

1. Countries: Where could EU action in the garment sector be implemented?
2. Issues: What could be the key issue / issues to focus on?
3. Implementation: What sort of actions could be developed?

4.1 Countries in focus (Where?)

Based on research and analysis conducted, twelve countries have been identified as “hotspots”. These are further categorised into three groups:

- 1) near,
- 2) far and
- 3) emerging

The rationale for choosing these countries is explained in the chapter on methodology. Depending on budget, time and resources available, there are different opportunities for implementing further action in the garment sector. This part of the findings and recommendations focuses on “where” possible strategies could be implemented. The following strategies 1, 2 and 3 offer suggestions on the three approaches.

Strategy 1: Many countries (e.g. the selected countries: top ten exporting countries and two emerging exporters to the EU)

Strategy 1 suggests a focus on launching /developing actions / measures in most of the selected hotspot countries through a phased approach. Action / measures could be developed holistically for all the twelve identified countries, as they are important garment industry trading partners for the EU. This could entail starting to organise a pilot-testing scheme and introducing the initiative in a phased manner across the twelve countries. This option is based on the concept of reaching out globally.

Strategy 2: Selection of countries (e.g. specific groups from within the top 10 exporting countries and emerging exporters to the EU)

Strategy 2 suggests a focus on launching / developing actions / measures in one country or a group of countries where EU projects / programmes have already been developed or where the EU already has an interest from a growth and policy perspective. For instance, the initiative could focus on the ‘far’ group of countries, which are mainly high volume key Asian exporters to the EU, such as India, Indonesia

and Vietnam (see chapter 3). Alternatively, the group could consist of countries close to Europe (near) in the Euro-Mediterranean region such as Turkey, Tunisia and Morocco. As discussed in earlier chapters, higher value production currently takes place in these countries due to the shorter lead times and relative ease of controlling processes closer to home. These are neighbouring countries and as discussed in chapter 3, also are an economic and politically important priority for the EU. Another alternative is focussing on emerging countries that have a key interest in actively increasing exports to the EU market such as Myanmar especially, which has doubled its garment exports to the EU between 2014 and 2015.

After analysing the results of such a programme, more countries could be included into the spectrum based on the rate of success.

Strategy 3: one country

Strategy 3 focuses on launching / developing actions / measures in just one identified emerging or important exporting country as a pilot programme. The actions or measures could be implemented in an emerging country such as Myanmar or Ethiopia, where the industry is still at a nascent stage of development. This has been a popular strategy in recent years. Many initiatives now focus on only one country (see Table 4). Table 4: Non-exhaustive list of sustainability initiatives and programmes (other than standards) in the garment sector

Table 8 contains an analysis of the strengths, weaknesses, threats and opportunities for these strategies.

Table 8: SWOT analysis of the strategies

SWOT	Strategy 1 (all hot spot countries)	Strategy 2 (groups of hot spot countries such as 'far', 'near')	Strategy 3 (emerging hot spot countries)
Strengths	Potential of having larger impact due to focus across countries.	Greater impact in few locations through focussed use of resources.	Greater impact in one location through focussed use of resources.
Weaknesses	Lower impact in each individual country due to dilution of resources across larger number of countries.	Less coverage as there is only an impact in a limited number of producing countries.	Export figures are still relatively low and production volumes are not yet significant Less coverage as impact on the garment supply chain is very limited
Opportunities	Global brands and retailers are keen to have a collaborative approach on		Sustainable practices have

SWOT	Strategy 1 (all hot spot countries)	Strategy 2 (groups of hot spot countries such as 'far', 'near')	Strategy 3 (emerging hot spot countries)
	sustainability and reporting across countries.		potential of becoming the norm in the selected country as they are integrated at a nascent stage of industry development.
Threats	Stakeholders may think the initiative is "all over the place". It may not be possible to raise sufficient funds to have an impact in all these countries.	The initiative cannot make clear why it is only active in a few countries.	Industry is not yet very mature and factories may be occupied as they are focussing on basic productivity / efficiency improvement as a priority before engaging in any other programmes.

The strategies could also be implemented in a tiered approach, e.g. strategy 3 could be the starting point, which could then lead onto adoption of Strategy 2 following on to Strategy 1 as the third step. Another recommendation is that different elements of the approach could be implemented using different strategies. This is discussed further later in this chapter.

4.2 Issues to focus on (What?)

Some issues have been consistently apparent in all hot spot countries. For each selected country, gaps related to environmental issues, governance, and social issues were identified. Recognised and authoritative international ranking systems have been used to compare the countries (see chapter one for more details). The selected garment producing countries score least in the areas of **gender equality** (average score of 29 percent), **the environment** (33 percent) and **the protection of collective workers' rights** (17 percent).

Lack of transparency in the garment supply chain was identified as a key issue based on the assessment of results from informal stakeholder consultations carried out by the European Commission in 2015 and validated through interviews with stakeholders and further desk research. A lack of traceability was identified across the supply chain (from raw material to finished product), as well as a lack of transparency related to the production process.

All the identified issues can be linked clearly to SDGs. By addressing these key issues along the garment value chain, in particular SDGs 5, 7, 13, 11, 8, 9, 12 and 17 would also be addressed.

The following issues could be addressed with interventions:

Gender equality and the economic empowerment of women in the garment sector (SDG 5)

Most initiatives in the garment sector do not address or provide solutions for gender-related challenges in a structured manner. Although the garment sector employs operators/workers who are mainly women, there are few directed initiatives, which focus on women, and their specific needs.

Some key challenges therefore include:

- a lack of focussed training for managerial positions,
- a lack of awareness of rights and equal pay,
- a lack of engagement with unions to prioritise maternity leave,
- a lack of appropriate sanitation and hygienic systems in factories,
- low levels of childcare facilities
- low levels of safety

These are some of the most important issues, critical for most of the work force (75 – 85 percent being women in the industry¹¹¹) but not currently accounted for a priority in the industry. Gender equality and women's empowerment is still in a very nascent stage and there is high scope for improvement.

Environmental sustainability and access to clean energy (SDGs 7, 13 and 11)

There is still a very low level of adoption of clean energy and the use of sustainable environmental practises across the garment sector. This can be attributed to a lack of incentives provided to suppliers unlike other areas such as social compliance, which are focussed on to a much greater extent.

Some of the key areas, which could be steps towards environmental sustainable practises in the garment sector:

- The disposal of fabric (solid) waste such as off cuts,
- The focus on efficient water usage at the factory location,
- The focus on use of energy efficient lighting in factories and
- Training on energy saving mechanisms for garment factories.

¹¹¹ Schultze, E. (2016) *Exploitation or emancipation? Women workers in the garment industry*. Available at: <https://europa.eu/eyd2015/en/fashion-revolution/posts/exploitation-or-emancipation-women-workers-garment-industry> (Last accessed: 21 October 2016).

There is scope for a substantial improvement to make factories more efficient and cost effective through training and awareness building around environmental impact. While this has been extensively practised in the 'textiles' part of the value chain due to the natural use of and disposal of chemicals and washing, not much has been done in the garment-making sector. Best practises are not visible to most of the industry and the business case has not been presented at large about the benefits of environmental sustainability and clean energy in the sector.

Workers' rights (decent work and living wages) in the garment industry (SDGs 8 and 9)

Although the ILO leads the way as the key institution at the international and (in most cases) national levels on labour standards, there are still many gaps that remain to be addressed. Many garment producing countries have ratified all or most of the ILO conventions, but these have not necessarily been implemented at the factory level. One of the most important gaps in this area across countries is the lack of unionisation or effective unionisation. Collective bargaining is still not effectively used in many countries in a positive manner. Communication within the factory between workers and management is not organised which gives rise to strikes and industrial action. Some of the key areas of discussion in relation to workers' rights which have not been addressed adequately or in a structured manner in most garment producing countries (including those selected in the study) are:

- Living wages
- Decent Work (e.g. working conditions, working hours and proper payments)

Transparency and traceability in the supply chain (SDG 12 and 17)

The issue of transparency and traceability in the supply chain is currently one of the biggest challenges in the garment sector. There are few mechanisms and systems in place, which are currently able to address this issue at the global level.

- illegal sub-contracting at the garment manufacturing level;
- lack of traceability from garment to the fibre due to the many steps.

E.g. The 'made in' label is not a requirement within the EU. However, when it is included in a garment, 'made in' label only provides visibility on where the final garment has been sewn together. While providing a label with fibre content is a EU wide requirement, it does not show where the fibre originated or where the yarn was spun or fabric knitted/woven. It also does not provide any information on the origin of the trims (buttons, zippers etc.). More and more consumers in the EU are concerned about the traceability of their clothes. But this issue has still not been addressed sufficiently by the current initiatives. Some recent studies¹¹² have focused on bringing

¹¹² United Nations Global Compact (2014) A guide to traceability A practical approach to advance sustainability in global supply chains. Available at: https://www.unglobalcompact.org/docs/issues_doc/supply_chain/Traceability/Guide_to_Traceability.pdf (last accessed: 9 October 2016).

together traceability initiatives, but these have still not been adopted in high numbers by the industry primarily because a coordinated and planned multistakeholder engagement would be necessary for any EU level or regional initiative to be successful. This is an area where the Commission could play an active role.

4.3 Implementation (How?)

Based on the data analysis and mapping of the industry and the key initiatives, there appears to be a need for a system that helps compare / harmonise best practises and agreed benchmarks. There could be several ways of implementing EU action. This will eventually depend on the approach or approaches adopted by the Commission which is / are best suited to the overall set of priorities and focus going forward.

The set of suggestions in this report are by no means exhaustive. The approach adopted here focuses on linking thematic issues with intervention methods, which could further be customised, based on the geographical focus (as suggested in 4.1 in this chapter).

The suggested areas for implementation include:

- 1) **Best practices:** There is a lack of visibility around best practises. There are many initiatives in the market (as seen in chapter 1). However there is an urgent need for leadership and collaboration to increase the adoption of initiatives in the garment industry. The Commission could take this role and facilitate collaboration between stakeholders and provide a space for directed and targeted dialogue and reporting.
- 2) **Development cooperation as a tool:** Development cooperation is a powerful tool that is already widely used to encourage and support the development of sustainable businesses in developing (garment exporting) countries, with examples given in the country chapters. This can be extended. The Commission and the EU delegations in the countries concerned can also help coordinate development cooperation initiatives and programmes through dialogue with EU Member States that are already active in the area of sustainability in the garment exporting countries. In addition to EU Member States' initiatives, there are several initiatives lead by international and non-governmental organisations as well as private sector organisations. The Commission could adopt a role, which brings together or focuses on collaborating on the key issues (see 4.2 in this chapter) identified in this report.
- 3) **Awareness raising and reaching out to consumers:** In addition to focusing on implementation in developing countries, there is a need for awareness building amongst consumers in the EU who are the end users of garments. One way of doing this could be by publishing and disseminating key information on the selected topics via various media such as brochures, social media, websites as well as through series of workshops / seminars bringing together stakeholders from across the industry (e.g. representatives from civil society, private sector,

governments, consumer organisations) with a focused objective to find solutions and identify ways to address the set of issues identified in this report (see 4.2 in this chapter). By doing this, the Commission would be able to promote responsible consumption practises within the EU, which could have a direct impact on buying patterns and buying choices.

All the above-mentioned options have their pros and cons. But through a careful selection and by adopting a well-coordinated and balanced approach, the Commission could fill a large gap in the industry, which is in urgent need for improvement.

Table 9 provides an overview of a SWOT analysis of the main options suggested in this chapter.

Table 9: SWOT Analysis of the suggested options

	Strengths	Weaknesses	Opportunities	Threats
1. Best Practises	Provides a focus and targeting of resources as well as messaging about core gaps identified (and focus on the issues as identified in the report)	Some initiatives may be left out if not sufficiently visible to the Commission even if they are providing solutions in the identified areas.	Potential for industry wide collaboration instead of confusion between many initiatives each competing with each other for the same space	Unless a strong criteria and transparent process is set up for the selection of 'best practises', it may alienate some initiatives and organisations in the space Suggested Best practises may not be adopted by the industry and key stakeholder groups
2. Development Cooperation as a tool	Provides on the ground inputs for programmes that have a direct impact and reach within the targeted	This is time bound / project / programme specific and may not be able to address the	Provides opportunity for ownership of initiatives at the country level through capacity building and	There may be a replication of initiatives and overlap through many development cooperation activities leading

	Strengths	Weaknesses	Opportunities	Threats
	garment exporting countries	issues in the field over a long period of time	training activities of local organisations	to training fatigue
3. Awareness building and reaching out to consumers	Can reach out to masses and raise awareness at EU wide level with relatively less resources	The level of effectiveness may not be high unless followed by offering of options and solutions	Offers the possibility for chain of activities to take place locally across EU countries organised by small local groups inspired by such an initiative at EU level	Could raise a backlash and negative publicity from groups who do not agree with the approach (as social media is highly visible and dynamic)

As apparent from Table 9, there are several points to consider while deciding which set of options to use. The outcome could also be a mix of options used in varying degrees.

Developing a toolkit

The EU would finally have to assess which particular method or what combination of methods and approaches would work best after engaging with stakeholders who are part of the implementation process. Development of a 'tool kit' could be considered.

An action matrix could be used, which would allow addressing the thematic hotspots in different intervention areas. The table allows for filling in existing and new results-oriented actions that would also be replicable across different topics/hot spots.

An example of how action in the garment sector could be designed

Table 10 provides an example of how intervention could be designed using the approaches suggested to address the gaps identified in this report in a specific country or region.

Table 10: Example of an approach at EU level in practice

Where	Strategy 3: Country hotspot - Myanmar
What	Gender equality and the economic empowerment of women in the garment sector (SDG 5)
How	1) Development cooperation 2) Best Practises 3) Awareness raising - reaching out to consumers

The example above suggests using strategy 3, which is to look at one country (ideally one where there is high potential for change and growth). In this case Myanmar has been selected to illustrate how an initiative could potentially be implemented. The issue selected is that of Gender equality and economic empowerment of women in the garment sector (SDG 5). The method / approach suggested is a combination of three ways appropriate to the issue and country.

1. Development cooperation

The Commission already has several levels of engagement with and in Myanmar through development cooperation activities. In addition to the activities such as SMART Myanmar and specific development programmes from DFID, CBI (Dutch Government), the ILO amongst others, there is a great appetite currently for adopting change and for bettering factory environments. The current focus of activities has been primarily focussed on productivity and quality improvement, market development and business practises and improvement of industrial relation related internal factory communication and an overall improvement of and increasing of competitiveness. The DFID funded programme DaNA, which is currently still being discussed and designed, will focus on cross cutting issues including Gender as a core component.

The Commission could start a dialogue and identify areas of mutually beneficial and possible collaboration which will allow for further and more in-depth impact in country. Over 60% of the garment industry is currently made up of foreign investment, the majority of which is now of Chinese origin. This can have an impact on the nature of sustainability practises that these factories will adopt. Big retailers such as H&M are already engaged in Myanmar and have set up a country brand office. This is a good example of how the various elements related to multi stakeholder engagement could be possible as a component of the Commission involvement in reducing the gap in SGD 5.

2. Best Practices

The Commission could focus on collecting and disseminating findings on best practises on Gender equality and women's empowerment and adopt a coordinating role in the EU. By organising seminars, workshops and by coordinating and facilitating dialogue amongst stakeholders on the subject, the Commission could also feed back information to the development cooperation activities in Myanmar and simultaneously make available the findings from the field to the larger audience in the EU to feed in for further development of best practises. In addition to acting like a facilitator and platform, the Commission could commission specific research on areas and collaborate

with academic institutions and civil society organisations to publish original information and views on Gender equality and women's empowerment in the garment industry.

3. Awareness building and reaching out to consumers

In addition to active engagement in the field backed with the coordination of best practises in the EU, the Commission could organise the dissemination of brochures and organise a social media strategy around the concept of reaching out on the topic of Gender equality and women's empowerment and the findings and activities ongoing in Myanmar. This could also lead to the organisation of local events to spread the message with civil society organisations across the EU.

The above-mentioned method is by no means the only way forward; it should be seen as an example and offer guidance to the Commission to develop their way forward. While all the interventions and approaches would need to be put into the context of the Commission's current priorities and objectives, as well as ongoing activities in representing the interests of the European Union as a whole, this sort of coordinated multi-level approach could provide concrete and large-scale impact. EU engagement on responsible management of the garment supply chain should not be seen as a short-term solution but instead as a method of 'continuous improvement' in the long term. This is an opportunity for the Commission to truly adopt the role of doing by example and by providing a leading role in reducing gaps across the SDGs.

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