



STIC-Textile Pilot Initiative

PROGRESS REPORT

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PREFACE

With the end of the Multi Fibre Agreement by 2004, a new environment is emerging for the textile sector. Companies, governments and countries heavily depending on textile production have to reorient and readjust according to this new environment.

There is a convergence of interest between - developing countries, other than China, to secure new forms of country's competitiveness advantages and major textile buyers and companies interesting in securing their brand reputation.

As an alternative to a simply low cost driver, "responsible competitiveness" is a joint objective of countries like Vietnam, Cambodia on one side and companies as with high brand reputation. They have in common a "sustainable trade agenda".

The objectives of STIC-Textile Pilot Initiative is to address following issues:

- Awareness creation & Capacity building for innovation and strengthening skills to textile & apparel industry worldwide (emphasizing developing and least developed countries).
- Preparedness for global textile industry to the compliance with legal, market and community requirements.
- Facilitating dialogue among buyers, producers and other stakeholders
- Achieving economic growth, environmental respect and social development
- How to implement, via sustainable purchasing guidelines, the objectives of the Millennium Declaration and the Global Compact and secure developing and developed countries textile producers competitiveness
- How to reduce the burden created by growing number of new standards and labels

The methodology of STIC Textile Pilot is to build network of Capacity Building Centres locally (Compliance Offices) providing compliance services to textile and apparel industry locally and at local cost.

The strategy adopted is based on business to business process leading to economic development, self reliance, environmental improvement and social responsibility.

It is to provide global textile and apparel industry sustainable & integrated management methodologies for the compliance to legal, market and community requirements on a continuous basis. These methodologies are based on Begin-of-Pipe Approach and global supply and value chain management.

The Textile Pilot addresses process innovation securing long and more sustainable competitiveness advantage.

INTRODUCTION

STIC Textile Pilot Initiative is executed by **eco-tex Consortium** and **EPE** in cooperation with STIC regional hubs and other participating organizations. As mentioned in the program of STIC-Textile Pilot Initiative (attached as an annexure), following action plan on STIC-Textile Initiative is launched and adopted in consultation with STIC European Hub:

1. STIC-Textile Pilot Initiatives for Asia, Africa, Latin America, Europe & Mediterranean regions
2. Reciprocal Acceptance & Harmonization of Requirements
3. A meeting in Mauritius for dialogue among buyers and producers; and co-evolution of standards
4. Global Performance System & Trade Portal
5. Sustainable Purchasing Guidelines
6. Elaboration of Sustainable Working Tools for Producers
7. STIC-Textile Buyer's Project Group
8. STIC- European Forum on Sustainable Trade (EFST)

Following activities on the action plan of STIC Textile Pilot programs were executed jointly by eco-tex Consortium and EPE during the period from November 2002 - December 2003. Some of the activities have been carried out and some will be executed in coming months and years. The activities carried out and the progress made is described below in the following sections and paragraphs:

PROGRESS

1. STIC-Textile Pilot Initiatives in Asia

For Asian Countries, the planning is made to build up a network of 20 National Capacity Building Centres (National Hubs): five in India, five in China, and one each in other Asian countries. These capacity building centres are to provide assistance, services, training, coaching to Asian textile and apparel companies, on how to comply with market requirements on quality, environment, CSR (Corporate Social Responsibility), other market and business requirements. The idea is to provide services to textile and apparel companies in Asian countries locally and at local costs.

Besides capacity building, these national hubs will be used for other purposes, like awareness creation centre, information exchange, compliance centre on how to comply with European as well as other national and international regulations etc. The national hubs will be constituted by incorporating many local and national organizations like consulting organizations, auditing & certification organizations, local environmental and social governmental organizations, NGOs, manufacturing and trade associations, chambers of

commerce etc. The idea is to compose these national hubs on Multi-Stakeholder Concept, having the input from diverse societies.

1.1 Asia Pro Eco Proposal

The textile program for Asian countries is compiled as a Asia Pro Eco Project and is submitted to European Commission (EuropeAid Asia Pro Eco Program) for requesting financial support. For this proposal, following organizations are participating: **EPE** and **eco-tex Consortium** as European partners, **CITA**, **VCCI** and **BCAS** as Asian partners. (CITA- Hong Kong Clothing Industry and Training Authority, BCAS- Bangladesh Centre for Advanced Studies, VCCI-Vietnam Chambers of Commerce & Industry)

1.2 Cooperation MOU with various Asian organizations

Work for capacity building and dissemination of sustainable management techniques and methodologies in many textile and garment industries of Asian countries has been started. This is being executed through MOU cooperation and partnership with various intermediary organizations in Asia (e.g., Chambers of Commerce & Industry, Consultancies, Certification organizations, NGOs). MOU partnerships with following organizations are made:

- **Bangladesh Centre for Advanced Studies (BCAS), Dhaka**
- **Vietnam Chambers of Commerce & Industry (VCCI), Hanoi**
- **Vietnam National Textile & Garment Corporation (VINATEX), Hanoi**
- **Vietnam Productivity Centre (VPC), Hanoi**
- **Clothing Industry & Trading Authority (CITA), Hong Kong**
- **LINK, Ethical Trading Consulting Pvt Ltd, Bangalore, India**
- **eco-tex network organizations in Japan, India, Hong Kong, Vietnam and Thailand**

1.3 Asia Invest Proposal

Another project under Asia Invest Program of EuropeAid has been prepared and will be submitted by the end of December 2003 to the Commission for seeking financial support. The objectives of the project are the capacity building for Asian intermediary organizations, networking of Asian with European initiatives on sustainable production, purchasing and sustainable trade.

Following organizations are taking part for Asia Invest project: **EPE** and **eco-tex Consortium** as European partners whereas FICCI, VPC and CITA are as Asian partners. The project is submitted to support for setting up STIC Asian hubs and establishing the structures of Asian Intermediaries network with three Task Forces (EU-China, EU-India, EU-ASEAN). The main aim of the project is to establish STIC networking of Asian & European business intermediaries for building the capacity to profit the opportunities from sustainable and fair trade.

(FICCI-Federation of Indian Chambers of Commerce & Industry, VPC-Vietnam Productivity Centre)

2. STIC-Textile Pilot Initiatives in Africa

Similar to the model for Asia, a network of national capacity building centres (Hubs) is planned to be built in African countries. Cooperation with STIC Regional Consultation in West Africa (Benin) and South Africa has been asked during the meeting of STIC Advisory Board on 23rd September 2003 in Brussels. An initial financial support is needed for establishing African network of capacity building centres.

Cooperation with textile sector of CDE-ACP (Centre for the Development of Enterprises- Afro Caribbean & Pacific Countries) has also been asked to work together for STIC-Textile Program in Africa. A meeting of STIC-Textile with CDE is to be fixed during the beginning next year 2004.

2.1 Mauritius Workshop

This workshop was planned to be organized sometime in October 2003, but was postponed and will take place now in the beginning of 2004. The local organizer of this workshop is Mauritius Chamber of Commerce & Industry (MCCI), a Steering Committee member of STIC. MCCI has suggested to organize this workshop in combination with Mauritius Export Processing Zone Association (MEZPA) organizing a workshop entitled "Branding Your Savoir-Faire" destined to the industry. The idea of combining this STIC Textile Workshop with MEZPA was to have enough gatherings. Since the MEZPA workshop was postponed due to some internal reasons, therefore, MCCI has suggested to organize it during beginning of next year 2004 together with MEZPA.

All the preparations for this workshop are made. A background paper and workshop program with various topics are finalized in consultation with MCCI, eco-tex Consortium and EPE.

The title of the workshop is "Sustainable Trade-Opportunity for Manufacturers- A Meeting of the STIC Textile Pilot Initiative."

A workshop program and background paper is available at eco-tex Consortium office.

NOTE: Mauritius meeting was initially planned for a dialogue between retailers and suppliers on code of conduct and co-evolution of standards. However, following a discussion with eco-tex, EPE & MCCI made in Brussels during Textile Lunch on 5th May, some changes in the program were made and were agreed upon by all. It was agreed upon that the Mauritius workshop will be rather a local workshop only for Mauritius and not as a regional one. The reason for the changes was due to not enough budget available for such a regional scale workshop.

This was agreed upon that the focus is given more on what Mauritius producers are facing the problems (both external & internal), and where there are opportunities for them in sustainable production and trade. Through this workshop, we will try to focus more on the avenues of opportunities for Mauritius producers.

The idea of co-evolution of standards which was planned during Mauritius meeting is now launched under the name of "Reciprocal Acceptance & Harmonization of Requirements on regional and global scale under STIC-Textile Pilot Initiative (see section 5 of this report).

A background paper on Mauritius Workshop and Program of Workshop is available at eco-tex office.

3. STIC Textile Pilot Initiatives in Latin America

A similar model of building national capacity building centres in Latin and Central America is also planned to be established. A cooperation with STIC-Regional Consultation in Costa Rica has been asked and initial discussion with Mr. Sergio Musmanni (STIC- Costa Rica) was made during 23rd September on the occasion of STIC Business meeting. Some contacts with Costa Rican, Mexican textile and apparel companies and associations are also made by eco-tex.

A discussion on establishing a MOU with Colombian Centre for Technology Research of the Textile & Garment Industry of Colombia (CIDETEXCO) and SENA (Vocational Training Institute of Colombia) is under progress.

Mr. Willie Beuth on behalf of STIC has been invited by the Foreign Trade Corporation of Costa Rica (PROCOMER). This invitation concerns the STIC participation to First International Fashion & Apparel Convention "Natural Fashions during 18-20th February 2004 in Costa Rica.

4. STIC-Textile Pilot Initiatives in European & Mediterranean regions

A similar model like Asia is planned to be built for Europe and Mediterranean regions in cooperation with STIC-Regional Consultation of Europe and Mediterranean regions.

A common understanding of working together with Turkish Clothing Manufacturers Associations TCMA is made. TCMA is one of the participating members of the STIC - Regional Consultation of Mediterranean region.

On European level, a discussion for the cooperation with EURATEX and other European national level apparel and textile manufacturer's associations is under progress.

4.1 Textile Lunch in Brussels

A Textile lunch on "A new approach for minimizing the impact of liberalization in textile after 2005" was organized to present STIC Textile Pilot Initiative in Brussels as a side event meeting on the occasion of "Symposium on Future of Textile Trade After 2005" on 5th-6th May organized by Mr. Pascal Lamy, European Commissioner for Trade.

The agenda for the Textile Lunch was:

- The STIC-Textile pilot initiative and its goals, its Buyers project group.
- The design of a 4 years action plan and the calendar of working meetings in the framework of coming consultations in Asia, Africa, Latin America, Caribbean, South Mediterranean and at European level. How it could lead to business to business meetings in support to SME's to facilitate partnerships between European and non European companies, capacity building to prepare SME's for international co-operation.

- The European Sustainable Trade Forum meeting on textile to be hosted by STIC-Europe with DG Trade during which producers coming from developing countries could present cases of barriers to sustainable trade.
- A meeting in Mauritius hosted with the Mauritius Chamber of Commerce & Industry.
- An initiative related to uniforms and workwear as contribution to purchasing of environmentally and socially sustained products and implementation of sustainable management approaches.
- The Cancun mini-Ministerial.

Participants attended the textile lunch meeting were from European retail organizations (C & A, Marks & Spencer), European Commission DG Trade, some Asian producing organizations, ministries, ACP-CDE, International Apparel Federation IAF, representative from Jamaica Ministry of Trade, STIC Steering Committee members (Mr. Mahmood Cheeroo, Mr. Willie Beuth, Mr. Raymond van Ermen).

Enclosure: The invitation letter for the Textile Lunch and background paper is available at eco-tex office and is also enclosed with this report.

5. Reciprocal Acceptance & Harmonization of Requirements

Producers and buyers can no longer afford the costs of multiple standards, multiple audits, and multiple certifications, which load them an unacceptable financial burden. The multiple audits and multiple certifications are repetitive phenomena and bring no real results to the producers, retailers and importers. There is a need to look for an immediate solution for producers and trade organizations that have limited market access & high costs incurred due to multiple audits and multiple certifications.

So, there is growing need from both the textile and apparel industry side, trade and buying sides in Europe, Asia, America, as well as from European Commission (DG Trade) to harmonize the requirements on a single platform or at least the reciprocal acceptance (mutual recognition) of different existing standards and schemes.

This is one of the current issues being supported and backed up by several Asian, European and American trade and retail groups and manufacturers associations, European Commission and many other global organizations.

Under the framework of STIC Textile Pilot Initiative, eco-tex and EPE have proposed to launch a platform for the discussion on the issue of reciprocal acceptance of existing standards and schemes and harmonization of environmental & social requirements in textile & clothing sector.

eco-tex and EPE have prepared a document explaining the need and tendency towards the reciprocal acceptance and harmonization of the requirements. This document also includes a message from STIC Chairperson, Minister Dr. Ben Ngubane. This message addresses the interested parties about the relevance of the issue and request to join the campaign and eventual discussion on harmonization.

A "Joint Statement" was prepared and sent to many national and international government organizations, commissions, business & trade associations, public authorities, business sectors, professional, social and environmental organizations, institutions, logistics organizations to ask for their willingness to support the idea and eventual discussion on

reciprocal acceptance and harmonization. Some of the organizations have provided their willingness to support this idea and will share the discussion.

The document explaining the need and tendency towards the reciprocal acceptance and harmonization and Joint Statement endorsed by various organizations are available at eco-tex office and is also enclosed as an annexure with this report.

5.1 STIC Participation in Miami Conference on Harmonization

27th Annual Miami Conference on the Caribbean Basin has been organized during 7-10th December 2003 jointly by CLAA (Caribbean Latin American Action) and IAF (International Apparel Federation) in Miami, USA. The agenda of this conference included the topics like capacity building, harmonization, trade and integration.

Mr. Willie Beuth on behalf of STIC was invited to this conference to discuss the issue of Reciprocal Acceptance and Harmonization of requirements. On behalf of STIC, Mr. Beuth has made a presentation and discussion on this issue with the representatives of AAFA (American Apparel and Footwear Association) and WRAP- USA (Worldwide Responsible Apparel Production). The American associations (e.g., AAFA, WRAP and possibly SAI) have realized a need of harmonization and reciprocal acceptance, as an important issue for sustainable trade and development.

6. Global Performance System & Trade Portal

The idea is to build a Global Performance System based on the performance of the textile and apparel producers from the sourcing countries. This performance system will be helpful to the European, Asian and American buyers in selecting and choosing their suppliers based on environmentally and ethically sound products. This will also help the producers to improve their performance and come up with market showmanship in their best performance. This performance system is linked with harmonization of requirements. Once a common platform for minimum requirements in harmony with various participating organizations is agreed upon, then this performance system will be actively launched.

The idea of performance system is emanated from eco-tex having decade long empirical experience which has been practically established and used since many years. eco-tex has been issuing a Performance Report to many textile and garment companies in many countries. This Performance Report is being made at the request of many big retail organizations in Europe and Asia.

STIC Textile Pilot Initiative will engage on this issue as soon as some results of harmonization come into picture. STIC will develop a databank on this performance system for both producers and buyers.

6.1 Textile Trade Portal

As mentioned in the program, a Textile Trade Portal is planned to be set up, where both buyers and producers can interact with each others and put their relevant information on textile trade policy, trade requirements, environmental and social requirements, information

on market trends, producer's and buyer's company presentation etc.

A financial support has been sought in Asia Pro Eco proposal, to launch this trade portal.

7. Sustainable Purchasing Guidelines

Under STIC-Textile Pilot framework, comprehensive guidelines are elaborated on sustainable purchasing strategies and methodologies on green and ethically sound textile and garment production and sourcing for the public and private buying organizations. These guidelines focus general compliance, environmental compliance, social compliance and quality compliance areas. All these compliance areas include criteria and requirements. The background information, relevant production steps and guidance on methodology for the implementation for each criteria and requirements of environment, social and quality areas are described properly. The expectations from each requirement are also described. These guidelines are based on an integrated management system and supply chain management, through which any current and future upcoming requirements can be fulfilled by the producers and purchasers. The guidelines contain a complete guidance on how to implement the requirements in a global supply and value chain while sourcing.

A special focus to Uniform and Workwear sector has been given in the purchasing guidelines where the requirements and their implementation are slightly different from the apparel sector.

These guidelines are in a draft format and will be discussed jointly by some selected private and public buying organizations and associations and STIC associated member organizations. After the official discussion and eventual modification made, these guidelines will be made to public use.

7.1 Proposed Workshop on Purchasing Guidelines in Istanbul

In order to make an open discussion on the drafted Sustainable Purchasing Guidelines STIC-Textile Pilot Initiative will organize a workshop in Istanbul during spring 2004 involving companies, signatories of the Global Compact listed on the Dow Jones Sustainability Index as well as countries from Asian, European, Mediterranean and African regions etc.

An initial proposal for organizing this workshop has been made by Mr. Raymond van Ermen (EPE) with local organization Turkish Clothing Manufacturer's Association (TCMA) during STIC Euro Mediterranean Consultation during November 7-8, 2003.

The idea for this workshop to get the feedback and input on various issues of these guidelines from participating buyers, public buying authorities and some other potential manufacturers from different regions and countries.

A draft program for the Workshop has been prepared and discussed with TCMA. A financial support also needs to be sought for organizing this workshop. TCMA will provide some local support for organizing this workshop.

8. Elaboration of Sustainable Working Tools for Producers

Sustainable working tools and guidance are planned to be elaborated for the textile and garment producers on how to design the production for the implementation of the environmental and quality requirements right in the production design and processes, social requirements leading these producers to environmentally sustainable and socially responsible production.

Preparation for these guidelines is under progress and a draft copy will be released during beginning next year 2004.

9. STIC- Textile Buyer's Project Group

As mentioned in the program about launching of the Buyer's Project Group which involves and design schemes for private buying companies and public buying authorities to undertake sustainable trade and innovation in partnership with producing companies from the South, as a practical action towards CSR (for Companies) and Agenda 21 (for Public Authorities). The main objective of the STIC- Textile Buyer Project Group is to assist the buying organizations in implementing green and ethical purchasing strategies for their entities and bring them together with producers and exporters on common platform to facilitate a dialogue and create a more cooperative context for achieving commercial, environmental and social progress simultaneously in developed and developing countries.

As planned that the Textile Buyer's Project Group is to be built on European level, sub regional level and national level, some activities for Buyer' Project Group on sub regional level and national level were carried out, which as described below in sections 9.1 and 9.2:

9.1 Central Europe Meeting of Buyer's Project Group

STIC European Hub together with eco-tex Consortium has chalked out a plan and strategy to establish Buyer's Project Group for textile sector at sub-regional platform by inviting and incorporating European private buying sectors, European government policy makers and European public authorities, European Commission (DG Trade, DG Environment etc), developing country producers, exporters, traders, governmental authorities from developing countries and other organizations.

A Central Europe Meeting of the STIC's Buyer's Project on textile was planned to take place in October 2003, but now postponed for the beginning of year 2004. This meeting is planned to take place in Cologne, Germany in cooperation with eco-tex Consortium and STIC European Hub. The preparations for this Central European meeting are already made. A financial support needs to be sought in coming months. This meeting will include the countries like Austria, Belgium, Denmark, France, Germany, Norway, Portugal, Sweden, Switzerland, The Netherlands, Spain, UK as well as some EU applicant countries (Lithuania, Estonia, Latvia, Poland etc).

9.2 National Level Platform of Textile Buyer's Project Group

Concerning national level platform of STIC Buyer's Project, the initiatives in France for French platform have already been made by STIC European Hub in June/July 2003 with support from Committee 21, Max Havelaar, OREE, Eco-Maires with 40 French public and private companies and 200 cities. Another national level initiative in Denmark has taken place in Sept/Oct 2003.

10 STIC- European Forum on Sustainable Trade (EFST)

EFST is a dialogue platform co-chaired by STIC and the European Commission (DG Trade) with participation of producers from developing countries. The establishment of EFST, is under DG Trade program of Civil Society Dialogue.

The first inaugural meeting of EFST was held at European Office in Brussels on July 1st 2003, focussing on electronics sector.

Next meeting of EFST will focus on textile sector during the beginning of 2004. Within EFST-Textile, the planning is to invite some apparel and textile producers from developing countries, and some European buyers. Other stakeholders from European and Asian organizations will also be invited for this forum meeting. The forum meeting will provide a platform for face to face dialogue among developing country producers and the European buyers, on various issues like respect of environmental and social requirements, the practical problems faced by developing country producers on respecting the requirements, cost burden faced by them, cost squeezing by buyers, new avenues to boost up the EU-Asia Trade on sustainable platform.