

## IAF 2003 Istanbul

# Focus on 2005 & Beyond at 19<sup>th</sup> World Apparel Convention

The 19<sup>th</sup> World Apparel Convention of the International Apparel Federation (IAF), organised by the Turkish Clothing Manufacturers Association, concluded in Istanbul on 25 June 2003 with a host of international speakers drawing attention to global trade in apparel and textiles in the post January 2005 quota-free era.

Industry worldwide is expecting a lot of change, but not much is emerging on what exactly these changes will be and how will they impact world trade in clothing and textiles. However, the one point that came out forcefully and clearly was that those countries and companies who are ready to embrace this change will survive, those who don't will go.

Addressing the inaugural session of the Convention, the Turkish State Minister for Foreign Trade Mr. Kursad Tuzman said that in the case of Turkey production will go to less



(L-R) James Jacobsen, William Lakin, Dr. Gungor Kesci, Chiedu Osakwe and Ian Wilkinson at IAF 2003.

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developed areas in Anatolia while designing and corporate offices will remain in Istanbul. This strategy is already being adopted in other developing countries where manufactur-

ing activity is moving to the hinterland in order to save costs.

China too is a big worry, especially for the developed countries who feel their manufacturing sector will be affected adversely in a quota-free world market. In fact, Mr. James Jacobsen, Vice Chairman of Kellwood Company of the US, who is also Chairman of the American Apparel and Footwear Manufacturers' Association (AAFMA), said that the US clothing market has almost come to a halt in recent years due to deflation. "The US industry is scared to death of China and protectionist policies may be revived," he pointed out. However, he also felt that opportunities would certainly be offered to those companies who are preparing for open world trade and thought that a return to the kind of certification programme highlighting the 'country of origin' could benefit the American industry.

Giving an overview of the WTO arrangements for 2005 and beyond, Mr. Chiedu Osakwe, Director, Textiles Division, WTO, said that it was important that preference be made to

'favoured nations' against the least developed countries and safeguards must be made against any dumping activities.

Provision of measures against dumping was strongly emphasised by the Director General of the European Apparel and Textile Organisation (EURATEX) Mr. William Lakin, who suggested that free and transparent two-way trade will enrich all sides. At the same time, he expressed concern about developing countries that stifle competition with cheap prices. Globalisation of trade should function in both directions in textiles and clothing, equality and fairness are integral to ensure that this happens. In a quota-free world, tariffs too should be rationalised and there is no reason for tariff to be in excess of 15% in any country, he pointed out.

Giving a rational viewpoint of China, the European Commission General Director for Commerce, Mr. Ian Wilkinson criticised the approach that holds China responsible for the problems in the global textile and apparel industry due to its cheaply manufactured goods flooding world markets. "I don't believe China is the great devil. While China certainly has some degree of responsibility, I believe that everyone should be well prepared for 2005. Tariffs must be reduced and non-tariff barriers removed," he said. Special consideration should be given to countries like Tunisia and Morocco, which have over 90% dependency on exports of textile/apparel products, he added. This observation on China is particularly significant in that all countries were aware of the

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developments taking place at the WTO and the imminent phase-out of the MFA. Countries got a clear 10 years to work out their strategies and the fact that China took the route of



One of the panels of speakers, which presented their papers at IAF. (L-R) Wilhelm Beuth, Ivan Viera, Nur Ger, Des Farrell and Tobias Fischer

becoming a manufacturing powerhouse should not be held against it today.

## Operational Excellence

A number of international speakers discussed operational excellence in sourcing, manufacturing and retail. Dr. Werner Lackas, Board Member of Hugo Boss, a scientist for many years in the telecommunication and automotive sectors before joining the fashion world, said he considered that benchmarks need to be drawn to compare best practices from the automotive or service industry rather than from fashion companies. Dr. Lackas, who heads production and logistics of the company, said the right processes with the right human resources are key to success. Explaining how this works at his company, he pointed out that Hugo Boss had 200 suppliers worldwide, and their own plant in Turkey employed high technology for making 2200 suits and 4000 shirts per day with 1400 employees.

Continuing on the subject of Operational Excellence, Mr. Andy Bond, MD of George at Asda in the UK, part of the huge Wal-Mart Group, stressed the need for understanding global trends, and not just roll out the traditional formula. "One must inspire ideas because newness is king." Citing an example, he said that when star footballer David Beckham's wife Posh was seen in a new fashion style, Asda had the style on sale within days – and were sold out within a week! Global trends are important as they have a vast TV audience. The trade must react to these trends, he emphasised.

Mr. Rod Birkins, Vice President and Director of Sourcing at JC Penny Purchasing Corporation, referred to 'today's current, dynamic and chaotic environment' and stressed the importance of getting the sample garments right the first time. "Communication must be consistent and there should

be a real sense of purpose in products," he pointed out.

"Having a stable management providing consistent standard procedures is vital for operational excellence," according to Mr. Gary E. Ross, Vice President of Worldwide Operations, Liz Claiborne. At the same time, Senior Vice President of Manufacturing, Sourcing, Distribution and Logistics, Mr. Robert Zane, explained that Liz Claiborne now produces goods in 35 countries. Why so many? The answer is just one word, 'Quota', he said. "For a company such as ours, the most important goal of our manufacturing people is to ensure a steady, reliable, uninterrupted flow of merchandise. Just as the elimination of quota will narrow the supply base, so will it create new price structures. Quota is never free," he added.

## Human Resources Management

Effectively managing human resources was another critical area where speakers emphasised on the importance of social and ethical responsibility in manufacturing, as well as providing facilities that make the work place appealing.

Leading the discussion, Mr. Wilhelm Beuth, CEO, Eco-Tex Institute for Applied Ecology, said that social and ethical responsibility and improvements in the social standards is a rapidly growing phenomena in global sourcing and needed to be integrated in business processes. Apart from the threat to businesses if this was not done, this actually opens new

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opportunity for manufacturers as well as buyers to become competitive by preparing and organising in advance. "Show customers what you are doing in this field of operation and



*Outcome of IAF suggested that the developing and developed countries need to join hands through a two-way trade.*

thus sustain your company's image," he pointed out.

Mr. Ivan Vierra, VP, International Resources, Russel Corporation, said it was the responsibility of corporations to make their facilities fully appealing places to work. An HR department within a corporation must apply a code based on universally ethical values that will direct offshore operations and define the company's expectations for its business partners. However, such a code would be meaningless without systemic programmes and policies to enforce it.

Worker-abuse and child labour are other areas where companies in various parts of the world need to get their acts together. Speaking on the subject, Mr. Des Farrell, VP, International Textile, Garment and Labour Workers' Federation, cited several examples of abuse of workers, including the employment of millions of children – in some cases as young as 4 years of age – failure to pay overtime rates, payment of as little of \$20 a month, and even cases of workers beaten and murdered if they tried to become active in organised union activity. He said that such cases of exploitation were rampant within areas of the world's apparel industries and urged organisation like the IAF to take the lead in having such firms boycotted. "The world trading system must recognise the rights of workers as stated in the ILO declaration on Fundamental Principles and Rights at Work relating to rights of freedom of association and bargain collectively," he informed.

Clothesline will be featuring several of these important papers in its forthcoming issues, which are important for Indian textile and apparel companies especially as we move towards globalisation. In this issue we present the views of Mr. William Lakin, DG, EURATEX, on "Before and After 2005." 