

# Get Ready for 2005

19th IAF World Apparel Convention Istanbul,  
Turkey June 24th-25th, 2003

**J**ust what the true impact will be on the apparel trades by the removal by the World Trade Organisation (WTO) of all quotas, at the end of 2004, found no easy answers at the recent 19th Annual Convention of the International Apparel Federation, held in Istanbul, Turkey.

The subject of quota freedom was, indeed, a primary focus at the Convention, where. The WTO decision on quotas could, on the one hand, give the immense resources of China's industry an overwhelming advantage in world trade; but on the other hand, as one speaker voiced, "one has to change in order to adapt to the new process and this requires a change of strategy."

Although "the great devil China", as another speaker said, "has some degree of responsibility, everyone should be prepared for 2005."

For example, the market in the European Union could change as its member countries make agreements with non-member states for imports, such agreements being naturally directed at places where prices would be lower than elsewhere. As one speaker said: "After all, that's what being competitive is supposed to be all about."

However, a speaker from the USA warned delegates that some protectionist practices in America might well be revived.

The delegates at the Convention considered five vital aspects

in all, as they listened to speakers from some of the largest international apparel corporations. These aspects were: Before and After 2005, Operational Excellence, Human Resources Management and Code of Conduct, Innovation and Technology, and Fashion Branding.

The Federation's Turkish president, Umut Oran – who is also president of the Turkish Clothing Manufacturers' Association (TGSD) – in welcoming the delegates said that the Convention aimed to establish the steps that the world's apparel sector needs to take on basic issues that concern the future.

Despite the alarm over the Iraq war and SARS, some 630 delegates registered for the Convention, vindicating the IAF Council's confidence in going forward with the event.

Virtually everyone attending the Convention expects many changes after the removal of all quotas at the end of 2004. There is also general agreement that only those who are ready to face these changes will survive. For Turkey, according to Turkish State Minister for Foreign Trade Kursad Tuzman, speaking at the opening ceremony, it is likely to mean production moving to less developed areas in Anatolia, while design will remain in Istanbul.

In an overview of the WTO arrangements for 2005 onwards, Chiedu Osakwe, director of the Textiles Division of the WTO, said it was important that no preference be made to 'favoured nations' against the least developed countries and safeguards must be made against any dumping activities.

The provision of measures against dumping action was also much in the mind of William H. Lakin, director general of the European Apparel and Textile Organisation (EURATEX), but he suggested that 'open' trade should enrich all sides. "Globalisation of trade should function in both directions in textiles and clothing, equality and fairness should come. Tariffs should not exceed 15% in any country," said Lakin.

Ian Wilkinson, European Commission General Director for Commerce, criticised the approach that holds China responsible for the problems in the global textile and apparel industry, with cheap exports flooding world markets. "I don't believe China is the great devil. While China certainly has some degree of responsibility, I believe everyone should be well prepared for 2005. Tariffs must be reduced and non-tariff barriers removed,"



Before & After 2005: (from left) James Jacobsen, AAFA; William Lakin, Euratex; Dr Güngör Keçi, Gals Tekstil; Chedu Osakwe, Textile Division, WTO; Ian Wilkinson, EC Trade Director.

he urged. Special consideration for the problems arising from open world trade must be given to such countries as Tunisia and Morocco, which have over 90% dependency on exporting textile/apparel products.

James C. Jacobsen, vice-chairman of Kellwood Company, believed the US industry is 'scared to death of China' and protectionist policies may be revived. (Jacobsen is also chairman of the American Apparel and Footwear Association.) He thought a return to a certification programme, highlighting country of origin, could benefit the American industry.

### Operational Excellence

One of a number of speakers discussing operational performance in sourcing, manufacturing and retail at the Convention was Dr Werner Lackas, a board member of Hugo Boss AG, who, as a scientist for many years in telecommunications and automotive before joining the 'fashion world', said he considered that benchmarks need to be taken to compare best practices from the automotive or service industry rather than from fashion companies.

Andy Bond, managing director of George at Asda in the UK – part of the huge Wal-Mart group – stressed the need to understand global trends, and not just to roll out traditional formulas. "Newness is king," he said, and described how, when star footballer David Beckham's wife Victoria (Posh Spice) was seen in a new fashion style, Asda had a similar style on sale within days – and was sold out within a week!

Rod Birkins, vice-president and director of sourcing, JC Penney Purchasing Corporation, referred to 'today's current dynamic, chaotic marketing environment' and stressed the importance of having sample garments right first time. Communication must be consistent and there should be a real sense of purpose in products.

In dealing with supply questions, Gunsan Cetin, managing director of the GAP International Sourcing Mediterranean Region, said that suppliers themselves should research what their customers want.

Gary E. Ross, vice-president of worldwide operations, Liz Claiborne, said having a stable management, providing consistent standard procedures, is vital to operational excellence. The same company's senior vice-president of manufacturing, sourcing, distribution and logistics, Robert J. Zane, explained that the Liz Claiborne now produces goods in 35 countries. Why so many? In a word: Quota.

"Just as the elimination of quota will narrow the supply base, so will it create new price structures," he said. "Quota is never free."

A view from the Turkish industry came from Yakup Gungor, president of the Textile Group of Sabanci Holding, who recommended delegates to 'get back to basics', where basics can be defined as the "combination of framing, alignment, deployment, measurement, feedback and continuous improvement." And he specially emphasised the need for shorter delivery times.

A stern view on where apparel companies may be failing to use the right tools and models to meet the new open market challenges was given by Dr David Birnbaum, a consultant whose company is called Third Horizon. In his view, for the buyer quite



Human Resources: (from left) Wilhelm Beuth, Eco-Tex Institute; Ivan Viera, Russell Corp; Nur Ger, Suteks Textstil; Des Farrell, ITGLWF; Tobias Fischer, Hennes & Mauritz

new costing and sourcing systems were necessary, and, for the suppliers, a new manufacturing paradigm based on the Yucatan model was required to prosper in the new environment.

### Unethical Labour Practices

Human Resources Management was a major subject for discussion at the Convention, and this brought out many of the unethical labour practices practices that are a feature of clothing suppliers, notably in Asia.

Authoritative evidence of many of these practices was given by Des Farrell, vice-president of the International Textile, Garment & Leather Workers' Federation (ITGLWF), who quoted numerous cases of abuse of workers, including the employment of millions of children – in some cases as young as four.

Farrell said that some 160 countries are producing fashion goods for export into the markets of about 30 nations, pitting countries, companies and workers in unprecedented competition with each other. "Most of the 30 million jobs in the fashion industry worldwide are low paid, insecure and often based in export-processing zones where workers' rights are usually suppressed," said Farrell. He cited a frightening list of horror stories about abuse of workers in factories supplying Europe and the USA.

Farrell considered that, if countries do not change and legislate, he would not rule out boycotts of their goods as a last resort. "The ITGLWF looks forward to working and campaigning alongside other organisations – such as the IAF – who are concerned in this field, in order to make the idea become a reality."

### Convention 2004

At the conclusion of the Istanbul Convention, IAF vice-president Pere Prat previewed the 20th IAF World Apparel Convention, to be held from May 31st-June 1st, 2004, in Barcelona, Spain. He explained that it will take place at the same time as "another very important event, the Universal Forum of Cultures 2004."

He said the programme for the 2004 Convention will be divided into four areas: Cultural Differences and Creativity, Global Perspective, Social Impact, and Value Chain from Designing to Retailing.

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