



Just Transition in the Textile and Garment Sector in Asia – Discussion series (China)

ILO-CNTAC-PAGE

18 November 2020, 14:00-16:15 (Beijing) Online Discussion

Summary

The UN PAGE programme in China held an online discussion on 18 November 2020 on Just Transition in the Textile Sector in China, co-hosted by ILO and CNTAC and in partnership with the ILO-SIDA regional project on Decent Work in Garment Supply Chains in Asia. The dialogue analysed the impact of COVID-19 on the textile and garment sector in China - within the broader global and regional context - and put forward the development visions of the sector's green transition toward environmental sustainability and circularity. The discussion provided an exchange platform for participants from the industry administration, social partners, private sector and academic institutions to interact with international and national experts and practitioners on promoting Just Transition and Green Jobs in the post COVID-19 recovery process. As the first dialogue under the online 'Just Transition in the Textile and Garment Sector in Asia' Discussion series, the China dialogue served as a feedback facility to reflect different stakeholders' perspectives and enhanced multi-stakeholder cooperation and partnership in jump-starting a green recovery for the textile and garment sector in China and beyond.

The first part of the discussion focused on ***Scene setting – COVID-19 impacts on the textile and garment sector (TAGS)***. The panel reviewed how COVID-19 has impacted the sector at the international, national and local levels both from the global perspectives and the industry perspectives in China. The second part of the discussion addressed ***Just transitions in the Textile and Garment Sector***. The panel analyzed the sustainable development prospect of China's textile industry, while integrating the national discussion and development within the global framework of Achieving a Just transition and the Climate Action 4 Jobs Initiative.

Participants from the private and public sector provided very positive feedback to the discussion with efficient moderation, high quality speeches and presentations, and well-organized flexible structure. They found it a "real discussion" which broadened their horizons and showed interest in continued engagement in relevant following dialogues and activities. This dialogue will be followed by further activities with CNTAC as part of international cooperation for a Just Transition of the garment sector in China and Chinese enterprises in other Asian countries.

Background and Highlights of the online discussion

Background

The Partnership for Action on Green Economy (PAGE) emerged as one of the United Nations' principal responses to the call at Rio+20 for the international community to assist interested countries in developing, adopting and implementing inclusive green economy (IGE) policies and strategies. PAGE



deploys the expertise and broad convening power of five UN agencies – International Labour Organization (ILO), United Nations Environment Programme (UNEP), United Nations Industrial Development Organization (UNIDO), United Nations Institute for Training and Research (UNITAR) and United Nations Development Programme (UNDP) – to offer coordinated and complementary support to countries as they prepare for the challenges of the 21st century. The Chinese government joined PAGE in 2015, focusing at the provincial level in Jiangsu province.

In partnership with the Ministry of Human Resources and Social Security (MOHRSS) and the Policy Research Center for Environment and Economy (PRCEE) of the Ministry of Ecology and Environment (MEE), the ILO organized under PAGE a National Roundtable on Achieving Green Jobs for an Inclusive Green Economy, Social Dialogue and Supporting Quality Green Industrial Development in China on 16 April 2019 in Beijing. The roundtable established a roadmap to strengthen institutional and individual capacities to support green jobs for quality green industrial development. A special focus of the roundtable was fostering green transitions in industrial parks/ clusters. The roundtable also served as an opportunity to plan for a local level learning workshop on Green Jobs and Green Industrial Transition held on 4-6 December 2019 in Suzhou, Jiangsu Province. A ‘PAGE China Green Jobs Working Group’ was established as an output of the national roundtable, consisting of member from MOHRSS, All-China Federation of Trade Unions (ACFTU), China Enterprise Confederation (CEC), PRCEE, China National Textile and Apparel Council (CNTAC), ILO, UNDP, UNEP and UNIDO.

Building on the outcomes of the working group and the Suzhou workshop, the UN PAGE programme in China held an online discussion on 18 November 2020 on Just Transition in the Textile Sector in China, co-hosted by ILO and CNTAC and in partnership with the ILO-SIDA regional project on Decent Work in Garment Supply Chains in Asia. The discussion analysed the impact of COVID-19 on the textile and garment sector in China - within the broader global and regional context - and put forward the development visions of the sector’s green transition toward environmental sustainability and circularity. The discussion provided an exchange platform for participants from the industry administration, social partners, private sector and academic institutions to interact with international and national experts and practitioners on promoting Just Transition and Green Jobs in the post COVID-19 recovery process for the textile and garment sector in China and beyond.

Highlights

1. The first part of the discussion (Panel I) provided scene setting by analyzing COVID-19 impacts on the textile and garment sector (TAGS).

- The COVID-19 pandemic caused immense social and economic impacts on the textile and garment sector in Asia and the Pacific, affecting millions of workers and enterprises. This on-going crisis provides an opportunity for the industry to revisit the weaknesses of the current supply chain model, and to start a restructure process taking into full consideration the interdependence between social, environmental, technological and economic dimensions. The green recovery of China’s textile and

garment sector will also make significant contribution to the achievement of the ambitious goal set by President Xi at the 75th UN General Assembly to reach the carbon emission peak by 2030 and carbon neutralization by 2060.

- SCORE is an ILO global project to enhance productivity and competitiveness and improve OSH/working conditions of SMEs. After the breakout of the pandemic, SCORE introduced guidance on COVID-19 response and online training module on business continuity planning to help enterprises better cope with the emergency. SCORE also worked with the Ministry of Industry and Information Technology (MIIT) to conduct survey on business operation during the pandemic and put forward relevant policy recommendations. SCORE also organized an international supply chain seminar with multiple stakeholders to share experiences on responding to the challenges of the pandemic and its impact.
- The pandemic has resulted in serious socio-economic impacts with massive business disruptions and job losses globally. There are multiple directions for the sector's post-COVID development toward sustainability and new technologies with the corresponding employment/skills implications. Collaboration and dialogue among key actors is important to the transition. Multi-lateral platforms through ILO tripartite mechanism engaging government, enterprises and workers are critical to bring together different stakeholders to inform and direct recovery and transition toward social and environmental sustainability.
- As the world's largest textile producer and exporter, China is seriously impacted by the pandemic. A large number of overseas orders has been cancelled and the enterprises face serious default risk, especially in the first quarter. In response to the pandemic, CNTAC conducted a comprehensive survey on the impact of the pandemic and issued the "Official letter to the sector on fighting COVID-19 and ensuring smooth industrial operation"¹. CNTAC also put forward relevant policy recommendations on responses to the pandemic which have been adopted by the General Office of the State Council. The integrated nature of the national supply chain enhanced the sector's resilience. The pandemic is changing the production model of the sector. CNTAC organized online trade fairs and information exchanges. Many companies switched to online distributions and innovations, smart manufacturing and e-commerce. The textile and garment sector is a labour intensive sector, and a key livelihood sector engaging many rural women migrant workers. CNTAC calls on the international communities to strengthen cooperation and object trade protectionism, e.g. by issuing a joint statement with the textile associations in other Asian countries to call on the international brands and business operators to promote corporate responsibility and responsible procurement². CNTAC also conducted a number of international cooperation projects and researches and organized international workshops to contribute toward building back better across the global supply chain.
- UNDP China introduced the key findings from UNDP report on the impact of the COVID-19 pandemic on Chinese enterprises. The research found that:

¹ http://xiehui.ctei.cn/xh_dongtai/202003/t20200313_3980120.html

² <http://www.asiatex.org/Uploads/File/2020/04/13/u5e941152e6d2d.pdf>

- Declining market demand and tight cash flow were the biggest challenges encountered. Different sectors experienced different impacts with tourism and catering being the most hard-hit, while for online industries and “stay at-home economies” saw significant growth.
 - The enterprises adopted different measures to counteract the pandemic, incl. teleworking, transforming production lines to materials needed for pandemic control, and upgrading production and services using internet and new technologies.
 - Many enterprises, especially the export-oriented, had to reduce staff costs and get loans to tide over the difficulties. Despite tremendous challenges, the Chinese enterprises actively undertook social responsibility and made considerable donations to fight the pandemic.
 - Enterprises generally found the mix short-term supporting policies effective as they focused on reducing operating costs or exemptions, work and production resumption, as well as other sector specific supporting policies.
 - In the short term, the pandemic is likely to have a negative impact on the private sector’s contribution to attaining the SDGs as the enterprises focus on immediate survival and recovery strategies. However, the crisis is also likely to motivate enterprises to review their relationship with nature and society, and encourage all stakeholders to attach greater importance to inclusive, green development.
- The pandemic’s impact at local level on the enterprises and the responses undertaken by CEC:
 - China’s GDP experienced significant drop in the first two quarters, starting to recover in Q3. The total GDP increase for 2020 is anticipated at 1.9%. A significant number compared with the global situation. Domestic tourism has been recovered up to 80% by October 2020. These achievements should be attributed to effective, scientific and coordinated control of the pandemic and the overall socio-economic development.
 - CEC has taken active measures to support enterprises in fighting the pandemic, mainly in three aspects, i.e. promoting work and production resumption, strengthening tripartite cooperation and stabilizing labour relations, incl.:
 - Helping enterprises to voice their needs to government through researches and policy recommendations.
 - Supporting enterprises by educating them on relevant policies and regulations and jointly issuing “Opinions on stabilizing labour relations and supporting enterprises to resume work and production”³ and other policy instruments/guiding documents with MOHRSS, ACFTU and All-China Federation of Industry and Commerce. The documents emphasized the importance of tripartite mechanism and collective negotiation for coordinating labour relations, protecting enterprises and stabilizing employment to jointly overcome the crisis.
 - Assisting enterprises to integrate resources and providing online services/ organizing high level online forums and trainings for enterprises (with over 4 million participants).
 - The pandemic’s impact at local level on the workers and the responses undertaken under the leadership of ACFTU:

³ http://www.mohrss.gov.cn/gkml/zcfg/gfxwj/202002/t20200207_358328.html

- The pandemic caused serious impacts on employment and socio-economic development in China in Q1, in particular for the SMEs in the service and manufacturing industries (esp. the labour intensive, export-oriented industries such as the textile and garment sector with a large number of rural migrant workers).
- Employment stability and working hours have been negatively affected. At the same time, new technology development has spurred new employment growth, in particular for online business and service provisions (e.g. over 300,000 new takeaway meal deliverers employed by Meituan during the pandemic). The government adopted policies and measures to reduce enterprises' costs by cutting social protection contributions and increasing unemployment insurance coverage, benefiting a large number of enterprises and workers. The labour income of workers decreased slightly and remained overall stable. The labour relations remained generally stable with increasing challenges in certain sectors/areas. The disputes mainly arise from wages, welfare, and occupational injuries. Employment flexibility has also increased.
- Local trade unions conducted online collective negotiations, simplifying the procedures with high effectiveness. Trade unions at all levels provided online employment services and trainings for over 64 million workers, and provided subsidies to support the resumption of work and production, health insurance coverage, poverty reduction, emergency response and legal aid to affected areas and workers. The textile trade union put forward policy recommendations on the impact of the pandemic and proposed responses which have been adopted by the General Office of the State Council in developing sector specific supporting policies.
- The textile sector's resumption of work and production was well organized by the second half of the year, basically returning to the normal productions levels in place before the pandemic.

Q & A discussions:

- Q1: Smart manufacturing played an important role during the pandemic. Alibaba came up with C2M approach linking consumers with textile and garment manufacturers (SMEs) directly. This will have an impact on future development of TAGS. What will be the impact of smart manufacturing on employment? Will workers be displaced by machines?

A1: Technology has enormous potential to influence the sustainability across the supply chain, both environment sustainability and the transparency (where & how things are made). Its employment implication is still an open question. That's why we need Just Transition guidelines to look at the impacts and deficits and work with stakeholders to find the solutions and have workers transit to new employment.

A2: The population bonus is already over in China. The sector is transitioning toward sustainable development in line with the national development strategy. The eastern coastal areas (Yangtze River Delta) are developing smart manufacturing, establishing their own brands and turning the industrial centers into fashion metropolitans. In the central and western parts of the country there is still a large surplus of rural workforce, who can be engaged during slack seasons. This

will enhance their labour income and economic status. Smart manufacturing will take place in stages in different areas starting from the coastal areas.

- Q2: How to work with brands and SMEs to promote decent work and sustainable development across the textile and garment supply chain? Will the economic loss caused by the pandemic impact the green recovery negatively?

A1: It's always difficult to reach SMEs regarding socio-environmental sustainability due to financial and human resource constraints. Other actors in the system need to come in and help. Brands and customers are important in stimulating cleaner production processes.

A2: For brands development, at macro level the recent signing of the Regional Cooperation and Economic Partnership Agreement (RCEP) brings new commitment and opportunities for regional cooperation, covering multiple areas incl. SMEs, investment, economic and technical cooperation and trading of goods and services. President Xi set the goal for carbon neutralization by 2060. This also depends on the contribution from enterprises. At micro level, the stock exchanges raised requirements on Environment and Social Governance (ESG) for enterprises. Brands need to pay attention to the whole supply chain, both up- and down the stream. Some brands approached specialized agencies to help identify the ESG risks along the supply chain and are willing to invest in their downstream SMEs' capacity building.

2. The second part of the discussion focused on **Just transitions in the Textile and Garment Sector (TAGS)**

- The current TAGS follows a linear model and more than 75% of the textile and garment products end in landfill or incineration. Material, energy and water consumption rate is very high. Labour conditions in many parts of the world are still in a difficult situation. COVID-19 posed additional challenges to the sector. This is a wake-up call for all stakeholders to focus on sustainability, circularity and just transition. UNIDO has been providing support to member states in sustainability and inclusiveness in Latin America, Africa and Asia. In China, UNIDO has worked with ILO and CNTAC to jointly promote sustainability and corporate responsibility in the textile and garment sector.

The discussion started with two keynote presentations:

- [Guidelines for achieving a Just Transition](#) and the [Climate Action for Jobs Initiative](#). The Initiative was launched at COP 25 (2019), bringing together governments, workers' and employers' organizations, international institutions, academia and civil society to deliver change, building on partnerships and engagements and supporting Sustainable Development Goals (SDGs) and COVID-19 recovery. The ILO Guidelines for a just transition towards environmentally sustainable economies and societies for all (2015) offers a policy framework to guide the transformation. In this presentation the mission and vision, the strategy and outcomes, as well as different levels of interventions of the initiative were further elaborated on.

- Sustainable Development Prospect of China's Textile Industry- an analysis of the current situation, the development perspectives and the challenges and opportunities of the industry's transformation toward environmental sustainability.
 - Within the overall framework of the national development strategy, which is integrated with the SDGs, a common consensus has been reached on sustainable development for the textile and garment sector in China. CNTAC promotes a pathway to realize the sustainable development of the industry toward an innovation-driven technology industry, a culture-led fashion industry and a responsibility-oriented green industry. This is implemented at three levels: macro level (policies and standards development to reduce pollution and improve environmental protection, save resources and improve utilization efficiency, reduce emissions and adapt to climate change; demonstration of green design, green production, green packaging, green distribution, green sales and green recycling across the whole supply chain), meso level (cooperation at industrial clusters level: demonstration and exhibition, industrial research/information disclosure on sustainable development governance of local governments, improving platform construction, developing solutions, building capacity/training), and micro level (enterprise integration of green production and innovation, information disclosure of performance/compliance, listing of green enterprises jointly with MIIT, engagement with brands in sustainable fashion actions).
 - The current complex international situation with uncertain development trends, the impact of climate change on the global commercial environment, and climate change related global issues/risks pose challenges for the sustainable development of the industry. The COVID-19 pandemic calls for a rethinking of the human-nature relationship. The development toward green economy is a necessity of the time. The following aspects were highlighted:
 - The normalization of international cooperation mechanisms is critical. CNTAC is actively engaged in international cooperation and exchanges on climate actions.
 - New green technology and product innovation services across the whole supply chain (over the entire life cycle of the product) plays a key role in the sector's green transition.
 - Green consumption awareness and change of behavior (esp. of younger generations) have a significant impact on the production model.
 - Environment Social Governance (ESG) has become an optional reference factor influencing investments.

The presentations were followed by a **panel discussion** around the questions - **what are the priorities for sustainable recovery in the textile and garment sector in China? What are the gaps/ additional resources, skills and knowledge needed?**

- Green recovery is set against the overall background of the pandemic. Although the situation in China is basically under control, the global situation remains serious. The China experiences can provide useful reference to other countries. Sustainable recovery starts with safe resumption of work and production as well as continued attention to the development of the pandemic. One of the focus should be on pandemic prevention and protection. It's critical to ensure the stability and free flow of the whole supply chain. Multi-stakeholder dialogue plays an important role here. Technological and skills development for digitalization is key for ensuring a just transition. The pandemic accelerated

the digitalization process which is the overall development trend and a key factor for enterprises' competitiveness. It's important to ensure the inclusiveness of the process.

- Jiangsu is the no. 1 province in terms of textile export and the economic volume of the industry in China with two textile enterprises listed under fortune 500. The sector responded to the crisis by turning to the production of pandemic control materials (masks and PPE), accelerating digitalization and expanding domestic market. The provincial textile association encouraged the enterprises, in particular SMEs, to maintain the capital chain, continue the development of new products, keep the relationship with old customers (relationship with European and American customers despite the difficulty of order cancellations), and persist in technological transformation despite the pandemic. The provincial textile trade union put a special focus on human resource and skills development and development of standards, workers' participation in policy formulation, smoothing the channels for workers' demands, improving workers' income and living standards, and strengthening horizontal cooperation to promote the sustainable development of the industry and decent work. While some enterprises are relocating to other countries, the remaining enterprises are pursuing a high quality development based on people's overall rising living standards and demands.
- COVID-19 recovery in the sector:
 - The focus/priorities of sustainable recovery for the sector is from four aspects: 1. positioning of the industry (fashion-, green-, technology-oriented); 2. international cooperation; 3. green technology development; 4. green consumption and production awareness raising.
 - Major challenges include:
 - the uncertainty of global pandemic development, international relationships (China-US trade war), and global economic development (lacking a stable foundation for demand with global economic growth estimated at -5.2% by WB).
 - the threshold set by green standards and regulation systems. The penalties associated with violating standards is increasing and the national industrial and legal standards on emissions and pollutant discharge are becoming stricter. This will require the enterprises to increase their inputs in environmental protection, which can be challenging for the enterprises.
 - The circular economic development is a systematic process with small, medium and large scales: namely, at enterprise level (clean production and circular utilization), at industrial park level (ecological system operation among enterprises in the park), at society level (overall regeneration and recycling). This requires joint efforts by multi-stakeholders.
 - Safety and health issues in recollecting and recycling used textiles and turn waste into resources, technology and qualification of the operating enterprises all need to be considered properly.
 - Lastly, the sustainable consumption concept still needs to be promoted among the general public.
 - The loop has not yet been closed. It will become a considerable industry if the loop can be closed.
- The Republic of Korea and USA both used to be big garment producing centers. Later on, the garment factories have been moved out of the country but the industry remains vibrant. Due to its size and variety, China's textile and garment sector's development will be dynamic with many different directions. Some factories will be moving to the middle and west part and some to other countries.

Some will develop into international brands and fashion metropolitans. The process and mechanisms to deliver this change will require dialogue among different stakeholders/actors. Dialogue is necessary to set the standards, identify common goals and create joint mechanism to achieve the goals. Social dialogue/contract is also important to build social consensus to change producer- and consumer mindset and behaviors. This all requires investment in committed dialogue.

- GIZ FABRIC's project is focused on three priorities: digitalization, purchasing practices and due diligence.
 - China is not only the largest producer and exporter of textiles in the world, but also becoming the largest domestic market, so it could adapt to the pandemic by turning export products to domestic sales. However, this requires producers to be able to react quickly and in an agile way. A key priority is digitalization of the production, including the skillset needed and also the ability to sell more online ("e-commerce").
 - Existing difficulties include purchasing practices such as payment and delivery terms. Manufacturers need to be secure financially in case of order cancellations, which have been a major challenge across the industry and resulted in many factories closing and workers losing their jobs. Manufacturers and workers' associations need to be given a stronger voice in the industry on the topic of Purchasing Practices with the support of international platforms.
 - There is a shift with governments starting supply chain laws in Europe. Germany is currently preparing a so called "Due Diligence Act" which would impose a due diligence obligation on large companies based in Germany, backed by severe fines for noncompliance. The law will take a holistic approach and focus on topics such as prevention from discrimination, compliance with local laws, environmental protection and Occupational Safety and Health (OSH) etc. This "Due Diligence Act" would apply to the whole value chain (incl. suppliers and customers – so it not only relates to Germany, but also to producers in China).

Q & A discussions:

- Q1: China is leading in environmental protection regulations. This has effectively limited negative environmental impact from the industry in the country. What about the relocation of Chinese enterprises to other countries in Asia and Africa where environmental regulations are not as strict?

A1: Chinese enterprises need to take up what they have learned in China and develop some kind of code of conduct/industry rules in light of the due diligence and different government requirements. Chinese enterprises need to develop such awareness and capacity, e.g. CNTAC needs to develop relevant mechanisms on the topic. There could also be challenges for tracking the enterprises' practices when they go to other countries (same with Japanese and Korean companies going overseas). That's why the relationships/partnerships need to be taken up in making and following the rules.

A2: CNTAC established the CSR Office in 2005 and issued CSC9000T in 2006, the first industry management system incorporating relevant international and national standards. CNTAC cooperated with the Ministry of Commerce, Ministry of Foreign Affairs and international

partners such as GIZ to provide guidance and build the CSR capacity for Chinese enterprises going overseas. CNTAC conducted a series of thematic trainings in Southeast Asia on employment and environment related issues for the textile enterprises operating locally.

- Brief introduction to the PAGE programme and its implementation in China and a brief reference to the UNEP report on “Sustainability and Circularity in the Textile Value Chain”⁴ at the closing session.
- Participants from the private and public sector provided very positive feedback to the discussion with efficient moderation, high quality speeches and presentations, and well-organized flexible structure. They found it a “real discussion” which broadened their horizons and showed interest in continued engagement in relevant following dialogues and activities. As the first dialogue under the online ‘Just Transition in the Textile and Garment Sector in Asia’ Discussion series, the China dialogue served as a feedback facility to reflect different stakeholders’ perspectives and enhanced multi-stakeholder cooperation and partnership in jump-starting a green recovery for the textile and garment sector in China and beyond.
- This dialogue will be followed by further activities with CNTAC as part of international cooperation for a Just Transition of the garment sector in China and Chinese enterprises in other Asian countries.
- A press release of the online discussion has been published on the PAGE Bulletin for December 2020: <https://www.un-page.org/Just%20Transition%20in%20the%20Textile%20Industry%20in%20China>

⁴ <https://greenindustryplatform.org/research/sustainability-and-circularity-textile-value-chain>