

**Tripartite Meeting on Promoting Fair Globalization in
Textiles and Clothing in a Post-MFA Environment**Geneva
24-26 October 2005

Chairperson's summary

Introduction

1. The textile and clothing (TC) sector has traditionally played an important role in the industrialization and economic and social development of many countries. The TC sector remains important for employment, manufacturing output and exports in a number of developing and least developed countries (LDCs), but its relative importance has declined in the major developed countries. Since January 2005, with the phase-out of quotas, the TC sector worldwide is experiencing a major revolution that raises fears, challenges and opportunities. It is under these new rules of the game that the ILO's Governing Body decided to convene this Meeting. The framework of the report and the Meeting was set by the end of the Agreement on Textiles and Clothing (ATC) and the beginning of a transition towards the liberalization of trade in textiles and clothing.
2. The purpose of the Meeting was to provide guidance to governments, employers' and workers' organizations: on how to share strategies, lessons and experiences throughout the supply chain; on how best to adapt to changing circumstances; and how to promote fair globalization in textiles and clothing in this post-MFA environment. The Meeting was also to highlight the role of the ILO in targeted activities as a follow-up to this Meeting.
3. Without exception, the interventions have been thoughtful and interesting. And they stimulated a lively and rich debate. From this debate, I identified three major points. First, the TC industry is in crisis in many parts of the world; many are suffering, thus the future remains uncertain. The preliminary impact assessment is just that – preliminary. Second, the countries and enterprises that had prepared for the changes and had developed strategies to maintain their competitiveness have performed better than those that did not. There has been clear evidence from all sides that there is a positive and mutually reinforcing relationship between respect for workers' rights, social dialogue and labour relations and competitiveness and productivity. Third, and this is probably the most important point, because of the potential use of textile-specific safeguards arrangements, we are in a period of transition.
4. We therefore have a small but important window of opportunity for the development and implementation of collaborative and sustainable strategies. These strategies should enhance productivity, quality and labour standards and promote a fair globalization, through tripartite collaboration at the global, regional, national and enterprise levels. However, tripartism is dependent on the respect for and implementation of ILO core labour standards. It will be important also to engage with buyers, representatives of importing countries, international institutions and civil society organizations.

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5. You have asked the ILO to play a leading role in promoting international policy coherence towards fair globalization in the TC industry and in providing practical assistance where it can. You have also asked the ILO to collaborate more with other organizations.
 6. This Chairperson's summary reflects a number of priority issues on which consensus was reached. It addresses different groups in turn, looking at the challenges, their roles in addressing them and partnerships with the ILO.

I. Developed countries

Challenges

7. TC employment has been declining for 20 years. The decline has quickened following the end of quotas. Some regions and SMEs are particularly vulnerable. The TC labour force is largely composed of a majority of women workers, often with rather low levels of qualifications. This makes the restructuring process more challenging.
8. So, the major importing countries have taken measures, in particular through safeguards or bilateral agreements, to avoid market disruption and better regulate the growth of their TC imports. Regional partnerships and preferential access to developing countries and LDCs, particularly affected by the end of quotas, have been developed. Internally, enterprises in importing countries promote innovative production practices, research and development, and improve human resources development to maintain their international competitiveness and to develop their exports.

Partnership with the ILO

9. Developed countries and institutions such as the European Commission, have a long experience of cooperation with employers' and workers' organizations which led to a process of social dialogue that, with the full participation of all the actors concerned, can facilitate the restructuring process. Together with the ILO, they should share their experience and expertise in order to promote social dialogue in the major TC producing countries. However, social dialogue can only exist where freedom of association is respected.
10. Employers in developed countries are willing to face the challenges of the new TC trade regime, provided trading partners consistently respect the World Trade Organization (WTO) rules. Additionally, governments should implement the ILO Declaration on Fundamental Principles and Rights at Work (1998) and the ILO should continue to promote the full respect of this important Declaration.
11. Workers are equally willing to face these challenges provided WTO rules are fair and enable countries to preserve their TC sectors.
12. Developed countries should support incentives for compliance with international labour standards and, together with the ILO, provide technical assistance to developing countries, within a multi-stakeholder framework, to facilitate the implementation of socially responsible labour restructuring programmes.

II. Developing countries

Challenges

13. Preliminary results of the impact of the end of the ATC are mixed and must be considered with caution. The bridging regulatory measures introduced by the key importing countries have provided a vital breathing space. This opportunity must be seized to enable both importing and exporting countries to soften the adjustment process.

The role of governments

14. Governments have an important role in managing the process of improved integration into the global economy in a post-quota environment and in ensuring that it meets their economic and social objectives. This role includes the correction of market deficiencies and negative externalities. Ensuring a level playing field is the key to increasing national and enterprise comparative advantage. Means to do this include: practical and socially responsive restructuring and redeployment policies; sound social protection and safety nets; the application of core labour standards; enforcing labour legislation; and establishing a suitable environment for constructive social dialogue.
15. An appropriate framework must be ensured, in particular for SMEs, so that enterprises can fully exploit their competitive potential. Policies and programmes will be needed for the most vulnerable enterprises, and to strengthen the production linkages between the formal and informal parts of the TC sector as a result of the inevitable concentration of international orders on fewer sources. Importantly, governments should provide adequate infrastructure, facilitate customs procedures, fight against corruption and protect intellectual property rights. The closure of enterprises should be monitored in order to ensure it occurs within the law, especially in terms of workers' severance pay and social security/pension payments.

Partnership with the ILO

16. To maintain the viability of enterprises in those developing countries that are highly dependent on TC exports, integrated strategies that combine the search for improved competitiveness and the promotion of decent work need to be developed and implemented. Using examples of existing good practices, national tripartite bodies to monitor the social and economic dimensions of the post-MFA environment could be created in the major exporting developing countries. The ILO should assist in these initiatives.
17. Particular attention should be given to the ratification and implementation of ILO core labour standards, the promotion of social dialogue, and human resources development, including training and retraining policies. In this latter regard, the ILO should assist governments, employers' and workers' organizations to deal quickly with changes in their industry. A gender-sensitive approach is particularly important in view of the large number of women workers whose earnings represent a major part of their family's income.

III. Least developed countries

Challenges

18. Those LDCs that are highly dependent on the TC sector for industrial employment and export earnings are those which will be most affected by the end of quotas. Appropriate measures, including technical assistance and support for capacity building, enhanced market access and relaxation of rules of origin, are urgently needed to improve their competitiveness on the world market, to protect the workers concerned and to develop socially responsible restructuring strategies.

International collaboration and support by the ILO

19. The document prepared by the secretariat of the WTO on “Options for LDCs to improve their competitiveness in the textiles and clothing business” provides interesting areas for consideration. Appropriate bilateral and multilateral trade measures to ensure enhanced market access for vulnerable countries should be considered to avoid the complete disruption of the TC market and the associated social impact on these countries.
20. The ILO should provide support to these countries to ensure compliance with international labour standards with a view to sustainable development and equitable poverty alleviation. Where drastic restructuring and redeployment policies are required, all efforts should be made, including with ILO assistance, to ensure the protection of the workers concerned through the provision of appropriate social safety nets.
21. Protecting workers also means providing quality jobs for all. In the post-MFA environment, therefore, LDCs need to develop training and retraining programmes to improve the skills and employability of the workers inside and outside the TC sector. The ILO should be actively involved throughout this process of lifelong learning as a means to decent work.

IV. Building a strategic supply chain

Challenges

22. The Meeting recognized the need to promote a responsible supply chain, through partnerships that balance social and commercial interests during the transition period. This requires strengthening work on the links between competitiveness, employment and labour conditions, and reviewing sourcing strategies in light of relevant public policies and national strategies for restructuring.
23. As the world TC market becomes more concentrated, buyers, particularly international buyers, should commit to sourcing responsibly from countries that respect core labour standards and from suppliers who provide decent work. Incentives could be one way to encourage responsible sourcing.
24. Decent work and systems of mature industrial relations have been shown to contribute to lower labour turnover, higher productivity, better quality and improved productivity.

Partnership with the ILO

25. International buyers should offer technical assistance to their suppliers in the fields of productivity, workers' and managers' skills training, technology transfer, industrial relations and marketing. Buyers should use best corporate social responsibility (CSR) practices to build local capacity in relation to the respect of core labour standards. Buyers should work in a collaborative way, with the governments and social partners concerned, to ensure the full implementation of these standards throughout the global supply chain. Where appropriate, these activities should be implemented in partnership with the ILO, including through multi-stakeholders initiatives.

V. Workers' organizations

26. Workers' organizations should recognize the international dimensions of the issues they have to deal with in the post-MFA environment, and develop new mechanisms and approaches as necessary. National workers' organizations, with the support of the global union federations and of the ILO, should monitor developments arising from trade liberalization, highlight the actions needed to protect workers' interests and use social dialogue to express their views and reach consensus.
27. Workers' organizations should be associated with national and international collaborative initiatives to promote fair globalization in the TC industry. They should contribute, through advice and direct support, to the vocational training efforts necessary to equip workers for change and to improve their employability.
28. Workers' organizations should provide advice, where appropriate, on socially responsible restructuring and redeployment policies and reinforce, within their educational programmes and with the support of the ILO, health and safety training for their members.

VI. The ILO and other institutions

29. The ILO should cooperate more actively with: the World Bank, the WTO, and with multi-stakeholder initiatives, such as the Global Compact, the OECD Guidelines on Multinational Enterprises and the MFA Forum. The Meeting stressed the importance of the ILO playing a more active role in the latter. The Outcome Document recently agreed by Heads of State at the United Nations should provide a sound basis on which to advance the Decent Work Agenda. The ILO should promote policy coherence between it and the WTO, World Bank, International Monetary Fund (IMF) and other international institutions, to review the socio-economic implications of the post-MFA environment and make recommendations to promote fair globalization in the TC sector.

VII. Other important issues

30. We also heard of a number of additional issues that need to be addressed if a fair globalization is to be achieved. Increased international competition, especially competition from items produced under exploitative conditions, has reduced TC prices, further eroding the competitiveness of developed countries. While not directly the responsibility of the ILO, it should promote action. The issues include: the trans-shipment of goods in order to circumvent quotas; the pirating of designs; and the faking of labels and brand names. These illegal practices destabilize the industry and threaten employment provided by legitimate manufacturers. Furthermore, subsidies that lead to dumping prices should be eradicated. In addition, developed countries should campaign for charitable donations of

used clothing to be used for that purpose, instead of being traded in ways which destroys TC jobs in developing countries. Some participants recommended that the WTO should provide for a specific discussion on the impact of trade liberalization in the TC sector at its December Ministerial Meeting.

VIII. An ILO contribution to a multilateral response to the adjustment challenges facing the TC industries

31. In developing this summary, I have taken this unique opportunity to reflect on how to push forward with a practical package of adjustment support to the TC sector, support that I believe the ILO could play a major role in, and for which donor funding could be found. I believe that a consortium of international agencies should offer a coordinated response to the adjustment challenges of the TC industries in the North and South. I believe that the ILO could offer the following four components:

- (i) A major drive to improve **skill development** for both workers and managers in the sector. This should include new skills for those leaving the industry as well as those aiming to stay and upgrade performance. The ILO should assist at the workplace level on workers' rights and working conditions and their link with competitiveness. The ILO should provide assistance to governments and employers' organizations on socially responsible restructuring processes.
- (ii) A new **global information and analysis service** that could include better and more up-to-date employment information, including hours worked, which is a good proxy for capacity utilization, and details of compliance or non-compliance with core international labour standards. This could be a joint activity with the World Bank, UNIDO, UNCTAD, WTO and others.
- (iii) **Assistance in compliance and remediation** to requesting exporting countries ready to ratify and implement the Conventions under the ILO Declaration. This would contain a portfolio of possible approaches drawing on the experience in Cambodia, Morocco, Romania and South Africa. It would seek to provide compliance reports that would meet the most exacting of buyers' standards thus enabling a considerable reduction in costly duplication of social auditing. The ILO service would be time bound and the countries concerned would be expected gradually to take over responsibility, leaving the ILO with the role of periodically reviewing the system to check that it continued to provide reliable reports.
- (iv) The establishment of a **global social responsibility forum** for dialogue between governments, employers' and workers' organizations in the producing and buying parts of the TC network, relevant international agencies and other relevant bodies. Meetings along the lines of the current one would be held unless the parties concerned ceased to find them useful. The goal would be the promotion of a fair, globalized industry and decent work for those employed in it. Discussions would be based on the provisions of the ILO Tripartite Declaration on Multinational Enterprises and Social Policy.

Geneva, 26 October 2005.

Mr. J.-J. Elmiger,
Chairperson.