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-Izumi OHNO

Image Source: Wikimedia Commons. October 11, 2013. A woman worker manufactures a garment in a project beneficiary factory - women constitute a significant portion of the workforce in Pakistan's garment industry. Photo Credit: USAID Pakistan. [https://commons.wikimedia.org/wiki/File:USAID%27s_Firms_Project_\(10587583886\).jpg](https://commons.wikimedia.org/wiki/File:USAID%27s_Firms_Project_(10587583886).jpg)



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Building sustainable garment value chains: Implications for developing countries

The garment industry is a typical “starter” industry for low-income countries that promote export-oriented industrialization. For latecomer countries, apparel production serves as the first entry point into global value chains (GVCs) with its low fixed costs and labor-intensive manufacturing.

Because it is labor-intensive, the garment industry contributes greatly to job creation in low-income countries, especially for young female workers. On the other hand, if it is not properly managed, the industry may generate labor mistreatment and exploitation. There is rising awareness of the need to strengthen social and environmental compliance in the sector, in addition to conventional requirements for quality, cost reduction, and on-time delivery (QCD). More recently, with increasing attention to the Sustainable Development Goals (SDGs) and the ongoing global economic restructuring in response to the COVID-19 pandemic, there

is a strong drive among international investors and buyers to give greater attention to labor conditions, human rights, and environmental standards.

Today, latecomer countries must satisfy twin global standards—economic and industrial upgrading as well as social and environmental upgrading—to successfully participate in the garment GVC. Both requirements are crucial in securing market access and raising productivity. At the same time, we should recognize that complex and proliferating standards set by lead firms, international organizations, and non-governmental organizations (NGOs) are placing a considerable burden on apparel firms in developing countries that face resource and technical constraints. Coping with these mounting demands of both types is crucial for garment producers in developing countries with limited human and financial resources.

The author’s recent paper as part of a joint research between the GRIPS Development Forum and the Ethiopian Policy Studies Institute (PSI) suggests five common issues that should receive attention by latecomer garment producers and governments, as well as foreign buyers, lead firms, and the development community when promoting both economic and social upgrading of garment value chains.

First, the governments and garment factories in developing countries need to take an integrated and balanced approach to acquire and continue to upgrade export capability in the

face of many required standards. Although there is increased attention to the importance of compliance measures in recent years, we should also recognize that social and environmental gains can be sustained only if firms successfully keep upgrading their products and processes in the economic sphere. This is because enhanced standards require investments in human capital, technology, and machinery, such as building safety.

Second, there is a need for harmonization efforts among buyers, the international business and development community for supporting the capacity building of producers in developing countries. Our research finds a problem in “compliance fatigue” associated with the proliferation of standards and compliance measures. This is among the most pestering concerns of garment exporters regardless of nationality or location.

Third, public-private partnerships and the role of industry associations are important. Industry associations of the exporting country play an especially crucial role in developing the capacity of local garment producers to make quality and productivity improvements as well as meet social and environmental compliance standards. In Bangladesh, two large textile and garment industry associations actively support their member firms and in turn entice government incentives and programs for this purpose. In Sri Lanka, a public-private partnership initiated by a leading local firm effectively contributed to formulating the post-Multi-Fiber Agreement

(MFA) strategy with the government.

Fourth, buyers, lead firms, and donors should enhance their external support to upgrade industry associations, local factories, and the policy capacity of their partner governments. The experiences of today’s major apparel exporting countries suggest that knowledge and technology transfer from FDI partners and buyers is critically important in establishing a modern export-oriented garment industry. In the early 2000s, Myanmar started to learn quality control and technical skills of garment production through Japanese cooperation, which provided the basis for subsequent learning of social compliance measures through cooperation with the EU.

Lastly, an integrated and comprehensive approach will be more keenly needed in the post-COVID-19 era, which heightens the need for a human-centered approach and green recovery.

Reference:

This article is based on the author’s recent paper, “Pursuit of Product Quality and Ethical Correctness in Developing the Garment Industry” (co-authored with Sayoko Uesu), Chapter 7 in Ethiopia FDI Policy Report 2022, joint research by the Policy Studies Institute (PSI) and the National Graduate Institute for Policy Studies (GRIPS).
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