

SUSTAINABLE SOURCING MAP

By Brett Mathews

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already severely overloaded or operating in a way that does not sufficiently treat the wastewaters they receive." It continued: "Our investigations have found that there are serious problems with centralised treatment facilities that treat printing and dyeing wastewater. The technology and capabilities of the facilities are not universally sufficient, and because of unclear responsibilities, there is a lack of effective supervision and management of pre-treatment. This results in the pollution discharge from pre-treatment facilities having a level of pollutants beyond the treatment capacity of the wastewater treatment plants, which ultimately leads to centralised discharge of pollution to the environment."

We spoke to several insiders about new environmental regulations in China, particularly in light of the increasingly tough rhetoric China's leaders have displayed in 2014. The consensus appeared to be that China's garment manufacturing industry has reached a major watershed moment in terms of how it addresses pollution issues and most people were cautiously optimistic that major – positive – change is afoot.

However, two key issues need to be considered. The first is enforcement. While the country's leaders are talking a tough game on enforcement, it is too early at this stage to see whether authorities will act on this rhetoric and begin to get tough with polluters. Only time will tell here.

The second point is one of capacity, alluded to above. It is one thing having the intention and determination but if the capacity isn't there to properly address pollution issues, if companies

lack the land or capital and if central treatment plants are overloaded, then this creates a major conundrum for enforcement authorities which may require new, innovative and creative solutions if China's textile industry is to properly address its pollution issues once and for all.

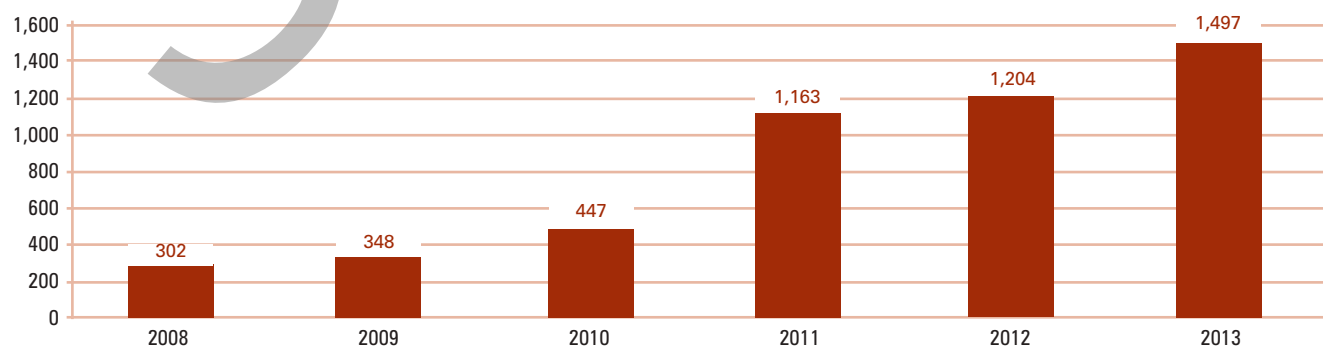
Labour compliance

China's garment manufacturing industry has a mixed track record as far as social compliance issues are concerned. Wages in the sector are high by the international standards of the industry. There also seems to be acceptance among the industry's leaders that good quality, skilled labour comes at a price. "Only offering the minimum wage, you can ... recruit a skilled worker," Wang Tiankai, director of the China National Textile and Apparel Council said in late 2014.

But the country's garment manufacturing industry is vast, the majority of it carried out by small to medium sized enterprises. Full and thorough regulation of labour compliance through the entire the industry is a difficult, if not impossible ask, and stories about child labour, unpaid over-time and a general lack of worker rights invariably rear their head from time to time.

Global supply chain experts Sedex partners worked with risk analytics experts Maplecroft to produce a 'Responsible Sourcing Risk Briefing' for China early in 2014. The briefing revealed that the key supply chain risks in China include "extremely high levels of corruption, environmental pollution issues and slow working conditions reforms."

NUMBER OF VIOLATION RECORDS FOR WASTEWATER TREATMENT FACILITIES IN RECENT YEARS



Source: IPE 2014 effluent treatment report

Sarah Labowitz a co-director of the NYU Stern Centre for Business and Human Rights, claims the Accord and Alliance inspections have identified thousands of deficiencies in the factories that fall within their inspection programmes. But to date (early 2015) none of the major brands or retailers has made a public commitment to fund the upgrades and repairs that are needed.

“The Alliance estimates an average cost of US \$250,000 per factory. That’s more than US \$400m for Accord and Alliance factories alone. No company member of the Accord or the Alliance has made a public commitment to pay these costs,” she pointed out writing in the *Guardian* newspaper.

“In addition, the International Finance Corporation (IFC) has approved a US \$10m Global Trade Supplier Finance programme to help factory owners pay for repairs. But the IFC demands loan guarantees by western brands and retailers, which no company has yet agreed to meet.”

Labowitz has also suggested that there remains a lack of understanding about the size of the “total universe of factories and facilities” producing for the export market in Bangladesh. In 2014, NYU Stern Centre for Business and Human Rights produced a report on the Bangladesh garment manufacturing sector. It said: “The two initiatives have established parallel, and in some cases overlapping, systems of factory monitoring and

COMPARATIVE STATEMENT ON EXPORT OF RMG AND TOTAL EXPORT OF BANGLADESH

Year	Export of Woven-wear (in million US\$)	Export of knitwear (in million US\$)	Export of RMG (in million US\$)	Export of Bangladesh (in million US\$)	% of RMG's to total exports	Number of garment factories	Employment in million workers
1992-93	1240.48	204.54	1445.02	2382.89	60.64	1537.00	0.80
1993-94	1291.65	264.14	1555.79	2533.90	61.40	1839.00	0.83
1994-95	1835.09	393.26	2228.35	3472.56	64.17	2182.00	1.20
1995-96	1948.81	598.32	2547.13	3882.42	65.61	2353.00	1.29
1996-97	2237.95	763.30	3001.25	4418.28	67.93	2503.00	1.30
1997-98	2844.43	937.51	3781.94	5161.20	73.28	2726.00	1.50
1998-99	2984.96	1035.02	4019.98	5312.86	75.67	2963.00	1.50
1999-00	3081.19	1268.22	4349.41	5752.20	75.61	3200.00	1.60
2000-01	3364.32	1495.51	4859.83	6467.30	75.14	3480.00	1.80
2001-02	3124.82	1458.93	4583.75	5986.09	76.57	3618.00	1.80
2002-03	3258.27	1653.82	4912.09	6548.44	75.01	3760.00	2.00
2003-04	3538.07	2148.02	5686.09	7602.99	74.79	3957.00	2.00
2004-05	3598.20	2819.47	6417.67	8654.52	74.15	4107.00	2.00
2005-06	4083.82	3816.98	7900.80	10526.16	75.06	4220.00	2.20
2006-07	4657.63	4553.60	9211.23	12177.86	75.64	4490.00	2.40
2007-08	5167.28	5532.52	10699.80	14110.80	75.83	4743.00	2.80
2008-09	5918.51	6429.26	12347.77	15565.19	79.33	4925.00	3.50
2009-10	6013.43	6483.29	12496.72	16204.65	77.12	5063.00	3.60
2010-11	8432.40	9482.06	17914.46	22924.38	78.15	5150.00	3.60
2011-12	9603.34	9486.35	19089.69	24287.66	78.60	5400.00	4.00
2012-13	11039.85	10475.88	21515.73	27018.26	79.63	5876.00	4.00
2013-14	12442.07	12049.81	24491.88	30186.62	81.13	4222.00	4.00

Data source Export Promotion Bureau. Compiled by BGMEA



Vietnam

Key Issues:

1. The world's fastest growing apparel manufacturing destination which saw a 19 per cent increase in garment exports in 2014
2. Taking over from China as the default 'go-to' market for apparel manufacture
3. Participation in Trans-Pacific Partnership Agreement (TPP) likely to see upsurge in potentially polluting dyeing and finishing process
4. Labour compliance improving but major issues still to be addressed
5. Brands now pressing government on wage levels

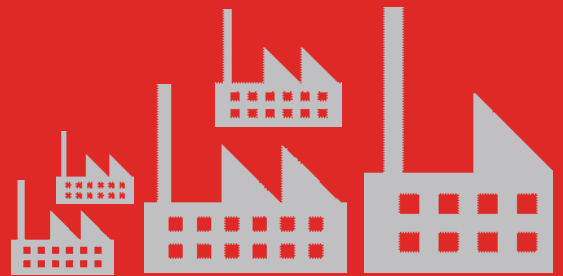
US \$24.5bn

Garment exports



3,000

Number of garment factories



Population: 93,421,835 (July 2014 est.)

Languages: Vietnamese (official), English, French, Chinese, and Khmer, mountain area languages

GDP: US \$171 billion (2013 est.)

GDP per capita: \$4,000 (2013 est.)

GDP growth: 5.6% (2014 est)

Brands sourcing from Vietnam: Zara, Mango, New Look, C&A, Mark & Spencer, adidas, Hugo Boss, JC Penney, Wal-Mart, Gap, Target, Colombia



APPAREL EXPORTS TO USA				
Country	Year ending 12/2013	Year ending 12/2014	Change (per cent)	Market share (per cent)
Bangladesh	4947	4834	-2.29	5.91
Cambodia	2555	2478	-3	3.03
China	29783	29793	0.04	36.43
Egypt	803	823	2.5	1.01
India	3211	3400	5.89	4.16
Indonesia	4975	4832	-2.86	5.91
Mauritius	191	223	16.67	0.27
Morocco	114	134	17.78	0.16
Myanmar (Burma)	1	16	701.66	0.02
Pakistan	1476	1459	-1.12	1.78
Philippines	1127	1103	-2.15	1.35
Sri Lanka	1649	1759	6.68	2.15
Thailand	1047	1018	-2.72	1.25
Turkey	384	408	6.32	0.5
Vietnam	8126	9268	14.06	11.33

Apparel shipments to US. Data in millions of US \$. Source: Office of Textiles and Apparel, USA

Minimum wage rates

WAGE RATES IN THE 15 SOURCING DESTINATIONS IN DESCENDING ORDER	
Morocco	Minimum wages in the private sector are Dh13.46 (US \$3.66) per hour. In the public sector, the monthly minimum wage is Dh3,000 (US \$816).
Turkey	Minimum wage is 441 euros per month. Some reports by industry NGOs suggest garment workers are paid as little as 300 euros a month.
China	The minimum wage in China varies from region to region. In 2014, Beijing, Shanghai and Tianjin all announced increases in minimum wages for employees in those cities. Shanghai raised its monthly minimum wage rate to 1,820 yuan (US \$294) - the highest rate in China. The rates in Beijing and Tianjin are in the higher to mid-range in China, standing at 1,560 yuan per month (US \$251) and 1,680 per month (US \$271) respectively. Several more regions increased their minimum wage in 2014, starting with Chongqing which raised its rate to 1,250 yuan per month (US \$201) on 1 January 2014.
Philippines	Minimum wages vary by sector. Our research suggests garment workers earn between US \$180 and \$240 per month.
Mauritius	Basic wages of factory workers in export-oriented enterprises range between US \$200 and US \$300 per month.
Indonesia	Minimum wages in Indonesia vary according to province, from 2,700,000 Indonesian Rupiah per month (US \$217) in Jakarta, to less than half that in less economically developed regions.
Egypt	For the public sector the minimum wage is US \$174 per month, but this does not apply to private sector employees, a major bone of contention to local unions.
Thailand	Minimum wage is 300 baht (US \$9) per day.
Cambodia	US\$ 128 per month.
Vietnam	The minimum wage in Vietnam is between US \$101 and US \$146 depending on the region.
Pakistan	The minimum wage is 10,000 Pakistani rupees (US \$98.5) per month.
India	India Minimum wages vary for different types of agricultural and non-agricultural work. In Tamil Nadu's garment sector, for instance, the monthly minimum wage for a tailor is supposed to be 5,600 Indian Rupees (US \$91) in big cities, Rs 5,500 in smaller municipalities and Rs 5,300 in towns and villages.
Sri Lanka	Sri Lanka's official minimum wage is 6,500 Sri Lankan rupees (US \$49) per month. Workers in the country's garment sector earn a minimum of around 10,000 Sri Lankan rupees (US \$75) per month.
Bangladesh	In 2013, Bangladesh raised the minimum wage for the country's garment workers by 77 per cent to 5,300 taka (US \$68) per month.
Myanmar	Various figures suggest US \$100 per month for a skilled worker is about the going rate in Myanmar. Some research suggests many workers are earning just US \$25-36 as their monthly basic salary. Unions in the country are calling for garment workers to be paid around US \$120 per month.