Fair Trade Garment Standards: Feasibility Study

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Cover photo, C. Opal.
## List of Acronyms

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<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AGOA</td>
<td>African Growth and Opportunities Act</td>
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<tr>
<td>ATO</td>
<td>Alternative Trade Organization</td>
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<tr>
<td>CAFTA</td>
<td>Central American Free Trade Agreement</td>
</tr>
<tr>
<td>CBA</td>
<td>Collective Bargaining Agreement</td>
</tr>
<tr>
<td>CMT</td>
<td>Cut-Make-Trim (the cutting and assembly stage of producing a garment)</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>DSP</td>
<td>Designated Supplier Program</td>
</tr>
<tr>
<td>FLO</td>
<td>Fair Trade Labeling Organizations International (umbrella group of Fair Trade certifiers)</td>
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<tr>
<td>FOA</td>
<td>Freedom of Association</td>
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<tr>
<td>FT</td>
<td>Fair Trade</td>
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<tr>
<td>IFAT</td>
<td>International Fair Trade Association</td>
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<tr>
<td>ILO</td>
<td>International Labor Organization</td>
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<tr>
<td>JO-IN</td>
<td>Joint Initiative on Corporate Accountability and Workers’ Rights</td>
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<tr>
<td>MFA</td>
<td>Multi-Fiber Arrangement</td>
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<tr>
<td>MSI</td>
<td>Multi-stakeholder Initiative</td>
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<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
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<tr>
<td>NGO</td>
<td>Non-governmental Organization</td>
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<tr>
<td>SAI</td>
<td>Social Accountability International</td>
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<tr>
<td>TFUSA</td>
<td>TransFair USA, the only third-party certifier of Fair Trade goods in the US</td>
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<tr>
<td>TPL</td>
<td>Tariff Preference Levels</td>
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<tr>
<td>WRC</td>
<td>Workers’ Rights Consortium</td>
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Fair Trade Definitions

Fair Trade Certified™
A product that is produced and traded under Fair Trade conditions as defined by FLO, and certified as such by FLO or one of its member National Initiatives.

Fair Trade Cotton
Cotton that is purchased for at least the Fair Trade minimum price from cooperatives and certified by FLO. FLO’s cotton standards can be found at www.fairtrade.net

FLO Standards Committee
Multi-stakeholder committee of Fair Trade producers, traders, certifiers, and external experts that oversee the standard-setting process at FLO.

FLO Textile Working Group
Committee of national Fair Trade labeling initiatives and FLO staff that shares information about market developments in Fair Trade cotton.

Global North
Those high-income countries that typically consume Fair Trade products (e.g. the US, Canada, Europe, Japan, and Australia).

Global South
FLO-eligible producer countries (i.e. “Third World” or “Least Developed”). A list of countries can be found in the appendix.

Joint Body
In the Fair Trade system, a committee whose sole purpose is to decide how social premiums accruing to workers in the Fair Trade estate or factory should be spent. The Joint Body is made up of democratically-elected worker representatives and representatives of management; workers hold the majority of votes.

National Initiative (NI)
National members of FLO International, for instance TransFair USA, the Fairtrade Foundation in the UK, and Max Havelaar in Switzerland and France. NIs are responsible for overseeing Fair Trade product labeling and certification in their own countries.

Social Premium
In the Fair Trade system, extra money paid by importers directly to Fair Trade farmers or workers, to be spent collectively on social development projects; usually 5-15% on top of the export price.
Section 1. Introduction

Over the past few years a number of brands, retailers, and consumer groups have approached TransFair USA about the potential of extending the Fair Trade certification system beyond its current products to the garment sector. As TransFair’s expertise lies primarily in agricultural products, TransFair commissioned a study to better understand the potential of applying Fair Trade standards to garment production.

The main objective for this project has been to learn from the many NGOs, unions, and companies that have been active in garment worker issues. With this stakeholder feedback, TransFair USA will determine whether or not Fair Trade can support the important activities in which these groups are already engaged.

In this effort, the Fair Trade Garment Research Project, the project team reached out to leading NGOs, unions, companies, student, and grassroots campaigning organizations that support better conditions in the garment industry to better understand these groups’ views and concerns as they relate to empowered workers and Fair Trade garments. This study and broad stakeholder consultation have allowed the project team to identify the key issues for inclusion in a Fair Trade garment standard as well as areas in which Fair Trade certification may add value to garment production supply chains.

Some of the key questions explored include the following:

1. In principle, what does it mean for a garment to be sweat-free\(^1\) or Fair Trade? What are the critical elements of this?
2. Can a Fair Trade standard strengthen the ongoing efforts to improve working conditions in garment supply chains? If so, how?
3. How far down the supply chain is it feasible to apply such standards (e.g. farm to cut-make-trim, or only farms and cut-make-trim)?
4. Should a single Fair Trade standard apply equally to cooperatives, small producers, and large cut & sew factories? What are the opportunities, challenges, and limitations to this?

The project was conducted in parallel to similar research and stakeholder consultations conducted by European Fair Trade organizations. TransFair USA’s ongoing coordination with these efforts will allow for feedback from a broad range of stakeholders from Europe, the USA, and southern-based partners to be integrated into the international Fair Trade standards-setting process. TransFair USA will submit a set of recommendations based upon the project findings to the Fairtrade Labelling Organizations International (FLO)’s Standards Unit and Textile Working Group.

This study is viewed as a first step. The stakeholder dialogues completed as part of this study raised a number of important questions and issues that require further investigation and are critical to determining the viability and feasibility of the introduction of a Fair Trade garment standard. To learn more about TransFair USA’s future efforts in this area, please contact Christopher Himes, chimes@transfairusa.org.

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\(^1\) Each stakeholder would likely define “sweat-free” in a different way. Broadly speaking, a “sweat-free” facility is one in which workers’ human rights are not violated (especially regarding wages, working hours, health and safety conditions, and sexual harassment) and is either worker-owned or its workers are members of a democratic union.
Section 2. Executive Summary

The development of a Fair Trade garment standard was a topic of great interest and debate among the participants in this study. The questions of how and if a Fair Trade garment standard can add value to the extensive work of a multitude of unions, companies, anti-sweatshop and other advocacy organizations were met with both interest and healthy skepticism. The many discussions the research study team had with 61 formally participating organizations in the US and in Southern cotton-farming and garment-producing countries (please see the Appendix for a list of participating organizations), as well as with dozens of other organizations, resulted in a response that was generally supportive, albeit cautious, about the potential benefits of a Fair Trade garment standard. The research also highlighted the complexities of garment supply chains, the industry’s structural problems that perpetuate poor working conditions, the challenges associated with securing potential Fair Trade cotton supply chains in different regions, and the need for a more sustainable approach to improving the lives of workers in this sector.

The key lessons learned regarding the feasibility, content, and potential implementation of a Fair Trade garment standard are as follows:

A Fair Trade garment standard would need to be rigorous
The following elements would be required of a Fair Trade garment standard:
- A worker-empowered standard that actively promotes worker voice and Freedom of Association would be necessary. The ideal form for this would be unions or co-ops, however other legitimate forms of worker representation may be considered as a base line requirement. The development of criteria for determining the legitimacy of alternative mechanisms, unions, and co-ops requires further exploration.
- Some sort of social premium would be desired, but the appropriate mechanism for its establishment and distribution would need to be determined.
- Workers should receive at least above-minimum wages as a base line requirement that progresses to a living wage over time.
- A FT garment standard would need to require favorable terms of trade from buyers to producers that include: long term relationships; investments in compliance; and technical assistance.

A standard would need to be dynamic to apply to different types of producers and environments
- A Fair Trade garment standard should be applicable to Northern and Southern mills and garment producers.
- A Fair Trade standard would need to apply to both direct suppliers and subcontractors. A progressive approach would be required, one that starts with direct suppliers and then extends Fair Trade requirements to subcontractors over time. The question about whether to apply a Fair Trade garment standard to home-based workers requires further investigation.
- Should the development of a Fair Trade garment standard go forward, special attention would need to be paid to ensure that small producers would not be excluded from the program because of higher compliance costs and stringency of the standards themselves.
A thorough yet progressive approach to implementation is desired
- A Fair Trade garment standard would need ultimately to be applied to the whole supply chain, but this may not be practical. At a minimum, the standard should be applied to the most labor intensive segments of the supply chain (farms and Cut-Make-Trim (CMT) facilities) first and then progressively applied to other parts of the supply chain over time.
- The application of Fair Trade garment standards to the CMT segment of the supply chain would be essential to a standard’s implementation. (Northern and Southern garment factories would likely be considered as part of process).
- Extending Fair Trade benefits at each step in the middle of the chain, for instance cotton ginning or yarn dyeing, may be too expensive and require a large amount of capacity building in ‘hidden’ sectors. It may be more effective to focus on the sectors of the supply chain with large labor inputs (farming and CMT factories).
- The Fair Trade value-add for the middle of supply chain is potentially low.

A sustainable auditing methodology that involves workers would be required
- A standard would require the development of a sustainable approach to monitoring that is both effective and efficient in identifying issues of non-compliance and involves independent NGOs, unions, and ideally workers.

A Fair Trade garment standard would require traceability of materials and labor inputs
- Traceability of Fair Trade cotton can likely be achieved, although exceptions might need to be made for small producers who do not have power over their suppliers to enforce this.
- It will be problematic to include US cotton in Fair Trade supply chains because of a weak mission fit with Fair Trade principles.
- Requiring Fair Trade Certified cotton seems feasible, although there are concerns around Mexican and Central American garment factories being able to source Fair Trade cotton cost-effectively.

A rigorous Fair Trade garment standard may limit Fair Trade garment product potential
- A rigorous standard could limit the types and volumes of Fair Trade garments that could be produced and perhaps bias the product mix towards higher premium, less fashionable, and lower volume products.

A transparent and accessible Fair Trade certification process would be necessary
- A transparent and open Fair Trade garment certification process that provides access to lists of Fair Trade facilities and audit results would be an important feature to build and maintain the credibility of a Fair Trade garment system.

Fair Trade and labor rights organizations’ involvement and engagement is important
- A potential lack of key US stakeholder support for TransFair USA’s entrance into the garment sector could undermine consumer support for the Fair Trade label.

While these lessons provide a clearer picture of what would be required of a Fair Trade garment standard, much more work needs to be done to determine the feasibility and viability of the application of a stringent Fair Trade garment standard. As such, the research team suggests that it would be useful for TransFair USA to undertake additional research to:

1. Assess further the implications of applying a stringent Fair Trade garment standard to different size and types of producers within potential Fair Trade garment supply chains;
2. Develop effective mechanisms for implementation; and
3. Determine the costs associated with their implementation.

A full list of recommended questions for further investigation related to each of these points is listed in Section 9.

Finally, the research team suggests that TransFair USA continue to engage and monitor the progress of influential worker empowerment sourcing initiatives such as the USAS Designated Supplier Program and the experiences of its European counterparts that are involved with Fair Trade cotton products. TransFair USA would be well served by maintaining its open-minded approach to research outcomes and an active engagement with key US stakeholder groups. This approach will be important to the success of any next steps it may take to explore further the development of a Fair Trade garment standard and system.
Section 3. Project Description and Methodology

TransFair USA, the certifier of Fair Trade products in the US, commissioned a five-month study to investigate the potential development of a Fair Trade standard for garments. The objective of the study was to draft a set of recommendations for a Fair Trade garment standard for submission to the Textile Working Group and FLO Standards Committee, based upon extensive US stakeholder input regarding the content and feasibility of a garment Fair Trade standard for US companies and NGOs, as well as the applicability of a Fair Trade standard to US cotton production.

Methodology

The project was largely a stakeholder engagement process that involved a series of interviews, surveys and site visits to supply chain partners (cotton farmers, spinners, weavers, dyeing facilities, and CMT units) and activists in Mali, India, Guatemala, Mexico, and the US. This work was supplemented by secondary research, described in further detail below.

Primary Research:
The team sought input from US & Southern NGO and corporate stakeholders on the following issues though a series of interviews, surveys and site visits to supply chain partners and activists. The purpose of this outreach was to capture concerns and critical issues, and to identify areas and degree of flexibility of US NGOs that are currently engaged in the issues of sweat-free garment production. Interviews and completed surveys gathered information on a range of issues including but not limited to the following (see the Appendix for lists of survey and interview questions used):

1. In principle, what does it mean for a garment to be sweat-free or Fair Trade?
   a. What are the critical elements to this?
   b. On which standards and issues is the organization willing to be flexible?
   c. How should a Fair Trade garment standard differ from the many current initiatives (corporate, NGO, and MSIs) regarding labor standards?

2. What are the implementation issues associated with such principles?
   a. How far down the supply chain is it feasible to apply such standards?
      i. What are the labor and environmental concerns for each segment of the supply chain?
   b. What would serve as credible evidence for determining the presence of key Fair Trade requirements such as Freedom of Association or social benefit?
   c. How should cotton fiber – both organic and non-organic – be treated?
      i. Is US cotton acceptable?
      ii. Can Fair Trade cotton be incorporated into US supply chains?

Creation of an Advisory Committee

An Advisory Committee of five leaders from the Fair Trade and labor rights movements, as well as an organic cotton garment company was formed at the beginning of the research project. Advisors were selected based upon their expertise, leadership within their communities, and direct engagement in the ongoing dialogue regarding Fair Trade and sweat-free or worker-voice garment procurement in the US. Advisors provided input on stakeholders for inclusion in our outreach,

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2 MSIs, “Multi-stakeholder initiatives” that address labor rights concerns in the garment industry, will be further defined and explored in Section 4.
issues of concern, research content, communications, and subsequent activities for consideration by TransFair USA following the completion of this initial research. Please see the Appendix for a list of Advisors.

**Stakeholder Outreach**

In order to answer the core questions listed above and others, the Project Team received input (through interviews, surveys, site visits, and group discussions) from over 60 organizations representing: labor rights organizations; Fair Trade organizations; unions; alternative trade organizations (ATOs); producers; academics; and small, medium and large brands and retail companies. In addition, informal input was gathered from dozens of additional stakeholders in the US, Europe and in the South via meetings, conversations, and participation in related events that included: the SweatFree Communities Conference in Minnesota; the Better Cotton Initiative’s European meeting held in Paris; and the Central American Garment and Textile Trade show in Guatemala. Finally, the research team maintained close coordination with European Fair Trade National Initiatives, stakeholders, and FLO throughout the study to identify key stakeholders in the South, share information, and coordinate outreach to key European stakeholders.

The findings summarized in this report are based upon formal interviews and surveys completed with these stakeholder groups that were selected based upon their active engagement on labor rights and Fair Trade issues and leadership within their communities. The following is an overview of the number and types of participants that formally contributed to this study (please see the Appendix for a list of participants):

I. Northern-Based Organizations (35)
   A. Labor rights organizations and unions (13)
   B. Fair Trade experts (7)
   C. Companies (13)

*Companies were invited to participate based upon the following criteria:*
- Size of company: ATOs, small, medium, and large US and European companies;
- Engagement in traceable cotton garment production (e.g. organic cotton); and
- Active level of engagement in labor rights related programs within their supply chains.

D. Other experts (2: one academic and one ethical sourcing multi-stakeholder initiative)

II. Southern-Based Organizations (26)
   A. Labor rights organizations and unions (14)
   B. Companies and producers (11)
      Southern-based companies included ATO producer partners as well as brand supply chain partners that represented small, medium, and large sized Southern-based companies from Central America, Mali, and India.
   C. Other experts (1)

Secondary Research:
In addition to the extensive stakeholder input received, the team conducted research into related issues that included the following:
1. Benchmarking of FLO factory production labor standards against NGO, corporate, and multi-stakeholder labor standards initiatives to identify gaps and divergences.
2. Consolidation of stakeholder concerns and viewpoints from the April 2005 International Labor Rights Fund conference on worker-voice or sweat-free production and subsequent debates, dialogues, and efforts.
3. Supply chain analysis to create an overview of typical organic and non-organic cotton garment supply chains of US companies involved in study. Analysis included environmental and labor concerns.
4. Trade and tariff concerns related to Fair Trade cotton and US cotton fiber and textiles.
5. Existing organic cotton certification systems and possible overlap with Fair Trade and labor rights activities and interests at different segments of garment supply chains.

Findings from the primary and secondary research have been integrated and summarized in this report.
Section 4. Situation Analysis

The Fair Trade labeling system has typically concentrated its efforts on ensuring fair returns to commodity farmers, and most Fair Trade-labeled commodities are currently exported as raw materials and then further processed in countries in the global North (for example, coffee roasting or chocolate manufacturing). But in the case of the cotton garment industry, the cotton passes through a long and complex supply chain with a large amount of processing in developing countries before reaching the Fair Trade consumer in the US or Europe. A detailed investigation of the labor concerns at each point along the chain was therefore needed to determine how Fair Trade might improve conditions at each step.

Furthermore, the Fair Trade labeling movement is a relative latecomer to the garment industry. Dozens of labor rights groups have been active for more than 15 years in educating consumers and the media about poor working conditions in garment factories, and encouraging consumers to put pressure on companies and governments to protect garment worker rights. As a Fair Trade standard for garments should build on the experience gained by these labor rights organizations, it was necessary to understand what these groups have already been able to achieve in terms of integrating labor and environmental standards into the garment supply chain.

This section will detail the steps in the garment supply chain and summarize the labor and environmental concerns at each stage. It will then examine how labor rights groups and companies have tried to improve conditions along the chain, and present some conclusions as to what the Fair Trade labeling system might contribute to the sector.

A. The Global Cotton Garment Industry: Structure and Characteristics

To protect cotton growers and textile manufacturing jobs, the global garment industry is highly regulated by tariffs, quotas, subsidies, and preferences that make garment production subject more to political whim than to market forces. The US cotton-farming industry, for instance, is highly distorted: just 25,000 cotton farmers received $3.9 billion in subsidies in 2002, resulting in a world cotton price depressed by roughly 25%, lowering the income of more than 10 million poor cotton farmers in West Africa and Asia. The garment production side is no less distorted: from 1974 to 2004, the global garment manufacturing sector was governed by the Multi-Fiber Arrangement (MFA), which regulated the amount of textiles and garments for export that could be made in any one country. As a result, garment-finishing sectors developed in such unlikely places as Lesotho and Madagascar, far from key markets in Europe and the US and with relatively higher wage costs than mainland Asia.

While the efforts of US cotton farmers to protect their industry have been largely successful (the US still grows 21% of the world's cotton), garment production has largely left high-wage countries. Over the past 40 years, apparel production has gradually moved from industrialized countries in Europe and North America, to richer countries in Asia (Hong Kong, Macau, Singapore, South Korea, Taiwan), and finally to such extremely low-wage countries as China, Indonesia, and Bangladesh. The richer Asian nations' share of world textile exports fell from 24% in 1992 to 12% in 2002, while China's share rose from 21% to 25% over the same period. In the wake of the MFA
in 2005, even more production is expected to move to China, making even cheaper clothes available – analysts predict drops of 5-10% in clothing prices in Europe and the US from 2006-2010.

The availability of cheap clothing spurred by the importance of low-wage countries in garment production, as well as the growth of discount retailers, have allowed consumers in the north to buy and replace clothes more often. Product life cycles have decreased correspondingly, with some products staying on the shelves for as little as six weeks. Modern apparel brands must be flexible, and as such no longer own production facilities, but rather outsource garment manufacturing to independent factories. The modern relationship between brands and factories is therefore characterized by:

- A fast time to market;
- Few vertically-integrated relationships (i.e. between brands and their suppliers’ suppliers);
- Downward price pressure as brands strive to meet the needs of discount retailers; and
- Short-term relationships as brands move sourcing around to find lower prices.

The low prices and high-pressure production environments that characterize garment manufacturing have important impacts on labor and environmental conditions throughout the garment supply chain, which are outlined in the following section.

1. Labor and Environmental Concerns in the Cotton Garment Supply Chain

The global cotton garment supply chain has relied on labor exploitation throughout modern history, from slave labor used to harvest cotton in the first century of the United States’ existence, to child labor used in English textile mills during the Industrial Revolution. While conditions for global garment workers have drastically improved since these times, working conditions at each step are far from ideal. The graphic below summarizes the main stages of production in the cotton garment supply chain and the environmental and social concerns that a Fair Trade system might address at each step.
## Fair Trade Garment Standard: Feasibility Study

### Step Description and Production Characteristics

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<tr>
<th>Step</th>
<th>Main labor and environmental concerns</th>
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| **Farming** | **Industrial farms:** On industrial farms, the labor input is relatively low, so the main concern is environmental impact. Intensive cotton agriculture requires intensive pesticide and water use. Pesticides can poison farm workers and water supplies.  
**Small-scale farms:** On small-scale farms, labor abuses are of more concern. Cotton farmers in developing countries often receive low prices and thus remain poor. Child labor is common in some regions, especially during the harvest. Intensive pesticide use is also common in many regions, with negative impacts on workers’ health and the environment. |
| Growing cotton. *This step can be industrialized (mechanized planting and harvest, irrigated, widespread use of GMOs) or small-scale (rain-fed, hand-harvested)* | |
| **Ginning** | Ginning is capital-intensive, but seasonal labor is used during harvest months. Gin workers are exposed to cotton dust and dangerous machinery. In many regions this is a largely unregulated industry, and remains hidden to many parties further down the chain. As such, scant attention has been paid by labor rights organizations or garment brands to working conditions in gins. |
| Removal of the cotton seed. *Usually takes place close to the farm, to reduce cotton transport costs.* | |
| **Spinning** | **Industrialized:** In industrialized spinning mills, typical developing-country factory health and safety conditions are of concern. Some regions (e.g. India) have unions active in this sector, but others remain largely untouched by labor rights activity.  
**Hand-spinning:** Most hand-spinning is done at home, which can provide an important source of income to people unable to leave the home, for instance women taking care of their children. But it can also be a source of self-exploitation regarding working hours and child labor. Wages are likely to be low. |
| Spinning of cotton into yarn. *Spinning for export products is mostly industrial, but some hand-spinning does occur (mostly in India).* | |

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3 “GMO” refers to genetically modified organisms, in which biotechnology is used to enhance seeds, for instance to make plants more productive, pesticide-resistant, or require less water. Their use is controversial because they can make farmers reliant on patented inputs from biotechnology companies and because as new technological inventions their long-term environmental impact, for instance regarding pesticide resistance and cross-fertilization with other plants, is as yet unknown.
<table>
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<tr>
<th>Process</th>
<th>Description</th>
<th>Details</th>
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| Weaving/Knitting| Making fabric from yarn. *Weaving and knitting for export products is mostly industrial, but hand-knitting and handloom production can be viable for export.* | **Industrialized:** Conditions in textile mills vary, from state-of-the-art facilities with excellent safety and ventilation, to factories that are over a hundred years old and do not have modern safety protections.  
**Hand-weaving and Knitting:** For hand-weaving and knitting, low wages and homework concerns (health and safety, working hours, child labor) are relevant. |
| Dyeing          | Dyeing of fabric (or yarn). *Mostly industrial, but some hand-dyeing for artisan products.*     | Concerns at this stage are mostly environmental, related to toxic chemicals and waste water dumping. Poor working conditions and unfavorable terms of employment are also concerns. |
| CMT/Finishing   | ‘Cut-Make-Trim’: cutting fabric, sewing into garments, and finishing. *Finishing* can include embellishments, washing, and packing. *Largely labor-intensive.* | CMT is the step most closely associated with garment ‘sweatshops’. Because this step is highly labor-intensive, factories compete on price by keeping wages low. Importers often require quick time-to-market, leading to long working hours and extensive subcontracting during peak production periods. This sector has trended towards employing mostly young women ages 16-25. Young garment workers often migrate to cities from rural areas and have not worked in factories before, thus they are unaware of their labor rights and unlikely to speak up to defend their rights even if they are aware of them, and as a result are easily exploited. |

As the above graphic shows, there are several discrete steps in garment production, each with its own unique labor and environmental concerns. Moreover, each step can take place in widely varying contexts: cotton can be grown in Burkina Faso, spun into yarn in Morocco, woven into fabric in France, sewn into a garment in China, and then sold to consumers in the US. Depending on whether the cotton was produced via an industrial (US) or small-scale (Indian) method; spun, woven, and dyed by hand or machine; and cut and sewn in the global North or South, the conditions and concerns are different for each step in the supply chain. Similarly, the number of labor hours input per stage varies according to the production method, as outlined in the following charts.  

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4 *Sweatshop* is a term used to denote factories in which employees’ human rights are violated through excessive working hours, low pay, and/or inhumane working conditions.  
5 Relative labor output measured in labor hours. Figures are based on Gent, C. and Braithwaite, P. (2005).
Relative labor input into making a cotton shirt for the mainstream market (small-scale cotton farming)

- Spinning
- Farming
- CMT
- Ginning (negligible)
- Weaving/Dyeing (negligible)

Relative labor input into making a cotton shirt for the alternative trade market (small-scale cotton farming, hand weaving)

- Spinning
- Farming
- Weaving
- CMT
- Ginning (negligible)
- Dyeing (negligible)

Relative labor input into making a cotton shirt for the mainstream market (industrial cotton farming)

- Spinning
- Farming/Ginning
- Weaving/Dyeing
- CMT
As shown in the diagrams above, the amount of labor input beyond cotton farming is significant for all garment supply chains. Concentrating only on the farming component (the typical focus of Fair Trade labeling) would miss out on an opportunity for Fair Trade to improve the lives of workers at points in the supply chain beyond the farm. However, dozens of other initiatives already exist to address poor working conditions at these steps, especially at the CMT level. Before determining if and how Fair Trade might add to the existing efforts, it is important to examine what companies and labor rights organizations have already achieved in these sectors.

B. Use and Prevalence of Labor and Environmental Standards in Cotton Garment Supply Chains

The poor working conditions faced by garment workers have been well documented, beginning with the first ‘sweatshop’ scandals exposed by labor rights campaigns in the 1990s. Upon first exposure to accusations of poor working conditions in the factories producing clothing with their labels, global garment brands largely denied responsibility, claiming that as they did not own the factories, they were not responsible for the conditions therein. Labor rights activists continued their efforts, however, and garment brands slowly began to integrate labor standards into their sourcing requirements. This section outlines the myriad ways in which brands have approached the challenge of ensuring that their products are not associated with the worst sorts of sweatshops.

1. Labor Standards at the CMT Level
Most brands have focused their labor standards monitoring at the CMT level, for several reasons:
- Anti-sweatshop activism has largely focused on workers in CMT facilities
- The brands buy directly from CMT facilities and feel they have more control over these suppliers than over prior steps (their suppliers’ suppliers). Similarly, many Alternative Trade Organizations (ATOs) have incorporated benefits to producers at this point. For instance, some ATOs work with cooperatives of artisanal garment stitchers from whom they buy directly and to whom they aim to give higher returns.
- Often CMT is the stage at which the brand label is applied, so brands can cover any risk of having their brand associated with a particular sweatshop if they monitor the places their labels are applied.

Most large brands have incorporated labor rights standards at the CMT level by introducing corporate “codes of conduct” by which supplier CMT factories must abide. Individual company codes of conduct typically include requirements that the supplier follow international labor standards, usually including but not limited to the following ILO conventions (also called the “Fundamental ILO Conventions”):

*Freedom of Association*
087 Freedom of Association and Protection of the Right to Organize 1948
098 Right to Organize and Collective Bargaining 1949

*The Abolition of Forced Labor*
029 Forced Labor 1930
105 Abolition of Forced Labor 1957

*Equality*
100 Equal Remuneration 1951
111 Discrimination (Employment and Occupation) 1958
Once a brand has a code of conduct, its supplier facilities must prove that they comply with the requirements of the code. This can be done by a brand’s internal compliance team and often by outside third-party monitoring agencies as well. The result is factories that sell to several brands can be inspected 10-12 times per year by different monitors, against basically the same requirements each time.

As CMT facilities have complained about ‘audit fatigue’, some companies have standardized their codes, working with their competitors to develop industry-wide codes based on factory inspections, for instance the Worldwide Responsible Apparel Production (WRAP) initiative. These broader industry efforts could also be seen as a way for brands that purchase only a small amount of a particular factory’s production to pool their buying power and be able to put more pressure on CMT facilities to improve conditions. However, many companies are reluctant to abandon their individual company codes and participate solely in the industry-wide initiatives for fear that in defining the common denominator among companies’ codes, the eventual standard might be too ‘watered down’. Most CMT facilities continue to be inspected by a combination of third-party monitors, company compliance officers, and NGO monitors.6

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6 It is important to note that only a very small percentage of CMT facilities worldwide, and usually export-producing facilities only, are subject to any of these monitoring and inspection efforts. The conditions in facilities that produce for domestic markets in the global South generally have much worse working conditions than export facilities, and are largely outside of CSR and code compliance efforts.
Many brands and NGOs consulted as part of this study felt that implementing CMT codes of conduct had resulted in a few significant achievements, namely:

- improving basic health and safety conditions (for instance lighting, fire escapes, and first aid kits);
- awareness-raising among factory management (but not necessarily workers) of labor and environmental concerns;
- creating a space for brands and CMT facilities to talk about these issues, and a space for brands to recommend non-controversial improvements that they had seen in other facilities; and
- creating Human Resource management systems and procedures such as grievance boxes, workers’ committees, and wage and working hour documentation (although these may be subject to fraud and control by management).

These achievements obviously center around relatively cheap, quick fixes, and most parties agreed that the issues of wages, working hours, and ensuring Freedom of Association presented much more serious challenges. Furthermore, many groups have strong criticisms of how codes are developed and monitored. Many of these concerns became clear during the stakeholder outreach conducted as part of this project, and will be described in detail in further sections. It is worth introducing these concerns here, however, as they have dictated how the approach to improving conditions in CMT facilities has evolved.

2. Critique of Codes and Monitoring at the CMT Level

Leading labor rights organizations now have years of experience with how codes are monitored and cases of factory non-compliance handled, and several harsh critiques have emerged. The Clean Clothes Campaign (CCC)’s 2005 report, *Looking for a Quick Fix: How Weak Social Auditing is Keeping Workers in Sweatshops*, is a summary of the problems with the monitoring of social codes and standards. Many of the respondents in this study agreed with the CCC’s findings, the most relevant of which are outlined below.

a. Codes Written Without Worker Input Are Not Valid

The fact that most codes of conduct are company-driven can result in what Rixen (2005) calls “privatisation of norms and the control of their application.” A code cannot be a tool for social development if its main intended beneficiaries (workers) are not involved in its development or monitoring. A lack of formal participation by workers, small farmers, or environmental groups in designing and monitoring most codes means that it is ultimately still companies that dictate their own practices.

b. Audits of Factory Compliance With Codes Are Often of Poor Quality

Most company audits are quick (typically one-half to two days) and external audits are often pre-arranged with factory management well in advance of the auditor’s visit. Reports cite the existence of consultants and training courses to help factory managers have a successful outcome to social compliance audits. It is increasingly commonplace to find factory management coaching workers to give “appropriate” answers during interviews and keeping double books of working hours and wages. Even under the best of circumstances, these types of audits offer brands and retailers a “snapshot” of the working conditions in a facility and frequently do not provide an accurate indication of the daily working conditions in the factory.
c. Improvement in Conditions Cannot Happen Without Buy-In From All Parties Involved

If the development and enforcement of the code comes from the brand, the likelihood that factory management will be bought in is low. As one labor rights group told the research team:

“You need to measure if the factory really has a culture of compliance. A facility can have a nice clean bathroom, but you need to ask the workers if they’re really allowed to use it. One large brand with a code of conduct stopped buying from a factory, and the owners immediately took away the access to water and stopped letting workers take breaks. That factory did not have a legitimate implementation of the brand’s code.”

Similarly, codes seldom address the structural issues of the garment industry that drive poor working conditions and harm workers, such as ever-lower prices and the short lead times that brands give CMT facilities. There also remains the question of how much value brands really place in the process, as factories can get conflicting messages from the same company: a compliance officer requires higher wages and investments in worker amenities, while a buyer from the same company asks for lower prices each year.

There is thus a wide level of dissatisfaction among labor rights organizations regarding the quality, monitoring, and implementation of company codes of conduct in the garment industry. Brands are also unhappy with what they see as the unsustainable, snap-shot nature of current auditing and monitoring efforts citing concerns related to the volume and costs of audits required for their CMT suppliers alone, lack of supplier buy-in, and their relatively weak power vis-à-vis large factories from whom they may source only a small amount of production. Brands, factories, and NGOs are therefore increasingly interested in collaboration to find more sustainable and effective systems for improving working conditions. Many have come together in collaborative efforts known as “multi-stakeholder initiatives,” described in the following section.

3. Beyond Codes: Multi-Stakeholder Initiatives

In an attempt to involve workers and labor rights organizations in the development and monitoring of codes, several ‘multi-stakeholder initiatives’ (MSIs) have emerged to focus on the problems in the garment industry. Mostly focused on addressing labor rights and environmental concerns at CMT facilities, MSIs usually have union, brand, and NGO representation on their boards of directors, and involve local NGOs and unions in factory inspections, worker rights training, and improving conditions in facilities.

MSIs function in different ways. The Fair Wear Foundation (FWF), the Ethical Trading Initiative (ETI), the Fair Labor Association (FLA), and the Workers Rights’ Consortium (WRC) are all respected MSIs that accept member companies (or, in the case of the WRC, universities) but do not make claims about individual members or products. These MSIs require their members to adopt a base code of conduct and monitor compliance using best practice techniques as defined by each MSI. Each initiative then helps its members improve on compliance either via undertaking pilot projects (e.g. the ETI) or spot audits (e.g. the FLA).

Most MSIs focus on the CMT level, although some have experience in other parts of the garment supply chain. Social Accountability International (SAI) is another important MSI that focuses on factory (rather than brand-level) participation, and actually certifies facilities against its base code (SA8000). As such, it can inspect any type of factory, including gins and textile mills. While each
initiative addresses the supply chain in different ways, there have been attempts to converge their standards, codes, and monitoring practices, for instance through the Joint Initiative on Corporate Accountability and Workers’ Rights (Jo-In) formed by leading MSIs.

MSIs represent the highest evolution of efforts to improve conditions for garment factory workers, as they require companies, unions, NGOs, and factory managers to cooperate to address worker exploitation and create long-term change. However, most MSI activity is still concentrated at the CMT level, and will likely continue to be concentrated there in the near future, as there is still much work to be done in CMT facilities. The next two sections outline other, much more limited, efforts to improve conditions earlier in the supply chain.

a. **Labor Standards at Ginning, Spinning, Weaving/Knitting, and Dyeing Facilities**

Some Alternative Trade organizations and brands have focused on the intermediate steps between farming and CMT, for instance hand knitting, dyeing, and/or weaving, as important parts of artisan production. In these cases, the improvement of labor conditions (especially pay) at these intermediate stages is an integral part of sourcing for some ATOs. For large mainstream brands, a few have extended their labor monitoring to the steps before CMT, but usually this is limited to vertically-integrated supply chains where spinning, knitting, dyeing, etc. happen on the same premises as CMT. The TransFair study found that challenges to incorporating labor standards at textile mills are numerous:

- Very few brands even know from which mills their CMT suppliers source;
- Some brands feel that the CMT facilities know best where to source regarding quality, and prefer to “suggest” suppliers to CMT rather than require them to source from a particular mill that might have better working conditions; and
- Textile mills produce millions of yards of fabric per week, and even a large company might buy only a small percentage of a particular mill’s production. Thus even if brands could identify the mills they source from, individual buying power of brands to put pressure on a particular mill is assumed to be weak. Some small brands especially have trouble even sourcing organic or Fair Trade cotton from mills for their CMT facilities, much less putting pressure on mills regarding labor standards.

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7 One MSI program in particular, United Students Against Sweatshops’ Designated Supplier Program, monitored by the Workers’ Rights Consortium, emerged as a best-practice model and is discussed further in the Section 6.
In general, although there are some efforts to apply labor standards at steps earlier than CMT, most companies we spoke with felt that concentrating on conditions in CMT facilities was still the primary concern. As one medium-large brand told the research team: “We’re not really planning to extend our standards beyond CMT because there’s so much work still to be done at the CMT level.” A smaller brand concurred: “It’s very difficult to get CMT certified – the rest of the supply chain is just aspirational.”

b. Improving Conditions at the Beginning of the Chain: Farming
Very few brands have looked into where the cotton in their garments comes from. While there does seem to be a small trend towards tracing cotton all the way back to the farm, many brands (large and small) see this as too complex to address. Some brands have chosen to support their own farmer-specific development projects (for instance, Ikea sponsored a project to reduce water consumption among cotton farmers in Pakistan, even though they may not necessarily even buy any of those farmers’ cotton) or such industry-wide initiatives as the World Wildlife Fund’s Better Cotton Initiative, which is attempting to reduce the environmental impact of cotton farming worldwide.

The one large exception to the ‘faceless’ cotton currently used in many supply chains is organic certified cotton. Organic certification focuses on the inputs used on the cotton farm, and prevents the use of artificial fertilizers, pesticides, insecticides, and other chemicals in cotton farming. Labeling a product as ‘made with organic cotton’ also requires that the cotton be traced all the way through from farm to finished garment. This requires organic certification agencies to visit gins and textile mills to ensure that the fiber is traceable and that no banned substances are added to the cotton, yarn, or fabric. Some organic certifiers, notably SKAL/Control Union and the Institute for Market Ecology (IMO), include some minimal labor standards against which they inspect these players in the middle of the chain (through to textile production).

![Photo](https://example.com/photo.jpg)

Yusuf Bamba from the MOBIOM cotton cooperative in Mali explains organic cotton production.
Photo courtesy of Heather Franzese.
4. A Tangled Web of Approaches
The diagram below summarizes the variety of approaches taken by brands, factories, NGOs, and labor rights organizations to monitor labor and environmental conditions in the garment supply chain. Mapping out the various initiatives and what they have been able to achieve is very important for TransFair and FLO to understand if and how they might add value to the efforts of the anti-sweatshop movement.

Diagram: Approaches to Integrating Labor and Environmental Standards in Cotton Garment Supply Chains

- **Green** signifies focus of standard or code
- **Yellow** signifies additional minimum labor and/or environmental standard
- **Striped** signifies some application of standards (e.g., some certification schemes address this step)
- **White** signifies little to no labor or environmental standards applied
- **Solid line** indicates focus of traceability efforts
- **Dotted line** indicates some efforts towards traceability (e.g., some initiatives trace back to this point)
C. Potential for Fair Trade Certification to Add Value to Current Efforts

Given the myriad initiatives already attempting to improve working conditions in garment factories, what (if anything) could a Fair Trade certification system add? There seem to be four main areas in which a Fair Trade approach could build upon current initiatives and support best practice throughout the chain:

- Linking together initiatives currently happening in isolation in different parts of the supply chain;
- Requiring worker empowerment;
- Supporting community development through the provision of a “social premium”; and
- Providing a label that allows consumers in various stages of awareness to identify and choose certain goods that represent a better deal for producers. This could translate into a larger market demand, bringing more money into the system for improving working conditions and monitoring.

1. Linking Best Practice from Farm to Garment

Because Fair Trade is a product-focused (rather than brand or company-focused) initiative, it can be more targeted and specific in its approach. Requiring Fair Trade cotton to be traced throughout the chain will allow efforts to improve conditions for cotton farmers to be connected to best practices in gins, spinning facilities, textile mills, and CMT units. Fair Trade could be the first multi-stakeholder initiative to create such an over-arching approach to incorporating labor standards in the garment supply chain and could shed a spotlight on the currently under-served ‘middle of the chain’ (from ginning through to textile mills).

2. Requiring Worker Empowerment

Most codes and initiatives attempt to guarantee minimum basic labor standards including the freedom of workers to join and form unions, but very few initiatives require workers to get organized and take steps towards forming unions. Fair Trade certification of farms with significant hired labor currently requires workers who are not already members of a union to immediately form a Workers’ Committee, start to negotiate a Collective Bargaining Agreement, and meet with local unions (or international unions if there is no functioning local union). Translating that requirement to a factory context could introduce the concept of independent unions into what is in many regions a union-unfriendly sector.

3. Social Premium and Community Development

Fair Trade standards require buyers to pay a “social premium” above the cost of goods, which producers pool together to invest in social projects that benefit the entire community. In the Fair Trade hired labor context, the social premium is controlled by a “Joint Body” committee made up of workers and management, but with the majority of the votes controlled by workers. This is an innovative system that is not widely used in the garment industry, and could be a way to support worker empowerment activities.
4. Potential market demand
With the global market for Fair Trade Certified products growing at over 40% per year and the US market at over 60%, the potential for current loyal customers of Fair Trade-labeled products to support a Fair Trade garment label seems strong. The recent launch of products made with Fair Trade Certified cotton in Europe would indicate that retailers and consumers are supportive of the concept, as such large brands as Marks & Spencer (UK) and La Redoute (France) have launched labeled Fair Trade cotton products. Because Fair Trade consumers are often not averse to spending more on Fair Trade labeled products, labeling garments with a Fair Trade label could introduce more money into the system to be used for worker empowerment, progress towards a living wage, and strengthening standards monitoring on the ground.

D. FLO’s Phased Approach to Improving Labor Conditions in the Garment Supply Chain

While there do seem to be some areas in which Fair Trade labeling could potentially support the efforts of anti-sweatshop and labor rights groups active in the garment supply chain, how exactly to proceed is extremely unclear. TransFair USA was reluctant to move forward in garments without first speaking to the many producers and key US labor rights groups in what is a new industry for the organization, leading to the organization’s support for this research project. In Europe, many Fair Trade stakeholders were interested in bringing Fair Trade benefits to the world’s cotton farmers as soon as possible, and thus the European Fair Trade Labeling Organizations approached garment labeling in two phases.

Phase One, launched in Switzerland, the UK, France, and Belgium beginning in 2004, constitutes “Products Made with Fair Trade Certified Cotton”, wherein the cotton farmers received Fair Trade prices and benefits according to the typical Fair Trade Certified commodity model (similar to coffee and cocoa) but the workers in other parts of the chain (after the cotton-growing) did not necessarily receive extra Fair Trade benefits, although facilities are required to show efforts towards complying with fundamental ILO standards. To reduce consumer confusion, the FLO label was modified to include the phrase “Made With Fair Trade Certified Cotton” to be clear that FLO is making Fair Trade guarantees only about how the cotton was produced and traded, and not about the rest of the chain. The diagram below outlines the approach taken by FLO in Phase 1.

FLO’s Approach to Garment Labeling: Phase 1

Green signifies focus of standard
Yellow signifies additional minimum labor and/or environmental standard

- Farm
- Gin
- Spin
- Weave/Knit
- Dye
- CMT/Finish

Product traceability

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8 Growth statistics are over the last five years.
Phase Two, due to start in the late summer of 2006, aims to assess whether and how Fair Trade benefits such as social premiums and worker empowerment can be extended to other parts of the chain, especially the labor-intensive cut-and-sew stages. A complete description of FLO’s phased approach to garment labeling can be found in the Appendix.

E. Conclusions

This section has given an outline of the global garment industry and the main labor and environmental concerns at each step in the supply chain. It has also examined the extent to which steps have been taken to improve these conditions, and how a Fair Trade system might contribute to these efforts. It would appear that the Fair Trade labeling system might add value by linking together the best practices throughout the supply chain and extending Fair Trade benefits along each step, as well as providing a consumer market for labeled Fair Trade garments. But do those currently active in the garment worker rights movement agree with this assessment? And if so, what can the Fair Trade labeling system learn from these groups as it considers developing a garment standard? To answer these questions, the authors conducted over 60 in-depth interviews with various stakeholders, including unions, labor rights groups, producers and brands in the global North and South. The findings are outlined in the following section.
Section 5. Summary of Stakeholder Support and Concerns

The possible development of a Fair Trade garment standard was generally well received by stakeholders in the North and South representing different types of organizations. In general, Southern-based stakeholders (26 organizations) representing unions, labor rights, and producer organizations were supportive of the development of Fair Trade standards. The majority of Northern-based (35 groups) representing union, labor rights, Fair Trade, companies, and other organizations were supportive. However, a subset of respondents consisting of Fair Trade experts and union and labor rights organizations was quite skeptical and unsupportive of the development of a Fair Trade standard for garments. Their concerns are discussed in detail below.

A. Support for a Fair Trade Garment Standard

Overall, the labor rights community provided qualified support for the development of Fair Trade standards for garment products. About two thirds of the participants expressed support for Fair Trade garment standards and felt that they could add value to the work of labor rights and anti-sweatshop communities by presenting an opportunity to complement the bulk of current anti-sweatshop activities, by bringing money into system to support factory improvements, and by building consumer confidence in (and a market for) sweat-free and Fair Trade apparel.

1. Opportunity to Complement Current Efforts
Supporters offered that to add value to current anti-sweatshop efforts and be a more meaningful or stringent standard, a new Fair Trade garment standard would need to overcome the limitation of current codes and monitoring models. As one small brand expressed, “codes aren’t transforming the workplace fast enough. Developing real Fair Trade standards that have teeth to them is key.”

2. Fair Trade Can Introduce Money into the System to Support Factory Improvements
Supporters identified the potential for a Fair Trade approach to introduce more money into the garment supply chain to support compliance-related efforts. Several respondents acknowledged the need to resolve a difference in opinions between companies and activists regarding who should bear the costs of compliance. Companies largely support a model whereby suppliers bear costs associated with improving working conditions in their facilities. Activists, on the other hand, state that brands and retailers need to take more responsibility for sharing the costs associated with improving factory conditions and wage rates. The Fair Trade movement’s history of introducing more money into the sourcing model (by asking consumers, not suppliers or brands, to bear additional compliance costs), is therefore appealing to both camps.

3. Labeling and Certification
Some supporters welcomed the introduction of a Fair Trade certification and labeling scheme and cited the following benefits for producers of Fair Trade products and consumers:
- Fair Trade certification could allow Fair Trade certified garment producers a marketing edge by enabling them to offer ‘premium’ products and services to their customers;
- Fair Trade is seen as unique in its ability to engage consumers and create consumer confidence in a Fair Trade label. Supporters of certification saw potential to build confidence amongst consumers who would no longer need to take a company’s word
regarding the state of working conditions in their supply chain. This would also enable firms to communicate more credibly the standards that are met in the various links of their supply chain. As one labor rights organization stated, “if there were a label that we had confidence in, that would help.” And another noted: “…there’s a lot of interest in certification, especially from consumers. Consumers like labels and certification.”

B. General Stakeholder Concerns

As stated above, stakeholders were cautiously supportive, but had a number of concerns regarding the challenges associated with the introduction of a Fair Trade garment label. Concerns stemmed from their general dissatisfaction with the effectiveness of existing standards and initiatives as well as their support for small producers, the traditional beneficiaries and participants in Fair Trade programs.

1. Code Fatigue/Ineffectiveness of Current Initiatives

Nearly all stakeholders expressed concern about the current proliferation of codes of conduct and standards, as well as their general ineffectiveness in building lasting and material improvements in factory working conditions. A seemingly endless string of audits of producer facilities conducted by internal and external (3rd party) monitoring groups has been deemed largely ineffective in identifying fundamental non-compliance issues of wages and working hours, Freedom of Association, and sexual harassment violations, as well as discriminatory practices. Stakeholders are generally more supportive of independent (NGO) monitoring, which they see as a more effective model for identifying issues of non-compliance, although this type of monitoring has generally taken place on a much more limited and case-by-case basis due to capacity limitations of NGO partners and costs associated with this more extensive auditing model.

This situation has created frustration and a lack of confidence in current labor standards practices and initiatives. Hence, respondents were concerned that the addition of another standard, even a Fair Trade garment standard, runs the risk of also being ineffective unless it is significantly different from existing models. An effective Fair Trade standard would also need to incorporate in terms of content and implementation the tenets of what the anti-sweatshop community has recently defined
as “sweat-free” production (meaning that a production facility must either have a democratic union or is a worker-owned cooperative) or the broader “worker voice” production criterion whereby “workers have a collective voice in the determination of their wages, benefits, and working conditions- in other words, real power in their workplaces, and a democratic process for determining how to use that power.”

(Please see the following sections for more discussion on this point.)

2. Potential Disadvantages for Small Producers

Concern for the plight of small producers was shared by members of all groups interviewed. Respondents were generally concerned about the potential negative impact a stringent Fair Trade standard and certification program could have on small producers. Their low production volume and weak bargaining position with supply chain partners make it less likely that they could meet strict standards intended for large factories, afford certification and monitoring costs, or be able to affect change within their supply chains.

C. Concerns of the Most Skeptical Northern Groups

In addition to the general concerns discussed above, one third of Northern-based respondents were highly skeptical of the benefits that a Fair Trade garment standard could provide. They offered a range of concerns that included: the complexity of garment supply chains; skepticism regarding the possibility of unique value-add for Fair Trade; “fair washing”; and the potential that a Fair Trade garment standard could detract from or harm current anti-sweatshop activities and progress. Each of these issues is discussed below.

1. Complexity of Supply Chain

Fair Trade experts, unions, companies, and labor rights groups uniformly emphasized the complexity of the garment industry. Respondents were skeptical about the feasibility and viability of tackling the many actors within garment supply chains, especially in light of the extensive work and efforts by anti-sweatshop groups over the past ten years with CMT facilities and the limited success of these efforts in spurring broader, industry-wide change. Concerns included:

- “Given the complexity within the garment industry, especially with subcontracting – is certification possible given? Can you know at any time, 100% of the time, that a garment is 100% sweat-free, or is it a smokescreen?” (labor rights organization); and
- “There are so many nuances in garments that it’s a minefield – there are so many chances to go wrong. It would be nice to have a certification process that you could trust and that was [up to date]” (labor rights organization).

2. Value-Add of Fair Trade to Current Labor Right Organizations' Efforts?

There is a sentiment by some in the Fair Trade movement that for the Fair Trade model overall to succeed it has to move beyond agricultural product lines (coffee, bananas, etc.) to other consumer products. However, several participants questioned whether garment certification is the right product or next step for the Fair Trade movement, given challenges they have cited with the current certification of Fair Trade agricultural commodities. Some respondents anticipated the resource requirements to support the implementation of Fair Trade garment supply chains would be much greater than have been needed by shorter and less complicated commodity-based Fair Trade product

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9 Robinson and Athreya, p. 8
supply chains. Fair Trade experts questioned whether FLO and the Fair Trade system would be able to adequately support the needs of Fair Trade garment producers to meet stringent Fair Trade standard’s requirements, given perceived shortcomings with FLO’s past performance.

According to Fair Trade experts, Fair Trade is a system that attempts to level the playing field and bring justice to farmers, producers of handicrafts, and traders of goods. There is concern that the pursuit of a Fair Trade garment standard would stray from the key aspects of the Fair Trade system that include:

- empowerment of workers;
- democratically organized structures for workers;
- a clear link back to producers;
- economic and social benefits to producers, families, and communities; and
- the provision of financial and technical assistance for producers.

Given these principle elements, it was suggested that TFUSA and FLO need to be clear about the issue(s) (social, environmental, or labor-related) they are trying to address with a Fair Trade certification process and whether a Fair Trade standard offers value beyond that which others in the anti-sweatshop movement are providing. The following excellent questions and many others were raised regarding Fair Trade’s role in this sector:

- Is a Fair Trade certification the best way to address labor rights abuses in the garment sector, or are other means better suited?
- Where can Fair Trade add the most value?

3. Fair Washing

Skeptics were also quite concerned about the potential misuse of Fair Trade certification and labeling by large companies to misrepresent their Fair Trade and anti-sweatshop efforts. Concern was raised that the work of the anti-sweatshop community could be undermined by allowing companies to have a Fair Trade line that is a small fraction (e.g. 2%) of overall production, or that represents a limited segment of a company’s overall product lines. Critics are concerned that companies will mislead consumers (or that consumers will not take the time to make the appropriate distinctions) about the extent of their actual commitment to Fair Trade and overall efforts to improve working conditions. The need for clear consumer messaging and labeling was stressed by many participants.

- **Certifying only part of a supply chain:**
  “Assuming we solve the problems of standards and enforcement, in the case of a Fair Trade standard for garments, I worry mostly about 1) the points in the supply chain: Could a label applying to one or more points hide abuses at other points?…I recognize that perfection is the enemy of the good, but think we carefully need to weigh the balance between immediate benefits for workers (producing a Fair Trade label) and possible long-term harm to the movement (as companies pay a relatively small price for ‘consumer peace’)” (labor rights organization).

- **Certifying only a limited range of a company’s products:**
  Another respondent pointed to the issue of consumer purchasing behavior and brand loyalty. The respondent cautioned about the potential for long term, unwarranted gains to be had by companies that engage in limited Fair Trade product line(s): “Once consumers get used to buying from a particular company, they’re unlikely to keep asking for the Fair Trade
label (e.g. they have more faith in the brand than the label.) Consumers might not understand that one (company’s) product had the label and one didn’t. I think there’s more brand loyalty in garments than coffee, so you need to watch out for that” (labor rights organization).

4. Critique of a Market-Based Approach
A few key activists are fundamentally opposed to a market-based approach to improving working conditions, citing that a Fair Trade market is too small to create real change and could even detract from current efforts. One respondent felt that Fair Trade would be a distraction from current work: “We are highly skeptical and not supportive of a Fair Trade garment standard. We support systems that maximize opportunities for worker organizing and are not sure that a market-based system can do that” (labor rights organization).

Others were concerned that if consumers can satisfy their individual needs to do good by buying Fair Trade products, they may potentially be pulled away from long-term, institutional activism goals (e.g. students proposing university policy, voters who can create and support sweat-free legislation, etc.). As one respondent explained, “ethical consumer alternatives are typically a hive-off sector of the market that is interested in change and creates a separate market to alleviate their concerns. While this can provide support to a small group of workers in cooperatives or select factories (and is appealing to consumers who wish to wash their hands of the issue) we do not believe that it generates change in the broader market, which is moving in a decidedly different direction. Rather it disengages consumers, and hard-won institutional consumers, from the battle to change the broader market” (labor rights organization).

Supporters of the Fair Trade system countered these criticisms and cited that while important, institutional-based approaches are often slow-moving efforts that offer consumers few options to support responsible consumption. Some advocated that providing consumers with a purchase option would actually encourage them to get engaged in the anti-sweatshop movement. Others argued that all markets start small and that judging by the movement’s experience in coffee, Fair Trade could have a real impact on the industry even if it captured only a small market share.

D. Conclusions
Overall, stakeholders were cautiously supportive of the development of a Fair Trade standard for garments. They saw potential for a Fair Trade standard to 1) complement existing efforts; 2) offer consumers and producers a vehicle for distinguishing sweat-free practices in the marketplace; and 3) provide a mechanism to add money to the supply chain to support improvements in working conditions. Support was tempered by concerns for small producers’ ability to meet the requirements of Fair Trade garment standards and the risk of creating yet another ineffective system to improve conditions for garment workers. The sharpest critics of a new standard come from Northern anti-sweatshop, union, and Fair Trade communities that have additional concerns related to the complexity of garment supply chains, the integrity of Fair Trade principles and system, the risk of corporate fair washing, and the potential for a Fair Trade garment standard to detract from or harm current anti-sweatshop programs and activities. With these concerns as a backdrop, the following sections explore stakeholders’ specific desires and concerns related to the content and implementation of a Fair Trade garment standard.
Section 6. Content of a Fair Trade Garment Standard

As noted in the previous sections, many respondents are concerned about the effectiveness of current ethical sourcing initiatives’ codes and monitoring, citing that they are inherently flawed and cannot be effective given an industry that is based upon outsourcing, downward price pressures, and unfavorable terms of trade for producers. As one noted, “it’s not that we don’t want these companies to be socially responsible. It’s more that we don’t want them to be hiding behind fake initiatives” (labor rights organization).

Similarly, many larger brands expressed dissatisfaction with current multi-stakeholder initiatives’ (MSIs) requirements and auditing protocols. They explained that they have chosen to continue with their own individual company code and monitoring programs to maintain what they see as a higher standard in terms of requirements and monitoring methodology than what is offered by a majority of MSI initiatives. On the whole, respondents were concerned that the development of another standard based upon existing multi-stakeholder initiatives would not lead to sustainable improvements in working conditions unless it were significantly different from existing models and addresses the industry’s core structural concerns directly.

A. A Rigorous and Adaptable Standard

1. Set the Standard High
Nearly all respondents urged that a Fair Trade garment standard be set high. Fair Trade groups are concerned that a standard uphold the tenets and values of the Fair Trade system while Northern labor rights and union groups require that it reflect their criteria for sweat-free or worker-voice apparel production. According to one leading labor rights organization, “the most fundamental element in determining whether a piece of apparel is ‘sweat-free’ is that it that it is produced under democratic conditions, either through a worker controlled co-op or a factory with a democratic union, with a living wage” (labor rights organization).

This approach is embodied in the terms set forth by United Students Against Sweatshops’ (USAS) new Designated Supplier Program (DSP), monitored by the Workers Rights Consortium (WRC). The DSP has strict requirements related to the terms of trade between producers and buyers, living wage rates, worker voice and representation, and independent monitoring. Many of these requirements are the same principles found within existing Fair Trade standards and the Fair Trade system.

“…Any criteria less than those of the Designated Supplier Program fall short of what has already been agreed upon by much of the anti-sweatshop community in the U.S. That would seem to raise immediate yellow if not red flags for this [Fair Trade] initiative, at the political level if nothing else” (labor rights organization).

For more information on the DSP and USAS please see: http://www.studentsagainstsweatshops.org/docs/designatedsuppliers.doc
Hence, when asked about what the foundation should be for a Fair Trade garment standard, it was clear that it should be a stringent standard that incorporates the latest thinking of the anti-sweatshop community (i.e. the DSP requirements) and is grounded within the core Fair Trade elements of workers’ social and economic empowerment, as well as favorable terms of trade for producers in a Fair Trade garment supply chain. Each of these criteria will be explored in further detail below.

2. Create a Standard that is Applicable to Different Environments
Based upon stakeholder feedback, a Fair Trade garment standard needs to be able to adapt to different types of supply chains and different sizes of production units found within alternative and mainstream garment supply chains. The standard would need to be relevant to small, labor-intensive alternative trade producers as well as highly mechanized, state-of-the-art mainstream production facilities. In order to meet the range of environments, a Fair Trade garment standard would need to be written with both baseline and progressive standards, as found within other Fair Trade standards. Under such a standard small producers would not be disadvantaged, and larger facilities with more resources would be required to make concrete, sustainable improvements in working conditions.

B. Essential Elements of a Fair Trade Garment Standard

1. Worker Empowerment/Freedom of Association

“…any initiative that purports to represent ‘sweat-free’ production which is not based on worker organizing is essentially a band-aid at best and false advertising at worst” (labor rights organization).
As highlighted above, respondents cited that a fundamental criterion for the success of a Fair Trade garment standard is that it empowers workers to advocate for their needs and supports the creation of effective worker representation mechanisms in the workplace. Further, respondents specified that in order for Fair Trade to truly empower workers, it would have to support the organizing and collectivizing of workers.

Respondents shared support for worker empowerment, but revealed less uniformity in the structure it could take. At a minimum, workers must be educated about their rights and collectivized in some way, if not formally unionized. Northern-based respondents were largely in favor of unions and cooperative structures. Southern-based respondents were less strict in terms of the form that worker empowerment could take and were open to alternative structures. Many Southern labor and union activists cited a lack of faith in unions, given pervasive challenges in organizing independent and effective unions in much of the South, as well as the difficulty in ensuring that unions are truly independent from management and political parties.

As discussed in Section 4, FLO’s Fair Trade Standards for Hired Labor take a proactive approach to worker empowerment. This is well aligned with the suggestions offered by Southern respondents who encouraged TransFair USA to create a standard that would accept and promote effective alternative means for empowering workers and harnessing worker voice to advocate for change within a facility. “Workers should have a real space and dynamic for giving voice. Just having space to organize is different from really allowing workers to organize” (Southern labor rights organization).

Identifying effective alternative mechanisms for worker empowerment is important to a Fair Trade garment standard. Several groups including the Garment Workers’ Center, FAT (a federation of independent unions in Mexico), and SAI, are working on developing criteria for evaluating the effectiveness of alternative worker representative bodies. One group offered the following criteria for evaluating a truly “good” or “independent” union, and suggested that FLO could use these criteria to create lists of “good” unions:

- Union upholds ILO standards;
- Union has regular and secret election of leadership;
- Union has transparent finances;
- Union has no official links (or aspirations) to government or political parties (e.g. wherein the union leaders “guarantee” political parties the votes of their members, through holding campaign events and rallies with workers);
- Members have copies of their CBA; and
- Members can identify their union leaders.\textsuperscript{11}

Finally, many stakeholders also recognized the need for a progressive approach to Freedom of Association whereby a producer may start with alternative mechanisms and over time work to promote effective and legitimate union structures within a facility.

\section{Social Empowerment: The Role of Joint Bodies and Social Premiums in Fair Trade Garment Supply Chains}

A fundamental element of Fair Trade programs is the principle of creating a broader benefit for the communities in which the producers and workers live. This has traditionally been done through the

\textsuperscript{11} The authors recognize that this criteria may sound basic, but found that this most fundamental information is sometimes unknown by workers, e.g. in Mexico many workers do not even know that they are members of unions.
creation of democratically elected worker-management committee called a Joint Body, which functions to identify community priorities and distribute the Fair Trade social premium to support community-based initiatives and services. Many questioned how and if this structure could apply to factory settings that are often characterized by a young migrant workforce, high turnover, and an interest among workers primarily in receiving higher wages rather than in community investments. Respondents felt that in these factory settings, “community” means something very different than it does among current Fair Trade commodity producers and as a result, many organizations were unsure about how effective a Joint Body could be in a factory setting.

In general, the majority of respondents supported the concept of a social premium, as they saw it as an opportunity to bring in more money for workers. Respondents seemed most concerned that whatever the mechanism identified, workers should be able to decide for themselves how to distribute the funds. For some respondents, the social premium presented an opportunity to allow workers to receive more money directly for use at their own discretion. One Fair Trade expert offered that the benefit to the community depends upon the needs of the community. It was argued that in large hired labor contexts where improper payment of wages is commonly found, the best use of any additional money may be to increase the wages of individual workers: “Workers do not need ‘aid’ or social premiums, but they do need fair wages” (Fair Trade expert).

However, some were quite skeptical about the concept of Joint Bodies and the practical implementation challenges associated with distributing the social premium:

- Some unions questioned the need for the Joint Body structure as it was deemed duplicative of functions that unions already serve (for instance, some unions fund services and education for workers). One union was concerned about the potential for corruption and urged careful and considered attention on this issue going forward: “With respect to the Fair Trade system, we also have a concern about the premium. This is a huge issue for trade unionists concerned about establishing and maintaining the viability of independent democratic trade unions. Providing a pot of money to a joint committee or even a worker-only committee is likely to be fatal to democratic trade unions at the factory level…”;
- Southern NGOs suggested that a Joint Body structure would require a lot of NGO support to help workers manage funds; and
- Fair Trade experts urged TFUSA and FLO to be clear about the role and purpose of the social premium and suggested that better mechanisms than the Fair Trade premium may exist to increase workers’ wages.

Fair Trade cotton farmers in India participate in a training. In the Fair Trade system, cotton farmers receive a “social premium” which they can use for community or business development projects. Photo courtesy Gijs Spoor.
3. Economic Empowerment: Wages

The majority of respondents expressed a desire for above-minimum wage rates, progressing to a living wage, as the expectation for a Fair Trade garment standard. A few respondents offered that they would be willing to accept minimum wage rates as a base line expectation, as many garment workers do not make even minimum wages. Others who desire living wages conceded that lower wage rates might be a necessary starting point: “We have a responsibility to push for a living wage, but it’s important to ask how realistic that is” (labor rights organization). In addition, two thirds of Fair Trade and labor rights and union respondents highlighted their desire for wages to be set via a credible collective bargaining agreement.

4. Terms of Trade

“The purchasing relationship must be structured to provide long-term job security to workers, allow sufficient time for production (to minimize overtime requirement), and allow payment of living wages” (labor rights organization).

The majority of labor rights, unions, Fair Trade experts, and Southern producers found the inclusion of favorable terms of trade and technical assistance for producers essential to any new standard. They see a standard as an opportunity to offer an alternative to the prevailing garment sourcing model, which is characterized by short-term relationships and low levels of shared investment or technical assistance for producers to reach labor standards requirements.

Respondents felt that producers need assistance and shared financial responsibility with buyers to improve working conditions and to meet the potential progress goals of a Fair Trade standard: “Initial startup capital has been a big issue for a lot of local contractors. If buyers want to commit, they need to help invest in better machinery. Then [contractors] can become more efficient (and cheaper) without depressing wages for workers” (labor rights organization).

Producers expressed frustration with the “cut and run” practices of some large US retailers and highlighted the need for more long term relationships with their customers to make the necessary improvements in working conditions. One Central American garment producer highlighted that “some large US brands with strong codes of conduct often have long-term relationships and will invest in compliance rather than cut and run; some mid-size brands might stick around for a little, but are not averse to cut and run; but one large US retailer in particular cuts and runs as soon as there is a call to their compliance department.” Another Southern producer offered that “a code of conduct should require that the brand will be involved in factory improvement and not just cut and run. The code should require stability of employment.”

Brands and retailers of different sizes reacted with caution to the concept of long-term trading relationships, and felt that committing to long term purchasing agreements would be difficult given the complexity of the sourcing model for fashion wear. It was cited that a more feasible starting point might be within traceable supply chains that have more predictable market demand such as 100% traceable simple cotton products, given that traceable cotton necessarily requires longer-term relationships and a lower degree of supplier switching. Another option offered by a company was the possibility to lengthen the business relationship with certain segments of the supply chain, such
as CMT units that have the skills and machinery necessary to meet changing fashion needs. Please see Section 8 for more discussion on this point.

Recommendations offered by respondents regarding the terms-of-trade requirements in a Fair Trade garment standard included:

- Progress goals as part of certification process need to be shared between producers and importers; and
- Annual evaluations based upon transparent criteria to evaluate viability and future of relationships.

C. Conclusions

Despite concerns and differences in opinions on the base line expectations for a Fair Trade garment standard, the majority of stakeholders generally agree on the following criteria:

- A worker-empowered standard that actively promotes worker voice and Freedom of Association. The ideal form for this would be unions or co-ops; however other legitimate forms of worker representation may be considered as a base line requirement. The criteria for determining the legitimacy of alternatives require further exploration;
- Some sort of social premium is desired, but the appropriate mechanism is uncertain;
- Workers should receive above-minimum wages as a base line requirement. This should progress to a living wage over time; and
- A standard should require favorable terms of trade for producers from customers that include long term relationships, investments in compliance, and technical assistance.

Having outlined stakeholders’ desired elements of a potential Fair Trade garment standard, the following section will explore the challenges and concerns that stakeholders voiced regarding its implementation.
Section 7. What Do Stakeholders Want in Terms of Implementation?

Most respondents shared that “the codes are all the same” and that what matters is implementation and monitoring. While the requirements for a Fair Trade garment standard offered by study participants (and summarized in Section 6) are more stringent than the average code, the sentiment is shared that the real effectiveness of any initiative lies in its implementation. This section explores stakeholder requirements related to the scope of application of a Fair Trade garment standard, specifically examining the breadth and depth of application within garment supply chains, auditing of facilities and monitoring methodology, and the issues of transparency and disclosure.

A. Application Within Supply Chains

The majority of respondents, from all groups that responded to the question, ideally would like a Fair Trade garment standard to be implemented across the entire supply chain, citing that anything less would be difficult to support. Fair Trade respondents in particular felt that a Fair Trade standard needed to be applied at every step of the supply chain if it were to be effective and consistent with the integrity of the Fair Trade label. Proponents of farm-to-CMT application cited that the Fair Trade seal indicates a “morally superior product and process.” They felt that only by requiring a thorough application of standards at each step of the supply chain will FLO and TFUSA be able to avoid pitfalls that could weaken consumer confidence in the entire Fair Trade label and system.

However, respondents recognized that this level of thoroughness and rigor would be challenging to implement given the complexity of supply chains, the limitations of NGOs, the limitations of FLO’s expertise with labor rights issues in the context of garment supply chains, and the potentially vast resources required to support Fair Trade garment certification (please see Section 8 for more discussion on these points). The majority of respondents recognized the need for a practical, progressive approach that starts with one or two steps of the supply chain and then is progressively applied to other parts of the supply chain over time: “If you start by trying to do it all (the whole supply chain), it will never happen” (union).

Respondents were largely supportive of applying the standard to the most labor-intensive segments of the supply chain (farms and CMT units) and working over time to apply the standards to the middle of the supply chain. This approach was not without controversy, however – many respondents from the Fair Trade and labor rights communities cautioned against the potential misuse and misrepresentation by companies about their overall practices if only aspects of the garment chain are Fair Trade (see “Fair Washing” in Section 5). Participants identified the need for extensive consumer education and clear messaging to consumers about the extent of Fair Trade certification in order for a segmented, or in this case book-ended, approach to work in the marketplace and uphold the integrity of the Fair Trade system.

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12 Anecdotal data from the recent European Fair Trade cotton product experience suggests that consumers have understood the limitations of Fair Trade certification (the cotton only) for a given product and where Fair Trade benefits have been applied within a Fair Trade product’s supply chain (at the farm level only).
1. Type and Size of Supplier

The majority of respondents desire universal applicability of a Fair Trade garment standard that includes Northern and Southern producers of all sizes and different types of suppliers (direct, subcontractors, and home workers).

Despite the majority of respondents’ call for the universal application of a Fair Trade garment standard, notable differences in opinion were raised, specifically:

- Northern labor rights groups, unions, and companies desire universal application of a Fair Trade standard to large and small producers in the global North and South;
- Southern labor rights groups see the standard focusing on large, Southern producers; and
- Northern Fair Trade groups would like to see a standard apply to small producers in the South.

These are discussed in greater detail below.

a. Type of Supplier

Similar to the practical approach taken in regard to the application of a Fair Trade standard within the supply chain, the majority of respondents were in favor of a progressive approach, starting with direct suppliers and extending over time to subcontractors and perhaps home based workers as well. However, a minority of largely Southern stakeholders raised concerns about the practicality of certifying beyond direct suppliers:

- Southern producers are unsure of the practicality of requiring small producers, subcontractors, or home workers to have same standards as a factory;
- Southern producers and small Northern companies are concerned about their ability to influence the practices of the larger players from whom they source; and
- Southern labor rights groups and unions are not supportive of applying the standard to home-based workers, as they deem this category of workers as too difficult to organize and feel that the level of self-exploitation is much higher (especially in terms of hours and child labor) in homework situations than in organized work settings.

b. Size of Supplier

The majority of respondents supported the application of a Fair Trade garment standard to both large and small producers. However, some Fair Trade experts and Southern labor rights organizations favored focusing on either large or small producers, for different reasons:

Northern Fair Trade experts raised concern about the potential impact and fairness of applying a universal Fair Trade garment standard to producers of different sizes. Respondents were concerned that this could negatively affect small producers’ ability to compete with large Fair Trade garment producers: “The garment supply chain model would bring together a new array of stakeholders together in different settings (e.g. unions and cooperatives) that have not been traditional or natural partners. [My concern] is that if you bring together such different actors, it will be hard to protect the interests of small-scale producers while trying to meet needs of large players as well” (Fair Trade expert). Fair Trade experts’ overall preference is for a Fair Trade garment standard to be limited to small producers, at least until more information about the possible impacts is available.
Southern labor rights organizations and unions saw the best potential for application of a Fair Trade garment standard with large producers. This was largely because activist organizations have predominately focused their attention on larger garment producers, and not with cooperatives or small alternative trade organizations.

As an outcome to these discussions, a few respondents offered recommendations and questions for TransFair USA’s and FLO’s consideration:
- FLO should develop a base line standard that is inclusive and adaptive to local conditions that include different types of producer organization structures and levels of mechanization;
- A Fair Trade garment standard should require direct technical assistance for producers in order to help them succeed in the Fair Trade model; and
- TFUSA and FLO need to be clear about scalability of a Fair Trade certification from the beginning of the process:
  o Would the standard be limited to cooperatives and village-owned facilities?
  o Can you develop a standard that can address the complexity of garment supply chain and is also scalable and universal? What will the price impact be? What does this look like?

2. Location of Supplier: North and South
Much as the majority of respondents favored the application of Fair Trade standards to producer groups of all sizes, most felt that the standards needed to be uniform to be meaningful: “I personally think that the only way we can prevent this race to the bottom is to force the US industry to comply as well” (labor rights organization). Another group noted: “There should be requirements for Northern CMT. [The conditions in Northern CMT units are] not necessarily different from the Southern CMT. I live in the sweatshop capital of the US – there are plenty of abuses in the US” (labor rights organization).

The issue of applying Fair Trade standards to Northern cotton farmers and garment producers was met with uncertainty by some Fair Trade experts. In principle, they felt that the Fair Trade system should apply to Northern-based producers, as it presents a great opportunity for growth and there
are well-recognized labor rights abuses in the North. However, questions loomed about the impact on traditional Fair Trade beneficiaries (Southern producers) and pointed to the need for a much more thorough analysis about the needs of Northern (in this case US) producers and an understanding of where injustices are taking place within Northern garment supply chains. These participants recognized that there are points along the US garment supply chain where there are great injustices (largely believed to be within CMT operations rather than at the US cotton farm level). To answer the question about the applicability to Northern farmers and producers, they felt that they needed a greater understanding of US farm issues, as well as US agriculture and trade policy.

B. Sustainable Auditing Approach

As highlighted in Section 4, stakeholders from all constituencies are dissatisfied with the results of codes and monitoring efforts to date. A representative from a medium-sized brand explained the limitations of current auditing approaches: “Auditing itself doesn’t help – the audit doesn’t improve anything. The audit is just a starting point and base line and we use the audit for the mediation process for the supplier. Monitors have to be present in the factory and do follow-up for different non-compliance problems.”

“Nobody should consider auditing as a step toward progress. You can’t certify based on good policing – you need good systems in place” (medium-sized brand).

Stakeholders believe that the development of any new standard related to the garment industry must be qualitatively different from existing efforts if it is to be effective. This applies not just to the content of the standard but also to how it is implemented. Labor rights organizations, unions, and companies called for a new sustainable approach to monitoring that is both effective and efficient in identifying issues of non-compliance and in resolving them. Respondents cited the need for independent monitoring, as self-monitoring is thought to lack the credibility required by the Fair Trade system. The most frequent recommendation was for the use of independent monitoring teams that included local NGOs.

Not all respondents were in favor of eliminating self-monitoring from the process, however. One respondent worried that small producers might not be able to participate in a Fair Trade certification scheme if they could not self-monitor, as the costs would be prohibitive. Other labor rights groups desired some level of self-monitoring that involved workers and unions, to allow for more consistent problem identification, follow-through, and ultimately less reliance on auditing altogether. Thus the recommendation for a new model for monitoring would involve independent NGOs, unions, and/or workers: “The best way to monitor is using the workers themselves” (union representative); “Workers being involved in monitoring and having independent monitors is very key. [It] has to be a combination of approaches to have a system of checks and balances” (labor rights organization).

Additional concerns were raised by a few Fair Trade experts about FLO’s ability to effectively monitor Fair Trade standards within the garment industry given the sheer number of suppliers, geographic dispersion of supply chain partners, FLO’s lack of expertise in labor standards
monitoring in this context, and the resources required by any monitoring and certification scheme. See the feasibility section for more discussion on these and other challenges and risks associated with implementation of a Fair Trade garment standard.

C. Transparency and Disclosure

In keeping with the overall trend toward greater transparency of labor compliance efforts, participants from labor rights organizations and unions in the North and South raised the need for a transparent and open Fair Trade garment certification process that included open access to the lists of facilities and audit results.

Further, it was also suggested that FLO have a transparent complaint mechanism for accusations of non-compliance and follow-up. An ideal process, as one respondent described, would be as follows:

“Reports should be made public, not immediately but soon after the inspection, alongside any corrective action plan. Workers and unions should grant permission to publish the report, since some workers might fear retaliation if certain responses were made public. But in general, all investigations and further action should be made public, alongside public statements by the brand, factory, and union or worker committee about how they’re going to improve conditions” (Southern labor rights organization).

D. Conclusions

Respondents were largely aligned in their opinions regarding the scope and depth of application of a Fair Trade garment standard, as well as the auditing and monitoring methodologies. The majority of respondents cited the need for the following:

- Full supply chain applicability: A Fair Trade garment standard should be applied to the whole supply chain, but it is recognized that this may not be practical. At a minimum, the standard should be applied to the most labor-intensive segments of the supply chain (farms and CMT facilities) with progressive application of the Fair Trade requirements to other parts of the supply chain over time;
- Universal applicability of a Fair Trade garment standard that includes: Northern and Southern producers, both small and large, and direct suppliers as well as subcontractors. This might require a progressive approach that starts with direct suppliers and extends requirements to subcontractors over time;
- A new sustainable approach to monitoring that is both effective and efficient in identifying issues of non-compliance and involves independent NGOs, unions, and workers; and
- A transparent and open Fair Trade garment certification process that includes open access to lists of facilities and audit results.

With a clearer understanding of stakeholders’ requirements for the content and applicability of a Fair Trade garment standard in garment supply chains, the following section will explore the feasibility and risks associated with implementing, and not implementing, a stringent standard.
Section 8: Feasibility of and Concerns Related to Standards Implementation

Discussions with stakeholders determined that Fair Trade supporters expect a Fair Trade garment standard to be extremely stringent, consisting of the following key components:

- Fair Trade standards at every step of the supply chain. This implies 100% traceable cotton, certified as Fair Trade from farmers in the developing world;
- Fair Trade benefits and worker empowerment throughout the chain, progressively applied to the supply chain but starting with most labor-intensive steps;
- Innovative monitoring and enforcement techniques involving workers, local unions, and NGOs in producing countries to ensure that worker empowerment is taking place;
- The standard must be attainable by facilities both large and small, and by large brands as well as small Alternative Trade Organizations.

This section outlines the potential concerns with implementing the proposed standard, as well as the risks associated with implementing or not implementing this level of standard. Our main questions include:

- Can companies selling in the US integrate Fair Trade Certified cotton into their chains?
- Can Fair Trade really add value to the middle of the chain (ginning through dyeing)?
- Will requiring such a strong standard limit the types of products that could be labeled?
- Can a standard be written that requires a ‘high bar’ for large factories but does not exclude smaller producers?
- Does FLO have the capacity to monitor this sector effectively?
- Are there risks to the “Fair Trade Certified” label of entering this sector?

A. Sourcing Fair Trade Cotton

Fair Trade stakeholders expected a Fair Trade labeled garment to contain 100% traceable cotton, sourced from Fair Trade Certified farms and traded under Fair Trade conditions. To determine if implementing this standard would be feasible for US brands, we must answer three key questions:

- Can US supply chains trace cotton back to the farm?
- Will there be sufficient Fair Trade cotton for the US market?
- Given that the US produces 21% of the world’s cotton, how important is US cotton in garment supply chains?

1. Ability of US Supply Chains to Trace Cotton Fabric Back to Farms

While stakeholders may prefer that a garment with a Fair Trade label contains cotton that can be traced all the way back to the farm, it should be noted that there is currently very little traceability in the cotton supply chains for the US market. Some European companies are more advanced in identifying the mills from which their CMT suppliers source, and some are working with those mills to source specific cotton. The most notable of these models is the Switcher garment retail chain in Switzerland, which has developed a numbering system on many of its products that allows the user to visit a website (www.respect-inside.org), enter the number on the tag, and trace the cotton in the garment through the manufacturing facilities, all the way back to the cotton producer or cooperative. Cotton traceability by US brands is still largely limited to the organic cotton garment market.
Because incorporating traceability into supply chains has been focused on the European market, the currently identified traceable cotton chains are principally in Africa, South America, Turkey, and Asia. Central America and Mexico are important source countries for the US market but export little to Europe, thus the fact that we could find no evidence of traceable supply chains outside of the organic cotton market in this region would indicate that the US market has not put as much pressure on its suppliers to achieve traceability as have European brands.

Nevertheless, there are several 100% traceable cotton chains in other regions that supply to the US, notably:
- Peru (organic and Fair Trade cotton farming through to CMT);
- India (organic and Fair Trade cotton farming through to CMT, and ability to source West African Fair Trade cotton for spinning and further processing); and
- West Africa (organic and Fair Trade cotton farming, spun and woven in Europe, India, or other regions of Africa)

All of these regions can supply US brands, and there is even the potential for Fair Trade cotton yarn or fabric to be imported into the US, Mexico, or Central America for further processing, albeit with tariff implications (to be discussed below). It is also likely that with significant interest and pressure from US brands, traceable supply chains might be set up in the region, based on experiences in other countries (notably India). Achieving transparency of cotton sourcing in a Fair Trade supply chain, then, will be a challenge, but likely not an insurmountable one.

![Photo of fabric with identification number](image)

This mill traces Fair Trade organic cotton through the spinning and knitting stages. An identification number corresponding to the cooperative is written on the fabric itself. Photos by C. Opal

It should be noted, however, that some small ATOs that have traditionally focused on CMT might have relatively little power in requiring the mills from which they source to use Fair Trade cotton. As one small brand told the team,

“Fair Trade certification has to recognize the different levels that can be Fair Trade: the growing of the cotton, producing the cloth, and CMT. You could create different levels of certification – three stars if you comply with all three levels, but not kept out if you can’t comply. We are absolutely Fair Trade for the things that we control, but I would hate to be kept out of a labeling system because we were unable to source Fair Trade cotton.”
As many stakeholders expressed the desire that any Fair Trade standard be attainable by companies and producers of all sizes, this issue of the power of a particular buyer to control the mills’ cotton sourcing must be investigated more thoroughly. A standard could possibly allow for exceptions to the Fair Trade cotton requirement if certain conditions were met (for instance, size of the producer or brand being too small to put pressure on mills to supply Fair Trade cotton textiles).

2. Potential Growth in Supply of Fair Trade Cotton
Stakeholders would prefer to have Fair Trade Certified cotton in a garment with a Fair Trade label, thus it is important to determine how much Fair Trade cotton might be available under the current FLO standards, to determine if this will be a barrier to growth in the Fair Trade garment market. The quantity of cotton currently able to be certified is limited by the scope of FLO’s cotton standards, relating the size of the farm, the country of origin, and the ability of farms to comply with the FLO standards regarding environmental impact and labor standards.

a. Size of Farm
FLO currently certifies only small farmer organizations whose members grow cotton on small plots, relying mainly on their own and their family’s labor for everyday maintenance of the farms. Large-scale industrial cotton production is also an important source of global cotton supply, but is out of the scope of the current FLO cotton standards.

b. Country of Origin
Some important cotton-producing countries are outside the scope of FLO’s eligible country list (available in the Appendix) as they are too well-off to be considered target beneficiaries of the Fair Trade market. The US, with around one fifth of world production, is the most important producer that falls into this category. Turkey is an important organic cotton producer that also falls outside FLO’s country scope.

c. Ability of Farmers to Comply with FLO Environmental Requirements
FLO’s standards forbid the use of GMO seed, which is popular among cotton farmers in Brazil, China, and parts of West Africa and India, thus producers using GMO seed will not be able to be certified by FLO even if they meet other FLO requirements. Uzbekistan, with 15% of world production, famously depleted its inland Aral Sea to irrigate cotton fields, and much of its production would likely fail to meet the FLO requirement to farm sustainably and minimize the environmental impact of farming.

d. Democratic Associations of Farmers and Freedom of Association for Workers
A few countries, notably China and Uzbekistan, largely lack labor rights protection for farmers and farm workers, mostly relating to Freedom of Association but also to bonded and child labor. It may be difficult to find legitimate independent farmer-run cooperatives in these countries, which is another FLO requirement to ensure farmer empowerment.

The chart below includes world cotton production data and what percentages might be eligible for FLO certification. In the short term, India and West Africa can likely provide ample supply to the Fair Trade market, with other potential from Pakistan, East Africa, and Brazil. Perhaps 20% of world supply might be FLO-eligible. Further country and producer-specific research is needed to define this number more precisely.

Finally, it is important to consider the impact of excluding US-grown cotton from Fair Trade supply chains. Not only is the US an important world producer of cotton, but there are significant tariff protections in place for US cotton farmers that encourage the use of US cotton in supply chains. These are mostly exercised through the selective application of free trade (tariff-relief) agreements on garments imported into the US, based on whether or not the cotton is US-grown. The tariffs applied on garments imported into the US vary by type of product and are extremely complex. Tariffs on baby clothes, for instance, can range from 8-19%; socks are charged a 13% duty; t-shirts 16.5%; and jeans 16.6%.

A free trade agreement that gives certain countries relief from tariff application can therefore have significant effects. Particularly in Latin America, where costs of production are extremely high relative to Asia, garment exporters can sometimes compete only because of the tariff relief they can gain under free trade agreements. If requiring the use of Fair Trade (non-US) cotton meant that they would no longer benefit from tariff relief, some countries in Latin America might be unable to produce Fair Trade garments cost-effectively. The team undertook a cursory examination of how the use of US cotton might affect tariff application, summarized below.

**Asian production.** In general, there do not seem to be tariff-relief free trade agreements for the major Asian garment manufacturers. However, further country-by-country specific research is recommended.

**Mexican production.** NAFTA, the North American Free Trade Agreement, covers production in Mexico, Canada, and the US. The basic origin rule for cotton knit fabrics under NAFTA is “fiber forward,” which means that in order for a garment to be imported tariff-free into the US, the fiber must originate in a NAFTA country. For example, a cotton t-shirt will be fiber forward as long as the fiber is NAFTA-originating and the yarn is spun, the fabric is knit, and the t-shirt cut and sewn in a NAFTA country. Because Canada and Mexico have little to no cotton production, the result is that for Mexican CMT to gain tariff relief and remain somewhat competitive with Asian CMT, it must use US (i.e. non-Fair Trade) cotton. There might be some Tariff Preference Levels
(“TPLs”) rules for Mexico which apply – under these rules, goods will be entitled to the NAFTA reduced duty rates until a numerical limit of imports is reached. However, in general, requiring non-US cotton would appear to reduce the likelihood that Fair Trade could be applied to the Mexican garment context.

Central American production. CAFTA, the Central American Free Trade Agreement, introduced duty and tariff-free status for some products imported from the Dominican Republic and some Central American countries into the US. In garments, CAFTA applies a “yarn forward” rule, meaning the yarn must originate in either the U.S. or a CAFTA beneficiary country to qualify for preferential treatment. For example, a cotton t-shirt containing foreign cotton fiber will be yarn forward as long as the yarn is spun, the fabric is knit, and the t-shirt is cut and sewn in CAFTA countries. Fair Trade cotton could thus be imported into the US or a CAFTA country for spinning (this is more likely to happen in a CAFTA country, as there is a tariff on cotton imported into the US).

In addition, there is a special provision for some goods of that are assembled (e.g. cut and sewn) from fabric wholly formed in the U.S., by which the importer pays the rate of duty only on the value added in the CAFTA beneficiary country. But because fabric must be wholly formed in the U.S. to qualify for this provision, this again would be likely US (i.e. non-Fair Trade) cotton. If the goods are finished in Nicaragua specifically, they may also be eligible for a reduced duty rate under a TPL.

While in theory non-US cotton could be brought in tariff-free under CAFTA, discussions with yarn spinners at a garment industry trade show in Guatemala found that most spinners were buying US cotton for quality and proximity reasons. Traceable non-US (e.g. Fair Trade) cotton chains could perhaps be set up in the region and gain preferential tariff protection, but it should be noted that this is not the current practice.

African production. The African Growth and Opportunities Act, AGOA, allows goods produced in many poor African “beneficiary” countries to be imported duty-free into the US. In garments, AGOA applies a “yarn forward” rule for beneficiary countries, so Fair Trade cotton could be used as long as it is spun in the US (unlikely because of tariffs on cotton imported into the US) or an AGOA country. However, apparel assembled in a subset of “lesser developed beneficiary” countries and directly imported into the U.S. can also enter duty-free, regardless of the country of origin of the fabric or the yarn used to make such articles. Most AGOA countries are considered lesser developed beneficiaries, so they could import textiles made from Fair Trade cotton (for example from Asia), cut and sew them into garments, and export them to the US duty-free. This could be a way for Fair Trade textiles from Asia to benefit from AGOA preferences.

In summary, using Fair Trade cotton seems to be possible in most regions except Mexico. In practice, it might take some time to set up new buying relationships for non-US cotton, especially in Central America. More specific inquiries of US brands regarding the cotton in their supply chains are recommended, especially if TransFair should decide to focus its efforts on creating Fair Trade supply chains in Central America or Mexico, where factories might encounter difficulties sourcing non-US cotton. If TransFair decides to move forward with creating a certification system for garments, it will be important to work closely with companies to set up supply chains that can benefit from maximum tariff protection. One might also consider an exemption on the requirement to use Fair Trade cotton for production from Mexico.
B. The Potential Impact of Incorporating Fair Trade Standards in the Middle of the Supply Chain

The analysis of the current state of labor rights activities throughout the garment chain found that there are several initiatives focusing on the CMT and farm levels, but that the labor conditions in the middle of the supply chain (ginning, spinning, weaving, knitting, and dyeing) are largely hidden. Fair Trade, in requiring fiber traceability, would identify the players in the middle of the chain, and might be an interesting way to address poor labor conditions in gins and mills.

While it is an attractive idea to focus efforts on workers in an “underserved” part of the supply chain, there are a number of concerns with this approach:

- **Loss of focus.** Except for a few Fair Trade chains that focus on hand-weaving, dyeing, or knitting, these steps are largely capital- rather than labor-intensive. With limited resources, should social premiums and comprehensive monitoring be focused on these steps, or the more labor-intensive steps of farming and sewing?

- **Lack of power to improve conditions.** Many farmers and brands expressed their lack of power vis-à-vis gin and mill owners to simply trace cotton, much less influence working conditions for mill or gin workers. If Fair Trade cotton is but a small part of their business, gin or mill owners may have little interest in introducing large-scale changes to the working conditions for their employees, or allowing true worker empowerment to take place.

- **Lack of awareness of labor rights abuses.** While the fact that these stages represent an “underserved” portion of the market means that introducing Fair Trade practices could potentially add value, there is little awareness on the part of local NGOs or industry associations regarding current labor practices and how to make improvements. Without a pre-existing culture of corporate social responsibility, it would be difficult for Fair Trade to have an impact without significant efforts to educate management, workers, and local NGOs and unions about Fair Trade standards and monitoring.

- **Potentially high compliance costs and limited resources to achieve compliance.** The team could find no studies benchmarking current labor practices in gins and mills against labor standards regarding living wages and working hours, but because these sectors have not historically...
been the focus of labor rights or brand activism, it is possible that they have significant labor violations. (Some reports detail child and bonded labor in this segment of the supply chain.) If the costs of achieving Fair Trade (including worker empowerment and a living wage) at these stages were high, factories could not comply unless the volumes of Fair Trade and corresponding extra income were significant. Again, focusing on these stages might spread resources too thin to achieve real impact.

While little is known about labor conditions in the middle of the supply chain, it seems likely that applying a stringent Fair Trade standard at these stages might be ineffective. Many stakeholders expressed the desire that a rigorous standard be applied throughout the chain, but acknowledged that a progressive approach was probably more realistic. FLO and TransFair should perhaps consider limiting the impact of Fair Trade to the more labor-intensive production processes, at least in the initial stages of certification.

C. Limits to the Types of Products That Can Be Certified

Most garment development is demand-driven, with the brand creating a design and then finding the lowest-cost manufacturer to manufacture the garment. It is possible that Fair Trade product development could be almost the opposite: brands would have to identify facilities that could comply with the strict standard and rigorous multi-stakeholder monitoring that Fair Trade requires, and then see what sorts of garments these factories can produce. The various ways in which the requirements for traceability, comprehensive monitoring, worker empowerment, and long-term relationships might affect the Fair Trade product choice available to brands are outlined below.

1. Traceability
   For a Fair Trade standard to be applied throughout the chain, brands would have to focus sourcing on those chains that can achieve traceability and labor condition improvements throughout the chain. This could bias production towards linear, vertically integrated chains that are easy to monitor and control. It could also steer companies to work in countries whose industries already have a culture of compliance, especially in the middle of the chain.

2. NGO and Union Capacity on the Ground
   The ability to undertake comprehensive multi-stakeholder monitoring and support true worker empowerment could also limit the factories that could participate in a Fair Trade program. For best-practice monitoring to take place, local NGOs and unions must be on the ground to train workers on their rights, investigate claims of factory non-compliance, and be available for workers to contact if a violation occurs.

3. Long-Term Relationships: Fashion vs. Feasibility
   Because of the complexity of the supply chain, 100% traceable cotton products have thus far been mostly relatively simple – socks, underwear, and t-shirts without much embroidery or detail. Traceable cotton necessarily requires longer-term relationships and a lower degree of supplier switching:

   "We rarely buy the same product twice, so if you have a supplier from whom you are buying now this and then that, he can’t keep a stock of Fair Trade or organic yarn because he doesn’t know what the next product is going to be. The lead times are
longer because the supplier will take a bit longer to source the yarn. We could only do Fair Trade or organic with a select group of products that are more stable. Other companies that are not so fashion-oriented might do this more easily” (large brand).

For fashion-oriented companies, it might be possible to create long-term relationships with CMT facilities, but more of a challenge with producers further down the chain. For many fashion products, the fabrics change year-to-year (e.g. from corduroy to lace), which means switching textile mills. CMT production facilities are more versatile and can largely work with a variety of fabrics, so a brand could buy from the same CMT facility each year, but those CMT facilities could be using fashionable fabrics from different mills than the year before. Thus, requiring long-term relationships could limit the types of garments that are made (e.g. not high-fashion). Lower-fashion “everyday” garments might also have fewer peak sales periods, making orders more predictable and lowering the need for subcontracting.

4. **Passing on the Costs of Fair Trade to Consumers**

Consumers have traditionally paid more for Fair Trade products, knowing that higher wage, labor, and environmental standards are guaranteed to the primary producers. But the potential costs of compliance at each step of the chain are potentially very large, and passing all of these costs on to the consumer may price Fair Trade products out of the market. As an example of how Fair Trade might increase costs to consumers, the chart below shows the difference in costs between a conventional t-shirt and a t-shirt made with certified organic and Fair Trade cotton. This data is for the current FLO-Labeled “Made With Fair Trade Certified Cotton” standards, which include minimum labor standards at each step of the chain after farming but not necessarily any additional Fair Trade benefits.

**T-Shirt Value Chain: Conventional vs. Fair Trade Certified Organic Cotton**

<table>
<thead>
<tr>
<th></th>
<th>Conventional Cotton T-Shirt</th>
<th>Fair Trade Certified Organic Cotton T-Shirt</th>
<th>% difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cotton Fiber</td>
<td>$0.51</td>
<td>$0.73</td>
<td>42%</td>
</tr>
<tr>
<td>Spinning</td>
<td>$0.22</td>
<td>$0.22</td>
<td>0%</td>
</tr>
<tr>
<td>Knitting</td>
<td>$0.10</td>
<td>$0.10</td>
<td>0%</td>
</tr>
<tr>
<td>Processing</td>
<td>$0.50</td>
<td>$0.50</td>
<td>0%</td>
</tr>
<tr>
<td>CMT</td>
<td>$0.45</td>
<td>$0.59</td>
<td>30%</td>
</tr>
<tr>
<td>Packing and Labeling</td>
<td>$0.15</td>
<td>$0.15</td>
<td>0%</td>
</tr>
<tr>
<td>Transportation</td>
<td>$0.10</td>
<td>$0.10</td>
<td>0%</td>
</tr>
<tr>
<td>Administration</td>
<td>$0.12</td>
<td>$0.12</td>
<td>0%</td>
</tr>
<tr>
<td>Waste</td>
<td>$0.02</td>
<td>$0.02</td>
<td>0%</td>
</tr>
<tr>
<td>Exporter Margins</td>
<td>$0.29</td>
<td>$0.29</td>
<td>0%</td>
</tr>
<tr>
<td>Organic CMT Certification</td>
<td>n/a</td>
<td>$0.01</td>
<td></td>
</tr>
<tr>
<td>FLO CMT Certification</td>
<td>n/a</td>
<td>$0.01</td>
<td></td>
</tr>
<tr>
<td>16.5% Duty (to USA)</td>
<td>$0.41</td>
<td>$0.47</td>
<td>15%</td>
</tr>
<tr>
<td><strong>TOTAL FOB COSTS</strong></td>
<td><strong>$2.87</strong></td>
<td><strong>$3.30</strong></td>
<td><strong>15%</strong></td>
</tr>
</tbody>
</table>

Source: Data derived from interviews conducted in India in 2006, for a specific cotton t-shirt supply chain. Not necessarily representative of all t-shirt supply chains.
In this case, the Fair Trade organic t-shirt costs 15% more because of the higher costs of the cotton fiber, the extra cost of bringing better labor standards into the CMT facility, and the fact that tariffs into the US market are calculated on a percentage basis, so the higher cost of goods translates into a higher duty payment. (The costs of organic and Fair Trade certification for the CMT stages are minimal and have little effect on the price differential.) Another brand we spoke with also had a 15% difference in cost of goods for “Made With Fair Trade Certified Cotton” products (not organic), but found that the spinners were charging more to keep Fair Trade cotton separate and to account for quality differentials.

US consumers would probably be able to absorb a 15% differential between a conventional and Fair Trade t-shirt, given that European consumers already do. But what if Fair Trade benefits and rigorous monitoring are extended throughout the chain, to gins, mills, and CMT facilities? As mentioned previously, there may be serious gaps between current labor practices in the middle of the chain and ideal Fair Trade factory conditions, perhaps requiring wage increases and investments in health and safety protections. The multi-stakeholder monitoring advocated by stakeholders could also be more expensive than typical standards monitoring costs. These additional costs of Fair Trade compliance and monitoring could be too high for consumers to absorb, limiting the sales of Fair Trade garments and thus impact on farmers and workers. Alternatively, they could potentially bias product selection to higher-priced premium products that can more easily absorb extra costs (e.g. fashion jeans), rather than lower-priced products (e.g. socks).

5. Potential volume constraints
A rigorous standard requiring true worker empowerment could likely be met only by a handful of factories in the short term, and perhaps in only a few countries. Stakeholders identified concerns related to specific countries, as outlined below.

Countries of Concern:
- **China.** Ensuring worker empowerment and Freedom of Association is particularly difficult in China, which with a 25% share of world textile exports is the world’s most important garment-producing country. Working with China raised particular concerns and polarized respondents in the stakeholder outreach conducted as part of this study. For some, China can not be excluded or ignored, given its dominant position within the industry from cotton farms to CMT units and the number of workers in the garment supply chain in China. But many unions and solidarity organizations felt that there is no way to credibly work within China, given the absence of independent unions. A few organizations were open to trying to work with worker-owned factories, but are skeptical that this can happen effectively or credibly.

- **Other Countries.** Respondents also had reservations about the ability to find empowered factories in other countries, specifically Turkey, Burma, Bangladesh, Colombia, Jordan and Haiti. One Fair Trade expert is equally concerned about the viability of Fair Trade production in any communist country.

Even in the most conducive environments, bringing new factories into the system would not be simple, nor would it likely be easy to keep factories compliant, as rapidly changing factory ownership...
and high worker turnover are characteristic of the garment industry. Achieving true worker empowerment takes time, and does not move at the ‘speed of business,’ no matter how much stakeholders may wish it to. A rigorous standard may limit the volume of Fair Trade products able to be manufactured and the ability of the system to react to a potentially rapidly growing consumer demand.

It is important to note that if the number of CMT facilities that could meet a stringent standard is limited and therefore potential volume would be restricted, Fair Trade cotton farmers would necessarily also have a limited market. FLO and TransFair may have to consider the trade-offs between working only with the most empowered factories and limiting market size for small cotton farmers vs. opening up the system to more factories that would require time to progress to better conditions to ensure a larger market for Fair Trade cotton farmers.

In summary, the likely limits to potential suppliers and products outlined in this section indicate that Fair Trade garment labeling may be better suited for higher margin, lower volume products with predictable demand patterns. If TransFair continues its research, it would be worthwhile to work in detail with interested brands to identify potential supply chains and products suitable for the market now that all parties have a better idea of what Fair Trade standards implementation might entail. Only then could market potential be defined, as the consumer interest will be related to the product mix available. Special attention should be paid that the market for Fair Trade cotton products is not unduly limited because of the potentially small number of processing facilities that could comply with a stringent Fair Trade standard.

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**D. Applying a Rigorous Standard to All Sizes of Producers**

As detailed in Section 7, most stakeholders expressed the desire for a Fair Trade standard to be written such that both large brands and small alternative trade organizations could provide products to the Fair Trade market. But creating a standard that could be met by all potential supply chains and types of production will be challenging. One brand we spoke with sources garments sewn in
large, state-of-the-art facilities, certified by several third parties against many different brand codes of conduct. Another imports garments made “by women who have set up their sewing machines in an overturned shipping container.” Alternative trade chains often involve labor-intensive “middle of the supply chain” functions such as hand-knitting, weaving, or dyeing. These activities are often undertaken at home, which can have benefits for workers but can also expose them to risks of self-exploitation regarding working hours and child labor. How can the same health and safety standards be applied in these different contexts? Small producers may not be able to invest in the adequate lighting and injury protection devices, especially if working at home.

Small producers might find it hard to certify their production for other reasons as well. Monitoring and compliance costs will ordinarily be undertaken on a facility-specific basis and thus are more easily spread over a large number of workers and production, biasing the system against smaller producers. Finally, as mentioned previously, small CMT producers might not be able to source Fair Trade cotton into their current supply chains. A Fair Trade standard that applied progressively to supply chains depending on available resources might need to be developed, to ensure that small producers and brands are not pushed out of the market.

E. FLO’s Ability to Effectively Monitor the Garment Industry

As described earlier, some Fair Trade experts raised concerns about FLO’s ability to effectively monitor Fair Trade standards within the garment industry, given that FLO’s expertise lies in inspecting production facilities located in relatively established rural communities. CMT facilities are not particularly stable environments: ownership changes frequently; large orders put factory managers under pressure to exploit workers; and worker turnover is high. Monitoring in this environment would require constant vigilance. While a workforce that is educated about their rights and empowered to address abuses with their employers is the ideal workplace monitor, local partners would be required to train workers in compliance, build up trust with workers so that abuses can be comfortably reported, and at times undertake mediation between workers, brands, and the factory.

This sort of monitoring is very different from the current FLO system, which currently requires annual inspections and extensive trade audits but does not include continual monitoring of facilities. NGOs and unions are consulted as part of the FLO inspection process, but most ongoing relationships with local labor rights and development organizations are between the farms and organizations themselves, with little involvement from FLO. As an effective garment standard monitoring system would likely involve more in-depth attention from local groups, FLO might consider creating a partnership model with unions and NGOs on the ground, developing indicators for what constitutes an independent NGO or union that is qualified to support FLO’s monitoring efforts.

F. Potential Risks to the “Fair Trade Certified” Label of entering the Garment Sector

Given the success of the Fair Trade label on other products, it is very tempting to want to extend the Fair Trade certification system to garments to help workers and farmers in what is well known to be an extremely exploitative industry. But there are a number of concerns with extending the label to what is a very new sector for Fair Trade labeling, namely:
- A relatively higher potential for failure of implementation, due to the complicated nature of the industry; and
- Underwhelming support among key Northern stakeholders for labeling, risking brand reputation of the Fair Trade label and the companies who work with it.

1. Risk of Implementation Failure
The implementation challenges for a high-bar standard are numerous and have been described in detail in this section. High monitoring costs, the ability to find capable NGOs and unions on the ground to support monitoring and empowerment activities, and FLO’s relative lack of experience with monitoring factories have all been raised as concerns. Due to the complexity of a garment supply chain and notorious labor rights abuses within it, the likelihood of a certified garment factory becoming non-compliant while part of the scheme is much greater than for other products. Certification of garments is thus riskier than for typical Fair Trade products. If a scandal were exposed in a factory producing garments with a Fair Trade label, consumer trust in the label could be compromised, damaging the reputation of the label across all other products and potentially harming Fair Trade commodity producers currently selling to the Fair Trade market.

2. Risk of Lack of Stakeholder Support
As described in previous sections, NGOs and labor rights organizations are not wholly convinced that a Fair Trade label for garments would support their current efforts. One respondent feels very strongly that an individual consumer model of action could actually undermine activists’ efforts to create systemic change in the industry:

“Moving from a model of organizing consumers around institutional points of intervention (as students proposing university policy, voters who can create and support sweat-free legislation, etc.) to a model of individual consumer choice creates a counter-educational effect around the power of individuals to effect change in the global garment industry. While not every consumer is going to become an organized constituent lobbying for institutional change, many who might be moved to such action instead are presented with an option to buy particular garments with the assumed effect that justice has been done through their choice, and no further action is required to reverse an massive problem of global inequality” (labor rights organization).
Some Fair Trade organizations are particularly worried about the risks to the label due to potential implementation failure described above. But they are also concerned that the quality of the standard itself reflects the values that are inherent to Fair Trade, most importantly worker empowerment. As one respondent stated:

“If FLO and TransFair adopt a textile manufacturing standard that [we] believe meets the standard of providing tangible, measurable empowerment for workers, [we] could continue promoting fair trade certification in a holistic manner. However, if FLO and TransFair introduce a fair trade textile standard (or any other product certification) that we feel is incongruous with the empowerment-based fair trade proposition that we have been presenting to our supporters, it would be difficult for [us] to continue its unqualified public support of fair trade certification” (Fair Trade expert).

Without the support of key labor rights and Fair Trade organizations, the Fair Trade label risks losing legitimacy among consumers, risking erosion of brand reputation to the Fair Trade system and the companies who work within it.

G. Conclusions: The Feasibility of Applying a Fair Trade Label to Garments

This section has outlined the feasibility of applying a stringent Fair Trade standard to garment production. While many additional questions have been raised, a few conclusions can be made at this time:

- Traceability of cotton can likely be achieved, although exceptions might need to be made for small producers who do not have power over their suppliers.
- Requiring Fair Trade Certified cotton seems feasible, although there are concerns around Mexican and Central American garment factories being able to source Fair Trade cotton cost-effectively.
- Special attention needs to be paid to ensure that small producers are not excluded because of higher compliance costs, perhaps through a progressive application of a Fair Trade standard based on available resources.
- Extending Fair Trade benefits at every step of the chain may be too expensive and require a large amount of capacity building in ‘hidden’ sectors. It may be more effective to focus on the sectors of the supply chain with large labor inputs (farming and CMT).
- A rigorous standard will likely limit the types and volumes of Fair Trade garments that can be produced and perhaps bias the product mix towards high-premium, low-fashion, and low-volume products. This could also limit the market for small-scale cotton farmers to benefit from sales to the Fair Trade market.
- As the garment industry is notoriously unstable, the risks of certification failure are extremely high and could threaten the entire Fair Trade movement if a scandal occurs.
- Mixed US stakeholder sentiments regarding TransFair’s extension to the garment sector could also undermine consumer support for the Fair Trade label.

All of these concerns should be addressed through further research and consultation if TransFair decides to continue with its exploration of the potential for labeling garments. The final section will explore some questions for more in-depth research.
Section 9. Conclusion & Questions for Further Research

Each of the previous sections outlined the key lessons learned during the course of this study and can be summarized as follows:

1. A Fair Trade garment standard would need to be rigorous;
2. A Fair Trade garment standard would need to be dynamic to apply to different types of producers and environments;
3. A thorough yet progressive approach to implementation is desired;
4. A sustainable auditing methodology that involve workers would be required;
5. A Fair Trade garment standard should require traceable labor and material inputs, which is feasible;
6. A rigorous Fair Trade garment standard might limit Fair Trade garment product mix and volume potential;
7. A transparent and accessible Fair Trade certification process would be needed; and
8. Fair Trade and labor rights organizations’ involvement and engagement is important.

While these lessons provide a clearer picture of what would be required of a Fair Trade garment standard, the research team recognizes that much more work needs to be done to determine the feasibility and viability of the application of a stringent Fair Trade garment standard. Hence, the team suggests that it would be useful for TransFair USA and FLO to undertake additional research to:

1. Determine the feasibility of applying a stringent Fair Trade garment standard to different sizes and types of producers within potential Fair Trade garment supply chains;
2. Develop effective mechanisms for implementation; and
3. Determine the costs associated with their implementation.

The following highlights key issues that TFUSA should consider in order to answer these three questions.

1. **Determine the scope of application of a Fair Trade garment standard**
   a. *Size of producers:* Can a universal Fair Trade standard (one that would apply to small Alternative Trade Organizations as well as large garment supply chain producers) be implemented without disadvantaging small producers?
   b. *Types of Supply Chains:* More in-depth work should be done with companies to determine the feasibility of applying this standard. Specifically, traceable supply chains with potential for Fair Trade should be identified and investigated, using these criteria:
      i. Where are there traceable supply chains for potential Fair Trade products using Fair Trade cotton? In Central American chains, will it be possible to bring in traceable Fair Trade cotton and still receive CAFTA benefits?
      ii. How do these traceable chains overlap with factories that can likely comply?
      iii. It is likely that using US cotton (or a blend of US and Fair Trade cotton) is a requirement for garments to be made in Mexico, and perhaps also for Central America. It might be worth testing consumer and Fair Trade organization reactions to this.
2. Develop effective mechanisms for implementing Fair Trade requirements
   a. Joint Bodies and Social Premium: Is the Joint Body structure appropriate for all or some segments of the garment supply chain? What is the best use and distribution mechanism for a Social Premium in a garment supply chain?
   b. Effective monitoring mechanisms: What would an effective and more sustainable auditing methodology entail? What would it cost?
   c. Effective worker empowerment mechanisms: Given the challenges in identifying legitimate unions, what alternative worker representative models can and should be considered? How can viable and effective worker empowerment structures be identified?

3. Determine implementation and certification costs
   a. What is the union and NGO environment in the regions with potential factory partners? Is there a core group of independent groups that can support monitoring and empowerment activities?
   b. How much work needs to be done by these factories (from gins through to CMT) in order to comply with a true worker empowerment model? What will the cost of compliance be at each step?
   c. How would restricting Fair Trade garment production to a potentially limited number of CMT units that can meet a stringent Fair Trade garment standard affect Fair Trade cotton farmers?
   d. What product mix will be available from these chains? How will this product mix affect consumer interest and willingness to pay a premium that covers the costs of compliance and monitoring?

Finally, it is important that TFUSA stay abreast of key influential initiatives and pilot developments, specifically the European Fair Trade cotton product experience and the implementation of the DSP. Continued analysis of a potential Fair Trade garment standard should take into account the ongoing lessons learned through other initiatives.

The authors recommend the continuation of this dialogue among brands, unions, northern NGOs, southern labor rights organizations, and southern producers to answer these key questions. Balancing the concerns of this diverse set of stakeholders will be a challenge, but is essential to determine if a feasible yet meaningful Fair Trade standard could be developed and implemented for the garment sector. Many groups have been exploring these areas and should continue to be consulted during subsequent phases of research. Continuing the considered, open approach to researching these issues will serve TransFair USA and the Fair Trade movement well.
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Appendices

1. List of Organizations Consulted
2. Advisory Committee Participants
3. Surveys for Stakeholder Feedback
4. FLO’s Eligible Country List
5. FLO’s Phased Approach to Labeling Fair Trade Cotton Products
6. Bibliography
Appendix 1. List of Participating Organizations

**South**

Agrocel (Indian cotton farmer organization and brand)
Ambattur (Indian CMT facility)
Arvind Mills (Indian textile mill and CMT facility)
Asissi Garments (Indian IFAT producer member)
Nueva Vida (Nicaraguan worker-owned CMT facility)
KV Kuppam (Indian IFAT producer member)
MOBIOM (Malian cotton-farming cooperative)
Bangalore Garment Workers’ Union
Hengassara Hakina Snagha (Bangalore)
Prem Durai (Indian spinning/knitting/CMT facility)
Sekem (Egyptian cotton grower organization and CMT facility)
SEWA (Indian IFAT producer member)
Women’s Workers Assoc. Chennai
SAVE, Tirupur
MV Foundation (Hyderabad)
ETC Solidaridad (Hyderabad)
Organic Exchange Chennai
CIVIDEP (Bangalore)
FEDINA (Bangalore)
Human Rights Law Network (Bangalore)
Alternative Law Forum (Bangalore)
Solidarity Center (Mexico)
Tehaucan Human Rights (Mexico)
AMES/CALDH (ICM)
CAT Puebla (Mexico)
Arturo Alcalde Law Firm (Mexico City)
Just Garments (El Salvador unionized CMT facility)

**North – NGOs**

Global Exchange
Organic Cotton Exchange
Sweatshop Watch
Garment Worker Center
PICA and Bangor CCC
Milwaukee CCC
NY State Labor-Religion Coalition
Progressive Jewish Alliance
Unite HERE
Maquila Solidarity Network
United Students Against Sweatshops
Oxfam America
Lutheran World Relief
Rugmark
International Labor Rights Fund
Catholic Relief Services
US LEAP
Workers’ Rights Consortium
SweatFree Communities
Coop America
Fair Labor Association

**North – companies**

Better for Babies
Cone Mills (US textile mill)
Counter Sourcing
Cutter and Buck
Global Mamas
H&M
Indigenous Designs
Jones Apparel
Levi Strauss
Maggie’s Organics/Clean Clothes Inc.
Market Place: Handwork of India
Marks & Spencer
No Sweat
Patagonia
UCO Mills (US textile mill)
Wildlife Works
World of Good
Appendix 2. Advisory Committee Participants

Ms. Bama Athreya  
Executive Director  
International Labor Rights Fund

Ms. Bena Burda  
Founder  
Maggie's Organics/Clean Clothes Inc.

Mr. Bjorn Skorpen Claeson  
Director  
SweatFree Communities

Ms. Erin Gorman  
Program Director  
Co-op America

Mr. Michael Sheridan  
Senior Program Officer, Economic Justice  
Catholic Relief Services
Appendix 3. Surveys for Stakeholder Feedback

Fair Trade Garment Study
Cotton Buyer Survey

Thank you for your participation in this study to understand US stakeholder concerns related to the possible development of a Fair Trade standard for garment production. The following survey is estimated to take 30 minutes to complete, depending upon the length and amount of additional comments you may wish to add. All survey responses will be confidential and reported in a non-attributable format.

Please submit your completed survey no later than April 30th to Maureen Quigley via fax # 202 537 4889 or email: Maureen_quigley@yahoo.com

Please include your name and contact details below to allow a member of the research team to contact you with any follow-up questions or points of clarification we may have upon reviewing your responses.

Respondent’s Name: _______________________________ Organization: _______________________________
Day time telephone number: _______________________________ Email: _______________________________

Thank you for sharing your thoughts, ideas, and concerns with us. We look forward to receiving your completed survey.

Helpful Definitions:
• FT- Fair Trade
• FLO- Fair Trade Labeling Organizations International (umbrella group of Fair Trade certifiers)
• ILO – International Labor Organization www.iolo.org
• Fair Trade garment – labeled with the black & white “Fair Trade Certified” logo
• Fair Trade cotton – purchased for at least the Fair Trade minimum price by co-ops inspected and certified by FLO. For FLO cotton standards, click here.
• South – FLO-eligible producer countries (“Third World” or “Least Developed”). Click here for a country list.
• Joint Body: In the Fair Trade system, a committee whose sole purpose is to decide how social premiums accruing to workers in the Fair Trade estate or factory should be spent. The Joint Body is made up of democratically-elected worker representatives and representatives of management; workers hold the majority of votes. Click here for more information on the Joint Body concept.
• Social Premium: In the Fair Trade system, extra money paid by importers directly to Fair Trade farmers or workers, to be spent collectively on social development projects; usually 5-15% on top of FOB price.

1. Do you currently produce organic cotton garments? Yes, No, Have plans to do so

2. Do you currently produce Fair Trade garments or garments made with Fair Trade cotton? Yes, No, Have plans to do so

I. Supply Chain analysis

3. Please describe your supply chain for organic or traceable cotton
   - In which countries does CMT take place?
   - In which countries are the mills?
     ○ What processes does each mill provide? (spinning, dyeing, washing, etc.)
   - From which countries does each mill source organic/traceable cotton? Which are the most significant in terms of volume of cotton?
II. Application of Labor Standards

4. How does your company apply its labor standards program at each step in the supply chain? Please check all that apply.

<table>
<thead>
<tr>
<th>supply chain partner</th>
<th>Conduct social/env'l audits</th>
<th>Require supplier to adhere to your labor standards requirements</th>
<th>Have identified</th>
<th>Do not know suppliers</th>
<th>Other/note</th>
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<tr>
<td>CMT</td>
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<tr>
<td>Sundries/Accessories</td>
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<td>Laundries</td>
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<td>Dyers</td>
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<tr>
<td>Ginners</td>
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<tr>
<td>Cotton Traders</td>
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<tr>
<td>Farms</td>
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<tr>
<td>Other</td>
<td></td>
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</tbody>
</table>

5. Do you plan to extend the application of your labor standards program further down the organic or traceable cotton supply chain than you are currently doing? If so how far? Please check all that apply:
   - CMT
   - Sundries/Accessories
   - Laundries
   - Mills
   - Spinners
   - Dyers
   - Ginners
   - Cotton Traders
   - Farms
   - Other

6. What are the main challenges of auditing supply chain partners beyond CMT level? Please check all that apply:
   - Sheer number of suppliers involved, difficult to manage
   - Cost
   - Lack of control/bargaining power with suppliers further down the supply chain
   - Traceability (outsourcing and subcontracting)
   - Other

II. Subcontracting

7. At which stages in your supply chain is subcontracting most common? Please check all that apply:
   - Sundries/Accessories
   - Laundries
   - Mills
   - Spinners
   - Dyers
   - Ginners
8. Do you think it will be possible to inspect subcontracted facilities for working conditions? Yes/No/Partly, and Why? If partly, what percentage might be achievable?

III. Fair Trade Standards and Implementation

9. Do you think that a Fair Trade standard for garments could add to or complement current efforts to improve working conditions in garment supply chains?
   - It can add value to current efforts
   - It can not add value to current efforts
   - Not sure
   - No opinion
   - Other
   Please explain:

10. What are your concerns about the development of a Fair Trade standard for garments? Please check all that apply.
    - Current proliferation of different labor standards and requirements for producers, Fair Trade would simply be another one
    - Competing efforts of different initiatives and organizations
    - Other: (please explain)

11. What should form the basis for a Fair Trade garment standard? Please check one of the following that best describes your opinion regarding the basis of a possible Fair Trade standard:
    - Existing multi-stakeholder initiatives’ codes and requirements.
    - ETI: Ethical Trading Initiative, www.ethicaltrade.org
    - UN Global Compact: www.unglobalcompact.org
    - Fairwear Foundation, www.fairwear.nl
    - Individual corporate codes of conduct
    - Other
    The Fair Trade Labeling Organizations’ Generic Hired Labor standard (click here to read the FLO Hired Labor Standard).
    - It should be unique from existing labor standards
    - Other:
    Comments:

12. Which of the following Fair Trade principles and standards would you most readily be able to uphold in your supply chain?
    - Environmental sustainability – for example: controlling dumping of waste material, procuring more sustainable dyes
    - Social Development through the payment of a Fair Trade premium for worker-organized development projects
    - Economic empowerment of workers in the form of (please check one of the following):
13. Would you be willing to pay a Fair Trade premium above your normal cost of goods (assuming that you would pass this cost onto consumers)? Yes/no?
   a. If so, what is the maximum amount you would be willing to pay in addition to the FOB price?
      5-10% of FOB price
      10-15% of FOB price
      15-25% of FOB price
      Other: please define/explain:

14. Are there particular countries in which you think following these principles will be more difficult than others? Why?

15. How far back in your supply chain could you envision being able to apply FT standards within your
    organic/traceable cotton supply chain?
       CMT
       Sundries/Accessories
       Laundries
       Mills
       Spinners
       Dyers
       Ginners
       Cotton Traders
       Farms
       Other

16. How far back in your supply chain could you envision being able to apply FT standards within your regular, NON-
    traceable cotton supply chain?
       CMT
       Sundries/Accessories
       Laundries
       Mills
       Spinners
       Dyers
       Ginners
       Cotton Traders
       Farms
       Other

17. In your opinion, are auditing and certification required elements of a FT standard? (Yes/No/No opinion)
   a. If so, how far down the supply chain is it feasible to apply FT standards auditing and certification?
      Please check the box that most accurately reflects your opinion.
      Auditing and certification should take place at every supplier and every facility in the supply chain
      from farm to garment finishing
      Auditing and certification should take place at the most labor-intensive functions of the garment
      production (e.g. farm and cut & sew facilities)
      Other: (please explain)
18. Joint Bodies. In the Fair Trade system, the “Joint Body” is a committee whose sole purpose is to decide how Fair Trade social premiums accruing to workers on the Fair Trade plantation or in the Fair Trade factory should be spent. The Joint Body is made up of democratically-elected worker representatives and representatives of management; workers hold the majority of votes. Click here for more information on the Joint Body concept
   a. Would you support the introduction of Joint Bodies in a Fair Trade garment program? (Yes/No/Not sure)
      i. What challenges do you envision with this at the factory level?
      ii. Are there other worker representative mechanisms that you feel would work better than a Joint Body in a CMT factory setting? If so, please explain.

19. General Comments: Please add any additional thoughts or comments you may have on the above listed questions or on any key issues that were not included in the questions above.
Fair Trade Garment Study
Survey for Non-Governmental Organizations, Unions and FT organizations

Thank you for your participation in this study to understand US stakeholder concerns related to the possible development of a Fair Trade standard for garment production. The following survey is estimated to take 30 minutes to complete, depending upon the length and amount of additional comments you may wish to add. All survey responses will be confidential and reported in a non-attributable format.

Please submit your completed survey no later than April 30th to Maureen Quigley via fax # 202 537 4889 or email: Maureen_quigley@yahoo.com

Please include your name and contact details below to allow a member of the research team to contact you with any follow-up questions or points of clarification we may have upon reviewing your responses.

Respondent’s Name: ____________________________ Organization: ____________________________

Day time telephone number: ____________________________ Email: ____________________________

Thank you for sharing your thoughts, ideas, and concerns with us. We look forward to receiving your completed survey.

Helpful Definitions:
• FT- Fair Trade
• FLO- Fair Trade Labeling Organizations International (umbrella group of Fair Trade certifiers)
• ILO – International Labor Organization www.iolo.org
• Fair Trade garment – labeled with the black & white “Fair Trade Certified” logo
• Fair Trade cotton – purchased for at least the Fair Trade minimum price by co-ops inspected and certified by FLO. For FLO cotton standards, click here.
• South– FLO-eligible producer countries (“Third World” or “Least Developed”). Click here for a country list.
• Joint Body: In the Fair Trade system, a committee whose sole purpose is to decide how social premiums accruing to workers in the Fair Trade estate or factory should be spent. The Joint Body is made up of democratically-elected worker representatives and representatives of management; workers hold the majority of votes. Click here for more information on the Joint Body concept.
• Social Premium: In the Fair Trade system, extra money paid by importers directly to Fair Trade farmers or workers, to be spent collectively on social development projects; usually 5-15% on top of FOB price.

1. General Questions

1. Do you think that a FT (Fair Trade) standard for garments could add to or complement current efforts to improve working conditions in garment supply chains?
   - It can add value to current efforts
   - It can not add value to current efforts
   - It would detract/harm other efforts
   - Not sure
   - No opinion

   Please explain:

2. What are your concerns about the development of a Fair Trade standard for garments? Your concerns may include issues such as the following: Please check all that apply and add others that are not listed here.
Current proliferation of different labor standards and requirements for producers, Fair Trade would simply be another one
Competing efforts of different initiatives and organizations
Other: (please explain)

II. Content of Fair Trade Standards

3. In your opinion, how should a Fair Trade standard differ from the many labor standards initiatives (corporate, NGO, and multi-stakeholder initiatives) that are currently available for companies to choose from?

4. Basis for Fair Trade Standards

Please check one of the following that best describes your opinion regarding the basis of a possible Fair Trade standard:
A Fair Trade textile standard should be based upon existing multi-stakeholder initiatives’ codes and requirements.
Please check the codes of conduct or multi-stakeholder initiatives that you would accept as the basis of a Fair Trade standard:
ETI: Ethical Trading Initiative, www.ethicaltrade.org
UN Global Compact, www.unglobalcompact.org
Fairwear Foundation, www.fairwear.nl
Individual corporate codes of conduct
Other
Fair Trade requirements should be based upon the Fair Trade Labeling Organizations’ Generic Hired Labor standard (click here to read the FLO Hired Labor Standard).
A Fair Trade garment standard should be unique from existing labor standards.
It should be based on the eight Fundamental ILO Conventions (see definitions above)
Other:

Comments:

Please Note: The issues of Freedom of Association, forced labor, working hours, safe working conditions, anti-discrimination, child labor, and health and safety, environmental safety are, amongst others, concerns that are common to Fair Trade, anti-sweatshop, corporate, and multi-stakeholder organizations’ codes of conduct and standards for improving working conditions. These issues would be integral to any Fair Trade Standard that may be considered for future development. However, the following issues are specific to existing Fair Trade certification standards processes and must be examined for their relevance and applicability to a garment standard.

5. Which of the following is most important to you in a Fair Trade standard regarding Freedom of Association? (Rank in order of importance with 1 being the most important to you)
Workers are unionized
Workers have worker committees or other means of representation and meet with management, but are not necessarily unionized
Facilities are co-ops or worker owned
Form of representation does not matter as long as mechanism is an effective means for worker representation
Other:

6. Which of the following is most important to you in a Fair Trade standard regarding wages? (Rank in order of importance with 1 being the most important to you)
Minimum wages paid
Above minimum wages paid
Wage rates are set via a collective bargaining agreement
Other:
7. Social Premium: Which of the following is more important to you in terms of the implementation of a social premium in a Fair Trade textile standard?
   - Importer or Brand pays a “social premium” to a Joint Body (worker representative body) to be spent collectively on community and social development programs for workers
   - Workers receive wages + % premium directly for FT production
   - Other: (please describe)

8. Should a Fair Trade garment standard include criteria on the terms of trade and the responsibility of buyers (e.g. credit provision, long term relationships)? (Yes, No, No Opinion)
   a. If so, in what way? Please describe.

9. Should Fair Trade be restricted to farming and production that takes place in developing countries or should it include Northern-based production as well? For example, is US (organic or non-organic) cotton acceptable for Fair Trade garments? Or, what about a US-based cut & sew facility producing FT garments?
   a. If FT included Northern-based production, should Northern based growers or producers be required to maintain the same requirements as Southern growers and producers? Please explain.

III. Standards Implementation and Auditing

When answering the following questions, please keep in mind the following:
   - The typical cotton garment supply chain involves the following steps:
     - Farming ⇒ Ginning ⇒ Spinning of Cotton into Yarn ⇒ Dyeing ⇒ Weaving or Knitting ⇒ Laundry/Finishing ⇒ Cut & Sew ⇒ Embellishment
   - The most labor intensive aspects of cotton garment production are the farming and cut & sew/embellishment functions.
   - Ginning, spinning, weaving, knitting, and dyeing are typically highly mechanized processes
   - This discussion limits spinning to mechanized spinning of yarn and weaving or knitting, and does not include hand spinning, knitting, or weaving

10. In your opinion, what links in the supply chain should be included in a FT garment standard? Please check all that apply:
    - Farms
    - Gins
    - Spinning/Dyeing/Weaving or Knitting (often one facility does all functions)
    - Laundries/Finishing
    - Cut and sew factories
    - All producers and facilities in the supply chain

11. A Fair Trade garment standard should apply to the following types of suppliers: Please check all that apply.
    - Direct suppliers
    - Subcontractors
    - Home-based workers
    - Other (please explain)

12. In your opinion, are auditing and certification required elements of a FT standard? (Yes/No/No opinion)
   b. If so, how far down the supply chain is it feasible to apply FT standards auditing and certification? Please check the box that most accurately reflects your opinion.
      - Auditing and Certification should take place at every supplier and every facility in the supply chain from farm to garment finishing
      - Auditing and certification should take place at the most labor intensive functions of the garment production (e.g. farm and cut & sew facilities)
b. If so, should the same auditing and certification requirements be applied to small cooperatives as well as large cut & sew facilities or should they differ? Please explain.

13. Which of the following types of monitoring would you consider acceptable as part of a universal FT garment certification process? Please check all that apply.
   - Self monitors
   - Self monitors with union members
   - 3rd party monitors (commercial)
   - Independent Monitors (NGO)
   - Organic certification monitors
   - Other:

IV. Other Issues

14. China/Freedom of Association:
   Please rate each of the following statements on a 1-5 scale (with 1 representing strongly disagree and 5 representing strongly agree)
   - Because there is no union sector in China, Fair Trade cannot/should not work with factories there
   - Fair Trade can work only with worker-owned factories in China
   - I would like to see Fair Trade in factories in China, despite there being no strong union movement there.

   a. In your opinion, is there a credible way for FT to work in China? (Yes/No/No Opinion)
      (i) Please explain.

15. Other countries where I would be concerned about Freedom of Association (please list) in order of most concern:
   1. _______________
   2. _______________
   3. _______________
   4. _______________
   5. _______________

16. General Comments: Please add any additional thoughts or comments you may have on the above listed questions or on any key issues that were not included in the questions above.
Appendix 4. FLO’s Eligible Countries List

FAIRTRADE LABELLING ORGANIZATIONS INTERNATIONAL
Geographical Scope of Producer Certification for Fairtrade Labeling
version May 2006

FLO certifies producers in the following countries:

<table>
<thead>
<tr>
<th>Afghanistan</th>
<th>Ghana</th>
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<tbody>
<tr>
<td>Algeria</td>
<td>Grenada</td>
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<td>Angola</td>
<td>Guatemala</td>
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<td>Antigua and Barbuda</td>
<td>Guinea</td>
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<td>Argentina</td>
<td>Guinea-Bissau</td>
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<td>Armenia</td>
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<td>Benin</td>
<td>Indonesia</td>
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<td>Bhutan</td>
<td>Iran, Islamic Rep. Of</td>
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<td>Bolivia</td>
<td>Iraq</td>
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<td>Botswana</td>
<td>Ivory Coast</td>
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<td>Malawi</td>
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<td>Cook Islands</td>
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<td>St Vincent &amp; Grenadines</td>
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Appendix 5. FLO’s Phased Approach to Labeling Fair Trade Cotton Products

Unlike many other Fair Trade products which have traditionally been processed in developed countries (for instance, coffee roasting or chocolate manufacturing), cotton passes through a long and complex supply chain with a large amount of processing in developing countries. While FLO has typically concentrated its efforts on ensuring fair returns to commodity farmers, in the case of garments many stakeholders also hoped that Fair Trade labeling could benefit workers farther along the garment supply chain.

Because of the complexity, FLO decided to approach textile labeling in two phases, outlined below. Phase One would constitute “Products Made with Fair Trade Certified Cotton”, wherein the cotton farmers received Fair Trade prices and benefits along the typical Fair Trade Certified commodity model (similar to coffee and cocoa) but the workers in other parts of the chain (after the cotton-growing) would not necessarily receive extra Fair Trade benefits. To reduce consumer confusion, the FLO label was modified to include the phrase “Made With Fair Trade Certified Cotton” to be clear that FLO is making guarantees only about how the cotton ingredient was traded, and not about the rest of the chain.

Phase Two, which is just now beginning, aims to assess whether and how Fair Trade benefits such as social premiums and worker empowerment can be extended to other parts of the chain, especially the labor-intensive cut-and-sew stages. Each phase is summarized below.

Phase One: “Made With Fair Trade Certified Cotton”

Cotton

In Phase One, the cotton in the product has been certified according to FLO’s Fair Trade Standards for Seed Cotton, which are very similar to those for other commodities. The cotton farmers must be small, relying only on their own family labor for cotton production. They must be organized into democratically-controlled groups (e.g. cooperatives) to sell as directly as possible to the market. Fair Trade minimum prices and social premiums have been set for several countries in West Africa as well as India, Pakistan, Brazil, and Peru.

Cotton ginning through to garment finishing

For the ginning through to finishing the garment, Phase One adopted a reactive approach, to reduce the likelihood of Fair Trade Certified cotton passing through the worst sweatshops rather than deliver Fair Trade benefits to workers along the chain. Each link in the garment chain after the cotton-growing (including any subcontractors) must demonstrate efforts to comply with international labor standards, specifically the following ILO Conventions:

- 001 Hours of Work 1919
- 029 Forced Labor 1930
- 087 Freedom of Association and Protection of the Right to Organize 1948
- 098 Right to Organize and Collective Bargaining 1949
- 100 Equal Remuneration 1951
- 105 Abolition of Forced Labour 1957
- 111 Discrimination (Employment and Occupation) 1958
- 131 Minimum Wage Fixing 1970
- 138 Minimum Age Convention 1973
- 155 Occupational Safety and Health 1955
- 182 Elimination of the Worst Forms of Child Labour 1999

The idea in Phase One is that demonstrating effort to comply at least shows that the production site or end brand is aware of labor rights issues and is making some attempt at compliance or improvement, reducing the likelihood that the Fair Trade cotton went through the worst sweatshops. Phase Two (see below) will then examine how factories can go beyond mere compliance and generate real progress and change for workers in the garment industry.

The traders can present the following indicators to demonstrate efforts towards compliance:
1. An International Fair Trade Association (IFAT) membership certificate
2. An SA 8000 certificate
3. Documentary proof of participation in one of the following initiatives: Ethical Trading Initiative, Fair Wear Foundation, Fair Labor Association, Workers’ Rights Consortium
4. A letter of endorsement of a union accredited by ICFTU
5. The report of an external audit of its company against one of the codes benchmarked by FLO against the FLO Base Code on Trade, including any corrective action plans
6. The statutes of the applicant company prove that the applicant company is owned by the workers

The FLO Base Code on Trade is very similar to the ETI base code and includes all of the international labor standards listed above.

Phase Two: Can Fair Trade be Extended to Garment Workers?

In Phase Two, FLO will try to determine if the core elements of Fair Trade (including social premium, worker empowerment, and direct supplier-brand relationships) can be met at other labor-intensive parts of the supply chain, especially “cut and sew” (finishing). FLO will hire a consultant for a three-month project to determine:

- What concrete options are there for social premium payment at the cut-and-sew level?
- Should social premiums be managed through FLO’s Joint Body concept or another mechanism?
- How can we ensure that small artisanal producers also benefit from a FT label?
- How should the system deal with sub-contracting?
- Can we reduce auditing costs and improve effectiveness by working with systems already in place? Other multistakeholder systems have developed local union and NGO networks to monitor progress – how can FLO link up with these?
- How will the costs of extending benefits to garment workers and monitoring compliance affect the consumer price of a Fair Trade garment?

The research will include continuing stakeholder discussion with initiatives like IFAT, the FWF and the ETI, as well as unions and mainstream textile traders. A two-day open seminar will be held in Europe to discuss and debate ideas. Finally, a paper with recommendations as to whether or not Fair Trade can be extended to garment workers will be presented to the FLO Board by the end of 2006.
Appendix 6. Bibliography


Clean Clothes Campaign (2005) How Weak Social Auditing is Keeping Workers in Sweatshops. Amsterdam: Clean Clothes Campaign.


SAVE NGO (date unknown) “Evidence from the Tirupur Knitwear Industry”. Tirupur, India: SAVE-NGO.

