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**Collective Power in the
Global Textile and Apparel Production Network.**
The impact of civil society organizations and consumer initiatives
in the West on the situation of workers in developing countries.

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Abbreviations

GPN Global Production Networks

FLO Fairtrade Labelling Organization

ETI Ethical Trading Initiative

CCC Clean Clothes Campaign

ILO International Labour Organization

UN United Nations

NGO Non- Governmental Organization

IMF International Monetary Fund

WB World Bank

CoC Code of Conduct

MNC Multi National Corporation

TNC Trans National Corporation

CSO Civil Society Organization

TU Trade Union

PO Producer Organization (Fairtrade)

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Abstract

Executive Summary

This thesis examines the influence of collective power in the global textile and clothing production network with regards to consumer organizations and initiatives arising from the civil society.

The theory of Global Production Networks is presented in order to analyze the current textile and clothing production. Furthermore a historical overview of the development of that industry is provided to put the “outsourcing” into context.

The core of this paper is the investigation of three different examples of organizations that advocate workers rights in the production of garments:

“Fairtrade” is examined based on the results of field research, which shows the improvement of living and working conditions of the Fairtrade cotton farmers in Africa and India.

The "Ethical Trading Initiative" developed a code of conduct with representatives of civil society and corporations themselves. The members of the Alliance agree to comply with and implement this "base code" along their production network. Again, an assessment is made, which not only shows how the situation of the workers improved, but also takes into account how these changes are perceived by the individuals concerned.

Finally, the “Clean Clothes Campaign”, which tries to bring the brands and companies to comply with ILO Standards through public pressure, is examined. Three projects by the Clean Clothes Campaign are presented: "The Bangladesh Fire and Safety Deal ", “the Living Wage Campaign” and the "Company Check".

The comparison of the three organizations highlights their different approaches and forms of influence. Fairtrade offers the consumer a choice when shopping, the Ethical Trading Initiative provides a forum for cooperation between the representatives of workers and the employers, and the Clean Clothes Campaign “name and shame” brands who disregard workers rights to raise consumers awareness.

All three influence the Global Production Network in a different manner and degree.

Zusammenfassung

Die vorliegende Diplomarbeit befasst sich mit dem Einfluss von „Collective Power“, der Macht des Kollektivs in dem globalen Textil- und Kleidungsproduktionsnetzwerks im Bezug auf Konsumenteninitiativen und Organisationen die aus der Zivilgesellschaft entstehen.

Die Theorie der Globalen Produktionsnetzwerke wird vorgestellt um anschließend damit die gegenwärtige Textil- und Kleidungsproduktion und deren historische Entwicklung zu analysieren. Der Hauptteil der Arbeit befasst sich mit der Untersuchung von drei verschiedenen Beispielen von Organisationen die sich für die Einhaltung der Rechte der Arbeiter in der Produktion von Kleidungsstücken einsetzen.

„Fairtrade“, inzwischen eine der bekanntesten Organisationen und Marken für „fairen Handel“ geworden, wird anhand der Ergebnisse einer Feldforschung untersucht, welche die Verbesserungen der Lebens- und Arbeitsbedingungen der Fairtrade Baumwollbauern in Afrika und Indien dargestellt. Anschließend wird die „Ethical Trading Initiative“ analysiert, die einen gemeinsamen Verhaltenskodex mit Vertretern der Zivilgesellschaft und der Konzerne ausarbeitet. Die Mitglieder des Bündnisses verpflichten sich zur Einhaltung und Umsetzung dieses „Base Codes“ entlang ihres Produktionsnetzwerkes. Auch hier wird für die Analyse eine Untersuchung herangezogen, die nicht nur feststellt inwiefern sich die Situation der Arbeiter verbessert hat, sondern auch berücksichtigt wie diese Veränderungen von den betroffenen Personen eingeschätzt werden. Zuletzt wird die „Clean Clothes Campaign“ erforscht, die versucht die Marken und Konzerne durch öffentlichen Druck dazu zu bringen, die Rechte der Arbeiter, die ihre Produkte erzeugen, einzuhalten. Drei Projekte der Clean Clothes Campaign werden vorgestellt: „The Bangladesh Fire and Safety Deal“, „the Living Wage Campaign“ und der „Firmen-check“. Der Vergleich der drei Organisationen macht ihre unterschiedlichen Herangehensweisen und Formen von Einfluss deutlich. Fairtrade, die dem Konsumenten eine Alternative bei der Produktauswahl anbieten, die Ethical Trading Initiative, die ein Forum für die Kooperation zwischen den Vertretern der Arbeiterschaft und der Unternehmer, bilden und die Clean Clothes Campaign, die den Konsumenten über die Zustände in der Produktion informiert und damit Druck auf die Firmen macht.

1 Introduction

In the field of studies “International Development” we learn about global inequalities their possible reasons and ideas of how to overcome these. The economic system of today is based on consumerism in the rich world as a driving force for growth, which is the underlying paradigm of global capitalism. Through globalization production has become more and more delocalized and has promoted industrialization in the so called „developing countries“. This has been advocated to be the solution to poverty and the way to economic wealth and prosperity for the societies involved.

Almost every product we buy in our everyday lives our local supermarket or other shops has travelled across the globe and is therefore a testimony to the highly interrelated network of commodity production that has evolved over the last decades. A consumer’s decision to buy a certain product triggers the reproduction of this commodity chain.

1.1 Relevance and Motivation

Therefore I think the analysis of the consumer power as well as the possible impact of civil society organizations is very interesting within the field of International Development and also to our personal lives as members of a consumer society. In order to understand these relationships, it is necessary to first deconstruct global trade, analyze the practices of global corporations who control their supply chains, reveal the reality of today’s working conditions on production sites and discuss the existing institutions, laws and regulations dealing with this subject.

Out of a personal interest in the apparel sector, I decided to concentrate on this kind of trade. I think that this is a valid example to explain the impact of consumers’ decisions and global trade as it is an extremely competitive market where the fight for the customer, through marketing, plays an important role, the production network is highly globalised and the value distribution is particularly uneven. Studying the available literature, I have found that there has been extensive research done on the topic of the foodstuffs industry, especially concerning coffee trade, but not so much on textiles, so I can see how my thesis could make a possible contribution here. After the foods stuff, the pharmaceutical/cosmetics industries have experienced the green/bio-boom as well. Now consumers are also getting more interested and aware about how, where

and by whom their clothes are produced. Corporate Social Responsibility is as ever more important as civil society not only becomes more conscious of the consequences of their consumption choices, but also holds the Corporations accountable for the people working in their name. The central question of this thesis is therefore how much influence such civil society initiatives and consumer awareness in the consumer markets can have on the situation of workers in far-away countries.

1.2 Research questions

What is the influence of collective power in Global Apparel Production Networks?

In how far can the western civil society influence the development of a textile producing country through consumer initiatives and consumption choices?

Subquestions:

How are the working conditions in the textile industry shaped by today's textile trade?

What is the relationship between the textile industry and the development of the producer countries?

Is there some measurable change to be realized in the workers lives through consumer initiatives and civil society organizations?

What is the impact of fair trade initiatives on workers? What is the impact on the producer societies as a whole?

1.3 Theory and Methodology

The theory this paper is based on is the "Global Production Networks Theory", which is a relatively new theory developed out of the world-systems theory. It is suitable for the purpose of the research question of this thesis because it includes a wide spectrum of participants and gives the possibility to get different perspectives on the issue. Chapter two will explain the hypothesis and its background in depth.

The approach to this research question will be conducted by the methodology of literature comparison. The primary literature focuses on qualitative research in the form of impact assessments. The methodology of these assessments will be further

detailed in the corresponding chapters (4.1 and 4.2). Furthermore information on the different initiatives is drawn from scientific articles, newspapers and the organizations' respective homepages. A selection of literature deals with Global Production Networks Theory from different authors.

1.4 Structure

The first part of the thesis will give the theoretical grounding. Chapter 3 gives a short historical overview of the development of the textile and apparel industry in the last decades to its current state with a few examples. Subsequently the conventional production network of apparel is described and examined in the light of the Global Productions Network theory. Chapter 4 deals with the different civil society organizations and consumer initiatives and their impact on the apparel production network. According to their configuration they will be analyzed with the help of the variables of the Global Production Networks theory, with special attention to the aspect of collective power.

1.5 Relevant definitions

Before going into the research topic, it is important to clarify some technical terms used in this thesis.

Textile refers generally to the woven material from fibers which is used of further processing to different kind of products, such as household, furniture or car textiles, not necessary only *Apparel* or *Clothing* articles. Therefore the *textile industry* is a preliminary step to the *apparel industry*. The textile industry includes the processing of the raw fibers e.g. cotton, spinning, weaving and dying to the fabric which then can be further processed in the apparel industry, where it is cut, sewn and finished. The individual steps will be detailed in chapter 3.2

The terms *Corporation*, *Trans* or *Multi National Corporation*, *Company*, *Lead Firm*, *Brand*, *Brand-name Company* are used synonymously in this thesis meaning the party in the production network who initiates the production process. Sometimes the *brand* has their own design team, but in any case it gives the order to suppliers, usually, at least concerning the cases relevant to this thesis, in other countries than where this

lead firm is based. Usually this entity has an identity in the consumption market, selling the products under their *Brand/Company* Name to the final consumer.

Buyers are commercial agents, sometimes employed by the lead firm, sometimes they are hired by the lead firm from a professional purchaser agency, who is the link to the supplier. It is their job to find a suitable supplier, negotiate the terms and conditions of the order contract. They are the representative of the lead firm.

2 Theoretical grounding

In order to tackle the main question of this paper, whether and how the consumer in Europe influences the development of textile producing countries through his/her choices in consumption, the relationships of all the agents in between the final customer and the countries in question need to be clarified first and the whole production network of the apparel industry and their global dimensions analyzed. To do so I will use the Global Production Networks approach, as described by Jennifer Bair, Neil Coe, Jeffrey Henderson and others. As Fischer et al. (2010: 15) argue, also non-governmental organizations might benefit from the use of chain and network theories for they might raise public awareness regarding the operations of corporations and sensitizing the consumers to the circumstances of production of every day products and who profits from it. In the following I will explain this theory and its roots in order to justify my choice.

2.1 The roots of the Global Production Networks approach

The Global Production Networks (GPN) approach gives a framework to analyze the integration of different countries, agents and stakeholders into the global trade system and aims to interpret the resulting socioeconomic development. This theory has developed out of a discussion between different forms of appliance of the World-Systems analysis to the present economic interrelations. The origins of the World-Systems analysis can be traced back to Immanuel Wallerstein and Terence Hopkins, who first coined the term “commodity chains” in an article that appeared in 1977 as follows:

“Let us conceive of something we shall call, for want of a better conventional term ‘commodity chains’. What we mean by such chains is the following: take an ultimate consumable item and trace back the set of inputs that culminated in this item - the prior transformations, the raw materials, the transportation mechanisms, the labour input into each of the material processes, the food inputs into the labour. This linked set of processes we call a commodity chain. If the ultimate consumable were, say, clothing, the chain would include the manufacture of the cloth, the yarn, etc., the cultivation of the cotton, as well as the reproduction of the labour forces involved in these productive activities.” (Hopkins and Wallerstein, 1977:128)

The “commodity chain” is meant to be a representation of the whole process from the idea of a product, the production steps it runs through, until it is purchased by the final consumer. To understand the socioeconomic impact of the integration into such a process as it is described by the Global Production Networks Theory it is helpful to briefly recapitulate the logic of the world-system analysis.

2.1.1 World Systems Analysis: An Excursus

The World-systems analysis is a theory founded in the 1970 which attempts to explain the uneven development between different countries in today’s world with the hierarchical order of core, semi-periphery and periphery, inherent and reproduced through its unequal distribution processes of surplus-value within the commodity chains in the capitalist system. (see Plank, 2009)

The theory says that global relationships determine the development potentials of regions: The state(s) or region(s) which is (are) referred to as “core” or “center” is (are) usually the one (those) with the “high value added” stages in the production process. In the apparel industry these are usually the design, the marketing and the sale of the merchandise. Lead- or brand-name firms are typically based in the center, from where they decide where, by whom and for which price they want to have their goods produced. The fact that they are placing the order with the subcontractors and partners of their choice puts them in a powerful position. The lead firm is in effect, “a firm that has the power to coordinate and control operations in more than one country, even if it does not own them” (Dicken 2007:16 after Coe 2008). The hierarchies, resulting from this division of labour, which are reinforcing global inequalities and creating core/periphery dichotomy, may change, but their development is always interdependent, as the core “feeds” on the uneven exchange with the periphery and at the same time the periphery can only upgrade to a semi-periphery in arranging itself well with the core. In connection with this, Wallerstein refers to Andre Gunder Frank’s notion of “the development of underdevelopment” which was used to describe the effects of capitalism and the establishment of “free trade” systems in the world economy. Thus, underdevelopment is not the “original state” but rather a product of capitalism and the policies of large corporations, major industrialized states and international agencies (see Wallerstein 2004:12). The South American world system theorist Andre Gunder Frank sees no perspectives of overcoming of this system

through the changes in the hierarchy, because the access to and exchange of resources remains unequal. Wallerstein however maintains that due to the capitalist systems' characteristic limitations, an alternation or modification of the system can be achieved at times of change of hegemonic power. Due to the loss of political legitimization and depletion of resources he believes us to have arrived at such a point today. (see Komlosy, 2011:208)

World-systems theorists regard commodity chains, as the Wallerstein reference above suggests, not merely as a simple process of production “but also the webs connecting that set of productive activities with the social reproduction of human labour power as a critical input into this process. Additionally world-systems theorists are most fundamentally interested in how commodity chains structure and reproduce a stratified and hierarchical world-system.” (Bair, 2005: 155) Therefore these commodity chains are essential keys to the systematic world order which they try to depict. While World-systems theorists are critical of the developmental idea that export orientated industrialization (EOI) may result in higher welfare globally, Gereffi and his colleagues have a more moderate approach: “The most fruitful response is not to debate whether global economic integration should take place at all, but rather to examine how this integration can be managed in order to produce [positive] effects for a majority of participants.” (Gereffi a.o. 2001:2)

This interpretation of the world systems approach shall be shortly explained in the following.

2.1.2 Other Chain and Network Theories

Gary Gereffi and Miguel Korzewicz develop Wallenstein's notion of Commodity Chains in the early 1990, constituting the *Global* Commodity Chains (GCC) approach with a similar background in economic sociology and comparative development studies. Although this approach draws close to the world system theory, Gereffi and his colleagues set themselves apart by two major points: The first concerns their understanding of globalization and from what point on we can talk about global production systems. According to World-system scholars the modern world system with its (uneven) global work division as it exists today is not a phenomenon dating from recent globalization efforts in the 1970 or even 1945, but has been building up

since the long 16 century with the European expansion. “(see Wallerstein, 2000:2) The second point of distinction between the Commodity chains approach from the World-system theory and the Global Commodity Chains perspective regards the intention of the research on commodity chains. While the world-systems analysis is more interested in the political angle of commodity chains as reinforcement of hierarchical structures inherent to the capitalist system, the GCC take more of a practical position: “GCC research analyses inter-firm networks, which connect producers, suppliers and subcontractors and is mainly interested in how global industries are organized and how firms, sectors and countries can upgrade in GCC.” (Plank, 2009:8) This means that the central thought leading the GCC research is the idea that upgrading can be a means of development and therefore policy implications can be derived from the theory. Although Wallerstein et al. admit that “mobility between the different tiers of the world system is possible”, they warn against that ‘developmentalist illusion’, because individual countries might move up or down, but the central issue of unequal exchange remains as the core of the capitalist system. (see Bair, 2005:157)

In the GCC literatures’ focus on the role of lead firms and how they govern chains scientists identify four different factors defining the Global Commodity Chain: The geographical scope, the institutional context, the input-output structure and the governance structure. The latter is further distinguished between producer and buyer driven commodity chains. Producer driven commodity chains, typical for technology and capital intensive sectors as for example the motor vehicles industry, are controlled by large, vertically integrated and transnational companies, which often own most or important parts of the supply chain. Buyer-driven Commodity Chains are typically in light, work intensive manufacturing industries, where brand-name firms or retailers appear as managers of a widespread network of subcontractors. These firms often have a hollow structure, meaning that the production is completely outsourced, their main activity is marketing and organization. The apparel industry is the classic example for this type of commodity chain. It is important to note that buyer-driven commodity chains are mainly influenced by consumption patterns while producer driven ones form the demand. (see Gereffi 1994:112)

Following the GCC-approach, a number of ideas for upgrading mechanisms occurred in the business and development literature. In order to unify the different researchers

and their vocabulary a congress on network- and chain approaches was held in 2000 which came to the agreement to join under the name of Global Value Chain Analysis as the most inclusive concept.

“Global Value Chain (GVC) research focuses on value creation and capture and on analyzing governance structures in different industries, with an emphasis on coordination mechanisms and upgrading prospects at the firm level.” (Gereffi et al. 2001, 2005 in Plank, 2009:9)

Upgrading mostly implies industrial or technical increase of skill of a company participating in the production process which allows it to cover more or higher valued production steps. These upgrades can be achieved through more efficient organization of processes, better products or functional changes such as outsourcing or incorporating some production steps. If the firm is successful in their upgrading efforts incomes may rise, as long as the competition does not acquire the same skills. This does not, however necessarily mean that the workers actually benefit from the upgrading process. This problem will accompany us throughout this paper:

“While the impact of world market integration on firm upgrading has been studied extensively, a thorough analysis of its impact on workers has been largely missing from the research agenda. Given the prevailing assumption that potential upgrading gains at the firm level will trickle down to workers, this is highly relevant, even more so since the scarce research carried out within chain/network framework calls this assumption in question.” (Plank, 2009:63)

2.2 The Global Production Networks Theory

The latest addition to the Chain- and Network research is the Global Production Networks (GPN) approach. It originates in economic geography and attempts to go beyond GCC and GVC research, criticizing the latter two as being linear and focusing too narrowly on the governance of inter-firm transactions. (see Coe et al. 2008:4)

Henderson explains that the differences to the previous theories are also reflected in the choice of name. While the notion ‘Global’ has already been adopted to indicate the widespread global-local relationships, the ‘Network’ concept as opposed to the idea of a linear ‘chain’ represents much more adequately the complexity of the interactions through which goods and services are produced. These Networks integrate not only firms through different strategies of equity, subcontracting and partnerships, but also

influence national economies and are influenced vice-versa by the socio-economic context in which they operate. Besides the general benefit of an approach that emphasizes the complex nature of the interdependencies that exist within production networks, Coe et al. (2008: 7f) list a number of specific advantages when adopting an explicitly networked approach:

The networked approach helps us to see all the non-firm agents that are vital components of the system as a whole.

“[It] helps us to see beyond the linear progression of the product or service in question to reveal the complex circulations of capital, knowledge and people that underlie the product service in question to reveal the complex circulations of capital, knowledge and people that underlie the production of all goods and service, and the various service firms of different kinds that are involved in those circulatory processes.” (Coe et al. 2008:7)

A multi-dimensional network perspective brings into view the connections and synergies between processes of value creation in different production networks. (see Weller, 2007)

The term “Production” instead of “Commodity” is meant to bring the process of creating a product which involves human labour to the center of attention, instead of the commodity itself. (see Henderson, 2001:13f.)

“A production network is, at its core, the nexus of interconnected functions, operations and transactions through which a specific product or service is produced, distributed and consumed. A global production network is one whose interconnected nodes and links extend spatially across national boundaries and, in so doing integrates parts of disparate national and sub-national territories.” (Coe et al., 2008:6)

The GPN approach aims at taking macro-structures such as conventions or institutions as well as all relevant agents such as NGOs and civil society, trade unions, national and sub-national states, supra-national and international organizations, business associations and others, into account when analyzing the influence of networks. It emphasizes a point of view on the political economy considering the socio-political structures within which production networks are rooted and which affect them. Consequently, GPN research not only analysis the important role of firms and inter-firm networks but also underlines the influence of wider institutional actors and

accentuates the complexity and non-linearity of relationships between agents involved in global production and takes into account. (see Plank, 2009:10)

The power relations within those Production Networks determine how value is generated and distributed. Levy maintains that they are “simultaneously economic and political phenomena” (2001) which can be seen as “contested organizational fields in which actors struggle over the construction of economic relationships, governance structures, institutional rules and norms, and discursive form”.

“GPNs thus exist within the “transnational space” that is constituted and structured by transnational elites, institutions, and ideologies’. GPNs are also, of course, ‘social’ and ‘cultural’ phenomena. GPN configurations and characteristics are shaped by and, in turn, shape the geographically differentiated social, political and cultural circumstances in which they exist as well as the material technicalities of the specific transformational processes which lie at the core of a particular GPN.” (Coe et al., 2008:4)

2.2.1 Parameters and Variables in the Global Production Networks

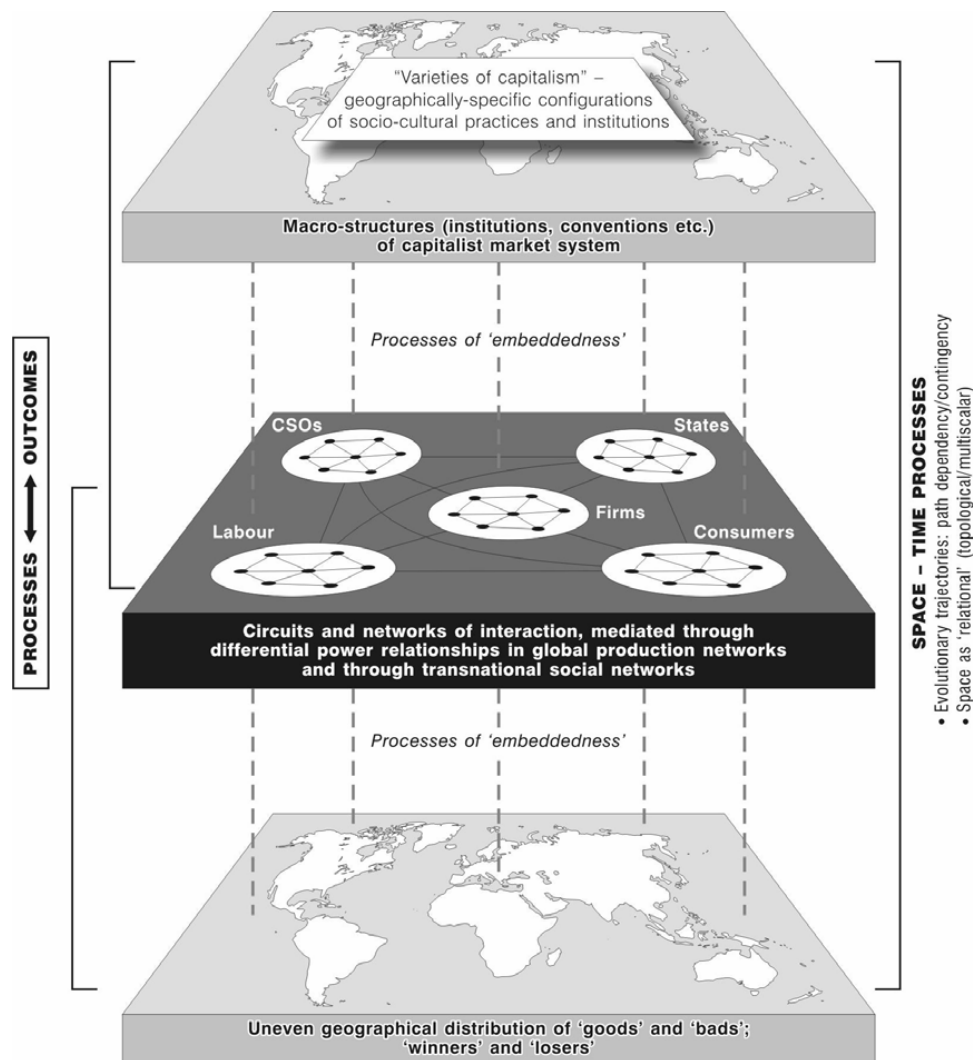


Figure 1: Source: adapted from Dicken 2004, Figure 2. in Coe

2.2.1.1 Power in Global Production Networks

“Power” is seen in the GPN theory as a relational effect of social interaction. The Power relations highlight the Global Networks’ interconnectedness aspect. Allen states:

“[...]the exercise of power in particular places may well originate beyond those places, at some other location, yet remains part of power’s active presence. In other words, the power relations in place are affected by what happens elsewhere and the network of connections of which it is part.”(See Allen, 2003 in Coe, 2004:475)

The theorists distinguish between three different forms of “Power” which influence the production process and therefore the development of production sites.

Corporate power is “the extent to which the lead firm in the GPN has the capacity to influence decisions and resource allocations – vis à vis other firms in the network – decisively and consistently- in its own interests.” (Henderson, 2001:18)

Institutional Power is the power a nation state, union or confederation, such as the European Union, NAFTA or ASEAN, the “Bretton Woods Institutions”, UN Agencies, rating agencies or similar players can exercise on production networks.

Last, but not least is *Collective Power*, which is the central concern of this paper and is specific to the Global Production Networks theory vis-à-vis its predecessors.

Collective power is put into effect by representatives of certain groups within the Network, trying to influence the corporate and/or the institutional power in their favor. Such collectives can be Trade Unions, employer’s representatives or civil society and their representatives, as for example NGOs.

2.2.1.2 Value in the Global Production Networks

Value as mentioned above is defined by Henderson as a “combination of the marxistian notion of surplus value with more orthodox notions of economic rent.” He differentiates between *Value Creation*, *Value Enhancement* and *Value Capture*. (see Henderson, 2001:16)

Value Creation is concerned with the conditions under which “labour power is converted into actual labour through the labour process; and the possibilities for it to generate various forms of rent.” (Henderson, 2001:16) This also takes account of the reproduction of the labour power and therefore tries to include the social dimension.

Value Enhancement is the variable comparable to ‘industrial upgrading’. It mainly means the knowledge and technology transfers which are taking place within the production network which can make a supplier or a location more valuable to an investor or lead firm. This may be through investment in infrastructure, human resources or “soft skills” such as good regional relations between different firms in that part of the supply chain.

The most important question concerning the development of production sites’ hosting economy is the *Value Capture*. How much of the value can be captured for the benefit of the region where it has been created and enhanced? This matter is determined by

the corporate governance applied by the lead firms in the given area and generally, the policy of the national government and the ownership concerning the firms involved, meaning whether they are all foreign owned or partly or fully domestically owned. Therefore the value capture depends heavily on the power relations between the institution vis-à-vis the corporations and their degree of embeddedness.

2.2.1.3 *Embeddedness in Global Production Networks*

Another factor in the GPN is the *Embeddedness* of lead firms and participants.

“GPNs do not only connect firms functionally and territorially but also they connect aspects of social and spatial arrangements in which those firms are embedded and which influence their strategies and their values, priorities and expectations of managers, workers and communities alike.” (Henderson, 2001:19)

Territorial Embeddedness deals with the lead firms’ integration in the various locations, influencing each other reciprocally.

“From a development point of view, then, the mode of territorial embeddedness or the degree of a GPN firm’s commitment to a particular location, is an important factor for value creation, enhancement and capture.” (Henderson et al., 2002:453)

Network Embeddedness stands for the relationship between the different participants in the specific production network, regardless of the geographical context and durability of these relations.

“Network embeddedness can be regarded as the product of a process of trust building between network agents, which is important for successful and stable relationships.” (Henderson et al., 2002:453)

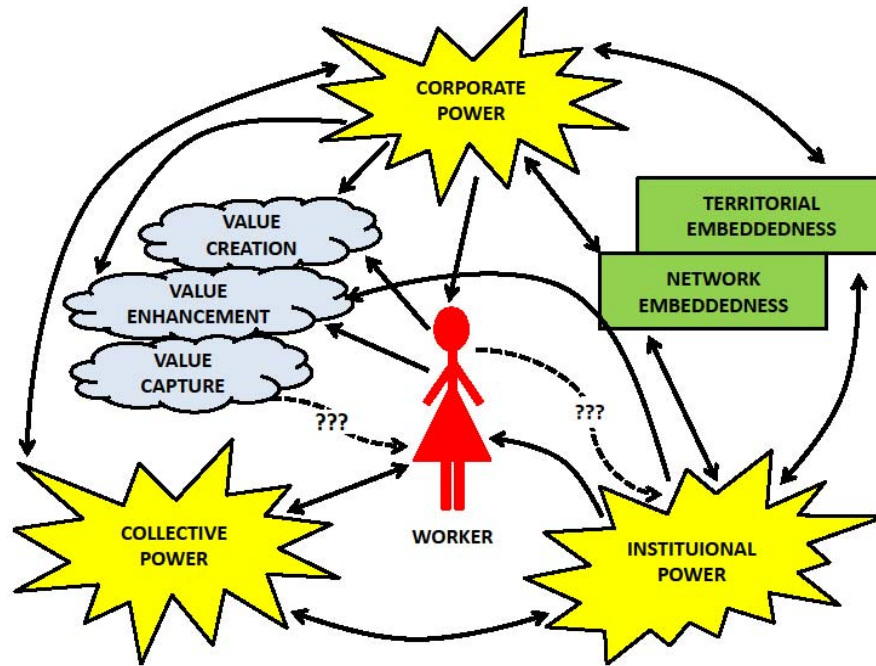


Figure 2: Influence between Agents in the GPN - © Nicoletta Peretti

The diagram above visualizes the different connections between the agents in the GPN. The arrows signify the direction of influence. For example: While the institutional power has a direct influence on the worker via labour laws and regulations etc., the workers influence on the institutional power is dependent on the degree of democratic legitimacy and good governance¹ of these institutions.

2.2.2 Critique on the Global Production Network Theory

The Global Production Networks approach has been developed by scientists out of the impression that the commodity chains literature failed to include some important groups and issues concerned by the international division of labour. In order to overcome the simplistic linear chain-thinking which only linked producers or business agents to each other, they have constructed an approach which embeds these links into their socioeconomic and local contexts which influence the quality of the interaction and vice-versa.

¹ United Nations Definition: "Good governance has 8 major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimized, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision-making. It is also responsive to the present and future needs of society." (<http://www.unescap.org>)

Still they have not managed to overcome some of the major problems within the chains- and networks research. Coe, Barrientos and others criticize that the firm is often treated as a 'black-box' and people working in it are treated as homogeneous subjects regardless of the different realities they face according to their status within a firm for example, if they are contract workers, temporary, migrant or still in another position. (see Barrientos, 2007; Coe, 2008) Naturally, the "lead"- firms are still in the center of attention, as the general sentiment is that they are the ones with the greatest power to influence the nature of the collaboration between the different tiers of the production network. In both, the GPN just as the GVC literature we detect a tendency to dichotomize between suppliers and lead-firms, although the GPN approach has the potential to put the other parts of the production network into perspective in order to understand their socioeconomic impact. (see Coe et al. 2008:11)

Coe also points out that the boundaries of a firm are not always clear cut as every company participates in different production networks. He criticizes that the literature focuses too much on inter-firm relationships, meaning the relationships between the different firms along the commodity chain while forgetting the importance of intra-firm relationships, the internal relationships within one firm and its links to its environment, e.g. between management and employees and the consequential implications to the family and society that employee is living in. (ibid.) Plank is addressing the same issue when he is stating that "[t]he existing chain/network literature has to a large extent focused on the analysis of transnational corporations (TNCs) and inter-firm relations to the detriment of relationships between firms and non-firm actors." (Plank, 2009:54)

Another critique that has already been brought forward against the GCC and GVC approach, but has not entirely been overcome is the "developmentalist" idea that industrial upgrading will lead to greater welfare for the entire society:

"It is generally assumed that upgrading automatically benefits workers. However, this is not necessarily the case, since the potential rewards from upgrading efforts may not be passed on to workers in the form of higher wages, greater job security or improved working conditions." (Plank, 2009:13)

Still the GPN framework has a more critical and open approach towards these questions and includes some interesting dimensions in order to get a more accurate and realistic picture of the different spheres of influence between the players

participating in the global production network. Coe summarizes the reasons to work with the GPN approach as follows:

- The capacity to incorporate all major actors
- The flexibility in “terms of geographical scale”
- The concrete socio-spatial contexts taken into account as they have a major influence on the nature and articulation of GPNs
- The differentiation between network and territorial embeddedness
- More detailed examination of power relationships: analyses not only to corporate power but also institutional power (states at different levels, as well as the global institutions) and collective power (e.g. CSOs, labour unions)
- The identification of value creation, enhancement and capture at different places in the network
- “[The] potential points of intervention or resistance within the network by, for example, CSOs (as in the case of consumer boycott movements, ethical trading initiatives, and the like).” (Coe et al., 2008:30f.)

In the following I will explore the development of the textile industry in the past century as to explain the existing conditions today. Using the Global Production Network theory I will analyze the Global Production Network of apparel because it takes all relevant factors into account, sets the different agents in relationship to each other and shows how the working conditions are shaped by today’s trade. I want to give special consideration to the dimension of collective power, which, to my understanding, is a central achievement of this theory in contrast to its predecessors.

3 The Textile Industry

3.1 The development of the modern Textile Industry to its current state

International trade in textiles is nothing new nor an invention of western civilization, in fact, there have existed century-old regional specializations in certain textile productions and exports from countries that later became part of the so-called “underdeveloped world”: Persian tapestry, Chinese silk, printed cottons from India and Levantine damask were traded between Persian, Jewish and Arab traders over far distances, long before the Europeans joined and finally monopolized this trade in the 16th century.

When Western Europe started to industrialize in the 19th century this meant concurrence to the Asians’ position as global market provider for textiles and other commodities. (see Komlosy, 2011:106) But while international trade has been common practice for centuries, production has never before reached this geographical dispersion it has today. The East India Company for example was merely occupied with trade and exchange of goods while today’s transnational corporations (TNCs) are coordinating and controlling a production network which divided the production process into different steps and spreads them over several countries according to the respective cost advantages. (see Plank and Staritz, 2009:4)

As Dicken puts it:

“The global economy has been transformed into “[...] a highly complex, kaleidoscopic structure involving the fragmentation of many production processes, and their geographical real-location on a global scale in ways which slice through national boundaries.” (Dicken 2003:9 in Plank/Staritz, 2009:5)

This transformation started in the 1970s/80s with developing countries turning from import-substituting industrialization (ISI) development strategies to export oriented development models, which have been more or less imposed by the World Bank and the International Monetary Fund in the situation of the debt crisis. (see Nohlen, 2002:744)

In order to be granted loans the developing countries had to accept reform packages concerning privatization of state-owned companies and financial market and trade

liberalization. "As a consequence, manufacturing capabilities that had been built up during the import-substituting industrialization period became globally available." (Plank/ Staritz: 2009:5)

Henceforth companies in their quest of lowering their fabrication costs have seized the opportunity and started outsourcing labour intensive parts of their production. (see *ibid.*) This was especially the case for the textile and apparel industry. One reason for this is that some developing countries, as mentioned above, already had capabilities and a history with textiles. Another one is that the development ideology of "catching-up industrialization" has been based on the European or British model which also started with cotton processing and therefore industrialization efforts were directed in this area. The third reason is that apparel manufacturing is an extremely labour intensive industry, but at the same time not very technically intensive which is precisely what a country with a large unskilled workforce is considered to need in order to attain employment and generate economic growth. From then on the development agenda was focused on export oriented growth based on consumerism in the West. This went hand in hand with the change of consumption patterns in the USA and Europe, whose post war economic booms have been slowing down for the last decades. Those changes in consumers' behavior have not come by chance, if you ask Elisabeth Cline author of "Overdressed. The shockingly high cost of cheap fashion." (2012). According to her research the American brand GAP was one of the pioneers who slowly accustomed costumers to not only shop seasonally for what they need, but regularly come in for new clothes:

"Gap was also one of the earliest retailers to get us hooked on shopping very frequently. Ilse Metcheck, the president of the California Fashion Association who worked as a manufacturer that produced for Gap in the '90s, recalls, "Every month, Gap had a new colour that went into the window. It may have been the same sweater, but every month the colour theme changed." Suddenly a dizzying number of people across the country were splurging on the latest Gap turtleneck in a new hue. "Gap was ordering hundreds of thousands of units", recalls Metcheck. [...] By 1991, just a few short years after its transformation into a brand, Gap was doing almost \$2 billion a year in sales. By the end of the decade, they were famously opening at least one store *a day* - 570 doors in 1999 alone." (Cline, 2012:16f.)

The 70s and 80s were marked by a boom of shopping malls all over the U.S. and Europe, like for example the Austrian "Shopping City Süd" built in 1976. The changes

in consumer spending in the last century are unprecedented, especially in clothing. But while the quantity of garments purchased per year is on a constant rise, the percentage of the income of U.S. consumers going into clothing has become ever-smaller, which means that apparel has become ever cheaper. (see Cline, 2012)

Although the Multi Fiber Agreement (MFA) was established in 1974 to limit the import of garments from developing countries with quotas to slow down the effect on the industry in the US and Europe, the decline of the local production could not be delayed for long. Some countries were privileged by the MFA: Least developed countries, like Bangladesh for example were not restricted nor were any import duties imposed on them by the European Union, which lead to a substantial expansion of the textile processing industry there.

The outcomes of these policies are not appreciated by everyone, especially in the light of recent tragedies like the factory collapse in Dhaka, Bangladesh. The French journalist Olivier Cyran quotes the professor of economics of the University of Jahangirnagar in Bangladesh in „le monde diplomatique“ in June 2013 describing this development for his country, claiming that Bangladesh has not always been a slave to the fashion industry: The cultivation of jute was the most important sector well into the 1980s. Then the IMF and the World Bank enforced structural adjustment programs which cut state spending and privatized everything. In his opinion this ruined the local industry, raised unemployment and created a dependence on imports. Functionaries of the big parties, army officials and others of the elite have profited from this situation, investing in the textile industry, as the incentives were high: low wages, weak unions through the privatization of state owned companies and abolishment of tolls on the import of machinery for exporting industries. Corruption took its course which until today links factory owners and politicians close together, while workers are deprived of their rights. (see le monde diplomatique, Cyran, 2013:4) Today Bangladesh is the second biggest exporter of apparel worldwide, just after China and heavily depends on this industry as 80% of their exports are from that sector.

China is still the biggest textile producer and exporter in the world, but orders have been moving to Bangladesh in the last years because wages rise and labour standards are being more seriously monitored. There are still many production sites which are not meeting any safety standards not to mention workers rights, but according to the newspaper “Die Zeit” new factories being built have to comply with

requirements regarding fire and workplace safety as well as some basic conditions for the work place environment such as air-conditioning, space and sanitary regulations. Fire protection drills are becoming a rule and the government has installed 2.700 complaint offices to give workers the possibility to bring wrongful behavior, injustices and/or other problems to their attention. Free and independent trade unions are still forbidden though. But while the quality of the working conditions might rise in China, wages do so too and therefore many of the international corporations in the textile and apparel industry start relocating their production to poorer and cheaper regions like Bangladesh. (see www.zeit.de, May 2013)

Although Bangladesh and China are the biggest apparel manufacturers worldwide and export to all the western markets, regional producers also play an increasingly important role in the industry. For some brand-name retailers the proximity of their suppliers have become of vital importance since the '90s in order to keep up with ever faster changing fashion-styles and shorter life-cycles of their products. Romania and Turkey are such examples for the market of the European Union, while Honduras, the Dominican Republic and Mexico take this role for the market in the United States. (see Plank, 2009:69)

Plank illustrated the circumstances of the textile industry in the European region taking the example of Romania, which he calls "Europe's sewing room".

After the fall of the iron curtain European firms trying to reduce their manufacturing costs, started relocating their production activities to the Central and Eastern European countries as well as the European Mediterranean Rim, especially in the apparel sector. Besides the lower costs of labour, other assets such as the former socialist' states industrial infrastructure and a relatively skilled workforce, made the relocation a lucrative enterprise for European based lead-firms. (see Plank, 2009:72)

This outsourcing of labour-intensive parts of the production network to low-wage countries was facilitated by the European Unions' Outward Processing Trade Agreements (OPT Agreements).

"In the context of OPT, EU-based firms could send inputs (textile) to one of the countries in question (e.g. Romania) for processing and re-import the finished garments without facing restrictions which pertain to 'direct' imports into the EU. This preferential treatment consisted in granting specific OPT quotas in sectors protected by quantitative restrictions which involved mainly textile and apparel [...]." (Pellegrin 2001 after Plank 2009:73)

The Romanian firms profited from this arrangement initially because their Western partners would supply modern machinery and ensure demand as well as handle financial and organizational issues which the formerly state owned enterprises had no experience with. However the Western-lead firms would solely take advantage of the cheap workforce for the labour intensive parts of their production, as for example sewing and cutting. Consequently this led to a functional downgrading of the Romanian firms which have previously been fully integrated. On the long-term this division of labour encouraged by the OPT arrangement had little positive impact on the economic development of the country. (see Plank, 2009:75) With the phase-out of the Multi Fiber Agreement (MFA) Romania had problems keeping their partners interested in their cheap workforce, because with the quotas for Asian countries falling away even cheaper workers were more easily available. Furthermore as a consequence of the integration of Romania into the European Union the textile and apparel industry lost workers to migration and other sectors:

“With the easing of restrictions regarding visa and work permit requirements, migration to Western Europe accelerated and led to a labour shortage in particular skills and regions (Ciutacu 2006). This shortage was particularly felt in the apparel industry, given its bad record in terms of working conditions (ILO 2005a, 2005b), and was compounded by the fact that workers also left for other sectors [...]” (Plank, 2009:76)

Planks site estimates that about 40% of apparel firms in Romania have closed down since 2004. (ibid.) Surviving firms have started to relocate or recruit in the poorest regions in the country, sub-contract to non-European neighbours or import migrant workers from Asia to keep the cost of labour down despite the shortage of workers. Last but not least, the growing importance of “fast-fashion” in European consumer markets put them in an advantageous position as regional suppliers over their Asian concurrence. The dependence on fast-fashion retailers however undermines any improvement of the working conditions and lives of employees.

“The main labour rights issues in the apparel sector concern wages (low level, piece-rate and minimum quotas), working time and work intensity and trade union representation (ILO 2005b, interviews with workers, trade unions and labour inspectorates 2008). These issues are closely related to the position of Romanian firms within production networks that are characterized by the ‘Lohnsystem’ [Synonym for the OPT Arrangements] and ‘fast fashion’, where low costs and/or flexibility with regard to orders and delivery time are paramount concerns. In the context of asymmetric relations the low prices offered by buyers lead to high targets that can often only be met by work intensification [...] or working (partly unpaid) overtime (interviews with National Labour Inspectorate and workers 2008). Additionally, overtime issues are related to fluctuating orders which are increasingly unpredictable, demanded on a short-term basis and involve small sizes and thus small production runs due to the increasing importance of ‘fast fashion’ in consumer markets.” (Plank, 2009:79)

“Fast-fashion” is a relatively recent phenomenon in the fashion industry which describes the ever faster changing trends which are not bound to seasons (Spring/Summer and Fall/Winter) anymore but bring out new collections every few weeks, more on that later in this chapter under the discussion of marketing (3.2.1)

The requirements for regular work hours, breaks and overtime pay which the labour inspectorate tries to enforce, are often undermined by the company’s commercial buyers. By demanding a quantity of garment in a delivery timeframe that is not possible to achieve during normal work hours and at the same time putting pressure on prices, they reinforce the unsafe and unhealthy working conditions and times their very own codes of conduct pledges to avoid. Also, the position of trade unions is weakened, because it was seen as a relic of its socialist past which was strongly opposed in the newly liberalized Romania. According to the ILO harassment and dismissal of employees who want to unionize is frequent. (see Plank, 2009:78)

There are innumerable explanatory approaches for the reasons why some countries are in the situation that a large part of the population lives in poverty, are unemployed or unskilled. I cannot go further into detail on this discussion here because this would stretch beyond the limits of this paper. However, what is important in this argument is that whether Asia or Europe, the outsourcing of apparel manufacturing is mostly oriented by the “cheapness” of labour. The concurrence between suppliers and nations over contracts and orders from foreign lead firms puts them in to such a weak bargaining position that the working and living conditions for people in the textile and apparel industry are often extremely harsh and basic human rights are disregarded. As Western lead firms tend to outsource the labour intensive low-value parts of their

production process the assumption that participation and even upgrading in global production networks will benefit workers does not necessarily turn out to be true in reality.

“The fundamental spatial asymmetries between labour and capital – based upon the relative fixity of labour and the greater mobility of capital – are a key limiting condition. The fact that, globally, the level of labour force unionization has continued to decline, though unevenly, and that the share of income going to labour has also continued to decline whilst, at the same time, the effective global labour supply quadrupled between 1980 and 2005, with 50 per cent of that increase occurring in East Asia (IMF 2007:chapter 5) is a major issue.” (Coe et al., 2008:25)

In the following I want to deconstruct the typical apparel GPN and explain what happens in the different production steps and where they usually take place. I will take the simple example of a cotton t-shirt to do so.

3.2 The Global Apparel Production Network

The global apparel production includes of course many other fabrics besides cotton, other natural fibers for example linen, wool, silk and hemp, but also many synthetic products like nylon, polyester and acrylic and researchers are constantly looking for new alternatives. However, cotton is still the most important and dominant fiber used in the garment production. Therefore I want to discuss the production of a simple cotton T-shirt in this chapter to illustrate the conventional production network applying to this every-day mass-market product.

3.2.1 The conventional production Network of a cotton T-shirt

Before a cotton shirt is eventually bought by a customer it has undertaken various steps in the production chain. After the cotton is handpicked or harvested by machines from the fields in Africa, India, China, the USA or elsewhere, the fibers must be cleaned and the seeds detached - a process which is referred to as “ginning”. Then the cotton is traded to a manufacturing company where it is spun. The next steps vary of course between the different products, but most are woven and knit, then dyed and/or printed and the finishing stage is cutting and sewing. The chain shown in Fig: below represents this process in a very simplified manner dependent on the integration stages between the spinning and manufacture. They may be fulfilled by a

single company or a group, but they may also take place in different countries. (see Nelson/Smith, 2011:36)

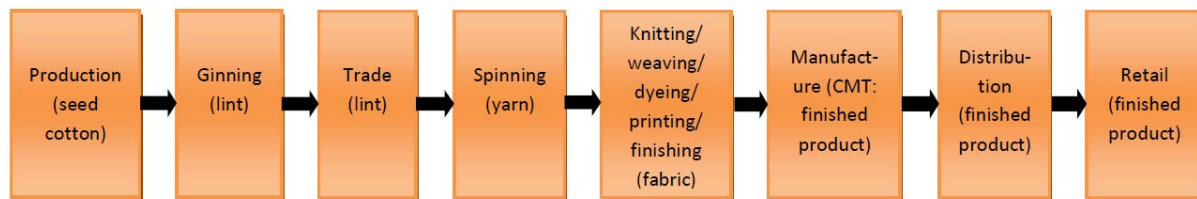


Figure 3: Basic structure of cotton value chain (Nelson/Smith, 2011:36)

This illustration is a mere commodity chain, not the entire network, but in the following I will contextualize these production stages in order to integrate it into the network it operates in.

1. Farming (growing cotton seed)

Cotton plantations, as mentioned in the previous chapter require enormous physical input. While the biggest cotton exporter, the USA has been able to largely automate this process thanks to innovation and subsidies, the situation of developing countries is different: most of the sowing, growing and harvesting is still done by hand.

Due to the fact that the cotton plant is extremely susceptible to pests the conventional farmers use lots of chemicals. The Pesticide Action Network claims that 10 per cent of worldwide pesticide use goes into cotton. (PAN 2005 in Halvetas, 2007:6). Many farmers who use pesticides suffer serious health problems which can be fatal. Besides the fact that medical care is expensive or unavailable, even the knowledge about the danger and possibilities for proper storage and handling of these hazardous chemicals are hard to come by for cotton farmers in poorer regions. The environmental effects are tremendous as well as the pesticides contaminate the ground water which then cannot be used for drinking and impoverish the soil, because when they clear the fields of the pests, other organisms which would have been beneficial for the ecosystem, are killed as well. Another problem in the conventional farming is the monoculture of cotton production which destroys the soils' fertility on long term and creates a dependence on further chemicals. Consequently the subsistence of farmers and their entire region is endangered as cultivation of food is becoming ever more difficult.

Another burden for cotton farmers in the developing countries is water. Growing one kilogram of conventional cotton consumes from 7000 up to 20.000 liters of water. (see Halvetas,2007: 6). In areas where there is not enough rainfall, the plants have to be watered by irrigation systems, which is very costly and not always ensured.

Harvesting the seed cotton is also extremely tedious and labour intensive, especially without the help of machines. In developing countries, this process is done by hand and it is not unusual to include child labour. For example,

“450,000 children aged 6-14 years work in the cotton fields of India, employed in cross-pollination, inter-cultivation and harvesting [...] and the large numbers of hired or bonded labour, brought in seasonally to work on cotton farms, are among the poorest and most vulnerable groups and generally lack support from any organizations” (Gent and Braithwaite, 8).

2. Ginning and Spinning

Ginning is the process of separating the seeds from the cotton lint, so it can be compressed and packaged. Then it is transported to cotton mills, for example to China, to be spun into yarn. This is a very wearisome procedure as the fibers are delicate and short and therefore rip easily. Thread workers, mostly young women, have to spend long working hours concentrating on the strand and repair a breakage within seconds, several times a minute. This strenuous work is carried out in the dusty and extremely noisy atmosphere due to the heavy machinery and the fluff.

3. Knitting and Weaving

The knitting and weaving designates the transformation of the yarn into a fabric. This process is largely mechanical, needs a lot of energy and produces a lot of waste. While the work is very monotonous for the mechanists, the noise created by the machinery is extremely loud and often causes deafness. Also in this stage fiber dust from cotton and other materials often causes respiratory diseases like byssinosis, a lung disease which can be deadly. Of course a lot of research is being conducted to completely automate this process to speed up production and reduce labour costs, but so far no innovation has been able to replace the complex work human hands can do

at a competitive price. For the garment industry the cheap and abundant workforce of the global South is still the better option.

4. Processing

Processing means dying and applying all sorts of chemicals which give the fabric its quality like for example shrink or wrinkle resistant or water proof. Unfortunately, yet again safety precautions for people employed in this field are often not adequate to the exposure to these carcinogen chemicals.

5. Manufacturing

Manufacturing is usually the last step before the garment is sent to its destination market. This includes knitting and stitching together the garment and adding details, accessories such as zips, buttons and screen prints. After farming, manufacturing employs the most people in the production network of cotton t-shirts. Also in this production step, working conditions are harsh, pay is extremely low and rights are disregarded. The factories in developing countries, but also in Eastern Europe have become known as so called “sweatshops”. Workers are mostly young girls and women, often migrants from rural areas, whose lack of choice for employment opportunities is abused. In many cases they have to support their families back on the countryside and/or their kids, but can hardly survive on the wages they are paid. Cases of physical and sexual abuse as well as punishment are not rare and there is no workplace security as often no regular employment exists. The women may be fired at the slightest mistake or disobedience as they are so easily replaced and there are no consequences for unlawful termination of employment. The formation of unions is categorically suppressed and punished. Work hours are very long, especially when orders come in on short notice, and breaks are often denied. The factory buildings are frequently in desolate conditions, fire safety is disregarded and escapes are locked or blocked. This difficult situation of these seamstresses has gotten more and more attention in the last years, but only recently with some major disasters being covered in western media are consumers and brands waking up to the fact that this situation is not acceptable anymore. More on this in chapter 4.

6. Distribution and Marketing

Once the cotton T-shirt has been bleached, washed, dyed, finished, cut and sewn, it is packaged and shipped from China, Bangladesh, Cambodia, Turkey or wherever it has been manufactured to the EU or the USA, where it is distributed to retailers via train or truck and offered for sale to consumers at prices with 50-75% mark-up of the retail price.



Figure 4: cost-breakdown of a t-shirt source: macleans.ca

this doesn't necessarily mean they have a higher overall profit, compared to brands which sell "cheap" fashion. The Fast-Fashion Industry for example makes the greatest profits in the industry even though they sell their products for extremely low prices compared to higher priced brand-name competitors because of high volumes of sales they realize.

Cline (2012:53) states, quoting a Standard&Poor's Industry Survey of the 1990, that overseas private-label goods started at a mark-up of 65% at the time. Nowadays this figure can be expected to be even higher, which brings the percentage of what we pay for a garment that goes into actual labour costs down to 1%. (Cline, 2012:53)

With fix costs like store rent, wages of employees in shops and about 25% for advertisement for the brands included, this leaves a profit margin of at least 50% for brands. This varies of course between different companies, with luxury brands having a much bigger margin on the single product, but

“Fast Fashion is a radical method of retailing that has broken away from seasonal selling and puts out new inventory constantly throughout the year. Fast-fashion merchandise is typically priced much lower than its competitors’. The fast-fashion concept was pioneered by Spain’s Zara which delivers new lines twice a week to its stores. H&M and Forever 21 both get daily shipments of new styles. The London-based Topshop, which has a U.S. location in Manhattan, introduces an astonishing four hundred new styles a week on its website. [...] On its face, it makes little sense that selling so much attractive fashion for so little could be profitable. But in fact, it seems to be the only surefire way to make it in today’s retail scene: Fast-fashion retailers have almost twice the average profit margin of their more traditional competitors.” (Cline,2012:96)

While higher priced brands spend a lot of money for publicity and image, fast-fashion king and market leader Zara doesn’t engage in any kind of traditional marketing like billboards or magazine advertisement. Their strategy relies on central locations, for example the Haas Haus in Vienna Center right in front of the St. Stephan’s Dome, the Champs Elysees and the Rue de Rivoli in Paris or the Via del Corso in Rome, and well made display windows to lure consumers in. Of course rents in these places are high too, but it seems to pay off to the Inditex group, which includes other much smaller brands than Zara which is now one of the two biggest clothing producers in the world, H&M being the second. While an extremely well organized retailing system and a production network which is kept close, in the surroundings of Europe like Turkey or Tunisia, contribute to Zaras’ efficiency and capability to a fast response to trends, it is the sheer turnover that makes it such a success: Cline quotes a London’s Times report saying Zara processes one million garments *a day* from its Spanish headquarters. (Cline, 2012:100) Their profit margin is not publicly available, but Amancio Ortega, the founder of Zara and the Inditex group being ranked the third richest person in the world by the Forbes Magazine in early 2013 speaks for itself.

While fast-fashion makes it possible for retailers to sell garments at a relatively low price and still pocket huge profits because of the volumes they are selling by keeping customers coming, the distribution of the unprecedented earning this revolution in fashion has brought is extremely uneven. But besides the wage-issue the fast-fashion has, as mentioned above direct results on lead times of orders and consequently on over-time, which has a huge effect on health and safety of workers, not to mention family life.

“Overtime issues are related to fluctuating orders which are increasingly unpredictable, demanded on shorter basis and involve small production runs due to the increasing importance of ‘fast fashion’ in consumer markets.” (Plank, 2009:79)

Whichever kind of marketing a brand chooses to go with, whether it is fast-fashion or seasonal collections, a certain kind of style or just copying the big designer brands, like most fast-fashion brands do, it has become the main activity of the lead-firm. With all the production and assembly outsourced, the modern apparel company has become an empty construction, with the biggest ones not even creating their own designs. This is probably the reason why marketing is the single most valued part of their value chain. It stands to reason as marketers argue that it really is *that* important for a brand's success, because if consumers don't know about a brand they won't buy it. But would people buy as much of it if it wasn't that cheap? Isn't that the whole reason why apparel consumption is what it is today? And isn't that as a result of cheap labour in developing countries? So, isn't the success of these brands based on cheap labour?

These questions arising from the conventional production network are very much disputed, so I would like to break down the developmental value of apparel production in the following with the help of the variables of the Global Production Networks theory.

3.2.2 Global Production Networks Analysis

How is this conventional production Network of a cotton T-shirt to be seen in the light of the Global Production Networks Theory?

With the production process illustrated above I have described the basic *value creation*. This can take place in various locations, but some steps might also be combined in one area or even under one roof, like for example some factories in China include all the processing steps from knitting to dying, washing, finishing and sewing or might have an efficient regional network of suppliers and subcontractors that makes them very flexible. One example is the “Jeans-town” in China, which has completely specialized in Jeans production. This would constitute a *value enhancement* or upgrading, making the region more valuable to lead firms. Other value enhancements could be for example the acquirement of new skills for

complicated pattern-making or investment in infrastructure, which might come from regional institutions, the private sector or lead firms themselves. In the latter case this also strongly influences the embeddedness, to which I will get to shortly. When value has been created and even enhanced, the question for the producing country is, if it can capture this value. *Value capture* for a region depends heavily on bargaining processes between businesses, labour, local institutions and the lead firms. If a regions' specific assets have a certain interest for lead firms, they will be more inclined to find compromises in other points. For example Zara it is extremely important as it is able to order small quantities on a short-notice basis and get them quickly into their stores, so they are always on time with trends and can react promptly according to consumer preferences of their different garments. This is what their business model and success is built on. Therefore they prefer to have their factories closer-by, in Spain, Portugal, Turkey, Romania or northern Africa. This might, in some cases mean a slightly higher labour costs than they would have in Bangladesh, but they gain in flexibility as the transportation to their markets is faster and easier. If there is no such interest for a firm to be invested in a certain region, continuity in orders can be very uncertain. Due to competition between production locations, changes in consumer markets, market volatility or simply because of cents differences on volume prices, lead firms can decide from one day to another to change their supplier and move their orders elsewhere. A French producer in Bangladesh gives such an account to the journalist Cyran from the Newspaper Le Monde diplomatique. He says he has seen that a decade-long relationship with a buyer ended abruptly because another supplier offered to make a certain article for 10cents less. He claims that an incredible double-standard reigns in this business which undermines any effort for better working conditions. While H&M is holding a meeting with the Prime Minister of Bangladesh to support better working conditions, their buyer is bargaining a 15 per cent discount on the prices of their supplier. (Le monde diplomatique, 2013:5) In this case the only *value capture* that a region might be able to register are skills and techniques acquired by workers or technical improvements in machinery which can be useful for future orders, if the production site is able to financially survive the loss of a big buyer. Obviously, common sense of business would recommend having as many different clients (buyers) as possible so the eventual loss of one is not a disaster. But the reality of retail nowadays means that sometimes brand-name firms place orders of a high quantity and insist on extremely short delivery times as the shortened live-cycle of

fashion demands. This often exceeds the suppliers' capacities and results in the necessity of massive overtime and subcontracting, but the danger of losing a big buyer because of down turning an order is too risky.

This brings us to the next variable: Power. *Corporate Power* is of course the most obvious one in this conventional Production Network. As illustrated in the last example lead firms have a decisive impact on the entire Production Network because of the simple fact that any supplier is in concurrence with all the other possible manufacturers over the order from a buyer from a brand. Therefore they can easily enforce bargains if the supplier cannot offer any special advantage vis-à-vis his competition. On the other hand brand-name companies often argue that they don't even know where exactly their clothes are produced as they place their order with one supplier who might subcontract parts of this order. Therefore they maintain that they have no control or influence on the working conditions. While the responsibility can easily be pushed around in such a production network, brands like Zara on the other hand are said to have an extremely tight grip on their vertically integrated production network, which is essential for their business-model as explained above. (see Economist 2012) Although this does not necessarily guarantee good working conditions, the accountability is much clearer in such a case and there is no doubt about the corporate influence and power over their production network.

Considering *Institutional Power* a huge employer like Zara surely has considerable weight vis-à-vis Institutions, especially in times of crisis. Still, the power relations between Governments and Corporations are comparably balanced in European worksites, when compared to Bangladesh, where corporate and institutional power are hardly separated. According to the article in le monde diplomatique the situation in Bangladesh is particularly biased as the politicians in rule are sometimes production site owners themselves or have a front man conducting their business for them, which explains why workers protests are often so brutally responded to. While the collaboration of politics and business can be fruitful for an economy, in this case the two powers are so closely interlinked that rule of law and democracy itself are endangered.

Institutional Power in the conventional production network in general is often represented through bi- or multi-lateral agreements, quota regulations or similar forms

of policies which influence the production networks significantly. Prime examples are the aforementioned Multi Fiber Agreement or the Outward Processing Trade agreement.

“All global production networks are embedded within *multi-scalar regulatory systems*. International regulatory bodies, such as the WTO – part of the ‘confusion’ of institutions that makes up the incoherent architecture of global governance – are immensely significant in influencing the geography of global production networks. One needs only look at the influence of the Multi-Fibre Arrangement (MFA) in the clothing and textiles industries to be aware of this.” (Coe et al.,2008:16)

Even though it is a fact that Trans National Companies are geographically flexible and can therefore exert great pressure on states, Coe and his colleagues hold that under specific circumstances it can still be the state to dictate the terms on which business may be conducted on his territory:

“Under certain specific conditions, the state *can* exert a material influence and can ensure that there are positive national and local benefits. To achieve this, however, the state not only has to have the *theoretical* capacity to control access to assets within its territory but also the power *actually* to determine such access. In other words, ‘strong’ states can be highly effective in the power struggle over investments.” (Coe, 2008:19)

The example that Coe is referring to here is China. He compares the People’s Republic’s strong grip on its economy and severe control over foreign investment to the weak position of newly liberalized eastern European countries vis-à-vis TNC’s. As we can see with these two examples the dimension of the *institutional power* can vary extremely between different countries and Production Networks as well as over time.

Collective Power is represented very little in the conventional production network as sketched above. Trade Unions and worker representation, where they are allowed or at least tolerated, should take this role. Consumer initiatives and civil society organizations such as for example the Clean Clothes Campaign are another form of collective power which can take an influence on the production network. In what way and form they do so will be discussed in depth in Chapter 4.

Another crucial influence on the GPN is the degree of *embeddedness* the different tiers of the production chain demonstrate. The problem in the apparel production network is, as mentioned above, that the *territorial embeddedness* of lead firms is often very loose. Contrary to other production networks, such as in the automobile

industry for example, the necessary input in infrastructure and machinery in the apparel sector is comparably small. This fact makes it easier for apparel retailers to “pull-out” of a region if, for some reason, producing there is not optimal for them anymore. The territorial embeddedness of lead firms’ production networks in Bangladesh might have been very much dependent on the lax enforcement or low requirements concerning labour and security regulations as well as ecological standards to begin with, which made it such an attractive location for investors who don’t wish to invest very much. On the other hand when a firm invests in machinery or even in the infrastructure by building a factory, a road or the like, its territorial embeddedness is stronger. To employ the example of Zara again, they are, for a big part of their production, strongly embedded as the company relies on vertical integration in its closest production sites, where most factories they produce at are owned by the Inditex Corporation. Their local embeddedness is therefore very evident, their influence on the regions’ development strong, as they set up their own factories and become an important employer in those regions.

The *Network embeddedness* of apparel lead firms in their global networks is commonly also very loose. The relationships between the buyers and their suppliers are particularly unstable and might end from one day to the other which gives the latter no planning security and therefore little room for investment in their production sites or workers. The buyers of western lead firms often do not even bother to know where exactly their garments are manufactured. After the investigations on Rana Plaza in Bangladesh went public, it became clear that most of the big brand-name retailers have their production dispersed over different factories and even regions or countries and were not even directly in touch with managers of some of their production sites. Indirectly they are making use of local networks of subcontracting by delegating the handling of their order to one “official” supplier, where exactly the work is carried out (and under what conditions) is, or has been until the recent tragedies, none of their concern, as long as the volumes of the ordered designs are ready on time. The local network between suppliers and subcontractors might be very well established, due to good working relationships, trust or simply because of nepotism and corruption, but the lead firms’ network embeddedness is habitually very superficial.

“Hence, we conclude that it is far from automatic that participating and even upgrading in global production networks is beneficial for workers and that close attention is needed to assess the extent to which improvements in the position of workers and working conditions are possible in specific production networks.” (Plank, 2009:81)

4 Civil Society Initiatives, Consumer Awareness and Collective Power

The credo behind civil society initiatives for ethical or fair trade is that the conditions under which the actual work to produce a product has to be carried out and the compensation workers receive for it, are in many cases inadequate. This is because the people executing the manual labour are generally in a weak position to negotiate better working conditions and remuneration. On the other hand it is this fact that is the very reason the factories even have been set up in these “faraway” places: Cheap and abundant labour is what has made “outsourcing” such a common practice.

Outsourcing is one of the driving factors of globalization. Companies have set up factories and industrialized certain locations in the quest of minimizing their costs. Therefore the most expensive resource, which is labour, can be economized. That is why cotton being sent from Africa to South-East Asia to be processed. The transportation is a costly factor too, especially with oil prices on a constant rise and there are considerable risks in sending your wares half around the world. It is apparently still worthwhile for the companies to outsource labour to countries where people have little or no other options but to accept hard manual labour for extremely low pay. While the development of this system has been explained in chapter 3, in this chapter I would like to analyze civil society initiatives in the west and the impact they can have on the workers concerned.

For this I have chosen three quite different examples: Fair Trade, which has become the most prominent example of a consumer initiative when discussing unequal trading and working conditions; the Ethical Trading Initiative, which functions in a very different manner than the former and tries to take a more global approach; and finally the Clean Clothes Campaign, which isn't actively involved in trade at all, but sees its purpose in giving a voice to exploited workers in order to raise the consumers awareness on the issue.

These three initiatives are founded and based on the idea that collective power can in fact influence the politics of corporations and governments and therefore have an effect on the entire Production Network and the people in it. I want to investigate how and where we can feel this collective power as all three of them translate their

objective in very different ways. I will start with the analysis of Fairtrade as it has its own Production Network which differs from the conventional one which I have described above. Therefore it is suitable to describe the power relations and variables again and illustrate an example of a different functioning in a Global Production Network.

Next I will introduce the Ethical Trading Initiative (ETI) which brings representatives of corporate and collective powers, NGOs, trade unions and corporations to come to a table to agree on a code of conduct. The ETI does not create an alternative network like Fairtrade, but tries to improve the conventional one by acting as a platform for communication between the different forces. Hence it is not necessary to recapitulate the entire conventional production network here, but I will show the forms of influence this collective has on the network with the help of an impact study.

Lastly I will take the example of the Clean Clothes Campaign (CCC), an alliance of trade unions and NGOs whose purpose it is to raise consumer awareness and create a critical civil society in order to influence the practices in the Global Production Network from the consumption side. As it is the case with the ETI, the CCC also acts within the conventional production network. For that reason I will explore the ways they have manifested their power within the global apparel production network with examples of collective action they have taken so far.

4.1 Fair Trade

The currently accepted definition of Fair Trade is as follows:

“Fair Trade is a trading partnership, based on dialogue, transparency and respect, that seeks greater equity in international trade. It contributes to sustainable² development by offering better trading conditions to, and securing the rights of, marginalized producers and workers – especially in the South. Fair Trade Organizations, backed by consumers, are engaged actively in supporting producers, awareness raising and in campaigning for changes in the rules and practice of conventional international trade.” (www.fair-trade.org, charter of principles)

The concept of fair trade has become more and more popular over the last two decades and has spread from articles from the food sector like tea, coffee, bananas and cacao to other cultivated products like flowers and cotton.

The blue-green Fairtrade label has grown to be the most widely recognized and trusted³ ethical trading brand with total sales amounting to 4,9 Billion € in over 120 countries worldwide. The organization as we know it today has its roots in the Dutch “Max Havelaar” Label founded in 1988. Although very prominent, this initiative was not the first one. An Oxfam project back in the 1950 consisted of selling Chinese refugees’ handcrafts in Great Britain in the spirit of offering something for trade instead of just asking for donations. In 1968 the UN Conference on Trade and Development held in Delhi coined the slogan ‘Trade not Aid’ pronouncing the importance of ‘fair’ terms of trade for the development of the so-called Third World.

When Germany and Britain also established Fair Trade Labels in the beginning of the nineties, the Max Havellar and other Fair Trade organizations joined together in 1997 and harmonized their labelling activities in Europe, USA, Canada and Japan under the common umbrella of the Fairtrade Labelling Organization International (FLO), which defines their approach as follows:

² Definition of the term “sustainable” in FLO sustainability position paper refers to World Commission on Environment and Development –Brundtland Commission (1987):“sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”.

³ According to a survey conducted in 2011 by the international opinion research consultancy GlobeScan with 17.000 consumers in 24 countries. (see globescan.com)

“Fairtrade is an alternative approach to conventional trade and is based on a partnership between producers and consumers. Fairtrade offers producers a better deal and improved terms of trade. This allows them the opportunity to improve their lives and plan for their future. Fairtrade offers consumers a powerful way to reduce poverty through their every day shopping.”
(www.fairtrade.org)

The international FAIRTRADE Certification Mark was launched by the FLO in 2002 to give a recognizable symbol to the consumer. In 2004 the FLO International decided to separate the certification and inspection activities from the producer support and standard setting work. For this purpose they founded the FLO-CERT, as an independent organization, which has been widely criticized as the for-profit character has been perceived as problematic to their objectivity. (see 4.1.2.2)

In the following I will mainly discuss the “Fairtrade Labelling Organization” FLO and their partner Organization FLO-CERT, distinguishing the brand and idea by writing Fairtrade or FLO for the trademark Organization and “Fair Trade”, written apart with capital letters for the idea in general.

4.1.1 How Fairtrade works

Fairtrade is often described as an alternative market, which is not entirely correct: It can be seen as a sort of parallel market as one of the most important indicators, the price, which in the free market is determined by demand and supply, is fixed for the “Fairtrade market”. On the other hand one can argue that since Fairtrade is not directly involved in the production chain itself, but merely serves as a standard setting and supervisory organ, they facilitate the participation in the conventional market. Even though at a “special” price, Fairtrade provides market access to marginalized producers who would otherwise not be able to compete. Their products are offered in supermarkets and are therefore in concurrence with other suppliers of their category.

This “special” or “Fairtrade” price is a fixed according to the Fairtrade Standards varying by country of production as it is meant to supply the average costs of sustainable production. It is a minimum rate which has to be paid when the market price is lower, in case it is the other way around the market price has to be paid. This way the producers are protected from the extreme volatility the agricultural sector often has to endure.

A breakdown on how they calculate the cost of sustainable production is available on the fairtrade.org homepage. The minimum prices are individually adapted on each product and vary in different regions, depending on the cost of living and farming.

Furthermore the producers receive a Fairtrade Premium which is a certain amount fixed by the FLO Standard Unit, which the collective receives with each unit sold under the Fairtrade Label. This Premium is destined to social, environmental or economic development projects for the community in which the producer lives, as for example health care or education, but it may also be invested in farm improvements. The use of the money is decided upon democratically⁴ within the producer's organization or plantation workers.

There are different sets of standards that have to be met in order to obtain the Fairtrade certificate in the first place: the "core requirements", and "the development requirements" that promote investments in the development of the organizations and their workers and motivate continuous improvements. Those standards, divided in Generic and Product Standards, are described very thoroughly and vary according to whether they are applied to small producer organizations, hired labour, contract production or trade itself. I will describe these standards further in Chapter 4.1.1.2 when detailing the organization of Fairtrade.

4.1.1.1 The Fairtrade Global Production Network

One of the first steps in establishing a Fairtrade Production Network was that the organization tried to eliminate cost factors along the production chain which had been drawing money away from the producers, meaning they reduced middleman as much as possible, so a bigger share of the retail price would actually get to the farmers. The exporters and importers are also underlying the Fairtrade-Standards and are regularly inspected by the FLO-Cert GmbH.

In the following I would like to explain the Fairtrade Production Network with the help of the variables of the Global Production Networks Theory which I have specified in chapter 2, in order to render the goals that Fairtrade is trying to achieve more precise.

⁴ „Democratically“ in this case means by majority vote and not necessarily secret, so for example vote by a show of hands.

I am aware that the GPN Theory was designed for conventional business models and their Production Networks and is therefore not 100 percent applicable to the Fairtrade system, but I think that the variables of the theory are useful to demonstrate the difference between the approaches.

Power

As mentioned before the Global Production Networks Theory distinguishes between different forms of Power.

Considering *Institutional Power* in the Fairtrade production network, the Fairtrade organization is not an institution in the traditional sense as a national governmental or supranational organization. It does though reveal the weaknesses and gaps of the Institutional Powers like the Nation States, the ILO and others institutional agents to control and regulate international corporations, the market and trade to the favor of their protégés. Fairtrade is stepping in where institutional powers seem to fail. Insofar it could be argued that the organization acts as an institution by giving people who have formerly not been able to participate actively in the world-market a possibility to access it via their collective.

Corporate Power of brand-name producers and retailers in the Fairtrade production network is limited as corporations have to obtain a license from the national Fairtrade labelling initiatives in order to be allowed to sell their products with the Fairtrade seal on them or sell Fairtrade products in their shop. The licensing FLO-Cert GmbH investigates and certifies all companies that use, refine and trade Fairtrade raw materials and ingredients up to the point where the product is packaged under a brand name for the end consumer.

(see www.fairtrade.at)

That means retailers and brands that want to sell Fairtrade products will always have to pay the Fairtrade price, which is always fixed according to the cost of sustainable production. So, given that fact, *Corporate Power* is therefore tamed regarding price negotiations. Of course this power is still of significant importance considering the fact that big supermarket-chains and other retailers are still the ones choosing whether to support Fairtrade, their selection of products and the volumes they are ordering. This is where the consumer comes in, as retailers may make the decision in the first place

on whether or not to introduce a new product or line, but in the end it is only what the consumer actually buys that will be re-supplied and stocked. This brings me to the *Collective Power* which is the dimension of Power asserted by the people and their representatives, such as NGO's, trade unions and other civil society groups. Usually *Collective Power* of consumers is associated with collective action such as boycott of a brand, a product or a store. The single consumer does have a power as well though, which lays in whatever he/she chooses to buy, which can be compared to a vote, but it is hard to exactly determine the intention or motivation for buying one product option instead of another. For similar goods with apparently same quality standards it is often the price which is decisive. Fairtrade though is another kind of motivation or incentive, as it is hardly bought by chance and rarely cheaper than conventionally traded competitors. Consumers who decide to buy Fairtrade do so intentionally. Without going too deeply into the issue of consumer behavior, which would open up a whole new topic too big to discuss in depth here, I would like to suppose that consumers who regularly buy Fairtrade are part of a certain consumer group. Fairtrade has been founded on the conviction that there is a demand from consumers for products which can be bought and consumed with a "good conscience". The Fairtrade Label has become the most widely recognized ethical label globally and 4.9 Billion Euros have been spent on Fairtrade products in 2011. (see p.30) This means that the *Collective Power* of Fairtrade is comparably strong and dominant on the ethical trade market and gaining importance on the general market.

Value

The GPN Theory specifies, as explained in chapter 2, between Value creation, enhancement and capture.

Value Creation through the labour process can take different forms of rent depending on regional characteristics. In developing countries value is often created through performing extremely labour-intensive work due to the "weakly organized and abundant supply of labour". (see Coe 2012:473)

In the case of Fairtrade the value creation mostly lies in agricultural activities, whether it is farming and harvesting coffee, cacao or cotton. So the assets of these countries where Fairtrade is involved, are the climatic conditions which favor these crops and the workforce which is capable and willing (or feels like

they have no other choice than) to face this often tedious and insecure source of income. The value creation in the specific case of the Fairtrade production network has another characteristic compared to conventional production networks. The rent which is created through Fairtrade farming and trading includes the network put in place by the organization which represents a form of relational rent, “based on inter-organizational links improving know-how transfer and collective learning.” (ibid.) The producer organizations, which facilitate the exchange of information between farmers and input by Fairtrade, are a prime example for such a relational rent. Plus Fairtrade offers an established, certified production network to both ends: A retailer or producer who wants to source Fairtrade material can rely on the FLO to provide the links and farmers on the other end are introduced to the Fairtrade Market by the organization and do not have to worry about buyers (in theory at least, but more about that in the assessment).

Furthermore, as the Global Production Networks theory includes the subsistence work (which is necessary for the workers in order to be able to work) into their definition of value creation, it is also important to note that according to Fairtrade Standards, working hours and pay are regulated and child labour forbidden. This is meant to ensure education and sufficient free- and family time to facilitate a *sustainable* value creation.

The *Value Enhancement* through the Fairtrade Production Network is ensured through knowledge and technology transfer represented by the Fairtrade Basic Standards, which have to be met in order to sell the yield as Fairtrade. “Development requirements” on the other hand are meant to keep farmers motivated to improve and invest in sustainability. For example, in order for farmers to sell their cotton as Fairtrade cotton it always has to be 1st grade quality cotton. However, an important part of the Standards which have to be followed, also to obtain and keep the Fairtrade certificate, concerns the use of pesticides. Fairtrade stipulates a specific form of storage which ensures safer handling and some of the chemicals used in conventional farming are forbidden altogether as they are hazardous to the health of workers. The value is therefore being enhanced through improvement of farming methods and the quality of the produce.

Regarding *Value Capture* the main idea behind Fairtrade is to enable producers to capture more of the value they have created, through the Fairtrade-price which is supposed to cover the cost of sustainable production and the Fairtrade premium which is meant to be invested into community projects.

The capacity of value capture is, as Coe and others stated, determined by the distribution of power and control throughout the Production Network. Fairtrade is aimed to balance out the superiority of buyers on the commodities market by setting a certain price and guaranteeing a certain standard. In exchange the retailer gets the benefit of using the recognizable Fairtrade-logo, which gives credibility to his product for the consumer. Therefore the power of Fairtrade lies in the image it has managed to build.

Embeddedness

The GPN Theory specifies two layers of embeddedness, territorial and network embeddedness. In the case of Fairtrade the choice of the country or region which is to be included into their GPN is made differently than in conventional GPNs. Fairtrade is building up their GPN starting with producers who are disadvantaged or have difficulty in accessing to the market. For that reason the territorial embeddedness is inherent in the purpose of Fairtrade itself. Fairtrade goes into certain countries, researches the area and the cultural mores. They also approach farmers and campaigns for producer organizations to form.

It is one of the goals of FT to establish lasting relationships between buyers and producers in order to guarantee sustainable development, therefore the network embeddedness in Fairtrade Production Networks should be very strong.

4.1.1.2 The Fairtrade Labelling Organization in practice

Disadvantaged producers and workers being their pronounced target group, Fairtrade sees it as one of their functions to make it possible for small scale farmers to gain access to the world market. In order to participate in Fairtrade they have to organize themselves, build a group of several small scale producers or farmers and apply together.

Once a certificate is granted, yearly audits and checkups follow, regional Fairtrade liaison managers are there to give workers and farmers advice on how to improve and fulfill Standards.

The national Fairtrade offices give licenses to enterprises that want to sell Fairtrade Products under their name in the consumer countries. Furthermore it's the local Fairtrade organizations that engage in marketing for their Fairtrade products and are concerned with consumer-awareness building in their reach.

The Fairtrade Labelling Organization, the FLO-Cert and the national Fairtrade Organizations elect representatives who are gathered yearly in a general assembly where decisions on questions of memberships are discussed and the annual accounts and the Board of directors are approved. The Board comprises of two representatives of the certified Fairtrade traders, four certified Fairtrade Producers, one from each regional Producer Network, five delegates from the Fairtrade Labelling initiative and two independent external experts. This board constitutes the central governing body of the international network. They appoint the Finance, the Standards and the Nominations Committee.

The part of the FLO which is most important to this thesis is the Standard Committee as they directly influence the producers and hired labour with their regulations.

Standards are made up out of different requirements specially defined for each product and mode of production. These Standards can be understood as the interpretation of the Fair Trade idea for the particular conditions of production and farming.

The FLO differentiates between 'Generic' and 'Product' Standards. The former concern all circumstances in the geographical scope of FLO whichever the product might be and must be met by all producers, although they are adjusted to whether they apply to small scale, contract- or hired labour producers. The Generic standards consist of the following subcategories: Certification, traceability, contracts, sustaining trade, pre-financing and pricing. The Product Standards are, as the name suggests, specified for the different products. A Fairtrade certified cotton farmer with hired labour would therefore have to practice the Generic Producer Standard for hired labour, the Generic Trade standard and the Product Standard for Cotton.

The Standards are based on the “common principles” which I will specify in the following chapter.

4.1.2 The Benefits of Fairtrade for Producers and Workers

In this chapter I will first site the aims Fairtrade proclaims via their principles. These principles can be seen as the benefit that is hoped to be achieved for farmers and workers through Fairtrade.

4.1.2.1 The aims of Fairtrade

The positive impact that Fairtrade hopes to generate is reflected in their principles.

The following are the ‘core principles’ as defined by the international Fairtrade Labelling Organization in 2009 and documented in the ‘Fairtrade Charter’:

Market access for marginalized producers

The FLO wants to offer producers who have previously been unable to participate in the main- stream market a possibility to take part, while at the same time realizing and preserving “the social benefits to their communities of traditional forms of production. By promoting these values (that are not generally recognized in conventional markets) it enables buyers to trade with producers who would otherwise be excluded from these markets.” (FTAO charter, 2009:7)

This principle also mentions the benefit of a shortened trade chain to the producers, which results in a higher percentage of the final price of which the product is sold.

Sustainable and equitable trade relationships

This principle lays the foundation for the Fairtrade Price setting. The Fairtrade Price is a minimum price, which is guaranteed to Fairtrade producers, even when the market price is below, when the market price is higher, that’s the price their will get. This minimum price is adjusted and ratified by the FLO general assembly yearly.

“The economic basis of transactions within Fair Trade relationships takes account of all costs of production, both direct and indirect, including the safeguarding of natural resources and meeting future investment needs.” (FTAO charter, 2009:7)

Furthermore, as mentioned above the farmers will get a Fairtrade Premium, which is meant for investments in the community and productivity.

This principle also stresses the importance of long-term trading partnerships in order to enable planning and in the broader sense decent working conditions.

Capacity building and empowerment

The duty arising from this principle is that of the Fairtrade organization and especially the 'liaison officers' to educate farmers and producers on market functioning, trends and conditions in order to make them more independent.

Consumer awareness building and advocacy

The whole idea of Fair Trade does not work if there is not the informed customer supporting it and showing this support by buying their products. Information and awareness of unfair working and trading conditions is therefore vital. Furthermore FLO proclaims in context of this principle their "ultimate goal of a just and equitable global trading system." (FTAO charter, 2009:8)

Fair Trade as a social contract

The "social contract" implies the before mentioned long-term relationship which is built among other things on transparency. This is one of the most important factors to keep the trust of buyers and finally customers, so they are willing to do this and pay more than conventional trade would ask. The aim behind fixed minimum prices, the premium and the pre-financing is to give planning security to the farmers and producers. This way they have the possibility to improve social and economic conditions for themselves and their community by investing into their business and their environment.

These are the 'core principles' which lay the foundation for the standards, but there are more specific principles and standards for each type of production.

Here are some examples of principles applying to small producer organizations and hired labour situations:

Principles specific of small producer organizations require all members to fall in the category of "small producers", meaning that they don't make use of hired workers for

most of the year, but manage their cultivations within their family. The Principle of Democracy also applies to these family-businesses which form the small producer organizations. The profits from their yield should be equally distributed among the participants and they all have to be included in decision-taking and voting within the organization.

The Principles regarding hired labour stress the freedom of association and collective bargaining. Salaries must be at or higher than regional average or minimum wage. Furthermore no discrimination shall be tolerated; working conditions must be the equal for all workers. The Fairtrade Premium must be managed by inclusion of all workers according to the standards.

(see www.fairtrade.net)

4.1.2.2 *The critiques*

When trying to tackle the impact of Fairtrade there are also numerous problems to be encountered. Griffiths, a mainstream agricultural economist and harsh adversary of Fair Trade, argues that the design of Fairtrade causes methodological issues which make serious impact studies hard to conduct. (Griffiths, 2011) In contrast with regular aid where projects have to be accurately accounted, Fair Trade cannot define their expenses exactly, which makes it hard to determine what proportion actually reaches the workers or farmers. Another problem to measure the impact of Fair Trade is the fact, that cooperatives are often also targeted by other organizations such as NGOs and aid donors, therefore it is difficult to be sure of the origin of change. What is also difficult to evaluate is the disadvantage that non-targeted farmers or workers suffer, which would have to be considered when evaluating the effect of fair trade on an entire society.

There has been criticism voiced regarding Fair Trade from different sides of the political spectrum. Of course market liberalists and free trade proponents argue that the fixing of a price is an interference with market forces and constitutes a form of protectionism. This can change the incentives on the local market as the higher income in the Fairtrade supported product makes it more attractive compared to other products and can cause an economy to neglect the development in other sectors:

“The payment of fair prices for coffee raises the price of coffee relative to that of other goods produced in the developing country. This leads to a shift in productive resources in the targeted developing country away from the production of other goods toward the production of coffee.” (Yanchus, 2003:236)

Another critique noted by Yanchus is the fact that fair trade can support an unfair competition between targeted groups and neglected ones for the national resources necessary for production.

On this point there is also some major critique coming from different so-called “left-wing” or anti-capitalist approaches. Their main critique being that Fairtrade is essentially not challenging the existing, conventional trade system, as it is developing a parallel one, which does not deal with the source of the problem. Contrary to that, ironically it might create new disparities between the “privileged poor” as they have the possibility to organize themselves and the “unchoosen ones” which are not targeted. In this point the different perspectives agree, that it is still the western opinion that counts when it comes to the decision of whom is worthy of this attention. “This means that goods sold at fair prices must be goods produced in countries by individuals whom consumers in the developed world have targeted as in need of assistance.” (Yanchus, 2003:236)

This excluding factor of Fairtrade can lead to social conflict. The experience of a manager of a label called “Greenality” cooperating with Fairtrade and GOTS (Global Organic Textile Standard) who had to realize that his initiative caused discord (within the village where the production was located) over who is going to work in the Fairtrade factory and who in the conventional one, is just one anecdotal testimony of the problems this well-meaning idea might bear. On the other hand it might be worth considering the idea that this social conflict might lead to change, as even the underprivileged workers might learn through this that it is possible to create better working conditions and get better pay. This could induce some sort of movement coming from the inside, on the workers own initiative, establishing their own standards.

The central point of this criticism from the anti-capitalist perspective is, as mentioned above that fair trade is not challenging the existing power relations of the capitalist system. They see it as a mere marketing tool, where the consumer is offered to buy

himself a clear conscience without having to change anything in their life. The source of the problem for representatives of this perspective is the consumer society itself and capitalist world order. As uneven power relations and depletion are inherent to the functioning of the system, Fair Trade is simply trying to soothe the symptoms of neoliberal globalization. In order to effectively change the powerless situation of the workers and the abuse of the global south by the rich world, outsourcing and globalization would have to be replaced by self-sufficiency and re-localization (as in de-globalization), which would mean a dramatic transformation of societies worldwide, as the post-development theory suggests. Furthermore scientists from this perspective argue that the Fairtrade practice of “Liaison officers” scouting new farmers and producers whom they deem to be marginalized in order to give them market access shows that Fairtrade is just another means to further integrate people into the system and evermore widen the reach of capitalism.

Regarding the application process, we can find an incoherence of the non-profit and ‘fight poverty’ mentality of the Fairtrade organization: producers or producers’ organizations are charged an application fee by FLO-CERT when they want to apply for a Fairtrade certificate. But Since FLO-CERT has been separated from FLO it is an independent for profit organization. Critics of this development argue that this results in Fairtrade not reaching the poorest of the poor and creating a barrier for exactly those whom they have been meaning to help.

Through the impact assessment we can see if and how Fairtrade works on the ground and what problems might arise there.

4.1.3 The impact assessment

Owing to the subject of this diploma thesis, the textile and apparel industry, I have to point out here, that the involvement of the Fairtrade Movement so far mainly concerns the cotton harvest and therefore the producers and plantation workers carrying out the work, as Fairtrade is traditionally more concerned with farmers and small scale producers than factory workers. Therefore the impact assessment I want to depict in the following pages deals with the cotton farming, which mainly employs family labour, but sometimes also hired labour.

Despite all the difficulties to assess exclusively the impact of Fairtrade, some research and impact analysis has been conducted by Sally Smith and Valerie Nelson, on which I will base this chapter. The impact assessment which has been published in May 2011 was commissioned by the Fair Trade Foundation and Max Havelaar France. It focuses on the sector of Fairtrade cotton in the three African cotton producing countries Mali, Senegal and Cameroon, and one Asian, India.

It is evident from the procedure, which will be described below, that the researchers worked quite closely together with Fairtrade, which puts the independence and objectivity of research into question. But while keeping this in mind, it is still the most extensive and in depth assessment on Fairtrade cotton available at the time of writing.

The Fairtrade Labelling Organization started to introduce Fairtrade cotton from West African producers in 2004. By now the network includes seven countries which engage 55.000 producers.

(see Nelson/Smith, 2011:22)

4.1.3.1 The Methodology

Nelson and Smith have used Fairtrade International's methodological guidelines for the impact assessment from which the four key instruments with which FLO works, are:

- “1. Producer standards – how the FLO smallholder/contract production standards has made an impact through the process of meeting compliance with the minimum standards for certification and the process of meeting compliance with the minimum standards for certification and the progress standards for continuous improvement.
2. Trade Standards – how the key trading aspects of Fairtrade – minimum price, premium, long term trading relationship – have made a difference.
3. Organizational support and Business development – how support activities of Fairtrade organizations (e.g. FLO, National Initiatives, ATOs) and other stakeholders (NGOs and commercial parties) have affected the development and strengthening of Fairtrade producer's capacity, skills and trade. Also, whether FLO certification has helped facilitate contact with new buyers, attract new business and retain existing clients.
4. Networking – how the development of the Fairtrade producer networks and links with other network organizations has shaped the political influence and

access to information of producers and workers (and their organizations).”
(Nelson/Smith, 2011:24)

Those “avenues of impact” have been evaluated for each country in collaboration with local research partners with the help of representatives from the Natural Resources Institute of the University of Greenwich and the Institute of Development Studies of the University of Sussex. The team studied the Fairtrade impact together with the target group, the producers and workers, their farms and households, Fairtrade Bodies, the Producer Organizations, community leaders and other relevant actors. Together they identified distinct areas of impact which might be resulting from the participation in Fairtrade:

- “1. Changes in social differentiation (e.g. status of women, migrants and other vulnerable groups);
2. Changes in socio-economic situation of participating producers/workers and their households;
3. Changes in organization of rural areas, specifically organization of small producers and workers;
4. Changes in local, regional and national development;
5. Changes in the management of natural resources.” (Nelson/Smith, 2011:24)

Based on the priority questions which were defined together with the Fairtrade Foundation and Max Havelaar France checklists were developed, adapted to local context and Fairtrade producers asked to participate. Interviews with stakeholders and other relevant informants were conducted and a report was drafted. Before the final version was published, they first reviewed it with the producer organizations to identify gaps and cross-check the data. When disagreement occurred the different views were integrated in the final report.

4.1.3.2 The geographical context

To the four countries involved in this research the cotton sector is of crucial importance to their economies and a source of employment on the countryside. The survival of a great number of families depends on the revenues from cotton plantations, but as prices are falling their livelihood is endangered. (see Nelson/Smith: 2011:11)

Cameroon

The UNDP Human Development Index⁵ 2013 puts Cameroon at place 150, which means “low human development”. Although Cameroon is politically rather stable, the level of corruption and insecurity is problematic. The population is over 21 million people; the labour force constitutes about 8 million, a majority of which works in subsistence agriculture. Cocoa, coffee, groundnut, rice and cotton are cultivated as cash crops. Cotton is the most important cash crop for the 370,000 farmers in northern Cameroon. More than a third of Cameroonians are living under the international poverty line of 1.25\$ per day, with the cotton belt being one of the poorest regions in the country. (see Nelson/Smith, 2011:52)

Senegal

Senegal, also prone to rural poverty, finds itself placed at 154 on the HDI. Energy supply, water and sanitation are not sufficient in those areas of the country.

About 71,000 farmers are employed in the cotton production and approximately 570,000 people depending on the cotton industry, through in-country processing. Other export products are fish, groundnuts (peanuts), petroleum products, and phosphates. (see Nelson/Smith, 2011:50)

Mali

Half of the Malian population is living under the poverty line, which is reflected in its HDI rank 182, placing it among the poorest countries in the world.

Mali's economy is based on agriculture and fishing. After their natural resource gold, cotton is the second most important export product, accounting for 8% of the GDP ND 30-40% of total export earnings. About 3.2 million people base their livelihood on cotton.

⁵ “The United Nations Human Development Index (HDI) a composite measure of health, education and income that was introduced in the first Human Development Report in 1990 as an alternative to purely economic assessments of national progress, such as GDP growth. It soon became the most widely accepted and cited measure of its kind, and has been adapted for national use by many countries. HDI values and rankings in the global Human Development Report are calculated using the latest internationally comparable data from mandated international data providers.” (<http://hdr.undp.org/en/statistics/hdi/>)

India

India is the second largest producer of cotton worldwide, China being the largest. Also in exports of cotton it is second just after the USA. This differentiation between producer and exporter is important, as the US export nearly all of their cotton, while China and India keep a fair share of their production for in-country processing. The livelihoods of 60 million Indians depend on cotton production and value added procedures in the textile industry, 20.24% of total exports are textiles including cotton. Nevertheless incomes of cotton farmers are low as the input costs have increased.

Despite the economic boom the country is experiencing, 30% of the population is still living under the poverty line and the HDI ranks India at “Medium Development” place 136.

(www.hdr.undp.org)

4.1.3.3 The impact of Fairtrade

There have been positive impacts of Fairtrade registered by the researchers in all four case study countries regarding social difference and inequality, income, household standards of living and the quality of live, the strength of producer organizations, local and national development and natural resource management.

One of the main changes brought about by the introduction of Fairtrade in Mali, Cameroon and Senegal is the acceptance of women's right to their own income from farming and their admittance to participate actively in the producer organizations.

“In Mali women hardly grew any cotton before the introduction of organic cotton in the late 1990s. In 2002 women constituted around 17% of organic cotton farmers, but by 2005 they represented 40% of MOBIOM [Mouvement biologique malien] members. This was explained by the fact that organic cotton does not have adverse effects on health and involves less risk of falling into debt (inputs are virtually for free), making it more attractive to women, but also by the fact that Fairtrade requires that they receive their payments for cotton directly.”
(Nelson/Smith, 2011:71)

This means that it is not just because of the insistence of Fairtrade to give the revenues directly to the women harvesting the cotton, but also the fact that Fairtrade is forbidding the use of certain chemicals and introducing an alternative, organic cotton. Apparently in the past the chemicals used in conventional cotton were used as an

argument to exclude women from the workforce, as the chemicals might have negative effects on a pregnancy and health in general.

Similar accounts have been reported from Cameroon and Senegal, with women having their own income or having more control over household income and getting involved in the Producer Organizations. Yet, some of the women interviewed did assert that they still don't receive payments directly.

In India the situation is different: the proportion of women participating in the Producer Organizations hasn't changed, which is apparently due to the fact that only farmers who hold land titles can obtain membership. It is still a rare exception that Indian women own land themselves, so they do not farm cotton separately from their husbands.

The findings on the issue of child labour are also not completely clear. It is evident that Fairtrade has raised awareness on the subject. For example Cameroonian informants testified that children only work a few hours during harvest in a way that they can acquire the skills of cotton farming, but it doesn't interfere with their schooling. However, the researchers stated that it was difficult to be certain about the validity of statements by the farmers as it was evident that PO members were made aware of to the subject and would say that there are no children involved in the harvesting, while women of the same village would admit that children are helping their mothers with the fieldwork.

The change in income and economic situation of farmers (prior to 2007/8), the introduction of Fairtrade has made an important difference in earnings for West and Central African Farmers, while in India the Market Price has not declined under the Fairtrade Minimum Price. However, the global recession in 2007/8 has had negative effects on the whole industry and therefore also resulted in a decline in Fairtrade sales.

Nelson and Smith state in their report:

“Fairtrade producers in the W&CA received substantially higher prices under Fairtrade between 2004 and 2007: between 22% and 40% higher for conventional cotton and up to 70% higher for organic cotton. However, case study PO sales on Fairtrade markets dropped off in 2007-08 and reduced to zero in 2008-09, mainly because supply exceeded demand and cotton companies were holding a back stock of Fairtrade cotton from previous years.” (Nelson/Smith, 2011:12)

The slump in sales resulted in cotton companies not being able to sell their Fairtrade cotton and consequently farmers did not receive the Premium. This means that Fairtrade was not able to achieve their main goal which is to protect farmers from the volatility of the market and guarantee financial stability to facilitate long-term sustainable development.

FLO is trying to learn from its shortcomings in these circumstances and has established the new position of a Global Production Manager. With the help of a working group, the Global Production Manager is supposed to improve the communication between local Fairtrade Organizations and coordinate different producers in order to avoid such situations and to better manage market changes. (see Nelson/Smith, 2011:123)

Higher revenues achieved through Fairtrade prices for cotton were mainly used to meet basic household expenses, like schooling for children, health care and the such, which was difficult to cover with the regular cotton income (especially in W&CA).

“In Senegal, Mali and India some producers report being able to use surplus income from cotton for small investments in income generating activities (crop production, livestock, small business), farming equipment, savings and/or land. This indicates that Fairtrade is helping to strengthen livelihoods and supporting processes of sustainable development, at least for producers with above average cotton production. For those with small areas of cotton and/or low yields (which include the majority of producers in W&CA, but fewer in India), the income effects are likely to be limited to improvements in household food security and wellbeing, i.e. some reduction in poverty but limited long-term development potential. Unfortunately, the lack of sales in recent years has undermined the positive effects in the W&CA cases. Meanwhile, in India the impact of Fairtrade on household income was less marked anyway, given high prices on local markets.” (Nelson/Smith, 2011:92)

Fairtrade has definitely made an improvement on the ecological situation and the management of natural resources as it forbids the use of certain pesticides and

promotes the growth of organic cotton. In order to sell their cotton as Fairtrade Farmers are required to produce a higher quality cotton variety which allows them to gain higher prices. Also the cost input per kilo is much lower as the expensive chemicals are not used. On the downside this puts the famers at greater risk of losses in case of drought as this kind of “treatment” for the cotton makes it less resistant and yields are generally lower, at least that is to be expected in the first years of organic production. (see Nelson/Smith,2011:86f)

Concerning the issue of hired labour there is little evidence of the impact on the African case studies as it is not very common. Labour in fields is rather exercised in the form of unpaid exchange between community members. In India on the other hand share croppers, daily paid workers and migrant/seasonal workers are very frequently used. There is some anecdotal reference according to the report by Nelson and Smith that improvements in working conditions, such as higher wages, lunch breaks and shorter working days have been brought about by Fairtrade. (see ibid.92)

4.2 The Ethical Trading Initiative

The Ethical Trade Initiative (ETI) is an “alliance of companies, trade unions and voluntary organizations” (www.ethicaltrade.org) that wants to implement certain standards in the company codes. In contrast to the Fairtrade label, they are not trying to set up an alternative production network, but they want to improve the working conditions in the existing ones by getting global corporations to implement a code of conduct which promotes certain working standards.

The Multi-stakeholder Initiative has been founded in 1998 in London as a consequence of companies own codes of conduct coming under critique for being weak and leaving out central rights such as collective bargaining and freedom of association. A group of British trade unions, NGOs and companies worked out a standardized Code of Conduct, its implementation and monitoring mechanisms. This cooperation became the Ethical Trading Initiative, recognized and sponsored (40%) by the Department for International Development of the UK Government. (see Schaller, 2007) The rest of the funds come from members' fees, individual projects and services as well as by trainings courses they offer.

The members are companies as well as NGOs and Trade Unions, while the Unions don't pay a members' fee. On their homepage they list eight International Trade Unions which represent 160 million workers from all over the world and 16 international NGOs such as for example CARE International and Oxfam as ETI members. Furthermore 55 companies are full ETI members and 22 foundation stage members. The fact that the members pay fees and that companies make up a majority of members calls the ETIs independence into question. As a voluntary membership organization they don't have the legal power to sanction non-compliance. Members agree on the Code of Conduct and the Principles of Implementation upon joining the ETI. Schaller states in her analysis on the ETI:

“The degree of obligation is certainly weak in comparison to state rules, because membership is voluntary and rules are not legally binding. Yet there is social and economic pressure. With ETI membership and the commitment to ethical trade, expectations of consumers and civil society groups grow that corporate members comply with ETI rules. Corporations violating their CoCs are welcome targets for negative press coverage and consumer campaigns.” (Schaller, 2007:27)

The ETI doesn't see itself as a sanctioning organization but as an initiator of good business practice and forum for guidance on ethical trade. Therefore they usually don't verify the companies and their suppliers' performance but ask them to self-evaluate and offer training and support to implement ethical working conditions.

Nevertheless they did ask the Institute of Development studies of Sussex to conduct an impact assessment of their code of conduct (which I will discuss in this chapter). This impact assessment is interesting to demonstrate where the collective power of the ETI induces changes in the network and the workers lives. I will evaluate the findings of a survey conducted by the ETI on working conditions in South Africa, Vietnam and India with companies declaring to apply the code of conduct agreed upon. In this context I want to clarify the problems and limitations these organizations and researchers might encounter. Considering the fact-finding on the impact of their initiatives it is necessary to explain the standards set by the Ethical Trading Initiative demonstrating their goals and the benefits they hope to achieve for the workers.

4.2.1 Goals and Benefit

The ETI presents a platform for NGOs, companies and trade unions to debate and learn about ethical trade. When companies join the ETI they commit themselves "to implementing the ETI base code as part of their own company code" (see Barrientos, 2007:718) "The Base Code is comprised of nine principles, founded on core ILO and related Conventions. It also requires adherence to national law in any country, or the base code, whichever provides the higher standard."

The core conventions of the ILO cover the subject of forced labour or child labour, freedom of association and collective bargaining and discrimination. The ETI code includes furthermore living wages, working hours, regular employment, health and safety and no harsh treatment. (see www.ethicaltrade.org)

These "Codes of labour practice constitute a central element of corporate accountability, based on civil society demands for observance of international labour standards agreed in core conventions of International Labour Organization (ILO)." (Barrientos, 2007:714)

The code is a set of rules that define the conditions which have to be ensured for the workers by the companies and their suppliers in order to be compliant and should serve as base for decision making. They may, of course exceed these minimum standards, but in case ETI member companies do not meet these the ETI states to “invoke [their] disciplinary procedure”. (see www.ethicaltrade.org)

“Although ETI is not a regulatory body, companies that join us commit to adopting credible and effective strategies to improve conditions in their supply chains. Our company members also report to us annually on their progress in addressing workers' conditions in their supply chains. [...] If a company persistently fails to address concerns raised over its performance, the ultimate sanction is to expel it from ETI.” (www.ethicaltrade.org)

The motivation to adhere to standards is therefore simply based on the fact that they have collectively been established and agreed upon, but there is no legal consequence if any side of the deal should not comply with the agreement.

The code, which will be described here in detail, represents the goals and benefits the ETI hopes to achieve for the workers.

Free Employment means that there is no form of slavery, forced or bonded work and there is no such thing as seizure of identity papers or “deposits”, so the employee can leave freely after reasonable notice.

The Freedom of association says that all workers have the possibility to form or join trade unions, which include the right to bargaining collectively. It is important that workers representatives are not threatened or discriminated against and can freely perform in their function at the workplace. Therefore the employer is requested to hold an open mind toward organizational activities. If the right to freedom of association and collective bargaining is restricted under national law “the employer facilitates, and does not hinder, the development of parallel means for independent and free association and bargaining” (Base Code, www.ethicaltrade.org)

The provision of a *safe and hygienic working environment* according to the industry is obligatory and has to be adhered to. Therefore any specific hazards have to be secured, accidents or harm to health have to be avoided at all costs. For that reason regular health and safety training is obligatory for all employees. Furthermore *access to clean toilet facilities and to potable water* needs to be offered and maintained. If

accommodation is provided, it ought to meet the basic needs of the workers. A senior management representative has to be appointed by the company observing the code to take the responsibility for health and safety at the workplace.

The principle regarding *child labour* says that “there shall be no *new* recruitment of child labour” and that “Companies shall develop or participate in and contribute to policies and programs which provide for the transition of any child found to be performing child labour to enable her or him to attend and remain in quality education until adulthood”. If young persons (under 18) are employed, they cannot work at night or in hazardous conditions.

The payment of “*living wages*”, different to “minimum wages”, means that it should always be enough to meet basic needs and to provide some discretionary income. The minimum is what the industry benchmark standards or national legal standards, whichever is higher, purports.

The *conditions of employment* have to be put into writing and be explained comprehensibly to the worker. Disciplinary measures, if at all, have to be recorded and cannot imply reduction of pay.

Regarding *work hours* the Base Code calls upon national laws and benchmark industry standards, whichever affords greater protection. The ETI does state that working week should not exceed 48 hours and at least one free day a week. Overtime, at maximum 12 hours per week, has to be voluntary.

There is *no discrimination* on the grounds of race, caste, national origin, religion, age, disability, gender, marital status, sexual orientation, union membership or political affiliation to be tolerated at the workplace, especially regarding hiring, promotion, termination, retirement, compensations and trainings.

“*Regular employment*” implies that it should be based on a recognized employment relationship established through national law and practice and obligations to employees under labour or social security laws and regulations arising from the regular employment relationship have to be met. Any form of avoidance of this responsibility through sub-contracting, home-work or similar arrangements constitute a breach of this principle.

Harsh or inhumane treatment, such as physical or verbal abuse, the threat of physical abuse, sexual or any other form of harassment or intimidation are strictly forbidden. (see Base Code www.ethicaltrade.org, 2009)

By joining the ETI the companies commit to the Principles of Implementation which states that it is in their responsibility to implement the Base Code and request and help their suppliers to do the same. If the code is “seriously violated”, a procedure is laid down to enforce membership obligations. At first the chair and the director of the ETI will require the brand to set some concrete actions for improvement. The next step is disciplinary hearing with the committee and if that doesn’t lead to changes then a twelve month suspension from the ETI is envisaged. If after this twelve months period no improvements have been launched the member will be excluded from ETI.

“The process had to be used several times, but no corporation has been excluded so far. However, Levis is currently suspended from membership because of its refusal to adopt the “living wage” provision of the Base Code (ETI 2006d). In any case, this means of sanctioning code violations ensures a relatively high binding force of the Base Code, at least as long as corporations do not lose interest in ETI membership. (Schaller, 2007:28)

4.2.2 The Impact Assessment

In the Third World Quarterly Article “Do Workers Benefit from Ethical Trade? Assessing Codes of Labour Practice in Global Production Systems” Stephanie Barrientos and Sally Smith are giving a quite clear and comprehensive analysis of the assessment conducted by the ETI. In this paper they want to “explore whether corporate codes of labour practice are meeting the primary objective of benefiting workers in global production systems through improvement of employment conditions.” (Barrientos, 2007:714)

4.2.2.1 The study countries

As with the Fairtrade Assessment I want to give some facts and figures of the economic data on the study countries evaluated in the research in order to give some context to the assessments. An in-depth country-analysis cannot be given here, but merely some information for the reader in contemplation of the pressure on the labour market in those economies. It should be noted here that the ETI does not only struggle for textile workers, but for all kinds of workers all over the world. Therefore the

assessment does not only concern textile workers. While in Vietnam and India the textile Industry is very important, South African workers are more likely to be employed in the mining industry.

Vietnam

Vietnam's main exports are oil products, rice, footwear (leather, rubber and other fabrics) and garments. About 21% of the labour force is employed in the industrial sector, and 48% in the agricultural. According to CIA World Factbook Data the unemployment rate is at 4,8 %. Still, 20,7% (UNDATA 2010) of the population live under the poverty line⁶ of 1,25\$/day. Vietnam ranks on place 127 of the Human Development Index. (HDI 2013)

South Africa

South Africa is the biggest African economy, ranked 121 on the HDI Index. Their main exports come from mining their natural resources which make them the largest worldwide producer of platinum, chromium and gold. The employment in the industrial sector is 22.7% (2012 est., CIA Factbook) An article issued in October 2012 in the Economist states that "The unemployment rate, officially 25%, is probably nearer 40%; half of South Africans under 24 looking for work have none. Of those who have jobs, a third earns less than \$2 a day. Inequality has grown since apartheid, and the gap between rich and poor is now among the world's largest." (www.economist.com)

India

I have already given some information on the Indian economy on p.52. According to UN Data from 2010 29.8% of the population lives under the poverty line. The employment in the industrial sector in 2010 was by 22.4 %, the official unemployment rate is at 8,5% in 2012.

4.2.2.2 Methodology

The assessment commissioned by the Ethical Trading Initiative and analyzed by Stephanie Barrientos investigates selected ETI member companies on code implementation at various levels of the value chains.

⁶ The internationally comparable poverty line has been set by the World Bank in 2008 at 1.25\$/day Purchasing Power Parity.

“The research used a ‘Value Chain to Impact Mapping’ approach in order to trace the impact of codes in different types of chain and commercial context. [...] The study then undertook comparative case studies to assess the impact of company codes on workers in the value chains of selected ETI company members across a range of sectors and countries. These were carried out in South African fruit, Indian garment and Vietnamese garment and footwear production. [...] In all countries the assessment was undertaken by local research partners with expertise in labour issues and who could speak the relevant languages. They were guided by a common methodology that could be flexibly adapted to the specific circumstances of their country and sector. In total the case studies involved 11 ETI member companies, 23 supplier sites, and 418 workers who were interviewed using a combination of short questionnaire and focus group discussions. [...] A particular focus of the study was to ensure engagement with all categories of worker, including permanent, temporary, seasonal and contract; male and female; migrant and non-migrant.” (Barrientos, 2007:718)

The nine different categories of the base code were evaluated to determine the code compliance. Some were more easily assessable since those are quite visible factors such as health and safety standards, child labour, living wage, regular employment or work hours. Others like freedom of employment and association, discrimination or harsh treatment are less visible and can therefore only be ascertained through personal questioning.

4.2.2.3 The Results

In the following you can see a comprehensive overview of the results of the assessment. Management and workers were asked to evaluate if the situation has changed since the company has committed itself to complying with the ETI Base Code.

“Major” means that considerable change has taken place on all or most worksites examined. “Minor” indicates that no significant impact on the workers or only on a few sites has been identified. If there is an asterisk mark next to the major/minor indication, it means that the change was perceived negatively. Zero signifies that no change has been reported although this need not mean that the code was not followed, it may also show that standards were already up to the ETI minimum expectancies.

TABLE 1. Summary of impacts by ETI Base Code principle at country study supply sites

Base code principle	South Africa (six worksites)		Vietnam (six worksites)		India (six worksites)	
	Mgmt	Wkrs	Mgmt	Wkrs	Mgmt	Wkrs
Freedom of employment	0	0	0	0	0	0
Freedom of association	0	0	0	Minor	0	0
Health and safety	Minor	Minor	Major	Major	Major	Major
Child labour	Minor*	Minor*	Minor*	Minor	Minor	0
Living wage	Minor	0	Minor	Minor	Minor	Minor
Working hours	0	0	Major	Major*	Minor	Minor*
Discrimination	Minor	0	Minor	Minor	Minor	0
Regular employment	0	0	Minor	0	Minor	Minor
Harsh treatment	Minor	0	0	0	Minor	Minor

Figure 5: ETI Assessment, Source: Barrientos, 2003

As we can see regarding child labour there have been minor changes throughout all the three countries, but in this case, Barrientos explains that this factor has already been recognized as important to buyers by the suppliers for quite some time, so they were mostly compliant at the time the assessment has been conducted. The asterisk next to it might mean that workers in different countries may have different opinions on when a person is old enough to start working in order to contribute to a family's income.

Evident improvements have been found in health and safety standards, constituting a major benefit for workers due to code implementation. Working hours have evidentially changed in Vietnam and India, but not in South Africa, although this regimentation in work hours is not always greeted by the workers themselves as it can also mean less take-home pay.

Minor improvements have occurred considering wages, most of them only reaching minimum, not living wage. Unfortunately there has been no or little change regarding the factors of freedom of employment and association. Barrientos notes here that freedom of association and collective bargaining as well as the factor of discrimination remained an issue for workers.

“In no case did we find an increase in union membership or the establishment of a collective bargaining agreement as a result of the code implementation. At some worksites (particularly in Vietnam, where trade unions are not independent of the state) codes have made some contribution towards a greater union activity. In India [...]we found fear among some workers (particularly casual, migrant and contract) that if they joined a trade union their job could be at risk, and trade unions were only able to have contact with workers outside the work premises.” (Barrientos, 2003:723)

This finding shows that despite the insistence of the ETI on the importance of the freedom of association and collective bargaining, trade unions are often repressed and turn out to be the biggest challenge for the collective powers to enforce.

4.2.2.4 *Problems & Limitations in the research on impact*

While some suppliers have shown willingness for cooperation in assessments but voiced critique buyers “double standards” directly undermining compliance with their own code of labour practice, others evidently used double book keeping in order to pass audits.

A recurrent problem for the assessment was that workers with no regular employment would just disappear from the worksite when a auditing took place.

“Social auditing is able to identify visible aspects of codes, such as health and safety provisions and wages, but less able to identify less visible or more deeply embedded aspect relating to workers’ rights and discrimination.”(Barrientos, 2003:725)

The assessment of the company code implementation bears certain difficulties, but gives some interesting results, which suggest that there has been some impact on workers lives, but not all changes are received as positive. Unfortunately what the survey analyzed in this chapter also shows is that even though the ETI base code explicitly asks for companies and suppliers to encourage the formation of trade unions and to pay a living wage, there has been little change considering these points. A possible explanation as to why these conditions are insufficiently met, could be that these points are too contradictory to the position of a company acting within the capitalist system where the unequal exchange is inherent.

4.2.3 The Power relations in the ETI

As mentioned above the Ethical Trading Initiative acts within the conventional production network, trying to improve it for the people working in it. Therefore the Network-structure is the same as the one of the conventional production network. The Ethical Trading Initiative function is to build a platform for cooperation between the different interest groups and cooperating with the brands and are to a certain extend dependent on them in their existence as an organization. They are operating as a forum for communication and offer support to lead-firms that show themselves willing to improve their production network.

The *collective power* of NGOs and Trade Unions is united and supported by the ETI in order to give them the possibility to meet the corporate representatives on an eye level. This cooperation between *corporate* and *collective power* may exclude *institutional power* to a certain degree. The only forms of representation of *institutional power* in this scheme is the indirect legitimization through the United Kingdoms' Government Department for International Development and the fact that the ETI Base Code states that references for the standards can be according to national law *or* base code, *whichever is higher/stricter* (e.g. Living wage).

This form of private law making points once again to the failing of institutions to reign in TNCs in order to protect their citizens. But the *collective power* of the ETI is only so long effective as the companies do not lose interest in the membership. Nevertheless, the fact that the Initiative has grown enormously in the last decade shows that corporate social responsibility is becoming ever more important thanks to the interest of civil society and consumers in the conditions of workers. This is the heart and soul of *collective power*.

4.3 The Clean Clothes Campaign

The Clean Clothes Campaign (CCC) is an alliance of NGOs and Trade Unions advocating human rights and transparency in the garment and sportswear industry. The goal of this civil society campaign is to build public awareness and educate the consumer in order to get brand-name apparel firms to adhere to ILO standards.

The CCC has been founded in 1989 in the Netherlands by a movement that had formed itself in support of Philippine workers, who were fired for asking to be paid the legal minimum wage. Nowadays it is represented in 15 European countries: Austria, Belgium, Denmark, Finland, France, Germany, Italy, Ireland, Netherlands, Norway, Poland, Spain, Sweden, Switzerland and the United Kingdom. Furthermore they have built up a network of more than 250 organizations around the world to develop strategies together with local organizations. The headquarters is still in Amsterdam and consists of three different and independent parts: the International Secretariat (CCC-IS), the Dutch Secretariat (SKC), and the Bureau (administrative support).

The campaign is organized in a base democratic manner with no hierarchical structures, decisions are taken collectively between staff members. The International secretariat holds European-wide CCC teams meeting thrice a year to manage ongoing actions, develop new strategies, discuss governance and improve communication.

(see www.cleanclothes.org) The international bureau is funded as follows:

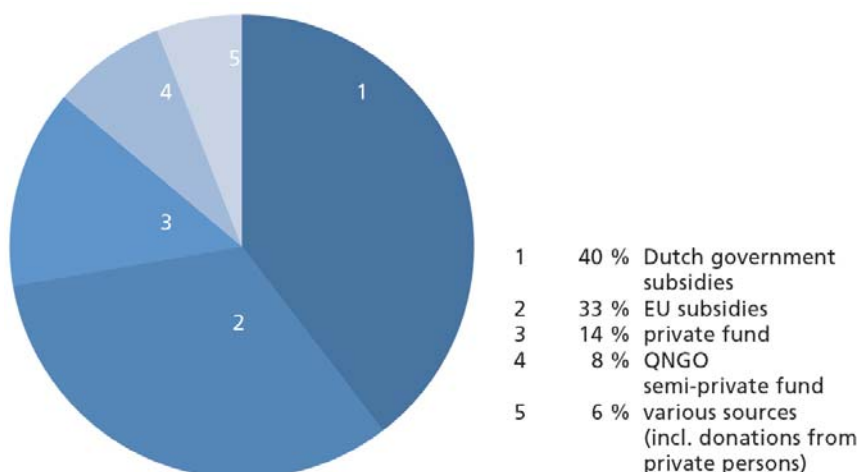


Figure 6: CCC Funding (Source: <http://www.cleanclothes.org/about/annual-reports/2011-annual-report/view>)

The individual national offices are also partly funded by their national government, EU subsidies and private funds and donations. The Austrian “Clean Clothes Kampagne” is

organized as a platform of 13 organizations and coordinated by the “Südwind Verlag”, who is funded by the Austrian Development Agency.

4.3.1 What the Clean Clothes Campaign stands for

The Clean Clothes Campaign states their principles on their homepage www.cleanclothes.org under the section “what we believe in”. In the following I summarize their position:

The CCC stands for the right to safe and adequate working conditions for every worker, without discrimination on the basis of nationality, gender, age, employment or legal status. They propose a living wage (see Chapter 4.3.3.1) which guarantees a life of dignity, as a minimum level of remuneration and put a lot of emphasis on the workers’ right to associate and bargain collectively and freely. These claims are based on the Universal Declaration on Human Rights (Article 23) and the ILO conventions and workers are entitled to be informed about them.

Furthermore the CCC wants to address the gender issues which are especially problematic in the garment industry. The CCC believes that empowerment can be achieved through the organization of the workforce and recommends consulting concerned workers when taking public action to draw attention to violation of their rights. They advocate international cooperation between NGOs and Trade unions.

Consumers are entitled to be informed of the origin and circumstances of manufacture of the clothes and shoes they are offered for purchase. Although the CCC strongly encourages civil society initiatives to support workers in their rightful claims, they advise in most cases against boycott.

The CCC call upon national governments and international authorities to implement binding legislation that is up to the standards set out in ILO conventions. Furthermore they urge brand name apparel companies to accept their responsibility and see it as their duty to assure that their products are manufactured in a safe environment and remunerated adequately.

“[They] should adopt a code of labour practice that follows the standards outlined in the CCC model code, commit to implement these standards throughout the garment production subcontracting chain, and participate in credible, transparent and participatory multi-stakeholder verification initiatives in order to develop, guide and oversee code implementation activities.”
(<http://www.cleanclothes.org/about/principles>)

4.3.2 What the Clean Clothes Campaign does

The Clean Clothes Campaign utilizes different media in order to create awareness about the working conditions of the different manufacturing brands that are selling their products in Europe. They try to reach their audience via press releases and political magazines, as for example in Austria the “Südwind-Verlag” as well as leaflets and events in collaboration with other NGOs. Their main communication though is via social media channels like Facebook and Twitter, where they are very active by regularly posting articles on current workers rights violations and demonstrations on their behalf.

So the work of the CCC can be divided into four main activities:

1. Appealing to the consumers’ morality by informing them about the conditions in which their products are produced in the global garment and sportswear industry. By using different media channels they try to make consumers aware of the power of their consumption choice.
2. By directing consumers attention to the practices of companies (see 1. just above) the CCC is trying to put pressure on brand-name lead firms, mainly through the so-called “naming and shaming” tactic. This means that by telling consumers which brand is, for example, not adhering to the agreed working conditions and remuneration, they attempt to get those companies to take responsibility for the working conditions in their supply chain.
3. They research the possibilities for workers to exhaust the scope of the legal options and lobby for the creation and implementation of laws to oblige lead firms and governments to guarantee good labour practices and ethical consumption.
4. Furthermore the CCC tries to support and coordinate workers, trade unions and NGOs in the production countries by acting as a platform and bringing together

the different nationalities and cultures to join forces and act as a collective in support of labour rights.

(see <http://www.cleanclothes.at/de/ueber-uns/aufgaben/>)

4.3.3 Clean Clothes Campaign Projects

4.3.3.1 *Living-wage*

One of the most important projects Clean Clothes is campaigning for together with the Asian Floor Wage Alliance and many other organizations in Asia, Europe and the US is the implementation of a “living wage” for all garment workers across Asia. This “living wage” is more than a minimum wage, which is usually hardly enough to survive on, let alone feed children and send them to school. A living wage is designed to cover a set of basic products for a healthy nutrition, rent, transportation to the workplace and health care for a family of four. They have used the “Purchase Power Parity”⁷ formula to calculate the necessary wage a worker would need in each country to buy the same basket of products. The Alliance is hoping to get governments to collaborate and sign this treaty for a living wage in all Asian countries in order to solve the problem of location competition. This way corporations and factories would have no choice but to pay a living wage to their workers.

Trade Union leaders and activists formed the Asia Floor Wage alliance in 2005 and launched their project internationally in 2009 with the help of the CCC. They are informing the public about working conditions and consequences of the low pay of garment workers in order to gather support for the Asia Floor Wage. By collecting signatures for the Asia Floor Wage petition they want to strengthen their collective power and put more weight behind their lobbying efforts to influence the institutional and the corporate powers to accept and implement a living wage. They try to create a collective force in order to make the institutional powers, the governments agree on a common strategy, the living wage for all Asian countries, to disable the mechanisms of competition between regions. This would be contrary to the interests of companies of course as they would henceforth loose a considerable amount of power and pressure

⁷ The Purchasing Power Parity (PPP) is an economic concept used by the World Bank in order to compare the value of currencies by calculating the amount of money it would take in said currencies to buy the same amount of goods in the respective markets. This method is useful as low pay is often argued with the cheaper cost of living in developing countries. With the PPP it is easy to demonstrate what workers in different economies would need to be paid in order to be able to live a decent life.

on governments, so it is likely that they will see to it that this project will encounter considerable obstacles. Furthermore there are critiques that do not only doubt the feasibility of such an endeavor, but also the long-term welfare benefit for the region as a whole. However, unfortunately it is not in the scope of this paper to discuss the concept of living wage and state regulation of the labour market in detail. What is important to mention here is that while the collective power in support of this project, even though it might be considerable in the number of proponents, has not been able to prevail over corporate power, but it has opened up the discussion that minimum wage, even if it is observed, is still not enough for workers to live a decent life. By bringing this up for discussion on a transnational level and gathering supporters among consumers, civil society organizations and trade union leaders it is already influencing the network. Although the Asia Floor Wage is far from being implemented, the pressure on institutions and corporations is building through people working on their behalf and standing up for this matter. Even if a multi-national agreement between Asian states is very unlikely the mobilization for this cause is pointing out the issues the location concurrence is causing.

4.3.3.2 The Bangladesh Building and Fire Safety Deal

Another project of the CCC, which recently got a lot of publicity, was the “Bangladesh Safety Deal”, which is a legally binding accord on building and fire safety standards for the Bangladeshi Garment Industry. IndustryALL, UNI and Workers Rights Consortium, global union organizations have prepared and lobbied together with the CCC for this contract to be signed by brands already since 2011, pointing out the risks on the Bengali work floors. Finally after the big industrial catastrophe in May 2013 when the Rana Plaza in Dhaka collapsed, killing more than 1200 people, the situation of the Bangladeshi garment workers gained so much public attention that suddenly most of the major brands committed to the accord on Fire and Building Safety in Bangladesh. H&M was one of the first who signed the agreement, bringing along other players: the Inditex Group (Zara), C&A, Mango, Tchibo, PVH which holds Tommy Hilfiger and Calvin Klein, Tesco, El Corte Inglés, jbc, Mango, Carrefour, G-Star, Aldi, New Look, Mothercare, Loblaws, Sainsbury's, Benetton, N Brown Group, Stockmann, WE Europe, Esprit, Rewe, Next, Lidl, Hess Natur, Switcher, A&F, Marks & Spencer, Primark, KiK and Helly Hansen all signed the agreement before the deadline on May 16th in Geneva. GAP and Wal-mart are the only two lead firms approached, who have

decided not to sign but instead argued that they have their own companies' code of conduct and inspections.

The CCC has taken the role of building the putting on the brands to commit to a legally binding agreement by supplying considerable amounts of information to consumers in the west about the situation in Bangladesh and the brands' role in it. They highlighted the importance of an agreement between trade unions and Multi Nationals and lobbied for the safety deal, gaining support from customers in order to pressure the brands. On May 10th 2013 they posted a press release stating that "over one million people have signed petitions calling for brands sourcing from Bangladesh to sign the legally-binding Accord on Fire and Building Safety in Bangladesh immediately." (see <http://www.cleanclothes.org/news/press-releases/2013/05/10/global-support-for-bangladesh-factory-safety-surpasses-one-million>)

When it finally came to conclusion, the CCC signed this agreement as a witness and representative of the civil society. The accord envisages a five year period for the building and fire safety program to be put in place. A steering committee comprised of three representatives from each the trade union and of the companies and one from the ILO is responsible for the management of the remediation of the Bangladeshi industry. Together they appoint an independent safety inspector, oversee the budget for the program and can take decisions in case of a dispute between concerned parties by majority vote.

The scope of the program envisages remediation, fire safety trainings and safety inspection for all factories that are manufacturing for the signatory companies. The extent of these measures is differentiated according to the suppliers' share of production for the brands signed. (see www.cleanclothes.org)

The detail that the CCC has been acknowledged by the ILO, the companies and the victims as a legitimate agent to witness and follow up on the enforcement of the deal shows the collective power the campaign has gained. To be accurate it has to be acknowledged that the extent of the tragedy in Bangladesh was so immense that the media and governments could not ignore it. For this reason the collective powers like the CCC who had already been engaged in Bangladesh and therefore immediately made it their task to make sure the consequences were dealt with. They gathered momentum through the public support which enabled them to put pressure on

institutional and corporate powers. The success of the collective initiative can be seen in the legally binding concessions that the signatory brands and governments made.

4.3.3.3 “Firmen-check” CCC Austria

As the Clean Clothes Campaign is represented in different European countries with their individual Clean-Clothes Teams some might carry out projects nationally. The Austrian “Clean Clothes Kampagne” has drawn up a database including 50 brands which are represented in Austria,

- a) evaluating their performance regarding the company's transparency
- b) code of conduct and its compliance
- c) monitoring and verification of working conditions in their supply chain.

The brands are then given a color, comparable to grades ranging from “conscientious objectors”, which is applied to brands that don't want to answer the CCK questions, up to “advanced” for brands that are fully engaged in providing ethical working conditions and sustainable production and are among the pioneers in the industry.

(source: cleanclothes.at)

There are 26 questions considering transparency, the recognition of workers' rights through a code of conduct and its implementation, monitoring and enforcement of labour laws. Furthermore the CCK collects publicly available information on a brand and then evaluates each with the same method in order to make qualitative comparisons. This gives consumers a fairly simple way to monitor the responsibility of their favorite brands.

The clean clothes campaign wants to facilitate the access to information about brands for the consumer in order to make it easier for them to make an informed choice. This check-up is of course also supposed to put pressure on the companies. While the brands' image in the eyes of the consumer is extremely important to most multinational companies, real efforts from their side in most cases will only occur when a loss of sales due to a damaged reputation becomes pressing.

4.3.4 The Clean Clothes Campaigns' Impact

The Impact on workers lives of a consumer initiative that tries to generate public awareness about a certain issue like the Clean Clothes Campaign does, is hard to measure in facts and figures. Nevertheless their importance for the workers' call to be heard by the lead-firms in the west is beyond doubt. Plank citing Triff states:

“Gradually, improvements in working conditions occurred which were partly driven by the efforts of labour inspectorates as well as by international consumer campaigns, in particular initiated by the CCC, which tried to push lead firms toward more responsible business practices, [...]” (Plank, 2009:79)

Projects such as the fire and building safety deal can be portrayed as a success for the campaign although it is indisputable that the tragedy in Bangladesh was the catalyst for so many brands to acknowledge and agree on those terms.

The living wage project on the other hand is a long term ideological struggle which is ultimately only successful when all the Asian governments agree. For several reasons, which I cannot discuss in depth here, this is very unlikely to happen in the coming years. Therefore the impact of this project can only be seen, again, in the light of explaining the problematic of the concurrence between producer countries and the resulting downward spiral of living conditions for workers to the consumer in the west. The hope is that the latter will then be encouraged to push brands to pay living wages in the first place.

The Austrian Clean Clothes Kampagnes' company check has the potential to have more direct impact as it is an easy tool for customers and companies are directly affected by it in their image.

The collective power here comes into effect in its most basic sense: the civil society. The work of the clean clothes campaign as a civil society representative can influence the network because it acts as connection between the consumer and the worker, who would otherwise have no link. Via its direct connection to trade unions and workers in the producer countries, who give them first-hand information, they can reveal news on breaches of labour law and mistreatments that could otherwise have been suppressed. As it is much easier nowadays to spread information and organize social movements through the social media, brands are getting much more vulnerable to criticism and have to take greater care of their image. The collective power of the

Clean Clothes Campaign lies in its interconnectedness with other organizations, especially those on the ground in Asia.

4.4 Discussion and Comparison of the different Initiatives

The Ethical Trading Initiative compared to Fairtrade and the Clean Clothes Campaign has many common goals, but without repeating the previous chapter, I want to briefly highlight some key differences here:

While Fairtrade's aim is to support disadvantaged producers and workers in developing countries, mainly working with raw materials or foodstuffs such as coffee, cocoa, bananas or cotton, Ethical Trading Initiatives' objective is to protect workers' rights worldwide throughout the supply chain. The latter is concerned about "the behavior of buying companies - retailers, brands and their suppliers - and the steps they take to ensure supplier companies respect workers' rights". The Benefits that ETI hopes to achieve for the workers are partly also covered by what Fair Trade is aiming for, but the ETI is going further as their involvement is not limited to developing countries or the agricultural sector, as they want to address issues that concern the workers all over the world. These are essentially composed of nine key factors: "Freedom of employment" and "Freedom of association and collective bargaining", "Health and Safety standards", "no child labour", "living wage", "regular employment", "working hours", "no discrimination and no harsh treatment".

Fairtrade's goal is to facilitate greater independence from the international market for farmers by guaranteeing that they receive fair terms of trade and fair prices - whatever the conventional market is. (see ethicaltrade.org)

Fairtrade's effectiveness is dependent on customer awareness and support and therefore needs to work with the Fairtrade symbol to be recognizable for the consumer. The ETI has no such label as their standards are not to be seen as an "extra" for which higher prices are justifiable, but as a minimum of ethical standards, which *should* actually be common practice.

The Clean Clothes Campaign on the other hand concentrates on the working conditions in the garment industry. Their concept is based on pressuring western brands into compliance by informing the consumers about the fate of the people producing their clothes. The CCC does not intend an alternative trading model as Fairtrade does, nor does it bring stakeholders together and propose a unitized code of conduct like the ETI. It supports the struggles of the local trade unions and gives them

a voice in Europe, in order to gain public attention. Although the ETI and the CCC agree in many points, for example the living wage, their approaches are quite different: While the ETI negotiates between NGOs, TU and companies, they completely ignore the final consumer and do not try to directly communicate with him. The CCC on the other hand is mainly concerned with consumer awareness and built on the idea that consumers can influence brands.

Critiques on Fairtrade are saying that it is not challenging the conventional trade system enough as it just sets up an alternative one which gives the customers who can afford it, to buy themselves a good conscience. But on the side of the workers Fairtrade can also create social conflict if the two trading systems, the conventional and the “fair” one are existing side by side. Ethical Trade on the other hand tries to implement labour minimum standards in the codes of conduct every company and every workplace worldwide should comply to. This implies that the conventional trade system would stay in place, but be more “humanized” or ethical. The same applies to the Clean Clothes Campaign, but, as mentioned above, starting with the conscious consumer, as they are convinced that only if the consumer cares, the companies will care. The CCC criticizes the brands very harshly, is outspoken and has therefore gained a reputation for being incorruptible. The Ethical Trading Initiative has another standpoint, they are cooperating with the brands and are to a certain extent dependent on them in their existence as an organization. They are operating as a platform for communication and offer support to lead-firms that show themselves willing to improve their production network.

The collective power is articulated in very different ways in those three initiatives. Fairtrade is creating collective power on two levels: First of all by enabling the consumer to make a choice based on a different reason than price and thereby sending a message to high-street brands. Also, it builds collective power by organizing the farmers in collectives, which for them might be a logistic move just as much as a democratic one, who then have an influence on the community. The Ethical Trading Initiative bases its collective power on giving civil society organizations a platform to work out solutions together with corporate agents in a cooperative manner to have a long-term benefit for workers. The Clean Clothes Campaign is using their information network to build collective power to pressure corporate agents into concession.

5 Overall Conclusion

“Although the influence of CSOs varies enormously, there is no doubt that, as important actors in the global system, they have to be taken into account in GPN analysis. In some GPNs, of course, notably agro-food industries, natural resources, energy, clothing and textiles, they are extremely prominent and have a significant influence on corporate behavior. More broadly, as Beck (2005:238) argues, ‘the advocacy movements of global civil society are the originators, advocates and judges of global values and norms. The way they create and hone this every day, local and global awareness of values is by sparking public outrage and generating global public indignation over spectacular norm violations. They do this by focusing on individual cases.’ Pressures from CSOs undoubtedly exert a considerable influence on firms to engage in more socially responsible behaviour. Although there may well be some altruistic cases, the current trend towards explicit corporate social responsibility policies among TNCs (see Dicken 2007; Gereffi, Garcia-Johnson and Sasser 2001; Hughes et al, 2008; van Tudler with van der Zwart 2006) is largely result of such pressures.” (Coe et al., 2008:29)

5.1 Research findings

The research question behind this thesis was on the influence of collective power in Global Apparel Production Networks. The main objective was to find out how far and in what way western civil society and its’ initiatives and organizations can influence the situation of the workers in developing countries to which textile and apparel production is being outsourced. Three very different examples of civil society organizations and consumer initiatives have been discussed and analyzed in the light of the Global Production Networks Theory: Fairtrade, the Ethical Trading Initiative and the Clean Clothes Campaign.

It has been demonstrated that collective power is expressed in a different manner according to each organization and can extremely vary in their strength. While the ETI tries to bring collective and corporate power to cooperatively work out solutions for workers rights, the CCC supports workers struggle by putting pressure on corporations via consumer awareness raising campaigns. Fairtrade on the other hand gives consumers the possibility to choose and support an alternative production network that is built to promote collective powers, limit corporate influence and tries to substitute failings of institutions.

The research has shown that Fairtrade has indeed had an impact on cotton farmers, their community and the environment. The findings vary between the different countries: In three out of four study locations female participation in Producer Organizations and benefit from cotton earnings has been increased. Management of natural resources and the ecological situation has been improved thanks to organic farming and earnings from Fairtrade cotton have been higher, in most years. Nevertheless, Fairtrade could not keep its promise of planning security to the farmers due to the global recession in 2007/08, some of the farmers included in the survey were not content with the new farming methods as they had lower yields and the cotton was more prone to pests and the issue of child-labour could not be sufficiently clarified.

The Impact assessment on the Ethical Trading Initiative has also shown that their work has produced the actual change in workers lives, most of all considering work hours, safety standards and child labour. An issue that has come to light during the assessment was that the workers concerned did not necessarily perceive all the “improvements” as such. So far not all the goals of the ETO have been achieved, for example the workers right to unionize and bargain collectively has hardly been implemented in the case study worksites.

Considering the Clean Clothes Campaign it has been more difficult to give proof of their impact as their main task is to act as a voice in Europe for the workers struggle in Asia. Nevertheless it is undisputable that public awareness on the issues of workers rights does put pressure on brands.

5.2 Critique and Ideas

The Global Production Networks theory says that the three powers, corporate, institutional and collective, determine the outcome of the embeddedness and the value capture. This approach tries to include more factors into the analysis of production networks which have previously been disregarded from the commodity chain and business literature which solely focused on the relationship between lead-firms and suppliers. The advancement of the network literature is the multi-dimensional perspective which discloses the different connections between agents involved. While understandably it cannot be supposed that in reality the powers in play

are equals, unfortunately the literature also does not give them equal attention. This fact undermines to a certain degree the innovation of this theory. Although it is the very reason of existence of this broader, more inclusive approach, it partly fails to determine the exact reach of some of its variables, most of all the collective power. Furthermore it has become clear upon working with the literature that GPN approach rarely addresses the consumer as an active participant of the production network. However, being the main motivation for the production to exist and be reproduced, I would argue that the consumer should be stronger incorporated into the theory.

Furthermore I have noticed that the question of “what happens after the product is consumed?” is not at all addressed in the chain- and networks literature. The waste and recycling issue is left to other researchers, although it is part of the product life cycle and should therefore be included in the network theory. Especially since the intentional short life of throw-away items is an important element of mass production.

Nevertheless I found this theoretical approach to be the most helpful in order to research the impact of western consumers and civil society on the situation of workers in developing countries. I hope to have contributed to the clarification of this issue with the examples of three different representatives of collective power and demonstrated that while powers are unequal, the collective can and does have an influence.

5.3 Further Questions

Upon investigating this topic a lot of interesting questions have arisen that could not be answered in the scope of this paper. Nevertheless, I would like to pose them here for further research.

For example whether civil society and private regulation such as the ETI undermines or substitutes the functioning of the state and institution building in developing countries. This leads to the controversial question if the state should in fact define the framework for economic interactions or if the market will regulate it in the best interest of all participants?

Another discussion arises from the topic of this thesis, is where would the improvement of the situation of the workers lead to? If incomes would rise in all developing countries, would at some point the outsourcing not become obsolete?

While it is still a long way until the situation and the wages of Asian workers have arrived at a point where sewing in Western Europe and the US will pay off again for the brands, might this lead to de-globalization and a re-localization on the long-term? Or will the know-how (value enhancement) that these countries have gained keep them their jobs? Will consumer patterns in the West change and the entire consumption system based on quantity and throw-away mentality get “out of fashion” anyhow and finally less will be produced, but in a better quality and for a higher price? This would mean though that fewer workers will be needed and therefore less people employed. Would that lead to mass unemployment and an even worse situation for those economies? Or would it maybe lead to a less export-orientated and dependent economy and to a more independent and individual development?

These controversial questions could not be discussed in this thesis, but are and will be debated and speculated about in various forums right now and in the future. However, I hope to have given an insight on collective power and its impact on the situation of workers in developing countries today.

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Figures:

- Figure 2: Source: adapted from Dicken 2004, Figure 2. in Coe
- Figure 2: Influence between Agents in the GPN - © Nicoletta Peretti
- Figure 3: Basic structure of cotton value chain (Nelson/Smith, 2011:36)

- Firgure 4: cost-breakdown of a t-shirt source: macleans.ca
<http://www2.macleans.ca/2013/05/01/what-does-that-14-shirt-really-cost/>
- Figure 5: ETI Assessment, Source: Barrientos, 2003
- Figure 6: CCC Funding (Source: <http://www.cleanclothes.org/about/annual-reports/2011-annual-report/view>)

7 Annex - Curriculum vitae of the author

Nicoletta Peretti

EDUCATION

<i>July 2011</i>	Fashion Business Summer Course at Fashion School Marangoni Paris
<i>2010-2011</i>	<u>Université Paris 1 Panthéon-Sorbonne</u> , Erasmus Exchange year
<i>2007-2013</i>	Studies: <ul style="list-style-type: none">- <u>Universität Wien</u>, Internationale Entwicklung (International Development)- <u>Wirtschaftsuniversität Wien</u>, Volkswirtschaftslehre (Economics)
<i>2005-2006</i>	<u>Gap year</u> , Travel, work and language courses in Barcelona, Vancouver, Florence and Milano
<i>2005</i>	<u>Kollegium Kalksburg Neusprachliches Gymnasium Wien</u> , Matura

PROFESSIONAL EXPERIENCE

<i>01. May 2009- 01. July 2010</i>	<i>Conference Services at the United Nations in Vienna</i>
<i>01. May 2008- 01. July 2008</i>	<i>Internship at the “Österreichische Finanzmarktaufsicht”, Austrian finance market authority</i>
<i>01. July 2006- 15. September 2006</i>	<i>Summer job as receptionist at the “Österreichisches Verkehrsbüro”, the Austrian Tourism and hotelier agency</i>
<i>01. July 2004 – 01. August 2004</i>	<i>Internship at Saatchi&Saatchi, Austrian advertisement agency</i>

LANGUAGES AND OTHER SKILLS

<u>German</u>	mother tongue
<u>English</u>	fluent (C1)
<u>French</u>	fluent (C1)
<u>Italian</u>	fluent (B2)
<u>Spanish</u>	intermediary (A2)
<u>Computer</u>	MS office