

A COLLABORATIVE FRAMEWORK  
FOR GUIDING POST-MFA ACTIONS

MFA Forum

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## The Context

On January 1, 2005, the Multi-Fibre Arrangement (MFA), also known as the Agreement on Textiles and Clothing (ATC) which governs textiles and apparel imports to the US and EU through a system of quotas, came to an end. The quota system has until now provided many developing countries with preferential access to markets and shelter from global competition. The end of the MFA will mean that such quotas are no longer available, requiring producers to retain and gain markets by achieving international competitiveness.

## The MFA Forum

The end of the MFA will have significant economic and social consequences. In the short term these will be mostly negative for some key textiles and garment producing countries, even though it is acknowledged that certain opportunities will arise as a result. Despite widespread, concerned debate, the response to date to these negative predicted outcomes has been fragmented and limited.

In early 2004, a number of brands and retailers, international institutions, trade unions and NGOs known together as the 'MFA Forum' came together to better understand the implications of the end of the MFA, particularly for workers and communities, and to explore how best to promote collaborative approaches to mitigating negative impacts and taking advantage of new opportunities. Several pieces of research, published separately, and this Framework for Collaboration, have been the specific outputs of the Forum's work to date. These outputs have already been, and will continue to be, useful in raising awareness and facilitating dialogue and action.

Beyond these tasks, the MFA Forum sees the need for the continued development of collaborative initiatives and the growth of practical knowledge of what seems to be working and why. This Framework is therefore a basis for going forward, but is only the first step in what needs to be an active process of shared learning and encouragement towards effective action.

To this end, the MFA Forum will establish a facility for promoting and sharing experiences in collaborative initiatives in addressing the challenges emerging from the end of the MFA. This facility will be modest and time-bound, and will comprise the following elements:

- (a) *Basic information exchange* about post-MFA related collaborative initiatives; in-country, regionally and internationally.
- (b) *Promoting learning* about the effectiveness of such initiatives through participation in and hosting relevant forums, supported as required by more formal research.
- (c) *Informing, initiating and facilitating specific collaborative initiatives*, by networking relevant actors and by facilitating the initial stages of in-country collaborative initiatives where appropriate.

### The Need for Action

The MFA Forum, in common with other organisations and initiatives, recognise that a failure to responsibly handle the transition to a post-MFA world carries several dangers:

- Foremost is the *negative impact on workers*, communities and local and national economies of losing critical employment and earnings potential.
- *Damage to the reputations of business* as well as other institutions in not addressing negative impacts on workers, and resulting decline in trust and active collaboration with business in addressing the social and environmental dimensions of the sector.
- The *erosion of trust* in the broader agenda of development through trade.

The initial research undertaken through the Forum reinforced the importance of pursuing multiple avenues in promoting responsible supply chains during this transition period by, in particular, strengthening work on the links between competitiveness, employment and labour conditions, relevant public policies and national strategies for restructuring. Through dialogue and research, the Forum has identified and recognised the need for action across three distinct levels in addressing these dangers. The Forum recognises that the dangers can only be addressed effectively by action at all of the levels:

- (a) Promoting *enabling public policy*, for example in the sphere of trade.
- (b) Building *strategic supply chain* partnerships that balance social and commercial interests.
- (c) *Mitigating negative social consequences* of sector restructuring e.g. compensation, promoting employment opportunities, and retraining.

Participants in the Forum recognise the need for all these avenues to be pursued, and for each organisation, either individually or via collaboration, to identify those specific actions to implement through which it can best contribute to securing responsible supply chains.

### Shared Responsibilities

A wide spectrum of actions and policies are needed to ensure equitable development and decent work in a post MFA-world. All those involved in the textiles and clothing sector should engage in addressing the impacts of the phasing out of quotas. Action is needed by all actors, including governments and international institutions, buyers and suppliers, trade unions and non-governmental organisations. Many actors are already grappling with challenges associated with the end of quotas:

- ❑ *Buyers* are reviewing their sourcing strategies and assessing the impact of the ending of quotas across the sector, and in particular for their business.
- ❑ *Suppliers*, through trade associations as well as individual businesses, are developing strategies and plans to meet the challenge of a more competitive global textiles and garment industry.
- ❑ *International Institutions* are carrying out research on the predicted impacts, working with national governments to address issues of competitiveness and social impact and convening multi-stakeholder groups to develop specific action plans to mitigate negative impacts.
- ❑ *Trade Unions* are lobbying, researching, and carrying out education to secure workers' jobs and decent working conditions and workers rights, including for those who lose jobs.
- ❑ *NGOs* are carrying out research, supporting partners on the ground; working in collaboration with other actors to strengthen protection of labour rights, vulnerable workers and communities, and lobbying governments and companies at a national and international level.
- ❑ *Multi-stakeholder Initiatives* are working with their members to encourage responsible business behaviour at a time of massive change in the textiles and garment industry.

Some MFA initiatives are underway and have the potential to make a contribution to the Forum's goals, but these efforts have to date been somewhat fragmented both in thematic and geographic scope. Key actors often continue to work in isolation, relevant experience between countries is not shared, and initiatives focused on mitigation of negative effects on workers remain separate from those oriented to policy review or the consolidation of new supply chains going forward.

Participants in the MFA Forum are clear that no one actor can or should have to address the challenges emerging during the transition alone. Collaborative approaches between key actors from the public, private and civil society sector are the most likely routes to achieve change. Working together within a set of guiding principles these key actors can combine their competencies to more effectively manage a responsible transition in a post-MFA world.

Specifically, the Forum participants recognise a need for collaborative action at both the international as well as the national level (although not all participants will necessarily engage at all levels) with possible activities including:

- ❑ National multi-stakeholder partnerships working on sector transition.
- ❑ Linking such national initiatives to constructive international processes, institutions and resources.
- ❑ International agencies channelling the resources available for managing the transition and facilitating international collaboration.
- ❑ Collaboration between buyers and their suppliers in managing an orderly transition to a consolidated supply chain, and the basis on which these strategic trading relationships handle social and development issues.
- ❑ Identifying and initiating high-level public policy interventions, particularly in the sphere of international trade.

The gains from collaboration across traditional boundaries are increasingly understood and appreciated in other fields of activity, as evidenced by the development and implementation of codes of conduct governing labour standards in global supply chains. The MFA Forum believes similar gains might be realised from collaboration on responsible transitions suggested above. The Forum has developed a set of guidelines to guide the actions of a wide range of institutions relevant to the MFA debate, such as national and international bodies, buyers, labour and other civil society organisations. This Framework for Collaboration is intended to overcome barriers and encourage effective collaboration by facilitating dialogue and the joint development of strategies and actions.

## Overarching Principles

The Framework for Collaboration provides a simple set of principles to guide the actions of individual actors and collaborative initiatives. In implementing actions related to the Framework, the principles of engagement have been useful to the diverse members of the Forum. These principles are set out below, and are intended to be used to guide further collaboration in pursuit of the goals described here.

- ❑ Common Purpose, enabling different actors to develop a clear agenda.
- ❑ Shared Agenda, establishing a mutually agreed scope of work.
- ❑ Pooled Resources, Skills, and Capacities contributed by each of the key players applied to common purpose and agenda.
- ❑ Establish Organisation, clarifying clear lines of management of the group's activities.
- ❑ Commitment to Transparency and Accountability. Establish agreed approach between the actors, as well as towards those impacted by the actions of participants.
- ❑ Communication as a Group on shared concerns and activities.
- ❑ On-going Evaluation. Maintain an open and on-going evaluation of the effectiveness of agreed activities.

## The Roles of Individual Actors

The Framework for Collaboration provides a guide to the roles and activities that organisations should consider as they deal with MFA impacts, whether individually or in collaborative efforts. These are set out below:

### *Clothing Manufacturers*

- [1] Provide decent work through respect for national law and international labour standards and work with their suppliers and/or contractors to the same end.
- [2] Upgrade technology, management and skills of workers in order to remain responsibly competitive.
- [3] Increase influence of the supply chain on the design and marketing of products by, for example, building up a degree of independence.



- [4] Improve factory standards and working and employment conditions in order to improve quality, and to meet buyers' policies on working conditions and national labour laws, and to respect international labour standards.
- [5] Lobby and work with government, trade unions and NGOs to develop national industrial and social policies that support real and responsible competitiveness.
- [6] Promote workers' access to job banks and retraining programmes if they are retrenched.
- [7] Ensure workers are paid their rights in retrenchment according to the law.
- [8] Pay legally required social security/pension payments and ensure they are up to date.

### *Clothing Buyers*

- [1] Know their supply chain thoroughly in order to source responsibly. For example, if sourcing is via a buying agent and/or multinational supplier a company needs to know which countries and suppliers are receiving orders.
- [2] Where feasible, maintain current country supply base and contain consolidation in-country. If exiting a country, this should be done in a manner that respects international labour standards and national labour law, and enables and encourages suppliers to do the same, for example giving adequate notice for ending supplier relationships, and working with suppliers to monitor adherence with national laws regarding retrenchment of workers or closing down of a facility so that workers are compensated in line with national law.
- [3] Work with suppliers and governments to help develop a mechanism to prioritise the promotion of opportunities for employment for displaced workers in the remaining and/or new textiles and garment factories.
- [4] Seek to source from countries that respect core labour standards, and work with the public institutions, suppliers, trade unions and NGOs to maintain decent working conditions in current supply chains.
- [5] Source only from suppliers who provide decent work, thus meeting buyer codes, national laws and international standards, or who are willing to work with buyers, trade unions and NGOs to meet these standards.
- [6] Continually develop process improvements so that purchasing practices are aligned with labour standards compliance. Undertake to be transparent in this work, disclosing supply chain information that facilitates accountability to external stakeholders.

- [7] Offer technical assistance to their suppliers to increase productivity, technology, design, marketing and workers and management skills training.
- [8] Lobby and support national governments to reduce corruption and bureaucratic red tape.
- [9] Support government efforts in retraining and job banks for workers - both within the industry and for retrenched workers.
- [10] Monitor supplier adherence to payment of legally required social security/pension payments.
- [11] Collaborate with national governments to pursue trade benefits and build capacity around labour standards and other measures of competitiveness and development.

#### *Trades Unions and NGOs*

- [1] Lobby governments and international institutions to take the lead in adopting policies that will promote decent work, protect employment and ensure the integration back into the industry, as well as the protection of the livelihoods of those displaced due to consolidation and liberalisation.
- [2] Monitor developments arising from trade liberalisation in the sector and highlight, wherever and whenever necessary, problems arising and the action needed to counter these in order to ensure that workers' interests and demands are adequately represented and protected.
- [3] NGOs to lobby, and trades unions to negotiate with companies both internationally and nationally to use trade liberalisation and supply chain consolidation to provide decent work and avoid where possible job losses and mass dislocation of workers.
- [4] Promote with government and employers the scaling up of skills retraining of all workers in the industry and the retraining of workers displaced through consolidation, both through advocacy and programmatic work as appropriate.
- [5] Work with those employed in the industry to build awareness of competitiveness in a globalized economy and particularly the key role that decent work plays in this.
- [6] Promote social dialogue at local, national and global levels with a view to securing cooperation and ensuring good industrial relations practices throughout the industry.

### *Exporting Countries*

- [1] Develop and/or review trade, industrial and social policies for the textiles and garment sector, and seek to maximise those policies and approaches that enhance productivity, quality and labour standards.
- [2] Support the textiles and garment industry by improving infrastructure, customs procedures, access to credit, reducing corruption and bureaucratic inefficiency etc.
- [3] Promote decent work throughout the textiles and garment industry by enacting and enforcing labour law, which guarantees full respect for the rights of workers, especially in line with international labour standards.
- [4] Facilitate collaborative efforts by other actors to achieve greater respect for the enforcement of labour laws, consistent with international labour standards.
- [5] Make every effort to maintain decent work places but where closure is inevitable then:
  - Monitor the closure of factories ensuring they act within the law in all respects, especially in terms of workers' severance pay.
  - Prioritise the promotion of opportunities for employment for displaced workers in the remaining and/or new textiles and garment factories.
  - Ensure the payment of legally required social security/pension payments (especially where these were related to the granting of quota).
  - Provide social safety nets for workers laid off.
  - Provide retraining programmes and job banks for laid off workers.
  - Advance national legislation ensuring workers are paid before other creditors in case of closure.
  - Ensure that investors exiting the textiles and garment sector meet legal requirements to workers, particularly social security/pension payments and severance pay.

### *Importing Countries*

- [1] Support enhanced market access for vulnerable textiles and garment producing countries. In addition, support incentives for compliance with international labour standards.

- [2] Promote the provision of technical and financial assistance to vulnerable textiles and garment producing countries, with a view to developing policies and implementation mechanisms which help develop strategies for responsible competitiveness especially in the area of labour standards, sustainable development, equitable poverty alleviation and capacity building.
- [3] Provide support for labour restructuring programmes developed within a multi-stakeholder framework.
- [4] Promote ethical trade in textiles and clothing, including through measures that advance those importers that require decent work throughout their supply chain.

### *International Institutions*

- [1] Should be aware of, monitor and make public the impacts of their policies and programmes, which would include, for example, the WTO examining the impact of trade liberalisation under the Agreement on Textiles and Clothing and proposing, if necessary, trade policy measures to assist emerging and struggling industries to adjust to meet the challenges of the open market.
- [2] Provide technical and financial assistance to vulnerable countries which helps develop strategies for responsible competitiveness, particularly in labour standards and capacity building and which, for example, might include the International Financial Institutions providing support for labour restructuring programmes developed within multi-stakeholder frameworks.
- [3] Assist in alleviating the impact of trade liberalisation on employment standards and poverty alleviation. This could include, for example, the International Labour Organisation working with member states to help promote decent work in the post-MFA textiles and clothing industry.

This guidance on specific roles and responsibilities will be relevant in different ways in diverse circumstances. It is neither a complete list, nor will each element be applicable in each case.

### Further Information

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