

The Sustainable Terms of Trade Initiative (STTI)

Context

The sector of garment and textile production is characterised by long and complex supply chains as well as highly competitive markets. As consumer demands change quickly, manufacturers need to produce in a fast and flexible manner. At the same time, manufacturers are pressured to reduce their cost while maintaining sustainability. The combination of high risks and low margins for manufacturers has driven a race to the bottom. This has already been the situation before the COVID-19 pandemic hit, but during the pandemic, the unhealthy buyer-supplier relationship was taken to a new level and became more visible.

Purchasing practices have an enormous influence on working conditions and the ability of the supply chain to achieve sustainable goals. This has been evidenced both by studies and the realised impact of COVID-19 to the sector. With increasing global attention on this topic, there are many voices calling for increased due diligence towards companies' purchasing practices. Many buyers have realised that only healthy buyer-supplier relationships will produce socially, environmentally and economically sustainable products. This conversation cannot be one-sided. Creating a more balanced commercial relation between a buyer and its suppliers requires manufacturers to contribute in equal part to the discussion of what constitutes better purchasing practices and how these can be achieved. In April 2020, the STAR Network members published a joint statement calling on global brand companies, retailers, and traders to adhere to responsible purchasing practices which laid the basis for the development of the STTI. Facing similar challenges on purchasing practices, this manufacturer driven initiative was gradually endorsed by 14 industry associations from 11 countries to facilitate the development in a positive direction in the textile and garment sector.

Partners	<ul style="list-style-type: none"> › Sustainable Textile of the Asian Region Network (STAR Network¹) › International Apparel Federation (IAF) › Better Buying Institute (BBI) › Rutgers University
Supported by	› Promoting Sustainability in the Textile and Garment Industry in Asia (FABRIC ²)
Duration	› January 2021– March 2023

Objective

The primary objective of the initiative is to deliver a major contribution towards purchasing practices that allow textile and garment manufacturers to run a socially, economically, and environmentally sustainable operation.

Approach

The initiative has taken a **phased approach**. The first phase was centered on creating a space for manufacturers and their associations to exchange their experiences and wishes and starting to make recommendations of how, from a manufacturer's perspective, purchasing practices should be improved. A series of nine working group meetings, divided across five sub-themes, have been held for this purpose.

The second phase is dedicated to actions within the supply chain to improve purchasing practices based on the findings from Phase 1. While Phase 1 was mainly focused on manufacturers and their associations, Phase 2 opens discussions particularly for brands, retailers, and other industry stakeholders. Several consultation meetings have been conducted to discuss the practical next steps and as a result, 4 concrete themes have been developed to drive the application of 'commercial compliance'.

1 The STAR Network (Sustainable Textile of the Asian Region) is the first inter-Asian network of producer associations. It was initiated by GIZ FABRIC project. The network brings together representatives of the producing associations from Bangladesh, Cambodia, China, Myanmar, Pakistan and Vietnam.

2 The project "Promoting Sustainability in the Textile and Garment Industry in Asia" (FABRIC) is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, which works on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The project operates in Bangladesh, Cambodia, Myanmar, Pakistan, Vietnam and cooperates with actors in China, supporting the efforts of business associations, government institutions, civil society, international fashion brands and trade unions to jointly build a more socially, environmentally and economically sustainable industry.

Advisory Board: In order to involve other industry stakeholders early, an industry advisory board has been set up and members were informed about the discussions of the project developments. It consists of representatives from international organizations such as the OECD, international brands and brand initiatives, representatives from Multi-Stakeholder Initiatives (MSIs) and other development stakeholders such as ILO Better Work.

Participating Associations (Alphabetically)

Country	Association	Association (Full Name)
Bangladesh	BGMEA	Bangladesh Garment Manufacturers and Exporters Association
	BKMEA	Bangladesh Knitwear Manufacturers and Exporters Association
China	CNTAC	China National Textile and Apparel Council
Cambodia	GMAC	Garment Manufacturers Association in Cambodia
Egypt	ECAHT	Egyptian Chamber of Apparel and Home Textile Industries
India	AEPC	Apparel Export Promotion Council
Indonesia	API	The Indonesian Textile Association
Morocco	AMITH	Moroccan Association of Textile and Apparel Industries
Myanmar	MGMA	Myanmar Garment Manufacturers Association
Pakistan	PHMA	Pakistan Hosiery Manufacturers and Exporters Association
	PTEA	Pakistan Textile Exporters Association
	TMA	Towel Manufacturers Association of Pakistan
Turkey	TCMA	Turkish Clothing Manufacturers Association
Vietnam	VITAS	Vietnam Textile & Apparel Association

Achievements

The Whitepaper: The whitepaper is one of the key achievements of Phase 1. It introduces the initiative comprehensively - from describing the overarching problems in the industry to demonstrating the approach and findings and eventually to listing the possible applications to promote better purchasing practices. The recommendations in the whitepaper are considering by MSIs and brands as key references to integrate into their existing codes to promote responsible purchasing practices.

The concept of 'commercial compliance': This crucial concept has been developed in the thematic working groups in Phase 1. It introduces the STTI's definition of what purchasing practices manufacturers wish to see in their business operations. STTI defines it as purchasing practices that do not cause obvious and avoidable harm to manufacturers.

Next Steps

The 4 themes are currently in place to facilitate the application of responsible purchasing practices. All the themes are being developed in close cooperation with the key industrial stakeholders to promote the positive development of purchasing practices from multiple dimensions.

Supplier Solutions: this supplier focused theme offers practical instruments that manufacturers may use to help improve the commercial compliance of their clients. The concrete measures include supplier contract clauses, trainings, and a complaints mechanism. Activities can be developed targeted to the specific needs based on members' requests.

MSI/Brands Outreach: this theme establishes cooperative relationships and plans of action on commercial compliance with both MSIs and brands to lay a solid foundation for improving purchasing practices. It is not only aiming to integrate the recommendations developed in Phase 1 into the MSIs' existing codes but also to promote the application of the recommendations directly and indirectly with brands.

Transparency: the transparency theme focuses on developing a survey mechanism for measuring the commercial compliance progress. Through conducting surveys of different groups of stakeholders, timely progress monitoring can be realised. The survey results can also align with the MSI's code application to ensure further monitoring and evaluation.

Research/Further Activities: this theme supports the further research and development of this initiative. It covers other potential solutions for improving purchasing practices and serves as the function theme to generate more possible directions.

For further information please reach out to:

Spokesperson: Miran Ali miran@bitopibd.com

Secretariat: Matthijs Crietee crietee@iafnet.com

GIZ FABRIC: sustainabletermsoftradeinitiative@giz.de

Website: www.sustainabletermsoftradeinitiative.com

Linkedin page: www.linkedin.com/company/stti-sustainable-terms-of-trade-initiative

Published by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
Registered offices Bonn and Eschborn, Germany
FABRIC Asia
No.27, Street 302, Boeung Keng Kang 1
Phnom Penh, Cambodia
T +855 23 860 110
E giz-cambodia@giz.de

Author Weini Zhang

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Addresses of the BMZ offices	BMZ Bonn Dahlmannstraße 4 53113 Bonn, Germany T +49 (0)228 99 535-0 F +49 (0)228 99 535-3500	BMZ Berlin Stresemannstraße 94 10963 Berlin, Germany T +49 (0)30 18 535-0 F +49 (0)30 18 535-2501
	poststelle@bmz.bund.de	www.bmz.de