

Mapping the Global Garment Supply Chain: perspectives for Indonesia and Ethiopia

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Development of Indonesia's Garment, Textile and Footwear & leather (GTF) industry

- **1985-1995**

- governmental deregulation, trade and investment policy reforms -→ growth of garment production, exports and employment
- major role of investors from Japan, South Korea, Hong Kong, Taiwan

- **1995-2010**

- GTF export growth slows down: less government support, strong competition from China, India, Bangladesh in supply chains of labour-intensive products
- *Indonesia's GTF wages lag behind average Indonesian wages in manufacturing*

- **2010-current**

- development of GTF exports and employment becomes volatile, decreasing in some years
- structural problems in industry show up, such as lack of good textile finishing capacity
- *Indonesia's garment and footwear & leather wages keep up with average wages but wages in textiles keep lagging behind*

Position of Indonesia in the Global Garment Supply Chain

- **Export value**

- in 2019 (latest figures available): total GTF exports worth USD 16.7 billion (of which Garment USD 8.5 billion) = 1.7% of world export value
- = 10% of Indonesia's total export value
- = 65% of the value of Indonesia's total GTF production

- **World ranking**

- Indonesia among largest exporting countries in 2019: Garment no. 13, Textile no. 14, Footwear & leather no. 6

- **GTF employment**

- in Indonesia in 2018: 3.5 million, of which: Garment 1.8 million, Textile 1 million, Footwear & leather 700,000 (of which 49% in firms with less than 20 employed)

- **Suppliers of international brands**

- in 2018 in Garment and Footwear & leather: 520,000 employed by 502 suppliers producing for 24 international brands (calculations based on WageIndicator Garment Supply Chain Database)

Recent developments in Indonesia's GTF industry

Behaviour of brands between 2018 and 2022

- Main international brands seem to act differently as regards recent expansion / contraction of relations with Indonesian suppliers, 4 examples with numbers of factories:

	2018	2021/22	NEW	EXIT	Dev't of factory size
Adidas	59	56	11	14	++
C & A	8	11	3	0	-/-
GAP Inc	73	57	13	29	+
H & M	43	52	17	8	-/-

Perspectives: how to realize the necessary upgrading, in particular for Garment industry / suppliers

- Examples? (Morocco? Romania?)
- Roles of brands, intermediaries, employer associations, trade unions, CSR organisations, ILO?

Development of Ethiopia's Garment industry

• 2006-19

- Efforts of government, based on Chinese loans, to attract foreign investors by offering financial incentives, low wages and industrial hubs, started in 2006 and
- intensified after 2014, for example through Hawassa Industrial Park (operational 2017) – with own investment of PVH brand (US)
- Criticism: lack of decent housing, lack of training, low wages (no statutory minimum wage!), foreign middle management → *low productivity*
- 2018: garment takes 6% of Ethiopia's total export value = 0.4% of world export value

• 2019 - current

- 2019-now: civil war between Abiy Ahmed-led government and Tigray People's Liberation Front; over 2 million refugees; gross violation of human rights on both sides
- November 2021: PVH announces closure of Hawassa garment factory, citing the war situation as main reason
- In spite of achievements in the 2010s, due to political / military developments **bleak perspectives** for the Ethiopian garment industry??

Thank you for your attention

- Questions, comments?
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