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 fluctuates, decreasing in some years
  - structural problems in GTF industry appear, 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 lag behind*

Position of Indonesia in the Global GTF Supply Chain

- Export value
  - In 2022: strong overall export growth, of steel, fossil fuel, palm oil: + 29% to USD 268 billion
  - in 2022 (preliminary): export value Garment USD 9.3 billion (= 1.5% of world export value) + Textiles USD 11.9 billion + Footwear & Leather USD 6.2 billion = total GTF export worth USD 27.4 billion, or 10.4% of Indonesia's total export
  - GTF export = 70% of the value of Indonesia's total GTF *production* (2019: 65%)
- Development of exports
  - over 2010-2019: average growth per year (nominal value in USD): Garment + 2.5%; Textiles -0.3, Footwear & Leather +6.5%
  - over 2019-2022: growth of Textiles and Footwear & Leather increased, Garment lags behind
- GTF employment
  - in 2019: total 3.6 million, of which: Garment 1.8 million, Textile 1 million, Footwear & Leather 0.8 million
  - many employed in small firms: 51% 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

- Contradiction: ongoing relocation to areas with low (minimum) wages (Central Java)
- Examples of successful upgrading: ILO 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 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 in 2017) – with own investment of PVH brand (US)
  - Criticism: lack of decent housing, lack of training, low wages (Ethiopia has 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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Thank you for your attention!

Want to know more?
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