

ETHICAL TRADING FORUM

WILL TRANSPARENT REPORTING LEAD TO BETTER LABOUR PRACTICES

ETHICAL TRADING ACTION GROUP

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This forum which took place in Toronto was organized by the Ethical Trading Action Group (ETAG) with the support of the Maquila Solidarity Network (MSN) and the Canadian Labour Congress (Sister Marie Clarke-Walker and Brother Bertrand Bégin were present on both days). The approach in these meetings has shifted as the pressure by the coalition groups has forced some of the multinational corporations to at least give the impression they are doing things to improve their image. As you will see from this report some companies actually participated in this conference.

There was a meeting of the coalitions in the morning before the forum officially began. Participants from the labour movement included representatives from the CLC, the Canadian Auto Workers, the Ontario Secondary School Teachers Federation, the Public Alliance of Canada, the United Food and Commercial Workers, the United Steel Workers, and the International Textile, Garment and Leather Worker's Federation.

The participants list was broken down into the following groups: Academics/Universities, Civil Society – NGOS and Unions, Industry, Government, and Maquila Solidarity Network. **The list of participants is attached to this report.** There was close to 100 participants in all.

THURSDAY, MAY 18

WELCOME AND INTRODUCTIONS

Sister Lynda Yanz, from ETAG opened up the conference and welcomed all the participants.

WHAT SHOULD COMPANIES REPORT AND WHY? IS THERE A DOWNSIDE TO TRANSPARENCY?

An interactive interview session, to explore and debate:

- What are companies currently reporting on labour standards issues, and to whom?
- What should companies report on labour standards issues, why, and to whom?
- If more information was disclosed, how would companies, NGOs, unions use the information?
- What role, if any, should government play in promoting more transparent reporting?

Moderators:

- Dara O'Rourke, University of California at Berkeley
- Neil Kearney, General Secretary, International Textile, Garment and Leatherworkers Federation (ITGLWF)

On the Hot Seat:

- Caitlin Morris, Director of Integration & Collaboration, Compliance - Nike
- Anna Walker, Manager, Government Affairs and Public Policy – Levi Strauss
- Diane Brisebois, President and CEO – Retail Council of Canada
- Lakshmi Bhatia, Director, Global Partnerships – Gap, Inc.

- Kevin Thomas, Policy Analyst, Maquila Solidarity Network / ETAG

Before the questioning began the moderators made the following comments:

- Wages are low in South America and workers are fired for attempting to unionize, wages are actually lower than 10 years ago;
- We have seen some reduction in child labour but there has been an increase of child labour in China recently;
- 9 out of 10 factories in China do not respect labour laws.

Below are the opening statements from the panellists who were on the hot seat.

RETAIL COUNCIL OF CANADA

Companies need to be private to maintain their competitive edge. We must find a balance between transparency and privacy. Some companies are saying that they will never be able to satisfy the demand for transparency.

NIKE

All is well in the supply chain. We have not had to sacrifice on pricing. Transparency can jeopardize our competitive edge.

LEVI STRAUSS

We have a reputation for taking the lead in reporting. We have set up a web page dedicated to transparency. Wages are a huge issue. We are in a tight financial situation.

Moderators: Why not disclose list of factories?

We are working on providing a list.
Nike has already released this information.

Moderators: How can you integrate ethical principles into your supply chain?

When will you give these issues more than lip service?

Why not put respecting labour rights, as a criterion, into contracts with suppliers?

What is the right government role?

Gap Inc. – We are doing ongoing monitoring. We have a big database.

Moderators: What are you doing to fix the problems?

We are auditing 100% every year.

Retail Council of Canada – We don't think that proper labelling on garments will solve anything. I am not convinced that putting address and phone numbers on garments is useful. It is naïve to think all companies will ever want to be involved in this type of initiative. Collaboration is key. Protests will get us nowhere.

One comment was made to the effect that when the use of sweatshop labour is at its peak so are sales.

Maquila Solidarity Network / ETAG – Brother Kevin Thomas of the MSN and ETAG told us that their focus is not on educating the consumers. ETAG feels that we need to engage everyone including the corporations. He referred to ETAG 2005 report entitled “Coming Clean” in which Levis got the highest score, and suggested that this type of report is confusing to consumers.

The mediators pointed out that buying practices by corporations affect the suppliers behaviour, and when every last penny is squeezed out of the supply chain the workers are obviously going to be negatively impacted. Freedom of association is a right recognized by the International Labour Organization (ILO). Can we trust self regulation or do we need legislation?

Nike feels that self regulation does take care of the quality of the product, but recognizes that laws are usually good. The question asked was how can we enforce the laws?

The Retail Council suggested that both self regulation and legislation were needed.

Gap pointed out that there are presently over 10,000 codes of conduct that corporations are supposed to live by.

Dara O'Rourke suggested that he wants enough information to evaluate whether the contracts entered into with the suppliers allow for the payment of at least the minimum wage rate in any given location. He would need the following information:

- The cost of raw materials;
- The labour costs;
- Profits;
- Transportation costs;
- Number of employees.

This would enable us to target the worst companies. As far as monitoring goes the fact is where there are independent unions there is:

- No child labour;
- No forced labour ;
- Labour laws are respected;
- Environmental laws are respected; and
- There is no need for constant monitoring and disasters are avoided.

COLLABORATION WITH AND AMONG STAKEHOLDERS: WHY IS IT ESSENTIAL? WHAT CAN BE ACHIEVED? WHAT ARE THE CHALLENGES?

- How can companies, NGOs, unions, and researchers use information disclosed to promote sustainable compliance in the industry?
- How can companies, NGOs and trade unions work together to promote sustainable compliance?
- What role could government play in supporting and/or participating in such collaborative initiatives?

Panelists:

- Lakshmi Bhatia, Director Global Partnerships, Gap, Inc. – MFA Forum in Bangladesh and Lesotho;
- Neil Kearney, General Secretary, ITGLWF – What's essential for collaboration to work: A labour perspective (Experiences in Lesotho, Bangladesh and elsewhere);
- Harvey Chan, Social Compliance Manager, Mountain Equipment Co-op (MEC) – The Canadian Experience.

Mr. Chan spoke to us about the efforts of Mountain Equipment Co-op (MEC) in ensuring the company is respecting ethical guidelines. In my opinion this company is miles ahead of others, but of course the fact that it is a non profit co-op makes a big difference.

He spoke of a code of conduct MEC had been respecting, and about the company spending 1% of the profits on improving labour and environmental conditions. Mr. Chan also said that when a supplier is in violation of the code of conduct 3 times the contract with the supplier is brought to a close.

The Gap representative on this panel spoke of cooperation with governments and the Multi Fibre Agreement (MFA). This agreement has 50 member companies that have affiliated. Bertrand Bégin of the CLC is to send out details of the MFA. She spoke of other problems faced in countries like Bangladesh where the level of HIV positive is as high as 30 to 40% amongst the population.

Brother Kearny of the ITGLWF told us that 18 hour days, 7 days a week is still very much a reality in Bangladesh. All factories are lit up all night. Workers are paid \$13.30 U.S. a month. People are fired for participating in union activities.

In Turkey there are 900,000 workers in the textile industry on the record books. In reality there are over 3,000,000 workers. This leaves over 2,000,000 undocumented workers. Factories are closed when unionisation drives take place.

Under such working conditions the productivity levels are low and so is the quality of the products. Legislation is often inadequate or not adhered to. In some instances the legislation is better than in the USA and that is often put forth as justification for the poor working conditions.



We have seen some collaboration by the Guatemalan government. There are investigations into who the buyers are (companies), NGO are involved, there are effective unions and the brands are also involved in the process.

During the question period I pointed out that my experience in the Maquiladoras zone last fall made me realize that Levi Strauss was not treating its workers in Mexico with respect. As a matter of fact the workers were treated like slaves and when they fought to unionize the Lajat workers were faced with a plant closure.

I suggested that multinational corporations should be forced into long term contracts with the suppliers so workers could get some level of long term stability, or that the supply chain should be owned by the corporations. This would make them directly accountable to the workers and directly responsible for the working conditions.

Brother Kearny then pointed out that most of the brands once owned their supply chain. For example, he said that Levi Strauss once owned 100% of their supply chain but only own 5% today.

SUM UP AND CLOSURE

Sister Yanz closed off by saying that ETAG recognizes that not enough has been done by the corporations and governments. We need to continue our work. We need solutions. We need to keep the pressure on. We can only have collaboration if we see some concrete improvements in the working conditions of workers around the world.

FRIDAY, MAY 19

DEBRIEFING

The same activists who met before the forum officially began met on May 19 in the morning. In both cases we felt we needed to meet without representatives from the corporations to prepare and to assess the forum itself.

We were asked to identify strengths and weaknesses.

Brother Bégin of the CLC said he found the forum had been good.

Participants made the following comments:

- It was interesting to see that all the corporate representatives were women;
- There should be more government representatives at these meetings;
- The format was good;
- We need to get workers from other countries at these meetings;
- The word collaboration was thrown around way to much;
- Only 1 activist from Québec was present;

- The transparency report card leaves some people believing the sweatshop problems have been resolved.

The following suggestions were made for future actions and or forums:

- In the UK workers from other countries and corporation representatives were brought to the same forum;
- We should hold the next forum in Montréal and have interpretation;
- The Bloc Québécois is the only federal party that supports disclosure;
- We need to target second tier brands as well;
- We need to work on changing the format of the transparency report and make better use of it;
- We need to continue the Olympic campaign;
- CLC is working on a holiday season campaign based on the following 3 themes: Pricing, Cut & Run, and Freedom of Association;
- A video targeting Walmart is to be released in June;
- The British Columbia ETAG group is doing work around the Vancouver 2010 sweat-free Olympics (meetings have taken place with the Olympic committee);
- We should set up information pickets on the highway to Whistler well before the Olympics begin;
- There is a sweat-free campaign setting up for the World Cup to be held in Germany;
- The city of Ottawa has passed a no-sweat resolution.

PANELISTS

This forum concluded with 3 panellists from the ITGLWF and Gap Inc. The main focus of their presentation was on Lesotho, a South African country located in the mountains which is completely surrounded by one country.

The following points were made by the panellists:

- South African businesses set up factories in Lesotho many years ago;
- Business people from Hong Kong also invested in these factories;
- Then came Taiwanese investments;
- There are no quotas to be respected in this country;
- There were 55,000 workers 2 years ago;
- The country is far from ports and access to the factories is difficult (mountains);
- The exchange rate with the South African money was 13 to 1 and is now 5 to 1;
- At the end of 2004 companies started to withdraw from Lesotho – Hudson Bay Company was one of the first to go;
- Between 13,000 and 14,000 jobs were lost;
- This became a social tragedy as well, as economy was built on 75% exports;
- For every worker there are 10 dependants on average;
- 37% of the population is HIV positive. The Gap representative admitted that she had faced a negotiations demand from the workers for funeral allowance for the first time ever in Lesotho;
- It takes on average 3 weeks to get the fabrics from Africa – it only takes 1 week from Asia;
- African produced cotton is considered high quality, but 97% of it is exported as raw material which leaves only 3% to be processed in Africa;



- The Lesotho government is working with the ILO in their efforts to modernize the labour laws and ensure enforcement;
- Lesotho is only exporting 600,000 Euros worth of merchandise to Europe and \$0.5 billion worth to the USA;
- Bono of U2 has been personally involved in this file;
- The Union in Lesotho has formed a political party. This initiative ended up breaking up the union;
- Half the workers are on short term contracts, some for over 10 years.

CONCLUSION

I believe this was a good forum. We need to build on this approach of involving corporations. I believe we need to directly involve workers (like the Lajat workers from Mexico). We must get to a point when it becomes clear that the corporations are only giving lip service or are just ignoring us, and that we need to hold demonstrations in front of their retail stores. Perhaps we can start with Walmart today.

This finalizes the report on my participation in this ETAG conference.

Solidarité,



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