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EDITORIAL

The results of the ITMF survey on the impact of the Corona-Pandemic provide associations and companies around the world with a trustworthy assessment of the negative impact of the virus on the textile supply chain (see Article 1). These findings led ITMF to urge governments across the globe to support their respective textile industries and all stakeholders of the textile supply chain to open the dialogue and favor close cooperation (see Article 2).

Some governments already support their industry as shown by the program “Manufacturing Relief and Revitalization Measures” from the Ministry of Economic Affairs in Chinese Taipei for example (see Article 3). But the pressure also needs to be released from within the supply chain as the Turkish Clothing Manufacturer’s Association (TGSD) points out in a statement supported by the Turkish Textile Employer’s Association (TTEA). As upstream actions ripple down the supply chain, just like cash flow does, brands and retailers are asked to take actions to help their supplier survive and have long-term strategies to guaranty the existence of a strong supply chain post-crisis (see Article 4). A list of concrete actions brands, retailers and traders can do is proposed by the STAR Network (Sustainable Textile of Asian Region) with the aim of alleviating the pressure on textile producers and millions of workers (see Article 5).

1. ITMF CORONA SURVEYS – PRESS RELEASE – APRIL 6TH, 2020

ITMF PRESS RELEASE

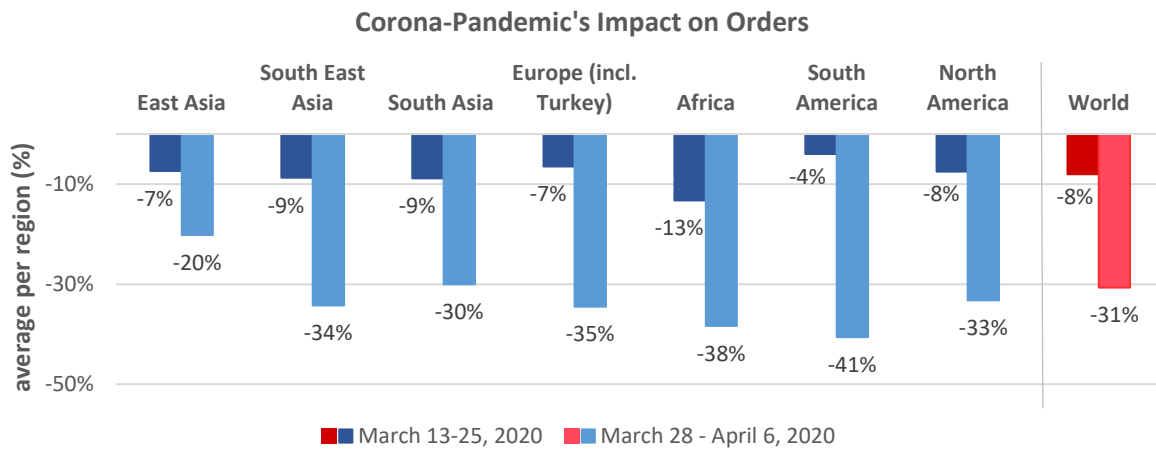
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2nd ITMF-Survey about the Impact of the Corona-Pandemic on the Global Textile Industry

Between March 28-April 6, 2020, ITMF has conducted a second survey among ITMF Members and affiliated companies and associations about the impact the Corona-pandemic on the global textile value chain, especially on current orders and expected turnover in 2020. In total 700 companies from around the world participated.

Worldwide, current orders are down by -31% on average

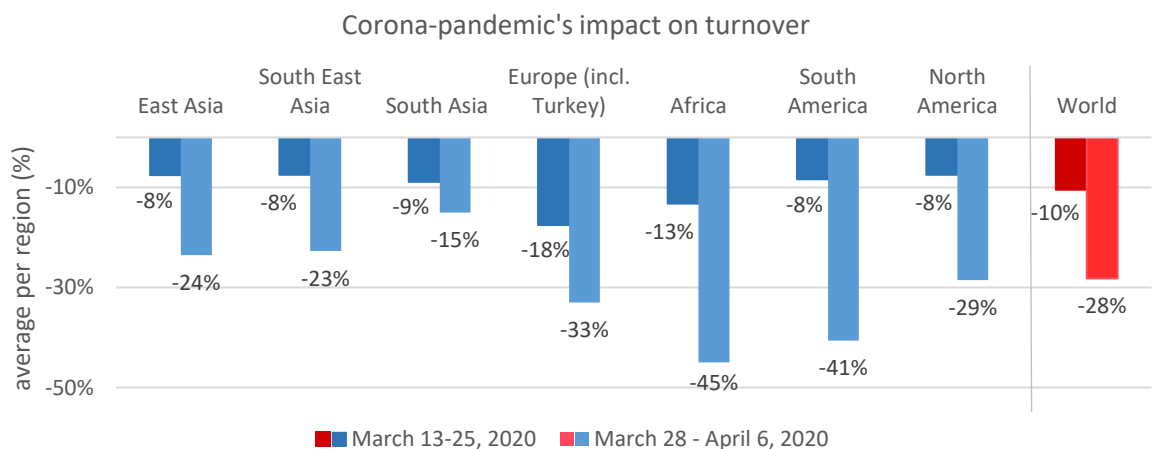
The results show that companies in all regions of the world suffered significant numbers of cancellations and/or postponements of orders. Globally, current orders dropped by -31% on average. The severity of the decrease ranges from -20.0% in East Asia to -41% in South America.



Source: ITMF Survey (March 28-April 6, 2020)

Worldwide, expected turnover 2020 vs. 2019 is down by -28% on average

The results show that companies in all regions of the world are expecting their turnovers in 2020 to be significantly lower than in 2019. On world average, the turnover in 2020 is expected to be -28% lower than in 2019. While in South Asia the expected turnover will fall by -15%, companies in Africa are expecting a drop of -45%.



Source: ITMF Survey (March 13-25, 2020)

Only three weeks ago, some regions were not fully affected by the Corona-pandemic. The new numbers on orders and turnover reveal the dramatic extent this demand shock has on the textile industry around the world.

The uncertainty about the duration of the crisis weighs heavily on the industry.

Challenges: Lack of demand and liquidity – Opportunities: Medical textile products

Companies around the world highlighted the following main challenges:

- lack of current demand and/or fear that future demand will drop significantly
- lack of liquidity

They mentioned the following main opportunities:

- companies producing fibres, yarns, fabrics and end-products with health care and protection functions will see new opportunities.

The results of the [3rd ITMF Corona-Survey](#) about the impact of the Corona-pandemic on the global textile industry will be released on April 23rd, 2020.

ITMF, April 7th, 2020

2. STATEMENT FROM ITMF – PRESS RELEASE – APRIL 7TH, 2020

ITMF PRESS RELEASE

International Textile Manufacturers Federation, Wiedingstrasse 9, CH-8055 Zürich, Phone (+41-44) 283 63 80, Fax (+41-44) 283 63 89

Orders in the global textile value chain cancelled/postponed on average by -31%.

ITMF urges governments across the globe to support their respective textile industry.

Dialogue and close cooperation between stakeholders of the textile supply is paramount.

Against the backdrop of the Corona-pandemic, which has spread across the entire globe, the International Textile Manufacturers Federation (ITMF) is urging governments to increase the support their textile and apparel industries to overcome this period of an unprecedented demand and supply shock.

The results of second ITMF Corona Survey which were released yesterday, revealed that on average orders are down by -31% and the turnover for 2020 is expected to drop by -28%. In our lifetimes such a demand shock is unprecedented. *“The textile and apparel companies around the world are struggling and with them millions of workers and employees. In such times, both the public and the private sectors must work closely together, to avoid an economic and social meltdown”*, ITMF President, Mr. Kihak Sung, emphasized today.

Some industrialized countries have sophisticated instruments like short-time work. To avoid laying off workers, companies are reducing their working hours and wages, with the government making up some of the employees' lost income. Most governments in developing countries do not have the necessary mechanisms in place and are lacking the resources. ***“Therefore, it is important to find***

creative solutions between governments, international institutions and the private sector, that can be implemented quickly, Mr. Sung added.

The Corona-pandemic has forced governments around the world to introduce lockdowns and all sorts of exit restrictions, leading to a sudden closure of all sorts of “offline” business for textiles and apparel. Within a few days, shops and stores of any kind selling “unessential” products had to close, cutting of global demand of textiles and apparel. In the past three weeks, ITMF has conducted two surveys among textile companies around the world. The first ITMF Corona-Survey in the second half of March indicated already the dire consequences of this demand and supply shock: orders were down by an average of around -8% globally and turnover in 2020 is expected to be down on average by -10.5% compared to 2019. **The second ITMF Corona-Survey conducted at the end of March and beginning of April highlighted the devastating impact the Corona-pandemic has on the global textile industry. Across all continents, orders dropped on average by dramatic -31%. On average, companies around the world expect their turnover to plunge by -28% compared to 2019.**

Furthermore, the ITMF Corona-Survey revealed that the companies are struggling with many issues. **The two most important and pressing issues are, first, to keep the workforce safe, and second, to have enough liquidity to cover all the running expenses.** Both issues are essential for the survival of each company. In the short-term, the safety and health of everyone working in a company is indispensable. In the medium-term, the availability of liquidity is crucial. In such a situation it is important that governments step in, if possible, with the support of international financial institutions like the International Monetary Fund or the World Bank to provide fibre, textile and apparel companies with financial assistance. ***“The ITMF is asking governments to provide banks with additional credit facilities backed by guarantees of states and/or international institutions, to suspend any taxes or any other forms of social levies and contributions, etc. with the objective to provide companies with enough liquidity to overcome this critical period”***, Mr. Sung noted.

At the same time the ITMF is asking all stakeholder in the supply chain to work closely together. **Above all, ITMF is asking retailers and brands to refrain from making use of any ‘force majeure clauses’ in their contracts with suppliers.** These would lead to a cascade of cancellations of orders that are ready for shipment or in the process of completion. Instead, brands and retailers as well as all other stakeholders in the supply chain should have dialogues and look for creative solutions that allow partners to survive this unprecedented period together.

While the supply chain is certainly disrupted dramatically, all stakeholders should do their part not to destroy it. If otherwise healthy companies go under because of insufficient numbers of orders and/or a lack of liquidity, the supply chain will not be capable to produce the necessary number of products with the necessary quality and speed once demand is returning.

ITMF was founded in 1904 and its members are associations and companies in the fibre, textile, apparel, home textile, textile machinery and textile chemical industry in almost 60 countries around the world, that are employing directly and indirectly millions of people.

Zurich, April 7th, 2020

3. STATEMENT FROM THE MINISTRY OF ECONOMIC AFFAIRS IN CHINESE TAIPEI

Due to the spread of the COVID-19 pandemic worldwide, the Ministry of Economic Affairs in Chinese Taipei announced a program of "Manufacturing Relief and Revitalization Measures" to assist the industries in responding to the economic losses tied to the abrupt downturn triggered by the COVID-19 pandemic.

The program can be broken down into the following 4 scopes:

1. Relief fund and interest subsidies: The relief measures include providing loans to affected businesses, extension of the principal repayment period, interest reduction and exemption, etc. The authorities may grant subsidies for interest on the working capital loan, such loans are limited to the payment of employees' salaries and the rent of factory premises, business premises or office premises.
2. Industrial Upgrading: Using the mechanisms of existing industry upgrade and innovation platform and counselling plans, such as assisting technology development of traditional industries plan, small and medium-sized enterprise real-time technical counselling plan, and small enterprise innovation R & D plan, further expanding the number or amount of subsidies to affected industries or businesses.
3. Staff Training: The measures provide the on-the-job training courses such as smart machinery and digital transformation for manufacturing and technical service-related industries, as well as training courses on store management, customer communication, digital marketing, etc. for retail businesses. Daily allowances are also available for employees who participate in the courses.
4. Market Promotion: The measures include strengthen the use of digital trade and e-commerce to promote domestic products, invite foreign buyers to come to Chinese Taipei for exhibitions and purchasing, foreign companies to Chinese Taipei to hold corporate meetings or incentive tours, subsidize companies and associations to build product theme pavilions in important international exhibitions, etc.

4. STATEMENT FROM THE TURKISH CLOTHING MANUFACTURER'S ASSOCIATION TGSD



April 7th, 2020

GLOBAL BRANDS SHOULD ACT IN UNITY WITH THEIR STRATEGIC PARTNERS, GARMENT MANUFACTURERS, TO GET THROUGH TOUGH TIMES

In the face of COVID-19, emerging threats to the global economy raise concerns for the ready-made garment industry in Turkey. This industry has sustained the retail operations of global brands for the past century by offering garments with the highest quality, paired with innovative collections and the fastest delivery.

When governments declared lockdown for societies due to health and safety reasons, global brands' reaction was to close down retail stores all around the world due to the sudden decline in sales. As a result of losses in sales, volume and revenue, brands then turned to their suppliers with a number of defensive measures which have severely harmed the garment manufacturing industry employing over 1.5 million people in Turkey.

According to the hundreds of messages expressing concerns and complaints directed at "TGSD Coronavirus Help Desk" over the past four weeks, suppliers have drawn attention to some of these alarming actions taken by global brands and retailers:

A large number of brands (1) declared to the manufacturers that there will be no future orders until further notice. This will oblige manufacturers to cover labor and overhead costs on their own for an indeterminate period of time. Some brands (2) called for the suspension of production in the pipeline and yet in some rare cases, (3) solicited discounts or cancellations for goods that are in the pipeline.

Lastly, some brands (4) request an extension on the payment terms for shipped goods that are on their way to distribution centers or already in the stores. A halt in high-volume production at the beginning of the season means that large quantity orders are creating massive inventories for the factories. Along with the inventory cost, manufacturers bear full liability for materials nominated by brands on their own, which constitutes an existential threat to companies most of which operate within one-digit margins. If brands do not help their suppliers finance the minimum liabilities, suppliers will not be able pay their employees' salaries and secure their livelihood.

It is known that retail businesses firmly uphold "workers' rights" at all times and claim "integrity", "trust", "commitment" and "sustainability" to be *sine qua non* for their operations. Failing to recognize, own and act on their own share of responsibility would mean contradicting with their established "core corporate values".

Manufacturers acknowledge the difficulties faced by retailers in trying to retain their liquidity needed to keep them afloat. As long as the requested delay time is reasonable, manufacturers may bridge the gap by benefiting from relief programs or monetary funds provided by the Turkish government. Global brands should do the same and benefit from loans pledged by their own governments of European and American countries, which constitute Turkey's major markets.

This crisis presents an opportunity for retail businesses and manufacturers to reinforce their dialogue, and continue to communicate with mutual respect and understanding to maintain a healthy and sustainable supply chain. However, if some retailers and brands prioritize short-term gains at the expense of other stakeholders in the supply chain, the word "sustainability" loses its credibility as the guiding principle for them and becomes an empty promise for the next generations.

Businesses should remember that once the pandemic is over, they will be looking for long-term strategic partnerships that are kept intact; and true partnerships are those that yield long term benefits for decades to come.

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5. JOINT STATEMENT ON RESPONSIBLE PURCHASING PRACTICES AMID THE COVID-19 CRISIS, STAR NETWORK

During this unprecedented time of global outbreak of the COVID-19, responsible business has become more important than ever for the whole world to survive and recover from the crisis. Especially, responsible purchasing practices of brand companies, retailers and traders of the global textile and apparel supply chains, will bring enormous impacts on the fundamental rights of millions of workers and the livelihood of their families in the supplier end. It is time for global businesses to uphold and honor their commitment to labor rights, social responsibility and sustainable supply chains.

With this in mind, we, the undersigned nine textile and garment business associations of the STAR Network (Sustainable Textile of Asian Region) from six producing and export countries, hereby call on global brand companies, retailers and traders to:

1. Carefully consider all potential impacts on workers, small businesses in the supply chain when taking significant purchasing decisions;
2. Honor the terms of purchasing contracts, fulfil obligations therein, and not re-negotiate price or payment terms;
3. Make practical plans to take responsibility of the suspended delivery or shipment, and the goods already produced or currently in production; proceed with payment as agreed upon, and not cancel confirmed orders which are already in production;
4. Offer fair compensation to suppliers (100% FOB) if production or delivery has to be suspended or stopped, or offer salaries directly to workers of suppliers;
5. Put no responsibility on suppliers for delay of delivery or shipment and claim no compensation for such delays;
6. Put no further improper pressure on suppliers by additional costs, rush orders or unnecessary visits and audits;
7. Make all efforts and engage with local stakeholders for a better understanding of the local situation and contexts;
8. Always resort to dialogue and collaborative settlement to ensure mutually acceptable solutions to disputes;
9. Support business partners on supply chain as much as possible, and aim at long-term strategy of business continuity, supply chain unity and social sustainability.

We appreciate the understanding, collaboration and support of our business partners and other stakeholders, and we are ready to work and walk with all responsible buyers globally to get through this crisis, towards a shared bright future.

This joint statement is made by (in alphabetical order):

Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA)

China National Textile and Apparel Council (CNTAC)

Garment Manufacturers Association in Cambodia (GMAC)

Myanmar Garment Manufacturers Association (MGMA)


Pakistan Hosiery Manufacturers and Exporters Association (PHMA)

Pakistan Textile Exporters Association (PTEA)

Towel Manufacturers Association of Pakistan (TMA)

Vietnam Textile and Garment Association (VITAS)

Members of the STAR Network (Sustainable Textile of Asian Region)

 **STAR** Sustainable Textile of the Asian Region

