

## Think Tank

## Who Made Those Jeans You're Wearing?

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It's a scene that's repeated every fall, the world over: kids clambering aboard buses and vans. Only in Uzbekistan, they're not headed for school. They're going to the cotton fields.

The government of Uzbekistan presides over a system whereby thousands of children as young as seven are forced to work in the fields in order to meet state cotton quotas. According to the Environmental Justice Foundation, many schools in Uzbekistan close down in September so that children can harvest cotton for little or no pay. Some are housed in ill-equipped dormitories or, in a nasty bit of irony, classrooms. Estimates of their actual numbers range from 44,000 to more than a million.

The system has been in place for years, with manual farm labor taking the place of machines following the collapse of the Soviet Union. Few take seriously the Uzbek government's claim to have cracked down on the practice of using children for that purpose. And so far, it hasn't paid much of a price. The nation remains the world's third-largest cotton exporter, selling around 800,000 metric tons on global markets annually, according to EJF. The shipments are valued at around \$350m, but the government of Uzbekistan is reported to rake in more than \$1bn a year from cotton exports.

So what's to be done? For retailers and clothing merchandisers, the answer is obvious: don't buy Uzbek cotton. But that vow isn't so easy to carry out. The worldwide apparel supply chain is a complex one, with multiple parties and transactions that tend to obscure the origin of raw materials.

Levi Strauss & Co. is taking the problem seriously. Cotton is present in more than 95 percent of the products the company sells, according to Michael Kobori, vice president of social and environmental sustainability. "It's our core raw material," he said at a recent conference on social issues in global supply chains, hosted by Stanford University.

Levi Strauss has hooked up with a non-governmental organization called **As You Sow** to put pressure on Uzbekistan to stop the use of child labor in its fields. The company has also enlisted the help of Wal-Mart Stores, Inc. – no stranger to issues related to

worldwide labor standards – to demand that Uzbekistan sign and adhere to an international convention on the subject. Among other things, the agreement would permit monitors to enter the country and confirm its compliance.

The next step for Levi Strauss is to make sure that it isn't using any Uzbek cotton in its products. Given that the company doesn't directly buy any cotton, that's a tougher task. It needs a system for tracking the material from its starting point.

One possible solution is Historic Futures Ltd., a British consultancy formed to provide global supply-chain traceability. Its internet-based initiative known as String allows batch-level product data to be shared throughout the chain. Companies are also using it to track their use of water and other environmental impacts. The service is still in the pilot stage, with the participation of Levi Strauss, Walmart, IKEA, Tesco and Marks & Spencer, among others.

Kobori hopes String will cut through the tangle of relationships that conceal the material's origin. Even the mills, which make direct purchases, claim not to be certain of the ultimate source. Cotton can be sold on various exchanges by entities that conceal its ownership. And who's to say that labels always tell the truth? "Everyone was telling us that you can't trace the cotton," Kobori said. "But we've got to get there."

A number of companies in the apparel industry have professed apathy or ignorance of the problem, but that head-in-the-sand attitude is beginning to change. Kobori says major brand merchandisers and retailers are complaining to countries that are the worst violators of human rights and fair labor standards. Granted, some might be more concerned with their public image than with the plight of family farmers or sweatshop workers, but who worries about motive if the result is the same?

Levi Strauss isn't stopping with the issue of child labor. The \$4bn company is driving toward a more sustainable product on all fronts. After all, Kobori said, the making of one pair of 501s emits about the same level of carbon dioxide as driving a car 78 miles, uses the same volume of water as 53 seven-minute showers, and expends the same amount of energy as watching a plasma-screen TV for 318 hours. Time, maybe, for a greener supply chain?

On that front, Levi Strauss is working with the Better Cotton Initiative, alongside manufacturers, retailers, NGOs, farm organizations and traders, to change the way cotton is grown around the world. BCI advises farmers on how they can reduce chemicals and water usage while improving the health of the soil. (And, not incidentally, maintaining fair labor standards.) Three years of pilot efforts by BCI in India and Pakistan have yielded "encouraging" results, said Kobori, including a one-third reduction in the use of chemicals and productivity improvements of up to 70 percent. The cotton involved in that effort should start showing up in 501 jeans in the fall season of next year.

All of those efforts cost money, Kobori admitted, but it's a price worth paying. "I would like nothing better for this to become part of our cost," he said. "I'd like to see it with all companies."

Eventually, perhaps. For now, Levi Strauss isn't blind to the ways in which a commitment to human rights and the environment can burnish a brand. "Sustainability is the next emerging driver of supply-chain value, for the next five to ten years," Kobori said. "After that, everybody is going to be doing it. It will be the price of entry."

So why not jump on the bandwagon early?

- Robert J. Bowman, SupplyChainBrain