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Changing Landscapes but Ingrained Power Relations? The Green Promise of the COVID-19 Pandemic, the (Un)sustainability of the Fashion Industry, and the Central-Eastern European Production Background

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Abstract. The COVID-19 pandemic turned the spotlight on the inequalities and the vulnerability of the global supply chains. It showed the serious dependency and the asymmetrical power relations among the stakeholders of the fashion industry. The relocation tendencies – as fashion brands are trying to break up with Asia and move production closer – have already started, and the pandemic can give a boost to it. The Central-Eastern European region can be a possible destination. The shorter supply chains are not just a tool for resilience but are told to serve sustainability as well. My hypothesis is that even though the geography of fashion industry is changing, power relations are not, and the crisis caused by the coronavirus pandemic has even increased dependency among the different players. Power relations are important among the region's production and the clients if relocation is to work out, as there is need for inclusive, fair, and decent employment, which is rarely guaranteed by fashion brands. Without it, sustainability cannot be achieved. In this paper, I focus on the examination of socio-economic processes in contemporary fashion such as the relocation tendencies and the power relations among the stakeholders, mainly fashion brands and production companies as subcontractors of the fashion industry. Especially, I examine profit and risk as factors within the relations. The critical essay uses literature review and document analysis to investigate a possible change in the current role of power relations and to examine the hypothesis.

Keywords: relocation, fashion industry, supply chain, power relations

Introduction

While the fashion industry seems to be glamorous and spectacular, it has a hidden, quite ugly side. This industry's outputs are fashionable clothes and accessories, and there are fascinating, theatrical fashion shows besides piece-of-art shop windows. The invisible side appears in the form of a notoriously opaque, impenetrable supply chain, human and labour rights violation, and exploitation. In this article, I focus on contradictory relations: the "visible" geography of fashion production and the invisible dimension of fashion, the power relations between the "top" and the "bottom" of the fashion supply chain. I examine especially profit and risk between the different levels and actors within the fashion industry within the framework of Gary Gereffi's global value chain theory. I explore how the current period – namely the COVID-19-pandemic-caused disruption – can affect fashion industry's geography, the location of production, and relations among different stakeholders, with a main focus on suppliers and buyers.[1]

The production of textiles, garments, shoes, leather and fur goods has been moving away from developed countries for the last three decades: fashion brands went through internationalization and have outsourced their low-cost production activities mostly to South-East Asia (Gereffi–Frederick 2010, Caniato et al. 2015). Essentially, the labour-intensive processes were delocalized in the European Union, and an increase of relocation was witnessed from the 2000s regarding more technological or more capital-intensive units of the textile industry, accompanied by a new migration of high labour-intensive activities out of the new Member States to other cheaper places such as Belarus and Ukraine (Györffi–Oren 2006). As the fashion industry operates on a global level, my approach represents a world economics aspect, with an outlook on the Central-Eastern European region as an alternative to Asia and a possible destination for relocation.

Relocation tendencies – as fashion brands are trying to abandon Asia and move production closer – are one of the latest geographical, socio-economic changes within fashion industry's production, as fashion companies are now having second thoughts about the benefits of the former delocation of their production to mainly developing Asian countries with low labour cost (Robinson–Hsieh 2016). Relocation has started before the pandemic, which has possibly accelerated it further. We still cannot declare it as a determining phenomenon coming before the dominant outsourcing. A growing scientific literature and consulting firms' reports are examining the factors, triggers, and advantages of relocation, as

1 The term "buyer" in the paper refers to the fashion brands (or their representatives) who act as buyers and main clients of manufacturers. According to Gereffi (1994), buyers refer to large retailers and brand-name companies that buy but do not make the goods they sell. The term "consumers" (someone who consumes a product) and customers (someone who purchases, buys a product) refers to the end users.

fashion brands can benefit from proximity of production to their markets as well as technology development (BOF and McKinsey & Company 2019). Another trigger for relocation is that the fashion industry has reached a crossroads where speed beats marginal cost advantages and sustainability concerns are getting stronger. Traditional fashion supply chains are facing challenges due to convergent labour costs. Transportation is also significant and closely connected to speed: sea transport is the most common within fashion, but this takes time: around 30 days are required for a parcel to reach Western European markets from Asia, and air transport is considered to be too expensive (Andersson et al. 2018). The COVID-19 pandemic turned the spotlight on the inequalities and the vulnerabilities of the global supply chains. It showed the serious dependency and the asymmetrical power relations among the stakeholders of the fashion industry. The shorter supply chains are not just a tool for resilience but told to serve sustainability as well.

In this article, I focus on the examination of socio-economic processes in contemporary fashion, mainly the relocation tendencies and the power relations among the stakeholders, fashion brands and production companies as subcontractors of the fashion industry. Especially, I examine profit and risk as factors within the relations. The critical essay relies on the analysis of secondary literature, including literature review and document analysis as well as some primary (industry) sources to investigate a possible change in the current role of power relationships and to examine the theoretical proposition. I examine the geography of production and the power relations along the supply chain, and then I turn my attention to the exploration of profit and risk and to how COVID-19 and the relocation tendencies affected it besides the discussion of the (un)sustainability of the fashion industry.

"The Chain Is Just as Strong as Its Weakest Link": The Global Value Chain of the Fashion Industry

The fashion industry is one of the most globalized industries (Bonacich–Appelbaum 2000), with a notoriously opaque supply chain. The garment industry is characterized by "far-flung subcontracting networks [which] are managed with varying degrees of closeness by designers, retailers and other brand-name firms that market, but do not necessarily make, the products that are sold under their label" (Bair 2005: 159). But within the highly fragmented supply chain with dominantly outsourced production, the power relations remain hidden, leaving big inequalities among the different actors. The theoretical framework of my paper connects to the multi-disciplinary global value chain (GVC) theory that focuses on the globally expanding supply chains and on how value is created and captured therein. The multinational corporations as the lead firms orchestrate the multi-tiered global supply chain (Castañeda-Navarrete et al. 2021). The theory considers that the cause of inequalities lies in the way of how construction is organized, and the internal power asymmetry provides different opportunities for position and profit making.

As fashion can be considered to be an oligopolistic system with the dominance of a few leading firms, discussion of governance – that is closely connected to power – is crucial. Governance is the top-down view that focuses mainly on lead firms and the organization of global industries. The top-down approach of governance shows how corporate power and authority relationships can actively shape the distribution of profits and risks in an industry, determines how financial, material, and human resources are allocated and flow within the chain, and identifies the actors who exercise such power. The apparel (or garment)[2] industry is an illustrative example for the "buyer-driven" supply chains, where retailers and marketers of final products exert the most power through their ability to shape mass consumption via dominant shares. They are strong brand names who source their products from a global network of suppliers in cost-effective locations to make their goods. Fashion brands are "manufacturers without factories", with the physical production of goods separated from the design and marketing (Gereffi 2013). Because of their direct contact with final consumers, global buyers manage the supply chain from a position of greater strength with respect to suppliers (Richero–Ferrigno 2016). In our case, the buyers are well-known: they are those household-name fashion brands who are the retailers of the products widely present in basically every shopping street and shopping mall around the world. And at the other end of the value chain, there is the garment industry. The production background with the cut-make-trim activities – with its high need of live labour – meant often the first step and the beginning of industrialization (Fukunishi–Yamagata 2014) and a key driver of export-led industrialization and economic development in several countries (Castañeda-Navarrete et al. 2021). Fashion – textile and garment production – has long been key for the Least Developed Countries (LDCs) and other developing countries to attract investment and enter a manufacturing sector capable of diversifying economic growth and providing employment for large numbers of a semi-skilled workforce (Richero–Ferrigno 2016).

How does the apparel GVC looks like? The global apparel value chain can be described as consisting of several networks: raw material networks, component networks (textile companies producing fabric, synthetic fibres, etc.), production

2 Some works of literature use garment, some others apparel, and yet others clothing industry. Garment originally refers to a single piece to clothing. Apparel refers to a collection of clothing, that is, more than one piece. In this paper, I use garment and apparel as synonyms for the industry segments that produce clothes.

networks (apparel manufacturers), export networks (brand-name apparel companies, overseas buying offices, trading companies), and marketing networks (e.g. department stores) as well (Gereffi–Memedemovic 2003). As a single fashion collection consists of hundreds of different garments and accessories, bigger retailers are working with hundreds and thousands of different suppliers.

While the fashion industry is widely extensive geographically, regarding to power, it follows the logic of oligopoly. An oligopoly is a market structure with the domination of a small number of firms. According to State of Fashion 2019 (BOF and McKinsey & Company 2019), the top 20 companies in the industry account for 97 percent of economic profit, and their headquarters are also located in a few countries, with the dominance of the USA and Western Europe. Money follows power and vice versa: inequalities, not just in power relations but in welfare as well, the income of top managers, CEOs, and the fashion workers are also widely common, but that is not a characteristic specific to the fashion industry, as it can be widely witnessed among several industries as well. While a huge numbers of garment workers are not even paid enough for a decent standard of living and millions are paid only just over the minimum wage (Global Fashion Agenda and The Boston Consulting Group 2017), the highest-paid fashion executives' salaries have continued to grow even during the pandemic (Clark 2021).

The headquarters of the biggest buyer is important, as these are the ones that are recognized as "fashion creators", or "author countries". Geography plays a crucial role in the fashion industry, as clothing brands are associated with specific countries and cities. The geography of fashion is also associated with the so-called fashion capitals in the most implicit way. According to Godart (2014), there is a current "oligarchic" structure of fashion that emerged in the 20th century and that is still predominant and rarely questioned even though in many realms – such as financial and international relations – new players have emerged. In terms of geography and fashion, the location of an activity must not be understood only as the location of manufacturing but rather as the location of the decision-making centres, the global centres of power (the fashion capitals). After – and since – the Second World War, only a couple of cities are reviewed and thought to be influential fashion centres. They are called to be the fashion capitals, or the "Big Four": London, Paris, Milan, and New York are the oligarchs of fashion.[3] These cities have their own identity (in fashion, it refers to a certain aesthetics and style as well), enjoy specific symbolism and a significant economic position as well. The recognition of an "author country", however, is part of a process of renegotiating hierarchies and roles according to the contexts and players concerned (Segre Reinach 2009 – quoted by Skov 2003). It is clearly not in the interest of the current

3 While formerly I have described "fashion oligarchy" as the financial dominance of the leading firms, Godart refers to cities as oligarchs – namely the so-called "Big Four" – within the fashion industry.

fashion capitals and the headquarters of the biggest buyers to let others emerge, as they are in power and position to make it (not) happen.

The suppliers (fashion production companies) are usually independent firms who produce garments for several fashion brands at the same time. Within the fashion industry, ownership (of own production facilities), strategic partnerships, and subsidiaries are quite rare (Antalóczy–Sass 1998). This practice is in line with the nature of dynamically changing fashion trends and the fast novatory supply, as fashion brands (who mainly function as the main retailers) can easily move their production following the needs in the technology and specialization of their products and the changes within the economic and business environment.

Where Is the CEE Region's Place in the Global Garment Value Chain?

The European Union is the second largest exporter after China in textile and clothing (WTO 2021a). 38% of the total textile and clothing turnover is sold on global markets. There is a big difference among the EU Member States' contribution to the EU fashion industry. CEE economies are strongly integrated into GVCs, but the firms in these countries have not yet caught up with their western counterparts in terms of value-added capture (Pellényi 2020). From the 1990s, the basis of the collaboration between Western and Eastern European countries' fashion industry was the so-called outward processing trade (OPT) practice: contractors transported semi-processed products, such as fabrics, cuttings, or semi-finished products, to low-wage subcontractors in Eastern Europe for assembly and intermediate work processes (Hanzl–Pavlik 2003). In the context of fashion production, Bulgaria, the Czech Republic, Latvia, Hungary, Poland, Romania, Slovakia, and Slovenia are among the most representative countries of this region (Faust 2005). So, lower-value-added, labour-intensive production is taking place in CEE countries. After the 2004 and 2007 enlargement, when Hungary, Slovakia, Slovenia, the Czech Republic, Poland, Latvia and then Bulgaria and Romania have joined the European Union, the OPT practice has remained. The EU's regulation in force regarding the Country of Origin (COO) does not make it compulsory to use the "Made in Europe" label if a product is made within the EU's borders, nor does it inhibit the use of a single, specific country. It is definitely in the interest of the fashion brands located in fashion capitals to sign a high-prestige country as country of origin (Barna–Dobos-Nagy 2021). According to the European Commission's data, the biggest producers in the industry are Italy, France, Germany, Spain, and Portugal. Together they account for about three-quarters of the EU's production. Southern EU countries contribute more to total clothing production, whilst northern countries, such as Germany, Belgium, the Netherlands, and Austria, contribute more to textile production, notably technical textiles (European Commission 2021). That does not mention the CEE countries particularly. But with the current COO regulation, it is not clear where those products are actually made or "just" labelled as of Italian or French origin (Barna–Dobos-Nagy 2021).

According to the concept of Wallerstein's core-periphery model referring to geographical inequalities, Central and Eastern Europe, the former Soviet successor states and the Balkan countries, are on the semi-periphery, and so the outsourcing activity of fashion brands has targeted these countries. The smiling curve theory explains how value is created within production. There is a functional hierarchy within the fashion industry too, where assembly (cut-make-trim) activities are the lowest value-added activities (Goto 2012). But while CEE countries are in an interim position from this point of view, if we look at value addition and where value is generated in GVCs, the manufacturing of actual garments is considered to be the lowest-value-added, labour-intensive, as fashion production companies of the region are subcontractors of European fashion brands, from premium through high-end (Arbutina 2017) to haute couture creations (Dobos 2020).

The recognition of geography in fashion is important regarding prestige. Local industry's economic perspectives and geographical inequalities can be described by the dual economic structure of the dominance of foreign, capital-rich, export-oriented big firms and the local small and medium-sized firms, who are suffering from lack of competence and capital (Molnár 2021). I also argue that the importance and significance of the fashion industry cannot be measured by economic importance, sales, and volume or revenue within the country, as it can be a very significant employer among female workers, ethnic minorities, migrant people with disabilities, and people from rural areas as well (Molnár 2017). Most of the time, the fact that even luxury products can be made in CEE countries remains hidden, with the exception of a few cases when these hidden relations of production catch the attention of the world press: e.g. *EXCLUSIVE – Revealed: Stella McCartney's £1,545 coat worn by Duchess of Sussex at Remembrance Day service is made by impoverished Hungarian factory workers earning just £2.60 PER HOUR* (Vivek et al. 2019); *Revealed: The Romanian Site Where Louis Vuitton Makes Its Italian Shoes* (Lembke 2017) – to mention but a few headlines. These press coverages mainly express compassion and represent Western "standards" of living rather than accept the hard job of the CEE region's fashion workers.

Power Relations in Fashion: Bargaining Power and Dependency, Profit and Risk

In the fashion industry, the profit comes "from combinations of high-value research, design, sales, marketing, and financial services that allow the retailers, designers and marketers to act as strategic brokers in linking overseas factories and traders with product niches in their main consumer markets" (Gereffi–Memedemovic 2003: 3). Outsourcing production functions as a risk avoidance to the buyer, as it does not have to deal with any risks or costs associated with the labour processes such as a possible unionization of workers or wage pressure. A report from the academic research and advocacy organization at the New York University Stern School of Business, the NYU Stern Center for Business and Human Rights, also turned the spotlight on the fact – and the practice of the fashion industry – that several fashion companies are working together with subcontractors' subcontractors, and so, eventually, fashion brands and actual producers have no direct relationship (Barret et al. 2018). Leading firms, mainly based in the US and the European Union (EU), capture around 70% of the final retail price of apparel products (Frederick 2015 – quoted by Castañeda-Navarrete et al. 2021). The example given by the labour rights and fair fashion advocate organization Fashion Revolution illustrates well the cost breakdown of a 29$ T-shirt: in this case, the manufacturing cost (3.40 €) and the factory margin (1.15 €) together amount to 4.45 €, which is little more than 15% of the final consumer price where the biggest margin (17 €) goes for the retail stakeholder (Fashion Revolution 2017).

According to Shaw (2002), 11.2 million formal and an estimated 35 million informal jobs are in the garment industry, mostly in developing countries. This segment means an important livelihood for them. But how can we define risk? If risk is an exposure to danger, the most threatened ones are those who are at the end of the whole supply chain: the workers, formal and informal altogether. Without the pandemic, low wages and hazardous working conditions also exist within the fashion industry, so the workers in the global value chain are not only highly vulnerable to exploitative working conditions, but the pandemic also threatens their livelihood. Informal workers are also excluded from social assistance and from any form of social security.

There is an inverse proportionality: the marketers bear the biggest profit and producers the biggest risk, as in the factories where textiles, garments, shoes, leather, and accessories are produced, millions of people toil in insecure, low-wage jobs, under unsafe conditions (IndustriALL 2020). The asymmetry of power here is putting all the risk on the suppliers and, by extension, the workers. The "orthodox" world-systems theory refers to the interregional and transnational division of labour, which divides the world into core countries, semi-periphery countries, and periphery countries. The core countries are the industrialized capitalist countries on which periphery and semi-periphery countries depend; they focus on higher-skill, capital-intensive production, and the rest of the world focuses on low-skill, labour-intensive production and extraction of raw materials. The periphery countries are less developed than the core countries or the semi-periphery countries whose position is between the core and the periphery (Wallerstein 1976). While the theory focuses on differences between countries, not just outsourced production but local sourcing can be devastating socially and economically for domestic suppliers, as core, semi-periphery, and periphery can also exist within the borders, within the positions of different (manufacturing) companies in the supply chain. Even if Italy can be considered to be a core country (Dunn et al. 2000), according to the world-systems theory – and an "author country or fashion creator" by Godart –, low-cost, exploitative manufacturing can be taken place there as well. Italy is a case in point, as there is a huge number of "Italian–Chinese" companies who disrupted the legally operating Italian production companies, and even informal work can be spotted in the higher market segment of the garment industry, at the luxury level as well. A decreasing lead time (the total time required to produce a garment or accessories before shipment of the order) has facilitated the breaking down of manufacturing and distribution among a number of different subcontractors, while depressed prices have fostered informal labour conditions (Paton–Lazazzera 2018).

While the effect of the pandemic was widely reported and examined by press and numerous NGOs in Southeast Asia, this attention neglected the CEE region, which is equally at the bottom of the value chain. A joint survey among Hungarian fashion companies done in March 2020 by the Hungarian Society of Textile Technology and Science (TMTE) and the Association of Hungarian Light Industry (MKSZ) reported that three quarters of the companies are preparing for a more than 50% loss in their yearly production in 2020, and 60% of them had to lay off half of their employees (TMTE and MKSZ 2020). This result is in parallel with the conclusion of the European forecasting and the results of The European Apparel and Textile Confederation (EURATEX) survey, as companies expect a 50% drop in sales and production and 80% of them are already laying off workers. Finally, the confederation predicts the closure of every fourth European fashion company (EURATEX 2020).

Generally, garment production companies are caught in a vice in terms of profit: while their costs (the minimum wage, for example) are rising, their margin is getting smaller. As the CEO of a Hungarian garment manufacturing company told: "Formerly, the multiplier between the production cost (of a garment) and the final retail price was 2.5. Now it is getting bigger and bigger" (Dobos 2019).[4]

4 Original text in Hungarian (translated into English by the author).

> Setting the price is always the result of the price negotiation between the buyer and the production company (intermediate agents can be included). However, over 90% of workers in the global garment industry have no possibility to negotiate on their wages and conditions and so are not able to claim their fair share of the value that they generate (IndustriALL 2015).

In terms of putting pressure (during price negotiation) on Central-Eastern European fashion companies working for Italian brands, the clients are referring to "Italian–Chinese" companies who work with half the hourly rate [of Italian companies], and they receive compliments on their work speed and quality. But in addition to Italian manufacturers, they are also competing with Hungarian, Romanian, and Bulgarian ones. This is only possible by not declaring every worker or having them do an enormous amount of unpaid overtime (Barna–Dobos-Nagy 2021). The negotiation process and mentioning cheaper rivals is also an indirect threat that shows the power of the buyer. Thus, due to competitive pressure, producer and manufacturing companies are not in the position of bargaining. Buyers set the prices, having no regard for any of the production company's interests. From time to time, the case of working conditions and exploited labour reaches the attention of the public, and fashion brands are usually spreading their hands "helplessly" and want to save their image, saying they had no knowledge of the case, because they worked with the company through contractors and had no direct relationship with the factory. "But at the same time, they communicate the expectation regarding the hourly rate towards the subcontractor, so they push [production] in this direction themselves. Everything has a price, they know what costs, how much, and where, the price is dictated by the buyer" (Barna–Dobos-Nagy 2021).

How (Un)sustainable Is the Fashion Industry?

The fashion industry is considered to be a big polluter and a relevant contributor to climate change.[5] Most of the people may associate sustainability with the protection of the environment and eliminating pollution. The most discussed and best-known sustainability issues of fashion are carbon emission, water consumption and pollution, environmental and micro-plastic pollution, and

5 The statement "fashion is the second biggest polluting industry" is one of the most widely used and quoted fake news, as Vanessa Friedman wrote in her 2018 article for the New York Times (source: https://www.nytimes.com/2018/12/18/fashion/fashion-second-biggest-polluter-fake-news.html), and, unfortunately, it is still used in the scientific literature. The reliability of the currently used data, the misinformation within the industry, and the questioning of the significance of its pollution enjoy a growing interest and are examined by several scholars and institutes (e.g. the New Standard Institute or Transformers Foundation).

waste generation (McFall-Johnsen 2020). But there is an aspect of sustainability that is widely neglected in terms of commitment: social sustainability. The three pillars of sustainability were first developed by Kahn (1995): besides the environmental and economic, there is a third dimension, social sustainability, which is characterized by equity, empowerment, accessibility, participation/sharing, cultural identity, and institutional stability. The latter is rarely discussed and connected to the sustainability issues of the fashion industry. While fashion press loves to applaud fashion brands' efforts towards sustainability and speaks about a "shift in mindset" (Cernansky 2021a), it still covers the deep inequalities and the systematic problems in terms of transparency. "Green" initiatives are more focused on climate change contribution rather than on sustainability in its original sense, with the three pillars. Last year, during the COP26, fashion also reached the agenda of high politics, but the result was rather just scratching the surface, as industry actors pledged an increased ambition for emission reduction, a more substantive role of communication, and increased use of "environmentally-preferred" materials (Cernansky 2021b).

In the scientific literature, sustainable fashion is not used as a factual concept, discourses are led by different ideologies, processes, and characteristics (Kozlowski et al. 2018), while in social sciences sustainable fashion is often described as an alternative to fast fashion (Clark 2008). Thomas (2019) described sustainable fashion as an amorphous category, and the author emphasized regarding sustainability and fashion that there are remarkable varieties across the fashion industry as to how people working in the industry define and operationalize sustainability.

The previous period, marked by the COVID-19 global pandemic, has brought unprecedented times, changes, and circumstances for the whole world, and, naturally, the fashion industry could not stay untouched. The pandemic further emphasized the need for sustainability, which became the central topic of fashion industry's latest initiatives and commitments. One of the most "visible" disruptions was witnessed in the supply chain of the fashion industry: millions were at the risk of losing their jobs due to factory closures and unpaid deliveries. By visibility, I understand the documentation of the devastation at the end of the supply chain by brave fashion workers and dedicated activists, which was (is) widely covered by the mainstream media as well.[6] That is in parallel with the fact that most of the people do not know where, how, and by whom their clothes are made.[7] The greener

6 The Clean Clothes Campaign, garment industry's largest alliance of labour unions and non-governmental organizations, dedicated a live blog to the demonstration of the garment workers' situation. Available at: https://cleanclothes.org/news/2021/live-blog-on-how-the-coronavirus-influences-workers-in-supply-chains.

7 With "who make our clothes", I refer to the famous slogan of the global campaign of the Fashion Revolution movement established after the notorious disaster of the Rana Plaza in 2013 and its call for transparency along the supply chain of the fashion industry.

steps of the fashion industry are mostly based on voluntary commitments by global companies without any sanctions for not delivering.

Furthermore, there is a blurred definition circulating among customers[8] who do not know what sustainability means (Heiny–Schneider 2021). It is also in line with the findings of the US-based Genomatica's survey on sustainable fashion: a lack of availability and trustworthy information on what makes clothing more (or less) sustainable has made "sustainable fashion" elusive for many. More than 70% of consumers have heard of environmental sustainability issues in the fashion industry, listing excess consumption, carbon emissions, and water pollution from dyeing processes as issues they are aware of. 38% of them are aware of sustainability issues in fashion but only became aware of them over the past year (Genomatica 2021).[9] While we can argue the results' applicability to a global, general public, US-based findings are in line with the latest results of the Fashion Revolution Consumer Survey (2021):[10] 75% of people agreed that fashion brands should do more to improve the lives of the women making their clothes, 69% of people would like to know how their clothes were manufactured, and 37% of respondents said it was important that the clothing they bought had been produced without using harmful chemicals for the consumer (Fashion Revolution 2021b).

The not-for-profit global movement, Fashion Revolution publishes the so-called *Transparency Index*: makers of the index review and rank 250 of the world's largest fashion brands and retailers according to what information they disclose about their social and environmental policies, practices, and impacts, in their operations and supply chain. Their key findings are that still only 47% of brands disclose their manufacturing facilities. Major brands and retailers publicly disclosed the most information about their policies, commitments, and processes on human rights and environmental topics in 2021 and significantly less about the results, outcomes, and impacts of their efforts (Fashion Revolution 2021a). Without a critical and reliable revision of what brands "let us know", we cannot take their reports as granted.

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8 The research, conducted by Heiny and Schneider (2021), was based on a deep ethnographic study with 12 Zalando customers from Germany, Sweden, and England, who ranged in age from 22 to 34 and represented a variety of demographics and attitudes. The results of this work informed their consumer survey, in which the authors interviewed 2,500 consumers in the United Kingdom, Sweden, Italy, France, and Germany. After the interviews, the authors went shopping with the participants of the ethnographic study, observing their habits, decision-making processes, and the triggers.

9 The Genomatica survey was done online among 2,000 US teenagers and adults in the United States, representatively among generational age groups and gender splits. Data were collected between 31 March and 8 April 2021.

10 Fashion Revolution commissioned a survey of 5,000 people aged 16–75, in Germany, France, Italy, Spain, and the United Kingdom in 2020.

Overconsumption is declared to be one of the biggest issues of fashion industry: during the pandemic, there was a positive change reported regarding customers' attitude and a "not buying new" movement, second-hand purchasing, besides a booming interest in mending, which leads to the longer life of the products (Finnigan 2020). Lately, demand for sustainable fashion also opened new (business) opportunities: several companies have started to offer special products related to clothing care, laundry products, and repair services, and many brands have implemented a sort of "how to take care of your products to give them the longest life" in their communication (O'Connor 2021). There are many positive changes in consumer attitudes, and governmental institutions have also implemented mandatory regulations in terms of environmental and social sustainability in fashion. That can be seen in the headquarter countries and regions of the biggest fashion companies, Europe and the United States of America as well. Just to mention the latest developments: after the Environmental Protection Agency, the Food and Drug Administration, and various state agencies and legislatures are pursuing or considering measures such as additional chemical use restrictions and prohibitions, new notification and reporting requirements on chemical use and imports, limitations on product disposal options, and extended producer responsibility obligations, in January 2022, the New York state legislature unveiled the Fashion Sustainability and Social Accountability Act, which is a bill that attempts to make New York the first state in the United States to effectively "hold the biggest brands in fashion to account for their role in climate change" (Lombardi–Schumacher 2022). The Fashioning Accountability and Building Real Institutional Change (FABRIC) Act, introduced in May 2022, proposes major incentives to accelerate domestic apparel manufacturing and new workplace protections to cement the US as the global leader in responsible apparel production (Remake 2022). France has introduced a ban and fine of the destruction of unsold goods (reference), and a supply chain due diligence act was adopted by the German Federal Parliament and will enter into force on 1 January 2023 with the aim of improving the protection of international human rights and the environment by setting binding standards for large companies and their value chains (Federal Government of Germany 2021). At the end of March 2022, the European Commission introduced and adopted the comprehensive EU Strategy for Sustainable and Circular Textiles that sets out how textile products on the EU market will be free of hazardous substances and produced in respect of social rights and the environment until 2030 (European Commission 2022). The strategy covers several fields from reducing waste, tackling micro-plastic pollution to combating greenwashing, the extension of producer responsibility and innovative business models, and it requires Member States to adapt and encourages favourable practices.

A Call for Reform? The Impact of COVID-19 on the Supply Chain

The World Trade Statistical Review 2021 shows patterns on how COVID-19 shaped the textile and garment export: COVID-19 significantly affected global textile and apparel trade volumes, resulting in the substantial growth of textile exports and a declined demand for apparel. Fashion companies' efforts to diversify apparel sourcing from China somehow waned during the pandemic. COVID-19 did not shift the competitive landscape of the world textile exports; meanwhile, textile exports from China and Vietnam gained new momentum during the pandemic (WTO 2021a). China was also the biggest textile exporter with increasing percentages in the world trade in textiles – in this way, another dominance has emerged, just not with leading firms and buyers but nations.

The COVID-19 pandemic was (is) an external shock, and on a larger scale it seriously affected international trade as well. When the pandemic broke out in China, the raw material flow was cut from the different countries' fashion producer companies as the pandemic spread in – and affected invariably – the different continents and countries. The fashion industry (including production, retail, and consumption as well) was facing several disruptions, as when the pandemic hit the Western (European) consumer markets, the stores were closed and fashion brands cancelled orders from mainly Southeast Asian and East-Central European companies or were stuck with unsold collections (Teodoro–Rodriguez 2020). Women make up the large majority of workers in the global supply chains, especially factories in the apparel supply chain. Brown (2021) emphasized that these workers formerly faced significant inequalities in wages, workplace hazards, gender-based violence, and harassment and the impact of the COVID-19 pandemic compounded these conditions and exacerbated the long-standing structural inequities. "The pandemic is reversing hard-won development gains, adding to the problems facing the most vulnerable" – told Ngozi Okonjo-Iweala, World Trade Organization Director-General (WTO 2021b). Furthermore, countries whose economies rely heavily on manual labour are particularly susceptible to further shocks, and workers face high job insecurity. Summarily, the pandemic caused deepening inequalities across country groups and a deeper global wealth gap (The State of Fashion 2022).

Disruption along the supply chain was seen owing to the pervasive, changing geographies of the GVC, the changing sourcing patterns, in addition to the interconnectedness and the dependency between the different actors. As The State of Fashion 2022 declared, only a few fashion companies could stay persistent or even surpass their pre-pandemic performance in some cases. The number of the "value destroyers" – companies who are generating negative economic profit – was higher than ever in 2021. Furthermore, the loss of the bottom 80% in terms of value creation more than offsets the profit of the top 20% (The State of Fashion 2022). According to the report (published before the Russian–Ukrainian war), the market environment is supposed to remain complex with supply chain bottlenecks, manufacturing delays, high shipping costs, and material shortages, and companies are scaling up, nearshoring closer to the headquarter countries. The power asymmetries and unequal distribution of profit along the garment value chain has become apparent from the uneven distribution of losses as a result of the pandemic. While the buyers are price makers, manufacturers are price takers within the garment industry. The effects of demand reductions on leading firms were quickly transmitted to apparel manufacturers. Payment deferrals were followed by sanctions for shipment delays and cancellations of orders, many of them already completed or in progress (Castañeda-Navarrete et al. 2021). This process – when the market puts pressure on the retailer's profit – transmits this reduction to the manufacturers' side, who has to reduce its costs as well: this can happen by lowering the standards (it can be an easier, cost-effective assembly activity such as reducing the number of pockets or having fewer stitches) or by squeezing labour costs (increased homework, reduction in wages or price rates, and further subcontracting to lower-cost factories) (Appelbaum–Gereffi 1994).

Consequently, COVID-19 not only meant closed stores for fashion business but a humanitarian crisis at the end of the supply chain. As many brands have cancelled orders when the first pandemic hit with lockdowns, they were refused to pay for billions of goods that have been already manufactured and shipped (Anner et al. 2020). The result was devastating for the countries and millions of workers throughout the region of Southeast Asia. Factory owners have sacked thousands of workers in Bangladesh with the violation of their contracts, and the workers have suffered hunger with little governmental or international support (Islam 2020). The author also find similarities between the way fashion workers were treated during the pandemic and the Rana Plaza tragedy.[11] According to his findings, social audits of fashion companies have not improved workers' economic or human rights despite a retail revenue growth. The author considers social audits a more symbolic and ritual strategy that helps to maintain existing inequalities and believes that forced labour[12] exists in the supply chain of the fashion brands, even despite clearly defined codes of conduct (Islam 2022). After a year, fashion companies slashed prices to stay competitive, and orders for the

11 The tragedy of the Rana Plaza was a structural failure that happened on 24 April 2013 in Dhaka, Bangladesh. It caused the death of more than 1,100 people and left approximately 2,500 injured.

12 According to Berrone (2016), "it is the law" is a sin of greenwashing. That is a practice proclaiming sustainability accomplishments or commitments that are already required by existing laws or regulations. From this point of view, any company code of conduct prohibiting forced labor can be seen as greenwashing, as United Nations and International Labor Organization has clear conventions against forced labor (if a country joined UN and/or ILO, it has to prohibit forced labour by law).

current season were down by 30% compared to last year; manufacturers even accepted orders below cost (Deeley 2021). This is in line with the experience of Hungarian production companies, who also reported that prices are lower with 10-20% or even 30% and clients pay later than the average payment deadline (Dobos-Nagy 2021). The unprecedented uncertain circumstances also push manufacturers in the direction to accept very low prices from the buyers, as they fear the repercussions of the ongoing economic situation in the long term and want to keep the clients.

Exposure to danger, the risk is an important factor in terms of power relations, and resilience is key regarding to the coronavirus pandemic as an external shock. There are several NGOs who are dedicated to sustainable fashion and labour rights issues.[13] The COVID-19 pandemic generated a wave of new "caring at a distance" initiatives, where consumer movements ask individuals to respond to globalized relationships of commodity production (Goodman 2004). One of the biggest achievements of garment labour rights organizations and sustainable fashion activists was the launch of the international #PayUp campaign: with the use of the hashtag in social media, they called out fashion brands to pay up lost wages. While mainstream media and activists celebrated the achievement that *This Hashtag Unlocked $15 Billion of Lost Wages Due to Cancelled Orders from Gap, Levi's, and Other Brands* (Bobb 2020), others turned the spotlight on the fact that these calls seemed futile in the face of fashion supply chains that have long been structured in ways that absolve brands of responsibility. The stories of worker exploitation and abuse in the garment industry that emerged during the pandemic were not discussed as effects of global capitalism but were rather recast as evidence of a world suddenly in "crisis" (Khan–Richards 2021). There were numerous civil unrests and protests due to jobs at risk and cancelled orders. Labour rights advocates warned that the "non-implementation of labour laws could lead to anarchy" (Hasan 2021).

Abdulla (2021) also emphasized that the pandemic reinforced the fragility of the global supply chains and the power imbalance between suppliers and buyers. According to the author, the "global apparel industry now works on building back better", which seems optimistic and not yet reasonably confirmed. During the pandemic, the challenges of suppliers were widely reported (Abdulla 2021) (namely cancelled orders, obstruction and delay of raw material supplement, local infection rates and lockdown instructions, etc.), but it is important to point out that this does not mean any direct consequences and changes. The author quotes several industry sourcing experts who told that the buyer–supplier relationship had become very transactional: the statement represents more the interest of the buyers, as it mentions the inefficiency and that it does not allow brands to build

13 Fashion Revolution published a list about the key organizations dealing with sustainable fashion: https://tinyurl.com/mpfx7rha (last access: 02.08.2022)

and maintain a relationship with the manufacturing supplier and also notes the lack of accountability and commitment (on the supplier side). The article also discusses that the pandemic-related disruption served as a wake-up call for suppliers who are asking for more money and security. However, I am deeply sceptical about achieving these (money and security), as the fashion industry is a notorious example for the "race to the bottom"[14] and is extremely competitive. This attitude also appears in the practice that suppliers intentionally (and/or out of necessity) accept orders below cost or make offers below their competitors' prices to gain orders. To compete with this mentality, a seemingly implausibly unified action, common agreements, and wide collaboration would be the only option that would eliminate (price) competition (and differences) between suppliers.

Consulting reports (for example: Berg et al. 2020) emphasize the idea of partnership, a more collaborative, more two-way approach than the current, more general supplier–buyer relationship, as close relationships are considered to be "a key for harnessing and scaling up the move to a new, and possibly better normal in the fashion industry" (Abdulla 2021). But building up closer relationships and putting an end to the dependent position must equally serve both parties' interest in order for it to become feasible. The article also mentions that one supplier can also work for twenty fashion brands and big retailers like C&A works together with over 1,000 suppliers, while it makes building closer relationships quite challenging.[15]

Profits and Risks Engraved into Contracts: The *Force Majeure* Debate

Cancelling fashion orders made a case for a legal rethink as well: the fashion industry mostly relied on a "force majeure" (superior force or vis major) clause to cancel orders amidst the pandemic. There is an ongoing debate across brands' liability in supplier contracts: the legality of the force majeure claims and the cancellation of orders without paying is at the centre of questions. The force majeure refers to unforeseeable events (like the COVID-19 pandemic), but the pandemic was not mentioned explicitly in the contract in every case. The clause perfectly illustrates the dynamic among profit and risks between the suppliers and the fashion brands. A number of retailers had language in their contracts so broad that they allowed cancellations for almost any reason: they could cancel

14 The race to the bottom refers to a competitive situation where a company, state, or nation attempts to undercut the competition's prices by sacrificing quality standards or worker safety or reducing labour costs. It is often done by defying regulation and lowering standards and legal barriers.

15 German apparel brand C&A regularly published its supplier list on its website: https://tinyurl.com/3vsm2j6p (last access: 08.08.2022)

without penalty or further obligations to the seller at any time for any or no reason, at any stage. But numerous experts claim that brands stiffed their suppliers and workers because they could, not because any legal doctrine said it was right. A group of labour and human rights experts argues that cancelling orders violates international human rights norms, particularly due diligence obligations under responsible business practices (Cline 2021).

Some fashion brands have finally paid up their suppliers thanks to the (social) media pressure initiated by labour rights NGOs, but others stood by their decisions, often citing "force majeure" clauses in contracts that claimed the pandemic to be so beyond their control that they were excused from paying. But I would like to emphasize that even if there is a "case" for payout, few suppliers and manufacturers have challenged brands who have cancelled orders for fear of reprisals or have received fewer orders, as no one wants to jeopardize the fragile supplier–client relationships. Manufacturers do not have a bargaining power in a lawsuit – and even resource for a legal battle.

We can consider the contracts within the fashion industry between buyers and manufacturers that are mostly a "formality". In terms of working conditions or living wage, most of the fashion brands nowadays have a code of conduct (that relies on the principles of the International Labour Organization), but if manufacturers must reduce costs and outsource the production to sub-subcontractors, these codes of conduct are not reliable for later companies, and there will not be any formal relationship between the brand and who actually makes their products. In this way, buyers can run away from direct responsibility and transfer the risk to other parties. This is in line with the phenomenon that even fashion brands "granting living wage" initiatives are outsourced to third parties (Edwards et al. 2019).

Instead of Conclusions: What Is Now and What Comes Next?

The COVID-19 pandemic has not just caused serious disruptions but also turned the spotlight on the need for shorter supply chains and the transformation of existing sourcing practices in the fashion industry. Apparel companies are working on "changing their sourcing-country mix, turning their attention to reshoring, and particularly nearshoring, to secure the supply chain" (Hedrich et al. 2021). With relocation – as the action of moving production to a new place –, fashion tries to move away from Asia, which is a reasonable and challenging step at the same time: the need for shorter supply chains is in contrast with the growing reliance on China in terms of textiles. The key trends – namely sustainability and relocation – that were already transforming the garment GVCs are expected to accelerate as a result of the COVID-19 pandemic. These include the consolidation and reconfiguration of supply chains and the emergence of new drivers of competitiveness (Castañeda-Navarrete et al. 2021). Competitiveness in the garment industry is not primarily determined by low wages anymore. The fashion industry has reached a crossroads where speed beats costs regarding marginal advantages. Furthermore, the concern of sustainability is getting stronger, and business policy and operation of fashion brands cannot stay untouched. Relocation can be motivated by a desire to reduce environmental and social concerns. As Pourhejazy and Ashby claim (2021), the financial criterion had the highest impact on former considerations of apparel brands regarding sourcing and supply chain complexity, and non-financial aspects were predominantly neglected; however, environmental sustainability appears to have a high influence: stakeholders are increasingly willing to accept lower profit margins, emphasizing trust and share in firms' sustainability vision. Former advantages of delocation are also derogated by geopolitical tension, trade agreements and wars, and the insecurity caused by fluctuation among exchange rates besides instabilities in the international business environment.

"New manufacturing hubs" – namely Turkey, Eastern Europe,[16] and America – were likely to arise before the pandemic: a McKinsey report (2018) examined factors behind the relocation of production. It declares that while every sourcing hub comes with own environmental and social compliance risk, industry watchdogs have their eyes on Asia, where labour costs are also increasing in a higher rate than in other regions. The German fashion house Hugo Boss stated in December 2021 that it was expanding production capacity closer to its base in Europe in order to reduce its dependence on South-East Asia: the company was enpanding its factory in Turkey and had plans to hire 1,000 people (Storbeck 2021). According to UkraineInvest (n. d.), through a Deep and Comprehensive Free Trade Agreement with the European Union, combined with availability of skilled workforce and competitive production costs, Ukraine can become a major platform for the production of fabric, garment, and footwear, focused on both domestic and export markets. The textile industry already occupies one of the leading positions in Ukraine's manufacturing scene: a number of global fashion brands, such as Hugo Boss, Marks & Spencer, and Tommy Hilfiger, already have production facilities in the country. While at the time of writing this paper there is a war in Ukraine, my assumption is that Eastern EU Member States with their existing manufacturing capacities are overvalued (in addition to the benefits of EU membership such as the common market) because of the sanctions towards Russia and the

16 The report did not specify which countries are treated as part of Eastern Europe, countries that are lying east from the Carpathians (e.g. Belarus, Ukraine, Russia, or Georgia) or the Eastern EU Member States (including Hungary, Romania, Slovakia, and Poland) as well.

unprecedented situation and uncertainty in Ukraine. According to a director of a Hungarian garment manufacturing company: “Hungary is at the centre of Europe and had already proven itself.” Another CEO of one of the biggest Hungarian manufacturing companies has shared that according to their experiences, European fashion brands were trying to concentrate their production within the European Union’s borders because of supply chain security, quick access, and flexible, close production. A further CEO agreed and emphasized that several fashion brands had become disappointed in Asian production and had been looking for an even more expensive, European solution (Dobos 2020). Relocation of fashion production towards the CEE region can also lead to an increasing sustainability of the fashion system, as the EU Strategy for Sustainable and Circular Textiles set ambitious targets for the industry in many levels.

There is also an ever-growing visibility of exploitation and unethical practices and an urging pressure from NGOs and a certain part of the public that finally hurts the image of the fashion brands, but it is not likely to be a key driver in terms of reducing inequalities within its supply chain. Maxine Bédat, founder of fashion think-tank New Standard Institute, claims that any progress towards a more environmentally-friendly or more ethical sourcing practice regarding reducing the “harm” (in terms of environmental pollution and human rights) of the fashion industry can only be forced by legislation – not by initiatives from companies or the customers (Bédat 2021). Even if the COVID-19 pandemic has exposed and attracted the public attention to the inequalities across the fashion value chain, resulting several media reports and campaigns towards paying up, it was the same during the time of the tragedy of the Rana Plaza.[17] Overall, no systematic change has taken place since the tragedy.

Even if there is consensus about being no future without achieving it, sustainability – in its full meaning and all aspects – cannot be reached by reduced waste, organic and recycled materials, and carbon-neutral shipping while exploitation and bargaining power seem to remain unchanged. The current uncertainty – and hesitancy – also makes commitments more challenging. The economic crisis can decimate fashion brands or reduce their revenue, which will definitely have a huge effect on the suppliers. Even if the geography of production can change and relocation can become more common in the future, I claim that power relations will be characterized by strong dependency in the global garment value chain.

17 On 24 April 2013, the Rana Plaza building in Bangladesh crashed down, killing 1,134 people and leaving thousands more injured. The collapse of the Rana Plaza factory building in Bangladesh was the worst ever industrial incident to hit the garment industry, and it also gained the attention of the world press that widely covered the incident. The tragedy was followed by a struggle for justice for the Rana Plaza workers and safe factories for all.

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