



PRIVATE SECTOR & AID FOR TRADE CASE STUDY

The Source ASEAN Full Service Alliance (SAFSA)

Introduction

Since 2008 the Source ASEAN Full Service Alliance (SAFSA) has been integrating independent textile mills and garment factories from throughout the Association of Southeast Asian Nations (ASEAN) region, encouraging them to pursue best operational, social, and environmental practices, and offering them the opportunity to meet the world's leading fashion and apparel brands and retailers. SAFSA helps VVFs work effectively as teams, providing technical support, advice, training, and workshops so that they may better fill the needs of their customers. SAFSA also facilitates meetings between VVFs and customers at customers' request and organizes the annual SAFSA Global Forum, where all SAFSA members and affiliated buyers can come together to network and do business. SAFSA is helping ASEAN's textile & apparel industry face the challenges of the post-quota era and the competitive pressures of neighboring markets.



Background

Developed and managed by the United States Agency for International Development's (USAID's) VALUE Project in partnership with the ASEAN Federation of Textile Industries (AFTEX), SAFSA officially launched in April 2010 with the induction of 14 virtual vertical factories (VVFs) as founding members. SAFSA is not a company per se. As its name suggests, SAFSA is an *alliance of companies* committed to positioning Southeast Asia as a competitive, full-service source of quality garments.

At one level SAFSA comprises VVF partnerships between ASEAN-based textile and garment producers. However SAFSA also embraces its customers—companies seeking alternative source markets for their apparel products. For example, representatives of SAFSA-affiliated buyers serve on the SAFSA Advisory Council or Executive Committee alongside prospective suppliers.

At present, SAFSA's customers include leading brands Guess, Polo Ralph Lauren, Marks and Spencer, Max Mara, and MUJI. Between them, SAFSA's 11 customers account for more than US\$ 35 billion worth of world garment sales. The major benefit of SAFSA for them is the ability to access a network of prequalified textile & apparel firms, audited to exacting standards, and endorsed by the regional industry federation AFTEX.

Motivation

In 2008, VALUE surveyed ASEAN's textile and apparel industry and found that all the goods and services necessary for a fully-integrated textile and garment industry were available—the textile mills, garment factories, spinners, dyers, trims, etc. However, very few fully-integrated supply chains existed within any one ASEAN country or ASEAN-based company. In other words, no single country in ASEAN can compete effectively in the global garment market. Yet collectively, with a population of over 600 million people, an annual GDP of over \$1.5 trillion, and political aspirations for economic integration by 2015 (with textiles & apparel as a priority sector), ASEAN has the potential to be a powerful global competitor. SAFSA, therefore, helps ASEAN's industry integrate by encouraging factories and mills to form cross-border, virtually integrated supply chains.



Fiercer competition after the textile & apparel industry quota system ended in 2005 is another challenge SAFSA is addressing. Under the quota system, textile and garment factories were simply order takers. The clients themselves undertook all the value-added tasks such as design, materials sourcing, marketing, research and development. Many clients even had to assign dedicated people to suppliers' mills and factories to perform quality control tasks—to ensure that what was produced in one source market was comparable to what was produced elsewhere. When the quota system ended, it suddenly became a buyers' market. Even the very largest global apparel buyers are now sourcing from far fewer countries based on either price alone or on value-added services. SAFSA is a determined bet on the latter—preparing its VVFs to offer services such as design and patternmaking, as well as improving their speed-to-market to give customers more flexibility to test-market new products and/or reduce markdown losses.

How it Works

Through the provision of technical support, advice, and training workshops, SAFSA helps textile mills and garment factories work effectively as VVF partners so that they may better fill the needs of their customers. SAFSA also facilitates meetings between VVFs and prospective customers at the customers' request and organizes the annual SAFSA Global Forum, where all of SAFSA's suppliers and customers can get together. Suppliers pay an annual membership fee to SAFSA. SAFSA does not get involved in negotiations between the parties, nor does it claim a commission on any resulting transaction.

To ensure that VVFs offer appropriate levels of service and quality, SAFSA has implemented the world's first textile and garment industry service standards. Compliance with the standards is a prerequisite of SAFSA membership for both textile mills and garment factories. The 19 Quality Service Standards (QSS) developed by the VALUE Project run from a textile mill being able to interact with designers through to a garment factory being able to provide export credits. SGS—the world's largest independent inspection, verification, testing, and certification company—conducts the SAFSA QSS audit.

In addition to the QSS, SAFSA has a Code of Conduct that outlines international standards relating to social and environmental responsibility. All SAFSA applicants are audited by SGS for compliance with the Code—unless they already hold valid WRAP, SA 8000 or BSCI, which are established social and environmental certifications. SAFSA VVFs must also ensure that the Code is observed by subcontractors involved in the production of goods and services for SAFSA customers.

AFTEX's strategic partnership with e-commerce platform TigerTrade promises to build ASEAN's capacity to promote its textile & apparel industry. The deal will help ASEAN's textile & apparel producers of all sizes find supply chain partners and promote themselves to international buyers. Having brokered the partnership, VALUE is supporting TigerTrade's regional launch by supplying office space in Bangkok. In return, TigerTrade is working with VALUE to promote SAFSA. TigerTrade will feature SAFSA VVFs on its website, increasing their exposure to U.S. and international buyers.

The partnership will also see AFTEX and TigerTrade work together to build ASEAN's capacity to promote the growth and development of the textile & apparel industry. AFTEX-affiliated companies with internationally-recognized certification such as SAFSA, WRAP, or BSCI will receive a free 90-day Gold member trial on the B2B platform, for example. TigerTrade will also feature information on the benefits of trading in ASEAN, ASEAN trade policy, and the latest regional news and developments.



SAFSA's parent organization, AFTEX, is the industry's advocacy voice on trade and other policy matters. SAFSA actively promotes its suppliers and the ASEAN textile & apparel industry to international customers. This advocacy is one of the major benefits of SAFSA membership for suppliers as it offers a cost-effective means to access key decision-makers of major brands within the context of an alliance of pre-qualified quality ASEAN-based suppliers.

Furthermore, with VALUE's assistance, AFTEX is undertaking the world's first regional competency standards, assessment, and certification program for five garment production jobs. Called the ASEAN Common Competencies Program (ACCP), it offers a win-win scenario—inspiring confidence in employers and empowering workers to seek out the best opportunities.

Impact

At the inaugural SAFSA Global Forum in Singapore, June 2010, six buyers signed 23 memoranda of understanding with 11 VVFs. After months of rapport- and partnership-building after the event, commercial deals are being signed. One VVF has recently celebrated a first order worth US\$1 million. It is thanks to outcomes such as this that AFTEX and VALUE expect a much larger turnout of both buyers and suppliers at the second SAFSA Global Forum scheduled to take place in Bangkok, Thailand on September 29, 2011.



All smiles as ASEAN sellers meet international buyers at the inaugural SAFSA Global Forum in Singapore.

USAID's VALUE Project will end in 2013, but SAFSA will continue as a strong and independent alliance of quality ASEAN suppliers under the purview of AFTEX, with membership fees and strategic partnerships providing the necessary resources. While it is still early days for SAFSA, it has already evolved ASEAN's textile & apparel industry from a regressive industry bound by quotas to one that is on the leading edge of regional integration. Indeed the ASEAN Economic Ministers collectively recognize SAFSA as a model for the integration of other priority sectors. Thanks to SAFSA, ASEAN's textile & apparel industry is setting an example for other priority sectors and seems destined for sustained success.

More information about AFTEX, SAFSA, and ACCP is available at www.SourceASEAN.com.