

**Statement of the Dutch National Contact Point for the OECD Guidelines for Multinational Enterprises (NCP) regarding the specific instance of the *Schone Kleren Kampagne* (Dutch Clean Clothes Campaign, SKK) and *Landelijke India Werkgroep* (India Committee of the Netherlands, LIW) concerning G-Star International BV's supply chain.**

On 11 October 2006, SKK and LIW reported alleged violations of OECD Guidelines by the Dutch clothing brand G-Star to the NCP, which at the time was still structured in its former 'governmental' setup. SKK and LIW requested the NCP to motivate G-Star to enter into talks with its supplier Fibres & Fabrics International (FFI) and FFI's subsidiary Jeans Knit Pvt. Ltd. (JKPL) on account of alleged violations of, *inter alia*, trade union rights. The NCP's decision on the admissibility of the specific instance was based, among other grounds, on the fact that G-Star at that time had been a consistent FFI/JKPL customer for over seven years, that the apparel was furnished with G-Star labels, and that G-Star purchased a significant percentage of FFI/JKPL's total production. Based on this information, the NCP found there was sufficient evidence of an "investment nexus" in this trading relationship. From the start, a mediation process involving all parties concerned proved to be next to impossible because local authorities had banned certain relevant parties in India from speaking in public about the issue.

**Course of the procedure**

Following the declaration of admissibility at the end of October 2006, the NCP first met with the parties individually. At that time, it had already become apparent that the NCP would not be able to contact the local partners (i.e. the trade unions Garment and Textile Workers' Union (GATWU), Civil Initiatives in Development and Peace (Cividep) and Women Garment Workers' Front ('Munnade')) due to the court's August 2006 decision to prohibit them from speaking in public, nor was it possible for these parties to be actively and directly involved in the mediation process. There also proved to be insufficient mutual trust between the parties in the Netherlands to arrange an initial mediation meeting with the NCP. Instead, at the beginning of June 2007, the NCP conducted an informal meeting aimed at identifying the possibilities SKK, LIW and G-Star saw for breaking the impasse. The new NCP took over the handling of this specific instance in July 2007 and picked up where the old NCP left off.

With respect to compliance with the OECD Guidelines, the question for the NCP was whether G-Star in this case had sufficiently exerted its influence on FFI to induce it to enter into dialogue with local organisations and improve working conditions. In this context, the results of the multi-stakeholder audit of FFI by SGS and the Indian NGO ASK were an important consideration. This audit was performed in the autumn of 2007 by order of G-Star. SKK and LIW voiced objections to this audit. The NCP, as well as

SKK and LIW, saw the results of the audit. When these results were announced at the end of October, there was a threat of international arrest warrants being issued against employees of SKK, LIW and their Internet providers on formal legal grounds. The reason for this was that FFI/JKPL had initiated proceedings for such matters as defamation before the Indian courts and, in this case, individuals were ordered to appear before the court in person.

In November 2007, the Dutch government pledged its willingness to facilitate an attempt at mediation between the NGOs, their Internet providers and FFI, if they saw added value in this. The parties responded positively. Since the NCP procedure was only between SKK and LIW, on the one hand, and G-Star, on the other, and as G-Star announced in December that it would be terminating its relationship with FFI, the NCP decided to await the Dutch government's mediatory attempt between SSK, LIW and FFI, led by Minister of State Ruud Lubbers. The results of this mediation can be found in the enclosed press release. A key outcome is that SKK, LIW and FFI agreed to establish an 'ombudsman' in Bangalore, in consultation with local Indian organisations and trade unions. The task of this ombudsman will be to resolve any future problems and complaints of FFI/JKPL employees. The Indian company has since withdrawn all legal procedures\*, and SKK and LIW have ended their campaigns against FFI/JKPL and G-Star. Following a productive consultation with Minister Lubbers, G-Star, once the most significant FFI/JKPL customer, has resumed its commercial relationship with FFI so as to secure the jobs of over 5,500 Indian employees. As part of the agreement, SKK and LIW have withdrawn their specific instance to the NCP against G-Star.

### **Response of the NCP**

The NCP is pleased to find that the parties have reached an agreement, that G-Star has resumed its relationship with FFI, and that, as a result, the jobs of 5,500 employees have been secured. The NCP calls on the parties to continue down the same path of constructive dialogue and to have confidence in the Custodian Board and its two year-long mandate. We are also curious to see what will happen in the period following this mandate.

Because the specific instance has been withdrawn, this closing statement will not go into the alleged violations of the Guidelines.

Signed,

Lodewijk de Waal,  
National Contact Point for the OECD Guidelines

The Hague, 18 March 2008.

\* It had planned to do so, but as of the publication of this closing statement, this had not yet happened. (LdW, 6 June 2008)

**Response of the Minister for Foreign Trade, F. Heemskerk.**

The NCP's statement regarding the specific instance of *Schone Kleren Kampagne* (Dutch Clean Clothes Campaign, SKK) and *Landelijke India Werkgroep* (India Committee of the Netherlands, LIW) against G-Star International BV brings an end to an exceptional situation. Exceptional in that the NCP case is closely connected to the broader international conflict between the Indian company FFI, the NGOs mentioned and their Internet providers. The nature and circumstances of this last matter led to the Dutch government's November 2007 proposal to facilitate a separate attempt at mediation between the NGOs, their Internet providers and the Indian company. The parties responded positively to the proposal and Minister of State Ruud Lubbers was requested by the parties to act as mediator. An account of the progress of the mediation was submitted to the Lower House of the Dutch Parliament by letter. As is now known, the mediatory attempt was successful.

In concurrence with the NCP, I am pleased that the parties have reached an agreement, that G-Star has resumed its relationship with FFI, and that, as a result, the jobs of 5,500 employees have been secured. I definitely also agree with the NCP's call to continue constructive dialogue and to fully trust the ombudsman, Justice Malimath, who has now taken up his position.

Signed,

F. Heemskerk  
Minister for Foreign Trade

The Hague, 6 April 2008.