



Preventing the economic use of greenwashing in the fashion industry

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Forum: Economic and Social Council (ECOSOC)

Issue: Preventing the economic use of greenwashing in the fashion industry

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Introduction

The fashion industry has evolved dramatically over the past century, from the 19th century when it was run by individual designers to transnational corporations (TNCs) that mass produce fast fashion. The host countries for these multinational companies tend to be Low-income countries such as Bangladesh. Due to the concept of high-demand but low-quality clothing, there is a lack of eco-friendly methods being used. However, due to the current state of the environment, there is an increase in awareness around climate change, global warming and the general effects of anthropogenic activities. This results in some cases in the boycotting of fast fashion, which economically deprives a company of its annual yield. Due to these devastating effects, TNCs work to change their brand identity to appeal to the masses. This might result in the misleading concept of greenwashing.

Initially coined in the 1980s, the term greenwashing was first used by environmentalist Jay Westerveld to describe environmental claims that were found to be false or misleading. Today, the term is widely used to describe when a brand's marketing or core values concerning sustainability do not align with its actual business practices. Through this tactic, brands can (un)knowingly make themselves and their products appear to be more sustainable than they genuinely are. More often than not, greenwashing tends to be the result of over-enthusiasm and a lack of knowledge of how to properly communicate sustainability claims.

Greenwashing ranges throughout the fashion industry, from subtle examples such as using a logo or certification to create the impression that a product is more sustainable than it is to make broad, vague claims that revolve around 'buzz-words', like 'carbon-neutral', 'organic', 'eco-friendly' or 'responsible'. These words seemingly make a big statement but offer no practical or deeper meaning of what makes the product or its manufacturing process sustainable to consumers. Although the fashion industry lacks a universally agreed-upon definition of sustainability to this day, which gives brands the space to unintentionally fall into the greenwashing trap or take advantage of the vagueness surrounding it.

More importantly, most corporations in the 21st century is now having to consider their social, economic and political impacts. This is due to world leaders and nations understanding the severity of the environment, which has promoted legal actions in conferences or summits such as the Paris Agreement (2015) or the more recent COP. Businesses are now having to adhere to new business models that promote transparency which in turn create positive impacts in their surrounding communities.

Definition of Key Terms

Afrobarometer

An independent pan-African research network that provides data on African citizens' values, evaluations, and experiences.

Core Competency and Strategy

Using one's core values/beliefs as an advantage in order to have leverage over other competitors in the market.

Liberal economics

Promotes a balanced budget through various means such as appointing less government spending to specific sectors, which overall reduces government debt. Another strategy is the implementation of low taxes.

Greenwashing

A method that a company/ brand either consciously or unconsciously use in order to falsely persuade the consumer that a product or service is environmentally friendly. This is usually done through deceptive advertising.

Green marketing

Promoting green products that focus on commenting on the current state of the world. Through such advertising they can enhance the appeal of eco-friendly products.

Corporate social responsibility

A business model that helps a company be socially accountable to itself, its stakeholders, and the public.

Transnational corporations (TNCs)

Companies such as H&M that do not operate locally instead have locations globally and usually on a mass scale. This also means their production is usually in a foreign country, more specifically in a low-income country.

Verbatim effect

A cognitive bias causes people to remember the gist of the information, which is its general meaning, better than the minor details.

Tipping point

A point in time when the effects of anthropogenic activities will have had devastating effects on the environment. Which guarantees no possible reversible action as the destruction is too severe.

Brand identity

How a corporation/ brand presents itself to the public, which creates a public sentiment or understanding of what the brand wants to achieve. Furthermore, it attracts a particular target audience which enhances consumption.

General Overview

A well-known model that's purpose is to increase transparency is Corporate social responsibility (CSR), which is subdivided into four main focuses; environmental responsibility, ethical responsibility, philanthropic responsibility and economic responsibility (Dulaney) The main responsibility that has allowed for the most individual interpretation has been the environment. This results in a lack of following through on promises, which happens due to cultural interpretations of the principles of liberal economics and the perceived role and strength of the government (Real Leaders) In effect, these factors vary globally, and all nations respond differently to the urgency of the environment and therefore place less emphasis on the effects of greenwashing. Which creates a higher susceptibility to the impacts of greenwashing and how it contributes to the perpetual cycle of unawareness.

While greenwashing is sometimes unintentional it can also be used for economic reasons, as it is an element that increases consumption rates. This is due to the product aligning with the new mentality of the younger generation, which has more awareness of current environmental issues (Das) Hence making a product that promotes ethical testing and production a lot more attractive for the consumer. Companies must continually evolve to stay relevant, innovative, and competitive. Choosing the right approach to adaptation and growth is difficult; as a result, many companies find a model and stick with it, even in contexts where it might not be effective (Das) This is relevant for many fast fashion companies, as the business model offers (the perception of) fashionable clothes at affordable prices. From an operations standpoint, fast fashion requires a highly responsive supply chain that can support a product assortment that is periodically changing. This model in itself can be

deemed as problematic from an environmental perspective, due to the model following the concept that all resources on earth are unlimited (Lewis)

The effectiveness of advertising

Within the world of advertising, there is a key understanding of human behavior, this guarantees that a company's target audience will purchase its products. There are, however, several key factors that all successful marketers make use of to attract buyers. These include; authority, consensus, scarcity and the Verbatim effect (TheChicagoSchool) Authority is an important concept in all areas of life, as society has accredited some things as having more authority than others. This same concept applies to companies, as it ultimately attracts its audience. One of the methods that marketers use to create an atmosphere of authority is by publishing a healthy flow of authoritative, industry-specific content to establish thought leadership (TheChicagoSchool) Another way which is commonly acknowledged by the common buyer is the mention of visible awards or badges to tout many years of experience.

A method that has been extensively effective for the newer generation has been the employment of trusted social media influencers to showcase a product or service on the company's behalf. Over 70 percent of Gen Z shoppers try to buy from ethical companies, however, this poses a larger risk of purchasing from companies that are greenwashing (Gelmini) While many argue that greenwashing is specifically targeting the younger generation, fast fashion is quickly expanding to the majority of brands/companies/businesses that want to increase revenue, hence they need to adhere to the ever-expanding consumption rate. 73 percent of millennials spend more on sustainable brands, which is even more damaging as millennials compared to Gen Z have the income to afford more. Which in turn only further persuades the cycle of more fast fashion and the appeal for ethical sourcing (Nielson study)

Furthermore, people are more likely to buy from businesses when there is demonstrated proof that other individuals have made purchases and put trust in the company. By simply providing target audiences with reviews or testimonials, advertisers are taking advantage of this psychological principle. Fake reviews have also created another platform for greenwashing, which has only perpetuated the whole environment of misinformation (TheChicagoSchool) Additionally, scarcity has become a relevant concept in

the current state of our world, as trends promulgate the necessity of consumption. When things are in short supply, people rush to get them. Limited availability = mass appeal (TheChicagoSchool) To use this tool, advertisers may put deadlines for promos and limited quantities for really good deals.

In contrast, the results of greenwashing and misleading environmental claims can lead to the loss of faith in sustainable products. This in turn makes customers give up on making eco-friendly choices as they are now aware of the deceptive methods that brands are resorting to. It could also cause companies that do make an effort to be green to face a competitive disadvantage, as going green is also a long-term investment that might be reliant on the profit made from selling (TheChicagoSchool)

The importance of recognising greenwashing to combat environmental issues

While greenwashing is used in some instances for the growth of a company it can have several other effects. Not only socially or economically but also environmentally. Without the environment, the economy can not grow as companies are reliant on the goods and services that nature provides. However, the majority of the resources that humans are exploiting are not unlimited and can reach tipping points, which can result in the complete diminishment of a resource. The complexities of environmental systems are what is causing the drastic decline of resources.

According to Fashion on Climate, the fashion industry contributes approximately 2.1 billion tons of greenhouse gas emissions in a single year, equivalent to 4% of all global emissions. This staggering figure is comparable to the annual GHG emissions of France, Germany and the United Kingdom combined. These estimates are based on data from 2018, but the industry is expected to continue to grow in the future (Real Leaders) With the fashion industry being a leading sector in releasing pollutants, greenwashing diminishes the opportunity for companies that want to be more eco-friendly. As the methods and models that the fashion industry has pushed are inherently not eco-friendly and do not have the means to source ethically. Greenwashing takes up valuable space in the fight against environmental issues, like climate change, plastic ocean pollution, air pollution and global species extinctions (Fulbright)

Sustainability

The reoccurring issue is that sustainability does not have a legal bearing definition, which could hold companies accountable for greenwashing. Additionally, the phrases ‘carbon neutral’ and ‘net zero’ have been reported to be the primary sources of misunderstanding. As it stands, there are currently no official definitions of these terms and no fixed rules for how businesses should achieve these goals. It was discovered by ICPEN that over 42 per cent of websites were touting green practices and the claims made were false and deceptive. This has severe implications for our current society which is heavily dependent on the internet, it is the main platform on which we gather information. With wrong information, fewer people will be inclined to take action towards deceptive practices such as greenwashing. Economic and financial barriers are the largest hindrance to a business considering sustainable development because it requires major changes in plans and strategy.

Furthermore, holding companies accountable is only now being introduced by new schemes that aim to decrease greenwashing. In 2015, Nordstrom, Bed bath beyond, and JCPenney paid 1.3 million dollars in fines for mislabelling clothes. More specifically, they had combined 98 per cent of rayon, a synthetic fiber textile, with 2 percent of bamboo. However, they had labeled it as bamboo (Fulbright) The reason why holding companies accountable for false information is that it requires regulation and inspection, which is a hard act to police.

Timeline of Key Events

Date	Event
1750	Industrial Revolution
1846	Sewing machine was first patented
1931	Polyester invented
1939-45	WWII standardized production of clothing
1960s	Young generation embraced low-quality clothing
1960s	Hippie movement
1970	Sierra club membership growth of 700,000 members
The 1980s	“focus on core competency strategy”
1980	Major global ban on fur farming
1992	The Fairtrade Foundation founded

The Industrial Revolution introduced new textile machines, factories and ready-made clothing, and clothing made in bulk. The sewing machine contributed to an extremely rapid fall in the price of clothing and an increase in the scale of clothing manufacturing. After WWII middle-class consumers became more receptive to the value of purchasing mass-produced clothing. “Core competency strategy” became an attractive business strategy, for fashion brands had to find ways to keep up with increasing demand. This meant they had to resort to opening massive textile mills across LEDCs, which allowed the U.S. and European companies to save millions of dollars by outsourcing their labor. The hippie movement also led to a growing interest in natural fabrics, as well as a desire to return to simpler, more eco-friendly and slower fashion principles. This represented a distinct move away from a consumerist mindset. The True Cost found that the world consumes 80 billion pieces of new clothing every year. This represents a 400% rise over a twenty-year period.

Major Parties Involved

Morocco

In Morocco it has been generalized that the beliefs in the virtue of individual responsibility are low, but in the virtue of competition are high, firms are more likely to greenwash (Real Leaders) Despite new efforts to sustain the environment and new planting programs, pollution, desertification, overgrazing and deforestation are still threatening problems to the health of Morocco's environment. In a country where the population is aware of such environmental issues, individual efforts could be made in order to adapt or mitigate potential impacts. However, the most recent Afrobarometer survey shows that only a slim majority of Moroccans are aware of climate change and that few see it as making their lives worse (Real Leaders) This in turn grants opportunity to companies to exploit the public's unawareness and push false narratives.

France

In France it has been generalized that the population believes in the virtue of individual responsibility but prefers an absence of competition, firms are less likely to greenwash as they tend to implement socially and environmentally responsible actions without specifically signaling those actions (Real Leaders) However, just like many other western capitals, Paris has been hosting several fashion weeks. Which supports the works of different designers that have become notorious for using greenwashing in order to appeal to the masses. For decades, luxury brands have blamed fast fashion brands for fashions pollution and runaway overproduction. However, such events like Paris Fashion Week have allowed inspections to occur which have revealed the “dirty” methods used within the production of the clothes (Real Leaders)

The United States

The US Securities and Exchange Commission (SEC) noted that funds and investment advisers were increasingly offering investment strategies that focus on Environmental, Social and Governance (ESG) factors (Fulbright) In response, it stated that it would “determine whether the firms’ processes and practices match their disclosures, review fund advertising for false or misleading statements, and review proxy voting policies and procedures and votes to assess whether they align with the strategies”(Fulbright) Shortly after, it also announced the formation of a Climate and ESG Enforcement Task Force to proactively identify ESG-related misconduct. One of its objectives is to “identify any material gaps or misstatements in issuers’ disclosure of climate risks under existing rules”. US consumers, nonprofits, regulators, and plaintiffs' lawyers are closely scrutinizing packaging and advertising claims regarding, among others, sustainable sourcing, organic ingredients, fair trade, and environmental benefits (Fulbright) For example, in a recent class action complaint in New York, *Commodore v. H&M* (July 2022), plaintiffs claim that "greenwashing" led consumers to pay premium prices for what they believed was sustainably-manufactured clothing, when H&M's clothing allegedly was no more sustainable than comparable garments made by H&M's competitors.

Australia

The Australian Competition and Consumer Commission (ACCC) is a leader in protecting consumer interests in this area and has published a green marketing guide for the last ten years (Karina) It has pursued a number of actions for alleged deceptive or misleading practices against automobile and industrial manufacturers under the Competition and Consumer Act 2010 (Karina) Moreover, ACCC launched a scheme to sweep company websites for greenwashing, over 200 companies were found using deceptive methods to enhance their market competitiveness (Horton) ACCC collects evidence of greenwashing claims which allow consumer protection laws to be created. While Australia is home to several large global brands, in comparison to the US, China, Germany and Japan its brands are not as valuable based on Brand Finance's report. Therefore, creating such laws will not directly affect their local business but will hold international brands accountable.

The United Kingdom

In the UK, the Competition and Markets Authority (CMA) recently published a new Green Claims Code to provide guidance to businesses as to their obligations under consumer protection law when it comes to making environmental claims about their goods and services (Horton) The guidelines aim to ensure that such claims are not only accurate and substantiated but also clear and unambiguous. The CMA has announced plans to crack down on misleading environmental claims in 2022. The UK also has an independent advertising regulator called The Advertising Standards Authority (ASA) . Investigations by the CMA have found that UK consumers spend £54bn annually on clothing and footwear, and this is expected to continue growing in the coming years (Horton) According to some estimates, fashion is responsible for between 2% and 8% of global carbon emissions, as well as causing waste and pollution (Horton) About 300,000 tonnes of used clothes are burned or buried in landfill each year in the UK (Horton) Cecilia Parker Aranha, the CMA's director of consumer protection, said: "According to our research, something like 60% of people had said they were either likely to or fairly likely to be willing to pay more for products, and I think it was up to about 9% more [money] for products that were environmentally friendly. My impression is that people are willing to pay a premium."

Greenpeace

Over the past 50 years, Greenpeace has done several acts which all work towards their main goal, which is to ensure the ability of Earth to nurture life in all its diversity. Greenpeace has a website that allows committed activists to write articles about current environmental events that are occurring. It mentions how the general public can stay informed and what they can do individually to condemn or support a specific issue. As for greenwashing, Greenpeace activists such as Leah Das and Stefano Gelmini highlight how greenwashing is a PR tactic on the rise. Gelmini mentioned, “There’s no specific law banning greenwashing in the UK, but there are several legal ways of challenging it”. This shows the complicated nature of greenwashing, which can only be tackled by the consumer confronting the issue. Das said we need to “familiarize ourselves with common greenwashing techniques so we can spot them, learning about things can help us make informed decisions for our needs and lifestyle”.

China

China is the largest textile producing and exporting country in the world. With its rapid growth over the last two decades, the Chinese textile industry has become one of the main pillars of the country’s economy. Clothes, clothing accessories, textile yarns and textile articles are amongst China's top export goods. Low cost and vast labor, reduced commercial barriers, and material supply availability are a few of the competitive advantages the country offers for the clothing manufacturing industry. Environmental issues have been discussed in China for many years. Despite this, compared to the world average, Chinese companies and consumers exhibit a relatively low level of concern for environmental protection (Li) In recent years, however, there has been a marked improvement in China in both the strength of government regulation and in companies taking responsibility for environmental protection. The central government’s 14th Five-Year Plan sets out the ecological goal that “eco-friendly work and lifestyle will be advanced to cover all areas of society” (Li) In parallel, Chinese consumers are becoming increasingly concerned about green products. However, as a result of the long-standing neglect of eco-efficiency, there is still a long way to go in terms of building an orderly environment-friendly market system. This can only be done with enforcement of government regulations and the ability of consumers to identify greenwashing.

Possible Solutions

The move to fast fashion in the past century has driven companies to use false advertising, greenwashing in order to promote their brand identity as being eco-friendly. Which is a major concern considering the environment is having severe effects on not only people but also on natural resources. Therefore, out of the consciousness of people wanting to do a good deed when consuming something that they are aware might harm the earth is how marketers are able to manipulate a product. A solution could potentially be looking at and raising awareness about the fast fashion brands which are heavily supported by trends that happen on social media platforms. Additionally, there could be a type of education-level intervention that allows the younger generation that are more susceptible to greenwashing to understand its negative effects of it.

In addition, there should be incentives created for companies to transition from fast and linear business models to more sustainable and circular business models. Such as take-back schemes, clothing swapping, and clothing libraries (second-hand clothing). Which could be done in collaboration with NGOs that have experts in sustainability. The new business models should also promote radical transparency, as greenwashing cannot thrive in an atmosphere that embraces transparency. It also gives companies the evidence to promote their sustainability and prevent any misrepresentation but also strives to improve their track record and push for their competitors to do the same.

However, the only way change can occur is the pressure from customers, which should be driven by initiatives regarding the environmental, social, and economic importance of the textile industry that aim to raise awareness and prevent greenwashing. In order for change to happen “tools” need to be provided; such as the development of innovative solutions, affordable, and sustainable ways of recycling clothing in the way that neither the process nor the redesigned garments cause harm to human health or the environment – industry-driven research.

Furthermore, it is important to protect small and medium enterprises working in greenwashing sin-free brands by clear, transparent, or reliable certification schemes to prevent misleading and dishonest marketing strategies. This could be done by creating guidelines that require clothing companies to specifically indicate on the clothing tags the ramifications of the production of their product. This would also help build trust with the

consumer, as it allows the consumer to decide whether or not they want to contribute to an industry that still has damaging effects on the environment.

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