



Date: March 12, 2020
Author: Koji Yamada (JICA)

Title “In Pursuit of a Sustainable Cotton Value Chain between India and Japan”

Studying points

Students are expected to experience a journey of a social entrepreneur who wants to start up a new business involving a country where he/she has limited information. Through this case discussion students are expected to be sensitized to the anxieties and uncertainties that foreign investors may feel when they consider FDI, or a new project, in the social conditions totally different from their home country.

Basic information

- Region: South Asia
- Issue: Project formulation in a foreign setting
- Key words: Sustainable fashion, ethical fashion, supply chain, social entrepreneur
- Country: India
- Year: 2008

Characters

Characters	Description
Kasai Tatsuya (Main character)	<ul style="list-style-type: none">● <i>haco</i>. Team Leader, Felissimo Corporation, Kobe, Japan.● Came up with an idea of connecting raw cotton producers in India and cotton textile consumers in Japan via <i>Peace By Peace Cotton Project</i>
Yazaki Katsuhiko	Former CEO and board chair, Felissimo Corporation, Kobe, Japan
Tsunekawa Takeshi	Executive Director, Sales Department, Toyoshima & Co. Ltd., Nagoya, Japan
Shimazaki Takashi	Managing Director, Toyoshima & Co. Ltd., Nagoya, Japan
Asai Yoshihiro, Okabe Ryosuke	Toyoshima & Co. Ltd., Nagoya, Japan
Shiromaru Takeshi	Toyoshima Indonesia
Brijesh Sampat	Sales Manager, Shree Sanjay Trading Co. Ltd., Mumbai India

Note: This case material, which is a product of the Joint Research Project of Case Writing by the Japan International Cooperation Agency (JICA) and the International University of Japan (IUJ), is subject to copyright protection. Koji Yamada, JICA Staff had prepared this case document. This case is developed solely as the basis for class discussion, not intended to serve as endorsement, source of primary data, or illustration of effectiveness or ineffectiveness management.

Abbreviations

FCRA	Foreign Contribution (Regulation) Act, India
FDI	Foreign Direct Investment
JFY	Japanese Fiscal Year
JPY	Japanese Yen
NHK	Nippon Hoso Kyokai (Japan Broadcasting Corporation)
NPO	Non-Profit Organization
NRF	National Retail Federation, the United States
PBP	Peace By Peace Cotton Project
SDGs	Sustainable Development Goals
USD	US dollars
WTO	World Trade Organization

Summary

Peace By Peace Cotton Project (PBP) was initially launched by Felissimo Corporation of Kobe, Japan in 2008. Felissimo is a Japanese retailer of the textile products mainly for girls in the teens and twenties. The project aims at forming a complete value chain of organic cotton involving cotton producers in Odisha and Telangana of India as well as consumers in Japan. In 2008, Felissimo started the project with selling their organic cotton products with the 10 to 20 percent of fund attached to the sales of their various cotton products through their existing catalogue retailing channel. The fund collected from the purchasers are pooled to the fund that would support the transition of cotton farmers in India from normal cotton farming to organic cotton farming. This transition process has been facilitated by the local partner, Chetna Organic of Hyderabad, India.

As of March 2018, the number of farmers who declared their shift to organic farming reached 13,079 households. The project helped the 1,942 children of cotton farmers to go back to school. With the educational scholarship, 823 students could proceed to higher education. These achievements were made possible with the funds contributed and accumulated by the consumers and it reached JPY 108,815,015 (approximately USD 1 million). Since the 2030 Agenda for Sustainable Development was agreed in 2015, PBP has been highlighted more than ever in Japan as an initiative to give untapped consumer groups a chance to live a good and fashionable life while contributing to a few SDGs, including SDG12, responsible consumption and production.

However, at the initial stage of project preparation, there were a lot of dramas and surprises. This case describes the difficulties that the project originator, Kasai Tatsuya, faced in his journey to reach the project framework.

Key questions in reading this case

The students, who will assume the position to work for a better investment climate for FDI in their home country, are required to come up with measures to remove the anxieties and uncertainties of the potential foreign investors. The students are recommended to discuss the following:

1. What are the anxieties and uncertainties that foreign companies may feel when they consider a new business in your country? What are they if the companies do not have a branch or liaison office in your country? What are they if the companies are small and medium enterprises? ;
2. What are the roles or responsibilities that your government should assume to ease the anxieties and uncertainties of foreign investors? ;
3. If there is a representative office of the Japanese public sector in your country, such as the Embassy of Japan or the JICA overseas office, what roles and responsibilities do you think they should assume to respond to the investors?; and
4. Is there any agricultural product that has potential for export to Japan? If there is a Japanese importer who wants to connect its consumer-customers to the producers in your country, where is the best entry point for the importer in the product supply chain?

1. Introduction - Twilight in Mumbai

Kasai Tatsuya was looking at the night view of downtown Mumbai through the window of the guest room he had just checked into. He was on a business trip to India for the Japanese textile retailer Felissimo Corporation, as the team leader of the company's brand catalogue, *haco*. On November 12, 2008, he had come back from a field trip to local cotton farms and ginning factories in Indore and Ahmedabad. There were a few companions from a Japanese specialized textile trading company, Toyoshima & Co. Ltd, with him - Asai Yoshihiro and Okabe Ryosuke from the Nagoya Head Office, and Shiromaru Takeshi of Toyoshima Indonesia.

Back in Mumbai, Kasai was at a complete loss as to what to do next. Until he came to India he had been developing a new business idea of selling organic cotton products at a competitive price coupled with a funding contribution from customers. These funds would be pooled and used to support Indian cotton farmers in their smooth transition to organic farming. Their cotton harvests would eventually be used to make organic cotton textile products for Japanese consumers. Thus, Indian producers and Japanese consumers could be directly connected. His idea looked perfect. With it Kasai had expected that his mission would be complete once he could identify a local ginning factory for his company to partner. He had thought that this would be an easy task. Felissimo was a retailer specializing in the planning and direct marketing of apparel and fashion products for women in their twenties to forties. It outsourced the upstream processes of spinning and knitting/stitching, and Toyoshima was one of its business partners upstream. For Toyoshima, Felissimo was one of its major customers and Kasai had expected that Toyoshima would make an arrangement to visit an organic cotton farm and find a local partner in India for Felissimo. The team visited two places. But Kasai felt that he had seen a glimpse of the exploitation structure concerning the cotton supply chain - "How should the ideal cotton value chain be?" The more closely he looked at it, the more complicated it became to him.

On top of that, Kasai was not good at spicy food. Wherever he had visited in India, he had to face the spicy Indian curry. Every time he excused himself from eating, he felt guilty. For Asai from Toyoshima, spicy food was no problem initially, and he grabbed any food offered to him by local people. But as their trip continued Asai also started suffering from stomach pain.

"Tomorrow is a national holiday. Let's go out for a change of air." Kasai was invited to sightseeing in Mumbai by Brijesh Sampat, who was the sales manager of Shree Sanjay Trading Co. Ltd., a Mumbai-based cotton merchant. Shree Sanjay Trading was a major business partner in India for Toyoshima. Brijesh had accompanied the Felissimo-Toyoshima team during their three-day trip to Madhya Pradesh and Gujarat. This was a kind and considerate offer, but Kasai was not in the mood to accept it.

2. Happiness Creating Unhappiness

Felissimo Corporation (est. 1965) is a company based in Kobe, Japan, with the management philosophy that it would work for the creation of a sustainable, happiness-based society. Its mission was defined as the establishment and implementation of study on happiness-based society (Felissimo 2015). The company name *Felissimo* is a coined word combining two words, *felicity* and *-ssimo*. *Felicity* is a Latin word which means happiness. Adding the suffix *-ssimo* that stands for maximum, *Felissimo* thus means “maximum and superlative happiness.”

Felissimo sold a wide variety of lifestyle products via catalogue and the Internet to customers mainly residing in Japan. These products included original clothing, accessories and home goods as well as carefully selected items from many parts of the world. The number of marketed items reached a few tens of thousands a year. Felissimo staff envisioned a scenario that the purchase and use of their goods and services would lead each and every customer to shape his/her happiness-oriented lifestyle and culture. Even so, they understood that it was still not enough if they just offer good items or high-quality services. Thus, Felissimo staff further intended to co-create the shared value of “Happiness of being happy with others,” through various business, social and cultural activities built on the sustainable relationship with their customers. Each and every staff member should be proactive in co-creating happiness. All were supposed to make others happy, be happy with others, and be happy in harmony with nature and the society.

Kasai was a graduate from the Faculty of Economics of Osaka University. He belonged to the batch of 1999 recruitment and joined Felissimo Corporation in April 1999 together with thirteen other freshmen. However, he belonged to the first generation of Felissimo staff who didn't have direct work experience with the late Yazaki Matajiro, founder and former honorary chair of Felissimo Corporation. In the post-employment orientation program, the newly recruited staff were told to work on intensive reading of *Cho-Tempo* (Super Shop), the compilation volume of the essays written by the current board chair, Yazaki Katsuhiko.

According to Katsuhiko, Yazaki Matajiro was a genuine Osaka merchant. He used to say, “Be a merchant.” He spent most of his thirties as a prisoner of war immediately after World War II and came to realize that future wars would break out as states intended to maximize their wealth. But he also learned that trade could be the one and only way to create wealth jointly among various stakeholders. There are no friends or foes in trade, and it should make everyone richer and happier. After succeeding Matajiro as the company's chairman, Katsuhiko has also made efforts to bring the “triple-win” philosophy into the practice of his company. Triple-win means “Sellers win, buyers win, and society wins.” Katsuhiko advocated this together with his management philosophy of the

establishment and implementation of the study of happiness-based society. Kasai remembered that Katsuhiko had referred to Wang Yangming, one of the most influential Chinese philosophers, in his writings. Katsuhiko used to frequently refer to *Chiko-Goitsu*, which means that awareness will come only through practice. Kasai believed that his batch had been influenced most by these words.

In March 2000, Kasai joined a new project team where earlier the members had been working for the development of a new brand for youth. He was also assigned to the Corporate Strategy Office. While he spent 60% of his time in the planning of corporate strategy, he also spent two hours twice or three times a week on the new brand. In addition, he had the special task of setting up lecture sessions where Board Chair Yazaki spoke to Felissimo staff in each department. Kasai spent another two hours a week on this arrangement. This triple assignment continued for a year.

In those early years, Felissimo had also been dealing in insurance plans. Board Chair Yazaki used to say, “Looks like you are doing business by creating uneasiness among your customers. You had better redefine the insurance business so that it can make them happy.” Inspired by Yazaki’s words, Kasai asked himself, “How could they be happy through having our goods and services?” After setting up more than 50 lectures, Yazaki’s framework of thoughts became clearer to Kasai. Out of his words, these are the three key messages Kasai still remembers very clearly:

“Products are just an instrument.”

“Once a man changes, the organization will change ultimately. If the organization changes, the whole society will change ultimately. The minimum unit for change is one human being.”

“Don’t call them a customer. Call them a stakeholder instead.”

In May 2001, his new brand, *NUSY*, was launched primarily for youth. Kasai had long worked for the development of the brand. The arrival of *NUSY* coincided with the burst of the bubble of DC (designer-character) brands and the emergence of street fashion. *NUSY* was a brand with an open-source user participation concept that users could openly jabber about and develop the fashion they want by themselves. Their messages were directly shared with Felissimo’s planners so that the flavor and preferences of the young wearers could be reflected in the planning and designing of the next fashion product. Before he joined the *NUSY* brand development team, Kasai used to work for the development of the Felissimo Intranet and set up a mechanism to channel all incoming orders and inquiries to the relevant sections of the firm. Based on this experience, Kasai tried to build up the *NUSY* brand web-pages on the Felissimo brand sites and put everything on-line so that all the communications with customers could take place via the Internet.

Then that date came. Kasai had been having busy time for the operations of the *NUSY* brand web-pages. On September 11, 2001, being exhausted after a few extra working hours, he reached home after 10 pm. As soon as he turned on TV, he came across a shocking live video telecast from New York. On that day, serial terrorist attacks hit the United States. Kasai saw one of the two World Trade Center buildings sending out volumes of smoke after the first plane crash and many media helicopters hovering around the building. Soon after that, he witnessed another passenger aircraft crash into the other WTC building. He couldn't look away from the horrible scene. The twin towers collapsed and it was midnight in Japan.

In October, Kasai received one email via the *NUSY* brand web-pages. It was an inquiry from a customer who wrote, "It was so heartbreaking to see horrible sights every day on the news media. I am wondering if we could do something for that with *NUSY*." Reading the message, Kasai started worrying that he hadn't done what he was really supposed to do. He thought over and over. But no matter how often he did it, he reached the same conclusion: we are here just to make fashion products.

That suddenly led him wonder if a T-shirt could be a medium to send out a specific message for change to the general public. If each one of us does what he/she could do, we could collectively do something big. If so many people wear the same T-shirt with a specific message on it, we could send out the message to the mass audience. Finally, Kasai decided to sell special T-shirts via *NUSY* with a new brand name, *Love and Peace*. The first model of the shirt was indigo-colored with a printed message in orange letters, "Love and Peace for children for all over the world." When consumers buy one, they would automatically make a fund contribution in addition to the price for the shirt. When the funds were collected and had accumulated, they would be released to provide financial support to the initiatives for problem solutions in the United States and Afghanistan.

After the release of the proto-type T-shirt, Kasai further asked himself what should be the next action. Designers can only do designing. Garment factory workers can only sew T-shirts. As we further think about all the players in the production process that way, each one of them seems to have a certain role to play. He consulted with a number of designers and prepared a few types of T-shirts. Then he showed them to his customers and asked about their preferences. And in December he started selling *Love and Peace* T-shirts at 1,500 yen each. Out of the customer's payment, 300 yen was reserved as a fund to ensure access to education and programs for self-reliance for orphans who had lost their parents.

While he was looking for a job in 1998, Kasai used to think about working at an advertising agency. The reason he entered Felissimo instead was he expected that he could make advertisements there as well as making goods to sell. On the occasion of the launch of the *Love and Peace* T-shirts, he wondered if he could post a full-page ad in national newspapers and share the message with much wider audience. The Asahi Shimbun, one of the major national papers, responded

positively. When Kasai contacted the Asahi, it was right after the year-end gift-giving season. They immediately offered a special discount for the ad, and Kasai successfully posted one that was fully covered with photos of customers wearing the same *Love and Peace* T-shirts. This full-page ad had a title, "THE POWER OF DOING TOGETHER." Following the earlier success, Yomiko Advertising Inc. also agreed to promote the ad via its client media.

Although it was in mid-winter, the half-sleeve T-shirts sold extraordinarily well. In the first month, Felissimo sold approximately 5,000 shirts. A year later, it had reached 70,000. As a result, the accumulated fund amounted to JPY 21 million. Kasai split it in half and in winter 2002 donated JPY 10.5 million each to an NGO in New York and to those in Afghanistan.

Toward September 11, 2002, Kasai contacted more than 70,000 *Love and Peace* T-shirt holders again and proposed to them that they should wear the same T-shirt on that particular date, appealing for world peace. Approximately 60,000 customers responded and sent out the same message on September 11, 2002 by wearing the *Love and Peace* T-shirts. Kasai further asked them to send him a photo of them wearing the T-shirts. By the end of 2002, with the photos collected from his customers, Kasai hosted a photo exhibition as a side event of the Kobe Luminarie 2002, the local festival of lights in Kobe City. *Love and Peace* T-shirts further broke the sales record and Felissimo has sold a total of 200,000 shirts as of 2019.

Kasai was confident now that he had followed the instruction of Board Chair Yazaki. Following an email from a customer, he created a big business, selling 70,000 T-shirts and contributing to the expansion in his company's performance. The *NUSY* brand further grew in JFY2002. In early 2003, Kasai thought of further promoting the concept "THE POWER OF DOING TOGETHER." He contacted hundreds of artists and asked them to make their art works with the title "Love and Peace". These artists included: Ishikawa Michika, Itoh Zon, Kataoka Megumi, Kirishima Yoko, and Hibino Katsuhiko, to name a few. Some of them were well-known across the country. Their art contributions were matched with the photos of the *Love and Peace* T-shirts wearers provided in the previous year. The time he was planning to publish a photo and picture book showcasing this work, *NUSY PEACE BOOK*, coincided with the time Felissimo received a series of chain e-mails requesting signatures for peace. That led Kasai to work on the second edition of *Love and Peace* project. In March 2003, immediately after the U.S. air raid on Iraq, he launched a *Sign Love* T-shirt. With a purchase order, buyers could automatically be listed as a signatory for the peace campaign.

In November 2003, Kasai saw Hoshi Tadashi, Chief Marketing Officer of Felissimo, who said that the share of younger customers seemed to be decreasing in the company's whole customer base. Asked what he could do about this situation, Kasai immediately replied saying that he would develop a new catalogue covering several of Felissimo's own products, "The catalogue should look like a shopping arcade or a town" Kasai added. Hoshi responded to

Kasai's proposal and immediately issued a new appointment letter to him, saying, "Then you do it yourself."

With this new appointment, Kasai started working on his original idea. Inviting five or six of Felissimo's brands, he launched a new catalogue, *haco.*, in May 2004. Haco means "box" in Japanese. By naming it as a kind of box, Kasai hoped that the catalogue would grow as a multi-storied fashion building. He was also blessed with a boss who was open even to eccentric business proposals. He was also surrounded by the seniors in the company who could advise him how he should do business. The way he gained experience was to develop a big picture first and then contextualizing this in daily operations. Board Chair Yazaki Katsuhiko used to emphasize: "not *tempo* (Shop) but *cho-tempo* (super shop)," "broad-based value intensification," and "capitalization of future value as present value." Kasai believed that he had been practicing Yazaki's instructions. He also thought that there would be no future for the business if it failed to make a profit.

The *haco.* business went well. Along with the growth of e-commerce markets, *haco.* recorded annual sales of JPY 3 billion in JFY2004 and JPY 5 billion in JFY2005. Sales reached JPY 8.6 billion in JFY2008.

In September 2008, H&M, Hennes & Mauritz AB, opened its first shop in Chuo-Dori Avenue in the Ginza, Tokyo. It was the first landing of major European fast fashion brands in Japan. Fast fashion was a word coined after fast food, and it meant the brands or businesses that would mass-produce apparel fashion items at lower prices and renew their product items in shorter cycles. UNIQLO and Shimamura were two fast fashion brands of Japanese origin. Besides H&M (Sweden), ZARA (Spain), GAP and FOREVER 21 (United States) were the major European and American fast fashion brands. Those major brands were from apparel manufacturers that run their own company stores and sell their brand products in them. Their business model is known as SPA, a specialty store retailer of private-label apparel. With precision supply chain management, their products were supplied to their own stores continuously so that the best-selling products could always be in stock for sale there. On the contrary, unpopular and poor-selling items were replaced with new products in a short time so that the stores could always look so new with fresh and cheap fashion items.

While he had been successful in the *haco.* business in early 2008, Kasai had also been looking for a coordinator or influencer he could work with to open up a new product line, adding a fashionable flavor to the design of *gunte*; cotton working gloves. This project is described later in this case study. In the search for a coordinator, Kasai became acquainted with Kuwahara Moichi, the Representative Director of a production firm, Club King Co. Ltd. Kuwahara was considered one of the most legendary music producers in Japan for his production of the "Snakeman Show" from the late 1970s to the early 80s.

One day in early 2008, Kasai visited Kuwahara to present a new business proposal. Once Kasai finished his initial presentation, Kuwahara opened his

mouth and started with candid advice. It was an unexpected response. “You said you sold 200,000 T-shirts, and you may be proud of this. But don’t you know there are other people in the world who have been suffering from the production of T-shirts?”

Kasai couldn’t understand what Kuwahara was talking about, but he continued. As fast fashion businesses gain further momentum and good-looking products are sold at much lower prices, they would face much increased demand for raw cotton. That would cause another heavy burden on cotton farmers, and there would be more farmer suicides.

His business proposal was not well accepted. The conversation with Kuwahara led Kasai to pay attention to the situation of raw cotton producers for the first time.

3. Suicides of Cotton Farmers in India

In January 2007, a Japanese public broadcaster, NHK, delivered a special TV program series titled “The Impact of India”. The series consisted of three chapters that were telecast on three Sundays in a row in the evening slot starting at 21:00. The series featured human resources produced by Indian Institutes of Technology (IITs), the purchasing power of middle-income class, backstage negotiations with the United States about nuclear armament, and election campaigns in rural areas.

In most cases, when a TV program of the “NHK Special” was put to air, a book publication of the same title would follow and feature a few more aspects in the paper media that were not taken up in the TV program. A book, *The Impact of India*, was published in October 2007. While this highlighted the bright aspects of shining India, it also added a few sections describing the dark side of the Country’s development. One section was titled, “Cotton Belt Is a Suicide Belt,” highlighting the increase in the number of farmers’ suicides outstanding in Vidarbha, the north-eastern region of the state of Maharashtra. It reported:

“We drove four hours from Nagpur, which was located in the center of India. It was in November. In the midst of dry season, we beat the dry and dusty road in the Deccan Plateau. We were on the way to Pandharkawada town in the Vidarbha region. Pandharkawada was at the center of “Cotton Belt,” and it was notorious for its high frequency of suicides.

Upon arriving in the town, we visited the office of Vidarbha Janandoran Samiti (VJS), a local NGO working on the fact-finding of the cotton farmers in the whole Vidarbha region. We met Kishor Tiwari, President of VJS, at his office. He was a Nagpur-based lawyer but had been an advocate for local cotton farmers to the State Government of Maharashtra for the last nine years.

As soon as we entered Tiwari's office, we saw hundreds of skeleton stickers covering the whole wall. As we looked closer, we knew that the stickers were plotted on the wall map of the Vidarbha region. They meant the number and places of those who had committed suicides. Because there were too many cases, the stickers hid the regional map completely and so the map became useless." (NHK Special Shuzai Han 2007. 284)

According to the statistics, the annual number of farmer suicides in India increased rapidly from 10,720 in 1995 to 16,015 in 1998. Then it continued to be more than 16,000 every year until 2010. If we take a look at the state-wise data, they indicate that while some states were successful in reducing the number of suicides, the States of Andhra Pradesh, Madhya Pradesh (including Chattisgarh), and Maharashtra recorded sharp increases. These three states are major cotton producing states, and cotton farmers occupied a major chunk of the farmer suicides recorded there.

If we take a closer look at the data for Maharashtra, the increase of farmers' suicides was the most remarkable. Behere-Behere (2008) referred to the data collected by VJS that revealed that the number of suicides had skyrocketed from just 122 in 2002 to 1,065 in 2006. This study pointed out that the annual suicides in the Vidarbha region now contributed 30% of all the cases in the State of Maharashtra. This region has heavy accumulation of cotton farms and the majority of the persons who had killed themselves used to be engaged in cotton farming.

Why was suicide so popular among cotton farmers? The NHK TV crews heard in the interview at VJS that a drop in raw cotton prices and a rise in production costs were the two main reasons. India was hit by a severe debt crisis in the early 1990s, and the Government of India accepted policy advice from IMF and the World Bank to shift its policy to the promotion of cash crop production for export to developed countries so that it could enhance its debt servicing capacity. It was a departure from agricultural production for self-sufficiency. In 1995 India became a WTO member and was formally connected to the global economy. Finally, in 1999 India lifted its ban on the import of cotton textiles from the United States and China.

The import ban on GM (genetically modified) cotton seeds was also lifted in 2002. GM cotton seeds are called Bt Cotton in India. As soon as it was introduced to the country Bt Cotton gained popularity quickly and came to contribute 95% of raw cotton production in India. According to previous research, India has recorded an increase in cotton production since 2002 by 30 to 63%, and it is expected that the profits of Bt Cotton farmers could be 50 to 100% higher than those of non-Bt Cotton farmers.

But it was also pointed out that Bt Cotton farming would involve high risk and there was a doubt about the sustainability of high returns. First, it needed a lot of irrigation water and was not suitable for rain-fed areas. But out of the 346 million

acres of farmland in Vidarbha, only 16% is irrigated land. Also, Bt Cotton seeds were traded without precautionary instructions, and farmers sowed those seeds without knowing the proper cultivation method. As a result, the farmers were not able to achieve the yield as expected. Bt Cotton also required frequent inputs of chemical fertilizers to maintain soil fertility at a level suitable for high yields. However, the recommended fertilizers and pesticides for Bt Cotton were 1.5 to 2 times more expensive than the conventional ones, and there was no institutional mechanism to provide financing for the procurement of farming inputs. If farmers couldn't purchase the inputs at their own expense, they had no choice but to rely on moneylenders.

At the time, Indian cotton was already connected to the global economy, and India was recognized as a major cotton exporting country. But the international commodity price of raw cotton had been stagnating in the 2000s after hitting an all-time high in 1994. While the State Government of Maharashtra introduced its own mandated Minimum Support Price for raw cotton as a mechanism to insure cotton producers against any sharp drop in international cotton prices, due to the necessity to curtail public spending the State Government terminated the program in 2005. The NHK TV crews reported that this decision had triggered the farmer suicides in Vidarbha.

Once a household member commits suicide, his/her whole family is affected. The number of affected household members is approximately 1.5 million in the whole of the Vidarbha region. In most cases, it was a husband that committed suicide first in the family leaving a huge debt. His wife would take over the debt and be forced to work 12 to 14 hours a day in order to make the repayment and make a living. Gradually her health condition would deteriorate, and she would lose her social status. Even her children would be forced to work as agriculture laborers.

4. Market Expansion for Ethical Fashion Products

While the cotton farmers were living a vulnerable life in India, a new approach to poverty reduction had been gaining popularity in the international development community since the turn of the century. In the new approach, development cooperation shifted its focus to direct support to the poor.

Fairtrade practices also gained momentum. In 1997, Fairtrade International was founded as an umbrella organization initially joined by 14 national Fairtrade organizations. It was supposed to coordinate activities for its member organizations in more systematic manner. In 2002, a new international standard trademark, FAIRTRADE, was launched, and the new label was attached to more than 30,000 products.

This trend soon spread to the apparel and fashion business. Ohara Yoko, President of the IFI Fashion Business School was respected as a pioneer for

fashion business in Japan. Aiming at catching the global trend in fashion and distribution business, Ohara participated in the annual conventions of the National Retail Federation (NRF) in New York in January for more than 30 years. As soon as she came back to Japan from each NRF convention, she submitted a column to the *Senken Shimbun*, a national news daily for apparel and fashion businesses in Japan. Each time this was a report about the new trends originating in the United States. Ohara's report on the NRF2008 was titled, "Greatest Trend Called *Sustainability* – What Fashion Business Firms Should Do to Be Friendly to the People and the Earth?" The title of the one on the NRF2009 was "Fashion Business Is Going through Historical Transformation – Buying Motive Is *Economical, Ethical and Ecological*."

"The word sustainable now means not only activities that promote environmental protection, but also corporate activities friendly to the earth and the people. Issues of compliance, fairtrade, and diversity matter, and sustainable corporate activities must be ones with high morality and high transparency. American consumers seem to be awake about sustainability. In one opinion survey in the US, 91% of respondents answered that they would not buy goods if the producers were involved in corrupt practices. On the other hand, they made it clear that they would support those companies responsible for environment and other sustainability issues. This led the corporate sector to work on those issues more seriously.

Corporate activities for sustainability now cover a wider range of issues. What matters is not only their products, but also their entire value chain including the production process, their procurement practices, logistics and transportation, the social and environmental impact of their production and sales sites, the health of their workers and their community participation activities. [...]

However, the fashion business is a business based on the promotion of obsolescence. If it intends to set new fashion trends just to have consumers buy new products, it's a sinful business in respect of sustainability. If it focuses only on the production of organic or eco-friendly products and never intends to lead the whole organization or industry to be eco-friendly, the fashion business will be accused as being antisocial.

Moreover, fashion also creates cultural and emotional values for the society and individuals. The fashion business sector must therefore endeavor to develop a new business model that could amplify this positive impact while minimizing the abuse of environmental and human resources." (Ohara 2008)

The high-fashion and lifestyle magazine, *VOGUE JAPAN*, featured a special article, "Luxury Ethical Fashion in Asia – The Fashion from Asia That Could Make the World a Happy Place" in its December 2008 issue. It introduced the first ethical fashion brands in Asia, such as SHOKAY (China), AARONG (Bangladesh) and Adora (the Philippines). The article started with a preface which said:

“Fashion is fun. But is it still fun even if you come to know that your preferred fashion is built on the sacrifice of someone in the world? What do you say if both you and the people of developing countries could be happy depending on what you buy?” After *VOGUE JAPAN* used the word “ethical fashion” for the first time in Japan, it started appearing frequently on the Japanese media and business conversation.

Ohara (2016) pointed out that it was the attitudinal and behavioral change of individuals and increasing corporate social responsibility that brought huge impacts on the business of consumer good production:

“Reflecting on their past excessive consumption or purchase of high-fashion items out of vanity, many people have changed their attitudes toward fashion. They call themselves the “New Normal.” They are used to having expensive luxury brand goods, and still want to accept high prices, but only if these goods mean a lot to them and they think they could place high value on them. But when it comes to daily necessities, they want these to be high quality but low price. This has caused a drastic change in the meaning of fashion. The high income group still prefers luxury goods. But those consumers whose preference for luxurious consumption is rooted in aspiration, seem to have reverted to wise and rational consumption behavior.

Their aspiration to live a humane life leads to the awareness of their self as an individual, as well as the emphasis on their own lifestyle and personal identity. If the goods are meaningless, they will refuse them. When they go out shopping, they prefer to choose their shopping items on their own. They may even say no to those business models or corporate behaviors that do not value the personalities of the individual customers and just advocate mass-production and mass-disposal.” (Ohara 2016, 32-33).

5. Military Gloves as a First Product for Peace-By-Peace Cotton Project

For many years Kasai had wondered how he could make fashion a tool to transform society to a happy place. Then Kuwahara Moichi warned him that Kasai’s business model with JPY 10 billion worth of sales might cause some people to be less happy. Kasai couldn’t accept these consequences. He learned that the production of non-organic, normal cotton had been affecting the producing areas.

“What else should I do for it?” Kasai asked himself. He had already had hands-on experience of cause-related marketing in the *Love and Peace* T-shirts business model, but the accumulated fund was directed to the peace and development of places unrelated to the cotton value chain. Therefore, the business model of *Love and Peace* seemed not to be enough. Kasai thought that there should be a model in which raw cotton producers could benefit from secured

market access and a fair amount of the proceeds from the sales of final products. It should be a model where both consumers and producers could feel happier. Felissimo Corporation is a company whose Chair and former CEO, Yazaki Katsuhiko, emphasized that all corporate activities should be a series of practices designed to enhance its total value and aimed at achieving the maximized happiness of individuals and the whole society. Yazaki used to say, “Merchants should be a catalyst for people-to-people and people-to-society interactions for maximum happiness.” The new business model should therefore return profits to its place of origin. Kasai thought he could design such a model even within Felissimo’s existing corporate business framework.

In early 2008, Kasai was working on the development of a new product based on *gunte*, traditional working gloves made of cotton. He came up with the idea of setting up a retail shop of *haco.*, *haco EXPRESS ROOM*. In addition to the regular merchandise already listed in the catalogue, Kasai thought of preparing new original items for the retail shop. Adding values to the low-priced fashion and lifestyle items, he intended to sell the merchandise at lower prices and pay the rent for the shop using the current profit. He planned to attach a new brand name, *haco. ER*, and targeted *gunte* as one of the new brand products.

Gunte is made of waste cotton whose fiber was too short to reel to cotton yarn and therefore it could be procured at a lower price. His idea was to make a pair of *gunte*, adding different printing on the right and left gloves. If two persons put on the same pair of *gunte* and hold hands, then they could make a complete shape of printing, such as the heart love and PEACE logo. He believed that *gunte* could be another effective tool to facilitate communication, making the people shake hands.

He further hoped that the increased communication would pave the way to another fund. The new *gunte* product had a strong message, “Let’s shake hands and work together to leave the healthy earth to the future generation.” However, Kasai thought that even the name, *gunte*, should be avoided for that message. The first syllable, *gun*, stood for military in Japanese, and *gunte* were worn by Japanese soldiers during World War II. On the other hand, *men* stood for cotton in Japanese. “What about *men-te*?” Kasai thought. The second syllable, *te*, meant hand in Japanese. While *gunte* gave a negative image of soldier’s hand, *men-te* could literally mean cotton gloves. Its pronunciation was similar to maintenance, and the gloves could be a symbol of maintaining the earth by organic. It could also mean men shaking hands. Kasai decided to name the new cotton gloves, *men♥te*.

Kasai wanted to learn more about the raw material before commercializing *men♥te*. He consulted with the Felissimo staff around him to gain better knowledge about raw cotton. Then one of the *haco.* team members, Tsukuda Naoko, advised him to approach Toyoshima & Co. Ltd. in Nagoya. The business relationship between Felissimo and Toyoshima was short. It was just in August 2007 that the *haco.* team started procuring clothes for ladies from Toyoshima.

The trade volume was still small, and Kasai hadn't heard about Toyoshima as a trading house specializing in fibers and textile products.

He made an appointment with Tsunekawa Takeshi of Toyoshima and visited him at the Nagoya Head Office in May 2008. Tsunekawa was the Executive Director of the Sales Department, dealing in casual clothes for ladies. Representing Toyoshima & Co. Ltd., Tsunekawa welcomed Kasai and Tsukuda. Asai Yoshihiro accompanied Tsunekawa and was seated next to him. Asai had just come back from foreign assignment as a resident representative in Hong Kong and had succeeded to the casual clothes business with Felissimo under Tsunekawa's directive.

According to their organization chart, even if it was about cotton, three different divisions were engaged in the business: (i) the Procurement division for the procurement of raw cotton; (ii) the Materials division for the procurement of yarns and fabrics; and (iii) the Garment division for sewing and stitching the final products. Although Tsunekawa was the head of the garment division at that time, he had past experience of work in the other two divisions and was regarded as the best person to provide a comprehensive view on the whole cotton supply chain.

"I want to learn about raw cotton." Kasai briefed the group about the concept and design of the *men♥te* project and said that he wanted to sell these cotton gloves with the privilege to make a small financial contribution to a fund to support cotton farmers. Almost intuitively, Tsunekawa thought that it would be quite difficult for Toyoshima to respond. If they undertook the organic cotton business, they would require a high level of coordination and collaboration between the three divisions inside the organization.

Toyoshima had also launched its own corporate social responsibility (CSR) project called "Orgabits" at that time. It was aimed at mobilizing people through promotional activities for organic cotton, so that each of the participants could contribute a bit to the conservation of the global environment. The promotion of organic cotton would help production sites to expand the cultivated area of organic farming and recover its soil condition. Tsunekawa and Kasai at once discussed the possibility to procure raw organic cotton in Africa. But the main suppliers of raw organic cotton for Orgabits were either in the United States or in India. If they were to produce new organic cotton gloves, what mattered first was the availability of cotton yarn. Now "organic cotton" and "India" came into Kasai's frame of reference.

But the share of raw organic cotton was just 0.25 % of total global raw cotton production in 2007. Organic cotton had not been a major business for Toyoshima. Thus, although they had been procuring raw organic cotton in India from a local merchant, Tsunekawa had no idea about the location of cotton farms and their organic practices.

So Tsunekawa took Kasai and Tsukuda out to another building across the street, and introduced them to Shimazaki Takashi, Managing Director, in his office. Shimazaki was the head of Toyoshima's raw materials procurement team and the Director of the International Cotton Association. He was the first ICA board member elected from Asian countries. Listening to Kasai's brief project description, Shimazaki advised that it would be either Africa or India that could supply raw materials. He further said that the Africa region might have already been penetrated by major European cotton traders and it would not be easy to draw local farmers' attention. By contrast, cotton clusters in India consisted of small farmers and there might be room for a new project. "Once you decide your target country, then you should go and collect information about local production," Shimazaki advised Kasai.

Meanwhile, Kasai advanced discussions with Toyoshima on the product development of *men♥te*. Asai attended the negotiation as a chief of the garment division from Toyoshima. The first few models of *men♥te* were not made of raw organic cotton. It was agreed that cotton waste would be imported from China; the reeling and dyeing process would take place at Misawa Senni Co. Ltd. in Hannan City, Osaka; the weaving at Hinode Tebukuro Kogyo Co. Ltd. in Arita City, Wakayama; and then the final printing at Maruwa Chemical Co. Ltd. in Takaoka City, Toyama. Asai made the arrangements at each production stage. While the planner, Felissimo, preset the retail price, specialized factories also had the right to claim a fair share of the profits. The price setting by the retailer caused considerable pressures to the intermediate producers. Asai had tough time coordinating them. Nevertheless, the project was somehow implemented toward the launching of the first *men♥te* model in the Autumn 2008 issue. About 7,000 pairs of *men♥te* were produced for the launching.

On August 23, 2008, *haco. EXPRESS ROOM* was formally opened at Harajuku Cat Street in Tokyo. Felissimo also published a press release on the same day about the launching of *men♥te* and *PEACE BY PEACE COTTON PROJECT* (PBP). The concept of PBP was also released. The project objective was to make the society a happy place by the power of fashion. Felissimo hosted an opening reception and there they gave away the first *men♥te* as a novelty for the project launch. The *men♥te* and the PBP project were featured in the 2008 Autumn edition of their catalogue, *haco.*, released later in 2008. The new cotton gloves were introduced as the first item of the PBP project. The price including tax was 1,000 yen out of which 200 yen would be deducted and pooled in the special fund. The *haco.* catalogue made it clear that it would be used for the following three purposes, and Tsunekawa and Shimazaki's advice was well reflected:

1. The fund will support organic cotton farming.
Organic cotton farming incurs extra costs for pest control because it has to do without pesticides. The PBP project focuses on the support to pest control to enhance the effectiveness and efficiency of organic practices;
2. The fund will support crop rotation.

Cotton absorbs a great amount of nutrients from the soil to grow. If farmers continue cotton production on the same plots of farmland, soil fertility will deteriorate. Crop rotation is recommended, replacing cotton fields with pulse plantation. Pulses are effective crops for nitrogen fixation and recovery of the soil. Crop diversification by crop rotation will also help farmers to smooth out their monthly income fluctuations. The PBP project focuses on the promotion of crop rotation and the creation of new income generating opportunities;

3. The fund will support R&D activities.

Biotechnological research is very active in India because it will expand the horizons for industrial development. Aiming at unleashing the potential of the future generation regardless of the classes they are from, the PBP project will help boost youth engagement in research and development (R&D) for biotechnology, so that they could live a self-reliant life.

The project description in the *haco.* catalogue also disclosed that the current models of *men♥te* were not made of organic cotton. But it also declared that it would shift to organic cotton in future models, and that the project would eventually start using raw organic cotton produced in the project areas once organic farming is expanded by the project intervention and the products have reached the quality standard for *men♥te*.

6. Looking for a Local Partner

The Autumn 2008 edition of *haco.* also declared that the PBP project would procure raw materials in India in the future for the following reasons. First, India had a long history of cotton production from 2000 BC and it was regarded as an origin area for cotton farming. Second, cotton production was still categorized as agriculture while in major cotton exporting countries such as the United States and Australia cotton farming had already become industrialized and large-scale and this makes it difficult for a newcomer to penetrate these markets. Third, Mahatma Gandhi, political and spiritual leader for the independence of India, was famous for the portrait showing him manually operating a spinning wheel called Charka. Charka was a symbol of self-reliance, thus it seemed that cotton was closely related to industrialization, the independence movement and the self-reliance of Indian citizens.

Although *haco.* had already stated that India would be the project target, there had not been any consensus in the Felissimo-Toyoshima team on the location of their project sites and the project design. Since their first meeting in May 2008, Kasai, Tsunekawa and others had discussed the next steps to take every time they met. Compared to Tsunekawa and other Toyoshima staff, Kasai had been optimistic in these meetings. He had been taking matters much easier and thought that once the PBP project identified a local partner and released the fund to them, the project would be on the right track and there would be nothing else

for Felissimo to do. Toyoshima had business connections with a cotton trader in India and was in a better position to find the best local partner for Felissimo. Tsunekawa led the desk survey on the Internet.

First, bioRe India was caught in his radarscope. It had a farm in the suburbs of Indore, Madhya Pradesh. A Swiss firm, bioRe, commenced a project in India in 1991. In addition to a purchase guarantee for raw cotton, bioRe India had made a few institutional arrangements to assist local people to be self-reliant. It had already been developed and was widely recognized as one of the most famous social projects in the world. The proceeds of organic cotton sales were pooled in the special fund out of which the cost for project implementation in India was covered. There seemed to be a lot for the PBP project to learn from bioRe. Tsunekawa wrote a letter of inquiry to bioRe India, and their reply came immediately. Their answer was negative. They had already had trade relations with a Japanese firm, Panoco Trading Co. Ltd.

Next, Tsunekawa studied the Chetna Organic Farmers Association from Hyderabad, Andhra Pradesh. Chetna was a farmers' cooperative founded in 2004, as a response to the aggravation of farmers' suicides. Their track record was short, but Chetna had been rapidly expanding its geographical coverage. Connecting small farmers to fairtrade markets, Chetna aimed at leading them to shift to organic farming while ensuring a margin of profits. Tsunekawa wrote another letter of inquiry to Chetna and waited. But he did not receive a reply for next two months.

Kasai was getting irritated. He now realized how difficult it was to come across good information about prospective local partners only by a desk survey. While he was wasting time getting no positive result, the cotton harvest season in 2008 was coming closer. "Now that the project was launched and everyone knew it, we had better take nice photos of cotton balls carried into a ginning factory. Once we go there, we may come up with better ideas about a local partner and the partnership arrangement," thought Kasai. He finally decided to visit India himself and started to prepare.

Toyoshima contacted its business partner, Shree Sanjay Trading Co. Ltd., a cotton broker based in Mumbai for Kasai. Shree Sanjay had annual sales of USD 15 million, of which 50% was cotton brokerage for Toyoshima. The trade relationship between Shree Sanjay and Toyoshima was again not long. It dated back to 2004, when Shiromaru Takeshi of Toyoshima went to the United States to study cotton farming and the cotton business at California State University Bakersfield. In the same course at CSUB, Shiromaru met Brijesh Sampat, who was now the sales manager of Shree Sanjay Trading. Soon they became friends. Their friendship lasted even after they completed their program and went back to their home countries. Following Shiromaru, his boss, Shimazaki, also travelled to Mumbai and strengthened the business relationship.

In the meantime, Kasai himself tried to make appointments to meet with as many

people as possible in India, as advised by Shimazaki. Kasai first contacted the Japan International Cooperation Agency (JICA) India Office in New Delhi. JICA suggested he visit the Japanese Consulate General of Mumbai. Kasai also consulted with Hoshi Tadashi, then Senior Managing Director of Felissimo. Hoshi had past experience with a tree-plantation project called “Elephant Forests” in Jharkhand, India, as part of Felissimo’s CSR activities. He had been in touch with a Kolkata-based local NGO, the Tagore Society for Rural Development. Based on his earlier experience with the Elephant Forests project, Hoshi advised Kasai, “The main actors are the farmers. You must always keep in mind that you should support the farmers’ initiatives to change themselves on their own.” The Tagore Society was of course reliable, but it should be the last resort. “Kasai, you must try to find the way on your own,” Hoshi advised.

7. Limited Options

Kasai landed at the Chhatrapati Shivaji Maharaj International Airport in Mumbai on the evening of November 9, 2008. He was accompanied by a few staff from Toyoshima. Asai Yoshihiro was there by Tsunekawa’s order. He was the counterpart of Felissimo in the garment division. Okabe Ryosuke and Shiromaru Takeshi joined from the materials import division in Nagoya and the materials procurement team in Jakarta respectively. Next morning, November 10, they left for Indore, Madhya Pradesh. Brijesh and Mr. Sanjay, President of Shree Sanjay Trading attended the team. After landing at the Indore airport, the team got in two 4WDs arranged by the Samkit Bio Farm and moved to Ujjain.

Samkit Bio Farm was a supplier of raw organic cotton to Toyoshima for *men♥te* via Shree Sanjay Trading. For them, Toyoshima was one of the most important buyers. Upon arriving at Samkit’s farm after three-hour land trip, they received an extraordinarily warm welcome. For Brijesh, it was a common practice in India when their guests came all the way from a faraway country. But for the Japanese, it looked like an exaggerated stage performance.

Many farmers joined the welcome ceremony at the assembly hall. While the team were seated on plastic chairs, the attendants sat on the ground and quietly stared at the guests. The team asked a few questions about rural life in the cotton cluster, interpreted by Brijesh. The team wanted to learn what subsistence rural life was like and asked one question after another on the order of daily activities from waking up in the morning to sleeping at night, then about weekly, monthly and seasonal events and activities.

The team was impressed most about the farmers’ practice of extracting bio-pesticides from neem trees; the multiple usage of cow dung; and the making of butter and cheese from cow’s milk. When we say organic farming, the definition of this is different from place to place, and farmers apply different sets of practices accordingly. From Brijesh’s viewpoint, Samkit Bio Farm was one of the best

practices he had ever seen, with the best interpretation of *organic farming*.

But his guests from Japan were puzzled and became skeptical about the motives behind their extraordinarily warm welcome. The suggested route was shown by arrows temporarily painted on the soil with white lime powder. At every point of interest, such as a compost tank, a cow excreta disposal treatment tank, or a bio-gas plant, a temporary signboard was installed and showed what it was and what it was for. But in normal time, there must be no signboard there. Okabe further wondered, "Farmers' houses are for their daily life and the rooms must be a mess. But here the houses are too neat and clean." Asai also wrote in his back-to-office report, "Their display of pest control, compost and liquid manure making, and bio-gas plants, all looked amazing. Indeed, their farm was well-organized to receive the study visit and enlighten the visitors. But at the same time, their services to the visitors, such as transit by oxcart and gift presentation of an Indian turban, were a bit too extreme and I felt the smell of commercialism."

On the afternoon of November 11, the team visited a ginning factory in Ujjain. There they saw piles of cotton balls in the stockyard. They looked like snow covering the whole area. Kasai and Asai had never seen such a huge amount of cotton balls and oxcart convoys before. Organic cotton balls and non-organic ones were clearly separated and stored at the different corners of the stockyard. Kasai was excited at the volume of organic cotton and climbed a white organic cotton mountain for commemorative photos. But for Shiromaru, the facility of the ginning factory looked obsolete and the operation and maintenance were below the average of all the ginning factories he had ever visited.

When they left Mumbai for this trip, Brijesh said to Kasai, "You had better keep an eye on the relationship between ginning factories and cotton farmers." He wanted to draw Kasai's attention to the long and stable relationship between the stakeholders in the cotton value chain, involving merchant, ginning factory, and farmers. But many critics have pointed out that downstream buyers had better bargaining power and that farmers were always exploited at a disadvantage. Farmers had no choice but to take a low price bid for the products they wanted to sell.

According to Brijesh, however, this was not true. Instead of spot trading on an ad hoc basis, buyers and sellers would establish a long and stable relationship over raw cotton. Even in a year when the harvest was too good, and the market price was expected to be much lower, farmers could have trust in the readiness of the ginning factory to accept their cotton supply. Cotton merchants like Shree Sanjay would send their staff to the ginning factories every year and disclose the market information to the farmers. Brijesh wanted Kasai to know that merchants were there to build trust among buyers and sellers.

But Kasai took this as advice to identify the structure of exploitation between ginning factories and farmers. The ginning factory in Ujjain was small-scale and heavily dependent on manual laborers. When the team arrived there, Kasai saw

children rush to hide themselves behind the wall, and the factory owner wore gold accessories. Although he was also introduced as a founder of an NPO, he looked so rich.

Brijesh said, “Even if you entrust the fund to the factory owner and ask him to make a disbursement for the project activities in the field, the money will not directly go to the farmers you want to support.” Ginning factories were open only in the cotton harvest season. It would be difficult for them to maintain year-round frequent communication with the farmers. Because of these constraints, Brijesh insisted that there should be another intermediate organization specializing in project implementation. But Kasai and other team members understood that there would be a high risk of fund embezzlement by factory owners.

After the observation at the ginning factory in Ujjain, the team flew from Indore to Gujarat, and stayed overnight in Ahmedabad. Early next morning, on November 12, they drove to Rajkot. It was a 3.5-hour drive. Compared to the rural roads outside Indore, the road to Rajkot was well-maintained with limited undulation. The farmlands along the road looked well-maintained, too. Upon arriving in Rajkot town, they visited another ginning factory, but this one was totally different from the one they saw in Ujjain. The factory in Rajkot was clean and well-organized. The ginning process was automated, and a carrier traffic control system was installed. The whole factory looked more industrialized. It received cotton balls from approximately 10,000 farmers nearby, although all the raw cotton was non-organic.

After the observation of the two cotton clusters in Madhya Pradesh and Gujarat, Kasai was getting confused. Before he arrived in India, he had expected that during this particular business trip he could come across a local partner to entrust the fund for the project implementation in the field. But it turned out that the cotton value chain was not as simple as he had thought. He had no idea on what to do next. Also, when they took an in-flight meal on their way back to Mumbai that evening, he ate a slice of green chili pepper, thinking that it was capsicum. He spewed it out immediately because of its unexpectedly hot spiciness, but it made him suffer from severe diarrhea.

Next day, November 13, was a national holiday. Although Brijesh suggested sightseeing in Mumbai, the six members chose to have a meeting at the office of Shree Sanjay Trading in the morning. It was located in the compound of the historic Bombay Cotton Exchange. On the opposite side of the main road there was the remains of the three-storied building of Japan Cotton Trading Co. Ltd - Japanese cotton imports from India used to be undertaken primarily by Japanese trading houses from the late 1890s to the 1930s. Japan Cotton Trading opened a branch office in Bombay in 1897 and upgraded it to a permanent office in 1907. The old building had more than a hundred years of history.

Their meeting was attended by Mr. Sanjay, President, and Brijesh. Starting with his declaration to support the PBP project, Mr. Sanjay said that Shree Sanjay was

ready to be involved in project preparation. But he also shared his concerns about the risk of exploitation and fund misuse if they decided to partner with an existing NPO or a firm working on organic cotton. Instead, Mr. Sanjay suggested that they establish a new NPO that would act as an intermediary between the farmers and a ginning factory.

The Felissimo-Toyoshima team didn't have any better idea and agreed to discuss the next steps based on Mr. Sanjay's proposition. There was no argument about the next steps: (i) Establishment of the NPO; (ii) Recruitment of NPO staff; and (iii) Identification of the project site. Then they further discussed the mission and scope of the new NPO. It was agreed that they should shift their focus from direct support to organic cotton farming practices to the creation of the enabling environment for organic farming. The enabling environment included: knowledge support to farmers, education for children, local cotton seed preservation, and R&D. They also agreed that the project would keep an eye even on the pre-organic farmers who were in a three-year transition process as well. It would take three years for them to be accredited as an organic farmer after they stopped using chemical pesticides.

They brainstormed the project scope:

1. Support for Organic Farming

- The project should invest in the health of the household members and in the education of children. Site selection and screening of target households would be the key;
- Collaboration with colleges and research institutes should be explored. For this end, the project should work out a mechanism to help the rural youths via a special fund to study agriculture in college and make a livelihood in agriculture;
- The project should set up another special fund to enable the children to go to school. For example, net enrollment rate for primary schools is just 40% in Madhya Pradesh;

2. Support for Crop Rotation

- Cotton produces a single crop a year. Once it is harvested, pulses are planted in the same plot to recover soil fertility. If the project advocates the revival of the earth, other rotated crops should also be procured for customers;

3. Cooperation for Biotechnology

- In order to raise the farmers' living standard, the project should work for the improvement of yields. For this, the capacity for plant breeding and seed production should be enhanced in collaboration with colleges and research institutes.

After the brainstorming session, Mr. Sanjay brought his accounting consultants into the discussion. They consulted with him on the procedures, rules and

regulations for the establishment of an NPO in India. According to this accounting firm, the minimum initial fund endowment would be USD 1,000 to 2,000, and it would take three to four months to complete the registration of the corporation if it was founded by resident Indians. If foreigners were to establish an NPO in India, it would take much more time, six months to one year, to get government clearance.

The consultant added though that foreign firms or individuals could be a board member once the NPO was established. For Kasai, however, this was not acceptable at all. He strongly insisted that it should be a joint application for registration from the beginning, and that it should be filed by three parties: Felissimo, Toyoshima, and Shree Sanjay Trading. However, Felissimo and Shree Sanjay had not had any past trade relations, and he expected that it would be extremely difficult to explain the project framework to the senior management inside Felissimo.

In the afternoon, the Felissimo-Toyoshima team visited the Japanese Consulate General in Mumbai. Following a short courtesy call to the Primary Consulate Officer, they spent time explaining the project outline and their current concerns to Suzuki Miho, contract-based coordinator of the Grassroots Grant Assistance program of the Government of Japan.

Listening to their brief description about Shree Sanjay's suggestion of setting up a new NPO for the project, Suzuki expressed her strong objection to their idea. At that time a new legislation bill on the regulation of foreign contributions, the Foreign Contribution (Regulation) Act, had been placed on the agenda for discussion in the Indian parliament. According to the FCRA bill, published in December 2006, if an Indian NPO received contributions in terms of financial resources or in kind, it was mandatory that they complete FCRA registration first. If there was further delay in the parliament discussion on the bill, it would take much longer for their new NPO to get FCRA clearance for the PBP project. On top of that, Suzuki pointed at the risk of using up the fund resources just for the management of NPO and staff expenses.

But Suzuki also gave useful advice on project preparation. First, they should bear in mind that the project could frequently be interrupted or suspended due to intervention by the village council (Panchayat) members, and sometimes by the state government. But if they could find a strong local leader in the target area and share with him/her their project vision, he/she could be a champion for the project. Second, the economic standard in rural India was low and it would be difficult to create awareness on the environmental issues. They must be aware of this and be prepared for a much longer time frame. Third, if they could involve college professors or researchers as resource persons for project implementation, they could create a win-win situation with them by providing a research grant. Then the project could benefit from their monitoring and supervision of organic farming practices and their educational support to the targeted groups. Although she had no idea about individual researchers, Suzuki said that there were quite

a few potential research institutes around Mumbai, such as the University of Pune, the Indian Institute of Technology (IIT) Bombay, and the Tata Institute of Social Sciences (TISS). Kasai was impressed with her knowledge and started wondering if he could hire her as a local consultant who could monitor and supervise the project implementation once the PBP project took shape.

But was the new NPO really a feasible option? According to the consultation with Suzuki, it would take much longer than a year just for FCRA clearance. Then they would need hire project staff and decide on the location of the project sites. While the fund was being accumulated to JPY 1.7 million on the source side from the sales of PBP brand products, nothing concrete was going to happen on the use side for the next year or two. Could we be accountable to our customers? Although Suzuki was negative on the idea of a new NPO, it was the only option remaining to Kasai. But if the fund usage was just for the establishment of an NPO after this business trip, he might face severe criticism inside his company.

“Oh no! I can’t make it.” Kasai felt hopeless. He was in despair. But then he remembered what Shimazaki had told him at the Toyoshima Head Office. There must be something else he could do. That evening Kasai finally decided to go to New Delhi the next day in order to consult with the JICA India Office. He asked Brijesh to book a flight for him and Asai.

[END]

References

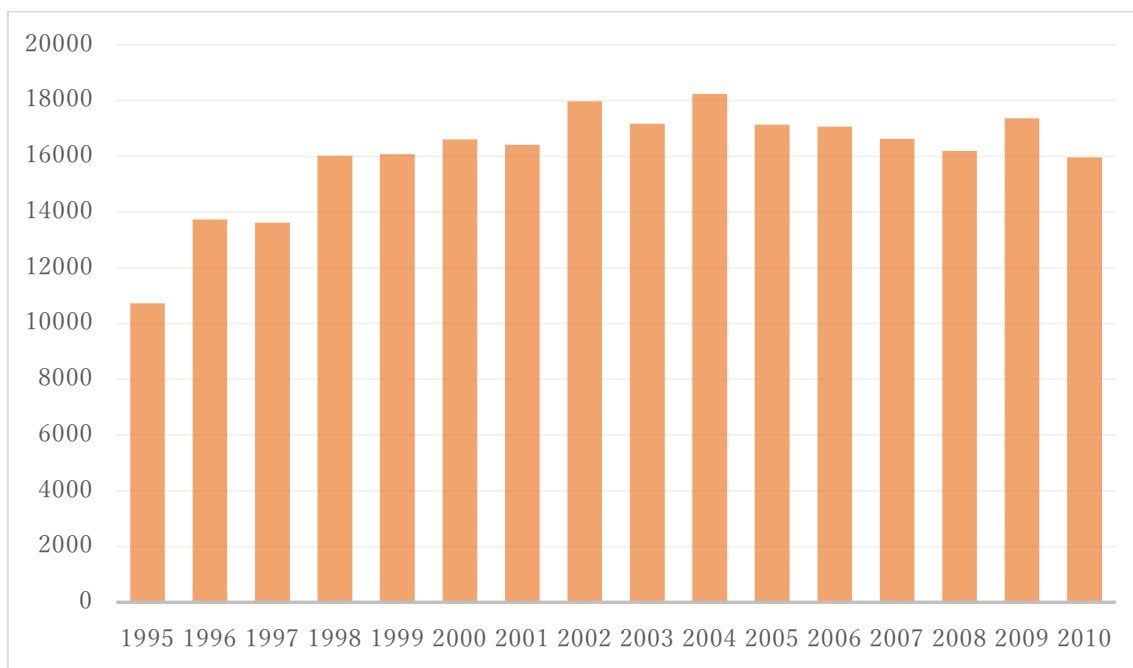
- Behere, P. B., and A. P. Behere. 2008. “Farmers’ suicide in Vidarbha region of Maharashtra state: A myth or reality?” *Indian Journal of Psychiatry* 50(2): 124-127.
- Enoki, M. 2017. “*Seifu, Kigyo, NGO no Partnership – Indo ni Okeru Organic Cotton wo Tsujita Kanmin Renkei ni yoru Sougouteki Nousei Kaihatsu Project –*” [Tripartite Partnership of Public, Corporate, and NGO Sectors – Case Study on the Public-Private Partnership Project for Integrated Rural Development in India through the Promotion of Organic Cotton]. *Ningen Bunka Kenkyu*. Vol. 27. January 2017. Nagoya: Nagoya City University Graduate School of Humanities and Social Sciences. 203-236.
- Felissimo. 2015. “*Kabushiki Gaisha Felissimo – Kaisha Annai.*” [Felissimo Corporation – Corporate Profile].
- METI. 2016. “*Apparel Supply Chain Kenkyu-Kai Houkokusho*” [Study Report on Apparel Supply Chain]. Tokyo: Ministry of Economy, Trade and Industries. Government of Japan.

- Nagaraj, K., P. Sainath, P. Rukmani, and R. Gopinath. 2014. "Farmers' Suicides in India: Magnitudes, Trends, and Spatial Patterns, 1997-2012." *Review of Agrarian Studies* 4(2): 53-83.
- NHK Special Shuzai Han ed. 2007. *Indo no Shougeki* [The Impact of India]. Tokyo: Bungei Shunju.
- Ohara, Y. 2016. *Fashion Business – Souzou Suru Mirai* – [Fashion Business That Creates Future]. Tokyo: Senken Shimbun Sha.
- Yazaki, K. 2013. *Cho Tempo – Kofuku no Keiei wo Motomete* [Super Shop - In Pursuit of Happiness-Oriented Management]. Kyoto: Jufuku Shoin.
- . 2011. *Naihatsu-teki Shizen Kankaku de Hagukumi-au Shorai Sedai – Indo Shokurin Projekuto wo Tsujite Manabu* [Future Generation that Mutually Fosters out of Natural Feelings: Learning from the Forestry Project in India]. Tokyo: Jiyusha.

Attachments

1. Farmers' Suicides (All India);
2. Farmers' Suicides (State-wise annual average);
3. World Cotton Producers (2006/07);
4. Historical Daily Cotton Prices (1972-2009);
5. Public Opinion Survey in Japan 2015: Public Recognition on the Impact of Consumption Behavior on Society;
6. Public Opinion Survey in Japan 2014;
7. "men♥te";
8. Cotton Supply Chain: and
9. Chronological Table of the Felissimo and PEACE BY PEACE COTTON Project

Attachment 1: Farmers' Suicides (All India)



Source: National Crime Records Bureau, *Accidental Deaths and Suicides in India 1995-2010*.

Attachment 2: Farmers' Suicides (State-wise annual average)

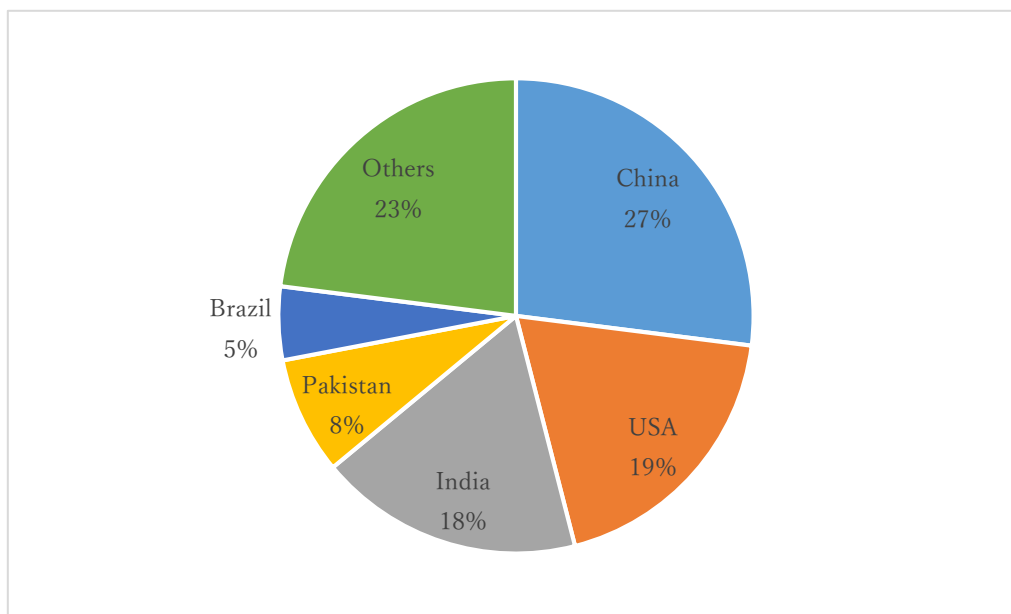
State	Farm Suicides (annual average)		Difference
	1995~2002	2003~2010	
Andhra Pradesh	1,590	2,301	+711
Assam	155	291	+135
Karnataka	2,259	2,123	-136
Kerala	1,292	1,071	-221
Madhya Pradesh & Chattisgarh	2,304	2,829	+525
Maharashtra	2,508	3,802	+1,294
Tamil Nadu	992	866	-126
Uttar Pradesh	640	531	-109
West Bengal	1,426	990	-436

Note 1: The table only lists the states that recorded more than 100 cases a year.

Note 2: The data for Chattisgarh are still integrated with that for Madhya Pradesh although the two states were separated in 2000.

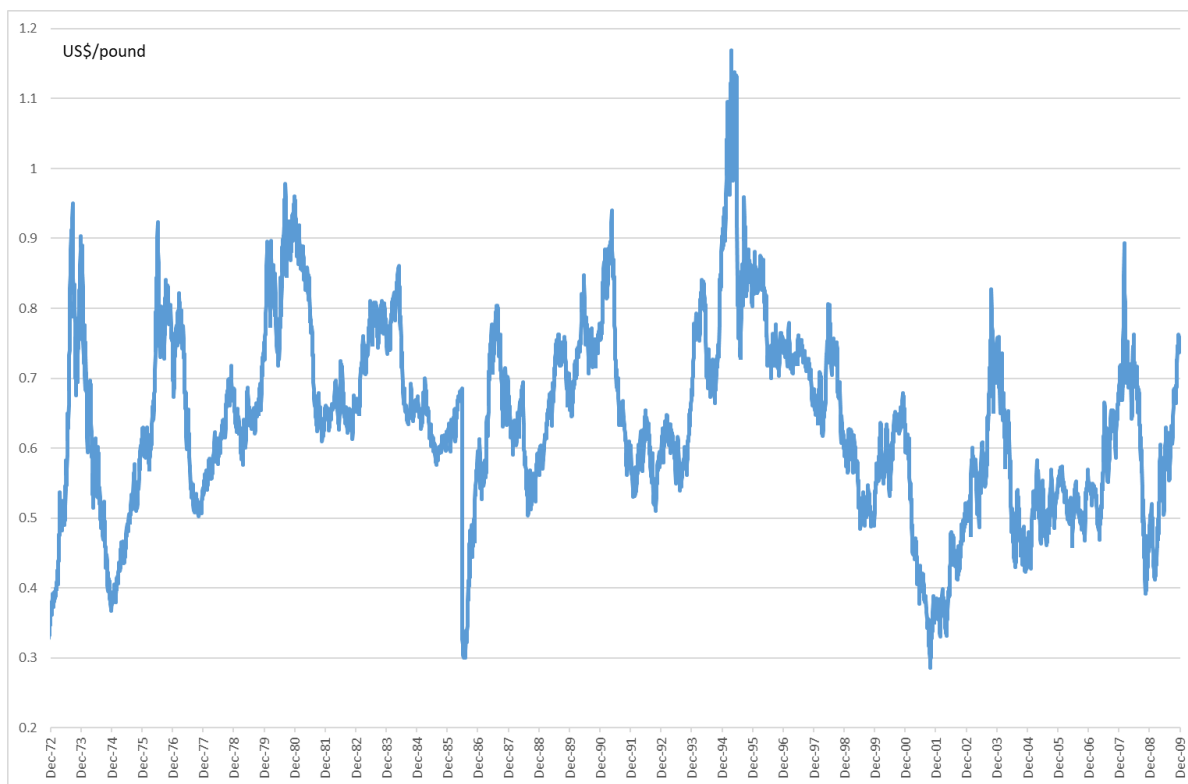
Source: National Crime Records Bureau, *Accidental Deaths and Suicides in India 1995-2010*.

Attachment 3: World Cotton Producers (2006/07)



Source: Cotton Economics Research Institute, 2007 World Cotton Outlook.

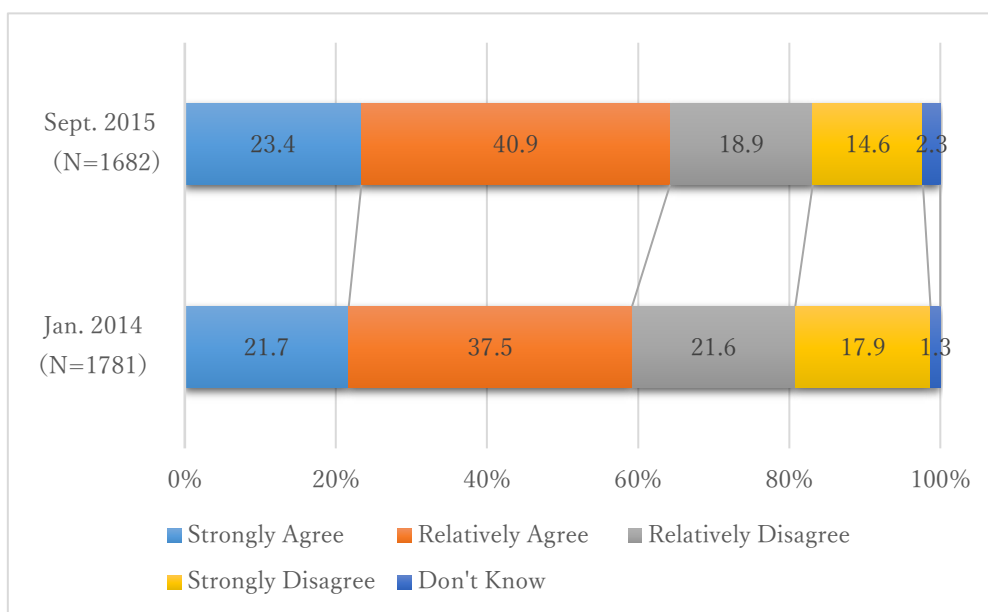
Attachment 4: Historical Daily Cotton Prices (1972-2009)



Source: Macrotrends.

Attachment 5: Public Opinion Survey in Japan 2015: Public Recognition on the Impact of Consumption Behavior on Society

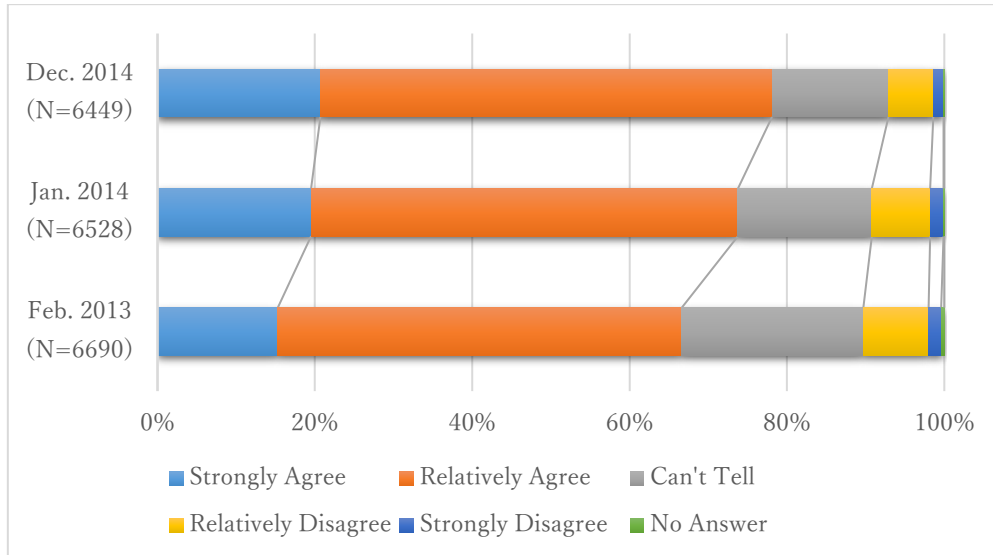
Question: “When you choose goods and services, do you intentionally choose the ones that you expect will contribute to the environment, reconstruction of the disaster-affected areas, and life improvement of the laborers of the developing countries?”



Source: Cabinet Office of Japan, *Public Opinion Survey on Consumer Affairs*, September 2015.

Attachment 6: Public Opinion Survey in Japan 2014

Question: “Do you always try to choose the goods and services considering the impact on the environment?”



Source: Consumer Affairs Agency, *Basic Survey on Consumer Behavior*, December 2014.

Attachment 7: “men♥te”



Copyright: Felissimo Corporation.

Attachment 8: Cotton Supply Chain



Copyright: Felissimo Corporation.

Attachment 9: Chronological Table of the Felissimo and PEACE BY PEACE COTTON Project

	Felissimo / PBP COTTON Project	World
1990s	- Kasai enters Felissimo. (Apr. 99)	- India's new economic liberalization policy launched. (91) - India becomes WTO member. (95) - Fairtrade International founded. (97)
2000		- World Development Report 2000 "Attacking Poverty" - UN Millennium Summit (Sept.)
2001	- NUSY launching. (May) - <i>Love and Peace</i> launching. (Dec.)	- Terrorist attack on World Trade Center (Sept. 11) - War in Afghanistan (Oct.)
2002	- <i>Love and Peace</i> Campaign. (Sept. 11) - Photo Exhibition at Kobe Luminarie (Dec.) - First disbursement of <i>Love and Peace</i> fund to US and Afghanistan (Dec.)	- International Conference on Reconstruction Assistance to Afghanistan in Tokyo (Jan.) - FAIRTRADE trademark launching. - World Summit on Sustainable Development (Aug.)
2003	- NUSY PEACE BOOK published. - <i>Sign Love</i> T-shirts launching. (Mar.)	- US air raid on Iraq (Mar.)
2004	- <i>haco.</i> launching. (May)	-
2005		-
2006		-
2007		- NHK TV features "The Impact of India". (Jan.)
2008	- Kasai meets Kuwahara Moichi (winter) - Kasai visits Toyoshima & Co. (May) - <i>haco. EXPRESS ROOM, men♥te</i> , PBP project launching. (Aug.) - <i>men♥te</i> is featured in the <i>haco.</i> catalogue. (Oct.) - Felissimo-Toyoshima team visits India (Nov.)	- NRF2008 in New York (Jan.) - H&M first shop in Japan. (Sept.) - VOGUE JAPAN "Luxury Ethical Fashion in Asia" (Dec.)
2009		- NRF2009 in New York (Jan.)

Source: Made by Author.

JICA-IUJ Case Material Series

In using any part of the transcript, the precise part of the text used should be specified and the appropriate acknowledgement of the source of information, the name of JICA who has the copyright of the transcript and the title of the transcript should be given as described below:

Text citation: (JICA 2020)

Reference: Japan International Cooperation Agency. 2020. "In Pursuit of a Sustainable Cotton Value Chain between India and Japan." JICA-IUJ Case Material Series. Tokyo.