

STATEMENT OF PETER J KAUFMAN  
TO  
THE US SENATE COMMITTEE ON FOREIGN RELATIONS  
HEARING ON  
"LABOR IN BANGLADESH"  
WASHINGTON, DC  
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## **Senate Committee on Foreign Relations**

### **Labor in Bangladesh**

**June 6, 2013**

It is a great honor to be asked to make a statement regarding labor in Bangladesh. I would like to acknowledge the critical importance of this Committee and this hearing. Two catastrophic events in Bangladesh over the last several months have focused world-wide attention on egregious labor, safety and human rights violations that exist in Bangladesh today. First, the terrible fire in November that killed almost 200 people and then the recent building collapse that killed upwards of 1100 people and both disasters occurred in garment factories. Since then, there has been intense media scrutiny of Bangladeshi labor as well as uproar and protests from numerous human rights groups and the public at large. Therefore, the Committee's focus on "Labor in Bangladesh" could not be more urgent and timely.

As an observer of labor and the industrialization of Bangladesh in the fashion industry for some 30 years, I have witnessed notable progress in terms of growth and development. Yet Bangladesh is unique and can be frustrating. Despite progress in some sectors, Bangladesh remains an underdeveloped country. Per capita wages make it one of the poorest countries on earth.

### **Bangladesh**

The fashion industry is usually the first industry to invest in developing countries because it is an industry that requires minimal labor skills. I use the term "fashion industry" rather than exclusively the "garment industry" because the range of product is more inclusive: garments, home products such as bedding, decorative pillows, handbags, jewelry, shoes, hosiery and other accessories. Especially in the case of accessories, hand work is often required. Post World War II Japan was considered a developing country. US consumers in the 1950's and 1960's were flooded with imports with a "Made in Japan" label. Hard goods gradually replaced soft goods as Japan became a more sophisticated manufacturing country. As countries progress in this manner, labor becomes prohibitively expensive and the cost of fashion items is no longer competitive. In addition, since hard goods have a higher price tag so their manufacturing is encouraged. This helped Japan's trade deficits and increased their GDP. Therefore, the fashion industry moved in to countries such as South Korea, Taiwan, Hong Kong, the Philippines, etc. These countries were ripe for development. Today, "Made in China" is on almost every type of product. This is largely due to two factors: our "free market" environment and China's remarkable success story of industrialization. Observing these trends over many years, Bangladesh has not accelerated at the same rate as the other countries mentioned here. Indeed, it has unusual burdens that keep it back from more rapid growth. Unemployment is already rampant. Only by virtue of trade legislation does a very poor country like Bangladesh have the ability to compete in the global economy in many product

categories. For instance, if the EU decides to eliminate tariff relief in the garment sector along with US sanctions in other categories, the entire Bangladeshi economy could be in chaos.

In order for a developing country to attract investment it must have: a) political stability b) a reliable infrastructure that includes roads, reliable shipping via sea and air, and c) a motivated and reliable labor force. When I first visited the country in the early 1980's, Bangladesh had only c) a reliable labor force. Doing business there was out of the question. The factories that did exist had appalling working conditions. Excluded were the most basic amenities such as proper lighting, sanitation, and safe housing. The Port of Chittagong, nearest to the capital city of Dhaka, was primitive. In fact, it was famously unreliable due to the fairly regular sinking of cargo ships as a result of typhoons and other natural disasters. Not only was the quality of the merchandise unreliable, there was also a lack of on-time delivery. Additionally, the lead times for manufacturing were excessively long - often more than 6 months - because basic materials such as fabrics, findings, and thread, had to be imported from South Korea or Taiwan. It is a tribute to the great spirit and work ethic of the Bangladeshi people that some progress has been achieved.

Today, 30 years later, Bangladesh remains basically an agricultural country. Men still work primarily in the fields. Women often work in the factories. Thus women are most vulnerable to the vicissitudes of working in factories with substandard conditions. Yet significant progress has been made in some areas. After 30 years, Bangladesh still lags behind in heavy and medium-level industries while other countries in central and east Asia are key players in the automobile industry. Although infrastructure has improved significantly in some areas, other areas of the country still lack reliable power, telecommunication, transportation, water and gas. Continuing governmental instability coupled with an entrenched bureaucracy puts additional burden on the existing manufacturers and inhibits investment. Due to its long colonial rule, economic discrimination and government nationalization of this industry, growth has been slow. While we can place much of the blame on these economic and geopolitical factors, the fact remains that too many factories have existed in the same conditions for the last 30 years. Indeed a very large percentage the employees working in fashion products still have no expectation of safety, hygiene, fair pay and human rights.

On the positive side new, state-of-the-art factories have been built including some in heavy industries. These private enterprises are making a remarkable contribution to the national economy. In the garment business, for instance, I visited vertical sweater and knitwear facilities. Yet historically Bangladesh had only specialized in woven fabrics. These factories met every international standard of safety, fair wages and human rights. Today, the combined tally of the so-called "ready-made garments" along with the entire textile sector not only make an enormous contribution to this country's GDP, it is also, by far, its largest export.

## Beyond Bangladesh

In September, just prior to the November fire in Bangladesh, there was another catastrophic incident. The New York Times reported that "Fire ravaged a textile factory complex in the commercial hub of Karachi early Wednesday, killing almost 300 workers trapped behind locked doors and raising questions about the woeful lack of regulation in a vital sector of Pakistan's faltering economy. It was Pakistan's worst industrial accident, officials said, and it came just hours after *another* fire, at a shoe factory... had killed at least 25." The Times goes on to report: "every exit but one had been locked... and the windows were mostly barred. In desperation, some flung themselves from the top floors of the four-story building, sustaining serious injuries or worse, witnesses said. But many others failed to make it that far, trapped by an inferno that advanced mercilessly through a building that officials later described as a death trap." Indeed, the Pakistan Institute of Labor Education and Research, a labor rights group, said that "151 workers died in similar accidents in 2011." According to the Institute: "The state was partly responsible for the deaths... because its civil servants silently and criminally allow violation of laws and regulations established to ensure health and safety provisions at work." There are striking parallels to Bangladesh. While I applaud the Committee's focus on Bangladesh in these hearings, I respectfully point out that sweatshops such as these, often equally dangerous, exist all over the world. I have personally been witness to horrific examples in Africa, in China, Guam, Central America, and Indonesia to name a few. Even in the United States there have existed clandestine factories in Queens, Brooklyn, and Long Island, not to mention in border towns from Texas through Southern California.

Labor Behind the Label, a human rights organization, reported about the incident in Pakistan: "the fire follows a pattern of negligence occurring *not just in Pakistan but throughout the garment industry. Brand and retailers* must therefore take more action to address the root causes of such disasters"

## A Culture of Cheap Leads to Greed

The culture of "cheap" in the United States (and elsewhere) takes a terrible toll on human beings at the other end. As consumers, we are offered the "\$ 17" dress - at full price - in trendy stores. As retailers, brands and importers squeeze for higher profits, their "sourcing executives" that place the orders on the ground must squeeze at the other end. A result of this is subcontracting, which occurs despite official contracts and "Letters of Credit" specifically prohibiting it. At the local factory level, owners and management also press for profitability. When the retail price becomes impossibly cheap while the cost of labor and materials remain the same, someone must pay the price. Those at the lowest end of the food chain are the ones who pay. The factory laborers are forced to endure horrendous conditions. Since there is already rampant unemployment in many of these countries, workers have no choice but to work in horrendous conditions for \$50 a month. While it is true that some retailers and brands did have direct knowledge of factory conditions, the reality is that "subcontracting" or "outsourcing" can and does occur everywhere in the world.

As we examine the supply chain, from consumer to laborer, there is yet another human factor beyond mere profitability: greed. Surely this is a motivating factor when factory managers and supervisors block fire escapes due to overcrowded conditions. Surely this must be a motivation when fire extinguishers are intentionally removed or misplaced. Loading far too many sewing machines into electrical outlets

incapable of handling them is yet another example. Imposing long working hours in order to maintain profits is another example. It is also well documented that factory supervisors will beat their employees into working "harder" and "better." Surely there exists a "culture" in Bangladesh that allows such horrific violations to perpetuate. It is not only appalling and inhumane but illegal.

### Summation

Internationally, garment production on behalf of US companies in factories with exploitative policies and hazardous working conditions has fueled anti-Western sentiment. Recent Islamist riots in Bangladesh have added to the country's striking death toll and increased pressure on its endangered fashion industry. Given that a large percentage of fashion industry manufacturing world-wide is located in the Muslim world, Islamist radicals use these catastrophic incidents as propaganda tools undermining public opinion of the West, but also potentially undermining the stability of already faltering regimes. By demanding ethical, humane garment production we can better the U.S. fashion industry's reputation and prevent some of the violence and instability that hinders workers from making a proper livelihood.

I know that this committee will be considering powerful and well-intentioned efforts to improve factory conditions for laborers in Bangladesh. One approach could be along the lines of threatening with removing tariff relief if conditions are not improved "soon enough." But this is *not* the correct approach. If such legislation is imposed, Bangladesh will no longer be competitive in various product categories. If this should pass, I do entirely agree that industrialists, factory owners, management and supervisors will be punished. Some terrible factories will finally close. However, along with them, many good factories that already observe human rights and international guide lines will close as well. Additionally, there is US pressure on the EU to remove tariff relief in the garment sector. The ripple effect of such legislation is that it will most profoundly affect the tens of thousands of innocent laborers who are already victimized. Surely, it is preferable that workers can have a choice whether or not to work under current conditions and in improving conditions rather than joining the millions who are already unemployed. I believe that there is an alternative strategy: Allowing *retailers, brands and manufacturers* to take responsibility for business on the ground. Without orders, there is no business and therefore there can be no factories. Collectively, they should take responsibility for improving conditions, enforcing international labor standards and as well as working in tandem with local representatives to address safety issues in every country they source from.

I see that significant progress is already in work. There are too many to list. For instance, Phillips-Van Heusen recently announced that they had signed an important agreement: "the Clean Clothes Campaign (CCC) together with Bangladeshi and international human rights organizations worked with PVH (owner of Tommy Hilfiger and Calvin Klein) concerning Bangladesh, whose industry has suffered from a spate of... fires involving brands such as H&M, Zara and GAP. The agreement provides for independent inspections, training, and worker's committees on health and safety issues." Indeed there are all kinds of announcements by a variety of retailers and brands who are investing to improve the infrastructure in Bangladesh. Both Wal-Mart Stores and Gap Inc. are meeting with "industry associations and the Bipartisan Policy Center to develop a plan to improve fire and safety regulation in Bangladesh factories." However, no one yet has ever brought *all* these important retailers, brands and manufactures to the table to collectively use their enormous buying power to change conditions on the ground. Inspired by

recent experiences I had at the United Nations including such initiatives as Fashion4Development, Every Woman Every Child and the Millennium Development Goals (MDG's), I founded a non-profit called Fair Fashion™. The primary directive of Fair Fashion™ is to bring industry to the table - for the first time - to collectively use its buying power to improve conditions on the ground. If orders en masse are withheld, conditions will change. We suggest a symposium in the very near future to address this very issue. Eventually a consortium or coalition would be formed consisting of the most important retailers, brands and manufacturers to address such issues as working conditions on the ground in addition to strategizing how to help developing countries create sustainable factories for the future. This process would be ongoing.

I truly believe that harnessing the collective buying power of the most important retailers, brands and manufacturers will not only make the necessary changes but will also enable the people of Bangladesh to stay employed during this period of transition. An agreement has been signed in the EU spearheaded by H&M that includes all their major retailer and brands. Thus far most US companies have refused to sign on fearing liability. The symposium will enable their US counterparts to draft something analogous, but in language that is more practical. Using the EU agreement as a pro forma, their American counterparts will put their enormous collective buying power behind this agreement. The effect will have not only immediate change, but the right kind of change in the future.

Finally, once again, I would respectfully like to point out to the Committee that Bangladesh is not alone. The September fire in Pakistan that occurred just preceding the two disasters in Bangladesh is only one of many such incidents that occur far too frequently. Perhaps the only difference is that these occur "under the radar." This problem is not just about Bangladesh. Indeed, sweatshops exist in many countries throughout the world. This is a global problem and should be addressed as such and as soon as possible.

I would like to thank the Committee again for allowing me to submit this statement and my point of view as part of the official record.