

NEWS AND ANALYSIS

The Supply Chain Tangle

Leading brands are scrambling to ensure their global supply chains do not go through Xinjiang — but it's harder than it sounds.

BY KATRINA NORTHROP — AUGUST 2, 2020



Uighur women work in a cloth factory in Hotan county, Xinjiang province, China.

Credit: Azamat Imanaliyev, Shutterstock

Last March, the [Australian Strategic Policy Institute](#) (ASPI), a prominent think tank, released a [report](#) documenting the Chinese government's effort to force the Uighur population and other ethnic minorities to work against their will in factories across the country. Separated from their families, confined to factory compounds and under round-the-clock surveillance, the predominantly Muslim workers were compelled, according to the report, to produce goods for dozens of international brands, such as Apple, Nike, Patagonia and Ralph Lauren.

Human rights groups and labor rights advocates quickly condemned the alleged abuses. And in July, the Trump administration said that it would impose economic [sanctions on 11 Chinese companies](#) linked to human rights abuses and forced labor practices involving the Uighurs. Last Friday, the [U.S. government imposed an additional set of sanctions](#), targeting Chinese officials with oversight of the programs and the [Xinjiang Production and Construction Corps](#) (XPCC), a quasi-military state-run group, for managing some of the operations.

Now, some of the world's leading brands are scrambling to ensure their global supply chains do not rely on forced labor or source goods from manufacturers that landed on the U.S. government's blacklist.

"The issue of forced labor in Xinjiang implicates a number of global supply chains and given that most global companies have strong policies against forced labor, they are at risk of violating those," says [Amy K. Lehr](#), director of the Human Rights Initiative at the [Center for Strategic and International Studies](#) (CSIS).


But workers' rights experts say that trying to monitor and review complex global supply chains with operations in China won't be easy, particularly at a time when the country

remains partially closed off to much of the world, because of travel restrictions linked to Covid-19.

Much of the [scrutiny is focused on Xinjiang](#), a vast territory in the country's far northwest with a large population of ethnic Uighurs and Muslims. Though China's biggest manufacturing complexes are clustered near large population centers in the country's east and central regions, Xinjiang is a critical link for the global apparel industry, supplying the raw material needed to produce as much as one in five of the world's cotton garments, according to industry experts.

The region also has large petrochemical operations, and it grows about 70 percent of the country's tomatoes, some of which are used to make ketchup and tomato paste for global food brands like Kraft Heinz, Nestle and Unilever. One of the suppliers for those multinational firms is Xinjiang-based Cofco Tunhe, a division of the huge, state-owned food conglomerate Cofco, according to a spokesman.

Ensuring that the global supply chain is free of goods or workers from the region will be difficult. Experts say global supply chains are so complex today — often involving dozens of contractors, subcontractors and sourcing operations throughout the world — that identifying the path of a single product, from raw material and manufacturing to testing and assembly, is a challenge even for deep-pocketed multinational corporations.

For instance, Apple's [200 largest suppliers](#)  operate more than 1,050 manufacturing facilities around the world, primarily in China, according to the company's most recent supplier [list](#) . And the retailing giant Target, based in Minneapolis, Minn., has an even more extensive supply chain. Its [global factory list](#)  includes more than 3,600 facilities, predominantly in China.

Experts say tracing the production of garments linked to Xinjiang, one of the world's biggest producers of cotton, is particularly difficult. "Supply chains are long and opaque, and the journey from field to shelf involves cotton gins, mills, weaving or knitting, dyeing and finishing... all steps that may take place in different parts of China or in different countries," says Leonie Barrie, apparel analyst at [GlobalData](#).

But the pressure is mounting. Last week, more than 200 human rights and Uighur rights organizations came together to call for an overhaul in the cotton industry. The coalition called on global apparel companies to stop sourcing from factories within Xinjiang and also factories outside of Xinjiang that receive Chinese government subsidies to employ Uighur workers who are part of the forced labor program.

"The Uighurs cannot wait," says [Johnson Yeung](#), who works for the Clean Clothes Campaign in Hong Kong, which is a member of the coalition. "This has been the largest human rights violation that targets ethnic minorities since the Second World War."

The [Better Cotton Initiative](#) (BCI), a non-profit organization that certifies cotton globally, based on labor and environmental practices, says that it will cease its certification of cotton from Xinjiang next year because "the operating environment prevents credible assurance and licensing from being executed," according to a spokesperson.

The Wire contacted some of the global brands listed in the ASPI study on forced labor, but few agreed to discuss the situation or offer details about their efforts to monitor their suppliers. Nike, which has a shoe supplier in the city of Qingdao, in east China's Shandong Province, said the factory no longer employs Uighur workers. (The ASPI report claims it had 600 forced Uighur laborers at one time.)

An Apple spokesperson told *The Wire* that the company had recently conducted an audit and "found no evidence of any forced labor on Apple production lines and we plan to continue monitoring." The ASPI report said that several Apple suppliers, including Foxconn and

Nanchang O-Film Tech had employed Uighur workers who were transferred from Xinjiang to Apple suppliers in other parts of the country.

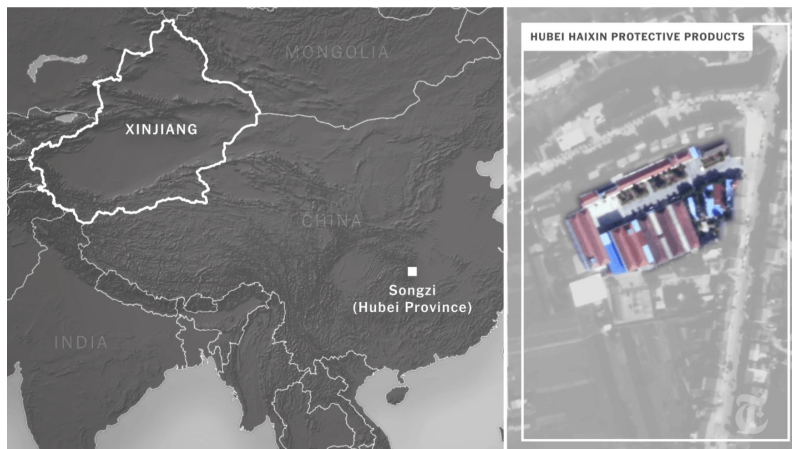
Adidas, which experts regard as vigilant on human rights issues, says the company has never sourced goods from Xinjiang. A spokesperson told *The Wire*, “We explicitly instructed our suppliers not to source any yarn from the Xinjiang region.”

Labor rights groups are skeptical that global firms can ensure their suppliers are free of forced labor in Xinjiang. Global companies routinely conduct on-site labor audits, often through a third party auditing firm. But China’s restrictive policies and extensive system of surveillance in Xinjiang makes that virtually impossible, some analysts say.

“If you take a Uighur worker off-site to do an interview, which is routine in most human rights due diligence inspections, the Uighur worker is under so many levels of surveillance and they fear being sent to a detention camp,” says [Vicky Xiuzhong Xu](#), the lead author of the ASPI report. “So there is very little chance they will be able to tell you the truth.”

The Chinese government’s effort, analysts say, is part of a “re-education” program that aims to assimilate the minority Uighur population, along with other smaller Muslim groups, through surveillance, forced sterilization and labor, as well as a [system of mass-detention](#), which experts estimate has in recent years detained more than a million Xinjiang residents.

The problem isn’t confined to factories that operate in Xinjiang. The Chinese government has also been [forcibly transporting Uighur and other Muslim workers to factories in other parts of the country](#), and paying subsidies to factories that employ and house the Uighur workers, according to ASPI.



A recent *New York Times* [visual investigation](#) uncovered Chinese companies using Uighur labor to produce personal protective equipment.

Credit: NYT screenshot

More than 80,000 Uighur workers, [ASPI reports](#), have been forcibly transferred to work in operations that supply global apparel brands, such as Gap and Lacoste, as well as contractor manufacturers for technology brands, like Apple and Panasonic. A recent [visual investigation in *The New York Times*](#) traced medical masks and other personal protective equipment, or PPE, shipped to the U.S. back to Chinese government-sponsored forced labor operations involving Uighurs.

“Whatever companies have been doing in terms of due diligence in China, they need to do more — they need to redouble their efforts,” says [James A. Millward](#), a history professor at Georgetown and expert on the Xinjiang region.

The U.S. has stepped up its criticism of China’s policies with calls for more action. Though it is illegal for American companies to import goods produced by forced labor, legislation entitled the [Uighur Forced Labor Prevention Act](#) — proposed in March by Senator Marco

Rubio, Republican of Florida, and Representative Jim McGovern, Democrat of Massachusetts — would require companies to prove with “clear and convincing evidence” that products sourced from Xinjiang and imported to the United States are not made with forced labor.

One of the companies targeted by the U.S. sanctions this summer is the [Esquel Group](#), a Hong Kong-based textile manufacturer with cotton mills in Xinjiang and, up until April had a joint venture cotton farm in the region with XPCC. The company, which supplies Calvin Klein, J. Crew and Patagonia, released a statement saying: “All our employees, including any minority groups such as Uighurs, were not coerced to join us... We are proud of our work in Xinjiang.”

The Chinese government has invested a massive amount of money over the past decade to transform Xinjiang into an economic powerhouse. The government has been trying to tap into the region’s rich natural resources and attract Chinese and international manufacturers to move to the region. Recent calls to boycott Xinjiang-made goods, however, throw that development into question.

Ultimately, advocates argue, the onus is on the company to know the building blocks of their own products.

“It is difficult for big companies to understand exactly where their parts are coming from,” says Xu, author of the ASPI report. “But if BMW was having accidents because of faulty car parts, they would go all the way down their supply chain to figure out what went wrong. They’re not doing the same thing for human rights concerns. So it’s still a matter of the companies not caring enough about this issue.”



Katrina Northrop is a journalist based in New York. Her work has been published in *The New York Times*, *The Atlantic*, *The Providence Journal*, and *SupChina*. [@NorthropKatrina](#)

COVER STORY



Pole Position

BY EYCK FREYMAN

In public, Chinese diplomats and climate negotiators deny that they see any link between climate change and geopolitics. But there is a deeply cynical consensus within China’s academic and policy communities that climate change creates geopolitical opportunities that China can exploit — and must exploit before its rivals do. Greenland was the proof of concept for this strategy. And it caught the U.S. flat-footed.

THE BIG PICTURE



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BY GARRETT O'BRIEN

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Q & A



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BY ANDREW PEAPLE

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