



Xinjiang Confidential: What Auditor Exodus Means for Apparel Sourcing

By *Jasmin Malik Chua*



Roughly one in five cotton garments sold globally contains fiber or yarn sourced from the Xinjiang region. CREDIT: Imaginechina via AP Images

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A number of supply-chain auditing firms say they will no longer conduct inspections in the [Xinjiang](#) Uyghur Autonomous Region (XUAR) of northwestern China, where state-sponsored efforts to coerce and assimilate predominantly Muslim ethnic minorities have rekindled questions about the limits of [corporate self-regulation](#) and business-driven social compliance initiatives, particularly in hostile environments ruled by fear.

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The Wall Street Journal reported Monday that Bureau Veritas in France, TÜV SÜD of Germany and Worldwide Responsible Accredited Production ([WRAP](#)) in the United States, which previously performed or participated in labor audits in Xinjiang, will be withdrawing from the region. Italy's RINA, Social Compliance Services Asia in Hong Kong and U.S.-based Accordia Global Compliance Group and Sumerra also confirmed that their operations will not extend into Xinjiang.

“Normal social compliance audits cannot be conducted in the XUAR due to restrictions on the movement of third-party auditors, including restrictions that prevent the necessary amount of access to factories required for auditors to conduct a satisfactory review,” Seth Lennon, communications manager at WRAP, told Sourcing Journal. “As a result, WRAP is not presently performing audits in the XUAR.”

Suspending audits, while “not desirable,” Lennon said, was necessary to preserve its auditors’ safety and “unfettered access” to the facilities being inspected. “WRAP supports government-to-government communication to address labor and transparency concerns in the XUAR and we welcome the opportunity to resume social compliance monitoring there when conditions allow the performance of audits according to WRAP standards,” he added.

News of the development—which came just as the U.S. House of Representatives overwhelmingly approved of the [Uyghur Forced Labor Prevention Act](#) on Tuesday, paving the way for a Senate vote—was sudden, but not wholly unexpected.

Human-rights groups have argued for some time that Xinjiang’s repressive police-state climate has made it impossible to conduct human-rights due diligence. A business advisory issued by the U.S. Departments of State, Treasury, Commerce and Homeland Security in July warned of auditors who were reportedly detained, harassed, threatened or stopped at the airport, subjected to constant surveillance, or required to employ a government translator who “conveys misinformation or does not speak [the] workers’ first language.”

Third-party audits alone, the report noted, may not be a sufficient or credible source of information for uncovering labor abuses, since auditor interviews with workers “cannot be relied upon given the pervasive surveillance and evidence of workers’ fear of sharing accurate information.”

The Fair Labour Association, whose multi-stakeholder membership includes brands such as Adidas, Hanesbrands, Lululemon and Nike, posted an advisory in January cautioning that “due diligence auditing” is not possible in Xinjiang because neither workers nor auditors can communicate freely about working conditions without fear of political reprisal.

In many cases, industry audits in Xinjiang don’t illuminate labor conditions but rather hide them, Scott Nova, executive director of Washington, D.C.’s Worker Rights Consortium, told Sourcing Journal.

“Because the climate of terror makes candid worker interviews impossible, audits in the region are useless as a mechanism for due diligence,” he said. “They can’t be used to verify that workers’ labor is voluntary. Under these circumstances, the sole purpose audits can serve is to enable suppliers and brands to create the false appearance of due diligence.”

In late 2018, WRAP performed a “full on-site [audit](#)” of [Hetian Taida Apparel Co.](#), a clothing manufacturer from Xinjiang, after media reports alleged it was using forced Uyghur labor from one of the region’s hundreds of internment camps. “Based on the findings of this investigation, we have concluded that this facility is not engaged in the use of [forced labor](#),” WRAP said at the time.

The following October, U.S. Customs and Border Protection (CBP) issued a [Withhold Release Order](#) on a shipment of the manufacturer's baby sleepers, [destined for Costco](#), because it received evidence that the products had been illegally manufactured, in whole or in part, using modern slavery. More damningly, the Department of Commerce's Bureau of Industry and Security (BIS) added Hetian Taida to a [so-called "entity list"](#) this past July, prohibiting the company from purchasing American technology and products without a special license and implicating it in human-rights abuses against Uyghurs.

Similarly, Bureau Veritas audited a Xinjiang-based facility run by [Yili Zhuowan Garment Manufacturing Co.](#), clearing it of any involvement in forced labor and persuading at least one major apparel brand to continue its sourcing relationship despite reports of items, including gloves for Lacoste, being produced at an internment camp, according to Nova. On Sept. 14, the CBP blocked imports of products made by Yili Zhuowan after finding indicators of forced labor such as restriction of movement, intimidation, wage theft and "abusive working and living conditions."

The auditing system faced another setback when BIS sanctioned Huafu Fashion Co., a leading yarn manufacturer that operates a mill in Aksu, in May, citing "human rights violations and abuses in the XUAR." The Better Cotton Initiative, a certifier of more sustainable cotton that counted Huafu as a member of its council before scrubbing the company from its website, previously claimed that an independent investigation had failed to identify any instances of forced labor at the facility.

It's for these reasons and more that watchdogs like Nova have been urging factory certification bodies, "as a matter of professional ethics, moral responsibility and legal compliance," not to perform factory audits in Xinjiang.

"All of these factories have been exposed by independent investigators as using forced labor, yet industry auditors gave all of them a clean bill of health," Nova said. "Firms doing audits in the XUAR aren't truth tellers uncovering and exposing forced labor; they are enablers, facilitating its continuation."

But not everyone sees the withdrawal of audits from Xinjiang as a positive move.

"We are deeply concerned about the recent announcement of several organizations halting auditors' work in Xinjiang," Jonathan Gold, vice president of supply chain and customs policy at the National Retail Federation (NRF), a Washington, D.C.-based retail trade association, told Sourcing Journal. "The elimination of this crucial step in the supply-chain process will undoubtedly make it more difficult for retailers to continue to try to address the issues in Xinjiang. Auditors are a key component to a retailer's due diligence strategy."

Other trade groups are similarly wary of what legislative action could mean for supply chains with links to Xinjiang. In a joint statement, NRF, along with the United States Fashion Industry Association, the American Apparel and Footwear Association, and the Retail Industry Leaders Association, expressed concern over how passage of the Uyghur Forced Labor Prevention Act could impact sourcing activities, and human rights, in the Chinese region.

"We share the goals of the legislation—to end forced labor and the larger campaign of oppression it is fueling—yet we fear this bill will not help us get closer to that end goal," the groups wrote. "Instead, the legislation would establish a 'guilty until proven innocent' blanket standard, directly contradicting U.S. jurisprudence and due process, branding anything and everything associated with XUAR as made with forced labor. Such an approach would do further harm to human rights, economic development, legitimate supply chains, and will jeopardize the livelihoods of millions of workers worldwide without specifically addressing human rights concerns."

Legislation aside, some nonprofits applaud change on the supply-chain auditing front. While audits were designed as a means of oversight in a frequently opaque supply chain, labor groups such as the Clean Clothes Campaign say that “corporate-controlled, for-profit auditing firms whose priority is mitigating reputation risk” have provided little more than a “fig leaf” that protects brands and fails workers.

The system, as it stands, they say, allows brands to remain at a certain remove that amounts to a kind of benign neglect at best and “willful blindness” at worst. “Far from being an effective tool to detect, report and remediate violations, corporate-controlled audits often actively aggravate risks for workers by providing misleading assurances of workers’ safety and undermine efforts to truly improve labor conditions,” the group wrote in a 2019 report.

Peter Irwin, senior program officer for advocacy and communications at the Uyghur Human Rights Project, a Washington, D.C., think tank, says that any claims that withdrawing audits could end up promoting abuses in Xinjiang are unwarranted.

“This might be a concern if the auditing firms were able to do their job effectively, but at the moment they simply can’t, given that the workers themselves are unable to speak freely about labor conditions,” he told Sourcing Journal. “If auditors did their job effectively and found that forced labor and other abuses were rife within factories, it could very well put Uyghurs who speak to them at risk of punishment for complaining about human-rights conditions.”

If more auditors refuse to certify factories, global brands will feel even more pressure to “make sure they have nothing to do with cotton sourced from the Uyghur region,” he added, before asking:

“What does it say to these brands that their own auditors find it impossible to determine if forced labor exists in their supply chains?”

For Adrian Zenz, a German researcher who has been studying the Uyghur crisis, audits may even drive abuses deeper underground, “causing the regime to try to conceal them better.” The decision for audit withdrawals should be “based on the ability of an audit to produce objective facts, and not primarily on what the absence of auditing would maybe do to workers, which is in any case inherently speculative,” he said. “The presence of audits would legitimize the actions of an abusive regime, and is hence entirely inappropriate.”

Labor groups say that it’s not enough for auditing firms to pull out of Xinjiang. The problem is systemic and all businesses need to divest from the XUAR or else be complicit in what some have described as a “cultural genocide.” Facing mounting pressure, Western retailers such as [Patagonia](#), [H&M](#) and PVH Corp., which owns Calvin Klein and Tommy Hilfiger, have announced an end to all relationships to suppliers who have any business links with Xinjiang. Others have denied working with any companies in the region, sometimes presenting their own codes of conduct or audit reports as evidence of their compliance. Still, activists say that “virtually” the entire apparel industry is tainted with forced Uyghur labor, since roughly [one in five cotton garments](#) sold globally contains fiber or yarn sourced from the XUAR.

“Any company that claims otherwise assumes that business as usual is possible, when it is not,” said Chloe Cranston, business and human rights manager at Anti-Slavery International, an organization headquartered in the United Kingdom. “Businesses must urgently meet the [call of the global Uyghur community](#), which understands the abuses on the ground, to urgently exit the Uyghur region for all activities.”

A reckoning may already be on its way.

According to data from the U.S. Department of Commerce's Office of Textiles and Apparel, the value of U.S. cotton apparel imports from China between January and July dropped 55 percent from a year ago, higher than the 31 percent decline in U.S. imports from the rest of the world. As a result, China's market share in the U.S. cotton apparel imports market declined from 22 percent in 2019 to 14.8 percent in the first half of 2020, a 10-year "record low," said Sheng Lu, associate professor of fashion and apparel studies at the University of Delaware.

"This unusual trade pattern suggests that the concerns about social compliance risk are holding U.S. fashion companies back from sourcing cotton apparel products from China," he told Sourcing Journal.

"As the forced labor issue continues to evolve and become ever more sensitive and high profile, it is not unlikely that U.S. fashion companies may substantially cut their China sourcing further, even if it is not a preferred choice economically."

Still, with the Uyghur Forced Labor Prevention Act one step closer to law, the decision may be taken out of companies' hands by creating a "rebuttable presumption" about forced labor in Xinjiang that will stand as fact unless proven otherwise. Any corporation seeking to import goods (including clothing and electronic products) from Xinjiang will have to provide "clear and convincing" evidence to the CBP that they are free of forced labor.

"Companies are now on notice," Omer Kanat, executive director of the Uyghur Human Rights Project, said in a statement. "Americans do not want to be complicit in buying products made by Uyghurs locked in Chinese forced-labor factories. UHRP warmly thanks the House of Representatives for responding with a resounding vote to pass this bill."

Uyghurs across the globe should "take hope from this vote," he added. "The Senate must also act, and all governments must enact measures to counter the Chinese government's mass atrocities, committed on a scale not seen since World War II."

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