

## Stitched up: the human cost of cheap clothing

**The search for cheap labour is leading suppliers to move factories to China, threatening the social stability of other Third World countries. Kathy Marks reports from Jakarta**

**27 July 2004**

For seven years, Warmi toiled 14 hours a day in a Jakarta factory, stitching backpacks for Adidas, Jansport and other famous brands. She earned a million rupiah (£60) a month, scraping a living for herself, her three children and her elderly parents. It was hard work but, in a country with 20 million unemployed, she was happy to have a job.

Now the 26-year-old faces a bleak future. The plant, owned by a Korean company, Dae Joo Corporation, is about to shut down. Production of the high-fashion backpacks destined for affluent consumers in the United States is being shifted to China. A total of 1,100 staff, mostly women, will be out of work. In Indonesia, there is no unemployment benefit.

The fate of Dae Joo's workers is mirrored across the Third World, where factories are closing as textile firms fight to compete with China's ultra-modern, low-wage industry.

For millions of workers in the world's poorest countries, everything is about to get worse. Developing nations are on the verge of an industrial revolution for which they are woefully ill-prepared. In five months, a 30-year-old regime of import quotas will disappear, leaving the global garment industry dominated by China. In Indonesia, and Bangladesh, one million jobs are expected to disappear, with devastating implications for social stability.

The aim of the 1974 Multi-Fibre Arrangement was to protect textile industries in Europe and the US against cheap imports. But one sideeffect was that global retailers were forced to source goods in many places, thus creating manufacturing bases all over the Third World. Now retailers will be able to buy as much as they want from any country, and China looks unbeatable. Its exports of bras to the US, for instance, doubled as soon as quota restrictions were lifted.

Aid agencies such as Oxfam believe the end of quotas will herald an era of fairer trade. The price of clothes will certainly tumble. But others, such as the International Textile, Garment and Leather Workers' Federation, fear the changes will be disastrous. "The industry is already in turmoil, and the vast majority of jobs are going to China," said Neil Kearney, the federation's general secretary. "China has the capacity to clothe virtually the whole world at the present time. Its textile industry is like a tap that is about to be turned on to full strength."

Employees of Dae Joo, based on an industrial state near Jakarta's port, have been dealt a particularly cruel blow. For many years, they endured the sweatshop conditions typical of the industry, including subsistence wages, forced overtime and a dangerous working environment. Last year their lives were transformed following an investigation by the Workers Rights Consortium (WRC), based in Washington DC, which monitors goods branded with the logos of American universities. The WRC found that Dae Joo was not even complying with Indonesian law. It agreed to make major changes and the factory became a model workplace, of a standard rare in the Third World.

But it was not long afterwards that rumours of a closure began to circulate. Dae Joo, which has a plant in Qingdao, China, confirmed the move on 1 July after denying it for months. Now the workers face destitution. Hundreds of Indonesian clothing factories have closed in the past two years. "I don't know how we will live," said Kustiati, 27. "I have a big family to support."

The company has been lambasted by anti-sweatshop campaigners who accuse it of running away from the cost of implementing decent working conditions. Its two main customers - the sportswear giant Adidas and Jansport, which makes the biggest-selling backpacks in the US - have also come under the spotlight.

Both brands have codes of conduct for their suppliers, aimed at avoiding the scandals that have tarnished Nike in the past. Nike has faced allegations of using child labour and operating sweatshops in Asia, although it has said it is willing to improve conditions in its factories. Adidas and Jansport have tried to put pressure on Dae Joo, but to little effect. This week Adidas even severed business relations with the Korean company. But the closure is still going ahead.

"We feel abandoned by the buyers," said Marti, president of the local branch of the textile workers' union. "We worked very hard to make good products for them."

Scott Nova, the WRC's executive director, accused the two brands, which had already placed orders with Dae Joo's Qingdao factory, of dragging their feet. "If they had acted earlier, they might have convinced Dae Joo to change course," he said. "There was no urgency about their approach until the issue became a matter of substantial public scrutiny." Mr Nova said that the factory closure posed a strong challenge to the codes of conduct. "What does a big corporation do when a supplier makes a mockery of its code?" he asked.

Dae Joo insists that the move is motivated by purely commercial reasons. N Y Jung, its vice-president, said the Jakarta operation had been losing money for two years. He claimed Indonesia was no longer competitive, citing the time it took to ship raw materials from Korea and finished goods to the US.

Certainly, China offers Dae Joo a more congenial environment. For one thing, independent unions are banned. In Indonesia, Dae Joo refused to negotiate with unions and threatened union members with dismissal. Workers say they were once warned: "One more strike, and we will move all production to China." Conditions in China's clothing industry are bad. Wages are rock-bottom (about \$1 a day), forced overtime is widespread and the workforce is docile, thanks to an endless supply of migrant labourers who have quit the grinding poverty of rural China and live in crowded dormitories at the factories.

It is these factors, combined with hi-tech machinery and modern infrastructure, that make China so formidably competitive. When quotas vanish, it will dominate the £190bn global garment trade. The World Trade Organisation estimates that its share will leap to nearly 50 per cent by 2010, from 20 per cent now. Others predict that China will control 70 per cent, or even more. From 1 January, retailers such as Marks & Spencer, which sources from 70 countries, will be able to import unlimited amounts of goods from any one place. This will benefit efficient suppliers, namely China, and possibly also India and Pakistan. But it will be disastrous for 160 other nations that depend to varying degrees on the textile industry, particularly Bangladesh, Sri Lanka, Cambodia, Mexico, Nepal, Kenya and Indonesia.

Before the WRC investigation, employees at Dae Joo's Jakarta plant had to work up to 17 hours a day. If they complained, they were demoted or dismissed. One worker, Sukati, suffered a brain haemorrhage after colliding with a low-hanging board. Dae Joo refused to pay for an operation or specialist consultations, although she had to give up work.

Staff were rarely given protective masks, gloves or earplugs. They laboured in heat of up to 35C and were only allowed to visit the lavatory twice a day. Accidents and injuries were commonplace. Conditions in the cutting division, where the air was full of dangerous fibres, were particularly poor. One employee died of suspected tuberculosis in 2001, and up to 60 have been diagnosed with TB, according to their medical records. They include Kustiati, who never took time off because she needed the money. When she asked to be excused overtime, managers told her she was "irresponsible". She said: "They told me 'go somewhere else if you don't like your job'."

Unions are legal in Indonesia, but many factories use off-duty police or military to suppress strikes and demonstrations. At a nearby plant in Jakarta, security thugs held a knife to a union leader's throat during a strike. Dae Joo's staff said that they were scared of similar violence.

After the WRC's intervention, workers and their families received comprehensive health benefits for the first time. Unions were allowed to conduct collective bargaining. Safety equipment was supplied and forced overtime was reduced, if not eliminated.

"Life improved a lot," said Fransiskus Supiarso, a local labour rights activist. "The new conditions were very unusual for Indonesia. The workers were surprised. They never imagined they could enjoy such conditions."

Then suddenly the company said they were leaving. We believe they are abandoning the factory because they don't like the extra costs." Dae Joo is offering a severance package that it says compensates employees for the short notice. But Warmi and her workmates have refused to accept that the factory is shutting down. They are still going to work every day, although there are no orders to fill. They are also maintaining a 24-hour guard, fearing that the machinery is about to be shipped back to Korea.

Adidas says it took every possible step to persuade Dae Joo to act responsibly. Before carrying out its threat to end their business relationship, it had already suspended future orders. Adidas had also committed itself to placing further orders with the Jakarta factory through its licensee, Agron, were it to stay open.

It denies acting too late, saying the closure was confirmed by Dae Joo only last month. William Anderson, Adidas's head of social and environmental affairs in the Asia-Pacific region, said: "We have made our best

efforts and in as timely a fashion as we could, based on the information made available to us." But he admitted that, given Dae Joo's level of co-operation and response, he did not believe Adidas's actions had been "particularly effective".

Jansport, part of the giant VF Corporation - which also owns Wrangler and Lee Jeans as well as the outdoor clothing brands Nautica, Eastpak and North Face - has warned Dae Joo that it may cancel future production. By yesterday it had not yet followed through on that threat. The future looks gloomy for Dae Joo's Jakarta workforce and for garment workers all over the Third World. "All roads lead to China today," said Neil Kearney.

Adidas acknowledges the difficulty of enforcing its code in China, particularly in relation to forced overtime, the minimum wage and freedom of association. Scott Nova said: "The question of how companies reconcile their code of conduct requirements with the situation in China is one that has yet to receive a satisfactory answer from the industry."