

WRC Issue Brief: Inditex Linked to Companies Complicit in Uyghur Forced Labor

The Worker Rights Consortium (WRC) has identified commercial ties between Inditex, a Spanish multinational clothing company best known for its brand Zara,¹ and two leading Chinese yarn and textile manufacturers that are complicit in the unfolding Uyghur forced labor crisis. The two suppliers are Huaifu Fashion Co. Ltd. And Luthai Textile Co., Ltd. Both produce yarn and/or textiles used to manufacture clothing for Inditex.

Corporate Complicity in Uyghur Forced Labor

The Chinese government's brutal repression of Uyghur and other Turkic and Muslim-majority peoples is embroiling leading apparel brands and retailers, including Inditex, in a severe human rights crisis.

There are four, often intersecting ways that apparel brands and retailers are contributing to the Uyghur forced labor crisis:

- 1) Through commercial relationships with any production facilities located within the Uyghur Region making apparel or other cotton-based goods;
- 2) Through commercial relationships with companies based *outside* of the Uyghur Region that have subsidiaries or operations located in the Uyghur Region and that have accepted Chinese government subsidies and/or employed workers provided by the government, such as, but not limited to Huaifu Fashion and Luthai Textile;
- 3) Through commercial relationships with suppliers that have employed, at a workplace *outside* the Uyghur Region, workers from the Uyghur Region who were sent by the government;
- 4) Through business relationships with suppliers in China and globally that source inputs produced in the Uyghur Region, such as, but not limited to fabric, yarn, or cotton.

Inditex's Links to Uyghur Forced Labor

The WRC has recently uncovered evidence showing that Inditex sources material from Huaifu Fashion and Luthai Textile. The Chinese Institute of Public and Environmental Affairs' (IPE), which works with apparel corporations on sustainability issues, maintains a "Green Supply Chain Brand Map." The map contains real-time online data regarding the environmental performance of suppliers producing for brands, like Inditex, that participate in IPE's initiatives, and it shows the relationships between these brands and specific Chinese suppliers. The map identifies Huaifu Melange Yarn Co., Ltd., a subsidiary of Huaifu Fashion, and Luthai Textile Co., Ltd. as Inditex suppliers.²

According to IPE, this Brand Map is “A leadership initiative dedicated to showcasing brands' commitment to supply chain transparency and environmental management.”³ Notably, Inditex details its collaboration with IPE in its most recent Annual Report and directs readers to the IPE website containing the brand map.⁴

There is an apparent discrepancy between the information revealed in the IPE data and the public position Inditex has taken as to its relationship with Huaifu Fashion.

Huaifu Fashion Company, a Shenzhen-headquartered corporation whose Aksu mill is the world's largest manufacturer and supplier of dyed yarn, was exposed for using forced labor in an article by the *Wall Street Journal* (WSJ) in May 2019.⁵ The WSJ reported that a large Huaifu mill in Aksu runs its workers through a month-long government-sponsored job-training program. According to a report by the Center for Strategic and International Studies, Huaifu's mill in Aksu Industrial Park employs workers that have completed training programs intended to eradicate their “extremist thoughts.”⁶ Moreover, Adrian Zenz's analysis of official government documents and state media reveals that, in addition to recruiting and training Uyghur and other Turkic Muslim workers, Huaifu has benefitted from several forms of government subsidies in the Uyghur Region, including factory subsidies, employee social security subsidies, pre-employment training subsidies, new employment subsidies, mainland talent introduction subsidies, and shipping subsidies.⁷ And an investigative report by the ASPI states that Huaifu's Anhui facility is among the 15 factories in Anhui that received 2,048 Uyghur workers from Hotan Prefecture in between April 2017 and June 2018.⁸

Luthai Textile is another major Chinese yarn and fabric manufacturer that is heavily implicated in the Chinese government's forced labor program in the Uyghur Region. A 2018 Xinhua article traces the company's significant investment in Xinjiang to build a 230, 000 spindle cotton spinning project in Awati County, in Aksu prefecture, a county which has been dubbed “China Cotton City.”⁹ The article goes on to state that, at the time of writing, Xinjiang Luthai had recruited 1,154 people for employment, among which ethnic minority employees account for 80%. The article further states that, since 2018, Aksu's Human Resources and Social Security Bureau organized concentrated training in the textile and apparel industry for over 10,000 workers, promoting “the transformation of rural minority surplus labor into industrial workers.” The article concludes by stating that 60% of Xinjiang Luthai's employees are women, who were once housewives but have been turned away from the “stovetop” and are now “blue-collar workers.” Another article published in *Xinjiang Daily* in 2018 further discusses Luthai's participation in poverty alleviation efforts in Xinjiang, celebrating the company for sending over 200 “surplus laborers” to work.¹⁰ More recently, an investigation by NBC News found a Luthai 2017 press release on WeChat which describes how the company transported local minorities by bus to pick cotton and shows images of people working in the cotton field, a practice that Luthai claims creates a “strong atmosphere of national unity and family.”¹¹

The Only Responsible Path Forward for Inditex

By maintaining a commercial relationship with both Huaifu and Luthai, Inditex is directly contributing to the forced labor crisis in the Uyghur Region. The only way to cease its complicity in these abuses, which have been deemed crimes against humanity, is by committing to each of

the steps outlined in the Coalition to End Forced Labour in the Uyghur Region's Call to Action.¹² The commitments can be summarized as:

- Stop sourcing cotton, yarn, textiles, and finished products from the Uyghur Region. Since cotton and yarn from the region is used to make textiles and finished goods across China and in numerous other countries, this requires brands to direct all factories that supply them with textiles and finished goods not to use cotton or yarn from the Uyghur region.
- Cut ties with companies implicated in forced labor – those that have operations in the Uyghur region and have accepted government subsidies and/or government-supplied labor at these operations, including Huafu and Luthai.
- Prohibit any supplier factories located outside of the Uyghur Region from using Uyghurs or Turkic or Muslim workers supplied through the Chinese government's forced labor transfer scheme.

¹ With sales totaling \$31.6 billion in 2019 and a market value of \$79.3 billion, Inditex is the biggest fashion group globally. (See: Forbes 2020 Global 2000 List, <https://www.forbes.com/global2000/#4f46d25b335d>) In addition to its flagship store, Zara, Inditex owns Zara Home, Massimo Dutti, Bershka, Oysho, Pull and Bear, Stradivarius, Uterqüe, and Lefties. Inditex reports working with 1,985 suppliers and 8,155 factories worldwide, including 393 suppliers and 1,654 factories in China. (See: Inditex website, <https://www.inditex.com/en/about-us/inditex-around-the-world#country/CN>)

² "Green Supply Chain Map," Chinese Institute of Public and Environmental Affairs, accessed on November 3, 2020, <http://www.wen.ipe.org.cn/MapBrand/Brand.aspx?q=6>

³ "Map Explanation," Green Supply Chain Map, Chinese Institute of Public and Environmental Affairs, accessed on November 3, 2020, <http://www.wen.ipe.org.cn/MapBrand/Brand.aspx?q=6>

⁴ Annual Report 2019, Inditex, 151, 212, <https://www.inditex.com/documents/10279/645708/2019+Inditex+Annual+Report.pdf/25aa68e3-d7b2-bc1d-3dab-571c0b4a0151>

⁵ Eva Dou and Chao Deng, "Western Companies Get Tangled in China's Muslim Clampdown," *Wall Street Journal*, May 16, 2020, <https://www.wsj.com/articles/western-companies-get-tangled-in-chinas-muslim-clampdown-11558017472>

⁶ Amy Lehr and Mariefaye Bechrakis, Connecting the Dots in Xinjiang: Forced Labor, Forced Assimilation, and Western Supply Chains, Center for Strategic & International Studies, October 2019, https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/Lehr_ConnectingDotsXinjiang_interior_v3_FULL_WEB.pdf

⁷ Adrian Zenz, "Beyond the Camps: Beijing's Grand Scheme of Forced Labor, Poverty Alleviation and Social Control in Xinjiang," *Journal of Political Risk*, Vol. 7, No. 12, December 2019, <https://www.jpolrisk.com/beyond-the-camps-beijings-long-term-scheme-of-coercive-labor-poverty-alleviation-and-social-control-in-xinjiang/>

⁸ Vicky Xiuzhong Xu, Danielle Cave, James Leibold, Kelsey Munro, and Nathan Ruser, *Uyghurs for Sale: 'Re-education', Forced Labour and Surveillance beyond Xinjiang*, Australian Strategic Policy Institute, 1 March 2020, pp. 32, 38, <https://www.aspi.org.au/report/uyghurs-sale>.

⁹ '鲁泰棉业：带动南疆群众走出贫困的“领头雁”', *Xinhuanet*, November 28, 2018, http://www.xinhuanet.com/2018-11/28/c_1123779801.htm

¹⁰ "【访民情 惠民生 聚民心】扶贫增收精准到户 脱贫路上不落一人," *Xinjiang Daily*, October 2018, 2020, <http://news.ts.cn/system/2018/10/24/035428995.shtml>

¹¹ Aliza Nadi, Anna Schecter and Didi Martinez, "Major brands try to determine if cotton in their clothes is from Uyghur forced labor in China," *NBC News*, September 22, 2020, <https://www.nbcnews.com/news/china/major-brands-try-determine-if-cotton-their-clothes-uyghur-forced-n1240756>

¹² Coalition to End Forced Labour in the Uyghur Region, "Call to Action," <https://enduyghurforcedlabour.org/call-to-action/>