

Global retail giants and the Bangladesh factory fire

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The Bangladeshi garment factory fire that killed at least 112 workers on November 24 has given a glimpse into the murky and obscure relations between global retail giants such as Walmart and the thousands of unsafe sweatshops in Bangladesh and other poor countries that produce their products.

After the fire, Walmart immediately sought to distance itself from the Tahzreen Fashions factory, in the Ashulia industrial zone north of the capital Dhaka. After its Faded Glory brand was discovered in the burnt-out factory, Walmart blamed its supplier, saying the company was not authorised to produce at Tahzreen Fashions.

Documents found by the Bangladesh Centre for Worker Solidarity show that at least five of Walmart's suppliers sourced goods from the Tahzreen Fashions factory at some time this year. In a telephone interview this week with Bloomberg, Walmart spokesman Kevin Gardiner admitted that there was a "period in 2012 where the factory was active," though it was "de-authorised months before the fire."

Walmart and other transnational corporations are, of course, desperate to deny any responsibility, because a great deal is at stake. Entire corporate departments are devoted to "ethics", designed to protect each company's public relations image, head off potential legal action and ensure that profits do not suffer.

Walmart and Sears Holdings say they have now sacked the suppliers that used the Tahzreen Fashions factory. Dismissing individual suppliers or factories, however, simply means switching manufacture to other suppliers and plants that are likely to be just as unsafe.

According to the *Wall Street Journal*, Walmart sources garments worth more than \$1 billion a year in Bangladesh, where labour is cheaper than in other low-cost platforms such as China and Sri Lanka. When it comes to quality, supply times and cost, the retail giant rigorously polices every detail. When safety is the issue, Walmart establishes guidelines and conducts occasional factory audits, but insists that it is the responsibility of suppliers to use approved factories.

In reality, manufacturers in Bangladesh, operating on tight profit margins and deadlines, often cut corners—farming out work to other factories and slashing costs, including on safety. One garment manufacturer told Reuters sub-contracting was "a very common practice". He explained: "Walmart goes to the lowest bidder, so manufacturers have to work on high volumes, but no one can find enough compliant factories to fulfil the orders, so they subcontract."

These multi-layered relations, running from transnational corporations to suppliers to manufacturers or manufacturing groups to subcontractors, provide what is known in the world of intelligence agencies as plausible deniability. Corporate giants such as Walmart are aware of the sweatshop conditions required to manufacture their goods at the cheapest price, but choose to turn a blind eye so as to deny responsibility if anything happens.

Scott Nova, executive director of the Washington-based Workers Rights Consortium, commented to the *New York Times*: "It was not a single rogue supplier as Walmart claimed—there were several different US suppliers working for Walmart in that factory. It

stretches credulity to think that Walmart, famous for its tight control over its global supply chain, didn't know about this."

Nor is it a question of one rogue factory. According to Kalpona Akter, executive director of the Bangladesh Centre for Worker Solidarity, some 50 percent of the country's garment factories do not meet the government's very basic, legally-required work safety standards that include emergency exits and fire extinguishers. The Tahzreen Fashions fire began on the ground floor, trapping hundreds of workers in the floors above.

Walmart's real attitude to factory safety in Bangladesh was indicated at a meeting convened in April 2011 in Dhaka when it was asked to pay higher prices in order to finance safety improvements, set out in a contractually enforceable memorandum. Walmart's director of ethical sourcing, Sridevi Kalavakolana, reportedly refused.

The stance taken by Kalavakolana and her counterpart at Gap was contained in minutes obtained by Bloomberg. "Specifically to the issue of any corrections on electrical and fire safety, we are talking about 4,500 factories and in some cases very extensive and costly modifications would need to be undertaken to some factories. It is not financially feasible for the brands to make such investments," they told the meeting.

The Workers Rights Consortium has pointed out that factory costs represent a small part of the sale price of a garment—about \$4 on a \$20 shirt. The cost of safety renovations and training programs could add 2.5 percent to the factory cost, which would increase the retail price to \$20.50 for the shirt.

Two other companies—PVH Corp, which owns the Tommy Hilfiger brand, and German retailer Tchibo—eventually signed the memorandum earlier this year. After negotiations, according to Scott Nova, Gap refused to sign, objecting to the higher prices, public disclosure of the Bangladesh factories involved and the legally binding character of the memorandum. Instead, Gap announced its own more limited four-part plan on

safety.

Walmart spokesman Gardner refused to comment on the Dhaka meeting, other than to tell the *New York Times*, that Kalavakolana's remarks were taken "out of context".

Even if all four corporations had signed the memorandum, improvements in safety standards would be marginal. Manufacturers are under intense cost pressures in the cutthroat competition for contracts. Edward Hertzman, who runs the trade magazine *Sourcing Journal*, told Reuters that the factory certification process was often cosmetic. "A lot of times factories find ways to get around these certifications. Everything looks kosher on the day of the audit, but they are really not up to par," he said.

An essential role in maintaining the charade of corporate concern about workers' conditions and safety is played by various government bodies, trade unions and non-government organisations in Bangladesh and the US, which maintain the illusion that transnational giants can be cajoled and pressured to ensure the "ethical sourcing" of their products.

Just as retailers switched from countries like China and Sri Lanka, if costs rise in Bangladesh, items would be sourced in other countries with even lower wages and fewer restrictions on the exploitation of the working class.



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