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# **Bangladesh Apparel Factory Collapse: Background in Brief**

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## Summary

The April 24, 2013, collapse of an eight-story garment factory, called Rana Plaza, in Dhaka, Bangladesh, resulted in the deaths of more than 1,100 workers. It is reportedly now considered the deadliest accident in the history of the apparel industry. Congress has had a long-standing interest in supporting internationally recognized worker rights in developing countries, and the building collapse has raised concerns about worker conditions in Bangladesh.

Rana Plaza was allegedly structurally unsound and poorly maintained for apparel production. Apparel production is generally known as an industry under threat of fire, and one where workers need easy access to rapid escape routes. Issues relating to workers' inability to effectively exercise their rights to organize, bargain collectively, and work in a safe workplace may have contributed to the tragedy. For example, workers reportedly noticed cracks in the building and resisted entering, and were told that if they did not report to their jobs, they would not be paid. The factory collapse brought international focus to those parts of global supply chains that may not meet basic safety and health standards.

The U.S. government supports internationally recognized worker rights through various policies and programs. These include U.S. trade preference programs, free trade agreements, foreign assistance, and Department of Labor initiatives.

Congressional and U.S. efforts in this regard are part of an international worker rights support structure in place to offer technical assistance and support to countries—especially developing countries. Other major parts of this structure include international organizations, such as the International Labor Organization (ILO), founded in 1919; and corporate codes of conduct, which have arisen from a broader movement of corporate social responsibility that gained strength in the 1980s and 1990s.

Early analysis of the causes of the Bangladesh tragedy raises questions about what went wrong and about what can be done to help Bangladesh to improve working conditions at factories. Efforts to make changes in Bangladesh are already underway, and developments on this issue are evolving.

This report provides an overview of the recent tragedy in Bangladesh and the Bangladesh economic environment and culture. It also notes the responses to the tragedy, to date, from Congress, the Administration, the ILO, the Bangladesh government, and the private sector. Finally, it raises some possible issues for Congress.

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## Background and Overview<sup>1</sup>

On April 24, 2013, Rana Plaza, an eight-story building, in Dhaka, Bangladesh, collapsed, killing more than 1,100 garment workers. It brought international focus on portions of the global supply chain. It also raised the issue of what might be done to improve working conditions, especially for lower-wage workers in developing countries around the world.

**Figure 1. Map of Bangladesh**



**Source:** U.S. Department of State.

**Notes:** Bangladesh, about the size of Iowa, with a population half that of the United States, is tucked into to the eastern end of India; it also borders Burma.

According to press reports, the day of the building collapse workers arrived and saw cracks in the outside of the building where five manufacturing operations were trying to meet production deadlines on apparel products for the U.S. and European Union (EU) markets.<sup>2</sup> Reportedly, management assured them that the building was safe, and told workers that they would not be paid if they did not work. An hour later, the building collapsed. It has been labeled the deadliest disaster in the history of the garment industry.<sup>3</sup>

<sup>1</sup> For background on Bangladesh, see CRS Report R41194, *Bangladesh: Political and Strategic Developments and U.S. Interests*, by Bruce Vaughn.

<sup>2</sup> According to press reports, European retailers were the primary purchasers. H&M is reportedly the largest producer of garments in Bangladesh. Source: "Global Retailers join Safety Plan for Bangladesh," *The New York Times*, May 14, 2013, p. A1.

<sup>3</sup> "17 Days in Darkness, a Cry of 'Save Me', and Joy," *The New York Times*, Saturday, May 11, 2012, p. A1

The Rana Plaza collapse took place five months after a December 17, 2012, fire at another Bangladesh apparel factory, Tazreen Fashions Limited; the Tazreen fire killed 112 workers.<sup>4</sup> Survivors reportedly stated that their managers locked one exit route and told workers that the fire alarms were false, thereby delaying timely evacuation.<sup>5</sup> The combined tragedies brought the six-month total loss of life in Bangladesh in the garment sector to at least 1,200.

After the building collapse, reportedly, thousands of workers took to the streets and vandalized vehicles and shops before being dispersed by police. Soon after that, the government initially shut down 18 apparel factories, for safety reasons, as concerns about industrial safety across the country continued to grow.<sup>6</sup>

Bangladesh's major export is apparel, which, along with a small amount of textiles, accounts for more than 80% of the country's \$23 billion in exports to the world in 2011, or nearly \$20 billion. (See the **Text Box**, "Bangladesh in Brief.") As a result of the Rana Plaza building collapse, some firms, such as Disney,<sup>7</sup> have indicated they may no longer source production from Bangladesh, largely due to concerns over their brand reputation. If this becomes a major trend, one consequence could be that many women, who constitute 80% of the workers in the apparel sector, could lose their jobs. These women, mostly Muslim, have found new independence and an increased standard of living for their families, and have, in many cases, become primary breadwinners. The effect on the economic structure of Bangladesh could be compounded by an ongoing struggle between a secular Bangladeshi identity and a more fundamental/religious Islamic identity.<sup>8</sup>

A number of factors may have led to the recent building collapse. Bangladesh's economy is labor-intensive, which attracts lower-wage and lower-skilled industries such as apparel. Bangladesh is a densely populated country, where a population half the size of the United States is crowded into a geographic area the size of Iowa. To meet increasing global demand for apparel production, primarily by the United States and Europe, certain buildings may have been converted to multi-story manufacturing operations. In many countries, apparel production is generally carried out in one- or two-story buildings because of the inherent fire hazards associated with this production. Three additional floors that reportedly were illegally constructed were added to the Rana Plaza.<sup>9</sup>

According to press reports, working conditions in Bangladesh were theoretically addressed, at least in part, by Bangladesh labor laws and building codes, International Labor Organization (ILO) commitments, codes of conduct held by multinational corporations, and GSP trade preferences.

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<sup>4</sup> "Bangladesh Finds Gross Negligence in Factory Fire," *The New York Times*, December 17, 2012.

<sup>5</sup> U.S. Department of State, *Country Reports on Human Rights Practices*, Bangladesh, p. 39.

<sup>6</sup> "Bangladesh Textile Factories Shut Amid Unrest," *BBC News*, May 13, 2013.

<sup>7</sup> Disney has announced it will leave Bangladesh and relocate elsewhere. Source: "Bangladesh Fears an Exodus of Apparel Firms," *The New York Times*, May 2, 2013.

<sup>8</sup> See CRS Report R41194, *Bangladesh: Political and Strategic Developments and U.S. Interests*, by Bruce Vaughn.

<sup>9</sup> "Western Firms Feel Pressure as Toll Rises in Bangladesh," *The New York Times*, April 25, 2013.

## ILO

Since 1972, Bangladesh has been a member of the International Labor Organization (ILO). The ILO originated in 1919 as a tripartite organization comprised of workers, employers, and governments, to promote “decent work” around the world. Under the 1998 *ILO Declaration on Fundamental Principles and Rights at Work*, Bangladesh and all ILO members have an obligation to uphold ILO core labor principles, simply by reason of their status as ILO members, even if they have not ratified the conventions behind the principles. Bangladesh has, however, ratified seven of the eight ILO conventions backing and defining the five core labor principles.<sup>10</sup> These principles are very similar to the U.S. list of internationally recognized worker rights.

These rights are the following:

1. freedom of association and the effective recognition of the right to collective bargaining;
2. the elimination of all forms of forced or compulsory labor;
3. the effective abolition of child labor, including the worst forms of child labor; and
4. the elimination of discrimination in respect of employment and occupation.<sup>11</sup>

Whether countries do or do not uphold ILO core labor principles, the ILO has no real enforcement powers other than technical assistance, reporting requirements, publication of information, and moral suasion. An example of ILO activities to enhance worker rights is the Better Work Program, which is currently in place in Haiti and Cambodia. It is a joint program with the World Bank that works with government officials, factory owners, and labor groups to ensure safe and decent workplace conditions. It does not currently operate in Bangladesh. (See section on ILO response.)

**Figure 2**, below, shows that the concepts of the ILO core labor principles promoted by the ILO-World Bank Better Work program, plus the ILO occupational safety and health principle, are included as U.S. internationally recognized worker rights, and are incorporated into some private sector codes of conduct. Thus, **Figure 2** shows graphically the extent to which similar sets of rights extend through all three parts of the international worker rights support system.

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<sup>10</sup> Bangladesh approved the following conventions relating to ILO core labor principles: freedom of association and right to organize: C87, 1972; C98, 1972; elimination of forced labor: C29, 1972; C105, 1972; abolition of child labor: C138 (not approved by the Bangladeshi government); C182, 2001; and elimination of employment and occupational discrimination: C100, 1998; C111, 1972.

<sup>11</sup> While the ILO does not hold a core labor principle on occupational safety and health, this principle is included in a larger list of nearly 200 ILO principles. The ILO also publishes background materials on fire risk management. See, for example, the ILO booklet on *Fire Risk Management*, and its “Action Checklist Fire Safety,” available on the ILO website at ilo.org.

## Bangladesh in Brief

**History and Government:** The United States established diplomatic relations with Bangladesh in 1972, after its independence from Pakistan through a 1971 war. Its government is a parliamentary democracy. The State Department describes relations between the two countries as “excellent,” reflecting “strong bonds of friendship and shared values.” The CIA *Factbook* describes Bangladesh as being “poor, overpopulated, and inefficiently governed.” (Sources: U.S. Department of State, U.S. Relations with Bangladesh, and CIA, *The World Factbook*.)

**Geography and Population:** Situated on the Ganges River Delta, on the Bay of Bengal, Bangladesh is mostly surrounded by India, and is adjacent to Burma. Bangladesh’s population is about 164 million, half that of the United States, crowded into a land mass slightly smaller than Iowa. Its capital is Dhaka, which has a population of about 14 million. (Source: CIA *Factbook*.)

**Economy:** Challenges to Bangladesh’s economy include having “political instability, poor infrastructure, corruption, insufficient power supplies, and slow implementation of economic reforms.” In 2012, on a purchasing power parity basis, its GDP was \$306 billion, or \$2,000 per capita, with nearly one-third of the population living below the poverty line. Its labor force is divided into 45% in agriculture, 30% in industry, and 25% in services. Its average annual GDP growth rate since 1996 is 5.8%. Its most important industries are jute, cotton, and garments. (Source: CIA *Factbook*.)

**Trade and Investment:** Bangladesh’s major export is apparel, which, along with a small amount of textiles, accounts for more than 80% of the country’s \$23 billion in exports to the world in 2011, or nearly \$20 billion. It represents an apparel export total that is fourth in the world, after China. The United States is Bangladesh’s largest export market, accounting for nearly 20% of the country’s exports in 2011. In 2012, the United States imported \$4.9 billion in goods from Bangladesh, of which \$4.5 billion or 92% were textiles and apparel. U.S. exports to Bangladesh in 2012 totaled \$502 million, led by cotton, machinery, and iron and steel. In 1989, the United States and Bangladesh signed a bilateral investment treaty. World foreign direct investment in Bangladesh currently totals about \$7.8 billion. (Sources: CIA *Factbook*, Global Trade Atlas, and Department of Commerce, Office of Textiles and Apparel (OTEXA).)

**Labor:** Bangladesh has a labor force of about 77 million (nearly half of its population), of which about 3.6 million–4.5 million, depending on sources consulted, are apparel workers employed in nearly 4,500 manufacturing operations. Minimum wages are \$37 per month. Wages in export processing zones are typically higher. The official unemployment rate is about 5%, but about 40% of the labor force is underemployed. (Sources: State Department: *Country Reports on Human Rights Practices*, 2012, and CIA *Factbook*.)

**GSP Status:** Bangladesh is listed as a designated “beneficiary developing country” under the Generalized System of Preferences (GSP), and is therefore eligible for U.S. tariff preferences for certain products as long as it meets country eligibility requirements, including worker rights criteria that require a country to have taken or be taking steps to “afford internationally recognized worker rights” to its workers, including any in a designated zone. These core worker rights are defined in Section 507(4) of the Trade Act of 1974 as (a) the right of association; (b) the right to organize and bargain collectively; (c) a prohibition on the use of forced or compulsory labor; (d) a minimum age for the employment of children; and (e) acceptable conditions of workers with respect to minimum wages, hours of work, and occupational safety and health. In 2012, U.S. GSP imports from Bangladesh totaled \$35.4 million, out of a total import value of \$4.9 billion. Apparel and textile products are largely excluded from GSP tariff-free benefits. (Sources: Harmonized Tariff Schedule of the United States; Trade Act of 1974, P.L. 93-618 as amended, 19 U.S.C. 2461; and U.S. International Trade Commission (USITC) Trade Database.)

**ILO Core Labor Principles:** In 1972, a year after its independence from Pakistan, Bangladesh ratified six of the eight ILO core labor conventions (discussed elsewhere in this report). According to the Department of State, the most significant human rights problems in Bangladesh included poor working conditions and poor protection of labor rights. Safety conditions at many workplaces were described as “extremely poor.” Enforcement of acceptable conditions for workers was reportedly hindered by a lack of labor inspectors. However, because of high unemployment and inadequate enforcement of laws, workers who demanded redress for dangerous working conditions or who refused to work under hazardous conditions risked losing their jobs. (Sources: ILO, and State Department, *Country Reports on Human Rights Practices*, p. 39.)

**Brand Names:** Brand name products produced in Bangladesh include H&M, C&A, Nike, Reebok, GAP, JCPenney, Walmart, Kmart, Wrangler, Dockers, Tommy Hilfiger, Adidas, Eddie Bauer, Eagle, and American Eagle. (Source: Bangladesh Export Processing Zones Authority.)

## U.S. Trade Preference Programs<sup>12</sup>

One area of congressional focus in supporting internationally recognized worker rights has been through provisions in U.S. trade preference programs. These were first introduced in the Generalized System of Preferences (GSP) program in 1985.<sup>13</sup> GSP provides unilateral U.S. tariff preferences for certain products exported by developing countries, to support their economic development. Under GSP, and later introduced in other trade preference programs, the President or his designee is prohibited from designating certain countries as eligible for GSP benefits, based on different criteria, including that a country “has not taken or is not taking steps to afford internationally recognized worker rights.”<sup>14</sup> These worker rights are defined as

1. the right of association;
2. the right to organize and bargain collectively;
3. a prohibition on the use of any form of forced or compulsory labor;
4. a minimum wage for the employment of children; and protection against the worst forms of child labor;<sup>15</sup> and
5. acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

On the basis of these criteria, effective September 3, 2013, the Obama Administration suspended GSP status for Bangladesh, with no timeline for its possible reinstatement.<sup>16</sup> However, that decision was followed by the USTR release of a “Bangladesh Action Plan 2013,” outlining a basis for the eventual reinstatement of GSP status for Bangladesh. (For further discussion of the GSP suspension, and Action Plan, see the following section on “U.S. and International Responses to the Bangladesh Tragedy,” under “Executive Branch.”)

## Corporate Codes of Conduct<sup>17</sup>

Since the 1980s and 1990s, when globalization accelerated and various interest groups began to publicize “bad actors” on worker rights conditions in factories, corporations have increasingly adopted and publicized corporate codes of conduct. Most, if not all, large multinational corporations sourcing apparel from Bangladesh have posted such codes on their websites. These codes may describe the standards to which the business holds its employees, its suppliers under contract, and sometimes its subcontractors. These codes specify worker rights protections and structural and fire hazard standards to varying degrees. A concern raised by some groups is that

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<sup>12</sup> Issues in this section are also addressed in U.S. free trade agreements, which are not addressed in this report because the United States does not have a free trade agreement with Bangladesh.

<sup>13</sup> For more information on the GSP program, see CRS Report RL33663, *Generalized System of Preferences: Background and Renewal Debate*, by Vivian C. Jones.

<sup>14</sup> Among other criteria, there is a waiver of presidential authority based on U.S. national economic interest.

<sup>15</sup> These include the employment/use of children for purposes relating to armed conflict, drug trafficking, sex trafficking, or pornography.

<sup>16</sup> *Federal Register*, Proclamation 8997 to Modify Duty-Free Treatment Under GSP, and for other Purposes, July 2, 2013. However, the entire U.S. GSP program expired July 31, after Congress did not renew it.

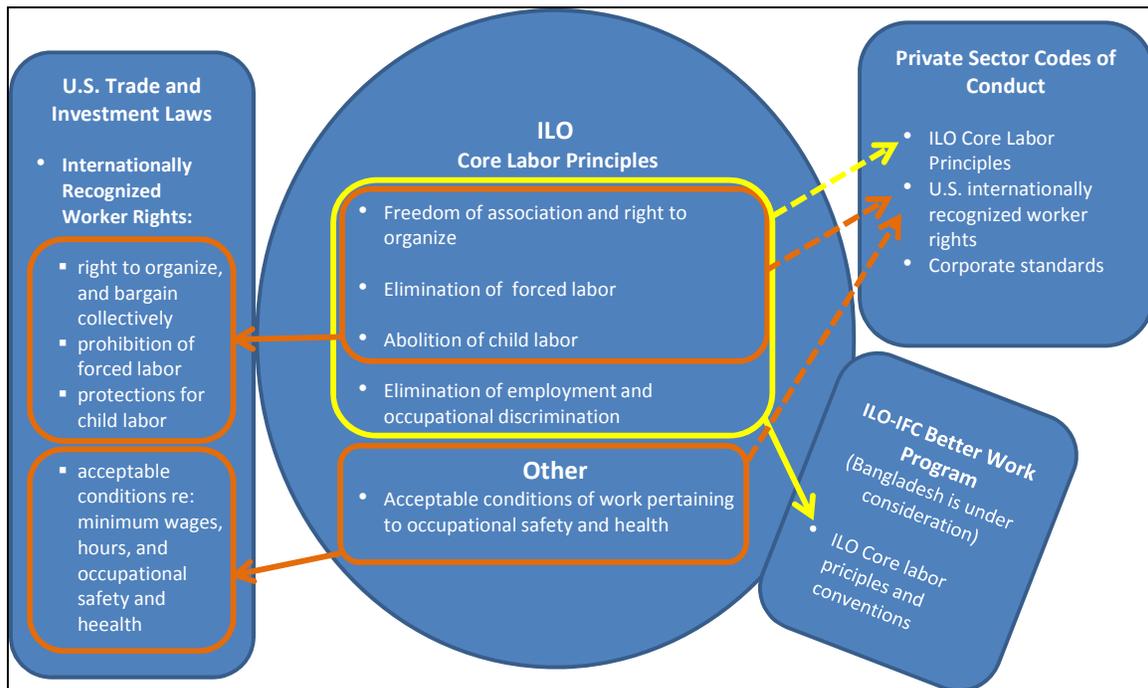
<sup>17</sup> For an overview of corporate codes of conduct, see CRS Report RS20803, *Codes of Conduct for Multinational Corporations: An Overview*, by James K. Jackson.

corporations may contract directly with suppliers, yet have limited knowledge of the conditions under which the products are produced by subcontractors. Corporate codes of conduct are voluntary on the part of corporations.

The Rana Plaza collapse has focused greater attention on the worker conditions and laws in Bangladesh, and may impact Bangladesh’s continued role as a major supplier of apparel, due to corporate buyer concerns over branding and reputation. Key issues may include whether firms will continue to source apparel from Bangladesh, or whether firms will engage more proactively to improve conditions there, as well as the extent to which corporate codes of conduct have been helpful.<sup>18</sup>

A number of interested parties, including parties in Europe and the United States, among them President Obama, and a number of Members of Congress, are calling for U.S. and European companies and other stakeholders to work together to solve the problems. (See section below.)

**Figure 2. Worker Rights Principles Included in ILO Core Labor Principles, U.S. Trade Preferences and Agreements, and Some Private Sector Codes of Conduct**



Source: Graphic prepared by CRS.

<sup>18</sup> Disney has announced it will leave Bangladesh and relocate elsewhere. Source: “Bangladesh Fears an Exodus of Apparel Firms,” *The New York Times*, May 2, 2013.

# U.S. and International Responses to the Bangladesh Tragedy

Response to the Bangladesh tragedy has come from Congress, the Administration, the Bangladesh government, the ILO, and the private sector, and continues to evolve. This section briefly describes recent, somewhat overlapping, developments.

## Congress

Soon after the Rana Plaza collapse, some Members of Congress encouraged businesses and other stakeholders to work together to improve conditions for workers in Bangladesh. On May 1, 2013, for example, Representatives Sander Levin, ranking Member of the House Ways and Means Trade Subcommittee, and George Miller, ranking Member of the House Education and the Workforce Committee, sent a letter to President Obama, urging the Administration to convene representatives of European and American retailers, the Bangladesh garment industry (including their workers and unions), the Bangladeshi government, the ILO, and non-governmental organizations, to facilitate development of a “concrete action plan” to address the range of issues relating to working conditions and worker rights in the garment sector.<sup>19</sup>

In addition, a group of 8 U.S. Senators, led by Senators Harry Reid and Sherrod Brown, and a group of 10 Representatives, led by House Minority Leader Nancy Pelosi and House Minority Whip Steny Hoyer, wrote letters to major retailers encouraging them to join efforts to improve fire and building safety in Bangladesh apparel factories.<sup>20 21</sup> Two major stakeholder efforts have resulted: the “Accord on Fire and building Safety in Bangladesh,” signed predominantly by European, plus a few U.S. retailers and brands; and the “Alliance for Bangladesh Worker Safety,” signed predominantly by large North American retailers and brands. (See further discussion below under “Private Sector”.)

## Executive Branch

**State Department, USTR, and Labor Department Response:** On May 8, 2013, the State Department, Department of Labor, and USTR convened a conference call with U.S. corporate “buyers” (retailers and brands sourcing in Bangladesh’s garment industry). In that call, they

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<sup>19</sup> House Ways and Means Committee, “Levin, Miller Urge Action on Bangladeshi Worker Rights, Working Conditions,” May 1, 2013. The Worker Rights Consortium, a labor rights monitoring group, estimates that it would cost \$600,000, on average, to elevate each of Bangladesh’s nearly 5,000 factories to western safety standards, for a total of \$3 billion. This \$3 billion can be compared against a Bangladesh world export market of about \$20 billion in 2011. Source: “How to Fix Bangladesh’s Factories,” *Bloomberg Businessweek*, May 12, 2013.

<sup>20</sup> The other signatories of the letter are Senators Harkin, Durbin, Levin, Leahy, Murray, and Rockefeller. The letters were sent to the following retailers: the Cato Corporation, Walmart, Sears, Kohl’s Target, Macy’s JCPenney, Gap, Mango, George Westin Limited, VF Corporation, The Children’s Place Stores, and Corte Ingles. Source: “Reid, Brown, Six Other Senators Call on Retailers to Sign Accord Guaranteeing Worker Safety in Bangladesh,” *World Trade Online*, May 16, 2013.

<sup>21</sup> “House Dems, Faith Groups join Chorus Calling For U.S. Retailers to Sign Bangladesh Worker Safety Accord: Letter from 10 House Democrats,” *World Trade Online*, May 16, 2013. Additional signatories are Representatives Sander Levin, George Miller, Lewis, Schakowsky, DeLauro, Becerra, Crowley, and Michaud. The U.S. retailers are The Gap, JC Penney, The Children’s Place, Walmart, Target, Kohl’s, VF Corporation, Macy’s, and Sears/Kmart.

“strongly urged” these major corporations to coordinate efforts with each other, and with the government of Bangladesh, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), civil society, and labor groups to (a) help pay for independent safety and fire inspectors; (b) communicate to the Bangladeshi government their concerns about labor conditions; and (c) urge immediate passage of labor law amendments to lay the basis for the establishment of an ILO/World Bank Better Work Program for Bangladesh.<sup>22</sup>

On June 13, 2013, the Department of Labor’s Bureau of International Labor Affairs (ILAB) announced that a competitive grant of \$2.5 million would be awarded to recipient(s) who would work to (1) strengthen the Bangladesh government’s ability to improve and enforce fire and building safety standards; and (2) build the capacity of worker organizations to effectively monitor violations of such standards and abate hazards in the ready-made garment sector.<sup>23</sup>

**GSP Suspension for Bangladesh:** The decision to suspend GSP status for Bangladesh, effective September 3, 2013, with no timeline for restoring it was made after the GSP Trade Policy Staff Committee held hearings in March of 2013, in response to an AFL-CIO petition first submitted in 2007 and updated in 2012, after the Tazreen fire.

Implications from the GSP suspension are yet to be determined. The GSP program excludes from eligibility most apparel and textile articles (and other import sensitive products), which constitute 92% of Bangladesh’s exports to the United States. Therefore, the decision has little effect on U.S. tariffs on apparel imports, which reportedly average about 16%.<sup>24</sup> On the other hand, some businesses might decide to pull out of Bangladesh for fear that their reputation could be damaged by association with a country that has lost its GSP status for reasons relating to internationally recognized worker rights. If that were to happen, some argue, it could significantly reduce Bangladesh’s apparel-making labor force and adversely impact its economy.

The USTR’s “Bangladesh Action Plan 2013,” released to the public on July 19, 2013, outlined a basis for possible eventual reinstatement of GSP status for Bangladesh.<sup>25</sup> Its directives encompass Bangladesh’s own “National Tripartite Plan of Action (NTPA) on Fire Safety and Structural Integrity,” for the garment sector of Bangladesh (discussed further below under the “Bangladesh Government.”) The USTR Action Plan for Bangladesh, among other things, set forth guidelines for government inspections, labor law reforms, the protection of unions from anti-union discrimination and reprisal, and the extension of freedom of association and collective bargaining rights to export processing zones.

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<sup>22</sup> U.S. Department of State, “State Department Call With U.S. Buyers in Bangladesh Ready-Made Garment Sector,” May 8, 2013; and “State Department Bureau of International Information Programs, Bangladesh, Private Partners Work to Improve Worker Safety,” May 9, 2013.

<sup>23</sup> “Labor Dept. Offers \$2.5 Million in Grants to Improve Will Fund Projects to Improve Bangladeshi Factory Conditions,” by Niraj Chokshim *National Journal, Government Executive*, June 13, 2013.

<sup>24</sup> Source of data: U.S. International Trade Commission (USITC) Dataweb. While one option might involve oversight on possible suspension of GSP status for Bangladesh, as the USTR is considering, some experts have suggested considering, as an alternative, extending tariff-free treatment for apparel, to Bangladesh, perhaps in conjunction with a proposed ILO Better Work Bangladesh program under consideration. See “How to Avoid Another Bangladesh Factory Disaster,” by Kimberly Elliot, Center for Global Development, May 7, 2013.

<sup>25</sup>In the past, the USTR has suspended GSP status for worker rights issues, including for Burma.

## Bangladesh Government

The Bangladesh government response after the tragedy was to work with the ILO on identifying changes needed. The NTPA, (mentioned in the above paragraph), is the most recent result. It is a consolidation of two earlier tripartite plans. It focuses on legislation and policy, administration, and practical activities to improve safety in apparel factories. On July 15, 2013, the Bangladesh Parliament approved some changes to its labor laws. These changes were designed to (1) make it easier for workers to form labor unions; (2) increase severance and retirement payments for workers with longer tenures; and (3) equalize, for all workers, annual payments under a welfare fund. In addition, the government reportedly plans to add 200 factory inspectors within six months, and to complete a comprehensive safety assessment (extending to fire and structural safety) of all export-oriented garment factories.<sup>26</sup> The government has also been negotiating a new minimum wage for garment workers, who have been protesting against low wages in light of recent inflation. The protesters have sought an increase in the minimum wage from the U.S. equivalent of \$38 to \$104 per month.<sup>27</sup> Effective December 1, 2013, the Bangladeshi government raised the minimum wage for the country's garment workers by 77% to \$68 per month.<sup>28</sup>

## ILO

After initial review of the Bangladesh labor law amendments, the ILO stated that the new law “did address some of the ILO’s specific concerns, while falling short of several important steps called for by the ILO supervisory system to bring the law into conformity with ratified international labor standards.” For example, the ILO noted that major areas remaining to be addressed include (1) a 30% minimum membership requirement to form a union; and (2) the fact that many collective bargaining rights are not extended to workers in export processing zones, which reflect heavy foreign investment.<sup>29</sup>

Additionally, the ILO is participating in (1) a three-year program on “Improving Working Conditions in the Ready-Made Garment Sector” to support implementation of the NTPA;<sup>30</sup> and (2) the 2013 European Union (EU)-Bangladesh-ILO “Sustainability Compact for Continuous Improvements in Labor Rights and Factory Safety in the Ready-Made Garment and Knitwear Industry in Bangladesh.” Previously, in 2012, the ILO and the World Bank International Finance Committee (IFC) were involved in a nine-month “participatory design phase,” toward implementation of a “Better Work Program for Bangladesh.”<sup>31</sup> However, the ILO/World Bank

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<sup>26</sup> “Bangladesh to Reform Labour Laws After Tragedy,” *Financial Times*, May 6, 2013, p. 4; “Bangladesh Factory Toll Passes 800—Government Shuts 18 Sites for Safety Improvements, but No Big Outflow of U.S. Companies Seen,” *The Wall Street Journal*, May 9, 2013; and “Global Retailers Join Safety Plan for Bangladesh; Will Pay for Changes,” *The New York Times*, May 14, 2013.

<sup>27</sup> “Bangladesh Garment Protests Enter Fourth Day,” by Arun Devanath, Bloomberg, September 24, 2013.

<sup>28</sup> “Bangladesh Raises Minimum Wage for Garment Workers After Unrest,” by Arun Devnath, Bloomberg.com, November 14, 2013, and “Bangladesh Factory Owners Wary of Wage Increase,” *Wall Street Journal*, December 4, 2013.

<sup>29</sup> ILO, “ILO Statement on Reform of Bangladesh Labor Law, July 22, 2013”.

<sup>30</sup> Ibid. See also, “Conclusions of the ILO’s High Level Mission to Bangladesh,” May 4, 2013. The original effort to assist Bangladesh after the Rana Plaza collapse was jointly sponsored by the ILO and the International Finance Committee (IFC), a member of the World Bank Group.

<sup>31</sup> This program unites the expertise of the ILO in labor standards with that of the World Bank’s IFC in private sector development.

ultimately declined to permit Bangladesh to join the textile industry-monitoring program until the country overhauled its labor laws, and conditions for unions improved.<sup>32</sup>

## Private Sector

Private sector responses to the Bangladesh tragedy have varied. According to press reports, retailers and some apparel firms have acknowledged their links to unsafe Bangladesh factories, while others have hedged.<sup>33</sup> Another private sector response has been for businesses to debate whether to leave Bangladesh and relocate to countries with fewer high-visibility labor issues, or stay and help solve them in Bangladesh. Some companies, including Disney, as previously mentioned, are considering not sourcing from Bangladesh for a number of reasons, including concerns about their business reputation.<sup>34</sup>

A broader response from many corporations, particularly in Europe, has been to join forces to support change in Bangladesh. After the building collapse, officials from two dozen retailers and apparel companies met with representatives from the German government to try to negotiate a plan to ensure safety at roughly 4,500 garment factories in Bangladesh.<sup>35</sup> On May 13, 2013, several of the world's largest apparel companies agreed to a legally binding "Accord on Fire and Building Safety in Bangladesh" to help pay for fire safety and building improvements there.<sup>36</sup> It requires a five-year commitment from participating retailers to conduct independent safety inspections of factories, and pay up to \$500,000 per year toward safety improvements. More than 100 mostly European corporations have signed onto the accord, including Swedish retail giant H&M (the largest producer of apparel in Bangladesh); Inditex, headquartered in Spain; C&A, a Dutch retailer; and Primark and Tesco (British retailers). U.S. signatories include PVH, the parent company of Calvin Klein, Tommy Hilfger, and Izod, which has signed on to the five-year plan, contributing \$2.5 million; and Abercrombie and Fitch.<sup>37</sup>

Other U.S. companies that resisted signing, objecting to the agreement's legally binding nature, have formed a separate group, the "Alliance for Bangladesh Worker Safety." The alliance was organized under the Bipartisan Policy Center (BPC), by former Senate Majority Leader George Mitchell and former Senator Olympia Snowe. Corporate members of the Alliance have pledged over \$100 million in capital to support remediation of factories. In addition, \$42 million raised for the Worker Safety Fund reflects a tiered fee structure for members based on exports of apparel products from Bangladesh. The group was founded by 17 North American apparel retailers and

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<sup>32</sup> ILO, "Better Work Bangladesh – Design Phase," January 5, 2012; and "Bangladesh is Barred from Textile Safety Group," *The Washington Post*, May 18, 2013.

<sup>33</sup> "After Disaster, PR Tactics Vary; Some Clothing Firms Quickly Concede Links to Unsafe Bangladesh Factory. Others Hedge," *Los Angeles Times*, May 9, 2013.

<sup>34</sup> "Bangladesh Fears an Exodus of Apparel Firms," *The New York Times*, May 2, 2013.

<sup>35</sup> "Some Retailers Rethink Their Role in Bangladesh," *The New York Times*, May 1, 2013.

<sup>36</sup> The Accord was created by the IndustriALL Global Union and the UNI Global Union together with non-governmental organizations the Clean Clothes Campaign and the Worker Rights Consortium

<sup>37</sup> "Global Retailers Join Safety Plan for Bangladesh," *The New York Times*, May 14, 2013, p. A1. Bangladesh Factory Safety Accord: At Least 14 Major North American Retailers Decline to Sign, *The Huffington Post*, May 17, 2013. See also "H&M, Primark, Others Sign Legally Binding Agreement on Building, Fire Safety In Bangladesh: Reactions: Walmart; The Gap," *Inside U.S. Trade*, May 14, 2013.

brands, including Gap, J.C. Penney, Jones, Kohl's, L.L. Bean, Macy's Nordstrom, Sears, Target, VF Corporation, and Wal-Mart.<sup>38</sup> (See **Appendix Table A-1** for a comparison of the two plans.)

## Issues for Congress

Congressional options relating to the Rana Plaza collapse may cover a range of issues, including allowing the situation to resolve itself. Broadly speaking, Congress may wish to conduct oversight and examine a comprehensive effort by the international community to support change in Bangladesh.

Key questions for Congress include the following:

- Is the ILO/World Bank Better Work program an effective approach, and has it been implemented successfully in other countries? Can it be expedited for Bangladesh?
- Should GSP eligibility for Bangladesh be reconsidered? Conversely, should tariff benefits for apparel be extended to Bangladesh to support it in improving the safety conditions of its workers?<sup>39</sup> Are there other steps the U.S. government should take?
- Have corporate codes of conduct been helpful?
- Will the Bangladesh Parliament approve the proposed changes that the ILO has recommended, and if so, will the ILO monitor their implementation?
- What are possible unintended consequences for Bangladeshi apparel workers if action leads to a decline in the apparel industry?

## Proposed Amendment to 2014 National Defense Authorization Act

Leading up to passage of the 2014 National Defense Authorization Act,<sup>40</sup> the House bill contained a provision (§ 634) that would have required the defense commissary system and the exchange store system to (a) comply with requirements of the Bangladesh Accord; and (b) in its purchases, give preferences to signatories of the Accord. In addition, the Department of Defense would have been required to notify Congress of garments sold in defense commissaries or exchanges that did not comply with these requirements (i.e., were manufactured by non-signatories). The final agreement did not include these provisions.<sup>41</sup>

<sup>38</sup> Bipartisan Policy Center, "Alliance of Leading Retailers in North America Join Forces in Comprehensive, Five-Year Commitment to Improve Factory Safety Conditions for Workers in Bangladesh," July 10, 2013.

<sup>39</sup> While one option might involve possible suspension of GSP status for Bangladesh, as the USTR is considering, some experts have also suggested as an alternative extending tariff-free treatment for apparel to Bangladesh, perhaps in conjunction with a proposed ILO Better Work Bangladesh program under consideration. See "How to Avoid Another Bangladesh Factory Disaster," by Kimberly Elliot, Center for Global Development, May 7, 2013.

<sup>40</sup> H.R. 3304, P.L. 113-66, December 26, 2013.

<sup>41</sup> *World Trade Online*, "2014 Senate Version NDAA Includes Provision for New Export Strategies to Africa, Excludes House Bangladesh Amendment," December 18, 2013.

The House sponsors<sup>42</sup> of the amendment noted in a joint statement that garments and documents with U.S. Marine insignia were found in the rubble in the November 2012 Bangladesh Tazreen Fire. Data indicated that the Army-Air Force Exchange, a military retailer, imported 124,000 pounds of garments from several factories in Bangladesh. The sponsors argued that “as a huge purchaser of garments, the U.S. military should not be complicit” in putting the lives of Bangladesh workers at risk.<sup>43</sup>

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<sup>42</sup> House sponsors were Rep. George Miller, ranking member of the House Education and the Workforce Committee, and Rep. Jan Schakowsky.

<sup>43</sup> Ibid. See also, *World Trade Online*, “Amendment Pressures Military Retailers to Back Bangladesh Accord,” June 20, 2013.

# Appendix.

**Table A-1. Comparison of Key Provisions of Bangladesh “Accord” and “Alliance”**

(See table notes for definitions of source abbreviations.)

Subject	Accord on Fire and Building Safety in Bangladesh: “Accord”	Alliance for Bangladesh Worker Safety: “Alliance”
<b>Overview</b>		
<b>Signatories</b>	At least 100 signatories including the following unions: IndustriALL Global Union and UNI Global Union; NGOs: Clean Clothes Campaign, and Worker Rights Consortium; European corporations; and at least four U.S. corporations, which include PVH Corp., parent company of Calvin Klein, Tommy Hilfiger, and Izod; Abercrombie and Fitch; Sean Jean Clothing; and American Eagle Outfitters.	At least 26 signatory companies including Gap, Wal-Mart, Target, Sears, Macy’s Nordstrom, J.C. Penney, L.L. Bean, VF Corporation, and Costco. These 20 companies account for the “overwhelming majority of ready-made garments in the U.S. imports from Bangladesh” (Overview, p. 3).
<b>General Commitment</b>	To establish a fire and building safety program in Bangladesh for a period of five years—a program that will finance and implement a number of elements (p. 1).	A “binding, five-year undertaking to share knowledge, experiences, and best practices” (with exceptions below). (Alliance Members’ Agreement (MA), p. 14, ¶9.1),
	Signatories may resign from certain sourcing relationships after two years under certain conditions (Accord, p.6, ¶23).	Members may resign from the program after two years with no financial penalty (MA, p. 14, ¶9.1).
<b>Governance</b>	The program is governed by the 7-member Steering Committee (SC): -3 seats chosen by trade union signatories; -3 seats chosen by businesses; -plus a neutral chair chosen by and representing the International Labor Organization (ILO).	The program is run by the 9-member Board of Directors: -4 company representatives; -4 stakeholder representatives with qualifications in: worker safety, human rights, anti-corruption, labor, development, international diplomacy, governance, or supplier interests in Bangladesh, and -an elected Board chair (Overview, p. 4).
	Administrative activities of the SC include management, and oversight of financing, and the work of the Safety Inspector and the Training Coordinator (p. 2, ¶4).	Administrative activities include support for third-party training, inspections, worker empowerment, and for workers temporarily displaced due to factory remediation activities. (MA, p. 3, ¶2.2).
<b>Dispute Settlement</b>	Three steps: (1) Any dispute between parties under this agreement shall be decided by a majority vote of the Steering Committee; (2) Decisions may be appealed to a	Members agree to the financial commitments and components of the worker safety program.  Noncompliance for delinquent companies can result in binding

Subject	Accord on Fire and Building Safety in Bangladesh: “Accord”	Alliance for Bangladesh Worker Safety: “Alliance”
	final and binding arbitration process; (3) The arbitration decision is enforceable in a court of law in the domicile of the signatory against whom enforcement is sought.	arbitration. Possible action for non-compliance includes termination of membership in the Alliance (Overview, p. 5).
<b>Specific Commitments</b>		
<b>Financing</b>	Signatories contribute to two basic funds:  -For administrative activities through share contributions based on annual volumes of garment production in Bangladesh, subject to a maximum contribution of \$500,000 per year (p. 6, ¶24).	Signatories contribute to two funds:  -The “Worker Safety Fund” for administrative activities including inspections, training, worker empowerment, and assistance to temporarily displaced workers, through a tiered fee structure. Maximum contribution \$1 million per year. The fund is currently valued at over \$42 million (MA, p. 2, ¶2.2).
	-For financing remediation required of their suppliers in Tier 1 and Tier 2 factories (covering 65% of their production in Bangladesh) through joint investments, loans, accessing donor or government support, business incentives, or direct payment (p. 6, ¶22).	-The “Affordable Capital for Building Safety,” fund is designed to provide suppliers with access to affordable loans to finance needed factory repairs and/or improvements (MA, p.4, ¶2.3.1).  The Alliance reports that it currently has pledges of at least \$100 million.
	Signatories are committed to continue business at Tier 1 and Tier 2 factories for the first two years, generally speaking. After that, they may resign from these sourcing relationships without penalty (p.6 ¶23).	Signatory members may resign from the Alliance program after two years without financial penalty (MA, p. 14, ¶9.1-9.4).
<b>Inspections</b>	Each signatory company shall require that its suppliers in Bangladesh participate fully in the inspection and remediation, activities. If a supplier fails to do so, the signatory will promptly implement a notice and warning process leading to termination of the business relationship if these efforts do not succeed (p. 5, ¶21).	Members have self-imposed deadlines for meeting inspection requirements (Alliance Overview, p. 5).  Inspections are to be carried out by members or their representatives and/or by independent qualified inspectors (MA, p. 9, ¶6.1).
	Signatories shall require factories to implement corrective actions identified by the Safety Inspector (p. 1).	Each member will be responsible for developing its own approach to addressing its relationship with factories deemed “At-Risk” (MA p 10, ¶6.2(1))
<b>Training</b>	Signatory companies shall require their suppliers to provide factory access to safety training teams designated by the Training Coordinator. Such teams shall include	Members commit to providing safety and empowerment training for 100% of factories in the members’ respective supply chains (MA, p. 1).

Subject	Accord on Fire and Building Safety in Bangladesh: “Accord”	Alliance for Bangladesh Worker Safety: “Alliance”
	safety training experts as well as qualified union representatives (p. 4, ¶16).	
<b>Worker Protections</b>	Maintain employment relationship and income: Signatories shall require supplier factories to maintain workers’ employment relationship and regular income while the factory is closed for such renovations for up to six months. If the supplier fails to do so, the signatory shall implement a notice and warning process that may lead to termination of the business relationship (p. 4, ¶16 and p. 5, ¶21).	10% of the worker safety fund will be reserved to support temporarily displaced workers due to factory remediation (MA, p. 3, ¶2.2).
	Offer of employment: Signatory companies shall make reasonable efforts to ensure that any workers whose employment is terminated as a result of loss of factory orders are offered employment with safe suppliers (p. 4, ¶14).	In the event of a fire or safety emergency, the Executive Director (of the Board) will convene affected members to coordinate a response on the transition for such displaced workers and/or aid to victims of such an emergency, (MA, p. 3, 2.2(b)(ii)).
	Right to refuse work: Signatories shall require their supplier factories to respect the right of a worker to refuse work, or to refuse to enter or remain in a building, under conditions they justifiably believe are unsafe, without suffering loss of pay, (p. 4, ¶15).	Members are committed to empower workers to communicate their factory fire and building safety concerns, without risk of retaliation, to the Alliance or to an independent third party acting on behalf of the Alliance, through face-to-face interaction, or hotlines, and indirectly through random sampling. (Overview, p. 3; MA, p. 1 and p. 6, ¶3.2(a)).
	Signatory companies shall require worker/management health and safety committees in all Bangladeshi factories and they shall function in accordance with Bangladeshi law (p. 4, ¶17).	Worker participation committees will be created at every Alliance member factory, subject to Bangladeshi law. (Overview, p. 6).

**Sources:** *Accord on Fire and Building Safety in Bangladesh*; *The Alliance for Bangladesh Worker Safety*, “Statement of Purpose and Action Plan” and “Overview”, and “Members Agreement” (MA).

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