A stylized world map with a teal background. The map is composed of various shades of blue and green. A prominent red ribbon-like shape is overlaid on the map, stretching across the center and curving downwards. The word 'TIGHTENING' is written in large, bold, black capital letters at the top. Below it, the text 'two regional case studies on corporate social responsibility' is written in a smaller, black, lowercase font. The word 'BELTS' is written in large, bold, black capital letters at the bottom right of the title area.

TIGHTENING

two regional case studies on
corporate social responsibility

BELTS

edited by

REMCO E. BREUKER

IMKE B.L.H. VAN GARDINGEN

TIGHTENING BELTS:
TWO REGIONAL CASE STUDIES ON
CORPORATE SOCIAL RESPONSIBILITY

Tightening Belts

Two Regional Case Studies on Corporate Social Responsibility

Edited by

Remco E. Breuker & Imke B.L.H. van Gardingen

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Table of contents

Contributors

v

PART I. FROM BOARDROOM TO BUILDING SITE: THE BELT AND ROAD INITIATIVE AND THE M4 MOTORWAY IN PAKISTAN'S PUNJAB PROVINCE

| | |
|---|----|
| Executive Summary | 3 |
| Introduction: Don't Check the Boxes, Check the People | 5 |
| 1: Background, Financing and Local Context | 11 |
| 2: The Belt and Road Initiative and the China-Pakistan Corridor | 19 |
| <i>The Belt and Road Initiative</i> | 19 |
| <i>CPEC</i> | 24 |
| <i>IFI Safeguards: The ADB and the AIIB</i> | 27 |
| 3: Asking the Workers Themselves: A Case Study of Workers' Rights | 35 |
| <i>Methodology</i> | 35 |
| <i>Themes in the Interviews</i> | 36 |
| <i>Marginalized Labour Groups</i> | 51 |
| <i>CPEC</i> | 53 |
| <i>Conclusion</i> | 57 |
| 4: Construction Workers in Precarious Conditions and the Role of Labour Inspectorates | 59 |
| <i>The Labour Inspectorate in Pakistan</i> | 62 |
| <i>Inspections on the Worksite: Paper and Practice</i> | 69 |
| <i>Empowering the Pakistan Labour Inspectorate</i> | 72 |
| <i>Conclusion</i> | 76 |
| 5: The Asian Development Bank, Core Labour Standards and the M4 Highway Project | 79 |
| <i>Introduction</i> | 79 |
| <i>Multilateral Development Banks and Human Rights</i> | 80 |
| <i>MDBs' Approach to Integrating Human Rights</i> | 83 |
| <i>The Asian Development Bank and Labour Rights</i> | 85 |
| <i>The ADB's CLS Commitments in Action</i> | 89 |
| <i>Conclusion</i> | 93 |

**PART II. FROM CSR SEMINAR TO SWEATSHOP:
DETECTING NORTH KOREAN FORCED LABOUR IN
TEXTILE SUPPLY CHAINS**

| | |
|---|-----|
| Addendum: States and the Private Economy in their Occasional Joint Roles in Labour Exploitation: A Methodological Consideration | xiv |
| Executive Summary | 99 |
| Introduction: From CSR to Sweatshop | 101 |
| 1: Dandong, the DPRK, China, and Labour | 105 |
| <i>Historical Context</i> | 105 |
| <i>Dandong's Economy</i> | 108 |
| <i>An International Trade</i> | 111 |
| <i>Conclusion</i> | 113 |
| 2: Dandong as a Special Economic Zone | 115 |
| <i>A Special Economic Zone with Boundless Future Ambitions</i> | 115 |
| <i>Special Economic Zones: Globally on the Rise</i> | 119 |
| <i>Outsourcing to DPRK</i> | 125 |
| <i>Conclusion</i> | 130 |
| 3: Export Processing via North Korea | 133 |
| <i>The Context</i> | 134 |
| <i>Empirical Data on the Chinese Company Networks</i> | 141 |
| <i>US Shipments</i> | 194 |
| <i>Summary</i> | 212 |
| 4: North Korean Labourers in China | 215 |
| <i>Introduction</i> | 215 |
| <i>Numbers and Locations of North Korean Workers</i> | 216 |
| <i>Recruitment Process, Visas, and Confiscation of Documents</i> | 220 |
| <i>Wages</i> | 224 |
| <i>Working Conditions</i> | 227 |
| <i>Living Conditions, Surveillance, Restriction of Personal Freedom</i> | 231 |
| <i>Conclusion</i> | 234 |
| 5: Garment Production in the Prison Camps and Political | |
| <i>Annihilation Camps</i> | 237 |
| <i>Introduction</i> | 237 |
| <i>What Garments are Produced?</i> | 242 |
| <i>The Production Process</i> | 243 |
| <i>Punishment</i> | 248 |
| <i>State-organized Forced Labour and Slavery</i> | 250 |

| | |
|---|-----|
| <i>Summarizing the Indescribable</i> | 253 |
| 6: The Role of Overseas Companies: How Policies do not Match | |
| Local Needs | 255 |
| <i>Awareness and Current Policies</i> | 255 |
| <i>Risk Analysis</i> | 258 |
| 7: The Corporate Responsibility to Respect Human Rights and | |
| North Korean Forced Labour in the Garment Industry | 261 |
| <i>Introduction</i> | 261 |
| <i>The Responsibility to Respect</i> | 263 |
| <i>The OECD Guidelines for Multinational Enterprises</i> | 267 |
| <i>The Dutch Agreement on Sustainable Garment and Textiles</i> | 272 |
| <i>The U.K. Modern Slavery Act</i> | 277 |
| <i>Conclusion</i> | 279 |
| 8: Addressing North Korean Forced Labour by Means of International | |
| Economic Sanctions | 281 |
| <i>Concluding Observations</i> | 292 |
| | |
| <i>Appendices Part I</i> | 295 |
| <i>Appendices Part II</i> | 371 |
| <i>Bibliography Part I</i> | 403 |
| <i>Bibliography Part II</i> | 415 |

PART I

From Boardroom to Building Site

The Belt and Road Initiative and the M4
Motorway in Pakistan's Punjab Province

EXECUTIVE SUMMARY

The Belt and Road Initiative (BRI), previously known as the One Belt One Road (OBOR), is a key strategic initiative unveiled by Xi Jinping in 2013 that aims to establish several economic corridors between China and Eurasia over land and South East Asia over sea. The initiative has been analysed from various strategic perspectives, with its impact on labour conditions for both Chinese and foreign workers perhaps less so; though there have been instances, such as in Piraeus in Greece, where the issue was brought to the fore.

The M4 motorway project in the Islamic Republic of Pakistan is co-financed by the Asian Development Bank (ADB), the Asian Infrastructure Investment Bank (AIIB) and the Department for International Development (DFID). The Netherlands is a stakeholder in both the ADB and the AIIB. The ADB is the 'lead co-financer' and it is their safeguard policies that are applicable on the project. The ADB, alongside other Multilateral Development Banks such as the World Bank, has in the past been subject to public scrutiny with regard to its compliance with international human rights standards, as well as the Core Labour Standards (CLS) of the International Labour Organisation (ILO). In response to external pressures, in 2001 the bank became one of the first MDBs to commit to push for full compliance with the CLS and national labour laws. Nevertheless, it has not proceeded to integrate them into its internal policies; this has, as we have seen in the context of the M4 project, diminished the practical relevance of its original commitment to the CLS.

The Loan Agreements between Pakistan and the Asian Development Bank are unequivocal on the issue, stipulating that the borrower "shall ensure, that the core labour standards and the Borrower's applicable labour laws and regulations are complied with during Project implementation". It also stipulates that "contractors, other providers of goods and services, and their subcontractors, engaged under contracts for Works, have Works contracts...".

But the empirical data, consisting of interviews conducted with workers involved in the M4 project, has evidenced the widespread informality of labour relations around the M4 project: many workers were not officially employed by subcontractors, some of which may themselves not be registered companies. This context

and structure also make it much easier to evade compliance with regard to right to unionise and collectively bargain, as well as increasing the risk of other CLS violations, such as the recourse to child labour or forced labour.

While the ADB is imposing extensive reporting obligations on the Borrower for certain other issues (environmental impacts, resettlement policies), it does not extend them to labour rights. We believe that our findings warrant a much more extensive monitoring of labour conditions in ADB projects.

Don't Check the Boxes, Check the People

Remco E. Breuker & Imke B.L.H. van Gardingen

Corporate Social Responsibility. CSR. The notion has been around for quite a while now, an attempt to harmonise the imperatives of business with the needs for their environments to not be damaged by the activities those imperatives give rise to.¹ An uneasy compromise at best, it seems, easy to be cynical about, but that would be a denial of the progress made under the banner of CSR. Perhaps progress is not the proper term here, because it presupposes a linear march onwards to a goal that is better, higher, faster. The excursion of our research team, incidental though it maybe, into CSR has shown us more than anything that rather than progress, some projects that explicitly include CSR notions succeed, while in other cases CSR functions as a fig leaf, or as a toilet spray trying to mask unpleasant smells.

Our foray into the construction of the M4 motorway in Pakistan was prompted by similar notions that underlie the other study in this volume, the role of North Korean forced labour in garment industry supply chains: the role of foreign capital and of foreign companies. The M4 motorway construction project was partly funded by international financial institutions in whom the

1) See for example A.B. Carroll, 'A History of Corporate Social Responsibility: Concepts and Practices', in *The Oxford Handbook of Corporate Social Responsibility*, ed. Andrew Crane, et al. (Oxford: Oxford University Press on Demand, 2008), 19-46. For an overview of the different CSR practices around the world, see Wayne Visser and Nick Tolhurst, *The World Guide to CSR: A Country-by-Country Analysis of Corporate Sustainability and Responsibility* (London: Routledge, 2017).

Netherlands as a state is a stakeholder; as such the CSR guidelines of these funding agencies can be expected to be part and parcel of the project. Even if the labourers on the construction of the M4 were local labourers, the presence of financial institutions such as the Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB) should carry the consequence that not just local laws apply to the working conditions of the labourers, but also the CSR policies of the institution involved, as well as international conventions and treaties to which such institutions are bound.

The M4 motorway construction project also shares another characteristic with the other project in this volume: the presence of China, and to be precise, the inclusion of the M4 motorway into the Belt and Road Initiative (BRI), the PRC's ambitious project to remap much of the world today in a way that benefits the economic, political, strategic, and perhaps even military priorities of the PRC by building roads, ports, motorways.² By building, period. As for Pakistan, its participation in the BRI has taken the particular shape of the China Pakistan Economic Corridor or CPEC, an enterprise of such colossal importance, that it is treated as an extremely sensitive topic in Pakistan, with the media perhaps wanting but not always able to comment openly on the particulars of the project.³ In particular when such comments are deemed critical. As such, the M4 motorway project is not merely interesting on account of the details of the project, the local working conditions, project finances, et cetera. It is an instance of the meeting of Chinese capital and Chinese strategic interests, some European capital, local labour, and the local political and economic situation, and the domestic discourses such projects engender (undoubtedly, there are many more ways to conceptualise the M4 motorway construction project, but this should suffice for our purposes here). It provides us insight

2) See W.A. Callahan, 'China's "Asia Dream" The Belt Road Initiative and the New Regional Order', *Asian Journal of Comparative Politics* 1, no. 3 (2016): 226-43; also see Yiping Huang, 'Understanding China's Belt & Road Initiative: Motivation, Framework and Assessment', *China Economic Review* 40 (2016): 314-21.

3) See Sadaf Mustafa and Ammad Zafar, 'China Pakistan Economic Corridor: Importance and Challenges for Pakistan and China', *International Journal of Social Science and Economic Research* 2, no. 11 (2017). A more critical position is taken in this study: Muhammad Saqib Irshad, 'One Belt and One Road: Does China-Pakistan Economic Corridor Benefit for Pakistan's Economy?' *Journal of Economics and Sustainable Development* 6, no. 24 (2015).

in how these meetings may unfold, where the fit is comfortable and where not, what ramifications such transnational projects have, both locally and internationally. All the more so, since the BRI is hardly uncontested, because, as we shall discuss in this part of the report, its projects (of which there have been already many thousands) have consistently been associated with labour issues, labour rights infringements, economic blackmail, and even accusations of economic imperialism or colonialism.⁴

Our report was written based upon a fairly simple plan of action. After building the context for the research to be embedded in (labour conditions in Pakistan, the BRI, the CPEC, the role of the IFIs, et cetera), a number of persons who had actually worked as labourers on the construction of the M4 motorway were interviewed in a structured manner. Following the desk research of comparing the stated CSR policies of the IFIs and the construction companies involved (if indeed such policy documents were available) with what could be determined through the media, NGO reports, and interviews with a diverse array of local experts, comparing the day-to-day experiences of the labourers themselves seemed like the next logical step to take.

It was. Supported by the clause in the Loan Agreements between Pakistan and the Asian Development Bank that require the borrower (the Pakistani state) to “ensure, that the core labour standards and the Borrower’s applicable labour laws and regulations are complied with during Project implementation,” the interviews were conducted.⁵

Our findings put paid to the notion that the “core labour standards and the Borrower’s applicable labour laws and regulations” were complied with during the implementation of the project. Although further research with a bigger sample of labourers who are willing to be interviewed would seem a first and logical step forward, the data we collected is unequivocal in its observation that the widespread informality of labour relations around the M4 project led to a situation in which labour rights were not only infringed

4) For a recent overview of literature, see Huam Hon Tat et al., ‘Globalization, Colonialism and the Belt and Road Initiative (BRI): A Review of Literature’, *The Journal of Social Sciences Research*, special issue 2 (2018): 98-103.

5) You can find said agreement here: <https://www.adb.org/sites/default/files/project-document/176053/48402-001-lbj.pdf>, p.23. Accessed on 30-03-2019.

upon, but turned out to have been wholly or partially unknown to the labourers themselves. “Enlighten the people generally, and tyranny and oppressions of body and mind will vanish like evil spirits at the dawn of day,” according to Thomas Jefferson, and we find it hard to disagree with him here. Vanquishing infringements on labour rights will cost blood, sweat, and tears, not to mention time, but awareness on the part of the labourers is probably the first step in order to arrive at a practice of Corporate Social Responsibility that is not merely a mantra-like recitation of desiderata, but a practical concept. Guidelines that have value on the ground and not merely in the board room.

Returning to the notion of Corporate Social Responsibility, it stands out that the way the concept has been worded, it avoids mentioning the people involved: the workers themselves, their dependants, local inhabitants and such. Their rhetorical absence ties in with one of the observations we made in the course of our research: the absence of the workers in the monitoring procedures of the IFIs. While the IFIs and parties such as the ILO have been concerned with structurally improving labour condition for Pakistan’s workers (by for example increasing the number of inspectors in the labour inspection),⁶ none of the workers who were interviewed for this report was ever approached by a labour inspector, an inspector for an IFI, or by company inspectors.

The inspectors were seen on site by the workers, and it seems with a reassuring frequency, but as far as we have been able to determine, they did not seek to talk to the labourers themselves. We realise, that concern for the labourers’ safety may have been a consideration here: perhaps it was thought that being seen talking to an official inspector could lose a worker his/her job when the resulting report turned out negative. Still, other ways of collecting empirical facts (for that is what the labourers gave us in the form of the interviews) are possible. Just noting the visible facts is not enough, just checking the boxes is not sufficient: the people whose livelihood often depends on how CSR policies are -or are not- implemented on the ground are those who should be heard first. In this day and age, there is an obligation to know for companies, IFIs,

6) See http://www.ilo.org/islamabad/whatwedo/projects/WCMS_395777/lang--en/index.htm. Accessed on 30-03-2019.

governments, and consumers alike. This implies the strictest kind of due diligence, which is detailed, concrete, conscientious, thorough, strict, and on-site and on-hand. Instead of Corporate Social Responsibility, with the one-direction flow of action the name implies, we should perhaps rather try to visibly bring back the 'humans' into the equation. The obligation to know translates into the obligation to be there alongside the persons CSR policies are supposed to protect in the first place. It is after all hard to explain that inspectors who took the trouble to visit the construction sites - also from abroad, one imagines - did not take the trouble to talk with the labourers in a way that would have enhanced their empirical understanding of the conditions prevalent on the construction site. Again, if this needs to take the form of off-site interviews that are kept strictly anonymous to protect those workers who are willing to share their experiences, then this is the way to go. It should not be necessary to note, though, that in itself, having to take recourse to such measures in order to get a concrete, fact-based understanding of what is going on, is in itself of course an embarrassing condemnation of each and any CSR policy already in place.

Background, Financing and Local Context

Rosa Brandse, Michael Lee & Shirley Lee

This chapter looks at the parties and contexts that are directly involved in the construction of the M4 motorway, which is a project that falls within the vision of the China-Pakistan Economic Corridor (CPEC) for strategic infrastructure development.

Progress on the M4 motorway began in 2007 as part of the “National Trade Corridor Highway Investment Program.” To be funded by the Asian Development Bank (ADB), its stated aim was to benefit Pakistan’s economy through improving both domestic and international connectivity.⁷ Up to USD 900 million in loans was set aside for the main part of this program. An additional USD 10 million in loans was set aside from the ADB’s Special Funds, for the purpose of strengthening the institutions of the National Highway Authority of Pakistan (NHA), but this did not reach the stage of implementation.⁸ The just mentioned NHA would be responsible for implementing the projects.⁹

7) ‘Pakistan: National Trade Corridor Highway Investment Program - Tranche 1’. 1. <https://www.adb.org/projects/40075-023/main#project-pds>. Accessed on 30-03-2019.

8) Pakistan: National Trade Corridor Highway Investment Program (Tranche 1)’. 1–2. Accessed on 25-06-2018.

9) Aside from the sections mentioned here, the M4 motorway also includes the Khanewal–Multan section, which was funded by the Islamic Development Bank (USD 160 million). This section, however, was completed in 2010 and falls outside of the scope of our project, <https://www.dawn.com/news/945242>; <https://tribune.com.pk/story/995782/pakistan-has-been-left-behind-in-era-of-development-pm-nawaz/>. Accessed on 30-03-2019.

The motorway project was divided into three tranches. Initially, tranche 1 (Project Number 40075-023) focused on two expressways, the Peshawar – Torkham (E-1) and the Faisalabad – Khanewal (E-4). Due to security concerns on the part of the Pakistani government, at its request the E-1 was later removed from the scope, while the Gojra – Shorkot – Khanewal sections was delayed due to issues surrounding land acquisition. Consequently, the tranche focused only on the motorway section between Faisalabad and Gojra, which was renamed the M4. The contractor was China International Water & Electric Corporation, a Chinese state-owned enterprise (SOE). The project became effective in December 2008 and was closed in August 2015, with a final disbursed amount of USD 124.44 million out of the USD 170 million originally set aside.¹⁰

Progress on the motorway was continued through the “National Motorway M4 Gojra–Shorkot Section Project” (Project 48402-001). This was jointly funded by the ADB (USD 178 million) and the UK’s Department for International Development (DFID) (USD 92 million). The Pakistani government also contributed USD 47 million to the project, bringing the total funds to USD 317 million.¹¹ The contractors were Xinjian Beixin Road and Bridge for the section from Gojra to Jamani, and China Railway First Group for the section stretching from Jamani to Shorkot. While this stage of the project had its scope limited to the Gojra – Shorkot section, planning also took into account some anticipated additional funds that would become available in 2016 for construction of the Shorkot –Khanewal section.

The Shorkot–Khanewal section subsequently begun with the start of the “National Motorway M4 Gojra–Shorkot–Khanewal Section Project” (48402-002), which received USD100 million from the ADB, USD 34 million from the DFID, and USD 100 million from the Asian Infrastructure Investment Bank (AIIB). The

10) ‘Pakistan: National Trade Corridor Highway Investment Program (Tranche 1)’. 1–4. ‘Proposed Loan for Additional Financing and Administration of Loan and Grant for Additional Financing Islamic Republic of Pakistan: National Motorway M4 Gojra–Shorkot–Khanewal Section Project’. Report and Recommendation of the President to the Board of Directors (Asian Development Bank, May 2016), <https://www.adb.org/sites/default/files/project-document/184896/48402-002-rrp.pdf>. Accessed on 30-03-2019.

11) See <https://www.adb.org/sites/default/files/project-document/175099/48402-001-rrp.pdf>. Accessed on 30-03-2019.

Pakistani government contributed an additional USD 39 million, bring the total funding to USD 273 million. Notably, this was the first co-funded project between the ADB and the AIIB, which the president of the ADB described as a “historic milestone”¹²

This particular project was divided into two parts. The contractor for the Dinpur–Shorkot section is Chinese Gezhouba Group, in a joint venture with Ghulam Rasool and Company. The contractor for the Dinpur–Khanewal section is Xinjian Beixin Road and Bridge.¹³ All the labourers interviewed for this report worked on this section of the M4.

A summary of the different phases of construction on the M4 motorway is provided in the following chart:

| Project no. | Code | Section | Length (km) | Investment (million USD) | Contractor | Start | End |
|-------------|------|--------------------|-------------|---|--|----------|-----------|
| 40075-023 | 1 | Faisalabad – Gojra | 58 | ADB (\$170) | China International Water & Electric Corporation | Dec 2008 | Aug 2015 |
| 48402-001 | 2A | Gojra – Jamani | 32 | ADB (\$178) | Xinjian Beixin Road and Bridge | Dec 2015 | Feb 2019* |
| | 2B | Jamani – Shorkot | 30 | DFID (\$92) Govt. of Pakistan (\$47) Total: \$317 | China Railway First Group | | |

12) ‘ADB Approves First Cofinancing with AIIB for a Pakistan Road Project’, <https://www.adb.org/news/adb-approves-first-cofinancing-aiib-pakistan-road-project>. Accessed on 30-03-2019.

13) S.A. Renardet and the National Highway Authority, Ministry of Communications, Government of Pakistan for the Asian Development Bank, ‘Bi-Annual Environmental Monitoring Report for Project 48402-002, January-June 2017’, PAK: National Motorway M-4 Shorkot–Khanewal Project (Asian Development Bank, 2017), <https://www.adb.org/sites/default/files/project-documents/48402/48402-002-emr-en.pdf>. Accessed on 30-03-2019.

| | | | | | | | |
|---------------|----|------------------------------|----|---|---|-------------|--------------------------------|
| 48402 -002 | 3A | Shorkot - Dinpur | 31 | ADB (\$100) DFID (\$32) AIIB (\$100) Govt. of Pakistan (\$39) Total: \$273 | China Gezhouba Group Corporation and Ghulam Rasool and Company Xinjiang Beixin Road and Bridge | Jan 2017 | ~ Feb/ Mar 2019 ** |
| | 3B | Dinpur - Khan- ewal | 34 | | | | |

*See footnote for reference.¹⁴

**See footnote for reference.¹⁵

In both projects, the ADB played the role of lead financier, meaning it held the right to administer the funds while the co-financers, the DIFD and AIIB, would be expected to follow the ADB's safeguard policies. The implications of this will be discussed in more detail later; for now in short, since reviews of its present accountability and complaint mechanisms have found they do not well facilitate holding local contractors to account with regard to labour rights, some background on the local labour context will be useful.¹⁶

In funding infrastructure projects, institutions such as the ADB, DFID, and the AIIB not only provide financing, but also bring to bear on the project their own ethical norms and sometimes legal codes. This can impact labour conditions, or, in theory at least, should. Keeping that in mind, labour issues within development projects under the remit of the BRI and CPEC have several times been reported on by local media. For instance, with regard to the

14) See <https://tribune.com.pk/story/1902676/1-gojra-shorkot-section-motorway-inaugurated/>. Accessed on 30-03-2019.

15) Contact with NHA via Facebook on 1 September 2018. Authorities working on the M4 confirmed the completion of the project 'within six months'.

16) Souparna Lahiri, 'Core Labour Standards in ADB funded Power Sector Improvement and Urban Development Program in Bihar, India: A study' (Public Services International, August 2011), http://www.world-psi.org/sites/default/files/attachment/news/corelabourstandards_in_adb_electricity_bihar_nov2011.pdf. Accessed on 30-03-2019.

CPEC, evidence was found of at least one hundred on-site deaths related to the construction of the Lahore Orange Train Line.¹⁷ The NHA, which is the Implementing Agency for the M4 Motorway, has reportedly been facing up to 3,000 litigations on account of irregularities and use of controversial tender procedures.¹⁸ The large influx of Chinese capital and labour has not only raised questions regarding Pakistan's economic sovereignty, but also regarding potential impacts on the enforcement of labour rights in Pakistan.¹⁹ Chinese companies have also brought in labour from home on account of higher efficiency vis-à-vis their Pakistani counterparts and their willingness to work longer and harder under harsh circumstances, which is something the international media has picked up on. On the basis of such observations, it is worth analysing whether the CSR policies of the financing institutions are indeed serving as the guiding principles they are intended to be.

The media in Pakistan do not frequently cover labour issues, unless a case is particularly newsworthy on account of its severity. There can be repercussions for reporting on labour issues related to foreign investment projects, such as the costly and prestigious China-Pakistan Economic Corridor: by law, freedom of speech and press is limited on topics that are considered to potentially harm national interests.²⁰ According to Human Rights Watch, journalists who report on sensitive issues have received harassment from the army.²¹ This has led to self-censorship in the media.²² Many of the people interviewed for this report confirmed this, and almost all of them requested that their identities remain anonymous.

17) Zeenat Hisam, 'CPEC and labour', *Dawn*, 31 December 2017, <http://dawn.com/news/1379822>. Accessed on 25-06-2018.

18) Syed Irfan Raza, 'NHA facing over 3,000 court cases involving billions of rupees', *Dawn*, 18 December 2017, <https://www.dawn.com/news/1377325>. Accessed on 25-06-2018.

19) Adnan Aamir, 'Just who will the China-Pakistan Economic Corridor really benefit', *South China Morning Post*, 13 September 2017, <http://www.scmp.com/comment/insight-opinion/article/2110802/just-who-will-china-pakistan-economic-corridor-really>. Accessed on 26-06-2018.

20) Siraj, Syed Abdul, 'Critical analysis of press freedom in Pakistan', *Journal of Media and Communication Studies* 1, no. 3 (2009): 43-47.

21) See <https://www.hrw.org/world-report/2019/country-chapters/pakistan>. Accessed on 25-06-2018.

22) Imran Aslamand Kamran Asdar Ali, 'Media Matters in Pakistan', *Middle East Report* 251 (2009): 32-36.

Pakistan has 4.5 million construction workers (7.3% of the labour pool). In 2015, Pakistan had a total of 7,204 unions, with some 1.4 million members,²³ meaning that a modest 3% of the Pakistani workforce was represented by a union.²⁴ The underrepresentation of Pakistani workers by unions is not helped by the fact that informal subcontracting practices are widespread in the construction sector, which relies mainly on poor, unskilled and illiterate labourers from poorer provinces such as southern Punjab, Sindh and Khyber Pakhtunkhwa.²⁵ At the same time, the construction sector in Pakistan is the country's second most dangerous (after the agricultural sector), with an accident rate of 14.1% in 2013-2014 and 16.3% in 2014-2015.²⁶ There were 334 labour inspectors for covering the entire country in 2016, meaning that there was one inspector charged with enforcing labour legislations for every 75,000 workers.²⁷ Finally, experts have estimated that only 20% to 30% of companies are formally registered.²⁸ Yet in order to be held accountable for violations of labour laws, a company must be officially registered.

With regards to labour legislation, it consists of a variety of laws, regulations and policies at both the federal and provincial levels. At the federal level, the Constitution of the Islamic Republic of Pakistan, the Supreme Law of Pakistan, contains five articles related to labour rights in Part II: Fundamental Rights and Principles of Policy. These are:

Article 11: Prohibits slavery, forced labour, human trafficking, child labour, etc.;

Article 17: Guarantees the right to association and the forming of unions;

23) Zakaullah Khan Khalil, 'A Profile of Trade Unionism and Industrial Relations in Pakistan', ILO (Islamabad: ILO, 2018), 8.

24) Hasan Mansoor and Mansoor Raza, 'On death's door: trade unions in Pakistan', *Dawn*, 1 May 2016, <https://www.dawn.com/news/1255333>. Accessed on 25-06-2019.

25) Ibid.

26) Pakistan Bureau of Statistics, 'Labour Force Survey 2014-15', <http://www.pbs.gov.pk/content/labour-force-survey-2014-15-annual-report>. Accessed on 20-06-2018.

27) The ILO and the Dutch Ministry of Foreign Affairs just concluded a program to strengthen the Pakistani Labour Inspectorate, http://www.ilo.org/islamabad/whatwedo/projects/WCMS_395777/lang--en/index.htm.

28) Although that number seems to be growing rapidly: <https://www.techjuice.pk/total-number-of-registered-companies-in-pakistan-reaches-95000/>.

Article 18: Provides for the right of citizens to enter upon any lawful profession or occupation and to conduct lawful trade or business;

Article 25: Guarantees that all citizens are equal before the law and prohibits discrimination on the basis of sex;|

Article 37 (e): Provision for ensuring just and humane work conditions based and ensuring proper vocations based on age and sex.²⁹

Apart from the articles contained in the Constitution of Pakistan, other relevant laws and regulations promulgated and adapted by the Pakistani parliament are: *The Industrial and Commercial Employment (Standing Orders) Ordinance* of 1968; the *Industrial Relations Ordinance* 2002 (Section 46); the *Factories Act* of 1934; the *West Pakistan Shops and Establishments Ordinance* of 1969 (Section 8); the *Mines Act* of 1923 (Section 22-B); the *Maternity Benefit Ordinance* of 1958; the *Payment of Wages Act* of 1936. Together with the Constitution of the Islamic Republic of Pakistan, these six laws make up the legal framework as relates to labour rights at the federal level in Pakistan.³⁰

In addition, Pakistan joined the ILO in 1947 and has ratified 36 ILO conventions as of June 2018, of which 31 were in force. The ratified conventions include: eight Fundamental Conventions (C029, C087, C098, C100, C105, C111, C138, C182); four Governance Conventions (C081, C144); and seventeen Technical Conventions (C001, C006, C011, C014, C016, C018, C019, C022, C027, C032, C045, C080, C089, C090, C096, C106, C107, C116, C118, C159, C185).³¹ Pakistan's ratification of these conventions means that within the framework of the ADB's safeguards policies, the government of Pakistan and the provincial government of the Punjab are responsible for adhering to the labour standards espoused by the ILO conventions.

In summary, the rights of workers are reasonably well defined and protected on paper. In the reality of daily practice, however,

29) The Constitution of the Islamic Republic of Pakistan, accessed on 01-07-2018: http://na.gov.pk/uploads/documents/1333523681_951.pdf.

30) ILO, 'National Labour Law Profile: Islamic Republic of Pakistan (2004)'. Accessed on 15-06-2018, http://www.ilo.org/ifpdial/information-resources/national-labour-law-profiles/WCMS_158916/lang--en/index.htm.

31) ILO, 'Ratifications for Pakistan (2018)'. Accessed on 15-06-2018, https://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:103166.

this turns out not to be the case. Enforcement is often not possible or is easily circumvented. The situation is made more complicated by the variety of funding mechanisms involved in projects such as the M4, as they bring into play several kinds of CSR policies, national codes of conduct, and legal codes.

The Belt and Road Initiative and the China-Pakistan Economic Corridor

Michael Lee & Shirley Lee

The M4 motorway project falls within the strategic initiative of the China-Pakistan Economic Corridor (CPEC), which itself comes under the Belt Road Initiative (BRI), previously referred to as the One Belt One Road (OBOR). This chapter seeks to clarify the implications of these connections, and in particular, what impacts the BRI and the more locally relevant CPEC has had, and continues to have, on labour issues surrounding the construction projects.

The Belt and Road Initiative

The M4 motorway project is being undertaken by three Chinese construction companies: China Railway First Group (CRFG), China Gezhouba Group Corporation (CGGC), and Xinjiang Beixin (XJBX).³² All three companies are state-owned enterprises (SOE), and each of them is working on a different section of the motorway. Appendix III contains background information on the three companies.

32) See <http://www.xjbxlq.com/company/sort04/93.html>, accessed on 28-01-2019.

The Belt and Road Initiative (BRI),³³ first unveiled by Xi Jinping in 2013, is a strategic megaproject that aims to economically connect China with other Eurasian states. “The Initiative,” begins a Vision document from 2015, “will enable China to further expand and deepen its opening-up, and to strengthen its mutually beneficial cooperation with countries in Asia, Europe, Africa, and the rest of the world. China is committed to shouldering more responsibilities and obligations within its capabilities, and making greater contributions to the peace and development of mankind.” Such is the project’s importance that it was enshrined into the Chinese Communist Party Constitution in 2017. To date, China has invested USD 420 billion in the project, according to the China Global Investment Tracker.³⁴

In concrete terms, the project involves a series of infrastructural investments spanning sixty countries in Central Asia, South Asia, Africa, South America, and Europe. There are two broad aspects to the project: the overland “Belt” (“Overland Silk Road Economic Belt”) and the maritime “Road” (“21st-Century Maritime Silk Road”), each of which have various regional projects categorized under it. Although it has been framed by Chinese media as a purely economic initiative, aimed at benefitting both China and the host country in what is termed “win-win cooperation”, some outside commentators have critically referred to it as a form of “economic imperialism”.³⁵

In a similar vein, the Centre for Advanced Defense Studies in Washington DC pointed out the potential geostrategic implications of China controlling key ports around the world. In a report published in April 2018, it cites China’s investment in Gwadar port

33) The term Belt and Road Initiative broadly comprises of two approaches: the ‘Silk Road Economic Belt’, which comprises the overland section of the initiative, and the ‘21st-Century Maritime Silk Road’, which refers to the maritime section. This project has also been referred to as the One Belt One Road (OBOR) project in older texts, and is sometimes abbreviated ‘B&R.’ This report uniformly refers to the initiative as BRI.

34) <http://www.aei.org/china-global-investment-tracker/12/12/2018>. This sum is based on actual investments so far. Conventionally, estimates put the investment at \$1 trillion; some go as high as \$8 trillion, but these figures are often loosely defined. See <https://www.csis.org/analysis/how-big-chinas-belt-and-road>; <https://www.aei.org/wp-content/uploads/2018/03/BRI.pdf>.

35) William R. Hawkins, ‘China’s Belt and Road Initiative: Globalization as Imperialism’, SFPPR, 2 August 2017, <http://sfppr.org/2017/08/chinas-belt-and-road-initiative-globalization-as-imperialism/>, accessed on 28-01-2019.

in Pakistan as an example of how the moves serves towards overcoming the “Malacca dilemma” –referring to the vulnerability to naval blockade of a narrow passage through which critical Chinese supplies pass. The strategic logic would be the establishment of a new supply line overland through Pakistan and passing through Xinjiang. The same report adds that the port infrastructure could also be used for hosting military bases.³⁶ Another US institution challenging China’s rhetoric of “win-win mutual cooperation” has been the Centre for Strategic and International Studies, which pointed out that 89% of the funded projects it surveyed had been contracted out to Chinese companies, thus keeping the ‘win’ squarely on the Chinese side of the equation.³⁷ According to a Chinese news article from November 2018, Chinese state owned enterprises (SOEs) have undertaken 3,116 BRI projects, half the number of the infrastructure projects already underway or in the pipeline.³⁸

Although there have been analyses of the BRI regarding its geopolitical and strategic competition aspects, there has been much less emphasis on labour rights issues connected to the projects. On the subject of CSR, an article released by the Chinese government through the Sino-Swedish Corporate Social Responsibility Website, entitled “‘The Belt and Road’ and Corporate Social Responsibility”, reaffirmed BRI’s commitment to sustainable development.³⁹ While the article mentions commitments to environmental protection and the empowerment of local communities, it did not contain any references to workers, labour rights or workplace safety. Nevertheless, there have been a series of concerns regarding labour

36) Devin Thorne and Ben Spevack, ‘Harbored Ambition: How China’s Port Investments Are Strategically Reshaping the Indo-Pacific’ (Center for Advanced Defense Studies, 17 April 2018), <https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/5ad5e20ef950b777a94b55c3/1523966489456/Harbored+Ambitions.pdf>, accessed on 28-01-2019.

37) Jonathan E. Hillman, ‘China’s Belt and Road Initiative: Five Years Later’, Center for Strategic & International Studies, 25 January 2018, <https://www.csis.org/analysis/chinas-belt-and-road-initiative-five-years-later-0>, accessed on 28-01-2019.

38) Xinyu Tan, ‘Central SOEs Managing over 3,000 Projects under BRI’, *China Daily*, 12 November 2018, <https://www.chinadaily.com.cn/a/201811/12/WS5be9103ea310eff30328812f.html>, accessed on 28-01-2019.

39) Sino-Swedish CSR website, “The Belt and Road’ and Corporate Social Responsibility”, <http://csr2.mofcom.gov.cn/article/Nocategory/201710/20171002657050.shtml>, accessed on 28-01-2019.

right infringements in BRI projects around the world, affecting both Chinese and local workers.

In 2017, Voice of America China reported on Chinese workers suffering from poor working conditions while being employed by a Chinese SOE operating in Angola. According to the report, a Chinese worker who was interviewed was only allowed to rest once every two weeks and had been paid just once during the year he had spent working abroad. Fellow workers were said not to have contracts or insurance.⁴⁰ In the same year, a Hong Kong newspaper reported on a similar situation in Saipan, where Chinese labourers went on strike. According to the report, labourers were asked to work illegally on a tourist visa, worked thirteen hour days without rest, and were paid less than a quarter of what they had been promised. The situation had been uncovered following the death of a worker in March of the same year, leading to the discovery that hundreds of other Chinese workers had been employed on tourist visas and that they were owed wages going back several months. As a Chinese NGO noted, the situation was also in violation of US labour laws, the Northern Marianas to which Saipan belongs being part of the United States commonwealth.⁴¹

In the case of the port of Piraeus in Greece, locally employed workers were affected alongside Chinese workers. The port had been acquired by the Chinese SOE China Ocean Shipping Group Company (COSCO) in 2008, but it was later incorporated into the larger scope of the BRI. Until 2016, with COSCO owning Piers II and III of the port while Pier I remained under Greek control, there were signs of disparate labour conditions. In 2011, it was reported that Greek workers on the Chinese side were being made to work long hours without breaks, received no training for specialized jobs, and at times paid a salary around half that of workers on the

40) Xiào Yǔ, 'Yìdài yīlù' zhōngguó láogōng fāngtán (1): Wǒmen xiàng zhū zāi yìyàng bèi mài dào fēizhōu, *VOA Chinese*, 24 August 2017, <https://www.voachinese.com/a/china-labor-in-africa-part1-20170823/3997942.html>, accessed on 28-01-2019.

41) Zhāng Xiāo, 'Zhōngguó láogōng bèi kùn sāi bān 'hēi gōng' kùn jú chéng yīdài yīlù línglèi zhùjiǎo', *Xiānggǎng* 01, 24 December 2017, <https://www.hk01.com/中國/143244/中國勞工被困塞班-黑工-困局成一帶一路另類註腳>, accessed on 28-01-2019.

Greek side.⁴² The takeover sparked a large debate within the EU on the desirability of foreign takeovers.⁴³

Labour conditions had not improved by 2015, when it was reported that only a quarter of the 1,000 employees of the port had formal contracts, with the rest being informally hired through sub-contractors or through private contracts. According to the report, workers received low wages in the form of a monthly sum fixed in advance, regardless of work during night shifts or weekends, and sometimes worked up to sixteen hours a day. The same report noted that workers had not been mentioned in the concession agreement when Cosco took control of the port.⁴⁴ The labourers went on strike in 2016 in opposition to the Chinese acquisition of the entirety of the port, but failed to stop the event.⁴⁵ As of 2018, there trade unions have continued to engage in strikes, suggesting that poor labour conditions persist.⁴⁶ The president of the dock workers union has been quoted as saying:

What we do believe is that Cosco is importing the Chinese labour model to Greece. The result is that companies not run by the Chinese are being influenced by what the Chinese are doing in lowering the labour costs and reducing workers' rights.⁴⁷

China's weak labour practices, then, affect not only Chinese workers but also local workers - even those in EU countries with a stronger rule of law and active trade unions. Due to concerns in

42) Louisa Lim, 'In Greece, Storm Brews Over Chinese-Run Labor', *National Public Radio*, 8 June 2011, <https://www.npr.org/2011/06/08/137035251/in-greek-port-storm-brews-over-chinese-run-labor>, accessed on 28-01-2019.

43) See for example: André Sapir and Alicia Garcia-Herrero, 'Should the EU have the power to vet foreign takeovers?' *Bruegel*, <http://bruegel.org/2017/09/should-the-eu-have-the-power-to-vet-foreign-takeovers/>, accessed on 28-01-2019.

44) Anastasia Frantzeskaki, 'The Privatization of the Piraeus Port Authority in Greece: What's Really Happening', *Tlaxcala*, 9 November 2016, <http://www.tlaxcala-int.org/article.asp?reference=17002>, accessed on 28-01-2019.

45) Angeliki Koutantou, 'Workers Protest as Greece Sells Piraeus Port to China CO- SCO', *Reuters*, April 8, 2016, <https://uk.reuters.com/article/uk-eurozone-greece-privatisation-china-c-idUKKCN0X50XD>, accessed on 28-01-2019.

46) Ilias Bellos, 'Piraeus Port Blockade Draws China Complaint', *Kathimerini*, 6 February 2018, <http://www.ekathimerini.com/229209/article/ekathimerini/news/piraeus-port-blockade-draws-china-complaint>, accessed on 28-01-2019.

47) Lim, 'In Greece, Storm Brews over Chinese-Run Labor.'

the Pakistani labour environment as mentioned earlier, labourers in Pakistan exist in an even more vulnerable environment than their colleagues in the EU.

A number of news articles on workers on the BRI and CPEC released by the Chinese government are somewhat illustrative of the difference in framing surrounding labour rights. An article by Xinhua (state run media), for example, emphasizes the selfless sacrifice of the Chinese labourers in Pakistan who give up going home for the holidays in order to duly carry out their work. In the same article, labourers who do not go home despite bereavement in the family or despite being married are portrayed admiringly.⁴⁸

CPEC

From its inception, newspapers in Pakistan reported on the lack of transparency surrounding the CPEC,⁴⁹ despite its vision involving several long-term plans of local salience such as the installing of twenty-hour surveillance technology in major cities, development of the tourism industry, and the permitting of visa-free tourism to Chinese visitors while not implementing the same for Pakistani nationals visiting China. A significant part of the plans had not first been discussed in public.⁵⁰ Even after their publication, however, the CPEC continued to attract controversy in Pakistan. In late 2017, it was reported that the National Highway Association (NHA), responsible for implementing the motorway projects, faced over 3,000 court cases because of “alleged mass-scale irregularities” over the awarding of contracts. Among the implicated were several CPEC projects, including the M4 motorway. A number of projects were said to have been awarded to Zahir Khan & Brothers (ZKB), a large infrastructure company, even though the firm was shown as performing most poorly in the bidding process.⁵¹ As noted in

48) Yi Chen, “Tuányuán de rizi, zhè qún zhōngguó rén què liúshǒu zài ‘sǐwáng dìdài’”, *Xinhua*, 31 January 2017, http://www.81.cn/big5/jwgz/2017-01/31/content_7472052.htm, accessed on 28-01-2019.

49) ‘\$46-Billion CPEC: Govt Attempts to Clear Transparency Concerns’, *The Express Tribune*, 31 December 2015, <https://tribune.com.pk/story/1019115/46-billion-cpec-govt-attempts-to-clear-transparency-concerns/>, accessed on 28-01-2019.

50) According to a note in the same article, a Pakistan Minister has pointed out that these plans is not a project document, but merely ‘delineates the aspirations of both sides’, open to review if needed.

51) Syed Irfan Raza, ‘NHA Facing over 3,000 Court Cases Involving Billions of Ru-

the previous chapter, this firm was involved with the deadly Lahore Metro project where over fifty died. Consequently, a corruption investigation was launched against the NHA,⁵² and it remains on-going as of December 2018.⁵³

There have also been concerns raised locally about Pakistan's national debt to China as a result of CPEC sponsored projects. Critics and commentators have claimed that Pakistan is falling into a debt trap, with amounts to be repaid over a period of twenty years estimated to be reaching as high as USD 40 billion.⁵⁴ One commentator writes, "China has always defined BRI as a win-win situation, implying that both China and the host country would enjoy the resultant economic prosperity. The truth, however, is completely different. Basically, "win-win" probably meant that China would "win twice."⁵⁵ In the case of non-payment, ports can be seized by Chinese firms as in the cases of Port Hamabouta in Sri Lanka, Port Mombasa in Kenya,⁵⁶ or Port Djibouti in Zambia,⁵⁷ in

pees', *Dawn.com*, 18 December 2017, <https://www.dawn.com/news/1377325>, accessed on 28-01-2019.

52) Syed Irfan Raza, 'NAB to Probe 'Corruption' in Award of Rs148bn Motorway Project Contract', *Dawn.com*, 19 February 2018, <https://www.dawn.com/news/1390304>, accessed on 28-01-2019.

53) Syed Irfan Raza, 'Irregularities in Motorway Contract Award Found: NAB', *Dawn.com*, 17 December 2018, <https://www.dawn.com/news/1451939>, accessed on 28-01-2019.

54) Shahbaz Rana, 'Pakistan to pay China \$40b on \$26.5b CPEC investments in 20 years', *The Express Tribune*, 26 December 2018, <https://tribune.com.pk/story/1874661/2-pakistan-pay-china-40-billion-20-years/>, accessed on 28-01-2019.

55) Ali Salman Andani, 'Friend with no Benefits: Why China Is Not Pakistan's Friend at All', *DailyO*, 22 October 2018, <https://www.dailyo.in/politics/china-pakistan-obor-cpec-bri-economy-xi-jinping-imran-khan-imf-debt/story/1/27333.html>, accessed on 28-01-2019. Andani is Indian and DailyO is an Indian platform, and so his views are likely biased against Pakistan and CPEC. However, given Pakistan's media control topics relating to CPEC, it is difficult to find such clear dissent from Pakistani sources, and so his articles have been included here for discussion.

56) Ali Salman Andani, 'China's Chilling Debt Trap for Pakistan: How Everything China Invests Goes Back to It, along with a Lot More', *DailyO*, 8 January 2019, <https://www.dailyo.in/politics/china-debt-trap-pakistan-cpec-imf-imran-khan/story/1/28759.html>, accessed on 28-01-2019; MarEx, 'Report: Kenya Risks Losing Port of Mombasa to China', *The Maritime Executive*, 20 December 2018, <https://www.maritime-executive.com/article/kenya-risks-losing-port-of-mombasa-to-china>, accessed on 28-01-2019.

57) George Tubei, 'The Sad Similarity between Sri Lanka, Zambia and Now Djibouti That Best Exemplifies China's 'Debt Trap' Diplomacy', *Pulse Live*, 11 September 2018, <https://www.pulselive.co.ke/bi/politics/politics-the-sad-similarity-between-sri-lanka>

a manner that has been referred to as ‘economical colonialism.’⁵⁸ A suggestion was recently made that Gwadar port in Pakistan might in fact already be on the way to becoming a colony, following the little publicized news that China had purchased 3.6 million square footage of land in the port and was investing USD 150 million in the construction of a gated community for half a million Chinese nationals, to be completed by 2022.⁵⁹

Pakistan’s Prime Minister, Imran Khan, has spoken positively of the CPEC initiative,⁶⁰ and the government has categorically either denied allegations or has otherwise ignored the criticisms levelled at the CPEC. For example, the Ministry of Planning rejected international reports on CPEC as being based on inaccurate information, and specifically denied similarities with the Sri Lanka case: “The project could not be compared with Chinese overseas investment in Sri Lanka or Malaysia as frameworks and financial modes of CPEC are altogether different in nature.”⁶¹ An article reflecting the stances of the Ministry of Planning and of the Embassy of China in Pakistan described references to a USD 40 billion debt as “misleading”, and reiterated the existence of “all-weather cooperation” between the two countries.⁶²

zambia-and-now-djibouti-that-best/8kx3drc.

58) China is described in this article as making a ‘semi-colony’ out of Sri Lanka: Panos Mourdoukoutas, ‘What Is China Doing to Pakistan? The Same Thing It Did to Sri Lanka’, *Forbes*, 15 April 2018, <https://www.forbes.com/sites/panosmourdoukoutas/2018/04/15/what-is-china-doing-to-pakistan-the-same-thing-it-did-to-sri-lanka/#220e98a9ff53>, accessed on 28-01-2019.

59) Logan Pauley and Hamza Shad, ‘Gwadar: Emerging Port City or Chinese Colony?’ *The Diplomat*, 5 October 2018, <https://thediplomat.com/2018/10/gwadar-emerging-port-city-or-chinese-colony/>, accessed on 28-01-2019; Dipanjan Roy Chaudhury, ‘As Part of CPEC, ‘Chinese Only’ Colony Coming up in Pakistan’, *The Economic Times*, 21 August 2018, <https://economictimes.indiatimes.com/news/defence/as-part-of-cpec-chinese-only-colony-coming-up-in-pakistan/articleshow/65481132.cms>, accessed on 28-01-2019.

60) Mohammad Zafar, ‘CPEC to Bring Prosperity, Says PM Imran’, *The Express Tribune*, 26 January 2019, <https://tribune.com.pk/story/1897087/1-cpec-bring-prosperity-says-pm-imran/>, accessed on 28-01-2019.

61) ‘Pakistan Rejects Western Media Reports on CPEC’, accessed 5 February 2019, <https://www.thenews.com.pk/latest/380025-pakistan-rejects-western-media-reports-on-cpec>, accessed on 28-01-2019.

62) ‘China Clarifies ‘misleading’ Facts on \$40 Billion CPEC Debt’, *International The News*, 30 December 2018, <https://www.thenews.com.pk/latest/412108-22-cpec-projects-completed-with-189-billion-investment-china>, accessed on 28-01-2019.

The lack of media freedom in Pakistan complicates the issue. A number of interviews we conducted with Pakistani academics and reporters confirmed that CPEC remains a sensitive issue in Pakistan, and reporters are discouraged from writing about it.⁶³ This point was highlighted in a recent *Economist* article, on the particular interest of the Pakistani military in the CPEC projects: “To question CPEC is to conspire against the national interest—which the army holds the monopoly of defining. The sanction for media outfits that cross the army is closure.”⁶⁴ The interviews we conducted with workers on the M4 motorway, where the presence of armed security around worksites could be seen discouraging outsiders from observing too closely, provided some corroboration regarding the culture of secrecy surrounding the CPEC projects.

In summary, there are a number of extant concerns with regard to CPEC projects, including allegations of corruption, debt and, most pertinent to this report, labour rights issues. With the Pakistani government’s full endorsement of CPEC, workers’ interests may not easily be taken into account. This report goes directly to them to see what is occurring on the ground.

IFI Safeguards: The ADB and the AIIB

In the realm of international development, international financial institutions (IFIs) have a unique role as they are at once involved in governance and are a market organization, trying to serve the global purpose of poverty reduction. Developing countries in need of financial assistance in local projects can join an IFI as a borrower state, and ask for loans or other types of monetary help to fund them. The money is provided by donor states who, in exchange for funding, get a vote in the shareholders’ meeting. Although the original intent of the IFIs was solely in helping development after the world war, more projects with social dimensions were funded over time, Most IFIs now having social safeguard policies in place for the projects they fund, with financial assistance only given to

63) Due to the extremely sensitive nature of this topic, we shall keep these interviews anonymous.

64) ‘Why Imran Khan Is Unlikely to Make Life Much Better for Pakistanis - Tales of Self-Harm’, *The Economist*, 10 January 2019, <https://www.economist.com/briefing/2019/01/12/why-imran-khan-is-unlikely-to-make-life-much-better-for-pakistanis>.

those who agree to certain conditions set by the IFI. This principle is called conditionality, and it can be applied to safety standards in a single project or even larger scale domestic policy reforms.⁶⁵

IFI members are almost exclusively nation states; consequently, there are inevitably political aspects to their actions, affecting the functional independence of the institution. This is especially the case as there is no well-developed international financial law that deals with both the financial and the public aspects of IFI transactions.⁶⁶ In an attempt to pacify such concerns, the social safeguard policies of most IFIs drawn on broadly accepted international conventions such as the ILO's Core Labour Standards.

The ILO Declaration on Core Labour Standards asks development banks to promote the CLS, which consist of the freedom of association and the recognition of the right to collective bargaining, the abolition of all forms of compulsory labour, the elimination of discrimination in respect of employment and occupation, and the elimination of child labour. Generally, there are no immediate repercussions for not obeying the safety standards set by the IFI, whose breaches may influence current or future funding for the borrowing country, but do not normally lead to refunds.⁶⁷

In the M4 motorway project in Pakistan, three major IFIs are involved: the Asian development bank (ADB), the Asia Infrastructure Investment bank (AIIB) and the Department for International Funding (DFIF). They do not all take part in administering the loans and monitoring the project and the conditions. The ABD is the 'lead co-financer' and all contracts for the project are consequently made with the ABD, with its safeguard policies and conditions applicable on the motorway. This is accepted by the other two banks as appropriate for the project. According to the AIIB, it:

65) Celine Tan, *Governance through Development: Poverty Reduction Strategies, International Law and the Disciplining of Third World States* (New York: Routledge, 2011), 96.

66) 'Financial Institutions', in *International Financial Institutions and International Law*, ed. Daniel Bradlow and David Hunter (The Netherlands: Kluwer Law International, 2010), 1.

67) Celine Tan, 'The New Disciplinary Framework: Conditionality, New Aid Architecture and Global Economic Governance', in *International Economic Law, Globalization and Developing Countries*, ed. Celine Tan and Julio Faundez (Cheltenham, UK: Edward Elgar, 2010), 115.

*decided to use the ADB's Safeguard Policy Statement (2009) (ADB SPS), since (I) it is consistent with AIIB's Articles of Agreement and materially consistent with the provisions of AIIB's Environmental and Social Policy and relevant Environmental and Social Standards; and (II) the monitoring procedures that ADB has in place to ascertain compliance the ADB SPS are appropriate for the Project.*⁶⁸

The DFID likewise relies on the ADB, although their annual reports on projects in Pakistan mention that they personally held site visits to monitor progress, risk and social safeguards. These concluded that good quality controls were in place, safety measures were good and that no child labour as detected, but details from these visits are not available.⁶⁹

The ADB's operational manual Bank Policies state that it is within the power of the bank to “help significantly reduce poverty, inequality and vulnerability by transforming institutions so they promote inclusiveness, equity, empowerment, and social security.”⁷⁰ Before a loan is given, the bank together with the borrowing country makes an *Initial Poverty and Social Analysis* (IPSA), on the basis of which a *Summary Poverty Reduction and Social Strategy* (SPRSS) is made to improve on social dimensions.⁷¹ A key point highlighted by the ABD is the inclusion of women and protection of indigenous people.⁷² This can be seen very clearly in the IPSA of the M4 motorway, made by the National Highway Authority Pakistan (NHA) on behalf of the borrowing country together with the ADB. When discussing possible social risks, the report says: “The project executing agency [NHA] has engaged a firm as [Land Acquisition and Resettlement (LAR)] Consultants which comprises

68) AIIB, ‘Approved Project Summary Pakistan: National Motorway M4 (Shorkot-Khanewal Section) Project (Cofinanced with the Asian Development Bank)’ (Asian Infrastructure Investment Bank, n.d.), 1, https://www.aiib.org/en/projects/approved/2016/_download/pakistan-national-motorway/summary/approved_project_summary_pakistan_national_motorway.pdf, accessed on 28-01-2019.

69) ‘2017 Annual Review Summary Sheet for the Pakistan Economic Corridors Programme’ (DFID, December 2016), 16, accessed on 28-01-2019.

70) ADB, ‘Operations Manual Bank Policies’, BP (Asian Development Bank, 2010).

71) ADB, ‘Sustainability Report 2018: Investing for an Asia and the Pacific Free of Poverty’ (Asian Development Bank, May 2018), 16.

72) World Bank, ‘Labor Force Participation Rate, Female (% of Female Population Ages 15+)’ (World Bank), accessed 07-02-2019, <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS?locations=PK>.

a resettlement specialist, a sociologist and gender specialist, land and database experts and field enumerators.⁷³

Although the sociologist might be able to advise on general labour rights issues, the bi-annual monitoring reports given by the LAR consultants do not mention labour rights. They focus on the gender balance, land resettlement issues and basic safety and hygienic measures for the engineers.⁷⁴ This is not a bad thing; the motorway claims land in a poor rural area and Pakistan's female employment rate is currently at its all-time high at a mere 25%.⁷⁵ The concerns regarding the IPSA and the monitoring reports, however, is that the position of workers and their rights is not clear. The ADB itself has shown awareness of this issue in one of their proposed projects regarding improving CSR on the ground,⁷⁶ but this was not reflected in the M4 project.

The ADB's Social Protection Strategy and Action Plan commits it to complying with the Core Labour Standards, and guide the ADB operations in good labour and social protection practices. This commitment was furthered with a Memorandum of Understanding (MOU) being signed between the ILO and ADB in 2002. In 2006, the ADB published, in cooperation with the ILO, a handbook on Core Labour Standards (CLS), which developed the ADBs' views on CLS' that it first espoused within the 2001 Social Protection Strategy. It has been noted that the publication of CLS Handbook was the only joint initiative since the MoU was signed, and that no regular high-level consultations were held after April 2006, in addition to limited progress being made in the implementing of key agreements.⁷⁷

73) 'Project Administration Manual for Project 48402' (Asian Development Bank, May 10, 2016), 11.

74) Renardet S.A and NHA, 'Bi-Annual Environmental Monitoring Report for Project 48402-002, January - June 2017'; Renardet S.A and NHA, 'Bi-Annual Environmental Monitoring Report for Project 48402-002, July - August 2017' (ADB, August 2017); External Monitoring Consultant, 'External Monitoring Report for Implementation of Land Acquisition and Resettlement Plan' (ADB, October 2018).

75) World Bank, 'Labor Force Participation Rate, Female (% of Female Population Ages 15+)' (World Bank), accessed on 07-02-2019, <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS?locations=PK>.

76) ADB, 'Pakistan: Strengthening Corporate Social Responsibility for Development', Project Proposal (Pakistan: ADB, 2015).

77) Presentation by Hiro Hibashi, Senior Specialist on Workers' Activities, ILO Sub-regional Office for S.E. Asia and the Pacific, on the CLS IN 2008.

As for the contents of the Handbook, it ‘does not introduce new policies or requirements, but instead gives practical knowledge on how CLS can be taken into account by ADB staff and their Government counterparts.’⁷⁸ The preceding ADB statement implies that the responsibility for adherence to local labour laws and ILO conventions is placed squarely with the borrowing government’s implementing agency—in this case the National Highway Authority of Pakistan. The legal framework within the project that supports the configuration is one of the ‘Key Legal Agreements’ for the project, namely the ‘Loan Agreement.’ Within the Loan Agreement it is specified under Schedule 5 article 14 that:

The Borrower shall ensure, and cause NHA to ensure, that the core labor standards and the Borrower’s applicable labor laws and regulations are complied with during Project implementation. The Borrower shall ensure, or cause NHA to ensure, that contractors, other providers of goods and services, and their subcontractors, engaged under contracts for Works, have Works contracts which include specific clauses to:

(a) comply with the Borrower’s applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) comply with all legally mandated provisions on health, sanitation, and appropriate working conditions, including accommodation where appropriate for construction workers at construction campsites; (c) use their best efforts to employ women and local people, including disadvantaged people, living in the vicinity of the Works; (d) provide equal pay to men and women for work of equal type; (e) provide and adequately equip first-aid, health and sanitation, and personal hygiene facilities for male and female workers at the Works sites; (f) maximize female training and employment; (g) conduct an information and education campaign on sexually transmitted diseases and HIV/AIDS for construction workers as part of the health and safety program at campsites and adjacent communities during Works implementation; (h) allow freedom of association and effectively recognize the right to collective bargaining; and (i) abstain from forced or child labor.’⁷⁹

78) ADB, ILO, *Handbook: Core Labor Standards*, 2006, accessed on 25-06-2018, <https://www.adb.org/sites/default/files/institutional-document/33480/files/cls-handbook.pdf>, III.

79) ADB, Loan Agreement (Ordinary Operations) (National Motorway M4 Gorja-Shorkot Section Project), accessed on 25-06-2018: <https://www.adb.org/sites/>

As is further stipulated within the Administration Manual of the M4 motorway project, the NHA as the Implementing Agency is responsible for the project's adherence to the ADB environmental and Social Safeguards, and through the configuration of the Loan Agreement, also for the correct implementation of local labour laws.

Elsewhere, ADB has had in practice few accountability mechanisms that compel companies and governments to respect the Core Labour Standards. In selected case studies of ADB funded projects, both Building and Wood Workers International and Public Services International found serious violations of CLS: in the Melamchi Drinking Water project (Nepal), Regional Railway Construction Network project (Cambodia), Uttarakhand Power Sector Investment Program (India) and Madhya Pradesh Power Sector Development Programme (India).⁸⁰

Back on the M4, the project manual regarding implementation states that adherence to the Core Labour Standards will be included in the construction contracts, which would then be monitored by the NHA and supervision consultants.⁸¹ This is problematic, as it is not uncommon in the Pakistani construction industry for workers have no contracts, which was also the situation among workers interviewed for this study. Moreover, both the external and the internal bi-annual social safeguards monitoring reports were silent on labour rights issues, although they included topics of women's participation and basic safety training.⁸² There was a mention of an external social safeguard monitoring consultant not receiving payment for two months and this being fixed,⁸³ but construction workers are not represented in the document. The DFID noted the same, and has advised the NHA to evaluate the usefulness of their monitoring mechanism, in addition to adding a section on

default/files/project-document/176053/48402-001-lbj.pdf, 23.

80) Souparna Lahiri, 'Core Labour Standards in ADB funded Power Sector Improvement and Urban Development Program in Bihar, India', PSI 2011.

81) 'Project Administration Manual for Project 48402', 11.

82) Renardet S.A and NHA, 'Bi-Annual Environmental Monitoring Report for Project 48402-002, July - August 2017'; External Monitoring Consultant, 'External Monitoring Report for Implementation of Land Acquisition and Resettlement Plan.'

83) External Monitoring Consultant, 'External Monitoring Report for Implementation of Land Acquisition and Resettlement Plan.'

the non-compliance of social standards.⁸⁴ Until the time of writing in March 2019, no changes have been seen in this regard.

84) '2017 Annual Review Summary Sheet for the Pakistan Economic Corridors Programme', 17.

Asking the Workers Themselves: A Case Study of Workers' Rights

Jonne Bosselaar, Rosa Brandse & Shirley Lee

This report is built around a survey done among workers on the M4 motorway project. The only way to find out whether the safeguard policies of the IFIs, local and international laws, and international treaties play any kind of significant role on the ground during the execution of this project is by directly interviewing those who worked on the M4. As such, to evaluate the workers' rights situation of the M4 motorway project, interviews with construction workers on the site have been conducted. The questions were structured around the safeguard policies of the ADB, Pakistani laws, and the implementation of those measures. To introduce the interview data in the context in which they were collected, this chapter will shortly discuss the ADB's social standards, the Pakistani construction industry, and the methodology of conducting the interviews. This will be followed by the interview data, which is corroborated with background information along the way.

Methodology

For the purpose of this research, the research group contacted the BWI and a Pakistani labour union, who introduced us to a Pakistani journalist⁸⁵ to conduct research with workers who have worked on the M4 motorway project. The journalist hired a local to identify

85) We have anonymized the journalist's identity at their request.

villages near the worksite area with workers who might give potential interviews, and then made contact through another individual. The workers were informed that the purpose of the interview was to understand the working conditions of workers on the M4, and that their anonymity was guaranteed. Each interview lasted around 30 minutes. The languages used were Punjabi and Urdu. Workers were asked for permission to be recorded, but all refused. Consequently, the journalist took notes during the interview and rewrote them in long-form, which was subsequently translated into English. This process resulted in 15 interviews, which the research team then coded according to theme. With the journalist's permission, the interviews have been included in the appendix, with any identifying features anonymized; the workers are coded as A1 – A15.

There were eleven questions in the interview (included in the Appendix), designed around the ADB guidelines mentioned before. With this in mind, the interviews were structured around the themes found in the ADB's agreement; contracts, safety norms, working conditions, and female employment. In addition to this, the interviews discussed the implementation of the ADB social safeguard requirements by asking questions about auditing, subcontracting, and foreign involvement. As the questions were made with the understanding that the interview would be in a different language, the research team focused on themes rather than on exact wording. In order to ensure that the intentions behind the survey would be conveyed also in Punjabi or Urdu, the research team met face-to-face with the journalist.

In addition, an informant we contacted in the area also spoke informally to some workers on the M4 motorway. While we also discussed with this informant about the goal of the project, the informal nature of the conversations means we have not quoted the findings directly, but treat the information as additional information.

Themes in the Interviews

Recruitment

Most workers were recruited informally. The recruitment of workers through informal networks would not necessarily have to be a red flag in and of itself, but in addition to the above context, there are at least two more reasons for concern. Firstly, there is a distinct

possibility that non-standardized or informal contracting practices occur at other stages of the hiring chain: previous research has shown that this may be the case between the company and contractor as well as between the contractor and subcontractor.⁸⁶ This suggests that in general the informal practices in recruitment of labourers by subcontractors cannot be regarded in isolation. Secondly, it is only one among several areas in which informal practices are seen, notwithstanding the fact that an informal recruitment process touches on many aspects that continue into employment, such as contractual and pay issues.

Among the workers interviewed, the avenues of finding out about the job and being recruited were informal or accomplished through known contacts, such as friends, family and fellow villagers:

A3: One of my friends was working there. He asked me if I wanted to work and I said since it was a work which was ensuring me a daily pay. I would go to work on motorbike with the same friend.

A2: I got there with the people of my village. They were already working there. The recruitment was done verbally.

A7: I landed the job by the reference of my friends/relatives who were working there.

A1: There were many people from my village working there. They included my relatives.

Finding out about the job opportunity through informal networks held true also for the more specialist types of work:

A4: There was a word in our village that they were hiring people, including steel fixers which I am, to work on the construction of M4. So my friends and I went there and spoke to the contractor.

A6: I heard through a friend who was already working on M4 that his site needed someone with a tractor trolley who could water the surface around the motorway. I was involved in it so I went there and started the work.

86) Rafiq M. Choudhry et al., 'Subcontracting Practices in the Construction Industry of Pakistan', *Journal of Construction Engineering and Management* 138, no. 12 (2012): 1353-9.

A local informant was able to talk to a dozen or so labourers who worked on another section of the motorway, and who had all been hired through different contractors from that of these interviewees. The information we gained through this person is that workers were hired through similarly informal kinds of recruitment processes. Our informant also told us that workers noted a preference for recruiting from further afield, believing this was done so as to engage them in longer working hours each day due to having to live on site.

Contracts (or lack thereof)

The first social sustainability requirement the ABD set for the M4 project was that all workers should have a contract containing multiple safeguards. They did however not specify how this should be checked. In the Pakistani construction industry, contracts are often not provided. Because of the prevalent subcontracting practises, construction workers do not sign up with the main contractors directly, but with a subcontractor, who rarely give their workers contracts.⁸⁷

Most low-skilled workers are illiterate and have never received education on labour laws. As shared by a Pakistani labour rights lawyer, most workers come to seek legal help in a late stage of their problems, because they were not aware of ways to solve their issues.⁸⁸ The lawyer further explained that many workers also often are not aware that while their employer is obligated to give them a contract, the workers themselves have to make sure they sign one because without a contract they cannot receive legal assistance in a labour rights court case.⁸⁹

Among the workers interviewed in the course of this research, we did not come across any cases where employment contracts had been seen or signed:

A1: The recruitment was all verbal. No paper work was done.

A3: There was no contract. The word of contractor was the only thing we depended on.

87) Interview with a Pakistani labour rights lawyer (who wishes to remain anonymous), Skype, 16-10-2018.

88) Ibid.

89) Ibid.

There appeared to be no expectation of employment durations being agreed to in advance, whether the worker was paid daily or monthly:

A1: It was all verbal. I worked on daily wages.

A2 (paid monthly): As I said, it was done verbally. There was no certain period of employment. As long as there was work, there was employment.

The lack of an expectation of a written contract was sometimes attributed to not being directly employed by the company by one worker:

A9: It was all verbal. Maybe because we were not directly employed by the company, at least this is what we were told. So no paper work was involved.

A similar explanation was given by another worker, where the education level was regarded as part of the reason why a written contract was not expected:

A4: For us, it was all verbal. The paper work involved only in the jobs that were directly under the company ZKB. And that required education which most of the villagers didn't have.

Most of the workers who the local informant spoke to said they were illiterate. But even in the cases of workers who could read in the local language, there were no instances of employment contracts. The local informant did come across one worker who had worked on the M4 in Makhdom Pur and on Kabirwala Road, where there was supposed to be an employment contract with the subcontractor; but the worker said that he never saw the contract in the end.

The instances we found where there was some form of written documentation involved were specifically for driver roles, so that the worker could be held liable for any damage to the vehicle:

A11 (driver of dumper truck): I signed a paper which read that I was responsible for taking care of the vehicle I was driving and any damage should be paid by me.

A12 (driver of tractor-trolley for carrying water): They took my documents and made me sign a document which read that I was responsible for the vehicle I was driving. Any damage should be covered from my pocket.

Wages and Pay

Interviewed workers described what amounts to a wage scale, with different payment grades depending on skills and experience brought by the workers to the job. However, institutions do not have the capacity to compile records of the skills and education attainments of construction workers, whether acquired formally and informally.⁹⁰ This makes the definition of ‘skilled labour’, which the minimum wage is based on, problematic. Although the formal training and development of the construction workforce falls within the realm of general vocation training in Pakistan, informal training is conducted by the enterprises themselves. ILO report indicates that a large percentage of construction labour force is unskilled labourers.⁹¹

*A2: I earned Rs600 (€3.7). That I guess was the minimum wage for the work I was involved with. The amount depended on the years of experience and skill workers brought with them. The wage would go up to Rs1000 (€6.3).
A3: I earned Rs700 (€4.5). The wage was different for different people so was the payment mode. Some would get it weekly, fortnightly or monthly.*

In terms of sufficiency of wages, workers expressed that it was not sufficient for their basic livelihood requirements. Among the interviewees, there were mentions of members of the family depending on the income that they brought in.

*A15: I earned Rs12,000 (€76) monthly. My family depended on it. It was hard to survive with this money but then I have others in my family who earn. So we adjusted.
A7: I earned Rs500 (€3) in the beginning and later Rs600 (€3.7). My family, including my parents, depended on my income. It was insufficient but other members of my family also worked so we managed somehow as we are used to.*

90) Zainab Riaz, Usman Aftab, and Zia Ud Din, ‘Training of Construction Workers in Pakistan’, *European Journal of Business and Management* 7, no. 1 (2015), 285.

91) J. M. Stellman, ‘Encyclopedia of Occupational Health and Safety’, ILO (Geneva: ILO, 2011), the lemma ‘Health and Safety Hazards in the Construction Industry’. See <http://www.iloencyclopaedia.org/part-xvi-62216/construction>.

A13: I earned Rs800 per day. There are 12 people in my household. My parents, my wife, my two children, my brothers and sisters. It would be hard for us to keep the kitchen running on this income so the adults in the family would all work and pool in the income to make both ends meet.

A5: My daily wage was Rs1000 (€6.3). My parents, wife and kids depended on this income. I think that it was insufficient when compared to our work.

The reasons for staying in the job despite low wages was given as the lack of alternative employment options:

A2 (paid Rs600 (€3.7)): I see it as a work where the payment was not enough. But still I worked there because I had no other job. I am jobless these days, because the work is almost over. They are now doing the electrical work on the motorway.

A9: I started as a helper, at that time I would get Rs500 (€3.2)/Rs600 (€3.8) per day. Later, I learned the skills and then I was paid Rs900 (€5.7). No, it was insufficient because I have a household to feed. Still we managed because there was no other opportunity.

Workers described the late payment of wages as being the rule rather than the exception:

A3: He [the contractor] would keep some of our money and say that it will be paid later. I hated this thing but could not do much about it.

A11: The payment would be withheld. They kept at least two months' salary with them. They would make excuses but that meant to ensure that workers should not run off. You can call it an informal security deposit.

Payment was done in cash and by the subcontractor:

A14: There was no payslip. The [subcontractor] would just see you name in the register he had and then will give you the money you had earned.

In some cases, workers were not paid the agreed amount:

A5: The payment was supposed to be made regularly like weekly or fortnightly but there was a problem at the end of the contractor that he would keep some of the money with him and would promise to clear the dues at

the earliest. But in my case, it never happened. The contractor still owes me Rs35,000 (€221.5).

A9: I would say that in other projects, including private work, we would get fully paid but here some contractors would not pay us in full. It happened with me and my colleagues that we had to trace back a contractor to his native town in Bahawalpur to get our money.

Workers who had left their job on the M4 gave the reason as being due to issues with the payment of wages:

A7: The payment was supposed to be made regularly, fortnightly, but then the contractor (thekedar) would withhold some of the amount which annoyed me much. So I decided to leave it and switch to other [private] job.

A14: We were supposed to get the payment weekly but that would get late. Sometimes we were paid after the month.

A10: I left the work because the payment schedule was not good. They would withhold our money. I felt disgusted at this.

The contractor

Contracting (and subcontracting) is a practice where the main company responsible for the construction process outsources certain parts to a different party. In the construction industry in general, this is a common practice; as it also is in Pakistan.⁹² In a survey done among 69 construction enterprise CEOs, 57% said that they mostly or always use contracting for labour. None of the respondents had never used the practice.⁹³ The practice itself does not necessarily have to be bad as it can make projects more efficient, but in terms of accountability for labour law infringements, it muddles the waters, because generally it is not necessarily straightforward to establish what actor in the chain of liability can be held accountable. In Pakistan, moreover, contractors and their employees do not fall under the Industrial Labour Act, meaning they cannot unionize or take recourse to other ways to address grievances.⁹⁴ They are also not inspected for any labour laws they do fall under, as for instance child

92) Choudhry et al., 'Subcontracting Practices in the Construction Industry of Pakistan', 1355.

93) Ibid.

94) 'Pakistan 2017 Human Rights Report', US Department of State (Washington: Department of State, 2017),53.

labour. Communication is complicated, especially when multi-tier subcontracting happens. This means the responsible actor in the project often cannot be shown to be aware of what is happening on the ground, creating an opportunity for plausible deniability higher up the chain.⁹⁵

A special characteristic of (sub)contracting in the construction industry in Pakistan is that most contractors started as workers themselves who were able to establish their company.⁹⁶ This also means the contractor and workers come from the same class. When hiring workers, contractors often prefer workers who share a family background or the same ethno-linguistic background. With the high unemployment rate in Pakistan, workers are generally grateful to the contractors and in combination with the shared background, often feel very loyal to their employer.⁹⁷ Because of this, the workers feel less inclined to complain about their rights, and would only do so in extreme cases.⁹⁸

For all the workers interviewed, the contractor or subcontractor was their sole point of contact, during both initial recruitment and the course of work itself:

A9: I was recruited by contractor named A. R.

A2: The main company was ZKB and it had hired contractors who hired us. We had no direct contact with the company.

A4: In case we need a leave for some work or for some sickness, we would speak to the contractor.

Inspections

The government is responsible for the inspection of work sites, to ensure labour laws are being upheld. In 2016, however, Pakistan had one inspector per 75,000 employees (up from one inspector per 250,000 employees some years earlier).⁹⁹ The fact that many

95) Choudhry et al., 'Subcontracting Practices in the Construction Industry of Pakistan', 1358.

96) Aasim Sajjad Akhtar, 'Patronage and Class in Urban Pakistan', *Critical Asian Studies* 43, no. 2 (2011), 173.

97) Akhtar, 'Patronage and Class', 176.

98) Akhtar, 'Patronage and Class', 179.

99) Danish Trade Union Council for International Development Cooperation, 'Pakistan Labour Profile 2018', LO/FTF Council's Analytical Unit (Copenhagen, 2018), 8, <http://www.ulandssekretariatet.dk/sites/default/files/uploads/public/PDF/LMP/>

companies are not officially registered with the government makes inspection and enforcement of laws even more difficult, since, as mentioned above, only registered companies can be held accountable for their violations. Corruption adds to the problem, which with only 20% to 30% of companies formally registered is serious enough to begin with.¹⁰⁰

On the M4, auditors, officers or inspectors appeared to be regular visitors, with contractors seemingly accountable to their authority. But these visitors did not interact with the workers directly, and many of the workers do not seem aware that the inspectors would look at anything other than the progress of the construction:

A5: Yes, there were visits by auditors/officers who would check our work. They would come almost daily. Never did they interview us. Yes, the contractor would ask us to be extra careful during such visits. And when there were some high-ups coming, we were provided with helmets, jackets and boots.

A4: The Chinese and Pakistani officers would come to visit the site and the work almost daily. No, we were not interviewed by any of them. Yes, the contractor would ask us to just focus on our work during the visits.

A9: Yes, the officers/engineers would inspect our work. We don't know exactly who these persons were whether they were ZKB high ups, Chinese or others. We already were so engrossed in work so no one ever had to tell us to behave.

As mentioned before, the ADB's loan agreement list a couple social standards that should be upheld on the project. Yet when discussion implementation, the project manual only states that adherence to core labour standards will be included in the construction contracts which will be monitored by the NHA and supervision consultants.¹⁰¹ This is a rather ironic statement, considering all the interviewees mention they did not receive a contract and that this is a very common practice in the Pakistani construction industry.¹⁰² Also, there is no sign that this kind of monitoring is actually being done. Neither the external nor the internal bi-annual social safeguards

LMP2018/lmp_pakistan_2018_final_version-_revised2.pdf. Accessed on 30-06-2019.

100) Arsalan Ghani, first Interview with Arsalan Ghani, Skype, n.d.

101) 'Project Administration Manual for Project 48402', Islamic Republic of Pakistan: National Motorway M-4Gojra-Shorkot Section Project 11(Islamabad: ADB, 13 August 2015).

102) Interview with the aforementioned anonymous Pakistani labour rights lawyer.

monitoring reports mention labour rights issues, with the exception of women participation and basic safety trainings.¹⁰³ As a result, the DFID advised the NHA to evaluate its monitoring mechanisms.¹⁰⁴

Hours and overtime

Workers described receiving one day a week off, and getting national holidays off. Not everyone had to work overtime, and those that did said they were paid for it:

A1: Sunday was our off. We would get days off on festivals and gazetted holidays.

A6: Sunday was our day off. In my case, there was no overtime.

A3: We were paid overtime. We could leave if we didn't want to work after 5pm. But I never did so because I saw the money at the end.

Nevertheless, there were also indications of a pressure to work longer than the regular hours or to work on the one day off in the week, in order to meet deadlines:

A7: It was from 8am to 6pm. But we also had overtime to complete the project in the stipulated time. Longest day for me was maybe 16 hours.

A13: It was an 8-hour job starting at 8 in the morning until 5/6 in the evening. Sunday usually was our holiday but often we worked overtime. The longest may be was of 15/16 hours.

A2: It was from 8pm to 5pm. We were given overtime, if we had to work for longer than that. The longest working day I remember was of around 16 hours.

A9: It was from 8 in the morning to 6 in the evening. But we would do overtime too. Many times we did that. The longest day I can remember was maybe 18 hours working.

103) S.A. Renardet and the National Highway Authority, Ministry of Communications, Government of Pakistan for the Asian Development Bank, 'Bi-Annual Environmental Monitoring Report for Project 48402-002, January-June 2017', PAK: National Motorway M-4 Shorkot-Khanewal Project (Asian Development Bank, 2017), <https://www.adb.org/sites/default/files/project-documents/48402/48402-002-emr-en.pdf>. Accessed on 30-03-2019.

104) Department for International Development, '2017 Annual Review Summary Sheet for the Pakistan Economic Corridors Programme', 17, http://iati.dfid.gov.uk/iati_documents/5698343.odt. Accessed on 30-03-2019 (when accessed on 30-09-2019 the document was no longer accessible).

A5: The working hours were from 8am to 5/6pm. In case there's work left, we would not take an off on Sundays too. We would work and were entitled to overtime too. For me, it was difficult to get leave because I was virtually managing my team. So I had to be there all the time.

Though working conditions regulation in Pakistan stipulates that workers are entitled to 14 days of paid annual leave,¹⁰⁵ workers said that they could apply for leave but that there was no paid leave.

A4: In case we need a leave for some work or for some sickness, we would speak to the contractor. It never occurred to me that someone was denied a leave.

A15: For us [drivers], taking a day off was quite hard because we were already two people and if one of us would not come then it affected the work. So either we had to bring a substitute or go to work by any mean.

A7: We could get a leave but that would always be unpaid.

A9: We could get leave but then we will lose a day wage. There was no paid leave in any case whether death of someone or sickness.

Safety and sanitation

Safety on the work floor is a concern in every construction industry, and Pakistan is not an exception. The construction industry has an accident percentage of 15.2 percent, and it has been on the rise rather than decline. The majority of the accidents involve a fall from a height, due to inadequate availability and training of fall protection systems, and non-availability of suitable anchorage systems.¹⁰⁶ Injuries are generally not reported and the workers see the accidents as their own fault.¹⁰⁷ Workers are also often not aware of safety risks. In a survey done among 140 construction workers in different projects in three major Pakistani cities, only 20% reported having any formal safety training, even when half of

105) Danish Trade Union Council for International Development Cooperation, 'Pakistan Labour Profile 2018'.

106) R. U. Farooqui and F. Arif, 'Safety Performance in Construction Industry of Pakistan', in *First International Conference on Construction in Developing Countries, Karachi, Pakistan* (Karachi, 2008): 74–87.

107) R. U. Farooqui, 'An Exploratory Study Probing into the Factors Causing Safety Non-Performance in the Pakistani Construction Industry', in *45th Institute of Engineers Convention*, Pakistan (Karachi, 2012), 3.

the interviewees had more than 15 years of work experience.¹⁰⁸ For the survey, the workers were asked to estimate the risk level of a situation and whether they would stop working if they encountered it. While 74% said working with not fully boarded scaffolds had a high risk level and 97% would stop working if it occurred, only 30% saw problems with working on roofs without edge protection and a mere 8% would stop working in such working conditions.¹⁰⁹ Another survey done among 1080 construction workers found that only 25% wear safety helmets, 15% wear safety shoes and 25% know first aid. No worker reported wearing safety gloves, knowledge of escape routes, or knowledge on how to use a fire-extinguisher.¹¹⁰ Staying safe in an environment like this requires concentration, but more than 50% of the surveyed workers worked more than 8 hours a day.¹¹¹

Some of the workers we interviewed on the M4 were provided with safety gear. But there was no indication of standard training regarding safety, and provision of the safety gear did not appear to be consistent:

A3: We were provided with boots, jacket and helmet. No training was conducted for us and I never heard about any such thing.

A2: We were given boots, a yellow colour jacket and a helmet for one day only. The work was dangerous though.

A4: Yes, they gave us helmets, jackets, boots and sometimes gloves when we were working on hot iron.

A13: There was lot of mud that would be lifted up by air. In worst scenario we would make masks from handkerchief or kefiyyeh to cover our nose and mouth.

There was some suggestion that workers were provided with gear more for the purpose of being seen with them during company officers' inspections, than due to it being an everyday requirement:

108) S. Mohamed, T. H. Ali, and W. Y. V. Tam, 'National Culture and Safe Work Behaviour of Construction Workers in Pakistan', *Safety Science* 47 (2009), 32.

109) Mohamed, Ali, and Tam, 'National Culture and Safe Work Behaviour', 32.

110) I. Ahmed, A. Usman, M.S. Nazir, and M.Z. Shaukat, 'Safety practices in informal industrial segment of Pakistan', *Safety Science* 110 (2018), 89.

111) Ahmed et al., 'Safety practices', 87.

A7: Usually we didn't wear any safety tools like helmets, jackets and boots but sometimes we were given them when there was an inspection by the top officers.

Another worker mentioned a difference in provision of safety gear between those directly employed by the company and those employed through contractors, similar to the perception and comparison of situations in terms of having written contracts:

A11: No, they didn't provide us with safety tools. Though the people directly employed by the company were provided with these.

A14: No, I was not given safety gear. The senior workers would wear them if necessary.

Workers mentioned that treatment was provided in case of injuries, but they did not get insurance or sick leave:

A7: There was no medical facility but in case of an injury treatment was provided. No, we're not insured.

A3: If someone had gotten injured, he was given medical care. But there was no paid leave, even if someone was sick.

A2: I cannot remember the date exactly but I saw an accident one day. There was a boy from DI Khan who fell off an under construction and got badly injured. He was taken to hospital and provided with medical treatment. And after he got well, he was sent back to his village - that's what I heard because I never saw him again.

On the issue of insurance, a worker brought up the comparative perception that those hired directly by the company may have it but those like him who were hired through a contractor did not:

A1: In case of an injury, workers were provided medical care. There was no insurance. Maybe the company (ZKB) workers had it but not us who worked under the contractor.

Although the working environment is basic, there was a sense among the workers that better conditions are not to be expected:

A9: The health and sanitation conditions were fine for us because we already are used to such kind of situation - muddy air, lack of or no toilets at all.

A1: We are used to work and live in harsh conditions so the health and sanitation thing never bothered me.

A4: The working condition was as usual as it is in the country.

Trade unions

The 2012 Industrial Relations Act is a crucial law on the right to unionise in Pakistan, placing the responsibility of labour laws in the hands of the provinces instead of the national government. It also detailed the definitions of unfair labour practices and made it mandatory for every enterprise to have a trade union.¹¹² While this is seen as a big step in improving workers' rights in Pakistan, the act still has some flaws. For instance, a trade union trying to get officially recognised needs to represent at least 30% of the company, making it difficult to register.¹¹³ Another problem that arose is that companies who do not want their workers to unionize create their own union, often referred to as 'pocket unions' or 'yellow unions'. A pocket union is led by an employee chosen by the company and would thus be predisposed to represent the interests of the company instead of the interests of the workers.¹¹⁴ In this way, the companies follow the law without actually letting the workers unionise. Another issue with the act is that several industries are excluded, including agriculture, one of the biggest sectors in the country.¹¹⁵ In addition, informal labour is also not covered: 90% of the construction industry falls under this heading.¹¹⁶

There are more aspects of Pakistan's current legal framework that are causing problems for workers. While unionising is now mandatory, anti-union discrimination is not illegal and union

112) Pakistan, 'Industrial Relations Act, 2012', Pub. L. No. Act No. X of 2012 (n.d.), http://www.ilo.org/dyn/natlex/natlex4.detail?p_lang=en&p_isn=91438. Accessed 30-03-2019.

113) Danish Trade Union Council for International Development Cooperation, 'Pakistan Labour Profile 2018', 4.

114) Danish Trade Union Council for International Development Cooperation, 'Pakistan Labour Profile 2018', 7.

115) Danish Trade Union Council for International Development Cooperation, 'Pakistan Labour Profile 2018', 4.

116) Pakistan Institute of Labour Education & Research, 'Status of Labour Rights in Pakistan 2016', PILER (Karachi, 2016), 23; Akhtar, 'Patronage and Class', 169.

leaders have been fired from their jobs.¹¹⁷ Also, even though freedom of movement and association is in the constitution, strikes have been prevented and stopped by the government and the army. For instance, in 2010 during the construction of the Neelum-Jhelum Hydropower Project, around 700-800 workers went on strike to demand the contracting companies to comply with national law, as they were paid below minimum wage and not given a contract. When the companies held a meeting with the union leaders representing the workers, three military officials joined and threatened the union leaders. After the meeting, around 180 union members were dismissed, and even after the district labour court prohibited the company from firing any more union members, another 64 were laid off. In 2017 this case was taken to the ILO by the Building and Wood Workers' International and the Pakistan Federation of Building and Wood Workers, who filed a formal complaint. This was recognized by the ILO who requested the companies involved to keep them updated on the process.¹¹⁸

Despite the 2012 Industrial Relations Act, the notion that it is in fact legal – and in some case could even be considered obligatory – to have unions and to join them, our sample of interviews shows that workers either had not heard of a union, and if they had, they never came across one:

A3: Never heard of a union there.

A1: I don't know what it is.

A4: I heard there was union but never saw it.

Despite the absence of formal unions, we came across a description of workers attempting to bargain collectively, albeit with unsuccessful results:

A9: There was no union. We would ourselves informally organize and put our demands before contractor. It happened many times but to no avail.

117) International Trade Union Confederation, '2018 ITUC Global Rights Index: The World's Worst Countries for Workers', ITUC (Brussels: ITUC International Trade Union Confederation, 6 May 2018).

118) ILO, 'Report in Which the Committee Requests to Be Kept Informed of Development', Complaint settlement (International Labour Organization, June 2018).

He would not listen to us. And if we would go to the company, they will see that we are not their employees.

Marginalized Labour Groups: Women, Children, and Migrant Workers

The men-to-women workforce ratio in Pakistan is notoriously low. Currently, Pakistan's female employment rate is at its all-time high, at a mere 25%.¹¹⁹ The ADB's policies highlight this issue and efforts have been made to employ more women on the project. According to their monitoring report, this can be seen in higher positions.¹²⁰ On the work site however, all workers report not having female colleagues:

A15: Never saw women. The women of the villages around usually work in fields.

A1: I neither saw any woman there nor do I think women are involved in our work.

A8: I never saw any woman working on the site.

Out of all industries in Pakistan, the construction industry has the highest incidence of child labour.¹²¹ The Punjab province, where the M4 is being built, is especially known for child labour: a full third (33.5 percent) of the 15- to 19-year olds are part of the labour force.¹²² According to a new Punjab law, heavy labour, such as construction work, is not allowed to be performed by anyone under the age of 18,¹²³ yet as our report will show later as well, this issue has not yet been solved and child labour is still prevalent in the region.

While researching the M4, our interviewers came across a 17-year old worker, who for safety reasons did not want to be interviewed. Other labourers have mentioned underage workers,

119) World Bank, 'Labor Force Participation Rate, Female (% of Female Population Ages 15+)', World Bank (2019), <https://data.worldbank.org/indicator/SL.TLF.CACT.FE.ZS?locations=PK>. Accessed 30-09-2019.

120) Renardet et al., 'Bi-Annual Environmental Monitoring Report', 2017.

121) R. E. Khan, 'Socioeconomic Aspects of Child Labour: A Case Study of Children in Auto Workshops', *The Lahore Journal of Economics* 6, no. 1 (2000): 93–112.

122) PILER, 'Status of Labour Rights in Pakistan 2016', 27.

123) 'The Punjab Restriction On Employment of Children Act 2016', (Punjab, 2016). Accessible at <http://extwprlegs1.fao.org/docs/pdf/pak164577.pdf>.

although not all the workers had seen underage workers working alongside them:

A10: There were many young workers on the site. The youngest would be 14/15.

A9: There were underage boys working at the site but they were not involved in our work.

A4: There were no minors on the site. All were adult. And the minimum age of a worker would be 20, I guess.

A7: Almost all the workers were adults. Work was nearly the same everywhere for us.

One worker also suggested that underage workers had come to seek work in groups, rather than as individuals:

A12: The labour included young boys too. As young as 13 years of age. Many such boys had also come from Sindh in search of work.

Our local informant who spoke to workers working in a different section of the M4 mentioned that among those he spoke to, underage boys that came from ethnic groups were seen in the work sites.

Migrant workers

Migrant workers move across the country to find better jobs. They are often driven by a lack of jobs in their own province and move far away from their family to make a living. Here they often face exclusion, hardships and negative stereotyping.¹²⁴ Internal migration is not considered an issue by the Pakistani government and it is not even mentioned in current labour laws and policies.¹²⁵ As an internationally funded enterprise, the M4 construction project brought Chinese workers to Pakistan, although in the interviews we conducted, none of the interviewees had actually worked together with workers with a different nationality. The workers observed, though, that the Chinese they saw on the construction sites were managers or engineers: expats with authority in other words. Interestingly, it is known that in other CPEC and BRI projects, Chinese labourers

124) PILER, 'Status of Labour Rights in Pakistan 2016', 29.

125) PILER, 'Status of Labour Rights in Pakistan 2016', 30.

displaced local workers, showing a rather different dynamic than the one observed by our interviewees. Although not necessarily within the scope of this report, these contrasting dynamics are sufficiently interesting (and ubiquitous) to pay attention to.

While our interviewees were based in local villages and thus likely represented the less transitory workforce, they nonetheless mention seeing many migrant workers:

A14: There were Punjabis, Siraikis and Pathans. [...] We used our native language to communicate. Most of people including Pathans would use Punjabi to communicate.

A1: People from various ethnic backgrounds were there, including Punjabi, Siraiki, Sindhi and Pathan.

A2: There were many people from different places and ethnic backgrounds. They were Punjabis, Siraikis and Sindhis. Pathan workers were mostly involved in operating machinery.

CPEC

All of the issues described above have been known to be prevalent in the entire Pakistani construction industry, but with the recent advancement of CPEC, it has become clear that Chinese influence has in fact exacerbated an already bad situation.

There are two recent labour issues in Pakistan that highlight the many problems the country faced in a CPEC setting: the Orange Metro Line project in Lahore, and the Port Qasim project in Karachi. The Orange Metro line project,¹²⁶ financed by the China Exim Bank with a loan of Rs 165 billion,¹²⁷ has attracted controversy over demolitions of heritage sites¹²⁸ as well as being extremely deadly for the labourers working on its realisation. According to a report

126) Some Pakistani officials have described this project as separate from the CPEC framework (INP, 'Orange Line Not Part of CPEC: NA Body', *The Nation*, January 17, 2017, <https://nation.com.pk/17-Jan-2017/orange-line-lahore-not-part-of-cpec-na-body>, but it is listed on official CPEC website of Pakistan. 'Orange Line - Lahore | China-Pakistan Economic Corridor (CPEC) Official Website', accessed 08-02-2019, <http://cpec.gov.pk/project-details/46>.

127) Ihsan Qadir, 'Poor Quality of Civil Work on OLMT Irks Citizens', *Pakistan Today*, 1 August 2018, <https://www.pakistantoday.com.pk/2018/08/01/poor-quality-of-civil-work-on-olmt-irks-citizens/>.

128) Sher Ali Khan, 'Why the Orange Line Metro Train in Lahore Is Highly Controversial', *Herald Magazine*, 23 April 2018. See <https://herald.dawn.com/news/1398510>.

dated to June 2017, the project had reportedly claimed more than 25 lives, as a result of unsafe practices. Four workers were injured from a fall resulting from a broken crane, while in January 2017 seven were killed in a fire in the workers' dormitories. Reportedly, workers did not have safety equipment.¹²⁹ Although most victims were workers, at least one victim was a bystander; a senior citizen crushed by a crane.¹³⁰ The contractor for this project is ZKB; the same company that most interviewed workers on the M4 project worked for:

A3: *The company was ZKB.*

A9: *I was recruited by contractor (thekedar) named [--]. The company we worked for was ZKB.*

Most of the workers mentioned such subcontractors (*thekedar*), the implications of which have been discussed.

The case of Port Qasim, located in Karachi, concerns Pakistani port workers who held strikes against the Port Qasim Authority as well as a Chinese cargo company, Huaneng Fuyun Port and Shipping. The strike reportedly began in late September, 2018, and continued for several months.¹³¹ As the movement went on, the protestors entered confrontations with the police¹³² and eventually attracted the attention and support of trade unionists.¹³³ The strike finally ended on January 14, 2019, after 109 days of striking; the workers were compensated with five months of salary.¹³⁴ As pointed out by

129) Anonymous, '25 Killed since Launch of Train Project: Four Orange Line Workers Injured', *Dawn.com*, 21 June 2017, <https://www.dawn.com/news/1340798>. Accessed 30-09-2019.

130) Anonymous, 'Deaths before Orange Line Goes on Line', *The Nation*, 25 January 2016, <https://nation.com.pk/25-Jan-2016/deaths-before-orange-line-goes-on-line>.

131) Oonib Azam, 'Dock Workers Demand PQA, Chinese Company to Guarantee Their Rights', *The Express Tribune*, 20 October 2018, <https://tribune.com.pk/story/1829722/1-dock-workers-demand-pqa-chinese-company-guarantee-rights/>. Accessed 30-03-2019.

132) 'Special Report: Protesting Port Qasim Employees Baton-Charged', *The Nation*, 10 December 2018, <https://nation.com.pk/10-Dec-2018/protesting-port-qasim-employees-baton-charged>. Accessed 30-03-2019.

133) Anil Datta, 'Labour Unions Express Solidarity with Protesting Port Qasim Dock Workers', *International The News*, 10 January 2019, <https://www.thenews.com.pk/print/416744-labour-unions-express-solidarity-with-protesting-port-qa-sim-dock-workers>. Accessed 30-03-2019.

134) 'Port Qasim Dockers End Strike', *The Nation*, 14 January 2019, <https://nation.com>.

researcher Zeenat Hisam, such cases of labour violations related to Chinese companies highlight the need to consider the social cost of CPEC projects, and not just its economic benefits.¹³⁵

One of the questions in our survey questionnaire sought to understand how CPEC and foreign investments have affected the workers and their families or communities, as well as their general opinions of CPEC and other foreign investments. The was to give workers a voice in the general narrative of CPEC and in BRI projects in a whole, which, as mentioned above, constantly stress the benefits to the host country as well as to China. Some workers mentioned they were aware of CPEC, but did not see any local benefits.

A15: Yes, I know that CPEC is a China-Pakistan's joint project. But I don't feel that it has affected our village much. We are still short of jobs. Our village lacks basic facilities.

A13: I don't know anything about CPEC but I heard from people at M4 that it is ought to be good for the country. May be for the people who live in big cities. There is nothing for us who live in villages. We are back to our daily routine. Everything remained unchanged.

Several workers stated that they did not know about or understand CPEC or investment opportunities, and that they had not benefitted from it. This comment, from worker A2, is indicative:

I am a simple village guy. I don't know anything about what a foreign investment [is] meant to [do]. For me, earning for my family is the ultimate goal.

Most of the workers interviewed had similarly neutral opinions, claiming that not much had changed, that they did not know about Chinese investments, or that it had not significantly impacted their life. Three of the interviewees mentioned positive impacts in that CPEC had brought job opportunities for them. However, another worker mentioned some potential downsides too:

com.pk/14-Jan-2019/port-qasim-dockers-end-strike.Accessed 30-03-2019.

135) Zeenat Hisam, 'CPEC and labour', *Dawn*, 31 December 2017, <http://dawn.com/news/1379822>. Accessed on 25-06-2018.

A1: It [CPEC] was enough to keep our cash flow in. I prefer private work over this because I would earn more than this. But here is a downside, the private work depends on its availability. If it is there, we would earn some money but is it not then we would go back home [with] empty pockets.

The overwhelming consensus, however, was that CPEC has not brought significant changes. These answers also stand in contrast to statements by the Chinese construction companies working in Pakistan, some of which have stressed donations or investments into the local community as part of their CSR policies. A company-made video by the Pakistan branch of China Railway First Group, for example, mentioned donations of fire equipment to the local community.¹³⁶ It appears, however, that the benefits of such donations have not reached the workers on-site, who appear to be unaware of such activities towards them or their communities. In fact, it appeared that the Pakistani workers' interactions with the Chinese were minimal.

A15: Yes, there were Chinese but I never interacted with them.

A14: I saw Chinese workers daily. They moved around the worksites, talking to engineers, contractors and supervisors. I never talked to them.

A1: Yes, there were Chinese workers; they were all bosses/on managerial position as far as my knowledge is concerned. So they were treated comparatively better than other workers.

A3: The Chinese were the bosses. They were often seen at the work site. They never spoke to us. Only our contractor talked to them.

These responses make it clear that while Chinese workers were on-site, they tended to have a managerial position, and that they did not interact with the Pakistani workers directly. This would suggest that the Chinese companies had little direct involvement with the Pakistani workers, and that contacts were made through the subcontractors.

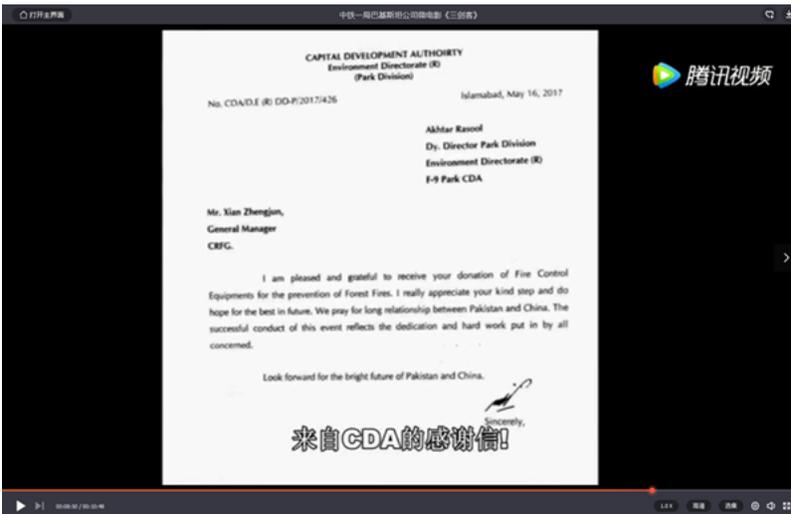
136) Zhongtiefyiju Bajisitan Gongsi Weidianying, 'Sanjianke', 2017, <https://v.qq.com/x/page/w0530pd59xd.html>. Accessed 30-03-2019.

Conclusion

The interviews reveal several problems that have occurred on the M4 motorway worksite. Recruitment were generally verbal, made from friends or family; there were no contracts to guarantee rights. There were problems with wage payments, which most agreed were low; some had their pay deducted or paid late. The workplace was unsafe: many workers reported not having safety equipment or safety training. In addition, the subcontractor they worked for is ZKB, whose previous project resulted in numerous deaths due to unsafe workplace practices.

In fact, many of the problems ultimately stem from subcontracting. It seemed like this practice allowed workers to be denied many legal rights, such as insurance, fair wages, or health safety. These contractors were likely to be further empowered as Chinese companies appeared to only interact with Pakistani workers through them, which also seems to deny the workers the various privileges established by CSR policies of the Chinese companies (as outlined in Appendix II).

In addition to these violations against various Pakistani laws (which in itself is already against the ADB's social policies), most workers interviewed on site were not part of trade unions and did not even know what they were. In one case, the attempt at collective bargaining failed. This is in clear violation to the ADB's policy to "allow freedom of association and effectively recognize the right to collective bargaining". Even audits were apparently insufficient to identify these problems, as workers were instructed to behave differently when visitors came. Despite the ADB's social safeguard policies and the provisions of Pakistani law, it appears that enforcement is not yet strong enough to ensure all condition are met for the workers on the ground.



Construction Workers in Precarious Conditions and the Role of Labour Inspectorates

Imke B.L.H. van Gardingen

This chapter will look into the role of inspections on the worksite, based on the interviews done with workers on the M4 Motorway. This will be preceded by an introduction of the current status of the labour inspectorate in Pakistan and concluded by a description of the ILO project 'Strengthening Labour Inspection System in Pakistan' (SLISP, finalized in July 2019), which aimed at strengthening the Pakistan Labour Inspectorate.

Pakistan has the sixth largest population in the world with a population of around 192 million people and a large workforce of 61 million workers. Of the working population, about 73% is estimated to be engaged in the informal economy.¹³⁷ That is a staggering percentage which cannot but complicate the formal inspection and administration of workplace practices. By definition, the informal economy is not governed by the laws, regulations, and policies designed for the formal economy – or for the informal economy in the hope that it turns formal. Of course, the informal economy

137) International Labour Standards Unit (ILSU), 'GSP-Plus and Compliance with Core Labour Standards: Pakistan's Case' (Karachi: ILSU, Ministry of Overseas Pakistanis & Human Resource Development, 2016), 5.

and the formal world of the rule of law are in constant contact with one another, but as this chapter will also bear out, it is an ill-fitting match in which the formality of the legislature may very well conceal the often brutal realities of informal economic practice. The fact that employment in the informal economy is the rule and not the exception is also confirmed by the M4 Motorway workers who were interviewed for this project. As part of the informal economy, workers are recruited informally:¹³⁸

Many people from my village were working there and I joined them since I didn't have any other work. I worked for two years there. The recruitment was all verbal. No paperwork was done. (Interview A1)

Or:

I got there with the people of my village. They were already working there. The recruitment was done verbally. (Interview A2)

None of the workers had seen a labour contract, much less received one. As one of the workers put it succinctly: 'There was no contract. The word of the contractor was the only thing we depended on.' (interview A3). As far as the workers did receive formal documents they were asked to sign, these were documents declaring that they would be responsible for any damage suffered by their work tools:

They took my documents and made me sign documents that read that I was responsible for the vehicle I was driving. Any damage should be covered from my pocket. (Interview A12)

The above example is illustrative for what happens if laws and regulations are only partly applied and then only by the employer or subcontractor: the emancipatory effect of the labour laws in place is subverted and turned to work only in favour of the employer. The worker is in effect put in a disadvantageous position through the application of laws also meant to protect him/her.

138) The exact number of workers is unclear, but one interviewed worker referred to 'a few thousand' workers that were hired in the M4 Motorway construction. Please refer to Interview A5 in the appendix of Part I: 'I cannot tell you exactly how many workers were there. They could be in thousands or more on all of the M4.'

In that sense, it is not difficult to see why labour inspectors (or inspectors of any other kind, from international organizations or the companies themselves) can play a decisive role in helping to ensure that laws, regulations, and policies are applied and executed also to the advantage of the employees, and not merely to the advantage of the employers. It is with this in mind, that we asked workers who were interviewed for this project the question whether their working sites had been visited by third party auditors. Their replies are illustrative; in their replies the workers refer to officers, auditors, and inspectors - without making a distinction whether these are government officials, commercial auditors or company engineers performing technical inspections- visiting the working sites on a daily basis, but virtually none of them had ever talked to the workers themselves. Again, what we find here is an instance of the law being in place and working to a certain extent, but not to the desired extent that would mean fulfilment of the purpose behind the relevant laws.

Obtaining labour rights is challenging enough as it is, enforcing them -primarily a responsibility of national labour inspectorates, or of private actors, such as commercial auditors- is yet another matter. This is the case for employees in the formal economy, but it is not hard to imagine that this is inevitably even more so for workers in the informal economy.

In collaboration with the ILO, the Asian Development Bank is committed to enhance the Core Labour Standards (CLS),¹³⁹ and labour inspections and auditing are a prominent pillar in this joint effort. The Core Labor Standards correspond with the stipulations made in one or more ILO conventions (such as the freedom of association and the abolition of compulsory labour), but also extend to issues such as good governance - which includes labour inspection. A 2011 report by Public Service International (PSI) on CLS in ADB funded projects makes clear that for the ILO and ADB, adequate inspections are key to ensuring the enforcement of labour rights and adherence to ADB guidelines.¹⁴⁰ Again, what

139) The Core Labour Standards refer to fundamental rights such as freedom of association, elimination of forced or compulsory labour, abolition of child labour, the elimination of discrimination in respect to employment and occupation. The Core Labour Standards will be dealt with in detail in Chapter 5.

140) Souparna Lahiri, 'Core Labour Standards in ADB funded Power Sector

can be observed here is that on paper at least, the regulations and agreements to ensure decent work for labourers seem to be solidly in place. Challenging as its practical execution may be, particularly in the case of informal workers, the importance of labour inspections cannot easily be overestimated.

The Labour Inspectorate in Pakistan: Achievements and Challenges

Pakistan was granted a GSP (Generalized Scheme of Preferences) Plus status by the EU in 2014, which allows Pakistan preferential trade access to the EU market. Preferential trade access to the EU market is not something to be trifled with for any state. It does not come without its own set of obligations, however. In order to obtain and maintain the Plus status adherence to the Core Labour Standards is a prerequisite, and:

In addition, the respective country must follow all reporting requirements imposed by each treaty and regular monitoring and review of the implementation record by relevant monitoring bodies; and participate in and cooperate with the EU monitoring procedures, which foresee a review of the conditionality points every two years. GSP benefits can be withdrawn temporarily for all three categories in cases of serious and systematic violations of principles laid down in international conventions, specifically relating to or concerning labour rights and core human rights.¹⁴¹

The 2016 International Labour Standards (ILS) report *GSP Plus and Compliance with Core Labour Standards- Pakistan's Case* was published on the occasion of Pakistan being granted the GSP Plus Status. The ILS report analyses the existing legal and institutional framework for ensuring compliance with the Core International Labour standards ratified by Pakistan. The ILS, established in 2014 with the support of the International Labour Organization, was active in the Ministry of Overseas Pakistanis & Human Resource Development in order to:

Improvement and Urban Development Program in Bihar, India: A study' (Public Services International, August 2011), 6, http://www.world-psi.org/sites/default/files/attachment/news/corelabourstandards_in_adb_electricity_bihar_nov2011.pdf.

141) ILSU, 'GSP-Plus and Compliance', 1.

[E]nsure timely reporting on ratified and unratified Conventions, address observations of the supervisory committees of the ILO including Committee of Experts on Application of Conventions and Recommendations (CEACR) and publish research studies / evidence-based reports on important labour issues of the country.¹⁴²

The ILS quickly touched the Pakistani economy's sore point. Its report observed that in Pakistan:

[N]early half of the wage and salaried workers are irregularly paid employees with unfixed wages and salaries, who are likely to fall short of decent work objectives in terms of protection against dismissal, social protection and other rights at work.' And the report continues to conclude that "This kind of vulnerable workers (casual paid employees and workers paid by piece rate) are found the most in construction sector (95%) [...].¹⁴³

Given the fact that the GSP-Plus Status is inextricably tied to adherence of the ILO's Core Labour Standards, the observation that in a sector such as the construction sector 95% of the workers were casually employed and paid workers, presented not merely an infringement of the CLS, but a structural negation in the established vulnerability of the absolute majority of labourers in Pakistan, in particular those working in construction. The vulnerability of construction workers is also reflected in the interviews we did for this study with the M4 Motorway workers. Their informal status caused all kinds of problems: it fundamentally snowballed into increasingly severe consequences for the workers. To start with, their salaries do not allow a decent living, but the workers state that they have no choice but to accept the work:

I earned Rs 20,000 (126 EUR) per month. No, it was insufficient as compared to the amount of work we did and the hours we spent. Yet we managed because there was no other option. (interview A12)

The working hours are also extremely long according to the same interviewee (A12):

142) ILSU, 'GSP-Plus and Compliance', 'Facts and Figures', 106-7.

143) ILSU, 'GSP-Plus and Compliance', 13.

It was from 8 in the morning to 6 in the evening. Sunday was our off usually. But we would do overtime too. Many times we did that. The longest day I can remember was maybe 18 hours working.

Being part of the informal economy cancels out any and all protections built into Pakistani and international labour laws and conventions. One's job itself is informal and continuation is wholly dependent on one's relation with one's employer (or in daily practice, the contractor in between). Then, the salary is also not tied to national and international agreements guaranteeing a living wage, but again decided upon by the employer and his/her contractors, which leaves labourers with few other avenues for work to explore in a clichéd but no less real 'take it or leave it' situation. Having accepted both the informal status of the job and the associated lower and irregular pay, working hours are also decided upon solely by deadline and employer.

The precarious working conditions of informal construction workers in Pakistan showed in many ways in the interviews we did with workers on the M4 highway. Almost all of them stated that their wages were too low to earn a living to support their families, that they were not paid regularly or not the full amount they should receive – bearing in mind that the full amount mentioned here is the amount they were promised, not the significantly higher amount they would have been given had their jobs been part of the formal economy. Working overtime was common and one of the workers explained having had to work up to 18 hours a day. Safety, also, was not guaranteed, nor did the workers receive safety equipment. Predictably, perhaps, but no less serious is the fact that none of the workers had ever heard of or seen a trade union. The gap between formal and informal, between paper laws and daily reality, and between policy creation and its execution is impressive. Significantly, the interviews also confirmed the shortcomings or even lack of enforcement in the case of workers in the informal economy as observed in the GSP-Plus report:

Informal economy (domestic and homebased workers), agriculture, and construction sectors are out of the ambit of law. Although, penalties have been imposed for violation under the said laws, however these are very

meager and have no deterrence effect. Sometime the employers prefer to pay penalties rather to be compliant. However, after devolution, the provinces are in process to amend the laws. The inspection system in Pakistan faces a serious shortage of inspectors in relation to the number of workplaces liable to inspection.

[...] Not only is the number of inspectors lower, the capacity of those inspectors is also limited.

The paradox observed in the report is ever-present in the lives of workers in the informal economy: because they are part of the informal economy, laws and regulations have been created to remedy that situation. But their involuntary membership of the informal economy also makes it impossible in practice to adhere to -and make employers adhere to- those laws and regulations. This of course is not a logical paradox, merely one on a very practical level, but no less difficult to solve for that. A possible solution looms on the horizon, however: proper implementation and execution of the system of the labour inspectorate. The report summarizes its conclusion on the labour inspectorates as follows:¹⁴⁴

Pakistan has ratified the ILO Labour Inspection Convention No. 81, which is one of the priority conventions. For effective implementation of labour laws, a strong and unified labour inspection system is essential. Under this convention, labour inspection needs to be placed under the supervision and control of a central authority and the system should apply to all workplaces. There is no standalone law on inspection services in the country although inspection system is adequately regulated under the various labour laws. Regional/Provincial labour inspection authorities must be established which should report to the central inspection authority for publishing a consolidated report and for reporting to the ILO. In order to gain full benefits from the GSP-Plus, the perspective on labour inspection and labour compliance must undergo a paradigm shift.

As a result, in recent years the number of labour inspectors in Pakistan has gradually grown from 292 in 2008 to 337 in 2015 on a working population of about 60 million workers. It seems

144) ILSU, 'GSP-Plus and Compliance', iii.

superfluous to say that the number of inspectors compared to the number of workers is too low, but the obvious question is what would be a reasonable rate?

Independent from the maintenance of the GSP-Plus Status, Pakistan also ratified the ILO C081 Convention on Labour Inspectorates, article 10 of which calls for a 'sufficient number' of inspectors but (in-)conveniently does not specify what number is considered to be 'sufficient':

The number of labour inspectors shall be sufficient to secure the effective discharge of the duties of the inspectorate and shall be determined with due regard for:

(a) the importance of the duties which inspectors have to perform, in particular--

(i) the number, nature, size and situation of the workplaces liable to inspection;

(ii) the number and classes of workers employed in such workplaces; and

(iii) the number and complexity of the legal provisions to be enforced;

(b) the material means placed at the disposal of the inspectors; and

(c) the practical conditions under which visits of inspection must be carried out in order to be effective.

It will need little explanation that broad stipulations such as these will be helpless in the face of determined legal interpretations. Less formally authoritative publications from the ILO have tried to bring in a measure of concrete detail: numbers. The 2006 ILO report *Strategies and Practice for Labour Inspection* gives an indication what number could be considered to be 'sufficient':

As each country assigns different priorities of enforcement to its inspectors, there is no official definition for a "sufficient" number of inspectors. Amongst the factors that need to be taken into account are the number and size of establishments and the total size of the workforce. No single measure is sufficient, but in many countries the available data sources are weak. The number of inspectors per worker is currently the only internationally comparable indicator available. In its policy and technical advisory services, the ILO has taken as reasonable benchmarks that the number of labour inspectors in relation to workers should approach: 1/10,000 in industrial market economies; 1/15,000 in industrializing economies; 1/20,000 in

transition economies; and 1/40,000 in less developed countries. The chart in the appendix shows that many countries do not reach these benchmarks.¹⁴⁵

Pakistan ratified the ILO Labour Inspection Convention in 1953 and never even came close to reaching the numbers specified in the above paragraph. As it turns out, not even the coveted status of becoming -and staying- a GSP-Plus country managed to raise the absolute and relative numbers of Pakistan's Labour Inspectorate to a respectable level. In battling the informal economy, the forces of the formal and the official have their work cut out for them. The place of the Labour Inspectorate in this battle is ambiguous, to say the least.

The ILO reporting mechanism requires that, 'Once a country has ratified an ILO Convention, it is obliged to report regularly on measure it has taken to implement it.'¹⁴⁶ The report itself can be commented by the ILO Committee of Experts by among other things a so-called 'direct request' that is related to technical questions. The committee can also request further information and it can present recommendations. In 2018, the Pakistan Worker Federation shared its observations in the Pakistan periodic report to the Labour Inspection Convention. Its concerns were summarized by the Committee of Experts as follows:

Articles 2 and 22 of the Convention. Workplaces covered by the labour inspection system. The Committee notes the observations made by the Pakistan Workers' Federation (PWF) that ambiguities in the jurisdiction and issues relating to the scope of the labour laws, including the Factories Act, the Shops and Establishment Ordinance, and the Bonded Labour Act, result in workers being exempt in practice from protection through labour inspection. The PWF adds that a large number of workplaces are not covered by labour legislation and are therefore exempt from the purview of labour

145) See page 4 of the notes for the session of the ILO Governing Body, Committee on Employment and Social Policy on 'Strategies and Practice for Labour Inspection', GB.297/ESP/3, https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_gb_297_esp_3_en.pdf. Accessed on 28-03-2019.

146) See <https://www.ilo.org/global/standards/applying-and-promoting-international-labour-standards/committee-of-experts-on-the-application-of-conventions-and-recommendations/lang--en/index.htm>. Accessed on 28-03-2019.

inspection (such as workplaces in agriculture, construction, private health and educational establishments).¹⁴⁷

In this paragraph, the Pakistan Worker Federation indirectly expresses its concern about the large number of workplaces that are not covered by labour legislation and are exempt from the purview of the Labour Inspectorate. A justified concern considering the fact that with its limited mandate, the understaffed Labour Inspectorate is clearly not sufficiently equipped to fulfil its tasks. The lack of registration of large numbers of factories and establishments as businesses in operation and the absence of an annual report on the work of the Labour Inspectorate add to those concerns.

In its comment, the ILO Committee of Experts referred to the Strengthening of Labour Inspection System Project and presented its view on the matter:

Articles 7 and 9. Training of labour inspectors. Specialists and experts associated in the work of labour inspection. The Committee notes the information provided by the Government, in reply to its request for information on the training provided in all provinces, including the information on the training provided in the context of the 2015–18 ILO project “Strengthening of the Labour Inspection System in Pakistan.”

[...] The Committee requests the Government to pursue its efforts to ensure that the central labour inspection authority in each province publishes an annual labour inspection report, pursuant to Article 20, and that these reports are communicated to the ILO, either separately or in compiled form, pursuant to Article 20(3). The Committee encourages the Government to take the necessary steps to ensure that the annual report(s) contain(s) full information on the subjects set forth in Article 21, including statistics of workplaces liable to inspection and the number of workers employed therein (Article 21(c)) and statistics of occupational diseases (Article 21(g)). The Committee requests the Government to provide information on any progress made in this respect, as well as any difficulties encountered.

147) See http://www.ilo.org/dyn/normlex/en/f?p=1000:13100:0::NO:13100:P13100_COMMENT_ID:3343811. Accessed on 28-03-2019.

The observed flaws in the functioning of the labour inspectorate are grave in terms of the structural understaffing of the inspectorate, the inspectors' mandate, the limited scope of the coverage, the lack of registration of companies, and the absence of a functioning reporting mechanism. These flaws could potentially have torpedoed Pakistan's GSP-Plus Status, a status not only beneficial to Pakistan, but also to the EU. It can hardly be called a surprise then, that that a possible solution was already underway. The 2015–18 ILO project “Strengthening of the Labour Inspection System in Pakistan”, referred to by the Commission of Expert, was initiated to tackle these challenges. The project ended in December 2018 and was formally concluded with a report on its achievements, which I will discuss below.

Inspections on the Worksite: Paper and Practice

From December 2018 to January 2019, we conducted interviews with 15 workers who worked or had worked on the construction of the M4 Motorway. They were interviewed alone or in small groups of workers in their own houses. They were asked questions about the way they had been recruited, hired and paid, about their working conditions, and about safety issues. They were also asked if their worksites had been visited by inspectors or third-party auditors. As for this last question, the workers often referred to officers, auditors, inspectors without making a distinction whether they were government officials, commercial auditors or company engineers performing technical inspections. The overall picture emerging from the interviews is clear: inspections are frequent and according to some even take place on a daily basis. However, the inspectors do not actually speak with the workers. Boxes are checked on the inspector's ever-present clipboard, but the people on the site are left unchecked. Whether the inspectors' negligence in talking with the workers present on the worksite was just an oversight, an ingrained practice given little conscious thought, standard operational practice, or a result of the workers belonging to the informal economy and the inspectors to its formal counterpart is impossible to say. It is of some interest, however, that the employer (the hirer of the workers or his contractors) did consider the presence of the workers in connection to site visits of labour inspectors, third-party audi-

tors, and company officials. While most of the workers declared that they had never received any safety equipment (a thing they have in common with the vast majority of informal workers in the construction industry in Pakistan) despite the danger of some -or much- of their work, those workers who had received safety equipment from their employer, received it when an inspection was forthcoming. Seen in this light, the inspectors' failure seems a bit more deliberate. Especially given the fact that while the workers were unequivocal that inspections were frequent or even daily, all but two stated that none of the inspectors had ever spoken to them.

The answers give a picture of the frequency of worksite inspections or visits by labour inspectors, auditors, and company engineers and how such inspections were perceived by the workers. In order to present the full picture, the answers the workers gave are listed below:

Interview A1: 'Yes, there were visits by officers/auditors. They would see our work but never talked to us directly. They would talk to the contractor only. During the visits, we would only work.'

A2: 'The auditors/officers would visit us and see the work. Once during inspection our whole work failed and we had to do it from the start again. We behaved as we usually did. Just focused on our work.'

A3: 'Yes, there were visits by auditors/officers. They never spoke to us.'

A4: 'The Chinese and Pakistani officers would come to visit the site and the work almost daily. No, we not interviewed by any of them. Yes, the contractor would ask us to just focus on our work during the visits.'

A5: 'Yes, there were visits by auditors/officers who would check our work. They would come almost daily. Never did they interview us. Yes, the contractor (thekedar) would ask us to be extra careful during such visits. And when there were some high-ups coming, we were provided with helmets, jackets and boots.'

A6:-

A7: 'Usually we didn't wear any safety tools like helmets, jackets and boots but sometimes we were given them when there was an inspection by the top officers.'

A8: 'Yes, there were visits by officers/engineers. They would see our work and advise accordingly.'

A9: 'Yes, the officers/engineers would inspect our work. We don't know exactly who these persons were whether they were ZKB high ups, Chinese or others. We already were so engrossed in work so no one ever had to tell us to behave.'

A10: 'Yes, officers would visit us to see our work. No, they never spoke to us.'

A11: 'I was never interviewed by any officer/auditor.'

A12: 'The officers would come to visit the sites, but I never spoke to them.'

A13: 'There was no interview but instructions from the inspectors checking our work. There was no need to us be instructed to behave because we already would be busy with it to meet the target before the end of work.'

A14: 'Usually the contractor saw our work because he had to report to the engineers. They did talk to other workers but never to me.'

A15: 'Yes, the engineers/officers would talk to us and instruct about how the water should be spilled on the surface and how not.'

The frequency of inspections on the M4 Highway worksite, whether by company officers, external auditors or government officials does not seem to be an issue seen from domestic or international laws and conventions, or even within the framework of maintaining Pakistan's GSP-Plus Status; the sites were inspected on a nearly daily basis. However, as became clear from the responses to our questions, never did the inspectors engage with the workers themselves. The fact that inspectors, officers and/or auditors would be on site on an almost daily basis, without ever speaking to the workers is worrisome, since because of the lack of contracts and other written documents, there is no other way to ensure that labour rights are being enforced. Perhaps the paradox of the workers' informal status rears its ugly head again. Because the workers have an informal status, the Labour Inspectorate is the only viable and formal way to safeguard -at least some of- their rights. But because their status is informal, the Labour Inspectorate will not interfere and enforce.

This phenomenon—a very high frequency of on-site inspections, coupled with a very low interactivity with the site workers—also shows that it is not merely the quantity of the inspections that matters. The quality of the inspections is even more important. The high frequency of the inspections is in itself not particularly beneficial to the labourers. This is also one of the findings in the *European Union Agency for Fundamental Rights report Protecting*

Migrant Workers from Exploitation in the EU: Boosting Workplace Inspections. As one of its key findings, the report notes that:

Exploited workers indicate that increasing the number of inspections alone is not the solution, as –from the perspective of workers and their rights – inspections can be beneficial or detrimental. Evidence shows that, when monitoring bodies take the time and effort to inform workers about the aim of inspections, to inform and reassure them about their rights and about the next steps in potential investigations, and to refer them to support services, exploited workers feel supported and empowered to participate in proceedings against exploitative employers.¹⁴⁸

A lesson can be drawn from this conclusion: increasing the frequency of site inspections is by itself never a sufficient measure against labour exploitation. A labour inspectorate is meaningless if it is not in a position to note and then remedy abuses by mobilizing the entire network of services and support it should have access to as a vital organ of the state.

Empowering the Pakistan Labour Inspectorate

Between July 2015 and June 2018, the ILO ran the program ‘Strengthening Labour Inspection System for Promoting Labour Standards and Ensuring Workplace Compliance in Pakistan,’ in order to ultimately ‘promote more respect for labour norms and create safer workplaces in Pakistan.’ One of the goals was to train and recruit more inspectors.¹⁴⁹ The project was financed and supervised by the Ministry of Foreign Affairs of the Netherlands – a member state of the EU.

The necessity for strengthening the labour inspectorate in Pakistan first emerges from the numbers. In the description of the project it is mentioned that the total number of labour inspectors in Pakistan stood at just 337 in 2011–12, which truly pales in com-

148) European Union Agency for Fundamental Rights, ‘Protecting migrant workers from exploitation in the EU: boosting workplace inspections’, (Luxembourg: Publications Office of the European Union, 2018), 7, https://fra.europa.eu/sites/default/files/fra_uploads/fra-2018-protecting-migrant-workers-boosting-inspections_en.pdf. Accessed on 28-03-2019.

149) See <https://www.ilo.org/islamabad/lang--en/index.htm>. Accessed on 28-03-2019.

parison to the size of the national workforce – estimated at 53.67 million in 2012–13.¹⁵⁰ This means that there was one inspector for every 159,258 workers, while the ideal situation for less developed countries as stipulated by the ILO in its report *Strategies and Practice for Labour Inspection* is one inspector for every 40,000 workers. Punjab Province is host to the largest part of the Pakistani workforce, at 34,360,000 million workers with a staff of 242 labour inspectors.¹⁵¹ Another reason to improve the quality – and one imagines in particular that kind of quality that can also be conclusively captured in reports, tables, and diagrams – seems to have emerged from the EU’s commitment to help Pakistan in obtaining and maintaining its GSP-Plus Status.

In its drive to improve the labour inspection culture in Pakistan, the main activities of ‘Strengthening of the Labour Inspection System in Pakistan’ included:¹⁵²

- Reform of policies and legislation to enhance the role of labour inspection in improved working conditions
- Upgrade the institutional capacity of the labour inspectorate in terms of human and material resources, technical skills, information management systems, and compliance and reporting on the Labour Inspection Convention (No. 81).
- Engage effectively with employers and workers on the process of labour inspection.
- Improve the coverage and quality of labour inspection through involvement of industrial associations and the promotion of corporate social responsibility (CSR) and awareness.

The promotion of Corporate Social Responsibility is an interesting addition to the list of activities, because it builds on the existing public-private cooperation between the ILO and corporations. The main outputs that the project aimed for were:¹⁵³

150) ILO, ‘Strengthening Labour Inspection system for Promoting Labour Standards and ensuring workplace compliance in Pakistan’, Project Concept Note for Technical Cooperation Projects, 6.

151) ILO, ‘Strengthening Labour Inspection system’, Project Concept Note, 8.

152) ILO, ‘Strengthening Labour Inspection system’, Project Concept Note.

153) ILO, ‘Strengthening Labour Inspection system’, Project Concept Note, 9-12.

Outcome-1: Policies, Laws, Regulations on Labour Inspection reformed. Implementation plans developed for the Policy and Legislations and actions supported to allocate resources for implementation of reformed labour inspection system.

Outcome-2: Institutional capacities of the Labour Inspectorate strengthened in terms of human and material resources, technical skills, information management systems and compliance and reporting on C81 (Labour Inspections).

Capacity development programmes/workshops carried out among Labour Inspectors, their supervisors and judges of labour courts with the aim to develop and operationalize OSH and modern labour inspection procedures and practices;

Outcome-3: Capacities of the workers' and employers' organization strengthened and their active engagement in labour inspection and OSH activities promoted.

In view of growing informal sector in Pakistan (from 65% in 2002-03 to 73% in 2012-13) and their continuous exclusion from Labour law regulation, it is imperative to design innovative methods and mechanisms to increase outreach of Labour inspectorate to the informal economy workers. One possible way is to develop and strengthen institutional relationship between public representatives at the lowest administrative units (village council or union councils) and the labour inspectorate where village/union council members will support and facilitate access of Labour inspectors to domestic-workers, home-based workers, agricultural workers and other major types of informal economy workers. In each village/union council, there is a specific representation of peasant/worker. Same goes for the civil society organizations.

Outcome-4: Outreach and quality of Labour Inspection improved through involvement of Industrial Associations, promotion of CSR and awareness.

All objectives are equally relevant for Pakistan, but for this study two observations are particularly significant: first, that the 73% of the workers in the informal economy should be prioritized and second, that CSR should be promoted. Adequate routes to tackle the challenges would have to include not merely an enlargement

of the labour inspection force and training facilities, but also the foundation of a reporting mechanism, a proper registration procedure for all unregistered companies and workplaces, protection and access to justice and remedies for workers in the informal industry, parallel to the concerns that were expressed by the Pakistan Workers' Federation in the ILO reporting mechanism procedure. An honest appraisal of the project's stated objectives would have to arrive at the conclusion that its ambitions came close to the building at least part of a state.

The ambitious project finished in December 2018 and was officially reported as concluded in June 2019.¹⁵⁴ In a one-page document, the Dutch Ministry of Foreign Affairs summarized what the project achieved:

The project contributed to the following achievements, among others:

- *Provincial Action Plans to improve Labour Inspection system developed and endorsed by the Provinces;*
- *Strengthened social dialogue amongst local stakeholders that promoted actions of mutual interest within the purview of Labour Inspection;*
- *Enactment of OSH laws in Sindh and Punjab provinces 450 Labour Inspection staff from the four provinces as well as Islamabad Capital Territory, Gilgit Baltistan and Azad Jammu and Kashmir trained on "Effective Labour Inspection, Wages and OSH";*
- *The recruitment of around 96 additional Labour Inspectors, including 18 women;*
- *Training material on Effective Labour Inspection, OSH and Accident Investigation developed, and is now a resource for government owned training institutions;*
- *Increased number of employers and workers made aware of OSH needs and pertinent actions that could help improve OSH conditions at workplaces;*
- *Private Compliance Initiatives (PCIs) mapped;*
- *Labour Inspection Management and Information System (LIMIS) supported;*
- *Labour Inspection profile developed; and*
- *Annual labour inspection reports prepared.*

154) Ministry of Foreign Affairs of the Netherlands and ILO, 'Strengthening Labour Inspection System in Pakistan (2015- 2019)' (The Hague/Islamabad: ILO, June 2019), https://www.ilo.org/wcmsp5/groups/public/@dgreports/@exrel/documents/genericdocument/wcms_707584.pdf. Accessed on 28-03-2019.

As far as can be deduced from this document, the project's achievements have been substantial, although, as projects, and ambitious projects in particular, tend to go, a sizable gap exist between the stated objectives and the recorded achievements. The proof of the pudding is in the eating, however, and any real evaluation of the achievements of this project will only be meaningfully revealed by seeing to what extent improvements on the worksites themselves have taken place.

The workers interviewed in December 2018 and January 2019 had obviously not yet profited from the reported improvements, but that can perhaps hardly be expected from a project that finished around that same time.

Conclusion

International conventions, national labour laws, and the protective measures embedded in CSR policies are effective only by the grace of enforcement. And proper enforcement does not come alone; it brings with it a network of services and support, of alternatives, and of back-ups. If not, elegantly worded intentions remain just that, words on a piece of paper with little practical value. This has obviously been the case for the workers on the M4 Highway. Virtually all the workers claimed that their wages were not sufficient to earn them a decent living, payments were often overdue and not fully paid. Safety equipment was not provided for on the building sites. These were only provided in some cases, if an inspection was thought to be imminent. The fact that the workers are part of the informal economy and as such do not receive any contract or document which states and confirms their rights, makes them extra vulnerable to being subject to infringements and abuse. Being part of the informal economy is finding oneself in a vicious circle of having no rights, leading to bad working conditions, low wages, no job security, unsafe situations and no enforcement of labour legislature. Which leads to bad working conditions et cetera. Rinse and repeat. A well-functioning labour inspection is a prerequisite to intervene in this vicious circle and make a start with changing the situation of these workers for the better. As such, the aforementioned ILO-project was exactly what the situation in Pakistan needed. At the same time, it would be a waste of money, time, and

effort if such projects only serve to increase paperwork, written laws, and regulations which may contain the rights of workers, but would only function as fig leaves to conceal the ugly realities of daily practice. Time will tell whether this will be the case here, but the testimonies of the M4 Motorway workers caution us to remain sceptical until other worksite interviews have shown a clear change in circumstances. The key take-away here is that the standard for evaluation of the working conditions of the workers must always -also- be sought in workers' testimonies and on that front at least, the ILO project seems not have been particularly successful.

The 'Strengthening Labour Inspection System for Promoting Labour Standards and Ensuring Workplace Compliance in Pakistan' project has made an initial and crucial attempt to improve the Pakistan Labour Inspectorate. The effects on the long-term remains to be seen and also after the completion of this project continuous monitoring will remain of key importance, but as the saying goes: even a journey of a thousand miles begins with a single step.

The Asian Development Bank, Core Labour Standards and the M4 Highway Project

Antoine Duval & Alexandru Tofan

Introduction

This chapter builds on the empirical findings gathered by the research team in the previous chapters to deliver a legal perspective on the compliance of the M4 Highway Project with the Asian Development Bank's (ADB) obligations and commitments in terms of labour rights and in particular with regard to the Core Labour Standards (CLS) of the International Labour Organisation (ILO). The ILO in its 1998 Declaration on Fundamental Principles and Rights at Work declared that "all Members, even if they have not ratified the Conventions in question, have an obligation arising from the very fact of membership in the Organization to respect, to promote and to realize, in good faith and in accordance with the Constitution, the principles concerning the fundamental rights which are the subject of those Conventions, namely: (a) freedom of association and the effective recognition of the right to collective bargaining; (b) the elimination of all forms of forced or compulsory labour;

(c) the effective abolition of child labour; and (d) the elimination of discrimination in respect of employment and occupation”. This set of labour rights constitute the CLS and have been recognised by Principle 12 of the United Nations Guiding Principles on Business and Human Rights (UNGPs) as part of the human rights covered by the responsibility to respect applicable to businesses.

In this chapter, we will first reflect more generally on the integration of human rights and labour rights (in particular the CLS) in the operations of Multilateral Development Banks (MDBs), before looking more specifically at the ADB’s policies with regard to the CLS and their impact (or lack thereof) in the context of the M4 Highway Project.

Multilateral Development Banks and Human Rights

The purpose of this section is to present an overview of the relationship between MDBs and human rights. Accordingly, the first sub-section deals with the nature of the human rights obligations of development banks under international law. The second sub-section deals with the concrete ways in which MDBs integrate human rights in their work processes.

The human rights obligations of MDBs under international law

Multilateral Development Banks are international organisations meant to foster economic and social development in the public or private sector.¹⁵⁵ They are established by states through treaties often designated ‘Articles of Agreement’ (AoA).¹⁵⁶ Examples include the World Bank, the Asian Development Bank, the African Development Bank, and the European Bank for Reconstruction and Development. The important effects of the projects they financed on the local environment, labour market or social fabric have led

155) Leonardo A. Crippa, ‘Multilateral Development Banks and the Human Right Responsibility’, *American University International Law Review* 25 no. 3 (2010), 531-533.

156) See, e.g., International Bank for Reconstruction and Development, ‘Articles of Agreement’ (27 June 2012) available at: <http://pubdocs.worldbank.org/en/722361541184234501/IBRDArticlesOfAgreement-English.pdf>; Asian Development Bank, ‘Agreement Establishing the Asian Development Bank’ (22 August 1966) available at: <https://www.adb.org/sites/default/files/institutional-document/32120/charter.pdf>; European Bank for Reconstruction and Development, ‘Basic Documents of the EBRD’ (30 September 2013), available at: <https://www.ebrd.com/news/publications/institutional-documents/basic-documents-of-the-ebrd.html>.

in the nineties to widespread criticisms of their human rights record.¹⁵⁷ Civil society activists started to demand that their activities be conducted in compliance with human rights. Yet MDBs' obligations under international human rights law remain far from clear to date.¹⁵⁸ In the literature, the current state of the debate presents two prevailing approaches to MDBs' human rights obligations. MDBs are said to accrue human rights obligations either directly or indirectly.¹⁵⁹

The direct approach sees MDBs as having international legal personality and therefore as subjects of international law.¹⁶⁰ This is based on a classification of MDBs as international intergovernmental organisations and not as mere non-State actors.¹⁶¹ This approach is premised on the fact that MDBs possess all the characteristics of an intergovernmental organisation (e.g. established, comprising of and governed by states) and that they satisfy the requirements for international legal personality under the International Court of Justice's *Reparations* Advisory Opinion.¹⁶² In the case of the ADB, it is argued that the AoA confer upon it all the elements necessary for the establishment of international legal personality.¹⁶³ This would entail that the ADB, together with other MDBs, would be directly

157) Patricia Armstrong, 'Human Rights and Multilateral Development Banks: Governance Concerns in Decision Making', *Proceedings of the ASIL Annual Meeting* 88 (1994): 277-282.

158) There is a growing literature on the subject and little consensus on the questions. Specifically on the Asian Development Bank, see Sanae Fujita, *The World Bank, Asian Development Bank and Human Rights: Developing Standards of Transparency, Participation and Accountability* (Edward Elgar Publishing, 2013). For academic publications discussing the IMF, the World Bank and human rights, see Sigrun Skogly, *The Human Rights Obligations of the World Bank and the International Monetary Fund* (Cavendish Publications, 2001); Mac Darrow, *Between Light and Shadow: The World Bank, the International Monetary Fund and International Human Rights Law* (Hart Publishing, 2003); Willem van Genugten, Paul Hunt and Susan Matthews, *World Bank, IMF and Human Rights* (Wolf Legal Publishers, 2003); Andrew Clapham, *Human Rights Obligations of Non-State Actors* (Oxford University Press, 2005).

159) Fujita, *The World Bank, Asian Development Bank and Human Rights*, 4.

160) *Ibid.*, 7-8.

161) For a discussion, see Crippa, 'Multilateral Development Banks', 536-544.

162) See also the 'Interpretation of the Agreement of 25 March 1951 between the WHO and Egypt', Advisory Opinion, ICJ Reports 1980, 73 and 89-90. The Advisory Opinion reads: 'International organizations are subjects of international law and, as such, are bound by any obligations incumbent upon them under general rules of international law, under their constitutions or under international agreements to which they are parties'.

163) Fujita, *The World Bank, Asian Development Bank and Human Rights*, 8 and 25.

bound by treaty law, customary international law and general principles of law. Nonetheless, MDBs are generally not party to any treaties (much less so to human rights ones),¹⁶⁴ which means that any human rights obligations binding on them stem from customary international law. The growing consensus seems to be that MDBs should at the very least respect human rights that have become customary international law. Some scholars even argue that their customary law obligations extend beyond a mere duty to respect; MDBs shall on this reasoning avoid directly violating any human rights and avoid complicity in violations of human rights obligations.¹⁶⁵

The indirect approach to MDBs' obligations builds on the idea that "[...] [a] State that transfers competences to, or participates in, an international organisation must take all reasonable steps to ensure that the relevant organisation acts consistently with the international human rights obligations of that State."¹⁶⁶ In other words, the human rights obligations of States are not directly transferred to the MDBs but the constituent States must ensure that the organisation operates in a manner consistent with their standing human rights obligations.¹⁶⁷ This reasoning has been reflected in international conventions such as Article 32 of the UN Convention on the Rights of Persons with Disabilities, which stipulates that State parties should promote the purposes and objectives of the Convention for instance by "(a) Ensuring that international cooperation, including international development programmes, is inclusive and accessible to persons with disabilities". This article therefore explicitly extends the obligations under the convention to situations where states act through development institutions such as MDBs. Following this reasoning, States' duty to respect, protect and fulfil human rights would apply to their actions (1) as recipients of public finance, (2) as financiers, and (3) as decision-makers within multilateral and domestic financial institutions.

164) Ibid., 8.

165) Ibid., 8-9. Cf. Skogly, *The Human Rights Obligations of the World Bank and the IMF*, 151 and 193, and Clapham, *Human Rights Obligations of Non-State Actors*, 151.

166) 'Maastricht Principles on Extraterritorial Obligations of States in the Area of Economic, Social and Cultural Rights' (2011), 15. See also: 'Maastricht Guidelines on Violations of Economic, Social and Cultural Rights' (22-26 January 1997).

167) Fujita, *The World Bank, Asian Development Bank and Human Rights*, 4-5; see also: Skogly, *The Human Rights Obligations of the World Bank and the IMF*, 109.

The indirect approach is also strongly reflected in Principle 10 of the UNGPs, which reads:

States, when acting as members of multilateral institutions that deal with business-related issues, should:

(a) Seek to ensure that those institutions neither restrain the ability of their member States to meet their duty to protect nor hinder business enterprises from respecting human rights;

(b) Encourage those institutions, within their respective mandates and capacities, to promote business respect for human rights and, where requested, to help States meet their duty to protect against human rights abuse by business enterprises, including through technical assistance, capacity-building and awareness-raising;

(c) Draw on these Guiding Principles to promote shared understanding and advance international cooperation in the management of business and human rights challenges.

Principle 4 of the UNGPs also provides that “States should take additional steps to protect against human rights abuses by business enterprises [...] that receive substantial support or services from State agencies such as export credit agencies and official investment insurance or guarantee agencies, including, where appropriate, by requiring human rights due diligence.”

In conclusion, MDBs should probably comply with human rights to the extent that they constitute international customary law and a compelling case can be made that they have at least indirectly, through the obligations of their member states, a duty to respect human rights (including CLS). Moreover, even if one entirely denies the existence of such direct or indirect human rights obligations, MDBs are in any event subject to the responsibility to respect human rights enshrined in the second pillar of the UNGPs.

MDBs’ Approach to Integrating Human Rights

MDBs have been slow in integrating human rights in their operational processes. Currently, MDBs’ due diligence processes include fiduciary, legal, social, economic and environmental considerations. References to human rights remain generally scarce as they are often treated as political considerations. Indeed, most AoA of

MDBs include a clause explicitly prohibiting basing a lending decision upon political considerations.¹⁶⁸ In the case of the ADB, its reluctance to embrace human rights has been attributed to concerns among member states about protecting sovereignty, to questions surrounding the universality of human rights standards, and to the prohibition on political interferences.¹⁶⁹ Some scholars suggest that this reluctance can be further attributed to the disinclination of some member states (e.g. China, Myanmar, Singapore and Thailand) to the concept of human rights.¹⁷⁰ The ADB exhibits a reluctance to commit to human rights at the policy or operational level.¹⁷¹ Byrnes argues that “[t]he ADB has been reluctant to embrace human rights standards explicitly in its policy documents, to use a human rights framework systematically in its policies and operations, or even to follow the World Bank in its approach to development and human rights. This reflects concerns among many member states about protecting their sovereignty and questioning universal human rights standards, sometimes justified by reference to the prohibition in the ADB Charter on ‘political activity’ and on taking into account considerations other than ‘economic considerations.’^{172”}

The MDBs have been much more proactive in devising safeguard policies concerning the environment, involuntary resettlement or indigenous people without referring directly to their human rights dimension. In doing so, they have also developed grievance mechanisms that are supposed to provide avenues for disgruntled actors to raise their concerns. The most well-known are the World Bank’s Inspection Panel (for projects supported by the International Development Association and the International Bank for Reconstruction and Development) and Compliance Advisor

168) See, e.g.: IBRD, Article IV S.10: ‘The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I. See also article 36 of ‘Agreement Establishing the Asian Development Bank’ (ADB, 1966).

169) Andrew Byrnes, ‘The Asian Development Bank and the Role of Human Rights in the Pursuit of Just and Sustainable Development in the Asia-Pacific Region: An Advocacy Role for Australia?’, *Australian International Law Journal* 19 (2011), 8.

170) *Ibid.*, 7-8.

171) Fujita, ‘The World Bank, Asian Development Bank and Human Rights’, 56-59.

172) Byrnes, ‘The Asian Development Bank and the Role of Human Rights’, 8.

Ombudsman (for projects supported by the International Finance Corporation and the Multilateral Investment Guarantee Agency). The ADB maintains the ‘Accountability Mechanism’ (AM), which provides problem solving and compliance-review functions.

In short, the MDBs have until today failed to acknowledge their human rights obligations, nor have they at this stage committed to funding only projects that are in full compliance with the CLS. It remains to be seen what the ADB has committed to in terms of labour rights? And how effective in practice have these commitments been?

The Asian Development Bank and Labour Rights

The MDBs do not have the reputation to be supportive of labour rights.¹⁷³ In fact, the World Bank’s infamous Doing Business report has been criticised at length for adopting an anti-labour logic.¹⁷⁴ Nonetheless, this critique of MDBs has led to some, at least rhetorical, changes in the way they consider labour rights and in particular the CLS.¹⁷⁵ In particular, the ADB was the first MDB to endorse the CLS in its Social Protection Strategy published in 2001.

The ADB’s social protection strategy

In a lengthy document of more than 100 pages, the ADB spelled out its ambition to provide for social protection in Asia.¹⁷⁶ In this regard, it highlighted “labor markets” as one of the main components of social protection and considered that “appropriate steps should be taken to ensure that procurement of goods and services, contractors, subcontractors, and consultants, comply with the country’s labor

173) Robert G. Blanton, Shannon Lindsey Blanton, and Dursun Peksen, ‘The Impact of IMF and World Bank Programs on Labor Rights’, *Political Research Quarterly* 68, no. 2 (2015), 324-36.

174) Peter Bakvis, ‘The World Bank’s Doing Business Report: A Last Fling for the Washington Consensus?’, *Transfer: European Review of Labour and Research* 15, no. 3-4 (2009), 419.

175) Notably, in 2016, the World Bank adopted new safeguard policies which, for the first time, expressly address labour standards concerns. For a first assessment of their effectiveness, see Franz Christian Ebert, ‘Labour Standards and the World Bank: Analysing the Potential of Safeguard Policies for Protecting Workers’, in *Labour Standards in International Economic Law*, ed. Henner Gött (Cham: Springer, 2018).

176) ‘*Social Protection Strategy*’ (Asian Development Bank, July 2001). Available at <https://www.adb.org/sites/default/files/institutional-document/32100/social-protection.pdf>.

legislation (e.g., minimum wages, safe working conditions, social security contributions, etc.) as well as with the Core Labor Standards”.¹⁷⁷ More concretely, ADB committed to “take all necessary and appropriate steps to ensure that for ADB-financed procurement of goods and services, contractors, subcontractors and consultants will comply with the country’s labor legislation (e.g., minimum wages, safe working conditions, and social security contributions, etc.) as well as with the Core Labor Standards”.¹⁷⁸ Importantly, ADB also vowed to monitor the compliance with this commitment as part of its regular loan reviews. This strategic commitment to enforce the ILO’s CLS was recognised as an important first step for a MDB.¹⁷⁹ However, it remained almost *lettre morte* in practice until the adoption of the Handbook on Core Labor Standards in 2006.

The ADB Handbook on Core Labor Standards

After the signature of a memorandum of understanding in 2002 between the ILO and the ADB,¹⁸⁰ both organisations jointly developed what became the Handbook on Core Labour Standards released in 2006. The Handbook aims to look “at ways in which [CLS] can be incorporated into ADB activities”.¹⁸¹ It “gives practical knowledge on how ADB operations can comply with the CLS”.¹⁸² However, its recommendations “are not an expansion of any policy, and the user should note the distinction between good practice suggestions, i.e., the examples in this Handbook, and the policy requirements presented in ADB’s Operations Manual”.¹⁸³ In short, the Handbook “does not introduce any new policies or compliance requirements

177) *Ibid.*, 16.

178) *Ibid.*, 57.

179) Peter Bakvis and Molly McCoy, ‘Core Labour Standards And International Organizations: What Inroads Has Labour Made?’, Briefing Papers (*Friedrich-Ebert-Stiftung*, 2008). Available at <https://library.fes.de/pdf-files/iez/05431.pdf>.

180) ‘Memorandum of Understanding between the Asian Development Bank and the United Nations International Labour Organization’ (Asian Development Bank, 2002). Available at <https://www.adb.org/sites/default/files/institutional-document/33511/files/mou-ilo.pdf>.

181) ‘Core Labor Standards Handbook’ (Manila: Asian Development Bank, 2006), 4. Available at <https://www.adb.org/sites/default/files/institutional-document/33480/files/cls-handbook.pdf>.

182) *Ibid.*, 7.

183) *Ibid.*, 4.

for ADB's operational staff".¹⁸⁴ Nonetheless, the Handbook claims that, since the approval of the Social Protection Strategy, "CLS have become an integral part of ADB's development mission"¹⁸⁵ and that it commits "ADB to comply with the CLS, and guide ADB operations to good labor and social protection practices".¹⁸⁶ This Handbook is an ambiguous document. It fleshes out the strong commitment to enforce CLS made by ADB in 2001, while being presented as non-binding on ADB staff and as merely providing a knowledge base.¹⁸⁷ Nonetheless, it ought to play a role as a guiding interpretative tool to determine whether the 2001 commitment to CLS is being met in practice.

The ADB Safeguard Policy Statement

In July 2009, ADB released its Safeguard Policy Statement (SPS). This statement consolidated and updated the three previously existing safeguard policies, which addressed three key areas of concern for the ADB: impacts on the environment, involuntary resettlement and impacts on indigenous peoples. Yet, it did not introduce any new commitments towards the compliance of ADB-financed projects with the CLS or other labour rights. Instead, it simply noted "core labor standards and broader social protection issues are already included in ADB's Social Protection Strategy (2001)" and "also handled through Operations Manual section on incorporation of social dimensions into ADB operations".¹⁸⁸ However, the Operations Manual in question does not mention the CLS and is not referring to the Handbook as a reference document on which it is based.¹⁸⁹ In other words, operationally the political and rhetorical commitment to the CLS is not reflected in the key legally binding documents

184) Ibid., 7.

185) Ibid., 6.

186) Ibid.

187) Highlighting this contradiction, see Bakvis and McCoy, 'Core Labour Standards And International Organizations', 8.

188) 'Safeguard Policy Statement', Policy Paper (Asian Development Bank, 2009), 9. Available at <https://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf>.

189) 'Operations Manual Bank Policies (BP)' (Asian Development Bank, 6 December 2010). Available at <https://www.adb.org/sites/default/files/institutional-document/31483/om-c3.pdf>.

of the ADB.¹⁹⁰ The refusal to enshrine the CLS in the SPS and the Operations Manual has the practical consequence of removing them from the existing safeguard procedures, which include the obligation for the borrower to produce an impact assessment, to devise a plan to tackle potential adverse impacts, and to inform and consult potentially affected people. Furthermore, issues related to noncompliance with the CLS are also more likely to be ignored by ADB's monitoring of the borrower's implementation of the safeguard. Finally, people adversely affected by ADB projects can have recourse to ADB's Accountability Mechanism but solely to report alleged violation of ADB's operational policies and procedures. It is therefore uncertain whether a violation of the CLS by a contractor on a project financed by ADB would be falling under the scope of jurisdiction of ADB's Accountability Mechanism.

The ADB Social Protection Operational Plan 2014-2020

The ADB's most recent policy document released on the matter is the Social Protection Operational Plan 2014-2020 in which the bank highlights as a priority to "ensure that ADB operations comply with the CLS".¹⁹¹ More precisely with regard to infrastructure programmes, ADB commits to "ensure that its lending operations in infrastructure (and in other sectors) adhere to the CLS" and that a "project's potential impacts on workers will be identified and assessed early in the project cycle".¹⁹² Furthermore, "plans to avoid, minimize, or mitigate potential adverse impacts on workers will be developed and implemented".¹⁹³ Finally, it is said, "ADB will utilize the Large Works (International Federation of Consulting Engineers, or FIDIC) and Plant (Engineering Advancement Association of Japan, or ENAA) Conditions of Contract requiring contractor compliance".¹⁹⁴

190) Raising such concerns, see 'Engaging with Asian Development Bank for Workers Rights: A Trade Unions Guide to Understanding ADB' (Faridabad: GUF/FNV, April 2012). Available at https://www.world-psi.org/sites/default/files/documents/research/a_trade_union_guide_to_understanding_adb_psi-2012.pdf.

191) 'Social Protection Operational Plan 2014-2020' (Mandaluyong City: Asian Development Bank, 2014), 9. Available at <https://www.adb.org/sites/default/files/institutional-document/42704/files/social-protection-operational-plan.pdf>.

192) Ibid., 12.

193) Ibid.

194) Ibid.

As becomes clear from this section, ADB's commitments to comply with the CLS (and national labour law) are only a glass half full. On the one hand, the bank was one of the first MDBs to commit to push for compliance with the CLS and national labour law in 2001, the World Bank followed only in 2016. But, on the other hand, it has since then refused to strongly bind itself to enforce this commitment by making the Handbook on Core Labor Standards binding internal policy or by integrating the CLS in its 2009 Safeguard Policy Statement as the World Bank did in 2016. In short, while the ADB has been quite ready to commit to CLS on paper, as illustrated again in the latest Social Protection Operational Plan 2014-2020, it is questionable whether it actually does so in action.

The ADB's CLS Commitments in Action: The M4 Motorway Project

To properly understand the impact of ADB's commitment on the labour rights of workers involved in ADB project, we need to investigate how those commitments are reflected in day-to-day practice. To do so, we will rely on the empirical findings on the M4 Project Gojra-Shorkot-Khanewal Section outlined in the previous chapters.

ADB's labour rights policies in the M4 Motorway Project

The ADB did consider the CLS both in the conceptualisation and design phase of the M4 Motorway Project and in the Loan Agreements signed.

Labour rights during the M4 Project Conceptualisation and Design phase

Labour rights played a (minor) role during the project's conceptualisation phase where they were marginally integrated in the Initial Poverty and Social Analysis (IPSA) meant to identify social issues. In the context of the M4 motorway project the IPSA identified "adhering to core labor standards"¹⁹⁵ as a potential issue to be considered in the project design. However, it did not detail any further why CLS compliance could be an issue, nor did it provide

195) 'National Motorway M4 Gojra-Shorkot Section Project: Initial Poverty and Social Analysis' (Asian Development Bank, 2015), 11. Available at <https://www.adb.org/sites/default/files/project-document/158500/48402-001-ipsa.pdf>.

any refinement of the main problems to be dealt with. It simply indicated that « [a]dherence to core labor standards [...] will be included in the construction contracts », without advancing any type of concrete mechanism to ensure that this contractual requirement will be monitored and enforced. The second phase in ADB projects ('project design') builds on the findings of the IPSA and foresees that a social analysis should be carried out to examine opportunities, constraints and likely social impacts of the project, and to identify and design measures that can maximise social benefits and avoid or minimise the social risks. The result of this analysis are summarised in a Summary Poverty Reduction and Social Strategy document. This document does mention that “[r]isks in the labour market will be closely monitored since the US Department of State classifies Pakistan as a Tier 2 country and warns that it is a source, transit, and destination country for men, women and children subjected to forced labour and sex trafficking”.¹⁹⁶ In fact, it foresees that “[d]uring implementation, the construction supervision consultant will closely monitor the labour environment and ensure that ADB’s Core Labour Standards and the country’s relevant laws and regulations are complied with to maintain a healthy work environment at the site”.¹⁹⁷

Labour rights in the agreements between ADB and the National Highway Authority

The Loan Agreements between the Islamic Republic of Pakistan and the Asian Development Bank are unequivocal, they provide in Schedule 5 Paragraph 14 that Pakistan (The Borrower) “shall ensure, that the core labor standards and the Borrower’s applicable labor laws and regulations are complied with during Project implementation”.¹⁹⁸ Moreover, the Borrower should also ensure “that contractors, other providers of goods and services, and their subcontractors, engaged under contracts for Works, have Works

196) ‘National Motorway M4 Gojra–Shorkot Section Project: Summary Poverty Reduction and Social Strategy’ (Asian Development Bank, 2015), 3. Available at <https://www.adb.org/sites/default/files/linked-documents/48402-001-sprss.pdf>.

197) Ibid.

198) ‘Loan Agreement (Ordinary Operations) for Loan 3300-PAK: National Motorway M4 Gojra-Shorkot Section Project’ (Asian Development Bank, 2015). Available at <https://www.adb.org/sites/default/files/project-document/176053/48402-001-lbj.pdf>.

contracts which include specific clauses to: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) comply with all legally mandated provisions on health, sanitation, and appropriate working conditions, including accommodation where appropriate for construction workers at construction campsites; (c) use their best efforts to employ women and local people, including disadvantaged people, living in the vicinity of the Works; (d) provide equal pay to men and women for work of equal type; (e) provide and adequately equip first-aid, health and sanitation, and personal hygiene facilities for male and female workers at the Works sites; (f) maximize female training and employment; (g) conduct an information and education campaign on sexually transmitted diseases and HIV/AIDS for construction workers as part of the health and safety program at campsites and adjacent communities during Works implementation; (h) allow freedom of association and effectively recognize the right to collective bargaining; and (i) abstain from forced or child labor".¹⁹⁹ Finally, Pakistan "shall ensure, and cause NHA to ensure, compliance with the labor standards and provide ADB with regular reports."²⁰⁰

These contractual obligations are in theory quite far-reaching and protective for workers, who should, based on them, enjoy a working environment fully compliant with the CLS and Pakistani labour law. While, this looks on paper promising, we will see in the next section that based on the empirical findings of the research team some discrepancies between these commitments and the actual experience of M4 workers on the ground can be evidenced.

The reality on the ground at the M4 construction sites

Since 2001, ADB claims to ensure that projects financed by it are complying with the CLS and national labour laws. And yet, the empirical findings based on the interviews conducted by the research team (see chapter 3) point towards a relatively substantial gap between the written commitments and the reality on the ground. On at least two of the core labour standards - freedom of association and the effective recognition of the right to collective bargaining

199) Ibid.

200) Ibid.

and the effective abolition of child labour – the empirical evidence gathered points towards partial noncompliance with the CLS.

Despite the existence of the Pakistani Industrial Relations Act adopted in 2012, it seems that many workers on the M4 project were deprived of the possibility to unionise and engage in collective bargaining. None of the workers interviewed reported the existence of unions, and, more worryingly, some highlighted the systematic refusal of their employer to engage in any type of, even informal, collective bargaining. Moreover, the empirical work has also evidenced the widespread informality of labour relations around the M4 project. Many workers were simply not officially employed by subcontractors, who were themselves not necessarily registered companies. This specific context and structure of the labour market makes it much easier to evade compliance with the right to unionise and collectively bargain. Regarding child labour, the Pakistani construction industry, and in particular the Punjab province where the M4 is being built, are perceived as high risk (see chapter 2). In fact, some of the workers interviewed by the research team have reported the presence of very young workers (13 to 14 years old) on the building sites of the M4. While the evidence is not entirely conclusive, it seems safe to assume that there is a relatively high likelihood that child labour has been employed on the construction sites of the M4.

In any event, while we cannot definitely demonstrate violations of the CLS on the project's construction sites, we believe there are strong indications that ADB has failed to ensure the respect of the contractual requirements related to labour rights enshrined in the original Loan Agreements with Pakistan. ADB did publish extensive monitoring reports on the M4 project produced by external consultants hired by the Borrower. However, these are exclusively focused on environmental impacts and land acquisition,²⁰¹ they do not report and monitor the compliance of the Borrower and its agent the NHA with regard to the CLS. Despite the Borrower's contractual duty to regularly report on the compliance with labour standards in the context of the M4 Project, no such report has been

201) The relevant monitoring reports on the M4 Project are available: 'Pakistan: National Motorway M4 Gojra–Shorkot–Khanewal Section Project - Additional Financing', Asian Development Bank, last updated April 2019, <https://www.adb.org/projects/48402-002/main#project-documents>.

made publicly available on ADB's website. Thus, it seems ADB is trusting blindly the Borrower to comply with the labour rights requirements enshrined in the Loan Agreement, this is in spite of the specific risks identified *ex ante* with regard to compliance with the CLS in Pakistan. Our limited empirical study shows, moreover, that there are legitimate concerns in this regard. The labour rights pledges made on paper since 2001, ring quite hollow in practice in light of ADB's hands-off approach to making sure that they are taken seriously on construction sites like those of the M4 project.

Finally, it seems unlikely that affected parties would be able to access ADB's accountability mechanism with regard to breaches of the CLS. Indeed, ADB will not consider complaints "about actions that are not related to ADB's action or omission in the course of formulating, processing, or implementing ADB-assisted projects", nor will the Compliance Review Panel consider "complaints relating to actions that are the responsibility of other parties, such as a borrower, executing agency, or potential borrower, unless the conduct of these other parties is directly relevant to an assessment of ADB's compliance with its operational policies and procedures".²⁰² In the case of labour rights, as they are not integrated in ADB's safeguard policy nor in its Operations Manual, the responsibility to comply with the requirements enshrined in the Loan Agreement lies only with the Borrower and the executing agency, e.g. NHA.

Conclusion

ADB like other MDBs has been subjected to public scrutiny with regard to its compliance with international human rights standards as well as the CLS. In response to these external pressures the bank fully committed to the CLS in its 2001 Social Protection Strategy. Yet, it failed to integrate them fully in its internal policies, Safeguard and Operations Manual, this has, as we have evidenced in the context of the M4 project, diminished the practical relevance of the original commitment in favour of the CLS. The interviews conducted with workers involved with the M4 project have shown that the spirit and letter of the CLS have been partly disregarded

202) 'Accountability Mechanism Policy 2012' (Mandaluyong City: Asian Development Bank, 2012), 29. Available at <https://www.adb.org/sites/default/files/institutional-document/328211/accountability-mechanism-policy-2012.pdf>.

during the implementation of the project. Moreover, the systematic recourse to informal work on the construction sites limits substantially the ability of workers to organise collectively and bargain with their employers. It also heightens the risk of other CLS violations, such as the recourse to child labour or forced labour. In any case, it seems the ADB has not been strictly monitoring the compliance of the Borrowers with the labour rights obligations enshrined in its loan agreements. While ADB is imposing extensive reporting obligations on the Borrower for certain issues (environmental impacts, resettlement policies), it does not extend them to labour rights. The findings of this report underline the need for a much more extensive monitoring of labour conditions in ADB projects. Moreover, at the time of writing, ADB still lacks a specific department dealing with issues connected to violations of labour rights in the projects it finances. In fact, the Global Union Federations (GUFs) have been proposing a labour desk in the ADB for several years now without success.²⁰³ Our conclusions with regard to ADB's insufficient concerns for the respect of CLS on the working sites of the projects it finances are in tune with prior research done on the matter.²⁰⁴

Finally, we believe it can be legitimately argued that ADB as an MDB is subjected to international human rights, either directly or indirectly (through the commitments of its Member States). In fact, this is the unanimous position endorsed by the U.N. Human Rights Council when it supported the UNGPs in 2011 (including Principle 10 on the duties of states when acting as members of multilateral institutions that deal with business-related issues). In any event, the minimum expectation with regard to ADB's human rights responsibility should be the one enshrined in the second pillar of the UNGPs: The responsibility to respect human rights. Indeed, it would be incoherent to see MDBs (due to their status as international organisations) escape the arguably limited human rights responsibility expected from businesses under the UNGPs, while being also exempted from the human rights obligations applicable to states. Hence, ADB should at least "avoid infringing on the human rights of others and should address adverse human

203) 'Engaging with Asian Development Bank for Workers Rights' (GUF/FNV).

204) *Ibid.*

rights impacts with which they are involved” (UNGP 11). This would imply that the Bank adopts a policy commitment to meet its responsibility to respect human rights (including the CLS), puts in place a human rights due diligence process to identify, prevent, mitigate and account for how it addresses its impacts on human rights, and introduces processes to enable the remediation of any adverse human rights impacts it causes or to which it contributes (UNGP 15). Currently, the ADB lacks a proper human rights due diligence process covering the CLS and therefore fails to meet the minimum expectations enshrined in the second pillar of the UNGPs. It is high time for ADB to take its human rights, and labour rights, responsibility seriously by introducing solid human rights due diligence policies and by using its leverage on its partners, specifically its Borrowers, to mitigate the potential human rights risks and violations arising in the context of the projects it finances.

PART II

From CSR Seminar to Sweatshop

Detecting North Korean
Forced Labour in Textile Supply Chains

EXECUTIVE SUMMARY

Situated on the Sino-DPRK border, the Chinese city of Dandong has been witness to close ties between the two countries at both the level of government policies and of individual businessmen and traders in the last few decades. The intensity of exchanges on the ground has not always held steady, however, and has been affected by events such as China's normalising of relations with South Korea or the execution of Jang Song Thaek, who was a key figure in the economic relationship. Ebbs and flows notwithstanding, it is reasonable to say that the relationship has expanded from small-scale, localized operations to becoming incorporated at the scale of China's provincial and even national economic strategy.

Against this backdrop, sending goods to North Korea for export processing took off around 2013 in China's garment industry. This refers to a practice where raw materials or unfinished products are sent abroad to be assembled then re-imported, and it expanded as China witnessed a decline in productivity and competitiveness as the cost of employing workers in the textile industry domestically went up.

In terms of Corporate Social Responsibility (CSR) for European companies, the practice introduces concerns about supply chain transparency. Goods produced via export processing do not necessarily carry a "made in North Korea" label, even if most of the manufacturing process took place there. In order to investigate whether and to what extent North Korean factories might feature in the supply chain of European fashion brands, the research team pursued the following methodology:

Publicly disclosed supplier lists were used to come up with an initial list of Chinese companies that supply to European brands. This information was used as a starting point for a comprehensive examination of China customs data. This was accomplished through the Panjiva platform, which allows the search and filter of shipping records using various parameters such as by HS Code and date range, in addition to by company name or destination and departure countries. The results were used to produce case studies of Chinese companies that supply to major European brands while engaging

North Korea workers in the manufacture process, whether directly or indirectly.

In addition to export processing, employing North Koreans to work in garment factories in China is no less a cause for concern. Although assignment abroad for North Koreans workers is generally voluntary, they cannot negotiate the terms and conditions of their employment, do not get freedom of movement and have their documents confiscated, have much of their pay withheld, and continue to be subject to the DPRK's surveillance system. They also lack mechanisms with which to claim rights.

Aside from concerns relating to sanctions on the DPRK, the variously documented exploitative practices and lack of accountability surrounding North Korean labour rights provide ample reason to seek more transparency on the issue of North Korean workers in the supply chain.

From CSR to Sweatshop

Remco E. Breuker & Imke B.L.H. van Gardingen

This report presents empirical research on the Democratic People's Republic of Korea, which despite the plethora of publications devoted to the DPRK is still in rather short supply. It can be considered the third such study we have published, after *Slaves to the System* (2016) and *People for Profit* (2018).

The garment industry is of great importance to the DPRK. Estimates vary, but a newly obtained source (the population census of Pyongyang from 2007, containing 2.1 million entries of Pyongyang citizens and among other things their job and/or place of work) gives cause to completely re-evaluate the importance of garment production for the DPRK.²⁰⁵ An initial search uncovered a minimum of 30,000 people working in the textile industry in Pyongyang alone in 2007 (while the majority of the textile factories is thought to be located outside the capital), working in about 6,000 unique jobs in several thousand different factories or sweat shops (size determining whether a site of garment production is a factory or a sweat shop). But perhaps more revealing is not just the -perhaps surprising- fact that many of these sites produce exclusively for export abroad, but also that just about every important DPRK institution (from the Supreme Guard Corps guarding the Kim family to local schools) manage their own export factories.²⁰⁶

205) This source, compiled in Pyongyang, was smuggled out of the DPRK and came to us through the North Korean diaspora. We are currently working on it in order to make it a useful, reliable and searchable database, after which it will be deposited at the International Institute of Social History in Amsterdam, the Netherlands.

206) The Supreme Guard Command (Howi saryöngbu) operates several garment factories such as the Supreme Guard Command Lotus Pond Garment Factory (Howi saryöngbu yönmot p'ibok kongjang) or the Supreme Guard Command Munsu Gar-

In a system in which institutions are often left to their own devices in finding the financial resources to be able to operate, the right to exploit garment factories may very well be a crucial perk. Garment production is not merely a source of income, it would seem it is actually a means to survive.

The hard currency the garment industry brings into the country, either by sending North Korean workers to textile factories abroad, or by accepting outsourcing assignments from China, is generally considered to be vital to the maintenance of the DPRK regime. As such, paragraph 16 of resolution 2375 by the UN in September 2017 must have been an unpleasant surprise for Pyongyang: “The DPRK shall not supply, sell or transfer, textiles (including but not limited to fabrics and partially or completed apparel products). All Member States are required to prohibit the procurement of such items from the DPRK by their nationals, or using their flag vessels or aircraft, whether or not originating in the territory of the DPRK.”

The story of this report is contained in this short excerpt from the UN sanctions. This particular sanction was levied because of the economic importance of the garment industry for Pyongyang: sanctioning this vital industry, it was thought, would lead to a more malleable DPRK stance (and this reasoning may have been correct). While its economic importance undoubtedly drew the sanctions, the garment industry in the DPRK also functioned as a rather disingenuous way to maintain Pyongyang’s relations to the international world. Outsourcing to the DPRK has long been a popular if hidden way of doing business. And member states are

ment Factory (Howi saryŏngbu munsu p’ibok kongjang). The Rear Services Department (a military department responsible for military logistics and support) operates the Rear Services Department Factory for Export Garments (Hubangguk su’chul p’ibok kongjang); a department belonging to the Second Economy (arms manufacture and sale) is responsible for the Second Economy Factory for Export Garments (I’gyŏngjesuch’ul p’ibok kongjang), while the Fifth Directorate of the Ministry for the Protection of the State (which would be the secret service; there is also a possibility that the ‘Fifth Directorate’ here refers to that of the Second Economy, but that would not alter the argument here) administers the Fifth Directorate Factory for Export Garments of the Fourth of August (O’ch’ongguk p’alsa such’ul p’ibok kongjang). The military are not left out, given the long list of garment factories under military control, such as the 564th Military Corps Garment Factory (Oryuksa kunpudae p’ibok kongjang). The list of examples is not endless, but contains hundreds of such factories. Thousands, if the focus is not exclusively on factories who produce exclusively for export abroad.

not always interested in prohibiting the procurement of garments from the DPRK.

The networks we have analysed in this report underline the importance of “textiles (including but not limited to fabrics and partially or completed apparel products)” in this process. In the last few years, this report establishes, garments worth hundreds of millions of dollars traversed the border between North Korea and China, usually raw materials from China to North Korea and finished products (back) to China from North Korea. The analysis of these networks, which may just be the proverbial tip of the iceberg - more research is needed, deepen our understanding of the multivalent relationship between China and North Korea, but it also complicates our understanding of North Korea’s economic dependence on its powerful neighbour. If export processing to the DPRK occupied or occupies a significant part of the trading activities between the two countries, what does this mean for the often cited very high percentages of China’s part in the DPRK’s total trade volume? Sending raw materials one way and finished products back the other way is also an economic activity, to be sure. It is just not the kind of economic activity that we perhaps expect in the PRC-DPRK dynamic, where the dependent position of the DPRK is often emphasised. Outsourcing as we have described and analysed in this chapter cannot be categorised as the DPRK receiving economic or other favours from Beijing. Quite the opposite, one can imagine that if outsourcing is no longer possible, the Chinese factories would hurt as much as the DPRK ones. The process to the extent that we have been able to reconstruct it seems much more balanced in its internal hierarchy.

This report is not just a report on the garment industry and the DPRK. It is also a study that takes seriously the region in which the research was done. Dandong and the surrounding region have been a place of interaction (both positive and less so) for at least a millennium: the medieval Koryŏ state on the Korean Peninsula and states in what is now Northeast China already used it as an international market (at times also as a fortified position to withstand invasions from abroad. Mostly, however, it played the role it still plays: a place of exchange, sensitive to the political currents of the day, but never subservient to it. The large amount of

smuggling still going on in spite of the sanctions regime imposed on the DPRK should tell us as much. As such, we have done our best to contextualise the trade patterns in the practices and history of the region and its inhabitants. Its inhabitants in the PRC, the ethnic Korean Chinese Chosŏnjok who play an important role as middlemen for example, but certainly also the inhabitants of North Korea, who slave away in sweatshops at home or abroad without earning much of anything.

States and the Private Economy in their Occasional Joint Roles in Labour Exploitation: A Methodological Consideration

Klara Boonstra

The role of States in the infrastructure of the ILO is broad and clear. The State plays a central role in its governance, is part of its legislative power, is a responsible actor in the supervisory machinery, and it is accountable for impact on its domestic system of labour relations and application of laws and regulations within its territory. Some conventions recognize that the State can also be the addressee of the norms, in particular where it serves as the employer of the civil servants, or is responsible for enforcement of public tasks like inspection. States are often predominantly considered as the vehicles for responses to forced labour, rather than as actors who play a causal role in shaping the conditions that give rise to it.ⁱ And even more rarely is the State seen as the possible violator of the stand-

i) Genevieve LeBaron & Nicola Phillips (2019), "States and the Political Economy of Unfree Labour," *New Political Economy* 24:1, 1-21. 10.1080/13563467.2017.1420642

ards, as perpetrator, as the party whose unlawful actions should be combatted. Obviously, in the past States have been scrutinized and severely criticized for their actions, think of South Africa during apartheid and more recently Myanmar. But in those instances, they were not so much targeted as the addressee of the norms, but were judged in their capacity of an ILO member.

Concerning forced labour, this was different. The 1930 Convention nr. 29 concerning Forced Labour was for the larger part directed at the State, that was extracting force labour from its citizens. This can be derived from the text of the convention, but also be detected from the reports that were written in preparation of the deliberations that led to the 2014 Protocol. Several documents that were drawn up in the preparatory stages of that protocol, identified a number of reasons to add an instrument concerning forced labour to the existing conventions and recommendations. The shift from state-imposed forced labour to private economy actors was one of the most prominent.

Apparently, this was a fairly new insight. The Report for discussion at the Tripartite Meeting of Experts concerning the possible adoption of an ILO instrument to supplement the Forced Labour Convention, 1930 (No.29) summarizes what was at that time considered as the main gaps. It identified three areas: prevention, victim protection, and trafficking and further identifies the need to provide guidance as to measures to effectively implement the existing standards. Prevention, Protection, Compensation and Enforcement. What stands out is that in 2013, a role of the State as complicit is not yet addressed. Maybe because the member states still had to be convinced of the need for an update of the instruments on forced labour. It is possible that within the ILO there was some reluctance to politicize that subject, with the risk that the organization would not be able to reach enough support for an instrument of the highest value, a convention, at the International Labour Conference.

Notwithstanding, the conference report that followed next year, in 2014, does acknowledge that the State can also be a - or the - perpetrator. It starts with distinguishing a decline in certain traditional forms of forced labour, and the emergence of new practices. That is intriguing, because it continues: 'Forced labour imposed by State authorities remains a concern in certain countries, but its

scale nowadays is dwarfed by the use of forced labour at the hands of private individuals and enterprises operating outside the rule of law. The ILO estimates that 90 per cent of forced labour today occurs in the “private economy”.ⁱⁱ In other words, the traditional form of forced labour is the one imposed by the State, where modern forms are imposed by private entities. Where the first seems to have diminished slightly, the second has thrived in the last two decades, in particular in transnational production chains.ⁱⁱⁱ From a historical realistic perspective, obviously, this is not such a strange point of view if we consider that many of the founding states of the ILO were in the interbellum period still colonizing states, that treated their subjects overseas as servants.

There is much more to the 2014 Protocol, which in my view should indeed be regarded as an important landmark for the ILO, and has many of good follow-up programs. As a sometime participant in the deliberations of the standard setting process, I think it must be understood that the agenda setting is a hyper sensitive, often highly politicized, process and that ‘over-demanding’ can easily lead to an overall failure. However, considering that the trafficking and migration components in forced labour were recognized as very important subjects to be addressed in the protocol, it feels as a major deficiency that the modern production – and supply-chains were not explicitly mentioned. Regrettably, the subject Decent Work in the supply-chain was on the ILO agenda for a resolution two years later, in 2016. Whereas had the two subjects been on the agenda in the same year, that could have resulted in an agenda concerning forced labour in the supply-chain. Leading to preferably a joint approach. It seems as if this was just a bridge too far for the ILO to achieve in one go.

Our case concerning the BRI shows that the traditional and modern forms of forced labour are indeed no longer separate (if they ever were), but are feeding on each other into a gruesome revenue model. The State funds, facilitates and initiates activities. It will in the case of North Korea even ‘lend’ its citizens to the production process for no or very little income, and the revenues

ii) ILO (International Labour Organization) (2014), *Profits and Poverty: The Economics of Forced Labour* (Geneva: International Labour Office).

iii) LeBaron & Phillips, “States and the Political Economy of Unfree Labour,” 1-21.

end up with the State or private individuals. The State outsources both the activities and the responsibilities to private parties, and so effectively shirks its responsibilities, while ensuring the revenues and benefits. China's role in the BRI clearly shows this. The State and private parties are complicit in this production process.

Now, most States obviously do not themselves exploit forced labour in a direct manner, like North Korea does. Other States are involved in more indirect ways. For instance, to lure in companies and investors, they will promise that legislation will not be applicable, and certainly not enforced in special economic processing zones. Or by turning a blind eye to the problems of illegal immigrants that are recruited, often trafficked, for labour. Many States, not in the least in what we call the developed world, have acted as strong drivers of exploitation by deregulating labour law and attacking trade unions. In many countries, the labour inspection has had budget cuts to deal with, and is not nearly up to the task of enforcement in exploitative situations. Most governments and also the international organizations like the EU, IMF and WTO, have favored corporate profitability over the protection of workers. And even in countries where the government has not actively undermined labour protection, it has often not responded properly or anticipated its consequences.

It is a misunderstanding that forced labour flourished in the absence of the state. Where regulation and enforcement are low or non-existent. Our cases show that this is not the case. States can and should be regarded as part of the root causes of forced labour. If we recognize that, we will have to find a method to address the issue differently. The traditional ILO method, where the State is considered as the protector of rules and regulations, will not do. It should be held accountable along with the private economy. Not just Corporate Social Responsibility, but also State Social Responsibility.

Dandong, the DPRK, China, and Labour

Michael Lee

Our case study focuses on Dandong, a Chinese city situated on the border between China and North Korea. The aim of this chapter is to provide some background on the historical and local context of this unique city, as well as on the Sino-North Korean relationship as a whole. Sources for this chapter are primarily textual, including academic studies, media articles, NGO reports, and governmental documents and other official sources of information.²⁰⁷

Historical Context

A city by the Yalu River, Dandong borders Shinüiju 新义州 in North Korea and is, today, the largest border city in China. It is part of Liaoning province which, along with the neighboring Jilin and Heilongjiang provinces, is referred to as one of the “Three Northeastern Provinces 东北三省” or simply “the Northeast 东北”. Because of its geographical proximity to the Korean peninsula, its interactions with it date back centuries, to well before the founding of the modern states of the People’s Republic of China and the Democratic People’s Republic of Korea.

207) This last category presents a challenge. According to a report published by the Chinese National Audit Office in 2016, Liaoning has exaggerated various economic statistics for the years 2011 to 2014 by an estimated 20% in order to show growth. Taking this into account, this report does not take the figures as firm numbers, but rather as a general indication of trends in adherence to particular Chinese political contexts. See: He Yong, ‘Chénqiúfā: Wōmen dǐngzhe yāli jǐ yā shùjù zàojiǎ de shuǐfèn-zhōng-guó fǎyuàn wǎng’, *China Court*, 17 January 2017, <https://www.chinacourt.org/article/detail/2017/01/id/2516250.shtml>.

As a result of the Japanese occupation over Korea, waves of Korean immigrants moved to the Northeast between 1910 and 1930 as refugees or forced labourers. Significantly, this included the families of Kim Il-sung (Kim Ilsŏng), the first leader of North Korea and the grandfather of Kim Jong-un (Kim Chŏngŭn). Following Japan's defeat, the newly created Chinese and North Korean states established an agreement whereby Koreans who chose to remain in China received Chinese citizenship. These people, as well as earlier migrants, are known today as the Chinese ethnic Koreans (*Chosŏnjok* 朝鮮族), who predominantly live in Jilin and Liaoning; many of them have familial connections with North Korea.²⁰⁸ A parallel population exists in the ethnically Chinese North Koreans (*Hwagyo* 화교), who left China to seek a new life in North Korea. These two groups of intercultural populations use their familial ties and language abilities to act as intermediaries between the two countries, and many trade companies based in Dandong are run by individuals from one of these groups.²⁰⁹

In the modern period, Dandong is known as a battle site of the Korean War, and a common epithet used to describe the city is “the city of heroes, baptized by the fires of war” (被战火洗礼的英雄城市). Several monuments stand testament to this history and emphasize the close connection between Dandong and its neighbour. The city is home to the only museum of the conflict in China—namely the “Memorial of the War to Resist US Aggression and Aid Korea”²¹⁰ — and the American-bombed “Yalu River Broken Bridge” that once connected Dandong with North Korea stands as a nationalistic tourist attraction. This bridge stands next to the “Sino-Korean Friendship Bridge”, finished in 1943, which remains one of the few ways via which to enter into North Korea overland.²¹¹

In these ways, Dandong appears to be a tangible proof of the Sino-North Korean relationship, commonly described as “as

208) Enze Han, ‘Emigration and Fragmentation of the Chinese Koreans’, in *Contestation and Adaptation: The Politics of National Identity in China* (Oxford: Oxford University Press, 2013): 65–86.

209) Sung-Cheol LEE et al., ‘Puk Chung chŏpkyŏngjiyŏk Tandungŭi taebuk saengsan ne’ ūwŏk’ ūui yeoejŏk sŏnggyŏk’, *Han’gukkyŏngjejihakhoeji* 20, no. 3 (2017): 329–52.

210) ‘Kàngměiyuáncháo jìniànguǎn (guānwǎng)’, accessed 22 March 2019, <http://www.kmycjng.com/>.

211) This bridge was formerly called the “Yalu River Bridge”, and was renamed in 1990.

close as lips and teeth”. There is some basis for this analogy. The two states shared common enemies both during the Korean War and the course of the Cold War; the “Sino-North Korean Mutual Aid and Cooperation Friendship Treaty”, signed in 1961, stipulates friendship and economic cooperation between the two countries. Having renewed automatically in 2001, it remains in effect until 2021. Both sides have reasons to foster close relations: for North Korea, China is the only remaining potential financier, especially after the collapse of the Soviet Union; for China, North Korea occupies a vital geostrategic position, resulting in a delicate balance that China has no urge to rock.²¹² The presence of two million ethnically Korean Chinese in the borderlands between China and North Korea further complicates the situation.

The relationship is not without problems though. Relations soured when China normalized diplomatic ties with South Korea in 1992, although China still offered support to North Korea during the famine of the 1990s. Chinese investments increased significantly between 2003 to 2006, followed by what seemed a high point in the Sino-North Korean economic relationship around 2009. After the death of Kim Jong-il (Kim Chŏngil) in 2011, China worked to buttress North Korea’s stability during the transition of power to Kim Jong-un,²¹³ who visited China in August 2012 to reaffirm closer bilateral ties. Subsequently, the visit to China by Chang Sŏng’aek—then the point man in the North Korean regime for trade with China—regarding the Rasŏn and Hwanggŭmp’yŏng economic zones (which border Dandong) suggested a future increase of economic activity.

However, under Xi Jinping’s leadership from November 2012, China began taking a tougher stance with regards to North Korea, as evidenced by China’s participation in UN sanctions in 2013 and the suspension of illegal North Korean banking activities

212) Scott Snyder, *China’s Rise and the Two Koreas: Politics, Economics, Security* (Boulder, Colorado: Lynne Rienner Publishers, 2009), 109; Jae Ho CHUNG and Myung-hae CHOI, ‘Uncertain Allies or Uncomfortable Neighbors? Making Sense of China–North Korea Relations, 1949–2010’, *The Pacific Review* 26, no. 3 (July 2013): 243–64, <https://doi.org/10.1080/09512748.2012.759262>.

213) Shi Yin hong, ‘Painful Lessons, Reversing Practices, and Ongoing Limitations: China Facing North Korea since 2003’, in *China and North Korea: Strategic and Policy Perspectives from a Changing China*, ed. Carla P. Freeman (New York: Palgrave Macmillan, 2015): 17–36.

within China. Although Kim Jong-un has subsequently reaffirmed the friendship between the two countries, the sudden execution of Chang Sŏng'aek in December 2013 put an end to prior economic plans and all but destroyed the China-friendly factions in Pyongyang.

In short, the relationship between Beijing and Pyongyang is based on personal diplomacy and given to sudden changes. Partly because of sanctions, these fluctuations are also reflected economically, a relationship that is especially clear when considering Dandong City.

Dandong's Economy

Faced with a politically fickle climate, Dandong's economic prospects have nonetheless steadily improved over the last decades, through which its northern neighbour has always been an important point of reference.²¹⁴

Beginning in the 1990s, Dandong underwent a series of urban developments which included the development of several economic zones,²¹⁵ including the Qianyang Outdoor Sportswear Economic Zone, an area that supposedly employs North Koreans and which is further discussed in Chapter 3.²¹⁶ In 2007, Dandong was included in the new "Five Point One Belt" plan, which involved developing industrial zones in several coastal cities in Liaoning. The mayor at the time was quoted saying: "Dandong is the only one that is both port and border city in the economic belts. Our unique geographic position means we can explore international shipping routes and develop border trade with the Democratic

214) Although Dandong today boasts a population of 2.39 million, it was still sparsely populated and rural in the 70s and 80s, while Shinūiju was the more urbanized and prosperous city. Trade between the two areas stretches back to 1958, when an agreement was signed between China and North Korea. While the Cultural Revolution put a stop to trade in 1970, it was continued in 1982. Trade was often facilitated by the aforementioned presence of family-based trade networks. See Christina H. Kim and Juwon Kang, 'Reworking the Frame: Analysis of Current Discourses on North Korea and a Case Study of North Korean Labour in Dandong, China', *Asia Pacific Viewpoint* 56, no. 3 (2015): 392–402, <https://doi.org/10.1111/apv.12107>.

215) Christina Kim, 'From Security to Speculation: An Ethnography of Economic Activities along the Border of China and North Korea' (The New School, 2016), 13.

216) 'Qián yáng hùwài yùndòng fúzhuāng chǎnyè yuán', Dāndōng shì zhāoshāng jú, 9 February 2017, <http://zhaoshang.dandong.gov.cn/html/80/20172/b8c37e33defde51cf91e1e03e51657da.html>.

People's Republic of Korea.”²¹⁷ In 2011, China and North Korea agreed to develop a free trade zone on Hwanggŭmp'yŏng, a small island between Dandong and Shinŭiju that belongs to North Korea. The Chinese government also funded the “Yalu River New Bridge”, completed in 2014. However, following the execution of Chang, these projects appeared to have stalled. Hwanggŭmp'yŏng is undeveloped, and the New Bridge remains unconnected on the North Korean side.²¹⁸

Two sets of data provide some insight into North Korean trading activities.²¹⁹ The first is from the Liaoning provincial census, which indicates that “petty trade in the border areas”²²⁰ doubled from USD 500 million in 2009 to USD 1 billion in 2012.²²¹ These figures are accompanied by a set of statistics from the Chinese Ministry of Culture and Tourism, which record the numbers of foreign visitors, separated by country and further subdivided by purpose of entry, method of transport, and age and gender.²²²

As these statistics indicate, there was a substantial growth of visitors from around 2011, mainly in the “Business” or “Worker” categories, indicating increased economic interactions that correspond with the development of various economic zones as

217) Song Lijun, “Five Points, One Line” Strategy Guiding Light for Liaoning’, *China Daily*, 9 March 2007, https://www.chinadaily.com.cn/cndy/2007-03/09/content_823163.htm.

218) Sue-Lin Wong, ‘Bridge to Nowhere Shows China’s Failed Efforts to Engage North Korea’, *Reuters*, 11 September 2016, <https://www.reuters.com/article/us-northkorea-nuclear-china-idUSKCN11H05F>.

219) Both can be found in full at the end of the chapter.

220) Defined in 1996, this category enables corporation with the appropriate licence to trade with neighbour countries without taxes on most items, up to a certain amount: RMB 1,000 per person per day in 1996; later amended to 3,000 in 2002. See: General Administration of Quality Supervision, Inspection and Quarantine of the People’s Republic of China, ‘Guówùyuàn guānyú biānjìng màoyì yōuguān wéntí de tōngzhī’, 3 January 1996, http://www.aqsiq.gov.cn/xxgk_13386/jgfl/tgyws/200610/t20061027_9715.htm.

221) It remained around this figure until 2015, when the figure dropped to USD 800 million. As this is roughly a 20% decrease, it is likely that this reduction is based on the recalculation of inflated statistics starting from 2015, as mentioned above.

222) Because the statistics are based on the total number of entries, they do not reflect the total number of individual North Korean in China during a given year. A high number could indicate individuals repeatedly crossing borders, which nonetheless indicates a high degree of activity between the two countries. Again, as these statistics are official numbers, these numbers naturally do not include those that entered China illegally or whose passages were not recorded.



mentioned earlier. At its peak in 2013, the number of visitors was almost double that of 2006. The corresponding set of data on “Mode of Transport” further indicates that during the period between 2011 and 2015, a rising number of visitors was found in the categories of “Rail” and “Motor”. This suggests more North Koreans passing through Dandong, which is connected to North Korea by rail and road. Finally, there is also a higher percentage of women entering North Korea—from around 11% in 2006 and peaking at 23% in 2013—an important detail since the textile industry predominantly hires women. Together, these two statistics indicate an increase in trade with North Korea, as well as in the number of North Koreans entering China as economic connections between the two states grew closer. As shall be seen in the following chapter, economic benefits are featured significantly in the practice of export processing.

Today, the Dandong city government continues to boast that it hosts 70% of all Chinese trade with North Korea.²²³ It appears that Dandong will continue to play an important role in future Chinese plans: according to a governmental outline in 2018, North Korea is considered an important trading partner in the Belt-Road Initiative framework, as part of the “Northeast Asian Economic Corridor”, with Dandong as an important centre for facilitating connections.

223) It is unclear if this claim is still valid after the 2017 sanctions. ‘Dāndōng gàikuàng’, Dandong City Government, 5 May 2017, <http://www.dandong.gov.cn/html/23/20175/102a8d3be2fe5614.html>.

In short, the trade relationship between the two states has expanded from small-scale, localized operations to the scale of provincial and even national economic strategies.

An International Trade

The border between Dandong and Shinüiju, then, is more porous than might be expected given North Korea's moniker as "the Hermit Kingdom." North Korean businessmen and workers can be seen around the city, while hundreds of Chinese trading companies facilitate trade across the border,²²⁴ many of them run by Chinese ethnic Koreans.²²⁵ Tourists from China and further abroad come to Dandong as the gateway into a 'mysterious kingdom', while vendors promote cheap North Korean goods or tours along the Yalu River for a glimpse across at the forbidden riverbank. Failing this, tourists can visit a restaurant located in Koreatown and be waited on by genuine North Korean attendants, who also perform song and dance routines.

Yet the trading is not limited to that between China and North Korea. Before 2010, Dandong also hosted a number of South Korean businessmen who congregated around another Koreatown, although they tended to meet North Koreans in private due to the laws of both countries forbidding them to interact freely with each other.²²⁶ In fact, as the South Korean academic Juwon Kang argues, the interaction between nationals from all three of these countries is an important aspect of this border trading.²²⁷ Periodically, when the DPRK seems to be on the verge of "opening up" to the world, businessmen from abroad or other parts of China swarm to the city to prepare to take advantage of an untapped market. Most recently, this occurred in the months around the Xi-Kim summit in March and the Trump-Kim summit in June, leading to spikes in local housing prices. According to locals, however, such sudden

224) Yang Danxu, 'Dāndōng zhōng cháo biānmào yóu zǒu yú hēibái zhī jiān', *Zǎobào*, 20 June 2018, <https://www.zaobao.com.sg/znews/greater-china/story20180620-868568>.

225) LEE et al., 'PukChung chōpkyōngjiyōk Tandungüi taebuk saengsan ne'üwōk'üüi yeoejōk sōnggyōk.

226) Kim, 'From Security to Speculation', 122.

227) Juwon KANG, 'Samguk (Pukhan, Chungguk, Han'guk) muyōgüi chungsimjirosōüi Chungguk Tandong: Chung-Chowa Nam-Puk muyōgüi kyoch'ajōmüi yōkhalgwa hyōnhwange taehan pūnsōk', *Hyōndae Junggukhakhoe* 14, no. 2 (2013): 281–318.

fluctuations in interest are usual for the city, with many investors ending up disappointed.²²⁸

As these details suggest, business with North Korea is inherently unstable for a number of reasons: the country's unique political positioning, its strict control of its citizens, and the weak regulations related to capitalistic ventures. Stories of Chinese traders who lose their money in scams or broken contracts are common. Successful traders must therefore rely on personal networks, rather than on legal protections or on formalized relationships, but even this can be affected rapidly. One business, for example, lost its relationships after the execution of Chang. Global politics may also pose sudden obstacles.²²⁹ In 2010, for example, South Korea imposed sanctions against North Korea due to the sinking of the ROKS Cheonan. As a result, previously legal goods were made illegal overnight, and many businessmen went bankrupt. By 2014, the number of South Korean businessmen in the area had dwindled to around 1,000,²³⁰ while South Korean textile companies with factories in Dandong had decreased from eleven in 2012 to four in July 2017.

The fate of Chinese businesswoman Ma Xiaohong is similar and indicative. The owner of trading company Dandong Hongxiang and its numerous subsidiaries, she was a public and successful benefactor of the Chinese-North Korean trade in Dandong. That was until the United Nations Security Council imposed sanctions in 2016 in response to North Korean nuclear weapons testing, and her company was found to be involved in the manufacture of North Korean nuclear weapons. Criminal charges were filed against her by the United States Justice Department, after which a separate Chinese investigation was launched against her.²³¹ Several of her businesses closed, and her whereabouts remain unknown.²³² The

228) Teng An, 'Dāndōng wǔyuètiān: "Biāo zi" láile, "biāo zi" zǒule?' 29 May 2018, <https://www.wenlc.com/weixin/20180530A1FGMJ00.html>.

229) Yang Danxu, 'Dāndōng zhōng cháo biānmào yóu zǒu yú hēibái zhī jiān.'

230) Kim, 'From Security to Speculation: An Ethnography of Economic Activities along the Border of China and North Korea', 101–2.

231) Michael Forsythe, 'U.S. Says Chinese Executive Helped North Korea Dodge Sanctions', *The New York Times*, 27 September 2016, <https://www.nytimes.com/2016/09/28/world/asia/china-north-korea-sanctions-ma-xiaohong.html>.

232) Steven Lee Myers, 'Businesswoman's Fate a Test of China's Resolve on North Korea', *The New York Times*, 10 January 2018, <https://www.nytimes.com/2018/01/10/world/asia/north-korea-china-trade-ma-xiaohong.html>.

case, as political commentators pointed out, was another sign that China was taking a harder line towards North Korea; yet it has since, again, softened.²³³

Nevertheless, the same case also demonstrated that sanctions were being and could be bypassed. Investigations into Ma's businesses, aided by the Panama Papers, revealed a series of offshore companies that was used by Dandong Hongxiang to bypass the 2009 sanctions against the North Korean bank.²³⁴ For skilled traders operating in Dandong, the sanctions are a temporary obstacle or can be maneuvered around. In any case, it is clear that Chinese trade with North Korea is an inherently unstable business: full of potential, but subject to the rhythms of geopolitics.

Conclusion

In international media, discussions of North Korea generally occur in geopolitical contexts, where North Korea appears as an ideological enemy and a threat to global stability. While this image is certainly not undeserved, it is important to realize the different contexts in which to consider the state of affairs. To residents of Dandong, for example, North Korea is a neighbour quite literally a stone's throw away, connected by decades if not centuries of economic and personal ties. To the Chinese state, North Korea is at least nominally an ally and an important part of its future strategies, although it can sometimes prove difficult to manage. To businesspeople—both Chinese and international—North Korea represents a potentially lucrative and untapped market, either on the verge of opening up or, as we aim to demonstrate in this report, already bringing significant economic benefits.

What is common across these contexts is the inescapably politicized nature of engaging with North Korea, no doubt exacerbated by a lack of protections regarding the private sector in the country. This is clear when considering state actors, but it also applies to individuals doing business with North Korea. As the case of the South Korean businessmen demonstrate, trading with North Korea is distinctly subject to the rhythms of geopolitics; fortunes can be lost overnight by nuclear testing and international sanctions. On

233) Ibid.

234) Forsythe, 'U.S. Says Chinese Executive Helped North Korea Dodge Sanctions'.

the other hand, as the Ma Xiaohong case shows, dealing with geo-political obstacles can also be part of the businessman's game: a risk to be managed, navigated, and overcome. What remains constant is the opportunity to make money, often predicated upon either the North Korean need for certain products, or upon the export of its most valuable resource: human labour.

| | Purpose | | | | | |
|------|---------|----------------------|-------------|----------|------------------|--------|
| | Total | Meeting/ Business | Sightseeing | Visiting | Worker & Crew | Others |
| 2006 | 110095 | 26926 | 5350 | 1539 | 50764 | 25516 |
| 2007 | 113674 | 20605 | 7922 | 294 | 54183 | 30670 |
| 2008 | 101824 | 18266 | 4869 | 685 | 46811 | 31193 |
| 2009 | 103900 | 19400 | 4100 | 300 | 52100 | 28000 |
| 2010 | 116400 | 25300 | 4300 | 400 | 53900 | 32400 |
| 2011 | 152300 | 39000 | 4600 | 100 | 75300 | 33000 |
| 2012 | 180600 | 55200 | 4500 | 200 | 79600 | 41100 |
| 2013 | 206600 | 55100 | 2900 | 300 | 93300 | 55000 |
| 2014 | 184400 | 33900 | 1500 | 100 | 89100 | 59700 |
| 2015 | 188300 | 25900 | 1500 | 100 | 94200 | 66700 |

North Korean entries into China. Source: Chinese Ministry of Tourism.

| Liaoning Province Trade Data | | | | | | | | |
|------------------------------|--------------|----------------|--------------|-----------------|-----------------|-----------------|----------------|-----------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
| Border - Export | 36969,0 | 40559,0 | 49456,0 | 63124,4 | 73051,4 | 79353,8 | 62105,4 | 60154,4 |
| Border - Import | 14353,0 | 13954,8 | 31727,0 | 37091,0 | 31443,3 | 21110,6 | 19794,3 | 14769,8 |
| Total | 51322 | 54513,8 | 81183 | 100215,4 | 104494,7 | 100464,4 | 81899,7 | 74924,21 |
| Export Processing - Export | 517 | 286,7 | 54 | 0,0 | 1,3 | 53,3 | 1370,9 | 3283,8 |
| Export Processing - Import | 66 | 33,4 | 27 | 0 | 0 | 68,9 | 1699,8 | 4388,6 |
| Total | 583 | 320,1 | 81 | 0 | 1,2908 | 122,2 | 3070,7 | 7672,409 |

Unit: 10,000 USD

Liaoning Province Trade Data. Source: Liaoning Provincial Census, 2012 and 2017.

Dandong as a Special Economic Zone²³⁵

Imke B.L.H. van Gardingen

This chapter explains the significance of Dandong's status as a Special Economic Zone in the context of the rapid global increase of Special Economic Zones and similar zones with liberal laws aimed at maximizing ease of doing business for foreign companies.

Dandong: A Special Economic Zone with Boundless Future Ambitions

The Dandong region in Liaoning Province in the northeast of China houses many textile manufacturers who produce for a range of internationally well-known textile brands. These products end up in international supply chains and are as such subject to international standards and regulations, due diligence, and accountability mechanisms.²³⁶ And the same is true for the rights of the labourers involved, the manufacturing companies, and the buyers. Chapter 1 explored the Dandong region in its historical, geographical, and

235) For this chapter I have relied on interviews done in the summer of 2017 for a project sponsored by the Walk Free Foundation. The results were published in R.E. Breuker & I.B.L.H. van Gardingen, *Pervasive, Punitive and Predetermined: Understanding Modern Slavery in North Korea* (Walk Free Foundation, July 2018). I gratefully acknowledge this here.

236) A study on the accountability for DPRK workers in the value chain is part of our 2018 research report on DPRK workers, R.E. Breuker & I.B.L.H. van Gardingen (eds.), *People for Profit; North Korean Forced Labour on a Global Scale* (Leiden: LeidenAsiaCentre, 2018)). See Imke B.L.H. van Gardingen, 'Accountability for DPRK Workers in the Value Chain' in *People for Profit*, 12-42 and Cedric Ryngaert, 'Domestic Criminal Accountability for Dutch Corporations Profiting from North Korean Forced Labour' in *People for Profit*, 199-207.

cultural settings, understanding Dandong from its position as a quintessential frontier region, having given shape to Korean-Chinese trade for many centuries. This perspective, from which Dandong came to prominence, should be complemented by a significantly more recent development, one that not as much influences North Korean-Chinese trade relations per sé, but that drags them into a global network of similar zones. As the Dandong region has been appointed a Special Economic Zone, this is yet another aspect to Dandong that needs to be taken account of. Special Economic Zones mostly promote liberal laws –or as the UN classifies it; ‘business-friendly regulations with respect to land access, permits and licenses or employment rules,’ to which end local laws are customized for the benefit of stimulating investments, business activities, and export.²³⁷ This section will focus on the customizations and exemptions operative in Special Economic Zones and in particular the position of workers in these zones.

The choice for Dandong in this study was made for several reasons; the picture that emerged from Chapter 1 answers this question to a certain extent. Certain characteristics of the region make it specifically interesting to investigate. Its strategic location, to start with: the region borders on North Korea and is -and always has been- as such the gateway to the Korean peninsula. At the same time, it is also the gateway for the Korean peninsula to mainland China, and the rest of the Eurasian continent. This has resulted in the region having the highest influx of DPRK workers and becoming the DPRK’s most valuable trade partner, as was shown in the previous chapter. Also, the fact that the Chinese government granted the region a special position in 1992 as an Economic Development Zone and a Border Economic Corporation Zone is a noteworthy aspect of the region. The Dandong region furthermore includes the Qianyang Outdoor Sportswear Economic Zone and in 2007 Dandong was included in the new ‘Five Points One Belt’ plan, involving industrial zones of several coastal cities in Liaoning.²³⁸ It is in other words a region overlaid with many different administrative zones.

237) UNCTAD, ‘World Investment Report 2019, Special Economic Zones. Key Messages and Overview’ (Geneva, June 2019), 22.

238) Song Lijun, ‘Five Points, One Line’ Strategy Guiding Light for Liaoning,’ *China Daily*, March 19, 2007, http://www.chinadaily.com.cn/cndy/2007-03/09/content_823163.htm. Accessed on 19-03-2019.

An additionally interesting aspect is that Liaoning Province professes to possess “boundless future aspirations.” The region aims to be part of the China and Eastern European Countries (CEEC) 16+1 Demonstration Zone, and is also looking to be included in the Belt and Road Initiative.²³⁹ In September 2018 several media reported that:

*Northeast China's Liaoning Province has proposed to established a Dandong Special Economic Zone (SEZ) and Dalian Free Trade Port, a move that an expert said is intended to prepare for comprehensive economic and trade cooperation with North Korea, South Korea and Japan.*²⁴⁰

The articles referred to a post on the official Chinese Belt and Road Portal - yidaiyilu.gov.cn - announcing that the Liaoning provincial government issued the Liaoning Belt and Road Pilot Complex Area Program in August 2018.²⁴¹ The Belt and Road Portal mentioned in an article from 12 June 2018 that:

*An official from the Department of Commerce of Liaoning Province noted that it will accelerate its opening-up and build the B&R comprehensive pilot area as well as the China-Central and Eastern European Countries (CEEC) 16+1 Demonstration Zone for economic cooperation and trade.*²⁴²

The ambition to be actively involved in the BRI and take part in the 16+1 project illustrates the scope of the ambitions of the region. The China-Central and Eastern European Countries (CEEC) 16+1 Demonstration Zone was mentioned earlier in 2018 in relation to East China's Zhejiang province, releasing ‘a plan for the construc-

239) In April 2019 during the China-CEEC Summit, Greece joined the 16+1 framework, after which the former 16+1 framework was adapted to 17+1. On June 11th 2019 Liaoning Province (Dalian) hosted the fifth group meeting of the—by then—17+1 cooperation.

240) ‘Dandong special economic zone proposed, sets stage for China-NK economic ties’ *Global Times*, 13 September 2013, <http://www.globaltimes.cn/content/1119547.shtml>. Accessed on 19-03-2019.

241) The ‘Belt and Road Portal’ can be found at <https://www.yidaiyilu.gov.cn/>. It is a website hosted by the State Information Center, Guidance under the Office of the Leading Group for the Belt and Road Initiative.

242) See <http://eng.yidaiyilu.gov.cn/qwyw/rdxw/57707.htm>. Accessed on 19-03-2019.

tion of a demonstration zone for economic and trade cooperation within the 16+1 cooperation framework.²⁴³ The article mentions that the cooperation aimed at ‘strengthening ties between China and 16 Central and Eastern European Countries (CEEC) in areas such as trade and investment.’ On June 9, 2018 Xinhuanet announced that earlier that day:

*China has officially launched a demonstration zone in east China’s Zhejiang Province to boost economic and trade ties with 16 Central and Eastern European Countries (CEEC), according to a senior official with Ministry of Commerce.*²⁴⁴

Parallel with the ambitions to be an integral part of the BRI and the CEEC, Dandong furthermore wants to become an:

*important pillar for economic and trade cooperation with North Korea, a report published on the Belt and Road initiative’s official website yidaiyilu.gov.cn said. “It is for the purpose of setting the stage for promoting comprehensive economic and trade cooperation with North Korea, South Korea and Japan,” said Lü Chao, a researcher with the Liaoning Academy of Social Sciences.*²⁴⁵

It remains to be seen whether these ambitions will be successful in the whirlwind of political relations between the DPRK and the US, and the subsequent uncertain future of what will happen to the current UN and US sanctions against North Korea. But the continuous investments in economic activity in this Special Economic Zone region, largely dependent on DPRK workers, whether by hiring them directly or indirectly through contracting and outsourcing activities, and the region’s ambition for future collaboration in the Eurasian continent make it timely and relevant to monitor what is happening in the region, and in particular with regard to its status as a Special Economic Zone.

243) See <http://govt.chinadaily.com.cn/a/201804/24/WS5b7894ed498e855160e8ff09.html>. Accessed on 19-03-2019.

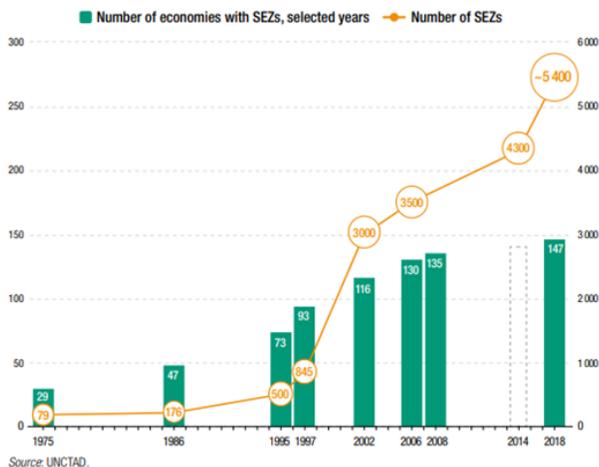
244) See http://www.xinhuanet.com/english/2018-06/09/c_137242737.htm. Accessed on 19-03-2019.

245) See <http://www.globaltimes.cn/content/1119547.shtml>. Accessed on 19-03-2019.

Special Economic Zones: Globally on the Rise

Special Economic Zones are globally a rising phenomenon. The United Nations Conference on Trade and Development (UNCTAD) suggested that as of 2015, there were over 4,500 EPZs.²⁴⁶ By the time of the writing of this chapter, in June 2019, UNCTAD registers an ‘explosive growth in the use of Special Economic Zones’(SEZs) as key policy instruments for the attraction of investment for industrial development’, and estimates in their *World Investment Report 2019* that the total number had risen to 5,400, with 500 more are in the pipeline.²⁴⁷ According to UNCTAD, ‘[t]he SEZ boom is part of a new wave of industrial policies and a response to increasing competition for internationally mobile investment.’²⁴⁸

Figure 9. | Historical trend in SEZs (Numbers of countries and SEZs)



In order to clarify what is meant by an ‘Special Economic Zone,’ the UN report notes that, ‘Export Processing Zones,’ ‘Special

246) UNCTAD, ‘Enhancing the Contribution of Export Processing Zones to the Sustainable Development Goals: An Analysis of 100 EPZs and a Framework for Sustainable Economic Zones’ (New York and Geneva: United Nations (UN), 2015), i and 4.

247) UNCTAD, ‘World Investment Report 2019, Special Economic Zones’, iv.

248) UNCTAD, ‘World Investment Report 2019, Special Economic Zones’, xiii.

Economic Zones,' 'Free Trade Zones' (FTZs), 'Free Zones,' 'Enterprise Zones,' and similar terms and phrases are used to describe geographically limited and specially administered areas within a country that are established to attract local and foreign direct investment (FDI), trade, employment and industrial development.²⁴⁹ Notwithstanding the names these zones are given, there are common denominators as described in the most recent UNCTAD report:

*Most zones offer fiscal incentives, relief from customs duties and tariffs; business-friendly regulations with respect to land access, permits and licenses or employment rules; and administrative streamlining and facilitation.*²⁵⁰

Asia is a prominent host of SEZs. The International Labour Organization (ILO), calculated that in 2015 Asia had 900 Special Economic Zones, employing some 55,741,147 million workers. In China, SEZs have been a familiar phenomenon since they were first established in 1979. SEZs have been 'marked off to introduce special economic policies and flexible governmental measures that do not exist in the rest of mainland China [...],²⁵¹ as observed by the ILO in 2012.

As referred to above, an increasing number of governments promote these zones as a key element of their industrial strategies. The ILO however is hesitant about the rapid expansion of SEZs and has often expressed its concern about the fact that working conditions and industrial relations in these zones often do not meet ILO core standards. In a report in 1998 the ILO wrote:

Given the widespread lack of adequate and appropriate institutions for labour-management relations in EPZs, social and labour issues can become matters of major concern. The ILO has been concerned with social and labour issues in EPZs since the early 1980s. It started publishing working papers and articles on the subject in 1981, with some 62 appearing over the next 15 years [...]. The topic has been dealt with by numerous ILO bodies

249) UNCTAD, 'Enhancing the Contribution of Export Processing Zones', 3.

250) UNCTAD, 'Enhancing the Contribution of Export Processing Zones', 22.

251) Xiangquan Zeng, Chenggang Zhang, Liwen Chen, Xue Yang, and Yichen Su, 'China, Export Processing Zones in China: A Survey and a Case Study', ILO Working Document (ILO ACTRAV Bureau for Workers' Activities, 2012), 10, https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---actrav/documents/publication/wcms_221012.pdf. Accessed on 19-03-2019.

*and meetings, particularly those concerned with multinational enterprises and with the textile, clothing and footwear industries.*²⁵²

In the 2016 ILO report *Good Practices in Labour Inspection in Export Processing Zones*, these concerns had not changed much and were summarized in the following considerations:

*[G]overnments may also seek to attract investment in EPZs by weakening protection of workers' rights, to lower labour costs or because existing labour laws are perceived by investors to be too rigid or inefficient. Incentives may include exemptions or derogations from the labour laws. The rights that are most commonly removed concern freedom of association and collective bargaining, and protection from discrimination in hiring and unjustified dismissal. Compulsory arbitration of labour disputes and restrictions on industrial action – for example, imposing longer mandatory conciliation periods before a strike may be deemed legal or reclassifying companies as “essential services” to prohibit industrial action altogether – are also common. Alternatively, the same legislation protecting workers' rights may apply inside EPZs as in the rest of the country but instead the government suspends public labour inspection in the zones.*²⁵³

Special Economic Zones have long been and continue to be a cause of concern from the perspective of labour and trade union rights. Within the range of Special Economic Zones, the ILO has specifically taken interest in Export Processing Zones (EPZs). EPZs are defined as ‘industrial zones with special incentives set up to attract foreign investors, in which imported materials undergo some degree of processing before being exported again.’²⁵⁴ The ILO notes that:

EPZ administrative bodies are commonly responsible for defining and supervising the application of zone laws and regulations, in so far as they differ from national ones. This also applies to labour laws and regulatory regimes. Zone administrative bodies provide assistance to EPZ enterprises

252) ILO, ‘Labour and social issues relating to export processing zones, report for discussion at the tripartite meeting of EPZ-operating countries’ (Geneva: ILO, 1998), 1.

253) ILO, *Good Practices in Labour Inspection in Export Processing Zones* (Geneva: ILO, 2012).

254) ILO, ‘Labour and social issues’, 3.

*in applying the relevant labour laws and regulations, as well as tax and duty regimes, land, infrastructure and other matters. Such administrative bodies tend to report to the ministry of commerce or industry, typically with only marginal participation of the ministry of labour.*²⁵⁵

A 2007 ILO working paper analyzed cases related to the freedom of association and collective bargaining rights of workers in EPZs which had been dealt with by the ILO Committee of Experts on the Application of Conventions and Recommendations (CEARC) and the Committee on Freedom of Association (CFA) with regard to the adherence –or rather non-adherence- to labour laws and the right to organize in Export Processing Zones on several continents.²⁵⁶ Bangladesh for instance enables the government, based on the Bangladesh Export Processing Zones Authority Act, to exempt EPZs from the operation of numerous enactments, such as the Employment of Labour Act and the Factories Act;²⁵⁷ Namibia stipulated initially in the Export Processing Zones Act that, ‘the provisions of the Labour Act (Act No. 6 of 1992) that recognizes the right of workers to form trade unions, shall not apply to EPZs,’²⁵⁸ but later corrected that and now applies the Labour Act also in EPZs. The paper further continues that, ‘Section 25 of the Export Processing Zones Authority Ordinance, 1980, of Pakistan, permits the federal Government to exempt by notification any EPZ from the operation of all or any of the provisions of any law,’ at that time under consideration for adaptation.²⁵⁹ Legislative restrictions on EPZs in Nigeria, Togo, Colombia, Dominican Republic, Sri Lanka, Philippines, Turkey, India, Nicaragua, Costa Rica, Guatemala, Malaysia were also examined in this paper, leading the author already in 2007 to conclude that:

255) ILO, *Good Practices in Labour Inspection in Export Processing Zones*.

256) Ramapriya Gopalakrisnan, ‘Freedom of association and collective bargaining in export processing zones: Role of the ILO supervisory mechanisms’, International Labour Standards Department Working Paper No. 1 (Geneva: ILO 2007), http://apirnet.ilo.org/resources/working-paper-no.-1-freedom-of-association-and-collective-bargaining-in-export-processing-zones-role-of-the-ilo-supervisory-mechanisms-1/at_download/file1. Accessed on 19-03-2019.

257) Gopalakrisnan, ‘Freedom of association’, 12.

258) Gopalakrisnan, ‘Freedom of association’, 19.

259) Gopalakrisnan, ‘Freedom of association’, 20.

The wide proliferation of EPZs has increased the competition among EPZ-operating countries to attract foreign investment in the zones. Under the assumption that union-free zones would attract greater investment, some EPZ-operating countries have, under their laws, either deprived EPZ workers of their right to organize themselves or placed severe limitations on the free exercise of this right. Even when there are no such limitations under the law, EPZ workers in many countries are unable to effectively exercise their freedom of association on account of the anti-union discriminatory practices adopted by employers against EPZ workers engaged in trade union activities. These include the unjust dismissal, suspension, transfer and blacklisting of trade union officials and members. Employers in EPZ enterprises sometimes even resort to physical violence to prevent workers from forming and joining trade unions of their choosing. The problem is accentuated when there is a lack of effective enforcement of laws in the zones, as is often the case.

The absence of the right of organizing and collective bargaining obviously, as the author recognizes, weakens the position of workers, having ‘little say in respect of their terms and conditions of employment.’²⁶⁰ The position of workers in EPZs is a recurring agenda item on the ILO agenda. In 2017, the ILO Governing Body discussed ways to promote decent work and the protection of Fundamental Principles and Rights at Work for Workers in Export Processing Zones and made recommendations to workers and employers representatives, labour inspectorates, and financial institutes, including suggestions what the ILO office could do.²⁶¹ The Governing Body observed on the one hand that:

There are limited recent empirical studies on EPZs in general, on the decent work impacts of EPZs and on the promotion of decent work and protection of fundamental principles and rights at work for workers in EPZs.

but also that:

Challenges and deficits in realizing fundamental rights and decent work are well documented in many EPZs. Workers commonly face barriers to

260) Gopalakrishnan, ‘Freedom of association’, 2.

261) ILO Governing Body, 332nd Session, Geneva, 8-22 March 2018 (GB.332/INS/14/1).

exercising their right to organize and unions may face barriers and discrimination. Collective bargaining remains rare. Non-standard forms of employment can impact adversely on these rights. Women workers are at risk of harassment and discrimination in the workplace. In some cases, workers face delays in payment or non-payment of wages due upon dismissal, and social protections in law do not always materialize in practice. Relative wage premiums do not necessarily imply adequate wages and hours of work also tend to be long, with high production quotas intensifying the pace of work, putting workers at greater risk of accidents and injuries. Forced overtime can also exist. Migrant workers are particularly vulnerable. These challenges are not unique to EPZs and tend to reflect the broader formal economy.²⁶²

The recurring concerns surrounding EPZs originate in the fact that these zones apply adjusted and more liberal legislation on labour protection in order to attract –mostly– foreign investment and business activities, but do not seem to recognize the specific element that export outsourcing zones and businesses, on their part *also outsource* their production, as we have seen in this study. The generally accepted definition of ‘industrial zones with special incentives set up to attract foreign investors, in which imported materials undergo some degree of processing before being exported again’ does not include the extra dimension of the -partial- outsourcing of the production itself; as this study shows, companies in these zones also outsource the products to yet a cheaper and less demanding region.

This happens not as an exemption, but as a core business model. In the case of this study, very large volumes of textile products were outsourced from the Dandong Special Economic Zone to the DPRK, in some cases amounting to up to 95% of a particular company’s total production. So, the question should then be this: what is the position of workers who produce for companies in labour protection-liberal export processing zones?

262) ILO Governing Body, 332nd Session, Geneva, 8-22 March 2018 (GB.332/INS/14/1), 5-6.

Outsourcing to DPRK: Labour Relations and Working Conditions

This study originated with the assumption that the main subject of our research would be formed by the omnipresent DPRK workers in the Dandong region, working in textile companies and manufacturing clothes for export. As such, our first focus was on how DPRK workers are employed by Chinese companies, and under what conditions, parallel to previous studies we have done on DPRK workers elsewhere, for example in the shipbuilding industry in Poland.²⁶³ In the course of the research, however, it appeared that production of most garments was not done in the Chinese factories that were listed on the international brands suppliers lists, but had in fact been outsourced. The export of textiles is a huge source of income for North Korea: 'Textiles were North Korea's second-biggest export after coal and other minerals in 2016, totalling 752 million dollars, according to data from the Korea Trade-Investment Promotion Agency (KOTRA). Nearly 80 percent went to China.'²⁶⁴ These products however are generally not sold as garments with a 'Made in DPR Korea' - label. As it turned out, the garments were almost completely manufactured in the DPRK by North Korean subcontractors to Chinese companies who provided the garments with a much less troublesome label that said 'Made in China'.

The companies in this study are located in the Dandong Special Economic Zone, but rely heavily on outsourcing products they often claim to produce themselves, amongst other destinations to North Korea, which adds yet another perspective to existing concerns on labour conditions and the workers' position. International standards, the decent work agenda, and Fundamental Principles and Rights at Work for Workers from the ILO guidelines are not promoted in the DPRK, which is not even an ILO Member State. The Global Slavery Index estimates that the DPRK has the highest prevalence of modern slavery in the world. As we have shown in

263) Breuker & van Gardingen, *People for Profit: North Korean Forced Labour on a Global Scale*.

264) Sue-Lin Wong & Philip Wen, *Reuters*, 13 August 2017, <https://www.reuters.com/article/us-northkorea-labour-china-insight/north-korea-factories-humming-with-made-in-china-clothes-traders-say-idUSKBN1AT00Q>. Accessed on 19-03-2019. These figures are approximations, but as the introduction to this part shows, the textile industry is of crucial importance to North Korea.

the Global Slavery Index supporting report *Pervasive, Punitive and Predetermined*, labour in the DPRK is state-organised. The report is based on 50 interviews on labour-related issues with DPRK exiles who left the country between 2011 and 2016. In the DPRK, work is not an option, it is mandatory; a feature not uncommon to socialist societies in which every member is supposed to contribute.²⁶⁵ Work is mandatory in different ways: as ‘communal labour’, for example through mobilisation of children for unpaid work in agriculture during harvest time and adults in different types of labour. Such *corvée* duty is regular as clockwork and compulsory for everyone. Refusal is penalized for example by a cut in food rations. The work is unpaid. But not even formal employment is a guarantee for receiving regular periodic payments. As we wrote in the report:

*Many of the interviewees for the report indicated that they had either not been paid for their work other than through provision of food rations (which could be refused or withheld as punishment) or, if they had been theoretically paid, wages were withheld due to official donation drives and other deductions.*²⁶⁶

Work is also mandatory in labour training camps, where workers who have not had officially registered employment for more than 15 days can end up. In the group of interviewed formerly DPRK citizens, some had worked in textile factories, manufacturing clothes for export. The interviews give an insight in the labour conditions and the labour relations in textile factories. A woman who worked at a garment factory, which manufactured men’s suits for export, stated the following when she was asked how many hours she had worked on average:

I worked 12 hours on average a day from 9 am. The work was tough at the garment factory...because the factory was run on a conveyor system and there were many details on the suits...As it was a conveyor system, if I didn’t work fast the worker next to me had nothing to do. On the 5th of every month, the products had to be delivered to Nampo. So we had to work hard

265) Although the DPRK has not been a socialist society for a long time, it does retain some of its more salient characteristics.

266) Breuker & van Gardingen, *Pervasive, Punitive, and Predetermined*, 2-3.

to meet the deadline. Sometimes, we had to work from 9 am to 2 am. There were about 10 days a month that we had to work like this. The only times we could leave work on time were the days when we had met the deadline by the 5th and the products had been exported then we could leave on time for about a week after that. We only had Sundays off but not all the time. We had a day off on national holidays or Kim Il-sung's birthday or Lunar New Year. We only had the first Sunday of every month off, and this didn't happen every month.²⁶⁷

When she was asked how many days a week she worked, she replied, 'I worked almost every day, Monday to Sunday. Sometimes, we were given a day to rest, but you could say we worked every day.'

When she was asked whether she had ever received a labour contract, she replied that she had never heard of it while living in North Korea, which again is also a characteristic of a socialist society where the contract between state and citizen is too general to be caught in a particular labour contract. About the payments she explained as follows:

I received regular payment, 150~160 won per month. My workplace forced me to pay fifty won a month into a savings account. I didn't receive a penny of this when I left my job. The reason for this was simple. Since the factory operated industrial electric sewing machines, shuttle boxes, shuttles, awls, scissors and other parts of the machine were supplied to each machine worker. I had to take care of the parts, they would often get lost. The factory would then deduct the same amount of money from my saving account based on the market price of the components. There was only 12~13 won left after that. So I was unable to receive any of it. When I went to financial department in the factory, they gave me a reason which I thought that was unfair; however, there was nothing I could do about it. I couldn't get the missing pieces back. Almost everyone working there had the same problem as me. It was impossible to preserve the equipment in the same condition as when it was first supplied. For example, either the needle could break or the shuttle box could be crushed during the production process. Anyway the factory shifted all these costs to the individual workers. Even though the machine was not mine.

267) Respondent No. 45, female, adult. See Breuker & van Gardingen, *Pervasive, Punitive and Predetermined*, 21.

She then added on the deductions and overtime work the following:

As I said before, I didn't get any of the money back that I had to pay into an account. I'm still angry thinking about it.... At the time, I couldn't disagree with them. I followed everything they said. I don't know why I did that. I wouldn't act like that now. I did everything that the State told me to do including the [production] battles. If I could go back now I would ask to be paid for overtime. At the time I had to produce 90 pieces of clothing every day. I had to attach 90 pairs of sleeves because I worked in the suit unit. The most I ever made was 300 pairs. One day, I worked until 2 am and finished 300 pairs of sleeves. However, the colleague who worked next to me could not keep up. So I worked 1 more hour because of this. This was considered as not finishing my work.

There was a time when my colleague got typhoid. She didn't come to work for a few months. She and I were supposed to complete the last process together. Although I was faster than others, as my work was the last step of the production process, the work just kept piling up. They were piled up in three bundles, each with 100 pieces, what could I do? It had all been assigned to me, so I had to finish it anyway. I worked for an extra hour every day then. I was so tired and felt sorry for the people who were sleeping at the factory because of the piled up work... Still there was nothing I could do, nobody helped me. And I really didn't want to be criticized by others. I didn't want to hear that nobody could go home because of me. As I was not able to eat on time, I got a stomach disorder. I had only packed one lunch box... My head was always falling towards the floor while I sat.

In spite of the hardships she suffered, she found that it was impossible to quit her job:

No, that was not up to me. When I didn't go to work for a month, they told me that they would send me to a labour training camp. My mother was sick and she had been admitted to hospital at that time. So I used this as an excuse and let my mom speak on my behalf. The representative of the people's unit saw me at home, accused me for not being in work and threatened to make me undergo forced labour if I didn't go to work. The workplace didn't want to let me quit because I had good sewing skills by then. I worked until early hours of the morning. I would come home during

the early hours, make breakfast, pack my lunch and go to work because my mother was too sick and couldn't take care of me. My mom said to the factory that it was heartbreaking to see me living like this and she couldn't no longer take it. She said she would send me somewhere else, so I could quit. There was a time when I didn't come home for three days because I was working. This happened every now and again. When this happened, other mothers would bring food for their daughters. However, my mother was unable to do so. She was curious about how am I doing at workplace. But she couldn't visit me. She felt sorry for me but there was nothing she could do but believe in me.

Another female respondent, who worked in a woman's clothing factory described a similar situation.²⁶⁸ She had never heard of a labour contract, while being in North Korea. When she was asked about working hours and instructions, she explained:

You cannot refuse. At the clothing factory once the work plan was determined it had to be followed. If it was not fulfilled, we had to work additional hours. During battle period we were given a work plan which is higher than what we expected so our work time had to be extended. That is why we worked 12-16 hour per day. At that time, during a 70-day battle period there was "2-hour-sleep per day" campaign. They ordered us to sleep two hours at home and then come back to work. If we fulfilled the work plan we were given a cash prize. If we couldn't, then they decreased our salaries. If we completed 70 percent of the work then we received 25 won (normally I received 30 won). They gave us less money. Instructions must be followed. Orders have to be observed.²⁶⁹

If the targets were not met, there were sanctions:

If we did not complete the work plan we received less money. My salary was 30 won and on some occasions, I received 25 won. In the work regulations there is a clause that says that if we don't fulfil the work plan we should receive less money as a salary. If we did not complete the plan the general manager was scolded by his superiors (people at higher levels). There is

268) Respondent 6, female, adult. See Breuker & van Gardingen, *Pervasive, Punitive and Predetermined*, 18.

269) Also Respondent 6, female, adult. This quotation is part of the interview data set that was used to write the above-mentioned report, but was not included in the

a Clothes General Bureau, and the general manager of the factory gets criticised there.

According to the Observatory of Economic Complexity (OEC),²⁷⁰ North Korea exported products worth \$1.74B in 2017, the second largest export product still being textile.²⁷¹ The main export destination for North Korea was China, followed by Pakistan, India, Ghana, and Mali. Except for the occasional media outrage, the textile production outsourced to North Korea, produced under horrendous labour conditions and to be exported again to China, from where it would end up in international supply chains, has hardly even given rise to serious concerns.²⁷² Given the fact that it is a well-known and documented fact what working conditions in North Korea are like, it is hard to conclude otherwise than that companies knowingly buying from manufacturers who outsource to North Korea are complicit in the profiting from labour exploitation. And companies purchasing such products without knowing about the outsourcing are fail their due diligence responsibility.

Conclusion

In the search for cheap labour for the textile industry, North Korean labour is bound to be of superlative status. Nowhere can labour be found so cheap, or workers so diligent, obedient, and skilful. The case study in Dandong shows how North Korean labour is facilitated by Chinese companies which operate from Special Economic Zone stimulating international investments and economic border activity. Even while geographically attached to North Korea, outsourcing is the most profitable option; the exploitive, and businesswise profit-

final version of the report.

270) See <https://oec.world/en/> for the world leading visualisation engine for international trade data.

271) According to OEC the top exports of North Korea are Coal Briquettes (\$367M), Non-Knit Men's Coats (\$139M), Molluscs (\$137M), Non-Knit Women's Coats (\$128M) and Non-Knit Men's Suits (\$105M), using the 1992 revision of the HS (Harmonized System) classification. Its top imports are Synthetic Filament Yarn Woven Fabric (\$200M), Soybean Oil (\$110M), Broadcasting Equipment (\$83.8M), Video Displays (\$79.8M) and Light Rubberized Knitted Fabric (\$72.3M).

272) Call Wahlquist, 'Rip Curl's use of North Korean factories leads to calls for industry transparency', *The Guardian*, 22 February 2016, <https://www.theguardian.com/australia-news/2016/feb/22/rip-curls-use-of-north-korean-factories-leads-to-calls-for-industry-transparency>. Accessed on 03-07-2019.

able working conditions allowed and even facilitated in the DPRK, would be hard to parallel outside the country – even if overseas labour by North Korean workers in many places is taking place under similar conditions.

The future ambitions of Dandong Economic Zone should give rise to critical questions regarding business and human rights, considering the fact that the region – at least in the textile industry investigated in this study- heavily relies on DPRK labour. And while the DPRK workforce is exempted from practically every conceivable labour right (such as the ILO Core Labour Standards, fundamental labour rights, the right to collective bargaining, the freedom of association, as we have shown in the report *Pervasive, Punitive and Predetermined*) it is a very disturbing development that goods manufactured by DPRK workers end up in international supply chains that claim to be free from forced labour.

Export Processing via North Korea

Rosa Brandse, Michael Lee and Shirley Lee

This chapter first provides an overview of export processing, including what it consists of and the actors involved. With this background established, we proceed to case studies of networks in Dandong that demonstrably work with both North Korea and international brands, substantiated using the Panjiva platform.

Panjiva is a database of international trade information. It obtains customs records directly from governments including the United States, India, Brazil, and other countries in Asia, as well as Central and South America, and makes them easily searchable. Until 2018, it also received records from China. It is one of several database services that contain this information. It is widely used in both the public and private sector for research, including by universities, NGOs, investors, corporations, and government agencies.²⁷³ A comparative review of Panjiva and other trade information databases published by the Federation of American Scientists judged them to be generally reliable.²⁷⁴

The fundamental unit of trade information contained in Panjiva is a Bill of Lading, a form that describes the contents and value of an international shipment that is used to calculate duties. Panjiva's data covers

273) 'S&P Global: Panjiva Supply Chain and Trade Data Now Available over Xpressfeed', *MarketScreener*, 13 September 2018, <https://www.marketscreener.com/S-P-GLOBAL-INC-27377749/news/S-P-Global-Panjiva-Supply-Chain-and-Trade-Data-Now-Available-Over-Xpressfeed-27256490/>.

274) Matthew Godsey and Valerie Lincy, 'Tracking Proliferation through Trade Data' (Wisconsin Project, January 2017), <https://fas.org/wp-content/uploads/media/Tracking-Proliferation-through-Trade-Data.pdf>.

maritime shipments for the US, and maritime, air, and ground shipments for many other countries. It does not include military logistics, and some shipments have some fields redacted at the request of the data subjects. Panjiva processes its data to merge single entities, to connect fields like HS codes, and to correct likely mistakes, but the raw records are always also available. Panjiva also cross-references its trade data with statistical data from UN COMTRADE, a database of national-level trade statistics.

The Context

Cross-border trade flows

According to the United Nations trade statistics database UN COMTRADE,²⁷⁵ North Korea imported some USD 1.74 billion in garments and textiles, mainly from China, in 2017—the latest year for which data is available. In the same year, North Korea exported garments and textiles totaling USD 3.42 billion, again, mainly to China. China is North Korea’s largest trade partner, accounting for 94% of North Korea’s import origins and 91% of export destinations.²⁷⁶ A graphic summary of North Korea’s trade partners is provided in *Figure 1*. Textiles and garments are North Korea’s top category of imports, accounting for 23% of total imports. In exports, they are tied with mineral products at 34%. *Figure 2* shows the top product categories of North Korea’s imports and exports. Textiles and garments make up one of North Korea’s largest connections with international supply chains.

In 2017, China exported over USD 95 billion just in finished garments and footwear to brands in the EU, US, Canada, Australia, and New Zealand. Compared to this, the cross-border trade in garments between China and North Korea is relatively small. China exported USD 6.14 billion in finished garments and footwear to the Netherlands in 2017, making it a significant market for Chinese garments.

275) ‘United Nations Commodity Trade Statistics Database’, UN Comtrade Database, accessed on 15-3-2019, <http://comtrade.un.org>.

276) Cesar A. Hidalgo and Alexander James Gaspar Simoes, ‘The Economic Complexity Observatory: An Analytical Tool for Understanding the Dynamics of Economic Development’, *Workshops at the Twenty-fifth AAAI Conference on Artificial Intelligence*, 2011.

Looking more closely, North Korea's top textile imports are synthetic filament yarn woven fabrics (26%), light rubberized knitted fabric (9.3%) and plastic-coated textile fabric (5.4%). Looking at its exports, the top product categories within textiles are non-knit men's coats (24%), non-knit women's coats (22%), and non-knit men's suits (18%). One reasonable hypothesis to explain these facts is that raw materials are being sent to North Korea from China to be manufactured into finished garments and sent back.

Export processing

Export processing, as understood and referred to in this report, describes a process whereby raw fabric is sent out to another country, manufactured into apparel, and returned to the original country for onwards shipping. In China, this process began in Dandong in 2013, in order to address problems in the Chinese garment industry.²⁷⁷ The rise of the Chinese export-oriented garment industry began in the 1990s and boomed in the early 2000s, with its share in the global apparel export doubling from 15.2% in 1995 to 33.2% in 2008. This growth was driven by migrations of unskilled workers, predominantly young and females, from the western and central regions towards the coast where many factories are based. These workers earned low wages and faced hard working conditions, including extensive overtime—a ninety-hour work week was not uncommon.

Since the 2000s, however, a number of factors led to declining productivity, including an aging workforce, workers becoming more aware of their rights, and inflating costs. Migrant workers increasingly shifted to better-paying industries. As a response, factories began relocating to other parts of China, including the northeastern provinces, where production was cheaper and unskilled workers more readily available.

Addressing some of these issues, a press release in 2013 described export processing as a way to boost the local economy by “utilizing the advantageous labour resources of the neighbouring country”, in order to discourage local garment businesses from moving to Southeast Asia. From the onset, then, the practice of export processing centred around the garment industry. Five gar-

277) ‘丹东概况 (Dandong Gaikuang)’.

ment processing companies in Dandong were selected to serve as a trial with the first shipment, valued at USD 230,000, being sent out in August 2014 to be made into cold-resistant menswear.²⁷⁸

A Chinese article dated to March 2015 features an interview with the general manager of one of the five companies, Dandong Huayang, who confirms that the operation was successful and that they had received more orders from an American client. The daily production rate of the factory was said to be able to reach over 150,000 pieces. In the same article, we are told that the number of factories involved in the plan was increased to nine (although names of the other factories are not given). The estimated annual exported garment count would amount to some ten million, with an import/export value of USD 1 billion.²⁷⁹

Statistics from the Liaoning yearbook confirm the enormous profits from this trade practice. The combined categories of import and export processing values were USD 12,908 in 2013, but grew drastically to USD 1 million in 2014 and USD 30 million in 2015. In 2016, the total trade value was USD 76 million, which then dipped to USD 58 million in 2017.²⁸⁰ This growth is especially notable given the supposed statistical recalculation that begins in 2015. The practice is clearly lucrative, and must have significantly improved Dandong's economy.

The process of export processing generally begins with a request from a Chinese company or factory to a Chinese trading company. The trading company then contacts a North Korean party, providing them with raw materials and production instructions. After the clothing is made in a North Korean factory, it is sent back to the Chinese trading company, which supplies it to the requesting party.²⁸¹ The trickiest part in this process is moving goods across

278) 'Liaoning Shoupiao Chujingjiagong Huowu Shunli Tongguan', Dalian Customs District P.R. China, 11 September 2014, http://dalian.customs.gov.cn/dalian_customs/460673/460674/460831/index.html.

279) 'Chujing Jiagong Rang Dandong Fuzhuang Qiye Chong Su Youshi Quanqiu Fangzhi Wang Zixun Zhongxin', accessed on 5-12-2018, <https://www.tnc.com.cn/info/c-013001-d-3512271.html>.

280) 'Liaoning Tongjinnianjian 2018' (Liaoning Bureau of Statistics), accessed on 31-3-2019, <http://www.ln.stats.gov.cn/tjsj/sjcx/ndsjsj/otherpages/2018/zk/indexch.htm>.

281) Puk LEE et al., 'Puk-Chung chŏpkyŏng chiyŏk Tandung-ŭi tae-Buk saengsan netwŏk'ŭ-ŭi oejŏk sŏngkyŏk', *Han'guk kyŏngje chiri hakhoeji* 20, no. 3 (2017): 329-52, 343.

the border. However, some of the Chinese trading companies are reported to have connections with custom control, while others employ custom clearance companies that specialize in getting goods across the border in the easiest and cheapest way possible.²⁸² This practice is popular in other border areas as well, such as on the border with Vietnam.²⁸³ Local companies see it as way to promote exchange and lower the trade barrier,²⁸⁴ but it also opens up an easy way to avoid sanctions. After the 2017 UN sanctions, Chung et al. conducted a survey among twenty-six Dandong-based businessmen trading with North Korea, and asked them about the impacts on their work of political developments. Only eight of the participants said they would stop working with their North Korean partners, with most of the businessmen assuming the sanctions would affect only the trading volume.²⁸⁵ As discussed in the previous chapter, the Dandong trade is closely interconnected with North Korea such that directional change is not expected. Instead, the parties involved in the outsourcing process merely wait for the sanctions to be lifted and expect that North Korea will open up their markets more.²⁸⁶

Several actors are involved in this process, with the most important being the Chinese and North Korean trading companies, who work together to transport textiles and clothing between the two countries. In Dandong alone, 2,000 of these trading companies are registered and more than 500 of them do small trade, which is how export processing of garments in Dandong is categorized.²⁸⁷ Partnerships between a Chinese and a North Korean company are habitually built on many years of mutual trust, meaning the majority of export processing is done by a small group of interconnected businessmen.²⁸⁸ For bigger orders, the North Korean managers

282) Yöngguk CHO, 'Wöl-gyöngjök sangho cha'gyong-gwa Puk-Chung chöpk'yöng topshi-üi palchön: Chungguk Ryaoning- söngdan t'ungshi-rül chungshim-üro', *Han'guk kyöngje chiri hakhoeji* 20, no. 3 (2017): 318.

283) K.W. Endres, 'Making Law: Small-Scale Trade and Corrupt Exceptions at the Vietnam-China Border', *American Anthropologist* 116, no. 3 (2014): 611–25.

284) Ying Ge et al., 'Border Trade and Regional Integration', *Review of Development Economics* 18, no. 2 (2014): 300–312.

285) Suyöl CHÖNG et al., 'Puk-Chung muyök-esöchöngch'aesöng chögülling: Chungguk Tandung sojae Chosönjok muyöksang-ül sarye-ro', *Han'guk kyöngje chiri hakhoeji* 20, no. 3 (2017): 364–86, 364.

286) CHÖNG et al., 364.

287) LEE et al., 'Puk-Chung chöpk'yöng chiyök', 339.

288) CHI, Sang-Hyun et al., 'Chöpk'yöng chiyök pyönhwa-üi kwan'gyeronjök

themselves are said to visit Dandong for negotiations.²⁸⁹ Most people working in the Chinese trading companies are Chinese ethnic Koreans, whose language skills enable them to smoothly direct the trade.

On the North Korean side, the textile industry has grown since the 1980s due to a rise of foreign demand for clothing.²⁹⁰ Local factories were represented by large trading companies, which created joint ventures with enterprises from Japan, China, and European countries such as Germany or the Netherlands.²⁹¹ At present, there are more than fifteen large clothing exporting companies in North Korea that work with domestic factories to manufacture clothes for export.²⁹² The majority of this goes through Dandong for checkup and additional assembly, making it officially legal to use the label “made in China”.²⁹³

Overseas-based middlemen also bring international companies into the supply chain. GDI Consultancy, for example, is a company specializing in trade with North Korea and based in Rotterdam. They describe a process called “China plus one”, whereby an international company outsources their garment manufacturing to a Chinese company, who in turn outsources processes to an even cheaper country, benefitting both the international and the Chinese company. They claim that this form of export processing has become more and more popular over the years, as labour costs in China have increased.²⁹⁴ According to the company’s director, Paul Tjia, North Korean labour in the textile industry is cheaper than that in most other Asian countries and especially lucrative for more labour-intensive products.²⁹⁵ This is consistent with our

chöngch’i chirihak: Pukhan-Chungguk chöpk’yöng chiyök Tandung-ül chungshim-üro, *Han’guk kyöngje chiri hakhoeji* 20, no. 3 (2017): 297.

289) LEE et al., ‘Puk-Chung chöpk’yöng chiyök’.

290) Kyu Hwa CHO, ‘Pukhan-üi üiryu sanöp-kwa üisaenghwal munhwa yöngü’, *Journal of Fashion Business* 5, no. 4 (2001): 167.

291) Wansöp SIM, ‘Pukhan-üi taejung üiryu imgagong kyoyök shilt’ae mit chön-mang’, *Sanöp kyöngje punsök* (Korea Institute for Industrial Economics and Trade, December 2016), 91.

292) Paul Tjia, ‘Exploring New Business Opportunities: Garment Production in North Korea’ (GPI Consultancy, 2012), 1.

293) CHÖNG et al., ‘Puk-Chung muyök’, 364.

294) Tjia, ‘Exploring New Business Opportunities’, 2.

295) Tjia, ‘Exploring New Business Opportunities’, 2.

findings, where North Korean labourers are often found working on clothing with complex designs such as outdoor wear.

In 2016, Australian surfing brand Rip Curl featured in a report by the Sydney Morning Herald for having their clothing made in North Korea, despite the “Made in China” labels. Rip Curl claimed that the responsibility lay with its Chinese subcontractors, stating also that it only learned of the issue after the garments had already been shipped to retail markets. Nevertheless, it apparently did not inform its consumers about the problem.²⁹⁶ The story was picked up again by Reuters in 2017, with a Korean-Chinese trader quoted as saying: “We take orders from all over the world” including the US, Europe, Japan, South Korea, Canada, and Russia, and “we will ask the Chinese suppliers who work with us if they plan on being open with their client—sometimes the final buyer won’t realize their clothes are being made in North Korea. It’s extremely sensitive.”²⁹⁷ As the following sections of our report show, we have come across several supply chains of reputable international brands being fed by networks that heavily rely on North Korean labour.

Chinese Networks

The research team created a master list of factories that are known to supply to international brands, drawing on publicly disclosed supplier lists and the Dutch Agreement on Sustainable Garments and Textiles. Next, we investigated these factories using a Chinese platform known as Qichacha, which pulls its information from Chinese corporate records. This was supplemented by information from company websites and trade listings, where available. Through this research, it became apparent that factories in Dandong tend to be clustered in networks and repeatedly feature a number of individuals who serve alternately as owners, executives, or investors for various factories or trading companies. Many of the factories

296) Nick McKenzie and Richard Baker, ‘Surf Clothing Label Rip Curl Using “Slave Labour” to Manufacture Clothes in North Korea’, *The Sydney Morning Herald*, 20 February 2016, accessed on 25-03-2019, <https://www.smh.com.au/business/surf-clothing-label-rip-curl-using-slave-labour-to-manufacture-clothes-in-north-korea-20160220-gmz375.html>.

297) Sue-Lin Wong and Philip Wen, ‘North Korea Factories Humming with “Made in China” Clothes, Traders Say’, *Reuters*, 13 August 2017, accessed on 25-03-2019, <https://www.reuters.com/article/us-northkorea-labour-china-insight/north-korea-factories-humming-with-made-in-china-clothes-traders-say-idUSKBN1AT00Q>.

and companies, while differing in name and standing as separate corporate entities, share the same address and contact. When looking at relationships, we have opted to treat such factories as being part of a network rather than as individual factories, because there can be cases where a factory that looks unrelated to North Korea at first glance, for example, happens to be owned by an individual that also owns a trading company specializing in trade with North Korea. The exact processes by which we have established connections between factories will be discussed in each individual case study.

With these networks established, we proceeded to investigate their trading patterns using the platform Panjiva, a tool for tracing global shipping information.²⁹⁸ Investigating the networks established in the previous step, we determined that many of them have definite manufacturing connections with North Korea. The general pattern goes as follows: Chinese factories send textiles and other raw materials (such as embroidery, buttons, or labels) into North Korea, and then receive the assembled garments from North Korea. The finished garments are then sent out to various buyers who can generally be identified, either directly through Panjiva or through other sources.²⁹⁹ Often, the Chinese factories are divided between several profiles and entries on Panjiva, sometimes because of their operating as networks as mentioned earlier.³⁰⁰ Occasionally, the same Chinese factory trades with North Korea under one name, and with international brands under another.³⁰¹

It is possible to share some general observations at this stage. First, there is clearly an international dimension whose scope

298) Panjiva's data range on China only extends to March 2018, as a result of the trade war between China and the US.

299) Panjiva lists the shipping address for imports to the US, but only the destination country for exports from China. Because of privacy laws, European buyers are also not named. This means that it is possible to identify buyers based in North America through Panjiva, but other connections were made through the brands' own supplier list or other sources, which are detailed in the respective case studies below.

300) Panjiva also splits the records [see email chain/responses].

301) According to Panjiva, there may be overlapping data because Panjiva does not match shipments across datasets. In addition, multiple names of the same company is a result of how companies are reported on custom documents. Panjiva also recommended that the original Chinese name of the company is the most accurate data point to use, and that the English listings on Panjiva are not necessarily the most accurate. Private email correspondence with Panjiva representative Kristopher Freeman, 14 March 2019.

extends beyond the case studies described in this report. Certain Chinese companies appear to be operating as middlemen to companies based abroad: they import fabrics from a certain country to send them on to North Korea, then receive garments from North Korea to be shipped to the original country. We found examples connecting Japan and South Korea with these practices, although it was not possible to establish the identity of the buyers.³⁰²

Second, there was a sharp decline in Sino-North Korean trade in January 2017. This period of time corresponds with the UN sanctions (Resolution 2321) of November 2016, in which China also took part; however, these sanctions were imposed on minerals, rather than on textiles. The sanctions covering textiles date from September 2017. While the ultimate reason for the observed date for decline in the textiles trade is unclear, it is reasonable to assume that Chinese companies were reacting to heightened Sino-North Korean tensions and accordingly cutting down on trade. Whether they were responding to governmental demands (official or unofficial) or acting on a pre-emptive and voluntary basis is unknown.

Empirical Data on the Chinese Company Networks

1. The Deng Feixiong Network

Company Profile

The common point of this network of factories is that they all involve an individual called Deng Feixiong 邓飞雄, who holds positions either as shareholder, CEO, or executive across various factories in the Dandong region.³⁰³

302) The Japanese case is a company called Dandong Yuhengyuan Economic and Trade Co., Ltd. (Dandong Yuhengyuan Jingmao Youxian Zerengongsi). The South Korean case involves a company called Dandong Huari (Dandong Hua Yi Maoyi Youxiangongsi), which appears to be a middleman between South Korea and North Korea. They are connected with another company, Dandong Xinlian (Dandong Shi Xinlian Jingmao Youxiangongsi), which claims to trade with North Korea on their webpage. Panjiva shows this latter factory importing clothes from North Korea, but only exporting machinery.

303) See Qichacha's listings: 'Deng Feixiong (1)', Qichacha, accessed on 31-3-2019, https://www.qichacha.com/pl_p39c79f67c7678101571688a22524745.html; 'Deng Feixiong (2)', Qichacha, accessed on 31-3-2019, https://www.qichacha.com/pl_p8a4e6df8f3d71b7af45811888deeff5.html; 'Deng Feixiong (3)', Qichacha, accessed on 31-3-2019, https://www.qichacha.com/pl_p3cbb60aa6dd-be76670ab224811e35af.html. The duplication of records is common in Qichacha.

On one end of the chain is Dandong SLT (丹东新龙泰), which is listed as a supplier for Adidas in the brand's own transparency report (January 2019).³⁰⁴ Video footage from a Chinese news report additionally confirms they produce for Sketchers, an American footwear company, while the same report also mentions Polo Ralph Lauren.³⁰⁵ Deng Feixiong, named as a Singaporean in the same report, is the representative as well as vice president of this company. The factory is owned by a Hong Kong holding company, founded in 2007: SLT International Holding 新龍泰國際控股.³⁰⁶

Chinese customs data from Panjiva show significant numbers of exports to several countries, including the US (USD 35 million), Germany (USD 23 million), the UK (USD 8 million), Japan (USD 8 million), and Canada (USD 5 million). The Netherlands accounts for USD 3 million of the trade. (Figure 1). The US based customs data sources name Adidas and Sketchers as customers. As Adidas is headquartered in Germany, it can be assumed that at least some portion of the German shipments may be destined for Adidas.

Deng is also the representative as well as executive director of Dandong Dragon STD (丹东龙吉利). This factory was apparently established with the assistance of an Italian sportswear company called STD Reggiani. According to its website, this company opened Dandong Dragon STD in 2008 in order to expand production. The website describes this factory as: "located in the north of China, to the border with North Korea: and great productivity capacity for huge orders [sic]". S.T.D. Reggiani also owns a company called Euasia DTA based in Kowloon, Hong Kong, charged with managing incoming orders.³⁰⁷

The same website features a number of major sportswear companies among their customers, including notable international

304) Adidas' Supplier List, accessed on 31-3-2019, https://www.adidas-group.com/media/filer_public/c8/26/c82652b9-c69b-49dd-924c-7d1d87865257/primary_suppliers_and_subcontractors_2019jan.xlsx.

305) 'Xin Long Tai Fuzhuang Zai Shijie Dingji Yundong Pinpai Jiao Xiang Dan_Yundong Zhuangbei Pinpai_Yundong Zhuangbei Fenlei', accessed on 15-3-2019, <http://www.pingguoyanan.com/ydzm/9511.html>.

306) 'SLT INTERNATIONAL HOLDING LIMITED', Hong Kong Companies Directory, accessed on 25-3-2019, <https://www.hkcompanydir.com/companies/slt-international-holding-limited/>.

307) 'Euasia DTA, Hong Kong', STD Reggiani, accessed on 27-3-2019, <http://www.euasiadta.com/chi-siamo.html?lang=en>.

brands such as Reebok, Arena, The North Face, Lamborghini, Puma, Kappa, Basics, and Nordica, as well as a host of Chinese domestic brands. However, none of these brands have shared their supplier list, except for Reebok and Arena, which are subsidiaries of Adidas.

North Korean connections and international shipments

Both Dandong SLT and STD are specifically named in a Chinese document as leading factories in the Qianyang sports outerwear economic zone in a China. According to a Chinese government document, this area is known for hiring large numbers of North Korean workers: reportedly around 2,000 out of 5,000 total workers.

Both Dandong SLT and STD are named as leading factories in this zone, and the brands serviced here includes Adidas, The North Face, Sketchers, and Ralph Lauren. While it is possible that these brands were supplied by other factories in the economic zone, specific overlaps with the STD Reggiani website indicates a strong connection between these factories and brands. Panjiva's data on Dragon STD indicates that they ship to the US (USD 14 million), Canada (USD 900,000), and France (USD 300,000) as their top destinations (*Figure 2*).

In Chinese corporate records, however, STD Reggiani is not mentioned. Instead, another Hong Kong based company is identified as the investor, known as RND Fashion Limited in English and 新丰服装 or 新豐服装 in Chinese.³⁰⁸ This company has a page on Facebook, and one of its posts confirms their connection to North Korean trade. In addition, another photo from the company's 2018 dinner party makes clear their connection with yet another factory in Dandong called Dandong Xinfeng 丹东新丰 or 新豐,³⁰⁹ of which Deng Feixiong is the CEO. This connection is also confirmed by Chinese corporate records.³¹⁰ This factory is especially notable because

308) 丰 is the simplified form of 豐, so these differences reflect the different forms of Chinese between China and Hong Kong, 'Dandong Long Jili Fuzhuang Youxiangongsi', Qichacha, accessed on 31-3-2019, https://www.qichacha.com/firm_b8f1fb724b72765a872592504234af17.html.

309) 'Xinfeng' is the phonetic reading of 新丰. Thus the factory and the company located in Hong Kong both have the same name in Chinese, but not in English.

310) The Chinese corporate record names a company called Xenfeng Fuzhuang Youxiangongsi as the owner of Dandong Xinfeng. However, this is listed as a separate entry from RND Limited. Based on the mentioned connections, it seems reasonable to surmise that these are the same company, or at least closely related. It is possible that

it is one of the five factories that began export processing in 2013, as mentioned in Chinese media.³¹¹ This trade can be substantiated with Panjiva: between June 2014 and January 2017, the factory made a total of 865 shipments to North Korea, with a total value of USD 11 million. As *Figure 4* demonstrates, these consisted primarily of clothes and materials. The company also received USD 13 million worth of shipments from North Korea of various garments, mainly coats and anoraks (*Figure 5*). There are also suppliers of fabric from South Korea recorded (USD 1 million), perhaps suggesting a role as an intermediary to companies in South Korea (*Figure 6*). For the shipments to North America, identified buyers are Reitman, a popular clothing brand in Canada, and L And J, which has a listed address in California (*Figure 9*).

Conclusions

Dandong Xinfeng, to which Dandong SLT is closely related, was one of the first factories to begin export processing to North Korea. Panjiva confirms this process and furthermore identifies several countries to which numerous shipments have been made.

In addition, the presence of Hong Kong companies as investors is consistent with findings from previous reports, where North Korean companies were found to be connected through companies in Hong Kong.³¹²

the mistake arose from the confusion between 丰 and 豐. It is worth noting that such duplicated records also appear elsewhere on the website – Deng Feixiong, for example, is listed multiple times as separate entries even though the connections make clear they are one individual.

311) 'Dandong Fu Qi, Nifeng Fazhan', Liaoning Fuzhuang Wang, 17 April 2015, accessed on 25-03-2019, <http://www.lnfda.com/zixun/bendi/1360.html>.

312) Shannon R. Stewart, 'DPRK Overseas Financial Networks', in *People for Profit: North Korean Forced Labour on a Global Scale*, ed. Remco E. Breuker and Imke B.L.H. van Gardingen (Leiden, The Netherlands: LeidenAsiaCentre, 2018): 120–25.

Export Processing via North Korea



Figure 1: Dandong SLT's export.³¹³ Figure 2: Dragon STD's export.³¹⁴

Figure 3: Facebook screenshot.³¹⁵



313) 'Dandong (Slt) Garment Industry Company Limited, Liaoning, China | Supplier Report — Panjiva', accessed on 29-3-2019, <https://panjiva.com/Dandong-Slt-Garment-Industry-Company-Limited/36118739>.

314) 'Dandong Long Garment Co., Geely, DANDONG CITY, LIAONING, LIAONING PROVINCE | Supplier Report — Panjiva', accessed on 29-3-2019, <https://panjiva.com/Dandong-Long-Garment-Co-Geely/15566741>.

315) 'RND Fashion Ltd', Facebook, 18 June 2018, accessed on 25-03-2019, [https://www.facebook.com/permalink.php?story_fbid=2051898838171938&id=775406982487803&__xts__\[0\]=68.ARBWZezBJ1FYXeUaDgQ5CEgy4l6h8eCocgZfV2j49h02uxkCmPZk9hKHDPllHoMk1spIG4beJVOOExovq0tvjD8r4_5xprHUs_hpAITKN_dN2jOHvxGoH2AyjfpTcgPwVh046xlnpMNqk1O93lSEmIWzMivjI84UM2MSAJgQQ04ApPjr15ow3YEg6MY3AEHYPAiO2JNKqmLhawAVZWRsPGRig2C994Nhm02nlD5o1oFdWvKQSDwa3XiELXfmPNMwjQfwe1mfqvdhSKMbb31GgR7jXCTIaEwflRURBc4am35r2NVa1nllVd4nKNgjI5Ceed5OTWU8QrzZlg&__tn__=R](https://www.facebook.com/permalink.php?story_fbid=2051898838171938&id=775406982487803&__xts__[0]=68.ARBWZezBJ1FYXeUaDgQ5CEgy4l6h8eCocgZfV2j49h02uxkCmPZk9hKHDPllHoMk1spIG4beJVOOExovq0tvjD8r4_5xprHUs_hpAITKN_dN2jOHvxGoH2AyjfpTcgPwVh046xlnpMNqk1O93lSEmIWzMivjI84UM2MSAJgQQ04ApPjr15ow3YEg6MY3AEHYPAiO2JNKqmLhawAVZWRsPGRig2C994Nhm02nlD5o1oFdWvKQSDwa3XiELXfmPNMwjQfwe1mfqvdhSKMbb31GgR7jXCTIaEwflRURBc4am35r2NVa1nllVd4nKNgjI5Ceed5OTWU8QrzZlg&__tn__=R).

| | | |
|-------------|--|---------------------------|
| North Korea | 128 unique hs code (6-digit) Collapse HS Codes (6-digit) | \$11,706,963.00 17.54% |
| North Korea | 5407.69 Fabrics, woven; containing less than 85% by weight of non-textured polyester filaments | \$2,903,742.00 24.80% |
| North Korea | 0505.10 Animal products; feathers and down used for stuffing, not further worked than cleaned, disinfected or treated for preserva... | \$793,482.00 6.78% |
| North Korea | 5903.20 Textile fabrics; impregnated, coated, covered or laminated with polyurethane | \$695,476.00 5.94% |
| North Korea | 9607.19 Slide fasteners; other than those fitted with chain scoops of base metal | \$694,347.00 5.93% |
| North Korea | 5407.42 Fabrics, woven; containing 85% or more by weight of filaments of nylon or other polyamides, dyed | \$624,821.00 5.34% |
| North Korea | 5601.22 Wadding; other articles thereof, of man-made fibres | \$404,655.00 3.46% |
| North Korea | 5407.72 Fabrics, woven; containing 85% or more by weight of synthetic filaments (excluding nylon or other polyamides and polyester... | \$366,837.00 3.13% |
| North Korea | 6117.90 Clothing; parts, knitted or crocheted | \$335,142.00 2.86% |
| North Korea | 5407.92 Fabrics, woven; of synthetic filament yarn, dyed, n.e.c. in heading 5407 | \$304,705.00 2.60% |
| North Korea | 9606.10 Press-fasteners, snap-fasteners, press-studs and parts therefor | \$261,120.00 2.23% |

Figure 4.³¹⁶

316) Dandong Fung Garment Co. Ltd, 'Shipment Destination and HS Code (6-digit) Report' (Supplier), accessed on 29-3-2019.

Export Processing via North Korea

| | | |
|-------------|--|---------------------------|
| North Korea | 55 unique hs code (6-digit)s Collapse HS Codes (6-digit) | \$13,484,452.00 86.39% |
| North Korea | 6201.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of man-made fib... | \$3,793,971.00 28.14% |
| North Korea | 6202.13 Coats; women's or girls', overcoats, raincoats, car-coats, capes, cloaks and similar articles, of man-made fibres,... | \$2,324,114.00 17.24% |
| North Korea | 6202.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; women's or girls', of man-made ... | \$1,959,462.00 14.53% |
| North Korea | 6210.40 Garments; men's or boys', n.e.c. in item no. 6210.2, of the fabrics of heading no. 5602, 5603, 5903, 5906 or 5907 ... | \$1,266,690.00 9.39% |
| North Korea | 6210.50 Garments; women's or girls', n.e.c. in item no. 6210.3, of the fabrics of heading no. 5602, 5603, 5903, 5906 or 59... | \$543,418.00 4.03% |
| North Korea | 6202.12 Coats; women's or girls', overcoats, raincoats, car-coats, capes, cloaks and similar articles, of cotton, other th... | \$357,406.00 2.65% |
| North Korea | 6204.33 Jackets and blazers; women's or girls', of synthetic fibres (not knitted or crocheted) | \$314,459.00 2.33% |
| North Korea | 6203.31 Jackets and blazers; men's or boys', of wool or fine animal hair (not knitted or crocheted) | \$238,202.00 1.77% |

*Figure 5.*³¹⁷

317) Dandong Fung Garment Co. Ltd, 'Shipment Destination and HS Code (6-digit) Report' (Exporter), accessed on 29-3-2019.

| | | |
|-------------|--|-------------------------|
| South Korea | 18 unique hs code (6-digit) Collapse HS Codes (6-digit) | \$1,453,175.50 9.31% |
| South Korea | 5407.69 Fabrics, woven; containing less than 85% by weight of non-textured polyester filaments | \$296,979.50 20.44% |
| South Korea | 5407.72 Fabrics, woven; containing 85% or more by weight of synthetic filaments (excluding nylon or other polyamides and polyester... | \$266,523.00 18.34% |
| South Korea | 6001.92 Fabrics; pile fabrics (excluding long pile and loop pile), of man-made fibres, knitted or crocheted | \$146,833.00 10.10% |
| South Korea | 5407.42 Fabrics, woven; containing 85% or more by weight of filaments of nylon or other polyamides, dyed | \$145,951.00 10.04% |
| South Korea | 5603.12 Nonwovens; whether or not impregnated, coated, covered or laminated, of man-made filaments, (weighing more than 25g/m2 but... | \$135,496.50 9.32% |
| South Korea | 5903.20 Textile fabrics; impregnated, coated, covered or laminated with polyurethane | \$113,120.50 7.78% |
| South Korea | 5210.31 Fabrics, woven; containing less than 85% by weight of cotton, mixed mainly or solely with man-made fibres, weighing 200g/m... | \$97,105.00 6.68% |
| South Korea | 5407.82 Fabrics, woven; of synthetic filament yarn, containing less than 85% by weight of synthetic filaments, mixed mainly or sol... | \$94,840.00 6.53% |
| South Korea | 5801.31 Fabrics; woven pile, of man-made fibres, uncut weft pile fabrics, other than fabrics of heading no. 5802 or 5806 | \$50,730.00 3.49% |

Figure 6.³¹⁸

318) Dandong Fung Garment Co. Ltd, 'Shipment Destination and HS Code (6-digit) Report' (Exporter), accessed on 29-3-2019.

| HS Code | Consignee | Consignee Global HQ | Consignee Domestic HQ | Shipments | Weight (kg) | Volume (TEU) | LCL |
|---------|---|---------------------|-----------------------|------------------------|---------------------|-----------------------|------------------------|
| 6202 | 1 unique consignee Coltipe Consignee | | | 7 shipments 71.43% | 67,684 KG 93.49% | 28 TEUs 98.95% | 3 shipments 33.33% |
| 6202 | 1 unique consignee Coltipe Consignee | | | 5 shipments 100.00% | 63,278 100.00% | 28.11 TEUs 100.00% | 1 shipment 100.00% |
| 6203 | 1 unique consignee Coltipe Consignee | | | 2 shipments 28.57% | 4,406 6.51% | 0.41 TEUs 1.45% | 2 shipments 66.67% |
| 6203 | 1 unique consignee Coltipe Consignee | | | 2 shipments 100.00% | 4,406 100.00% | 0.41 TEUs 100.00% | 2 shipments 100.00% |

Figure 7: The low number of total shipments is because this is listed under a separate entry on Panjiva, but it can be confirmed to be the same company.³¹⁹

2. China Dawn/Fashion Garment Company Profile

On Panjiva, the supplier China Dawn is listed as having the same address as Dalian Fashion Garment. Qichacha reveals two companies associated with this name: 大连中黎伟业贸易有限公司 and 辽宁冠丰国际贸易有限公司.³²⁰ In addition, the owner is also the benefactor of a company 大连风尚服饰有限公司, the name of which directly translates as “Dalian Fashion Garments”. These three legal entities share the same address, contact phone number, and contact email, which has a “chinadawn” domain name. These facts show a close connection between Dalian Fashion Garment and China Dawn, and it is possible that they are the same legal entity with several different trade names.

319) Dandong Rnd Fashion Ltd. “HS Code (4-digit) and Consignee Report” (Supplier), accessed on 29-3-2019.

320) The former name, 中黎 ‘Zhongli’, roughly corresponds to ‘China Dawn’ and is also the name cited in the official website still under construction. <http://www.chinadawn.com>.



Figure 1: These separate listings have the same phone numbers and emails, suggesting a connection.³²¹

Import and export

As suppliers, China Dawn and Dalian Fashion Garment have sent materials to North Korea (1,577 shipments), but also to Vietnam (11,613 shipments) and Myanmar (953) (Figure 5). They have bought raw materials from South Korea (USD 4 million), Italy (USD 1 million), and Germany (USD 184,000), possibly suggesting a minor role as middlemen between these countries and North Korea (Figure 6).

They received 351 shipments from North Korea between January 2013 and December 2016, with a total value of USD 164 million. The shipments were predominantly anoraks, ski jackets, coats, and track suits (Figure 7). As for international shipments, they sent USD 170 million worth of products to the Netherlands in 386 shipments between March 2014 and January 2018. Comparatively, Germany has a large number of shipments (956 between March 2014 and March 2018, which is the end date of Panjiva’s dataset on China), but a lower value of USD 93 million, likely because many shipments also included materials for unspecified purposes. Other shipping destinations include Australia (USD 3 million), Slovenia (USD 2 million), and Spain (USD 1 million) (Figure 8).

321) ‘Dalian Zhongliweiye Maoyi Youxiangongsi’, Qichacha, accessed on 31-3-2019, https://www.qichacha.com/firm_76b81be56ba5e7eb97e2f6c7d4b13889.html; ‘Liaoningguanfang Guojimaoyi Youxiangongsi’, Qichacha, accessed on 31-3-2019, https://www.qichacha.com/firm_f81661a5f3b2cc1b746d75550c6e5a30.html; ‘Dalianfengshang Fushi Youxiangongsi’, Qichacha, accessed on 31-3-2019, https://www.qichacha.com/firm_26c7df84a31a7477372ff98c8bd62787.shtml.

Export to brands in the Netherlands

Many of the clothing shipments exported to the Netherlands follow a familiar pattern with imports from North Korea. Here, goods with a certain HS Code are imported from North Korea and a shipment with the same code and with an added value of 10% is exported to the Netherlands in the same time frame. An interesting example is HSCode 6201.13, the code for ‘padded coats for men.’ As can be seen in *Figure 3*, products with this HS Code were imported from North Korea four times between 2014 and January 2017 when the sanctions began.³²² In this period, when products with the same HSCode are exported to the Netherlands (*Figure 2*),³²³ it happens one month after a similar shipment was imported from North Korea with an added value of roughly 10%. This value increase corresponds to business estimates of the profit of export processing to North Korea.³²⁴ However, when products with this HS Code were exported to Germany in these years, there were no import shipments from North Korea that fit the export processing profile (see *Figure 4*).³²⁵

322) ‘Shipments for China Dawn Garment (Dalian) — Panjiva - HScode 620113 from North Korea’, accessed on 19-3-2019, https://panjiva.com/shipment_search/company?m=shipments&permanent_id=34067363&q=620113&type=china_imports&xx_history=eJxlT9tKw0AQ_Zd9FkyTGGvAFwVRhFaLL1FkCLsTs7iXsDtbS Uv_3bG1pda3OZc5nLMWbaIeHWmpaQTynhELWbV86x5MUXFT15ff8uPl4Xdw WK_cwr66XCazmj63NOiuRZnwofjYghalf_GXgWEyML0ptkXYQhYGRK1OsjurY TsTl4TrQ3oZK1I2fsSbDeUc_EELxKkrR3IH1yFH5cFFqFf7GLgw8ENA7IxLI1CSFFx XdPka0Kj05QGcXjgNIHtX_apf6CXaF3rhw6OMRrxXzA3YaptlFBmVvUwnWVkw 27kcoi20xmxVprWRBSbb3oth_0.

323) ‘Shipments for China Dawn Garment (Dalian) — Panjiva - HScode 620113 to the Netherlands’, accessed on 19-3-2019, https://panjiva.com/shipment_search/company?m=shipments&permanent_id=33826096&q=620113&type=all_profile&xx_history=eJxtkm1LwzAQx79LXg90VWo38I0DUYRNh2myBHStA3LQ0kuajf23b1mwz2SZP73f3_d0nXjEdspEUIFHaaAbiktG7Np_jZdvOvXuxxffrJw1T7UH_PJzcoz_LH KhNRr2YL5Z9wvrhna2baFuvvVSmpNjSqNaQYCAino7EBWi8Dhdh4fYDhb Mg2_zkn7JOV0ZiONErZco_RSyg5yiQaLfoOXAXOq1rZlBRQWY7KWdhximpeKlt D6zyC5YaK1cxskoHktuxywL Raiccfj1OfY7kr8MnFOwd7IDB1Zoe2p2DB2bT9_EyD BVCjogzLSuqxpiaHs4xw5BBE92PZ0cKROSLCky1Reit5yO067LTbJ_dPjBrqDORv30 AYxADKpC25ArIGYw7e3Yiy_oikJWCIs8yuM2KYjQsRtej9BQrzLatU6UQhXXQbL NHaX8TA.

324) LEE et al., ‘Puk-Chung chöpkýöng chiyök’, 259.

325) ‘Shipments for China Dawn Garment (Dalian) — Panjiva - Hscode 620113 to Other European Countries’, accessed on 19-3-2019, https://panjiva.com/shipment_search/company?m=shipments&permanent_id=33826096&q=620113&type=all_profile&xx_history=eJxtkttKAZeQht8l1wXpVtda8EZBFKHV4k0VGUKS3Q3NYYuk malv67s7GYk97sdlkvsz_zyTZMJ6wUQ610LgC9Evl2IRNy9fp4s28XJf4_F3Ei_aufp_fj9buaVYVIVIZj1b6PCI88UtGzAL_kuFoKWi3Njo1pJijCC8SdZFaIOfKFGKTzQGe

After the sanctions of November 2016, China Dawn continued to export to Europe, but it is not visible anymore whether it still engaged in export processing with North Korea.³²⁶

| Date | Shipment Origin | Shipment Destination | Port of Lading | Port of Unloading | Transport Method | HS Code | Goods Shipped | Volume (TEU) ↓ | Weight (KG) ↑ | Value (USD) |
|---------|-----------------|----------------------|----------------|-------------------|--------------------------|---------|---------------|----------------|---------------|-------------|
| 2017-12 | China | Netherlands | | | Air Transport | 6201.13 | | | | \$320,247 |
| 2017-08 | China | Netherlands | | | River-Sea Transportation | 6201.13 | | | | \$23,476.00 |
| 2017-01 | China | Netherlands | | | Air Transport | 6201.13 | | | | \$428.00 |
| 2015-08 | China | Netherlands | | | River-Sea Transportation | 6201.13 | | | | \$96,855.00 |
| 2014-11 | China | Netherlands | | | River-Sea Transportation | 6201.13 | | | | \$54,850.00 |
| 2014-07 | China | Netherlands | | | River-Sea Transportation | 6201.13 | | | | \$93,825.00 |
| 2014-05 | China | Netherlands | | | River-Sea Transportation | 6201.13 | | | | \$48,021.00 |

Figure 2: China Dawn's export of HSCode 6201.13 to the Netherlands.³²⁷

| Shipment Month | Shipment Origin | Country of Sale | Transport Method | Value of Goods (USD) ↓ | HS Code | HS Code Description | Trade Direction | Trade Type |
|----------------|-----------------|-----------------|------------------------------|------------------------|---------|--|-----------------|---------------------------------|
| Jul 2016 | North Korea | North Korea | Motor Vehicle Transportation | 527,412.00 | 6201.13 | Coats, jackets or suits, knitted, of wool, of men's, made of other animal hair, of men's, other than those of heading 6202, of man-made fibres | Import | Processing trade (not imported) |
| Jan 2014 | North Korea | North Korea | Motor Vehicle Transportation | 1,041,061.00 | 6201.13 | Coats, jackets or suits, knitted, of wool, of men's, made of other animal hair, of men's, other than those of heading 6202, of man-made fibres | Import | Processing trade (not imported) |
| Jun 2014 | North Korea | North Korea | Motor Vehicle Transportation | 277,428.00 | 6201.13 | Coats, jackets or suits, knitted, of wool, of men's, made of other animal hair, of men's, other than those of heading 6202, of man-made fibres | Import | Processing trade (not imported) |
| Mar 2014 | North Korea | North Korea | Motor Vehicle Transportation | 522,466.00 | 6201.13 | Coats, jackets or suits, knitted, of wool, of men's, made of other animal hair, of men's, other than those of heading 6202, of man-made fibres | Import | Processing trade (not imported) |

Figure 3: China Dawn's import of HSCode 6201.13 from North Korea.

sCHb_u85YR9MjmtXpCFVywOmoEByVFk0OQwr8BX4oGvt8qaI2nHU3sGOU9RwqV0NrQ8IjltK3pzHyCovSG7HgWSM154avFzex3JN8PunZOWd71DB1ZYeAu5jCu2q7_JkKGOVHQD1WicVnTkKLs4hw5RJCKvpYEmVkkCKw9RBic7yr5982Hm239xdkWioMIA_XQFkkCJom6fkEiogZ7D7NqJLOteoCoN47Io4LIYj2G3ZffQR8aXe2Q1Ba4MZIsqOImKrb9BYzy950.

326) 'Shipments for China Dawn Garment (Dalian) — Panjiva - HScode 620113 to Other European Countries'.

327) 'Shipments for China Dawn Garment (Dalian) — Panjiva - HScode 620113 to the Netherlands'.

Export Processing via North Korea

| Date | Shipment Origin | Shipment Destination | Port of Loading | Port of Unloading | Transport Method | HS Code | Goods Shipped | Volume (TEU) | Weight (KG) | Value (USD) |
|---------|-----------------|----------------------|-----------------|-------------------|--------------------------|---------|---------------|--------------|-------------|-------------|
| 2018-01 | China | Russia | | | Air Transport | 6201.13 | | | | \$17,018 |
| 2018-03 | China | Germany | | | Air Transport | 6201.13 | | | | \$2,272.70 |
| 2018-03 | China | Germany | | | Air Transport | 6201.12 | | | | \$2,000.00 |
| 2018-06 | China | Germany | | | Road Sea Interconnection | 6201.12 | | | | \$9,019.00 |
| 2018-07 | China | Germany | | | Road Sea Interconnection | 6201.13 | | | | \$83,670.00 |
| 2018-07 | China | Germany | | | Road Sea Interconnection | 6201.13 | | | | \$700.00 |
| 2018-03 | China | Germany | | | Air Transport | 6201.13 | | | | \$2,996.44 |

Figure 4: China Dawn's export of HSCode 6201.13 to all countries but the Netherlands.

| DIMENSION 1 | | DIMENSION 2 | | Shipments | Weight (kg) | Volume (TEU) |
|--|---|-------------|--|---------------------------|-------------|--------------|
| Shipment Destination | HS Code | | | | | |
| | | | | 5,435 shipments | 832 KG | 0 TEUs |
| North Korea | 58 unique hs code (4-digit) Collapse HS Codes (4-digit) | | | 1,577 shipments 29.02% | 0 | 0 TEUs |
| North Korea | 5407 Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading no. 5404 | | | 150 shipments 9.51% | 0 | 0 TEUs |
| North Korea | 8308 Closps, frames with clasps, buckles, buckle-clasps, hooks, eyes, eyelets etc for clothing & accessories, footwear, jew... | | | 117 shipments 7.42% | 0 | 0 TEUs |
| North Korea | 5806 Fabrics, narrow woven, other than goods of heading no. 5807, narrow fabrics consisting of warp without weft assembled by m... | | | 103 shipments 6.53% | 0 | 0 TEUs |
| North Korea | 9606 Buttons, press-fasteners, snap-fasteners and press-studs, button moulds and other parts of these articles; button blanks | | | 96 shipments 6.09% | 0 | 0 TEUs |
| North Korea | 9607 Slide fasteners and parts thereof | | | 92 shipments 5.83% | 0 | 0 TEUs |
| Show more HS Codes (4-digit) ... | | | | | | |
| Vietnam | 58 unique hs code (4-digit) Expand HS Codes (4-digit) ... | | | 1,113 shipments 20.48% | 0 | 0 TEUs |
| Myanmar | 68 unique hs code (4-digit) Expand HS Codes (4-digit) ... | | | 953 shipments 17.53% | 0 | 0 TEUs |

*Figure 5.*³²⁸

The above shows that Dalian Fashion Garment, a supplier to C&A and Esprit, is closely connected to – if not the same entity as – China Dawn. China Dawn has had substantial trading ties with North Korea that correspond to the general pattern of export processing, and has made numerous shipments to Germany and the Nether-

328) China Dawn Garment (Dalian), ‘Shipment Destination and HS Code (4-digit) Report’ (Supplier), accessed on 29-3-2019.

lands. There is cause for concern enough to warrant a thorough inspection of the supply chains of the companies doing business with either Dalian Fashion Garment or China Dawn.

Imports by country

| Country | Value (USD) | % Share | Trend |
|---------------|---------------|---------|-----------|
| All | \$172,827,482 | | sparkline |
| ▶ North Korea | \$164,138,586 | | sparkline |
| ▶ South Korea | \$4,805,143 | | sparkline |
| ▶ Italy | \$1,056,649 | | sparkline |
| ▶ China | \$905,578 | | sparkline |
| ▶ Taiwan | \$897,480 | | sparkline |
| ▶ Vietnam | \$414,906 | | sparkline |
| ▶ Hong Kong | \$269,570 | | sparkline |
| ▶ Germany | \$184,071 | | sparkline |
| ▶ Japan | \$59,463 | | sparkline |
| ▶ Myanmar | \$35,520 | | sparkline |

Figure 6 (above).³²⁹ Figure 7 (below).³³⁰

Imports by country

| Country | Value (USD) | % Share | Trend |
|----------------------------------|---------------|-------------|-----------|
| All | \$172,827,482 | | sparkline |
| ▼ North Korea | \$164,138,586 | | sparkline |
| HTS 6202.93 Anoraks (including : | \$35,561,352 | ~857,000 kg | |
| HTS 6202.13 Coats; women's or | \$15,755,667 | ~299,000 kg | |
| HTS 6201.93 Anoraks (including : | \$16,277,600 | ~463,000 kg | |
| HTS 6204.33 Jackets and blazer | \$3,138,607 | ~65,600 kg | |
| HTS 6201.91 Anoraks (including : | \$2,757,126 | ~19,100 kg | |
| HTS 6203.33 Jackets and blazer | \$2,910,703 | | |
| HTS 6211.43 Track suits and oth | \$187,336 | ~8,100 kg | |
| HTS 6102.30 Coats; women's or | \$170,645 | ~9,200 kg | |
| HTS 6202.12 Coats; women's or | \$372,902 | ~3,800 kg | |
| HTS 6204.39 Jackets and blazer | \$635,943 | ~4,000 kg | |
| HTS 6202.11 Coats; women's or | \$558,449 | ~5,000 kg | |
| HTS 6201.11 Coats; men's or bo | \$122,746 | ~1,400 kg | |
| HTS 6204.31 Jackets and blazer | \$107,923 | ~420 kg | |
| HTS 6104.33 Jackets; women's | \$467,325 | ~16,700 kg | |
| HTS 6204.32 Jackets and blazer | \$301,645 | ~2,500 kg | |
| HTS 6211.33 Track suits and oth | \$382,170 | ~13,800 kg | |
| HTS 6203.31 Jackets and blazer | \$292,062 | | |
| HTS 6201.13 Coats; men's or bo | \$217,248 | ~3,600 kg | |
| HTS 6211.42 Track suits and oth | \$80,591 | ~4,700 kg | |
| HTS 6210.40 Garments; men's o | \$197,223 | ~5,500 kg | |
| HTS 6210.50 Garments; women' | \$43,434 | ~1,300 kg | |
| HTS 6203.32 Jackets and blazer | \$39,237 | ~620 kg | |
| HTS 6202.92 Anoraks (including : | \$814,211 | | |
| HTS 6201.92 Anoraks (including : | \$145,557 | | |
| HTS 6407.69 Fabrics, woven; coi | \$23,225 | | |

329) China Dawn Garment (Dalian), Dalian, Liaoning, China | Buyer Report — Panjiva, accessed on 29-3-2019, <https://panjiva.com/China-Dawn-Garment-Dalian/34067363>.

330) China Dawn Garment (Dalian), Dalian, Liaoning, China | Buyer Report — Panjiva.

Export Processing via North Korea



Figure 8.³³¹

| | | | | |
|-------------|--|-------------------------|---|--------|
| Germany | 36 unique hs code (4-digits) Expand HS Codes (4-digit)... | 949 shipments 17.46% | 0 | 0 TEUs |
| Netherlands | 11 unique hs code (4-digits) Collapse HS Codes (4-digit) | 355 shipments 7.08% | 0 | 0 TEUs |
| Netherlands | 6202 Coats, women's or girls' overcoats, carcoats, capes, cloaks, anoraks, ski-jackets, wind-cheaters, wind-jackets and... | 181 shipments 47.01% | 0 | 0 TEUs |
| Netherlands | 6201 Overcoats, car-coats, capes, cloaks, anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles, etc... | 86 shipments 22.34% | 0 | 0 TEUs |
| Netherlands | 6204 Suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other t... | 44 shipments 11.43% | 0 | 0 TEUs |
| Netherlands | 6203 Suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), men's... | 21 shipments 5.45% | 0 | 0 TEUs |
| Netherlands | 6211 Track suits, swimwear and other garments (not knitted or crocheted) | 13 shipments 3.38% | 0 | 0 TEUs |
| Netherlands | 6104 Suits, ensembles, jackets, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (not swi... | 9 shipments 2.34% | 0 | 0 TEUs |
| Netherlands | 6102 Coats, women's or girls' overcoats, car-coats, capes, cloaks, anoraks, ski-jackets, wind-cheaters, wind-jackets an... | 9 shipments 2.34% | 0 | 0 TEUs |
| Netherlands | 6206 Blouses, shirts and shirt-blouses; women's or girls' (not knitted or crocheted) | 8 shipments 2.08% | 0 | 0 TEUs |

Figure 9.³³²

331) 'China Dawn Garment (Dalian), Dalian, Liaoning, China | Supplier Report — Panjiva', accessed on 29-3-2019, <https://panjiva.com/China-Dawn-Garment-Dalian/33826096>.

332) 'China Dawn Garment (Dalian), 'Shipment Destination and HS Code (4-digit) Report' (Supplier), accessed on 29-3-2019.

3. Donggang Maisha/Dandong Xinfei

Introduction and company relations

This network revolves around two related factories, Donggang Maisha Garments Co. Ltd 东港麦莎国际贸易 and Dandong Xinfei Garments Co. Ltd 丹东新飞制衣有限公司. Both are listed as partners on the Dutch Textile Covenant: Donggang Maisha is on the 2017 list, but not the 2018 list; while Xinfei is on both.³³³ Donggang Maisha is a subsidiary of Qingdao Maisha 青岛麦莎, a garment manufacturing company. According to a Chinese business listing, both Donggang Maisha and Dandong Xinfei are production bases of Qingdao Maisha.³³⁴ Dandong Xinfei also owns a trading company, Donggang Fortune Import and Export 东港市运承进出口有限公司, which was established in 2008 as a trading company for the European and American markets.³³⁵

International shipments

An introduction for Qingdao Maisha³³⁶ mentions that the company specializes in down-stuffed clothing, skiing clothing, jackets, and childrenswear, and that it mainly exports to European and American countries. It names a number of Italian brands as its main customers: Kappa, Ande, DE, Areana [sic],³³⁷ AU, and Bailo. In addition, both Donggang Maisha and Dandong Xinfei are manufacturers for the company, while the latter is specially notable as a platform from which to conduct “North Korean processing”.³³⁸

333) SER, ‘Aggregated List of Production Locations’, Aggregated list of production locations, 4 July 2018, https://www.imvoconvenanten.nl/garments-textile/agreement/method/factories?sc_lang=en. The 2017 list is apparently no longer available online, but has been saved locally by the researchers from the same address.

334) ‘Qingdao Maisha Guoji Maoyi Youxiangongsi’, 58 Qiye Minglu, accessed on 23-3-2019, <http://qy.58.com/21492621023239/>.

335) ‘Dandong Xin Fei Zhi Yi Youxiangongsi’ (117 Jie) Di 117 Jie Guangjiaohui Can-zhan Shang’, accessed on 17-3-2019, <https://exhibitor117.mingluji.com/node/24253>.

336) ‘Qingdao Maisha Guoji Maoyi Youxiangongsi, Fuzhuang, Fuzhuang Jiagong Gongin Shang, Fuzhuang, Fuzhuang Jiagong Pifa Shang-zhongguo Cheng Shang Wang’, accessed on 17-3-2019, <http://china.trade2cn.com/company-Shop/110331145716XkT.html>.

337) Probably a reference to Arena.

338) ‘Qingdao Maisha Guoji Maoyi Youxiangongsi, Fuzhuang, Fuzhuang Jiagong Gongin Shang, Fuzhuang, Fuzhuang Jiagong Pifa Shang-zhongguo Cheng Shang Wang’.

North Korean connections

Dandong Xinfei³³⁹ does not appear to have trade connections with North Korea based on data from Panjiva. However, it is a leading factory in the Qianyang economic zone which, as mentioned previously, is known to hire North Korean workers.³⁴⁰ It predominantly ships clothing to Japan (USD 21 million) and the Netherlands (USD 13 million) (see *Figure 1*).

Donggang Fortune³⁴¹ fits the general observed pattern of Sino-North Korean trade. It has made a total of 463 shipments to North Korea, including fabrics, buttons, and other textile materials, between February 2013 and September 2016. The total trade value is USD 4.9 million (see *Figures 2 and 3*). Panjiva only records twenty-three imports made by the company as a whole, all of them from North Korea; most of the shipments are children's down garments at a total value of USD 4 million (see *Figure 4*). The data only ranges from January 2013 to July 2014, which is inconsistent with the aforementioned date range for fabric exports to North Korea. It has made a total of seventy-four shipments to the Netherlands between January 2013 and September 2016 valued at USD 8 million (see *Figures 5 and 6*). As can be seen, the largest category of shipments made to the Netherlands (HS Codes 6201.9 and 6202.93, both children's anoraks with down; and HS Codes 6202.33 and 6204.33, both jackets) for both Dandong Xinfei and Donggang Fortune are consistent with the shipments received by Donggang Fortune from North Korea, meriting further research into a possible connection.

For Donggang Maisha,³⁴² Panjiva records show numerous shipments to various countries. By far the largest value is Italy with USD 8 million, again with the HS Codes 6201.93 and 6202.93 as the dominant categories (*Figure 7*).

It has only received two shipments from North Korea, at a total of value of USD 400,000 and again consisting of the HS Codes 6201.93 and 6202.93 (*Figure 8*).

339) Listed as 'Dandong New Garments' on Panjiva.

340) 'Qianyang Huwai Yundong Fuzhuang Chanyeyuan'.

341) Listed as 'Donggang Yuncheng' on Panjiva.

342) Listed as 'East Hong Kong Garment Co., Ltd. Matsa' on Panjiva.

Qingdao Maisha³⁴³ fits into the standard pattern for North Korean trade with much higher values. It sent 798 shipments of fabrics and material to North Korea, totalling USD 14 million between April 2014 and December 2016, and received USD 13 million worth of goods in anoraks, jackets, and track suits (*Figures 9 and 10*).

Its international buyers include Italy (USD 67 million), Germany (USD 5 million), and the Netherlands (USD 4 million). The aforementioned anoraks and jackets are amongst the highest valued goods sent in these shipments (*Figure 11*).

Summary

Dandong Xinfei and Donggang Maisha, both at times part of the Dutch Agreement on Sustainable Garments and Textile, have clear North Korean connections. Xinfei is specifically mentioned as a North Korean processing platform on a company website, and is located in an area where North Korean labourers are active, while Donggang Maisha has received shipments from North Korea. Upon investigating, the two companies related to these two factories, Donggang Fortune and Qingdao Maisha, are revealed to have substantial dealings with North Korea, fitting into the standard pattern of export processing.

343) Listed as 'Maisha International Trading Co., Ltd.' on Panjiva.

Exports by country

| Country | Value (USD) | % Share | Trend |
|-----------------------------------|--------------|-------------|-----------|
| All | \$36,438,096 | | sparkline |
| ▼ Japan | \$21,377,734 | | sparkline |
| HTS 6211.33 Track suits and oth | \$7,582,145 | ~619,000 kg | |
| HTS 6203.33 Jackets and blazer | \$336,688 | | |
| HTS 6203.43 Trousers, bib and b | \$4,652,849 | ~291,000 kg | |
| HTS 6211.32 Track suits and oth | \$1,278,194 | ~34,300 kg | |
| HTS 6203.32 Jackets and blazer | \$567,013 | ~22,300 kg | |
| HTS 6201.93 Anoraks (including : | \$523,019 | ~10,200 kg | |
| HTS 6203.42 Trousers, bib and b | \$361,284 | ~15,400 kg | |
| HTS 6211.43 Track suits and oth | \$131,551 | ~7,600 kg | |
| HTS 6203.22 Ensembles; men's | \$104,492 | ~2,400 kg | |
| HTS 6205.30 Shirts; men's or bo | \$87,967 | ~3,100 kg | |
| HTS 6201.92 Anoraks (including : | \$58,702 | ~820 kg | |
| HTS 6201.13 Coats; men's or bo | \$52,947 | ~1,500 kg | |
| HTS 6204.51 Skirts and divided s | \$26,613 | ~1,100 kg | |
| HTS 6204.53 Skirts and divided s | \$23,910 | ~1,100 kg | |
| HTS 6204.33 Jackets and blazer | \$22,648 | ~680 kg | |
| HTS 6506.99 Headgear; (other th | \$9,251 | ~80 kg | |
| HTS 6210.40 Garments; men's o | \$6,603 | ~49 kg | |
| HTS 6205.20 Shirts; men's or bo | \$4,551 | ~150 kg | |
| HTS 6109.90 T-shirts, singlets an | \$1,500 | ~120 kg | |
| ▼ Netherlands | \$13,586,002 | | sparkline |
| HTS 6201.93 Anoraks (including : | \$7,248,797 | ~142,000 kg | |
| HTS 6202.93 Anoraks (including : | \$4,583,645 | ~94,300 kg | |
| HTS 6203.33 Jackets and blazer | \$166,697 | | |
| HTS 6204.33 Jackets and blazer | \$79,793 | ~2,400 kg | |
| HTS 6201.92 Anoraks (including : | \$231,760 | ~3,200 kg | |
| HTS 6210.30 Garments; overcoa | \$109,296 | ~1,600 kg | |
| HTS 6204.39 Jackets and blazer | \$93,244 | ~4,500 kg | |
| HTS 6210.50 Garments; women' | \$63,139 | ~870 kg | |
| HTS 6203.32 Jackets and blazer | \$45,066 | ~1,800 kg | |
| HTS 3923.21 Ethylene polymers; | \$150 | | |
| HTS 6211.33 Track suits and oth | \$144 | ~12 kg | |

Figure 1: Dandong Xinfeni's two top destinations.³⁴⁴

344) 'Dandong New Garment Co., DANDONG CITY, LIAONING, LIAONING PROVINCE | Supplier Report — Panjiva', accessed on 29-3-2019, <https://panjiva.com/Dandong-New-Garment-Co/15565976>.

| ▼ North Korea | \$4,968,812 |  | sparkline |
|------------------------------------|-------------|---|-------------|
| HTS 5407.69 Fabrics, woven; coi | \$1,434,491 | | ~102,000 kg |
| HTS 5407.42 Fabrics, woven; coi | \$506,215 | | ~31,800 kg |
| HTS 5601.22 Wadding; other arti | \$470,555 | | ~70,300 kg |
| HTS 9607.19 Slide fasteners; oth | \$353,552 | | |
| HTS 9607.11 Slide fasteners; fitte | \$333,442 | | |
| HTS 6004.10 Fabrics; knitted or c | \$257,025 | | ~15,000 kg |
| HTS 6006.32 Fabrics; knitted or c | \$225,136 | | ~26,200 kg |
| HTS 6001.10 Fabrics; long pile fa | \$198,884 | | |
| HTS 5903.20 Textile fabrics; impr | \$158,746 | | ~10,000 kg |
| HTS 9606.10 Press-fasteners, sn | \$139,463 | | |
| HTS 5407.52 Fabrics, woven; coi | \$107,165 | | ~4,800 kg |
| HTS 8308.90 Clasps, frames with | \$103,307 | | ~12,700 kg |
| HTS 5603.12 Nonwovens; wheth | \$77,087 | | ~15,000 kg |
| HTS 5807.10 Labels, badges anc | \$70,343 | | ~6,500 kg |
| HTS 6001.92 Fabrics; pile fabrics | \$59,748 | | |
| HTS 8308.10 Hooks, eyes and e) | \$54,285 | | ~2,900 kg |
| HTS 5407.72 Fabrics, woven; coi | \$51,135 | | ~4,800 kg |
| HTS 5811.00 Quilted textile prod | \$46,277 | | |
| HTS 4821.10 Paper and paperbc | \$34,099 | | ~3,100 kg |
| HTS 4203.40 Clothing accessorie | \$33,110 | | |
| HTS 5407.44 Fabrics, woven; coi | \$31,803 | | ~1,300 kg |
| HTS 6117.90 Clothing; parts, knif | \$29,678 | | ~2,600 kg |
| HTS 5806.20 Fabrics; narrow (ex | \$29,666 | | ~4,000 kg |
| HTS 5407.54 Fabrics, woven; coi | \$18,286 | | ~2,200 kg |
| HTS 5806.32 Fabrics, narrow wo | \$16,909 | | ~2,000 kg |
| HTS 5810.92 Embroidery; with vi | \$16,118 | | ~620 kg |
| HTS 5607.50 Twine, cordage, rop | \$16,022 | | ~1,300 kg |
| HTS 9606.21 Buttons; of plastics | \$13,067 | | |
| HTS 5801.33 Fabrics; woven pile | \$10,548 | | ~880 kg |
| HTS 3926.90 Plastics; other artic | \$10,194 | | |

Figure 2: A partial list of Donggang Fortune's exports to North Korea.³⁴⁵

345) 'Donggang Yuncheng Imp. & Exp. Co., Ltd., NO.147, DONGGANG SOUTH ROAD, DEVELOPMENT ZONE, DONGGANG, LIAONING, DANDONG CITY, LIAONING, LIAONING PROVINCE | Supplier Report — Panjiva', accessed on 29-3-2019, <https://panjiva.com/Donggang-Yuncheng-Imp-Exp-Co-Ltd/15571578>.



Figure 3: Shipments made to North Korea.³⁴⁶

Imports by country

| Country | Value (USD) | % Share | Trend |
|----------------------------------|-------------|------------|-----------|
| All | \$4,193,243 | | sparkline |
| ▼ North Korea | \$4,193,243 | | sparkline |
| HTS 6202.93 Anoraks (including : | \$2,152,420 | ~51,800 kg | |
| HTS 6201.93 Anoraks (including : | \$1,573,816 | ~44,800 kg | |
| HTS 6203.33 Jackets and blazer: | \$213,997 | | |
| HTS 6204.33 Jackets and blazer: | \$179,856 | ~3,200 kg | |
| HTS 6203.43 Trousers, bib and b | \$63,775 | ~3,100 kg | |
| HTS 6204.63 Trousers, bib and b | \$9,379 | ~390 kg | |

Figure 4: All shipments made to Donggang Fortune.³⁴⁷

Exports by country

| Country | Value (USD) | % Share | Trend |
|----------------------------------|--------------|------------|-----------|
| All | \$13,638,476 | | sparkline |
| ▼ Netherlands | \$8,429,094 | | sparkline |
| HTS 6202.93 Anoraks (including : | \$4,160,061 | ~85,600 kg | |
| HTS 6201.93 Anoraks (including : | \$3,640,578 | ~71,100 kg | |
| HTS 6204.33 Jackets and blazer: | \$240,627 | ~7,300 kg | |
| HTS 6203.33 Jackets and blazer: | \$228,777 | | |
| HTS 6203.43 Trousers, bib and b | \$64,812 | ~4,100 kg | |
| HTS 6101.30 Coats; men's or bo | \$60,621 | ~2,000 kg | |
| HTS 6211.33 Track suits and oth | \$13,051 | ~1,100 kg | |
| HTS 6202.13 Coats; women's or | \$11,027 | ~240 kg | |
| HTS 6204.63 Trousers, bib and b | \$9,540 | ~290 kg | |

Figure 5: Donggang Fortune's exports to the Netherlands.³⁴⁸

346) Donggang Yuncheng Imp. &Exp. Co., Ltd., 'Shipments Report – North Korea' (Supplier), accessed on 29-3-2019.

347) 'Donggang Yuncheng Imp. & Exp. Co., Ltd., NO.147, DONGGANG SOUTH ROAD,DEVELOPMENT ZONE, DONGGANG, LIAONING, DANDONG CITY, LI-AONING, LIAONING PROVINCE | Buyer Report — Panjiva', accessed on 29-3-2019, <https://panjiva.com/Donggang-Yuncheng-Imp-Exp-Co-Ltd/30319674>.

348) 'Donggang Yuncheng Imp. & Exp. Co., Ltd., NO.147,DONGGANG SOUTH ROAD,DEVELOPMENT ZONE,DONGGANG,LIAONING DANDONG



Figure 6: Donggang Fortune’s exports to the Netherlands, over time.³⁴⁹

Exports by country

| Country | Value (USD) | % Share | Trend |
|----------------------------------|-------------|------------|-----------|
| All | \$9,774,544 | | sparkline |
| ▼ Italy | \$8,342,187 | | sparkline |
| HTS 6201.93 Anoraks (including : | \$4,857,570 | ~94,900 kg | |
| HTS 6202.93 Anoraks (including : | \$2,586,972 | ~53,200 kg | |
| HTS 6203.33 Jackets and blazer: | \$256,509 | | |
| HTS 6201.92 Anoraks (including : | \$156,642 | ~2,200 kg | |
| HTS 6101.30 Coats; men’s or bo | \$116,143 | ~3,800 kg | |
| HTS 6103.33 Jackets and blazer: | \$99,586 | ~5,100 kg | |
| HTS 6202.92 Anoraks (including : | \$89,612 | ~1,700 kg | |
| HTS 6104.33 Jackets; women’s | \$86,933 | ~4,500 kg | |
| HTS 6204.33 Jackets and blazer: | \$55,096 | ~1,700 kg | |
| HTS 6102.30 Coats; women’s or | \$21,020 | ~1,000 kg | |
| HTS 6211.33 Track suits and oth | \$8,872 | ~720 kg | |
| HTS 6204.63 Trousers, bib and b | \$7,232 | ~220 kg | |
| ▶ Germany | \$499,100 | | sparkline |
| ▶ Netherlands | \$254,367 | | sparkline |
| ▶ Spain | \$249,308 | | sparkline |
| ▶ Belgium | \$132,400 | | sparkline |
| ▶ United Kingdom | \$113,706 | | sparkline |
| ▶ Croatia | \$95,100 | | sparkline |
| ▶ France | \$50,162 | | sparkline |
| ▶ Mexico | \$16,112 | | sparkline |
| ▶ Austria | \$13,120 | | sparkline |

Figure 7: Donggang Maisha’s exports.³⁵⁰

CITY, LIAONING, LIAONING PROVINCE | Supplier Report — Panjiva.

349) Donggang Yuncheng Imp. & Exp. Co., Ltd., ‘Shipments Report – Netherlands’ (Supplier), accessed on 29-3-2019.

350) ‘East Hong Kong Garment Co., Ltd. Matsa, DANDONG CITY, LIAONING, LIAONING PROVINCE | Supplier Report — Panjiva’, accessed on 29-3-2019, <https://panjiva.com/East-Hong-Kong-Garment-Co-Ltd-Matsa/39436011>.

Export Processing via North Korea

Shipment Details

[Hide empty fields](#)

| | |
|----------------------|--|
| Shipment Month | 2018-06-01 |
| Shipment Origin | Korea, DPR |
| Province | Liaoning Province |
| Country of Sale | Korea, DPR |
| Transport Method | Motor Vehicle Transportation |
| Is Containerized | |
| Value of Goods (USD) | 79924 |
| HS Code | 6202.93 |
| HS Code Description | Anoraks (including ski jackets), wind cheaters, wind jackets and similar articles; women's or girls', of man-made fibres, other than those of heading no. 6214 (not knitted or crocheted) |
| HS Code Keywords | CHILDREN'S DOWN GARMENT; DOWN CLOTHES; DOWN CLOTHES FOR CHILDREN; DOWN CLOTHING COVER; MULTIFUNCTIONAL WARM WEAR; RHOMBIC LATTICE KNITTED WAISTBAND JACKET; WOMAN DOWN GARMENT; WOMEN'S DOWN GARMENT; WOMEN'S TYPE DOWN VEST |
| Trade Direction | Import |
| Admin Region | Dandong City, Liaoning |
| Trade Type | Processing and Assembling Trade with Customer-Supplied Materials |

Figure 8 (1): The two North Korean shipments to Donggang Maisha.

Shipment Details

[Hide empty fields](#)

| | |
|----------------------|--|
| Shipment Month | 2018-06-01 |
| Shipment Origin | Korea, DPR |
| Province | Liaoning Province |
| Country of Sale | Korea, DPR |
| Transport Method | Motor Vehicle Transportation |
| Is Containerized | |
| Value of Goods (USD) | 367804 |
| HS Code | 6201.93 |
| HS Code Description | Anoraks (including ski jackets), wind cheaters, wind jackets and similar articles; men's or boys', of man-made fibres, other than those of heading no. 6203 (not knitted or crocheted) |
| HS Code Keywords | CHILDREN DOWN THERMAL UNDERWEAR; DOWN CLOTHES; DOWN JACKET; DOWN VEST; DOWN VESTS; DOWN WAISTCOAT; HEAT PROTECTION SHIRT; MEN'S DOWN JACKET; MEN'S TYPE THERMAL SHIRT; MULTIFUNCTIONAL COTTON DRESS; POLICE REFLECTIVE WATERPROOF COTTON CLOTHES |
| Trade Direction | Import |
| Admin Region | Dandong City, Liaoning |
| Trade Type | Processing and Assembling Trade with Customer-Supplied Materials |

Figure 8 (2): The two North Korean shipments to Donggang Maisha.³⁵¹

351) East Hong Kong Garment Co., Ltd. Matsa, 'Shipments Report' (Buyer), accessed on 29-3-2019.

| Shipment Destination | HS Code | Shipments | Weight (kg) | Volume (TEU) |
|----------------------|---|--------------------------|-------------|--------------|
| North Korea | 41 unique hs code (4-digit) Collapse HS Codes (4-digit) | 784 shipments 100.00% | 0 | 0 TEUs |
| North Korea | 5407 Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading no. 5404 | 107 shipments 13.65% | 0 | 0 TEUs |
| North Korea | 9606 Buttons, press-fasteners, snap-fasteners and press-studs, button moulds and other parts of these articles; button blanks | 81 shipments 10.33% | 0 | 0 TEUs |
| North Korea | 9607 Slide fasteners and parts thereof | 70 shipments 8.93% | 0 | 0 TEUs |
| North Korea | 5806 Fabrics, narrow woven, other than goods of heading no. 5807; narrow fabrics consisting of warp without weft assembled by m... | 67 shipments 8.55% | 0 | 0 TEUs |
| North Korea | 5601 Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and ... | 41 shipments 5.23% | 0 | 0 TEUs |
| North Korea | 5807 Labels, badges and similar articles; of textile materials, in the piece, in strips or cut to shape or size, not embroidered | 39 shipments 4.97% | 0 | 0 TEUs |
| North Korea | 6117 Clothing accessories, made up, knitted or crocheted, knitted or crocheted parts of garments or of clothing accessories | 37 shipments 4.72% | 0 | 0 TEUs |
| North Korea | 5603 Nonwovens, whether or not impregnated, coated, covered or laminated | 37 shipments 4.72% | 0 | 0 TEUs |
| North Korea | 6001 Fabrics, pile fabrics, including long pile fabrics and terry fabrics, knitted or | 33 shipments 4.21% | 0 | 0 TEUs |

Figure 9: A partial sample of Qingdao Maisha's shipments to North Korea.³⁵²

Figure 10: Qingdao Maisha's imports from North Korea.³⁵³

| Shipment Origin | HS Code | Value (USD) |
|-----------------|--|---------------------------|
| | | \$18,510,675 |
| North Korea | 7 unique hs code (6-digit) Collapse HS Codes (6-digit) | \$13,843,139.00 74.78% |
| North Korea | 6201.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of man-made fib... | \$9,332,494.00 67.42% |
| North Korea | 6202.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; women's or girls', of man-made ... | \$3,006,439.00 21.72% |
| North Korea | 6203.33 Jackets and blazers; men's or boys', of synthetic fibres (not knitted or crocheted) | \$717,607.00 5.18% |
| North Korea | 6201.92 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of cotton, othe... | \$335,560.00 2.42% |
| North Korea | 6204.33 Jackets and blazers; women's or girls', of synthetic fibres (not knitted or crocheted) | \$247,971.00 1.79% |

352) Maisha International Trading, 'Shipment Destination and HS Code (4-digit) Report' (Supplier), accessed on 29-3-2019.

353) Maisha International Trading, 'Shipment Destination and HS Code (4-digit) Report' (Buyer), accessed on 29-3-2019.

Export Processing via North Korea

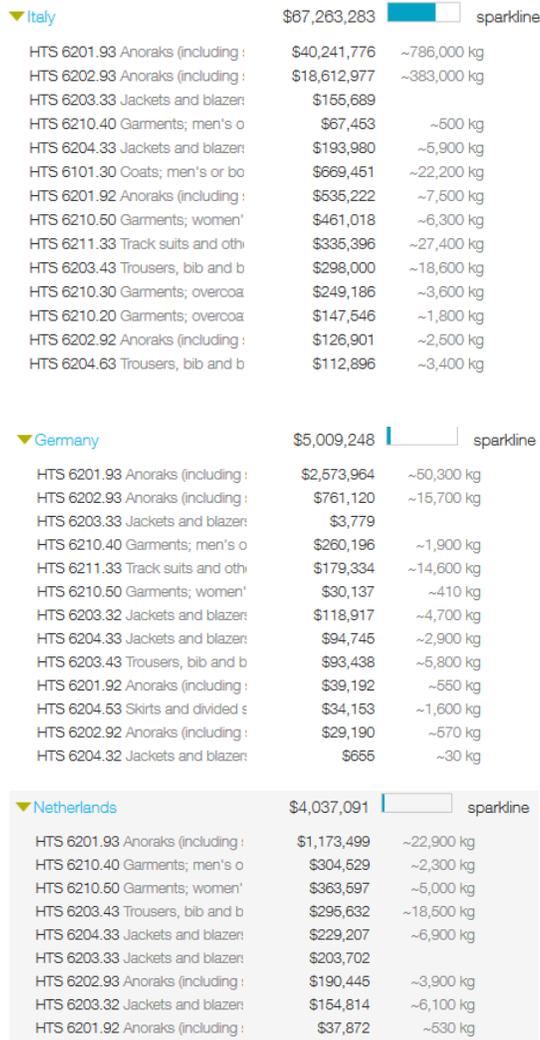


Figure 11: Shipments made to Italy, Germany, and the Netherlands. Italy's listings are partial; the other two are complete.³⁵⁴

354) 'Maisha International Trading, Laoshan, Qingdao, Shandong, China, 266061 | Supplier Report — Panjiva', accessed on 29-3-2019, <https://panjiva.com/Maisha-International-Trading/33818398>.

4. Richland/Xintianhe - Xianteng Garment Co. Ltd. Company profile and export to the Netherlands

Xianteng Garment co. Ltd. is a Dandong based factory owned by Xintianhe Trade co., Ltd. The trading company is in charge of transporting the products it makes in the factory to the buyers. On the website of the trading company, it mentions working together with C&A.³⁵⁵ This is corroborated by C&A's supply chain list, which names the factory as one of their Tier 1 suppliers.³⁵⁶ According to customs data from 2013 to March 2018, Xintianhe exported clothing worth of USD 19.9 million to the Netherlands,³⁵⁷ most of which fell in the category of coats and outdoor sport jackets.

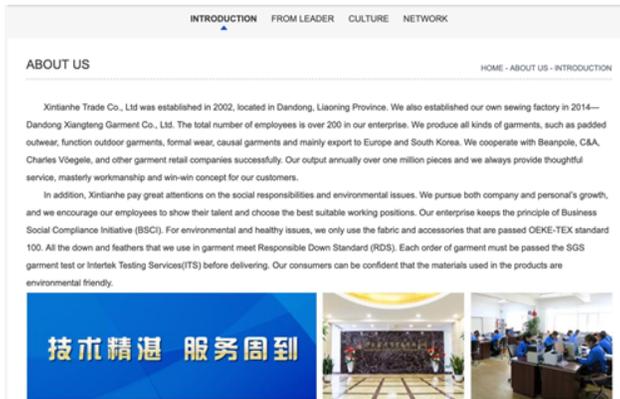


Figure 1: Introduction page of Xintianhe's company website.³⁵⁸

355) 'About Us', Xintianhe Dandong, accessed on 19-3-2019, <http://www.xth-china.com/en/aboutus/Introduction/>.

356) 'C&A: Supplier List', accessed on 19-3-2019, <http://sustainability.c-and-a.com/supplier-list/>.

357) 'Shipments for Dandong Xintianhe Trad. Co., Ltd. — Panjiva - Total Export to the Netherlands', accessed on 19-3-2019, https://panjiva.com/shipment_search/company?m=shipments&permanent_id=15568018&type=china_exports&x_history=eJxlj91KAzEQhd8l14Lt2m7tgjcKogitFm9WkSEks25ofpZk0rItfXfHasuid2fO15w5sxcyU4uejDLUA4U1elGJRfmyqF_t86ykp22RLrvbz7fV3dXOPy7L6ZQ2e6WtYkPtKpxvIVwEDYYo9Hif1NrOseJiYEKNjufoIuY2BLVfoArMRaH85s_7F3o7FzPGScTXPDUskFRtSFSEB9h2xspM0IOWnWLSVQQeNAGsakhvMa22IrtgRMXqFMTJjHHn_0f3DA2cF7Blf5dGbExcD2ajmBSzCfzclZMx8frOMQ4kNYeKVuNtAnF4Qv5qoF7.

358) 'About Us'.

Export Processing via North Korea

| About C&A Our Approach Sustainable Products Sustainable Supply Sustainable Lives Supplier List GRI | | | | | |
|---|--|---------|------------------------|---------------|------------------|
| | | Reset | China | Search | |
| Name | Address | Country | Product Category | No of Workers | Tier |
| Wuxi Amictus Apparel Co. Ltd. | No 101, Meixi Road, Bk 6, Meicun Industrial Park, Meicun Town, 214112, Wuxi City, Jiangsu Province | China | Apparel / Accessories | 1-1000 | Tier 1 |
| WUXI SUFU APPAREL CO., LTD | Hongdou Industrial Park, Gangxia Town, Xishan District, 214199, WUXI | China | Apparel | 1-1000 | Tier 1 |
| Xiangteng Garment Co. Ltd | Yinqian Third Street, 118000, Dandong | China | Apparel | 1-1000 | Tier 1 |
| XINJIANG JINLIYUAN GARMENT CO., LTD | Akisu, Xinjiang textile development, Zone, 0, Akisu | China | Apparel | 1-1000 | Tier 1 |
| Xinyi GuoTai Huayi Garment Co. Ltd. | Second Group of Xinzhuang, Shaodian Town, Xinyi city, Jiangsu province, 221428, Jiangsu | China | Apparel | 1-1000 | Tier 1 |
| Xize Fashion Accessories CO., LTD | Tashan Road, 322002, Yheu | China | Accessories | 1-1000 | Tier 1 |
| Yangzhou Fuheng Shoes Co., Ltd | Niangjiao Village, 225119, Yangzhou City, Jiangsu Province | China | Accessories / Footwear | 1-1000 | Tier 1 |
| YANGZHOU RICH ARTS & CRAFTS CO., LTD (Posh Paws) | North Yangzijiang Road, 225009, Yangzhou City | China | Accessories | 1-1000 | Tier 1 Tier 2 |

Figure 2: Xianteng on C&A's supplier list.³⁵⁹



Figure 3: Shipments to the Netherlands, data from Panjiva.³⁶⁰

359) 'C&A: Supplier List'.

360) 'Shipments for Dandong Xintianhe Trad Co., Ltd. — Panjiva - Total Export to the Netherlands'.

Export processing to North Korea

As shown by Chinese customs data, Xintianhe also makes extensive use of export processing to North Korea.³⁶¹ It exports raw textiles and accessories to the country and imports finished clothing from it. Such shipments are given the label “Processing and Assembling Trade with Customer-Supplied Materials” in the customs record. Between 2013 and the final month of 2016 (right before the sanctions), Xintianhe exported USD 22 million of raw textiles other material to,³⁶² and imported USD 37.5 million worth of clothing from, North Korea.³⁶³

361) ‘Shipments for Dandong Xintianhe Trad. Co., Ltd. — Panjiva - Individual Import Shipments from North Korea’, accessed on 19-3-2019,

362) ‘Shipments for Dandong Xintianhe Trad. Co., Ltd. — Panjiva - All Export to North Korea’, accessed on 21-3-2019, [363\) ‘Shipments for Dandong Xintianhe Trad. Co., Ltd. — Panjiva - Total Import North Korea’, accessed on 19-3-2019, \[168\]\(https://panjiva.com/shipment_search/company?m=country&permanent_id=30318824&type=china_imports&x_history=eJxdUF1Lw0AQ_C_3LJimMdaALwqiCK0WX6LIEe42zdH74m6vJS39766p_bBvszO7M7u7ZU3CDiwqobDn6JZgWcWm5fu0_tBvtyWrvN47R8Wn_PH8cazMQnNhdJb2a1Cs84r_ZFTPCrSAEJYFmhUsWQ00cDoZG7kPECmCVVsWO UN4UiNi7Y79lXoX0wmY349DiQ3zmJHhA9OJoHKWX5KwtBIF_b6F1Ajr0HllANtS BTIIQ7jNqQ4QxyCVGc10vo1y7ISFwAQehgtE_6K_ZLftMZoeXHCfp1eMTpngt9m K7YAmGwbxWfZDCzL_K78WSUFcV4eA7ZK8MbrQeVqLbREdjuByknmBQ.</p></div><div data-bbox=\)](https://panjiva.com/shipment_search/company?m=country&permanent_id=15568018&type=china_exports&x_history=eJxdUF1Lw0AQ_C_3LJgmMdaALwqiCK0WX6LIEe42zdH74m6vJS39767RftC32Zndm bnbsTZhdXaVUDhwdCuwrGaz6n3WfOi32wpfN3m89g_Lz8VjsbUv8qpy0XS23mjw jMumnt2xQx3awhBSaBb4ZLFMBAtne7GRu4DRIPg9Y7FXnlDONLihO2POxfaf5PJmFPA8mNs9gT4YOTSaBylpSMLQ2eheQ4CBiHWRE_AUJeEeI61KOINCqHTn8wqGjQsyEhdAEDoYkTPJ_8NfqWqHTpjKBq48NP_S_08bpmS4TrvIN8mt1kvMzviukkK8ti_AyyV4a3Wo8qUV2rI7D9D2mXkiE.</p></div><div data-bbox=)

Export Processing via North Korea



Figure 4: Xintianhe import from North Korea, data by Panjiva.³⁶⁴

| Shipment Month | Shipment Origin | Country of Sale | Transport Method | Value of Goods (USD) ↓ | HS Code | HS Code Description | HS Code Keywords | Trade Direction | Trade Type |
|---------------------|-----------------|-----------------|------------------------------|------------------------|---------|--|--|-----------------|--|
| \$37,542,238 | | | | | | | | | |
| Dec 2016 | Korea, DPR | Korea, DPR | Motor Vehicle Transportation | \$29,094.00 | 6210.30 | Garments, overcoats, raincoats, car-coats, capes, cloaks and similar articles, women's or girls', of the fabric of heading no. 5902, 5903, 5904, 5906 or 5907 (not knitted or crocheted) | BICYCLE, CAMOUFLAGE RAINCOAT, CLOTH-ADHESIVE PVC LEATHER RAINCOAT, HIGH-GRADE WATERPROOF RAINCOAT, KART RAINCOAT, SUIT, PROFESSIONAL RAINCOAT, PROTECTIVE RAINCOAT, RAINCOAT, RAINWEAR, REFLECTION BICYCLE RAINCOAT, WATERPROOF RAINCOAT | Import | Processing and Assembling Trade with Customer-Supplied Materials |
| Dec 2016 | Korea, DPR | Korea, DPR | Motor Vehicle Transportation | \$114,736.00 | 6204.63 | Trousers, bib and brace overalls, breeches and shorts, women's or girls', of synthetic fibres (not knitted or crocheted) | ADULT TROUSERS, BEACH PANTS, BEACH SEAM PANTS, BEACH TROUSERS, BEACH TROUSERS, CASUAL, STRETCH PANTS, CHILDREN LONG PANTS, CHILDREN'S BEACH PANTS, EMBROIDERY TROUSERS, FEMALE BASKETBALL SHORTS, KNITTED BEACH PANTS, MEN'S BEACH TRO | Import | Processing and Assembling Trade with Customer-Supplied Materials |

Figure 5: Example of clothing shipment imported by Xintianhe from North Korea.³⁶⁵

364) 'Shipments for Dandong Xintianhe Trad Co., Ltd. — Panjiva - Total Import North Korea.'

365) 'Shipments for Dandong Xintianhe Trad. Co., Ltd. — Panjiva - Individual Import Shipments from North Korea.'

with shipments being imported from North Korea in the same or previous month, and always with a value difference of about 10%.³⁷¹

After mid-2015, Xintianhe started importing in bulk from North Korea and sending it all over the world.

5. Dalian Richland Fashion

Company profile and export to the Netherlands

Dalian Richland Fashion (hereafter referred to as Richland) is a major supplier of clothing to the Netherlands with a total export value of USD 116.5 million.³⁷²

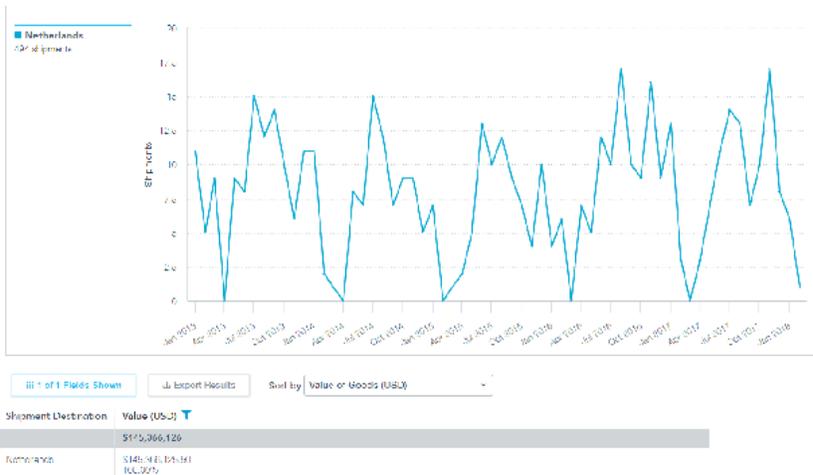


Figure 1: Dalian Richland Fashion total export to the Netherlands.³⁷³

371) There is some fluctuation at times. For example, in 2013, the percentage increase is a little below 9%, which may be due to it being early days in the practice of export processing to North Korea.

372) 'Shipments for Richland (Liaoning) International Co., Ltd. — Panjiva - Total Export to the Netherlands', accessed on 19-3-2019, https://panjiva.com/shipment_search/company?m=country&permanent_id=44650315&type=china_exports&x_history=eJxdUF1Lw0AQ_C_3LNjGNrUBXyqIIrRaffkiS7jbNEfvI9zttasI_9012g_6NjuzOzN3e1ElatCRLpo6IL9GJwoxz9_n5Yd5mT0us3ibTtbfs4f73buZZE_1ZIMZrcodXimZfkgboQFv8EQtEKIT45Ch3T0ptkXYQ2YOQIUexFbHRRGUdeHirDaedKxIqWfvrcSTBekcNE23wKknS3sE5iULIYusDAXUtMrGpTEJIUTFuKPKqwgslCqO8nNfYbX1QkbmAktHRij1Z_h_Sn1z7VDDKYKr9Q8_97_StCrAh71rD_WA8gFE2HU3zSTYe9p_B9tpCZUyvMlVXJqI4_AbrEpIs.

373) 'Shipments for Richland (Liaoning) International Co., Ltd. — Panjiva - Total Export to the Netherlands'.

When it comes to HS Codes 61 and 62 (which cover all types of clothing), Richland is the 90th largest Chinese supplier to the Netherlands, and it is responsible for 0,11% of the Chinese textiles supply to the Netherlands.³⁷⁴ This means that one out of every thousand clothing articles with the ‘Made in China’ label that pass through Dutch customs was sent by this company. It is on the supply list of C&A and Bestseller in the Netherlands,³⁷⁵ and according to US import data, Bestseller and Rev’it Sport are two of its biggest customers.³⁷⁶

Export processing to North Korea

Richland has used export processing to North Korea since the beginning of the trade practice, and was one of the first five companies allowed by China to do so.³⁷⁷ In total, it has imported USD 63 million worth of clothing from North Korea.³⁷⁸

374) ‘All Shipments from China to the Netherlands | Clothing | Shippers Ranked on Amount of Shipments Made — Panjiva’, accessed on 19-3-2019, [375\) ‘C&A: Supplier List’; ‘Bestseller Supplier Factory List 2017’, 2017, <https://about.bestseller.com/media/2280/bestseller-supplier-factory-list-2017.pdf>.](https://panjiva.com/shipment_search/results?hsq=%2860+OR+61+OR+62%29&m=merged_shipper&type=all_profile&x_history=eJyNkttOwkAQhtl1yRKNbWQeKOJ0ZiAEm_QmMnSnbYT9lB3tyIQ3t1pjQShincz_3wz_xhHUKRBHhbux9NllykOWA_KisC773lZFus6gXSdIglIi0iWOGc6E8suwwp1aD8zhNB_10cDrgcp9Log4lmkAZhSUEO0fDhVHyOJoqYeLJNwvYn9SXXRPkuzlbbkjbzd5nNVqNZ6Suw2T6SXP0GDf0TmSyL0aXYESfElVhY6rmVW1Nh4qh56douF6n2k22WzBLuAlkrXWY8Zrb3wXO0MfQeJjh5y60CSr5Ro2lELUs25q9IabIIFzjyFNqyczUkhKDjzToMTEsFZVozQfPuvm31_KJSdCQUlCvIWcxfQcOdOqm_9uwwkpy34Gc6ZtXNHTPb3q4IWYnOyJtTtM1v9sPcYFUIGFXCv3k1wOh62gbff2KW_Zv4LZbNfuM0nsv0qrA.</p></div><div data-bbox=)

376) ‘Shipments for Richland (Liaoning) International Co., Ltd. — Panjiva - Biggest US Customers’, accessed on 19-3-2019, [377\) ‘Dandong Fuqi, Nifeng Fazhan’.](https://panjiva.com/shipment_search/company?m=merged_consinee&permanent_id=44650315&type=all_profile&x_history=eJyNkkLA0EQhf9LnwOSUWIS8KIgiuASvESRojdM1Ok17GrxxhD_rs9iSsZl9vrqQ_rvV5WCptYkYucc1xC9HNyaqwuBzeX01tzfTiIF4tM9urj8m5ysv_izq8Gp0WWNbnlarshLE6mR6qnLPgnCoE1pb2WQkkacuES0eUrK3jXUCdSBJXmq82qXGqq_WH2g3cq90Y2yddwx6eZnJBFQ62QsUPgAmqU22I4gi2z6SdSVd9SKBc2E40bWwRdsCAy7eVrGgJogFRxaEnUw3o3A5TGz9BARagfGwyRgnTl6uRy9pppn3KkZ7tb7tu8i_Dj5vGmFfpxGKXQlScW3TO34rLojLKn6tRGq2kzAiiG9CnsaMVdtEoOfahy9dp0R2Larz8E9CQwG3fy9Jb1G3mXyCAXspgHrf_qAX_lt0H_C6Qy_kJotoDEwHGRZlgo0shlABW9qcJANh6PcLQ_2v7vV8hIQ0Y.</p></div><div data-bbox=)

378) ‘Shipments for Richland (Liaoning) International Co., Ltd. — Panjiva - Total Import from North Korea’, accessed on 19-3-2019.

Shifting shipments after the sanctions

When the sanctions hit in 2017 and the imports from North Korea stopped, China-based Dalian Richland Fashion started ‘importing’ regularly from China, something it had only done twice before in the past.³⁸² Shipment records for these domestic imports raise some questions. First of all, domestic trade is not registered with customs unless it crosses a country border somewhere in the process. Second, the shipments hint at some unusual practices. For instance, upon looking at the record found in *Figure 6*, the interpretation at face value would be of a company based in Denmark receiving a shipment of woollen coats valued at USD 105 from another Chinese company, then asking Richland to export it to them. However, Richland’s export data shows no such shipment being sent to Denmark in that time period, implying that the shipment never reached its buyer.³⁸³ Richland also trades this HS Code very infrequently,³⁸⁴

382) ‘Shipments for Richland (Liaoning) International Co., Ltd. — Panjiva - Imports from China’, accessed on 19-3-2019, [383\) ‘Shipments for Richland \(Liaoning\) International Co., Ltd. — Panjiva - All Export of 6204.31’, 31, accessed on 19-3-2019, \[384\\) This is the only time it is imported and it is exported only 5 times. \\(see: ‘Shipments for Richland \\(Liaoning\\) International Co., Ltd. — Panjiva - All Import of HS Code 6204.31’, 31, accessed on 19-3-2019, \\[175\\]\\(https://panjiva.com/shipment_search/company?m=shipments&permanent_id=44650313&q=6204.31&type=all_profile&x_history=eJxtU99rGzEM_1_8HBhJIYPAXjYYG4V2K3vYxjDOWXcnzr-Q7bbXkP99su9uTZq-2LI-65P1ST4KIVMPLmGDaZTJD-</p>
</div>
<div data-bbox=\\)\]\(https://panjiva.com/shipment_search/company?m=shipments&permanent_id=44650315&q=6204.31&type=all_profile&x_history=eJxtkm9LwzAQxr9LXhfECRMGvIEQRdh0-GaKHCHJ2qNNUpKL2o19d6_ZP7fuTZrc7-6555KuhUxUGUeokDogXxsnJmI6fpsu3pvX2zG9_IziVXtffswfblbueTZ-X15UalazBYynmi_urCEs-G8TAmrDtbHC1rjiZKB8k6yL0AYTOSQm6394Iq7F5pBzjx6FTtZ2rKFNKwOIEYEBLmlk0OQod-CX4gCW6nBQJnST0Dnaco43U6EpoSBw0nLxehjvVvnAcjt2WSC5xivPI35tTvudyF8G_Tjn4NhlG5aUZAU5jB1bT9_FSHDXKj4QybxWpe8pKj7uCQJ0aegt7-HdkJC2q-TAxG9S238-TLzrtjcv9EqmJnYH57A7FAp1EC2mzn8FpFDMh35-o9ikWK-y3bCUtgi2D94P9gUpdDsPkDbmJ0dw.</p>
</div>
<div data-bbox=\)](https://panjiva.com/shipment_search/company?m=shipments&permanent_id=44650313&type=all_profile&x_history=eJxtU01v2zAM_S86BxjiblkayJcNGFYUaLdil2wYCMWmHSL6MCipRvkv49S4jZpcpEoPvGRfJS2Sqe4RheppjhA9Bt0aqHuZr_ulr_Nz8-zePtUhQ_91-7Pw7erF3dzP_veVnUyL_dL4h_xYflFTZQF_4jM1KDEhjX1VhiDALU3yboAPWMQl1psj-CFmqr65132F_VJGsH4Wiw1xwTIzQ6YiFNLvIavgXP1JErl0IkpyN5BwdcvEY35DroPUdw2krw9twnqcpB6A7YZYLkjK-9tPhvd5rvhP4ykNt5D7xlOYNoukXWLhR3HPrc_zpAAUtgLVVeJUmkyWFJvt11BB84npf09FRKhHCRsQkxjqn3PdZEDtPoEfoUaMPEezTXnl5I7lxdjluIrrqFqM1YzTiXvRRqJV2BbhoZfYDWS2QMvdGZAK0mMx2NajSuMuXaO5yORJUaGWr1s6xPuAoUy5WDWS6xb8kgGHKbLECSR-eSxVWFLkmhb3UjI_oEpaMvfEDYn6mVvMGZSK6V5ODPOyFLXeS8UB1aTKIVkWtN0HzM67X_Mj0gm4cUJpKNNObzGdnxZ-AWZFJg_dk3EWTXQSwJzJpQil8rObz6-n8-INV_o3UQBaoMQUVV6tNQLX7D8n7Wh4.</p>
</div>
<div data-bbox=)

but the company does send USD 209,865 worth of ‘woollen coats or shirts’ that same month to Spain.³⁸⁵ These shipment patterns are nonstandard and merit further investigation, not least because this practice is seen multiple times *after* the sanctions came into effect, but not before.

| Shipment Details | | Hide empty fields |
|----------------------|--|-----------------------------------|
| Shipment Month | 2017-11-01 | |
| Shipment Origin | China | |
| Province | Liaoning Province | |
| Country of Sale | Denmark | |
| Transport Method | Air Transport | |
| Is Containerized | | |
| Value of Goods (USD) | 100 | |
| HS Code | 6204.31 | |
| HS Code Description | Jackets and blazers; women's or girls', of wool or fine animal hair (not knitted or crocheted) | |
| HS Code Keywords | 100% WOOL KOREAN WOMEN'S KNITTED SHIRT, CASUAL WOOLLEN OVERCOAT, LADIES' PARKA JACKETS, LADY'S WOOL WOVEN SHORT SLEEVE JACKET, LADY'S WOOL WOVEN T-SHIRT COAT, WOOLLEN JEANS, WOMEN'S WOOL JACKET, WOOL LATTICE WOMEN'S TYPE COAT, | |
| Trade Direction | Import | |
| Admin Region | Dalian City, Liaoning | |
| Trade Type | Ordinary Trade | |

Figure 6: A shipment imported from China after the sanctions.³⁸⁶

Figure 7: All Dalian Richland Fashion's exports of HS Code 6204.31.³⁸⁷

| Date | Shipment Origin | Shipment Destination | Port of Lading | Port of Unloading | Transport Method | HS Code | Goods Shipped | Volume (TEU) | Weight (KG) | Value (USD) |
|---------|-----------------|----------------------|----------------|-------------------|--------------------------|---------|---------------|--------------|-------------|-------------|
| 2017-12 | China | Spain | | | River-Sea Transportation | 6204.31 | | | | \$220,341 |
| 2017-06 | China | Denmark | | | River-Sea Transportation | 6204.31 | | | | \$1,071.00 |
| 2017-01 | China | Belgium | | | Air Transport | 6204.31 | | | | \$45.00 |
| 2015-01 | China | Italy | | | Air Transport | 6204.31 | | | | \$4,824.00 |
| 2014-12 | China | Italy | | | Air Transport | 6204.31 | | | | \$4,536.00 |

DEtTxf97tf5kfH7fp9mkTP4TP3e-HLzcv7vv99mu7abJ5ud8jfUsP-09iJaz0jOCEGjg29hgsM0YGGm-ydVEGsgsusTuewTuxFqf_d95gf4TO1o7MoSEoSplAapWgkmaXaJS-lZ6wQ1cvxYROJfROzjh7jdLoOhk8JemU5eDjtY9T1QPTzdj7BNkZ33gu8e_pMt8F_ftAKect8JrlCrpIIUi5WN1pDKX-PsoK1sCGtwSZ16HjJUdd_CopGX2mZnrT2ZFFwoSaxUSCpqSc6pnFLhOICVqMTmCfj6U5xnhjaArcSvWLSZlltcsfZmkEAeuSigtufVRtp44YwxGFQKwCs16MTaLcVMoe-9gvRibxShQq555fYJDXFSvzG9RL5FA9KgG4oAmYfOZXsopQh0OsdJaoJHcBlqx mD8CFDG1CoagDuigljN8pBntlJwSM2tcjIWIW1XgUtY9z03D2JtjQprjgbKgnPtWX nn4FayZ2S1199E0aG7ho4_QOL_ky3.)

385) ‘Shipments for Richland (Liaoning) International Co., Ltd. — Panjiva - All Export of 6204.31’, 31.

386) ‘Shipments for Richland (Liaoning) International Co., Ltd. — Panjiva - Imports from China’.

387) ‘Shipments for Richland (Liaoning) International Co., Ltd. — Panjiva - All Export of 6204.31’, 31.

6. Vent d'Est Introduction

Vent d'Est is known to have been a supplier to the following major fashion brands, as according to lists publicly released by the companies themselves for transparent reporting purposes:

| Name | Address | Country | Product Category | No of Workers | Tier |
|---|--|---------|------------------|---------------|------------------|
| Dalian Vent d'Est Lavado & Garments Co.,Ltd | Shenlu Village, Paotai Town,116000,Dalian City | China | Apparel | 1-1000 | Tier 1 Tier 2 |
| Dalian Vent d'Est Garments Co., Ltd. | Houshi Town Jinzhou District,116110,Dalian | China | Apparel | 1-1000 | Tier 1 |

C&A.³⁸⁸

| | | | | | | | | |
|---|--------------------------------|--------|----------------------|--------|---------|----|---------|---------|
| Dalian vent d'est lavado&garment co.,ld | Shenlu Village, Paotai Town | 116000 | Puandian | Dalian | Laoning | CN | < 1,000 | Apparel |
| Dalian vent d'est garments co.,ld | Heqing Road, 127, DaWuota Town | | JinZhou New District | Dalian | Laoning | CN | < 1,000 | Apparel |

Esprit.³⁸⁹

| | | | | | |
|---|---|--------|--------|---------|-------|
| Dalian Vent d'Est Lavado Garments Co., Ltd. | Shenlu Village, Paotai Town | 116000 | Dalian | Laoning | China |
| Dalian Vent d'Est Garments Co., Ltd. | Wujiaohuishi Cui, Jinzhou District Dalian Liaoning Province | 116000 | Dalian | Laoning | China |

Bestseller.³⁹⁰

| | | | | | |
|--------------------------------|---------------------------------|---|---|--------|----------|
| VENT D'EST LAUNDO GUTS CO. | Shenlu Village, Paotai Town | Puandian New District | Dalian, Laoning | 862179 | China |
| VINTAGERS 111031 | Minzuo Men, Chengde Site | No. 97A, Haimen | England | 49106 | Italy |
| VICTORIAN C. COHINO | No. 47A, 1A 3rdh Nagar | Ekowati Polayam, Kota Cikarang, Bekasi | Tanger, Tamil Nadu | 641608 | India |
| VICTORS 111110 | 121, Orensaraso Street | | France | 3800 | Bulgaria |
| VIGORANT CO. | Green Field Dong Xuyun Hei Zone | Beidi Cao West | Vung Tau City, Ho Chi Minh To, Province | 74006 | Vietnam |
| VIE TRAM | Lot 818A | Quang Trung Industrial Park, Ho Phuoc Commune | Quang Trung District | | Vietnam |
| VIMEXE 161015 SHIRT GARMENT | Lot 6, Industrial Park | Bong Son Street, Hoa Thuan Old | Binh Dinh Province | | Vietnam |
| VIMEXE 161016 TEA | Lot C&A, Tu Hoa Industrial Zone | Huoc Tay District | Tuoi Phai-Hoa Province, Huong Ha | | Vietnam |
| VIMEXE 161017 HIGH GARMENT | Lot A&B, Ca Ma Industrial Zone | Loi Ho Town, Tu Nghia District | Quang Ngai Province | | Vietnam |
| VIMEXE 161018 CUSHION RSM CO., | Lot A&Z Group Center | Sungay Xuan Industrial | Tam Ky | 86000 | Vietnam |
| VIRABOND TEXTILES | 11 De 1 | Bekou | France | 10000 | Romania |
| VIRAL GAMES (C&A) LTD. | National Road 4 | Phuoc Binhjauw, Khue Danmuck Airport | Binh Anjensat, Khanh Province | 860 | Canada |

Arcadia UK.³⁹¹

This section looks at Vent d'Est through China imports and exports records. Panjiva states that according to Chinese regulation,

388) 'C&A's Global Sustainability', accessed on 22-3-2019, <http://sustainability.c-and-a.com/home/>.

389) 'Produce Responsibly: Transparent supply chain', accessed on 11-10-2019, www.esprit.com/en/company/sustainability/produce-responsibly/transparent-supply-chain.

390) 'Bestseller Factory List', accessed on 22-3-2019, <https://about.bestseller.com/media/2674/bestseller-factory-list-01-12-18.pdf>.

391) 'Arcadia: Factory List August 2018', accessed on 11-10-2019, <https://s3-eu-west-1.amazonaws.com/craft-web-s3-2617/Arcadias-Suppliers-Factory-List.pdf>.

China imports and exports records do not reveal the names of a shipment's overseas consignees. Therefore, this analysis focuses on drawing a picture of this Chinese company's trade connections with overseas destinations, rather than on shipments to and from specific companies overseas.

All China imports and China exports records that feature the company between the time period 2014-02-25 and 2018-01-01 were analyzed in this section.³⁹² This data was accessed through the Panjiva platform. According to Panjiva, the records and all the information within them were provided directly by China Customs to Panjiva. Other sources of data have been individually footnoted whenever incorporated.

Company profile and relations

The following company profile is from the Hong Kong Trade Development Council (HKTDC) page for the company.³⁹³

Image reads: Vent d'Est International Corp (Dalian) Ltd and Dalian Vent d'Est Garments Co., Ltd are professional garment manufacture and export enterprise. As one of the largest garment enterprises of Dalian City and northeast of China, Vent d'Est design and produce 15 millions pieces of woven garments every year, including Jacket/Coat/Pants/Jeans/Suits for Men, Women, and Children. Annual output value is USD 150 millions. We had established cooperative relationship with customers from all over the world especially from Europe, such as Inditex, Benetton, C&A, Bestseller group.

Vent d'Est International Corp (Dalian)Ltd will be referred to as INTERNATIONAL in this section. Dalian Vent d'Est Garments Co., Ltd (sometimes known as Dalian Vent d'Est Lavado and Garments Co., Ltd)³⁹⁴ will be referred to as GARMENTS in the rest of this section. Collectively, they will be referred to as EAST WIND.

392) The start date was chosen because data from hereon was consistently available. The end date was chosen because this is the last date for which China customs provided the value of shipments on the records to Panjiva, with shipping records since given values that are algorithmically imputed by Panjiva.

393) 'VENT D'EST INTERNATIONAL CORP (DALIAN) LTD - Mainland China (Liaoning)', accessed on 11-10-2019, <https://www.hktdc.com/manufacturers-suppliers/VENT-D-EST-INTERNATIONAL-CORP-DALIAN-LTD/en/1X077ZV8/>.

394) The addresses for both companies are one and the same: No. 10, Chunhe Street, Zhongshan District, Dalian, Liaoning, China. According to Panjiva, the existence of

Imports and exports by GARMENTS are identified as made by the company with DUNS number 528188249, which is the DUNS number of INTERNATIONAL.³⁹⁵ According to Panjiva's company profile,³⁹⁶ INTERNATIONAL had an annual revenue of USD 72,143,078 as of 2018-09-12 and was incorporated in 2006; GARMENTS had an annual revenue of USD 88,740,971 as of 2018-08-15 and was incorporated in 2004.

The North Korea connection (imports)

This section looks at the Vent d'Est companies, INTERNATIONAL and GARMENTS, through China imports data in the time period 2014-02-25 to 2018-01-01.

The two companies imported goods worth a combined total of USD 27,539,255 in value via 2,270 shipments.

INTERNATIONAL (China imports)

INTERNATIONAL imported USD 18,921,114.25 worth of goods via 401 shipments during the time period examined. In a breakdown of categories by HS Code, *Figure 1* shows that finished textile products³⁹⁷ make up the vast majority of imports in value at USD 17,953,256 or 94.88% of all imports.

alternative names for one company on shipments are explained by the following: "If you see more than one result for the same company it is because our database is organized by unique name and address. Therefore, any time a company's name or address is written differently on the bill of lading, a new profile is created."

395) Corporate information in the Panjiva platform is provided by Dun & Bradstreet. The DUNS number is a proprietary identifier managed by Dun & Bradstreet. In worldwide use, it assigns a unique 9-digit number to each business entity that is in a distinct physical location.

396) This is also part of the corporate information in the Panjiva platform that is provided by Dun & Bradstreet.

397) Identified via HS Codes 62** or 61**.

https://panjiva.com/shipment_search/company?m=hs_codes_2&pids_list=44439059_46152653_43682766_30252223&type=china_imports&x_history=eJx1UclOwzAQ_RdflVISUgiVuIDKckCtVE6gynLjSWLVS_BS0Vb9dyZuU6ASkg8z783y5nlHWPAtaC8q4TfUmxVoMib329dZOuWzt4uJna7CV7V8n08eH5bP4enaNXKebT9fdLmaS97ckUuiqFmDtYID9raOVoaDozkylZFBaUc7Cw63kPGOuFZOCmOHRnZn2rOuA_Cg1IbnDGAVBntWwQ6a3iovDAaNwXtbV_lLePwn9euM9ZTvkAgTWTAWWhwHOPWH0T-CilKrk3UBnLh6bD1GMycOJGgUPH8CpTC9lvVR3TSO3-5_Aga4Lv5_RWx00NntDfY5xnchB0PIFqpoAs9gt0yNb0pB5diDb_WHXGR7Fj0sRvnhHlclpF60meZkWS5kk-GhjQ_ICXSZrhi6pqQctRekuLvCzL7OaqSONPYYtQlEkZWYRqJh2Q_TcJicdF

In terms of overall imports, *Figure 2*³⁹⁸ shows that shipments of North Korean origin make up almost all of the value at USD 17,940,607 or 94.82% of all imports.

In a breakdown of categories by HS Code among imported goods of North Korean origin, *Figure 3*³⁹⁹ shows that finished textile products make up all of the imports in value.

We therefore reach the conclusion that in the period examined, the main trading activity of INTERNATIONAL on the imports side were for acquiring finished textile products that had been sent overseas to be processed, and that almost all of these products came from North Korea.

GARMENTS (*China import*)

GARMENTS imported USD 8,618,141 worth of goods via 1,869 shipments during the time period examined. In a breakdown of categories by HS Code, *Figure 4*⁴⁰⁰ shows that the top imports were not of finished products but of raw materials or unfinished goods. *Figure 5*⁴⁰¹ shows the breakdown of shipment origins for goods excluding finished textile products.

398) https://panjiva.com/shipment_search/company?m=country&pids_list=44439059_46152653_43682766_30252223&type=china_imports&x_history=eJxdj1tLAzEQhf9LXu1Cdt1qLPiilMuDtLA-KRLSZHY3bC6ai9iW_nfHskUI8zB8Z87JyZ5EHxJZkJgtz1GRGRE5jeCSljptefITOJRvdk9rulLr57NIWE35S25euuXd7eYh31_EwXT17uPRsakzarjGDMv9J4SgFaBX-uxS2CKW3mTrIn8PEPEJstiTMXLpFUTe4GVNDn9H_8VXorK1PylWJDlCPG7aDaX5G3pDz08Zt740OMmZESUSVDGJ8u2G1m1Fm6qZHxVw6pezitY4yAP0mrM5veJtwxirL89bWtqiRVsujCkqol6YCOTwDXldbwc

399) https://panjiva.com/shipment_search/company?m=country&pids_list=44439059_46152653_43682766_30252223&type=china_imports&x_history=eJxdkEtLAzEYRf9LtnYg89K04Eapj4W0MK6UEtLkm5kweWgeYlv6340jHWwhi3DPPcmXHJC3LqAF8LHT6AWaIRZDDyZILsOOBjuASfhu_7LGK7F-vVq61RC_-fatWT7cb5_i47XvVJPvP58NGRolut0thqb2C5yTApLLbTTB7VLMrYraePrhwKcr0OIwwQXK0XFqnJF3JKLWv75mgffgTztpunHmTRJ1VEEOMNZ7T7kV4GmBNjPkWvq_TbW9mEqwAJkPbPyHAudVhousqE8EjPjLSYbztFLuoJWU4BrTqpiXJMdVVY4vS1rUICk10hS1THmYjBrPk0EiYw_KCl8aiU7G8QdM1YL4

400) https://panjiva.com/shipment_search/company?m=hs_codes_2&pids_list=44439059_46152653_43682766_30252223&type=china_imports&x_history=eJxlj0tLw0AQgP_LXjWQpK1dA16U-jhIC_GkyLDNTpIl-9CdXbEt_ne3KS1FYQ7D981zx8j5wCpG0UAkyS6ZiKFHG1SjwgaCG9Amfbt9XuVLuXq5WPjlEL-b9Wu9uL9bP8aHK-p0XWw_nywfaiz7mzTDgPtC75XE1NsTNE4iQZlM43Q0luDDI6UtrNqd-4oV70dU9Fe-MRmN2ezni9D0SMdM2W48_j31-hbOGRj3_wgpAmYUxPh5mRfTLC-zcnY0aOWB8ywwUuy5MiC0Bj7Lr5NrhSZM2GOrRgBTknNezCeT-eGJX8pSb9I

401) https://panjiva.com/shipment_search/company?m=country&pids_list=444390

We therefore reach the conclusion that in the period examined, the main trading activity of GARMENTS on the imports side were for acquiring raw materials that are used in manufacturing textile products. North Korea did not feature as the shipment origin for any raw material or unfinished goods imports.

Exporting to Europe, to Myanmar and to North Korea

This section looks at the trading activity of the Vent d'Est companies, INTERNATIONAL and GARMENTS, through China exports data in the time period 2014-02-25 to 2018-01-01.

The two companies exported goods worth a combined total of USD 367,280,524 in value via 8,998 shipments in this period.

INTERNATIONAL (China exports)

INTERNATIONAL exported USD 190,884,240 worth of goods via 4,094 shipments during the time period examined.

Figure 6⁴⁰² shows the number of shipments per quarter by destination, for the top five destinations. Finished textile goods

59_46152653_43682766_30252223&type=china_imports&x_history=eJx9lltrFEEQhf_LvOpC37s64IsSLw-SQHxSZNjsTJIIO7M6FzEJ-e-WGxNi4BvYh6XOVXPp09Wn-q4a98NUHVXj3NXz2FSvq_U8XbX9tN1sp5t62l-3vcJvbz-fmpPm9Mur4-Hkev69Of96dvz-3fnH-UMaL3dn9vbnp16uz3bN5Rut0dX7X-0wbJtWczf7uZ-GGw1v9ru568f6x9COukRldPcEHLW2un_64j_kW9XMXfc3v1tPm6t2fPy37S8PnL9r4nBRP4_V3f7F2s16alfjD7s1hkbVsatXHXE2r55iMvKWP1pfGgvtRVEU-rgRMRm7_OBp6Zsu3q92x1QDV2sd2P7PBxEnoUfCmnsUKi4mLL8K_QSShIRsJECFjxBSLIFKEYXcC3nCDLOU8FkkHxIhbecAPLFZoLE0r5SLMQwWEcMvYuGarDDYD1p6L0IDX0KBAUb6Ci9FFSjODxl47CgN3QowQdSQxli29hINLzL2DbiaK00lhgqRecZc8asLKRhDikLCjVAFENqRFZDs7BFVsrOQqEy9oZC2L2O5c18XrngltXasAG4sZ3HZgvsNjETDc3Cu8yQK37BHih8Sp4YZiMo1JKl4AgI1hKNqPcB18posA6ng2pIvaf-iN0rfsG-UA3BfWkWuqiThe5FocQu0EANbUQaBUeAFmRnY-9Nhi5R8gsQu2jE6ZAEZ2W2ntomFbSUWHDcBcl4Kbb9MBuPLwFHNYxws0evESqPfhgk8KMCfV5ZolNlbIAUDI6AhKbnA74q9SnCauCheMePpYy2HFLGEEADYpt5BGTuqLBwK3nLesFQDSwYI76xY0kPa93_Aey3TCk.

402) https://panjiva.com/shipment_search/company?m=country&pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106_45925920&type=china_exports&x_history=eJx1UctqzAQ_BddW4PtJK0b6KUlfrXKAumppQjFWsfCerh6pE1C_r0RBScQKQogwOzO7K72hAXfgvaiFn5LvelAky15_2L0t8jlfvF_N7LwLv_XqYzl7ely9hOcbt5bLYvf9qqtuKfn6nlwTRc0GrBUcsLc2QXu7Rbo2MijtaG_BYQSZ7olrRa8QOywsyOFUc6F9Eh6Uih4DSZXRvo1ZzNctOES9NTzUXhhNz5llboSuAaG3TLveWE_9to_EhskANDi OuPUOu3ikhyhuFDg8BM5rGiEBddUzjdl-fw1HXaFCGee4paONsZQL10sWLUExlYs4Vms0RPADKyd8goOVFL07jsuBw0oMZphGvtJ5Usxgnzjb0NMmeJZ09PPtLvS0-psSfdqUecicZxb_gpR5Mc7yMisngwKaH_kqywt80QsaQatJMaLjsqqq4nY0uktHy1CUSZIUfQmHRADn_suMyF

and materials are not differentiated in this graph. In terms of the number of shipments, we see that Italy, North Korea and Myanmar top the list of destinations, although as demonstrated below, the type of goods being exported to Europe (finished) and to North Korean and Myanmar (unfinished) are distinct.

Figure 7⁴⁰³ shows the combined value of all export shipments by destination, for the top ten destinations. In terms of ranking by the number of shipments, as shown in Figure 6, North Korea and Myanmar are the second and third top destinations. But if we rank by the combined value of shipments, we see that Netherlands rises to second place from fifth, and North Korea drops from second to fourth. This can be explained if we take into account the understanding that the value of each shipment to North Korea (unfinished goods) is much lower than that to the Netherlands (finished goods).

Figure 8⁴⁰⁴ shows the combined value of finished textile goods export shipments by destination, for the top ten destinations. The

403) https://panjiva.com/shipment_search/company?m=country&pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106_45925920&type=china_exports&x_history=eJx1UctqgwzAQ_BddW4PtJK0b6KULfRxKAumppQjFWsfCerh6pE1C_r0rBScQKOGwzOzO7K72hAXfgvaiFn5LvelAky152L0t8jlfvF_N7LwLv_XqYzL7ely9hOcbt5bLYvf9qqtuKfn6nlwTRc0GrBUcsLc2QXu7Rbo2MijtaG_BYQSZ7olrRa8QOywsyOFUc6F9Eh6Uih4DSZXRvo1ZzNctOES9NtZUXhhNz5lIboSuAaG3TLveWE_9to_EhskANDiOuPUOu3ikhyhuFDg8B8M5rGiEBddUzjdL-fw1HXaFCGee4paONsZQL10sWLUExIYs4Vms0RPADKyd8goOVFL07jsuBWO0MZphGvtJ5Usxgnzjb0NMmeJZ09PPtLvS0-pSsfdqUecicZxb_gpR5Mc7yMisngwKaH_kqywt80QsaQatJMaLjsqqq4nY0uktfhY1CUSZlUpFqmHRADn_suMyF

404) [https://panjiva.com/shipment_search/company?m=country&pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106_45925920&type=china_exports&x_history=eJx9VMtu1EAQ_BdfYaV5T89KXIJc44ASaTmB0MixZzfW-gGeMSKJ8u80zkMLqCLtYdXl7q6urum7Kk9zqbZVXoa45LZ6XdVLuU5j6Zqu3MQyHdPI8NvbT5fior38_Op8vjguv5qrL7vzd2dXH5b3Lh_6nbz98XGk465vD2-4xhCnn2meuzZxbjMtY5lvONxM_TKMOX6fU-YW1fbuGdxWsrp_uIv5GvVLsPwJ3-oS3Od8tO_bjysnL9x4ryPp7E4TP_0buuSNrnU67RKSLMRAqPsE5LGR9iFOGyH5x_E57btIVupoFBFjr3VYEXJKN8S671eUQ_u6z-k0bIhOwg-FOLYWcsoo6R4L_QcZKyAkJYAs80aQIQZBQSAaTgQFaTiLaSDIkIUje41G9kIjGtwLMiSCGjqhIYTllZZglsJCWcxQQsjhfWkPyfNwYc8ByQfswyA9ZghpYLNxFh7ZwSyFs7zCjlkWIDm85YA1JGxsj4SyWEMr8SOSIQcIXyWmEZDnSDSkAsib1iCvfhUQBoOQpyFX6WCjiKLV2mRUOwoVNBjFcoJG8BZuEqDR5YejkwWMDrBoF46wBulFfShM9DzTuMt8y7hKhXUUHvoKEkvHAD8beDtZfJlQys0VuN](https://panjiva.com/shipment_search/company?m=country&pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106_45925920&type=china_exports&x_history=eJx9VMtu1EAQ_BdfYaV5T89KXIJc44ASaTmB0MixZzfW-gGeMSKJ8u80zkMLqCLtYdXl7q6urum7Kk9zqbZVXoa45LZ6XdVLuU5j6Zqu3MQyHdPI8NvbT5fior38_Op8vjguv5qrL7vzd2dXH5b3Lh_6nbz98XGk465vD2-4xhCnn2meuzZxbjMtY5lvONxM_TKMOX6fU-YW1fbuGdxWsrp_uIv5GvVLsPwJ3-oS3Od8tO_bjysnL9x4ryPp7E4TP_0buuSNrnU67RKSLMRAqPsE5LGR9iFOGyH5x_E57btIVupoFBFjr3VYEXJKN8S671eUQ_u6z-k0bIhOwg-FOLYWcsoo6R4L_QcZKyAkJYAs80aQIQZBQSAaTgQFaTiLaSDIkIUje41G9kIjGtwLMiSCGjqhIYTllZZglsJCWcxQQsjhfWkPyfNwYc8ByQfswyA9ZghpYLNxFh7ZwSyFs7zCjlkWIDm85YA1JGxsj4SyWEMr8SOSIQcIXyWmEZDnuSDSkAsib1iCvfhUQBoOQpyFX6WCjiKLV2mRUOwoVNBjFcoJG8BZuEqDR5YejkwWMDrBoF46wBulFfShM9DzTuMt8y7hKhXUUHvoKEkvHAD8beDtZfJlQys0VuNRw_vf8UNDxwFOLYWcsoo6R4L_QcZKyAkJYAs80aQIQZBQSAaTgQFaTiLaSDIkIUje41G9kIjGtwLMiSCGjqhIYTllZZglsJCWcxQQsjhfWkPyfNwYc8ByQfswyA9ZghpYLNxFh7ZwSyFs7zCjlkWIDm85YA1JGxsj4SyWEMr8SOSIQcIXyWmEZDnSDSkAsib1iCvfhUQBoOQpyFX6WCjiKLV2mRUOwoVNBjFcoJG8BZuEqDR5YejkwWMDrBoF46wBulFfShM9DzTuMt8y7hKhXUUHvoKEkvHAD8beDtZfJlQys0VuN)

top two destinations that take up a majority of the value are home to major European retail companies known to have relationships with Vent d'Est.⁴⁰⁵

Figure 9⁴⁰⁶ shows the combined value of exports excluding finished textile goods by destination, for all export destinations. Myanmar and North Korea are the top two export destinations, with

Rw_vf8UNDxw.

405) These are Benetton and C&A, by admission of both sellers and purchasers, on information made publicly available by them.

406) [183](https://panjiva.com/shipment_search/company?m=country&pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106__LvCYLfanurhbykmAuD0HBPCWEYd0ddXFfn5mZDVHxv6eyRjHCTyAiXVb36eeqQqfmrhm3w9QcNeOub3fjsnndzHfTVbeZVovVdNNO2-tuY-a3t59P3cny9Mur4-Hkevd7cf717Pj9u_OPuw95vFyf-dufnzZ6fbZeXr6xPfp2-6sbhtWyM9_FdreZhhtbXmzXu34ztj-GbrQjmqO7J-NR45v7p__4z_KtWe76_q9_P58WV934-Ndq7nH_N0ch4v2-Vrbb1-cvZxP3Wyc5vbbudl5sIspEdLt1k-rOvMefux9aG7WLWafGwlqKovMdY9TnNZ9e18vd5bbelivh6758ui-mz5YSNb229UQ8oS_2300lS8KJiysinWSqZQPZvIK-VCZxWH4LMUHCeU4FkJN9REMAyhkFdOibxSYK-ACFNwGl2C4XWB7yXoVRfhyg4TQDJGXLIMGUwyJ7hWrJy8RNGUfKJPRK4GPOVPkYyi4YRb0qoHCm4I_AAO9HN8rOoq8RKHwhid6ZduQEIPERKiYokk9lrniU6ZQsYiKFjDZL_SSjLWsdnPej76yo_oyE0ajVAJvJgIfSsVAlYrgSyWEUvCvk7U2LCJssNFij2mD2WsmzMOAved8MPIJC9ZMdztiO9VMW1yjqQjZodXDsIIE4a34JWlMC8nTDbJBU0V2cGyBpONO7a9CQZKK1KAwSeEzmGKRocFKwURCqaNeM5D7_kpFWFUHGEbcjk_g0VsMD9QXZ; https://panjiva.com/shipment_search/company?m=country&pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106_45925920&type=china_exports&x_history=eJx9mFtLHEEQhfLvCYLfanurhbykmAuD0HBPCWEYd0ddXFfn5mZDVHxv6eyRjHCTyAiXVb36eeqQqfmrhm3w9QcNeOub3fjsnndzHfTVbeZVovVdNNO2-tuY-a3t59P3cny9Mur4-Hkevd7cf717Pj9u_OPuw95vFyf-dufnzZ6fbZeXr6xPfp2-6sbhtWyM9_FdreZhhtbXmzXu34ztj-GbrQjmqO7J-NR45v7p__4z_KtWe76_q9_P58WV934-Ndq7nH_N0ch4v2-Vrbb1-cvZxP3Wyc5vbbudl5sIspEdLt1k-rOvMefux9aG7WLWafGwlqKovMdY9TnNZ9e18vd5bbelivh6758ui-mz5YSNb229UQ8oS_2300lS8KJiysinWSqZQPZvIK-VCZxWH4LMUHCeU4FkJN9REMAyhkFdOibxSYK-ACFNwGl2C4XWB7yXoVRfhyg4TQDJGXLIMGUwyJ7hWrJy8RNGUfKJPRK4GPOVPkYyi4YRb0qoHCm4I_AAO9HN8rOoq8RKHwhid6ZduQEIPERKiYokk9lrniU6ZQsYiKFjDZL_SSjLWsdnPej76yo_oyE0ajVAJvJgIfSsVAlYrgSyWEUvCvk7U2LCJssNFij2mD2WsmzMOAved8MPIJC9ZMdztiO9VMW1yjqQjZodXDsIIE4a34JWlMC8nTDbJBU0V2cGyBpONO7a9CQZKK1KAwSeEzmGKRocFKwURCqaNeM5D7_kpFWFUHGEbcjk_g0VsMD9QXZpRmlilRN6zYbYyysSoDekIFQhRFGHZlhKHY9MyE1B0FSapwS_EJNzT6JkSk7KyZvHIVynmTWMgplXsvp03ySG3FRQTPishMIL3CeimXDJQpYlSVyhumyOHFZDMU2Dd8ZHZg-c3UZlMFFtGBQMVMkRfBvmGzCD5KR0migiFzZkHQC3Kr2xzjY6Bnjsbj7c2-eK9PPKy9Q2eOA7oQ-xs1lK42yiPS4jQahkJMSD5mp5n2YMdWlxYmPhSwIOPCDNsQEKUzPKAx3YpB7QoajbrNjwgo15KnieOip8jYlAmROWqRCYSyfiUmb_A-AOxs2OFYn0Vh0xZJRzlmwEIz8v5mDKG-UuPi6iEBxj3fwBNoQmn.</p></div><div data-bbox=)

Cambodia a trailing third with a value half that of either Myanmar or North Korea.⁴⁰⁷

Putting this data together, we may draw the conclusion that in the period examined, the trading activity of INTERNATIONAL on the exports side fall into two major categories: the export of finished goods to various overseas destinations, including European countries home to major retail brands; and the export of textile materials and unfinished goods to North Korea and Myanmar, and also Cambodia to a lesser extent.

GARMENTS (*China exports*)

GARMENTS exported USD 176,396,283 worth of goods via 4,904 shipments during the time period examined.

Of that number, USD 175,815,530 or 99.7% of value in exports were of finished textile goods. *Figure 10*⁴⁰⁸ shows the combined value of these finished goods by destination, for the top ten destinations.

We can draw the conclusion that the main trading activity of GARMENTS on the export side is the export of finished goods to various overseas destinations, including European countries home to major retail brands.

407) Vent d'Est have a factory in Myanmar according to their official website, but there is no mention of a factory in North Korea or relationships with North Korean companies.

408) [184](https://panjiva.com/shipment_search/company?m=country&pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106_45925920&type=china_exports&cx_history=eJx9Vctq3EAQ_Je5Jgvznp4FXxIcO4dgdw-aUEAZZml2L1SPRI8Q2_vd05AcBQwl0EF3q7pqa6taDGPthElsxzm2ax0q8F8U83eZuqst6uktTf8wdwx_uv1zLq-r667vz4eo4_ylvvu3OP328uZwv_Hhodur-1-eOjrumOpxxjTb1v_Mw1FXm3LKfu2m443DZN3PbjennkEduIbYPr-BWKPH4-sV_yHdRzW37L78tpvI2jy9vdXdYOP_gxGGfTmOp7d_0roopb8apWE6rpbIbqTfavSC5q57itJGKH44PeV8ncsokq4IIBWP0wpNT6jYVTbOgHN0XzZhPw5boJPxUiGNLoahdlOa50FvIWkMQkhDSCmc5CSGLAORYCAQ5_ZXEVRIOp7AHkZdSwoHeYIYIsOdTLBo2ygySYBuzFNGCWh7fsVAgQghqyvLAXKUwD3pczATP0mIaF8hK2aFQwKyqkBP0Hk7LiQ7-ihodZGmcFveIoWJAIWxQbAKvBlwJ9qGLE84VpRLQcuCB Sg2cZ-5BWAmdIQJAh94LkPZ7KKOHS8xo6ivB8Wb-ShQ3gkBrSQ1jQ46tUeC1ThBb1DjppqZbOpsAJBecmhC5koEQ0T4Z_laDgpnuccQQY7in0DBaOhvCZA9ypaWUR4s-E9TxYZwEmD1XjW8PEvcSZ3cQ.</p></div><div data-bbox=)

Putting it all Together

Putting together all of the above information, we come to an overall picture of the company's extensive manufacturing relationship with North Korea based entities⁴⁰⁹ at the same time as it shipped its finished products European countries.⁴¹⁰

More specifically, GARMENTS acquired raw materials from various countries for use in manufacturing textile products. North Korea did not feature as the shipment origin for any raw material or unfinished goods imports by GARMENTS. At the same time, INTERNATIONAL exported raw materials and unfinished goods to be processed overseas, primarily in North Korea and Myanmar. INTERNATIONAL then imported the finished textile products.⁴¹¹ The "Trade Type" given on the China Customs record for the imports from North Korea are given either as "Processing and Assembling Trade with Customer-Supplied Materials" or "Others".⁴¹² Both GARMENTS and INTERNATIONAL exported the finished goods to various overseas destinations.

Shifting Shipments?

We note two particular trends that emerge around the timing of sanctions on North Korea, give or take a few months. One deals with the decline of shipment records indicating the destination or origin of goods as North Korea, and the other with anomalous shipments.

Decline of shipments to and from North Korea

In *Figure 6*, it can be seen that shipments to North Korea appear to be phased out just as shipments to Myanmar increase.

409) As mentioned previously, manufacturing also happens in Myanmar. Here, we focus on the North Korea connection.

410) There are various major US brands that the company has relationships with. Due to the nature of US shipping data naming the consignees (unlike with China shipping data, which we were limited to when examining shipments to European countries from China), it is indeed possible to trace shipments to specific companies.

411) Although we see INTERNATIONAL shipping unfinished goods to Myanmar as well as North Korea, nearly 94.82% of its import shipments are from North Korea, all of which are classified as finished textile products.

412) See figures 12 and 13 for an example of the information that is contained in a shipment record.

Figure 11⁴¹³ shows the same data, the number of export shipments by destination made by INTERNATIONAL, but *excluding* finished textile goods, and that trend is easier to see.

China to China Shipments

The value of imports by GARMENTS for finished products in the time period examined amounts to only USD 105,471. As this figure seemed comparatively low for the number of shipments there had been, individual shipments in this category were examined, upon which a pattern of anomalies could be observed.

Figures 12⁴¹⁴ and 13⁴¹⁵ are an example of these, where all of the following combination of strange conditions are met for a shipment record: both the origin and destination of the shipment is China; the country of sale is given as a country other than China; and the value of the shipment for finished textile goods is given to be less than USD 100.

413) [414\) \[https://panjiva.com/shipment_search/shipment/267785311?type=china_imports\]\(https://panjiva.com/shipment_search/shipment/267785311?type=china_imports\).](http://panjiva.com/shipment_search/company?m=country&pids_list=36273238_36866041_29807866_3633636_0_44202353_10779197_30904058_33774245_5642106_45925920&type=china_exports&x_history=eJx9mFtLHEEQhf_LvCYLfanurhbykmAuD0HBPCWEYd0ddXFfnN5mZDVHxv6eyRjHCtyAiXVb36eeqQqfmrhm3w9QcNeOub3fjsnndzHfTVbeZVovVdNNO2-tuY-a3t59P3cny9Mur4-Hkevd7cf717Pj9u-OPuw95vFyf-dufnzZ6fbZeXr6xPfp2-6sbhtWyM9_FdreZhhthXmxXu34ztj-GbrQjmqO7J-NR45v7p_4z_KtWe76_q9_P58WV934-Ndq7nH_N0ch4v2-Vrbb1-cvZxP3Wyc5vvbBudl5sIspEdLt1k-rOvMefux9aG7WLWafGwlqKovMdY9TnNZ9e18vd5bbelivh6758ui-mz5YSNb229UQ8oS_2300I8KJjysinWSqZQPZvIK-VCZxWH4LMUhcEu4FkJN9REMAykhFdOibxSYK-ACFNwGI2C4XWB7yXoVRFhyg4TQDJGXLmGUwyJ7hWrJy8RNGUfKpJRk4GP0VPkYyi4YRb0qoHCm4I_AA09HN8rOoq8RKHwhid6ZduQEIpERKiYokk9lrniU6ZQsYiKFjDZL_SSjLWsdnPeJ76yo_oyE0ajVAJvJgI fSsVAIYrgSyWEUvCVk7U2LCJssNFij2mD2WsmzMOAvde8MPIJC9ZMdJZtiO9VMW1yJgQjZodXDsiIE4a34JWIMC8nTDbJB U0V2cGyBpONO7a9CQZKK1KAwSeEzmGKRocFKwURCqaNeM5D7_kpFWFUHGEbcjk0VsMD9QXZpRmliIRN6zYbYyysSoDekfQhRFGH8ZlhKHY9MyElB0FSapwS_EJNZt6JkSk7KyZvHIVynm TWMgplXsvp03ySG3FRQTPishMLL3CeiMXDjQpYISVyhumiOHFZDMU2Dd8ZHZg-c3UZIMFFtGBQMVMkRfBvmGzCD5KR0migiFzKkQC3Kr2xzJY6Bnjsbj7c2-eK9PPKy9Q2eOA7oQ-xs11K42yPi54jQahkJMSD5mp5n2YMdwLxYmPHswIOPCDNsQEKUzPKAx3YpB7QoajbrNjwgoI5KnieOip8jYlAmROWqRCYSyfiUmb_A-AOxs2OFYn0Vh0OxZJRzlmwElzv85mDKgUuPi6iEBxj3fwBNoQmn.</p></div><div data-bbox=)

415) https://panjiva.com/shipment_search/shipment/280963595?type=china_imports.

Both GARMENTS and INTERNATIONAL appear in such shipment records. The first time that we have found evidence for this is in 2016-10-1 for both GARMENTS and INTERNATIONAL, which is also the time period of the decline of shipments to and from INTERNATIONAL and North Korea.

No explanations could be provided by Panjiva for China to China shipments, but they provide the following possible explanations for the existence of US to US shipments:

- *The Shipper and Consignee are fiscal or legal titles. The company selling the product (receiving the financial benefit/responsible for the shipment getting to the Buyer/responsible for compensating the Buyer if the shipment never arrives) may be a U.S. company.*
- *This is a transshipment (technically a U.S. Export) where the product is actually going to a foreign country, but the vessel stopped at another U.S. port before heading overseas. Whenever a vessel stops at a port, a U.S. import bill of lading must be filed for all goods onboard.*
- *The country is incorrectly tagged.* Even if the possible explanations for US to US shipments were to be applied in our case, the very low values for finished textile products and the coincidence of time period when this first happens still are not explained, making these shipments stand out as anomalous.

| HS Code | Value (USD) ↑ | Shipment Origin | Value (USD) ↑ |
|---|---------------------------|-----------------|---------------------------|
| | \$18,921,114 | | \$18,921,114 |
| 62 Apparel and clothing accessories; not knitted or crocheted | \$17,953,256.00 94.88% | North Korea | \$17,940,607.00 94.82% |
| 96 Miscellaneous manufactured articles | \$252,540.75 1.33% | South Korea | \$255,397.00 1.35% |
| 52 Cotton | \$202,433.00 1.07% | Italy | \$233,170.00 1.23% |
| 58 Fabrics; special woven fabrics, tufted textile fabrics, lace, tapestries, trimmings, embroidery | \$153,359.00 0.81% | China | \$231,130.25 1.22% |
| 54 Man-made filaments; strip and the like of man-made textile materials | \$125,897.00 0.67% | India | \$109,165.00 0.58% |
| 83 Metal; miscellaneous products of base metal | \$66,349.00 0.35% | Hong Kong | \$54,827.00 0.29% |
| 56 Wadding, felt and nonwovens, special yarns; twine, cordage, ropes and cables and articles thereof | \$60,042.50 0.32% | Spain | \$32,683.00 0.17% |
| 55 Man-made staple fibres | \$56,850.00 0.30% | Bangladesh | \$27,761.00 0.15% |
| 85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorder... | \$23,027.00 0.12% | Thailand | \$27,718.00 0.15% |
| 39 Plastics and articles thereof | \$10,974.00 0.06% | Myanmar | \$5,859.00 0.03% |

Figure 25

Figure 26

Export Processing via North Korea

| DIMENSION 1 | | DIMENSION 2 | | Value (USD) ▾ |
|-------------|-----------------|---|--|----------------------------|
| + | Shipment Origin | HS Code | | |
| | | | | \$18,921,114 |
| - | North Korea | 1 unique hs code (2-digit) Collapse HS Codes (2-digit) | | \$17,940,607.00 94.82% |
| | North Korea | 62 | Apparel and clothing accessories; not knitted or crocheted | \$17,940,607.00 100.00% |

Figure 27

| HS Code | Value (USD) ▾ |
|---|--------------------------|
| | \$8,618,141 |
| 54 Man-made filaments; strip and the like of man-made textile materials | \$3,030,690.00 42.13% |
| 55 Man-made staple fibres | \$1,101,963.00 12.79% |
| 96 Miscellaneous manufactured articles | \$742,696.75 8.62% |
| 58 Fabrics; special woven fabrics, tufted textile fabrics, lace, tapestries, trimmings, embroidery | \$566,712.50 6.58% |
| 85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers; television image and sound recorder... | \$511,789.00 5.94% |
| 60 Fabrics; knitted or crocheted | \$441,274.00 5.12% |
| 42 Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other th... | \$316,201.00 3.67% |
| 52 Cotton | \$276,852.00 3.21% |
| 83 Metal; miscellaneous products of base metal | \$253,423.00 2.94% |
| 48 Paper and paperboard; articles of paper pulp, of paper or paperboard | \$162,135.67 1.88% |

Figure 28

| Shipment Origin | Value (USD) ▾ |
|-----------------|--------------------------|
| | \$8,461,635 |
| South Korea | \$4,805,614.00 56.79% |
| China | \$1,696,696.25 20.05% |
| Hong Kong | \$885,245.00 10.46% |
| Japan | \$409,194.00 4.84% |
| Taiwan | \$228,975.00 2.71% |
| Italy | \$200,786.83 2.37% |
| Spain | \$116,436.00 1.38% |
| Thailand | \$23,443.00 0.28% |
| Turkey | \$23,427.00 0.28% |
| United Kingdom | \$23,000.00 0.27% |

Figure 29



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Figure 30

| Shipment Destination | Value (USD) |
|----------------------|---------------------------|
| | \$190,884,241 |
| Italy | \$60,434,362.20 31.66% |
| Netherlands | \$33,931,040.17 17.78% |
| Myanmar | \$17,004,851.35 8.91% |
| North Korea | \$16,043,063.00 8.40% |
| France | \$11,507,044.00 6.03% |
| United Kingdom | \$10,469,430.00 5.48% |
| Cambodia | \$8,472,943.00 4.44% |
| Hong Kong | \$5,722,738.00 3.00% |
| Turkey | \$4,579,120.00 2.40% |
| United States | \$4,408,795.00 2.31% |

Figure 31

| Shipment Destination | Value (USD) |
|----------------------|---------------------------|
| | \$152,572,177 |
| Italy | \$63,095,128.25 41.35% |
| Netherlands | \$33,898,400.17 22.22% |
| France | \$11,415,558.00 7.48% |
| United Kingdom | \$10,406,482.00 6.82% |
| Hong Kong | \$5,698,762.00 3.74% |
| Turkey | \$4,503,278.00 2.95% |
| United States | \$4,292,276.00 2.81% |
| Brazil | \$3,843,939.50 2.52% |
| Spain | \$3,817,021.00 2.50% |
| Germany | \$2,893,241.00 1.90% |
| Poland | \$2,020,519.00 1.32% |

Figure 32

Export Processing via North Korea

| Shipment Destination | Value (USD) |
|----------------------|---------------------------|
| | \$40,395,207 |
| Myanmar | \$16,904,915.35 41.85% |
| North Korea | \$14,997,454.00 37.13% |
| Cambodia | \$8,446,230.00 20.91% |
| Bangladesh | \$19,851.00 0.05% |
| Spain | \$17,580.00 0.04% |
| Hong Kong | \$4,559.00 0.01% |
| Thailand | \$1,778.00 0.00% |
| Laos | \$1,582.00 0.00% |
| India | \$1,258.00 0.00% |

Figure 33

| Shipment Destination | Value (USD) |
|----------------------|---------------------------|
| | \$175,815,530 |
| Spain | \$47,939,168.08 27.27% |
| Italy | \$46,431,430.49 26.41% |
| Germany | \$21,150,685.47 12.03% |
| Netherlands | \$13,869,034.73 7.89% |
| Hong Kong | \$8,865,001.00 5.04% |
| France | \$8,636,382.00 4.91% |
| United States | \$7,601,903.47 4.32% |
| United Kingdom | \$4,396,674.00 2.50% |
| Denmark | \$3,077,199.60 1.75% |
| Poland | \$1,991,804.00 1.13% |

Figure 34



Figure 35

Powered by panjiva.com

[See Panjiva Enhanced Record](#) [Open in new tab](#) [Print](#)

Shipment Details

| | |
|----------------------|--|
| Shipment Month | 2017-06-01 |
| Shipment Origin | China |
| Province | Liaoning Province |
| Country of Sale | Netherlands |
| Transport Method | Air Transport |
| Value of Goods (USD) | 26 |
| HS Code | 6203.33 |
| HS Code Description | Jackets and blazers; men's or boys', of synthetic fibres (not knitted or crocheted) |
| HS Code Keywords | BOY'S JACKET; CASUAL COAT; CASUAL JACKETS; CHEERING SQUAD MAN WESTERN-STYLE CLOTHES; CHEMICAL FIBER JACKET; CHEMICAL FIBER SHELL FABRIC WESTERN-STYLE CLOTHES; CHILDREN JACKET; CHILDREN'S JACKET; CORDUROY JACKET; DOUBLE-RUBBERIZED MINE WELL WORK S |
| Trade Direction | Import |
| Admin Region | Dalian City,Liaoning |
| Trade Type | Others |

Company Details

| | |
|-------------------------------------|---|
| Consignee | Vent D'est International Corp.(Dalian) Ltd. |
| Consignee Name (Chinese Format) | 万代国际贸易(大连)有限公司 |
| Consignee Address (Chinese Format) | 大连市西岗区唐山街2号谈判楼6楼 |
| Consignee Address (Original Format) | 6/F NEGOTIATION BLD., NO.2 TANGSHAN STR., DALIAN, CHINA |

Figure 36

Export Processing via North Korea

All shipments | China Imports — Panjiva

https://panjiva.com/shipment_search/company?m=shipments&pid...

[See Panjiva Enhanced Record](#) [Open in new tab](#) [Print](#)

Shipment Details

| | |
|----------------------|--|
| Shipment Month | 2017-09-01 |
| Shipment Origin | China |
| Province | Liaoning Province |
| Country of Sale | France |
| Transport Method | Air Transport |
| Value of Goods (USD) | 30 |
| HS Code | 6204.33 |
| HS Code Description | Jackets and blazers; women's or girls', of synthetic fibres (not knitted or crocheted) |
| HS Code Keywords | BLAZER COAT; BLOUSE; CASUAL JACKET; CASUAL OUTER GARMENT; CHILDREN LONG-SLEEVE JACKET; CHILDREN'S AUTUMN WEAR; CHILDREN'S CASUAL OUTER WEAR; CHILDREN'S JACKET; CHILDREN'S OVERCOAT; CHILDREN'S SHORT SLEEVE FROCK; COAT; COTTON ROUND COLLAR PURE C |
| Trade Direction | Import |
| Admin Region | Dalian City,Liaoning |
| Trade Type | Others |

Company Details

| | |
|-------------------------------------|---|
| Consignee | Vent D'est International Corp.(Dalian) Ltd. |
| Consignee Name (Chinese Format) | 万代国际贸易(大连)有限公司 |
| Consignee Address (Chinese Format) | 大连市西岗区唐山街2号谈判楼6楼 |
| Consignee Address (Original Format) | 6/F NEGOTIATION BLD., NO.2 TANGSHAN STR., DALIAN, CHINA |

1 of 2

08/03/2019, 14:37

Figure 37

US Shipments

Introduction

In a previous section, Vent d'Est International Corp (Dalian) Ltd was referred to as INTERNATIONAL and Dalian Vent d'Est Garments Co., Ltd (also known as Dalian Vent d'Est Lavado and Garments Co., Ltd) was referred to as GARMENTS. In this section, they will be collectively referred to as Vent d'Est.

Here we look at Vent d'Est through US trade data accessed through the Panjiva platform. In the case of Chinese trade data, Chinese customs regulations mean that China export shipments data cannot show the names of a shipment's overseas buyer (i.e. the consignee), and China import shipments data cannot show the names of a shipment's overseas seller (i.e. the shipper).⁴¹⁶

On the other hand, with the US trade data, the consignee for each shipment being imported into the United States is provided on the bill of lading. The consignee is "The person or firm to take final delivery of the merchandise" and also referred to as "The Buyer".⁴¹⁷ This allows us to connect merchandise sold by Vent d'Est directly with the United States entity that purchased the merchandise. Therefore, this analysis focuses on drawing a picture of Vent d'Est's trade relationships with specific companies in the United States.

All US imports records that provide Vent d'Est as the shipper, between the time period 2014-03-25 and 2018-02-01, were analyzed for this section.⁴¹⁸

Consignees of Vent d'Est

The consignees for United States imports of Vent d'Est shipments in the time period mentioned are listed below in alphabetical order.⁴¹⁹

416) According to Panjiva, "China Trade Data will always include the name of the Chinese company involved in the transaction (importer or exporter) but we are not permitted to show the name of the overseas company involved in the transaction."

417) Both definitions are used by Panjiva, further adding that "the consignee is the entity who is financially responsible for the receipt of a shipment and often the person to whom goods are to be delivered at a particular destination by a carrier ([also referred to as] The Buyer)."

418) In a previous section, the trading activity of Vent d'Est was examined through China imports and exports records for the time period 25-02-2014 and 01-01-2018.

419) https://panjiva.com/shipment_search/company?m=merged_consignee&pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106_45925920&type=us_imports&x_history=ej_yNU11LazEQ_C959uhd_UALPgiCfarSUKrFlvSyd7f0kpz_ZXM9S_O9uWy2VVvFtMjs7s5tkpdiHqAaKWvww

The two instances of Bestseller were merged because they shared the same corporate details and physical address, and appeared to be a result of the way shipment data is transcribed as mentioned in a previous section. However, the two instances of Forever 21 were both listed as they were registered at different physical addresses.⁴²⁰

Arcadia Group (USA) Limited
478 Broadway, New York, NY 10013, USA

Bestseller Canada Inc.
225-A, De Liege Quest, Montreal, Quebec, Canada, H2P 1H4

Diesel U.S.A, Inc.
220, West 19th Street, New York, 10011, USA

Forever 21
2001 South Alameda Street, Los Angeles, CA 90058, USA

Forever 21 Inc.
3380 Mission Road, Los Angeles, CA 90031, USA

Giorgio Armani Corp.
450 W 15th St, New York, NY 10011, USA

Guess Inc.
1444 South Alameda Street, Los Angeles, CA 90021, USA

*Kmart Corporation*⁴²¹
3333 Beverly Road, Hoffman Estates, IL 60179, USA

Up0o3cYKXaSc4hKin6OTqr95W17c8hXxojee3k_TYdE-ZaO8m4y7ajJsHmmUvT-457tedy0eFvwCQyCD0m_sxlGgg946pdlhSz33dWsfQBGTJUoPVoWqgMvWxkx6XvCjTWrtcx6EHNfPkCNo_YySYofABD HFT67UFWk11JqCpvMM16HDGFDewCb6gGqEmN5djDNogBC-M0xZZvcqou1l0zCvhvhC5EriixsqmP8gOqaziPhOx3TiFAg5bwf rf7nNfv3X9p1gC_1AaHTHhqDcfpJ9mZ0l6mvTPvyvozJa_TNJ-kspzfQICk9Ce.

420) As mentioned previously, the registration of unique physical addresses are the basis for branch entity identification employed by the widely used and standardized DUNS system.

421) Affiliated with Sears, as according to the domain of the consignee's contact details given as @searshc.com.

*LL & S Purchasing Corporation*⁴²²

512 7th Avenue, New York, NY 10018, USA

*Presidio International*⁴²³

111 8th Ave, New York, NY 10011, USA

*Samsung America Inc.*⁴²⁴

1430 Broadway, New York, NY 10018, USA

Superdry Wholesale LLC

210 Elizabeth St, New York, NY 10012, USA

Figure 1 shows the top five consignees in decreasing order of combined weight of shipments.⁴²⁵

Although all of the above listed consignees are involved in the retail of textile goods, rather than being logistics or financial institutions, it is nevertheless worth examining the broad definition of “consignee” as explained in a note from Panjiva:

Why are there logistics and financial institutions listed as the consignee? The U.S. Customs Service defines “importer” as a person primarily liable for the payment of duties on the merchandise, or an authorized agent acting on the importer’s behalf. The importer may be:

- *a consignee*
- *the importer of record*
- *the actual owner of the merchandise*

The Ultimate Consignee at the time of entry or release is defined as the party in the United States, to whom the overseas shipper sold the imported merchandise. If at the time of entry or release the imported merchandise has not been sold, then the Ultimate Consignee at the time of entry or release is defined as the party in the United States to whom the overseas shipper

422) Affiliated with The Levy Group, as according to the domain of the consignee’s contact details given as @thelevygroupinc.com.

423) Affiliated with Armani Exchange, as according to the domain of the consignee’s contact details given as @armaniexchange.com.

424) Affiliated with Samsung Fashion, as according to the consignee’s contact email given as fashion@samsungcntamerica.com.

425) Unlike with China import records, the value of goods (estimated or otherwise) is not available for US import records data.

consigned the imported merchandise. If the merchandise has not been sold or consigned to a U.S. party at the time of entry or release, then the Ultimate Consignee at the time of entry or release is defined as the proprietor of the U.S. premises to which the merchandise is to be delivered.

For the purposes of our analysis, in light of this and the fact that the listed consignees are brand identities involved in retail, it seems reasonable to surmise that these were the parties to which the overseas shipper sold the imported merchandise.

From North Korea, to North America

In the time period examined, a total of 108 of shipments weighing a combined total of 235,068 kg, were recorded as having been imported into the United States after having been purchased from Vent d'Est.⁴²⁶ The combined volume of the goods were 56 twenty-foot equivalent units (TEU).⁴²⁷ Figure 2 shows the top five HS Codes mentioned in these shipments, with 6201.93 and 6202.93 ranking highest whether in terms of number, weight or volume of shipments.

The top five HS Codes in the US import records were cross-referenced with their appearance in China import records for Vent d'Est in the time period mentioned. Figures 3 and 4 show that North Korea makes up the vast majority of origin for HS Codes 6201.93 and 6202.03, respectively.

The information in Figure 5 and Figure 6 suggest that goods with HS Codes 6203.42 and 6203.43, which are the third and fourth most frequent HS Codes found in the US import records, were manufactured or completed in China. HS Code 6205.20 did not appear in China import records for Vent d'Est, suggesting that goods with this code were also manufactured or completed in China.

426) [https://panjiva.com/shipment_search/company?m=merged_consignee &pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106_45925920&type=us_imports&x_history=eJyNUu9LwzAQ_V_y2bJ2_kALfhAE92nKxhAVCVIzbY81SU2uq2X4_v3vddEw6xW8v7969d8lllLzJFJB0IgToRoqwRjM5J0ktwLLJXfz1l3chisM69Fscb-IJ3nzlEyzdj5ry_mkfsRp8v5gn-9G7TV7GOnW4D1q4F4DvgAtM2cDFhaA65mrGmODrD0EzhLpZqhKR5I-9tLjkkehG2O6PnEQcly_hEBSac3B_QebOS42hrlRvAUZhITCoS2ehBy0sA9IW1t7IWIGs0K74SF5pkN4xY5WBI F551P0sirKSuS-EtpChxNrwTX-QL WBR0iHTb6B38rcktkrjfnvPQ_3O9Z9iDvxDqRV BFEhtf8c4Ts6i-DQan39XwOodfxnF4yjmdX0CNoTPZg.](https://panjiva.com/shipment_search/company?m=merged_consignee&pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106_45925920&type=us_imports&x_history=eJyNUu9LwzAQ_V_y2bJ2_kALfhAE92nKxhAVCVIzbY81SU2uq2X4_v3vddEw6xW8v7969d8lllLzJFJB0IgToRoqwRjM5J0ktwLLJXfz1l3chisM69Fscb-IJ3nzlEyzdj5ry_mkfsRp8v5gn-9G7TV7GOnW4D1q4F4DvgAtM2cDFhaA65mrGmODrD0EzhLpZqhKR5I-9tLjkkehG2O6PnEQcly_hEBSac3B_QebOS42hrlRvAUZhITCoS2ehBy0sA9IW1t7IWIGs0K74SF5pkN4xY5WBI F551P0sirKSuS-EtpChxNrwTX-QL WBR0iHTb6B38rcktkrjfnvPQ_3O9Z9iDvxDqRV BFEhtf8c4Ts6i-DQan39XwOodfxnF4yjmdX0CNoTPZg.)

427) The twenty-foot equivalent unit or TEU is a standard shipping measurement volume. This is a derived field based on Panjiva's proprietary algorithm, which takes into account "the type of goods, weight and other factors."

Figure 7 shows the top twenty HS Codes and their shipment origins in the China imports records of Vent d'Est, for a greater perspective on the above information.

Even if we assume that not all goods exported to the United States by Vent d'Est would feature the same HS Code as when they had been imported in part or some way through the manufacturing process, we note that almost all of its imports for its top two US export codes originated in North Korea.

Anoraks and Jackets

We take a closer look at HS Code 6201.93,⁴²⁸ at the level of individual shipments. All shipments for HS Code 6201.93 in China imports data (Vent d'Est as importer) and US imports data (Vent d'Est as exporter), in the years 2014 and 2017 were examined, which are the first and last years for which shipment data is available for both sets of data.

Before looking at the individual shipments, we provide a short explanation regarding the dates of the shipment records. For the China imports, each shipment record is dated to the first of the month. This is because the Chinese trade data is updated monthly, with a month of lag time. For the US imports, the data is received 5 days a week from Monday to Friday, with 3-10 business days to upload and be visible on the Panjiva platform.

2014

Shipments of HS Code 6201.93 are purchased by Vent d'Est from unnamed entities and shipped out of North Korea on the following dates in 2014:⁴²⁹

428) This code includes goods that come under the following category: "Men's or boys' overcoats, carcoats, capes, cloaks, anoraks (including ski-jackets), windbreakers and similar articles (including padded, sleeveless jackets), other than those of heading 6203. Of man-made fibers."

429) http://panjiva.com/shipment_search/company?m=shipments&pidst=44439059_46152653_43682766_30252223&type=china_imports&x_history=eJx1UV1LAzEQ_C959ujdoaiFHWtBPIVpKaJSQkj2vOAlG_PRetTdzetV1pFyEN2ZrM7M9kwbJoAkY1ZVZfsjAX0uQitdgZs5AZtbL8y11JsCdFSx55HfAdLfXj70V_ehWsdVqPZ4mFRTpr0XE3lej5bt_OJe9LT6vPRvtyP1jc0w3BcgfdawdGOQITELhkbUPMQCGLjzRFN2tj20POLE2UqGdNn6SeaCXAEVZJR0USk40d0UvFJzWNjhyzWPvgICV6BLwFBT2d2xioVcHRISsIkmoPEr0aHu2n_hSDIIUGAgVgrrDRXd5qnLBEbf7nyJDHFPOcnPRu0xtZyH4wRNENgn4scCsMsOV2SQn5hh_UUwp_UIYiQkEzdl9cl9V5UdZFFTEwYNUevyrKig7bfgOpd73o.

2014-04-01
2014-05-01
2014-06-01 (x 2)
2014-09-01
2014-10-01

Figures 9 and 10 is an example shipment among these.

Shipments of HS Code 6201.93 are sold by Vent d'Est and imported into the United States on the following dates in 2014:⁴³⁰

2014-07-02
2014-07-23
2014-09-05
2014-10-05

Figures 10, 11 and 12 is an example shipment among these.

2017

Shipments of HS Code 6201.93 are purchased by Vent d'Est from unnamed entities and shipped out of North Korea on the following dates in 2017:⁴³¹

430) https://panjiva.com/shipment_search/company?m=shipments&pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106_45925920&type=us_imports&x_history=eJyFkFFLwzAUhfLfTYsrTp04IMguKcpG0NUJJT0rgk2SU1uVsvvv5s6N6pj7C0558s5N3cDRSSFlrTU1Al y72hhAu72oxvfhWsd1qP58mHJp6v4nMlku5i3ajFtnvQs-3y0L_ej9gbOwAi3Ru91ieltULoxKTEkQ7o6GhtE4zEkCSYbUBSEdCUGMU5wBl976sB9hTla0_UFBUMFYXfSthLDmr3Yoq4UDRXCOLZwsoa3VOIX4jBJGPfzg-EQx1Dqmh6tCP8h2xFOR_1yR3PS4KdDeuhP QlkQskCFT7uGnGcXjJ-z_HLnoC23-hXjOeNp-99sTbP2.

431) https://panjiva.com/shipment_search/company?m=shipments&pids_list=44439059_30252223&type=china_imports&x_history=eJyFU11r3DAQ_C967hFJlmQp0IdCIXIKS0IobQjC2LpY5GxfLTIXELfuficjTMFYw_NLvjnZHmlaVhzOySpanzU2rYB1ZNUQ19jnXMs8_DcgJHj79nM3n5GJ6ubi9_3LPr7fTd3FTH5uD3d9f5bvBG_vvY_ri4OH4mj88NLGMfYhCN1G_cdMSYC6mE3dX3yzEkWmKXR6xNvh6akLyhWrHUTH0e5Xr7W_Lv6UPrJm6bqb69dlVUW5DWt9i_7QoejxhfPhf8cr2SD8et_4U892wyDkZ4n1NnvfHmqccjLRVDpuUq8VgyYXacLmRekVC3_xZtxsu6DrShW30VlnrlbTWS eXE6so7yYJlgLQTElJOQ0JuAWS4Q5AyQiKolApBwKColFCywbqKskDDC7IWEqIxtOMcEVIb6hIW6rIWGMU1HMM65IZRAupS6oyHyCgaw8EujZw3xZkTpvCXMgaNoSVHRmmh0Tmk_YJjGAGVdntoLdalkb00PNxKAQOrLAwRRQ_rktBD0gyNkvjYFDDmSkPCc1kuUBfFHOkqeQGTQmFGkIQeamHwVjpiSDccPegGL9ZdbmLnq91uQWlpW1SYG_AS4174E.

2017-02-01 (x2)
2017-03-01
2017-04-01 (x2)
2017-05-01
2017-06-01 (x3)
2017-08-01 (x3)
2017-09-01 (x3)
2017-10-01 (x6)
2017-11-01 (x3)
2017-12-01

Shipments of HS Code 6201.93 are sold by Vent d'Est and imported into the United States on the following dates in 2017:⁴³²

2017-06-07
2017-06-22
2017-07-05
2017-07-11
2017-07-19
2017-07-28
2017-08-09
2017-08-16
2017-09-05
2017-09-28
2017-11-29

We cannot decidedly trace each individual shipment originating from North Korea being sent to be imported into the United States. However, the overall picture of Vent d'Est's trading activity as observed under heading "3" above, when taken together with the

432) https://panjiva.com/shipment_search/company?m=shipments&pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106_45925920&type=us_imports&x_history=eJyNUstqwzAQ_BedY2KnD9pAD4VCc0pLQihKUKx1vYSS3K1clwT8u-VksakeUBuq5nZmV1JK0bGOjZkDmrWY6J2BWiHKbqWO7MA7Snz-N3ePtE90rI_mb3M4lFWvyfjtJlOmm16qt5wnPy86o_nfvPgPRQ3S7AWJfheKrBS3pE8kZqyVpp4ZYE8xIYrpsDmIHlqNGGuIXQkbN1JT0s-maYAi9RL_zRWSGBW-MRLRQQ-_KjdrMlXZAuwp1zveX78AGMC_cPhKuPjjZjB-3cmU2F3m86hm9a6ugz92hZBt8od-f-KyZn_lCp6D8ZyOfg4ic2Hy7QZxcR_FVNljZMaDIfr-L4kEUB58BlbAtX0B7Km_9C3L6_Bw.

patterns of these individual shipments, lead us to a position where we cannot according to the available information rule out that one or several or most of the Vent d'Est shipments of HS Code 6201.93 sold to United States consignees had originated in North Korea.

Revisiting the “Shifting Shipments”

We noted in the previous section on Vent d'Est, which examined its China imports and exports, two particular patterns that emerged around the timing of sanctions on North Korea. One dealt with the decline of shipment records indicating the destination or origin of goods as North Korea, and the other with anomalous shipments.

With regard to these anomalous shipments, the following puzzling combination of conditions were met for a shipment record, and in a sudden break from the pattern of shipments until then: both the origin and destination of the shipment was given as China while the country of sale was given as a country other than China; and the value of the entire shipment for finished textile goods was given to be less than 100 USD.

The first time that we had found evidence for this for Vent d'Est was in 2016-10-1, which was also the time period of the decline of shipments to and from Vent d'Est and North Korea.

Now we also note that HS Code 6201.93 has been among these anomalous China import shipments, even as extensive export activity to the US continued for the same HS Codes; while at the same, imports from North Korea for this HS Codes ceased to appear in the records altogether.

Putting it all Together

In a previous section, we came to an overall picture of Vent d'Est's extensive manufacturing relationship with North Korea based entities at the same time as it sold its finished products to major European brands, but could not demonstrate this at the level of individual companies. In this section, we were able to specifically identify shipment records that showed companies purchasing finished products from Vent d'Est while it maintained an extensive manufacturing relationship with North Korea. There was also additional data adding more questions to those left unanswered in the “shifting shipments” of the previous section.

| Consignee | Shipments ▼ | Weight (kg) ▼ | Volume (TEU) ▼ |
|--|--------------------------|----------------------------|-----------------------------|
| | 108 shipments | 235,068 KG | 55 TEUs |
| Forever 21 Inc. 3380 N. Mission Roa Los Angeles, CA 90031, USA 88 mport-ap@forever21.com Phone 1: +1 213 741 8866 company profile | 6 shipments 5.56% | 78,652 33.46% | 20.00 TEUs 35.91% |
| Giorgio Armani Corp. 450 W 15th St, New York, NY 10011, USA Phone 1: +1 212 366 9720 armani.com company profile ~50 employee contacts | 28 shipments 25.93% | 55,561 23.64% | 17.03 TEUs 30.57% |
| Forever 21 2001 South Alameda Street, Los Angeles, CA 90058, USA 83 onlined@forever21.com Phone 1: +1 213 741 5100 forever21.com company profile ~150 employee contacts | 7 shipments 6.48% | 28,084 11.95% | 2.98 TEUs 4.25% |
| Guess Inc. 1444 South Alameda Street, Los Angeles, CA 90021, USA 83 cool@guess.com Phone 1: +1 213 785 3100 guess.com company profile ~150 employee contacts | 18 shipments 16.67% | 17,520 7.45% | 2.51 TEUs 4.50% |
| Bestseller Canada Inc. 225-A DE LIEGEA MONTREAL QC H3P 1H4 Phone 1: +1 514 381 2323 company profile Trade Roles: Wholesaler | 4 shipments 3.70% | 13,301 5.66% | 3.42 TEUs 6.14% |

Figure 1: Top consignee by weight.⁴³³

Figure 2: Top 5 HS Codes, US import shipments.⁴³⁴

| HS Code | Shipments ▼ | Weight (kg) ▼ | Volume (TEU) ▼ |
|--|--------------------------|----------------------------|-----------------------------|
| | 108 shipments | 235,068 KG | 55 TEUs |
| 6201.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of man-made fib... | 25 shipments 23.15% | 84,557 27.46% | 14.80 TEUs 26.57% |
| 6202.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; women's or girls', of man-made ... | 11 shipments 10.19% | 70,653 30.05% | 15.26 TEUs 27.41% |
| 6203.42 Trousers, bib and brace overalls, breeches and shorts; men's or boys', of cotton (not knitted or crocheted) | 9 shipments 8.33% | 18,690 7.95% | 4.32 TEUs 7.76% |
| 6203.43 Trousers, bib and brace overalls, breeches and shorts; men's or boys', of synthetic fibres (not knitted or crocheted) | 7 shipments 6.48% | 12,089 5.14% | 2.12 TEUs 3.81% |
| 6205.20 Shirts; men's or boys', of cotton (not knitted or crocheted) | 6 shipments 5.56% | 1,182 0.50% | 0.19 TEUs 0.34% |

433) http://panjiva.com/shipment_search/company?m=merged_consignee&pids_list=36273238_36866041_29807866_36336360_44202353_10779197_30904058_33774245_5642106_45925920&type=us_imports&x_history=eJyNU1LazEQ_C959uhd_UALPgiCfarSUKRFlvSyd7f0kpzZXM9S_O9uWy2VvVfTmjs7s5tkpdiHqAaKWvWvUp0o3cYKXaSc4hKin6OTqr95W17c8hXxojee3k_TYdE-ZaO8m4y7ajJsHmUvT-457tedy0eFvwCQyCD0msxlGgg946pdIhSz33dWsfQBGJTJUoPVoWqgMvWxkx6XvCjTWrtcx6EHNfPkCNoYySYofABDHFt67UFWk11JqCpVMM16HDGFDewCb6gGqEmN5dJNogBC-M0xZZvcqou1l0zCvhvhC5EriixsqmP8gOqaziPhOx3TiFag5bWfrf7nNfv3X9p1gC_1AaHTHhqDcFpJ9mZ0l6mVTPvvyozJa_TNJ-kspzfQICK9Ce.

434) https://panjiva.com/shipment_search/company?m=hs_codes_6&pids_list=4439059_30252223&type=china_imports&x_history=eJyFU11r3DAQ_C9zhFJlmTpo

| DIMENSION 2 HS Code | DIMENSION 1 Shipment Origin | Value (USD) |
|---|--|--------------------------|
| | | \$17,010,634 |
| 6201.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of man-made fb... | 5 unique shipment origins Collapse Shipment Origins | \$3,876,316.00 22.79% |
| 6201.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of man-made fb... | North Korea | \$3,871,970.00 99.89% |
| 6201.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of man-made fb... | China | \$3,620.00 0.09% |
| 6201.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of man-made fb... | Myanmar | \$290.00 0.01% |
| 6201.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of man-made fb... | South Korea | \$256.00 0.01% |
| 6201.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of man-made fb... | Italy | \$180.00 0.00% |

Figure 3: Origins of 6201.93 from China imports.⁴³⁵

AFQPOUloRQmhCEsXU5EctOLTmXIS_ZvU4WiYK5izb2d3dmc_Xoo0jLLYF2mKb
kptcVLUU976Pocm5L3Lw4PvCR6_t7rs2RDejq9vP5zc430y90eyuLnfbq_PHN_GCP__
ob76d7r4QR3TDkx_H0HqK3SbXDK1PThPSDN0UQeR58oS7FOcTXBZ99pj6P_nf6
0flv663RTvFuCf_5R3r3Gx9Wr5Cfz9LujtgvP2f88J2R4nj1OXw4OewhYHIxo07DHFx
CyzrbNfpVzPvRWMyxWTK24XxPftu92sGKfnjz1EV3edM9IYwjZ1lzyZR78Js81JYYw
VUpbmb5sQ4oBSCkuUZRRGkKyQlBVolyEgPAFsSfzGUGpDnUJRjSRRaiVLxCuh
RXsL2GH6kQlIFWJZyXxJ1nsAzLYZTmMNeRdBdBYl8BQJWAZlcDLZtBuSIOHYjme
l0aEmlmcy8LtpR9MiIaiDMylLINlaAhRfKxQCzhlo46cOdIltUaEdHkcS8Z7qNC8Sss
RoZbwzDXtKIJK3HnqL2yvgLq4OXIpcA9ZiSDS9Z7r9Q3dtO06.

435) https://panjiva.com/shipment_search/company?m=hs_codes_6&pids_list=44439059_30252223&type=china_imports&x_history=eJyFU11r3DAQ_C9zhFJlmTpoAFQPOUloRQmhCEsXU5EctOLTmXIS_ZvU4WiYK5izb2d3dmc_Xoo0jLLYF2mKb kptcVLUU976Pocm5L3Lw4PvCR6_t7rs2RDejq9vP5zc430y90eyuLnfbq_PHN_GCP__ob76d7r4QR3TDkx_H0HqK3SbXDK1PThPSDN0UQeR58oS7FOcTXBZ99pj6P_nf60flv663RTvFuCf_5R3r3Gx9Wr5Cfz9LujtgvP2f88J2R4nj1OXw4OewhYHIxo07DHFxCyzrbNfpVzPvRWMyxWTK24XxPftu92sGKfnjz1EV3edM9IYwjZ1lzyZR78Js81JYYwVUpbmb5sQ4oBSCkuUZRRGkKyQlBVolyEgPAFsSfzGUGpDnUJRjSRRaiVLxCuhRXsL2GH6kQlIFWJZyXxJ1nsAzLYZTmMNeRdBdBYl8BQJWAZlcDLZtBuSIOHYjme l0aEmlmcy8LtpR9MiIaiDMylLINlaAhRfKxQCzhlo46cOdIltUaEdHkcS8Z7qNC8SssRoZbwzDXtKIJK3HnqL2yvgLq4OXIpcA9ZiSDS9Z7r9Q3dtO06

| DIMENSION 1 HS Code | DIMENSION 2 Shipment Origin | Value (USD) ↑ |
|--|--|------------------------|
| | | \$17,010,634 |
| 6202.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; women's or girls', of man-made ... | 6 unique shipment origins Collapse Shipment Origins | \$199,372.00 1.17% |
| 6202.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; women's or girls', of man-made ... | North Korea | \$195,737.00 98.18% |
| 6202.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; women's or girls', of man-made ... | China | \$2,664.00 1.34% |
| 6202.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; women's or girls', of man-made ... | Myanmar | \$707.00 0.35% |
| 6202.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; women's or girls', of man-made ... | Vietnam | \$175.00 0.09% |
| 6202.93 Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; women's or girls', of man-made ... | Germany | \$61.00 0.03% |

Figure 4: Origins of 6202.93 from China imports.⁴³⁶

Figure 5: Origins of 6203.42 from China imports.⁴³⁷

| DIMENSION 1 HS Code | DIMENSION 2 Shipment Origin | Value (USD) ↑ |
|--|---|---------------------|
| | | \$17,010,634 |
| 6203.42 Trousers, bib and brace overalls, breeches and shorts; men's or boys', of cotton (not knitted or crocheted) | 1 unique shipment origin Collapse Shipment Origins | \$205.00 0.00% |
| 6203.42 Trousers, bib and brace overalls, breeches and shorts; men's or boys', of cotton (not knitted or crocheted) | China | \$205.00 100.00% |

436) https://panjiva.com/shipment_search/company?m=hs_codes_6&pids_list=44439059_30252223&type=china_imports&x_history=eJyFU11r3DAQ_C9zhFJlmTpoAFQPOUloRQmhCEsXU5EctOLTmXIS_ZvU4WiYK5izb2d3dmc_Xoo0jLLYF2mKbkptcVLUU976Pocm5L3Lw4PvCR6_t7rs2RDdej9vP5zc430y90eyuLnfbq_PHN_GCP__ob76d7r4QR3TDkx_H0HqK3SbXDK1PThPSDN0UQeR58oS7FOcTXBZ99pj6P_nf60flv663RTvFuCF_5R3r3Gx9WR5Cfz9LujtgvP2f88J2R4nj1OXw4OewhYHIx007DHFxCyrbNfpVzPvRWMyxWTK24XxPftu92sGKfnjz1EV3edM9IYwjZ1lzyZR78Js81JYYwVUpbmb5sQ4oBSCkuUZRRGkKyQlBVolyEgpAFSsFzGUGpDnUJRjSRAiVlXcCuhRXsL2GH6kQlIFWJZyXxJ1nsAzLYZTmMNeRBdBYl8BQJWAZlcDLZtBuSIOHYjme10aEmlmcy8LtpR9MiIaiDMylLINlaAhRFKxQCzhlo46cOdIltUaEdHkcS8Z7qNC8SssRoZbwzDXtKlJK3HnqL2yvgLq4OXIpcA9ZiSDS9Z7r9Q3dtO06.

437) https://panjiva.com/shipment_search/company?m=hs_codes_6&pids_list=44439059_30252223&type=china_imports&x_history=eJyFU11r3DAQ_C9zhFJlmTpoAFQPOUloRQmhCEsXU5EctOLTmXIS_ZvU4WiYK5izb2d3dmc_Xoo0jLLYF2mKbkptcVLUU976Pocm5L3Lw4PvCR6_t7rs2RDdej9vP5zc430y90eyuLnfbq_PHN_GCP__ob76d7r4QR3TDkx_H0HqK3SbXDK1PThPSDN0UQeR58oS7FOcTXBZ99pj6P_nf6

| DIMENSION 1 HS Code | DIMENSION 2 Shipment Origin | Value (USD) |
|--|---|--------------------|
| | | \$17,010,634 |
| 6203.43 Trousers, bib and brace overalls, breeches and shorts; men's or boys', of synthetic fibres (not knitted or crocheted) | 1 unique shipment origin Collapse Shipment Origins | \$24.00 0.00% |
| 6203.43 Trousers, bib and brace overalls, breeches and shorts; men's or boys', of synthetic fibres (not knitted or crocheted) | China | \$24.00 100.00% |

Figure 6: Origins of 6203.43 from China imports.⁴³⁸

0flv663RTvFuCf_5R3r3Gx9Wr5Cfz9LujtgvP2f88J2R4nj1OXw4OewhYHIxo07DHFx
CyzrbNfpVzPvRWMyxWTK24XxPftu92sGKfnjz1EV3edM9IYwjZ1lzyZR78Js81JYYw
VUpbmb5sQ4oBSCkuUZRRGkKyQlBVolyEgpaFsfzGUGpDnUJRjSRRaivLxCuh
RXsL2GH6kQlIFWJZyXxJ1nsAzLYZTmMNeRbDBYl8BQJWAZlcDLZtBuSIOHYjme
l0aEmlmcy8LtpR9MiIaiDMylLINlaAhRfKxQCzhlo46cOdIltUaEdHkcS8Z7qNC8Sss
RoZbwzDXtKIJK3HnqL2yvgLq4OXIpcA9ZiSDS9Z7r9Q3dtO06.

438) https://panjiva.com/shipment_search/company?m=hs_codes_6&pids_list=44439059_30252223&type=china_imports&x_history=eJyFU11r3DAQ_C9zhFJlmTpoAFQPOuloRQmhcEsXU5EctOLtmXIS_ZvU4WiYK5izb2d3dmc_Xoo0jLIYF2mKbkptcVLUU976Pocm5L3Lw4PvCR6_t7rs2RDejq9vP5zc430y90eyuLnfbq_PHN_GCP__ob76d7r4QR3TDkx_H0HqK3SbXDK1PThPSDN0UQeR58oS7FOcTXBZ99pj6P_nf60flv663RTvFuCf_5R3r3Gx9Wr5Cfz9LujtgvP2f88J2R4nj1OXw4OewhYHIxo07DHFxCyzrbNfpVzPvRWMyxWTK24XxPftu92sGKfnjz1EV3edM9IYwjZ1lzyZR78Js81JYYwVUpbmb5sQ4oBSCkuUZRRGkKyQlBVolyEgpaFsfzGUGpDnUJRjSRRaivLxCuhRXsL2GH6kQlIFWJZyXxJ1nsAzLYZTmMNeRbDBYl8BQJWAZlcDLZtBuSIOHYjme l0aEmlmcy8LtpR9MiIaiDMylLINlaAhRfKxQCzhlo46cOdIltUaEdHkcS8Z7qNC8SssRoZbwzDXtKIJK3HnqL2yvgLq4OXIpcA9ZiSDS9Z7r9Q3dtO06

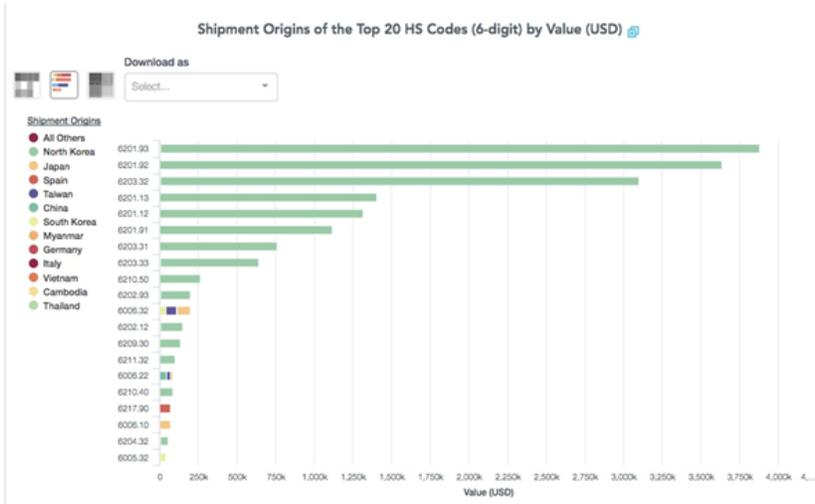


Figure 7: Origins of top 20 HS Codes, China imports.⁴³⁹

439) https://panjiva.com/shipment_search/company?m=hs_codes_6&pids_list=44439059_30252223&type=china_imports&x_history=eJyFVGFL5DAU_C_97GKSJunLwn04ONBPnihyqEgobdYNNq3XpO4t4n83ViqLMh4s7G4mb2bevNcF3EYU7Eu4hTsfNviqKintHV98o1Pe5uGB9dnePj5d69_RePj0_HF1e8rdrqZrvlZs7u82G0vTx__DP77y_OTne_cgcwQ5Pbhx963LtNtpmaF20OiPN0E2hj_ZxdDGrFOvnQ3xd8PnO1KdxP_97Sj5fPW2aKcQ9vn8h3q1GxdXH75_n5u6e6A8fZ_lxe2uywcp175BzeXLQyZbNzYwXlBhq9ttnVyyq5jqOVvBuFwxueJmQVzfvP_TivH8eTv3wdZdZ0kSZWxTdT9H149Ft_HxmpSAyQkq5xPQFIImUQP_LIAUFUyAcKySEvzbBragA4rIZGWYMihUhxVaWYU0jIcB1VVSitrSlhtZPMQIuiwYiVqWeeBQYijeUmtUF14YhQsRJVZS08ZYLLVgmUvJlAm4fxSsLbSwpXSTxluABSYC1ZEiI0HGbIDKqSZGAaUsGn0rBvMizxvPAbQKAVVUbAtSk rqKXxihJhLyygXcKHSHEF49WQUGqBzetvsIbRXgP2bvDl1f1Hu06

Export Processing via North Korea

All shipments | China Imports — Panjiva

https://panjiva.com/shipment_search/company?m=shipments&pid...

[See Panjiva Enhanced Record](#) [Open in new tab](#) [Print](#)

Shipment Details

| | |
|----------------------|---|
| Shipment Month | 2014-07-01 |
| Shipment Origin | Korea, DPR |
| Province | Liaoning Province |
| Country of Sale | Korea, DPR |
| Transport Method | Motor Vehicle Transportation |
| Value of Goods (USD) | 328911 |
| HS Code | 6201.93 |
| HS Code Description | Anoraks (including ski-jackets), wind-cheaters, wind-jackets and similar articles; men's or boys', of man-made fibres, other than those of heading no. 6203 (not knitted or crocheted) |
| HS Code Keywords | CHILDREN DOWN THERMAL UNDERWEAR; DOWN CLOTHES; DOWN JACKET; DOWN VEST; DOWN VESTS; DOWN WAISTCOAT; HEAT PROTECTION SHIRT; MEN'S DOWN JACKET; MEN'S TYPE THERMAL SHIRT; MULTIFUNCTIONAL COTTON DRESS; POLICE REFLECTIVE WATERPROOF COTTON CLOTHES; |
| Trade Direction | Import |
| Admin Region | Dalian City, Liaoning |
| Trade Type | Processing and Assembling Trade with Customer-Supplied Materials |

Company Details

| | |
|------------------------------------|---|
| Consignee | Vent D'est International Corp.(Dalian) Ltd. |
| Consignee Name (Chinese Format) | 万代国际贸易(大连)有限公司 |
| Consignee Address (Chinese Format) | 大连市西岗区唐山街2号谈判楼6楼 |

1 of 2

27/04/2019, 15:03

Figure 9: An example China imports shipment of HS Code 6201.93.⁴⁴⁰

440) https://panjiva.com/shipment_search/shipment/139173025?type=china_imports.

| | |
|-------------------------------------|---|
| Consignee Address (Original Format) | 6/F NEGOTIATION BLD., NO.2 TANGSHAN STR., DALIAN, CHINA |
| Consignee Global HQ | Vent D'est International |
| Consignee Domestic HQ | Vent D'est International |

Figure 10: An example China imports shipment of HS Code 6201.93 (continued).⁴⁴¹

441) https://panjiva.com/shipment_search/shipment/139173025?type=china_imports.

Export Processing via North Korea

All shipments | US Imports – Panjiva

https://panjiva.com/shipment_search/company/?m=shipments&pid..

[See Panjiva Enhanced Record](#) [Open in new tab](#) [Print](#)

Shipment Details

| | |
|------------------------------|--|
| Bill of Lading Number | CHNJ2DLLAX064745 |
| Bill of Lading Type | House |
| Master Bill of Lading Number | CHNJDLCLAX064745 |
| Arrival Date | 2014-10-05 |
| Shipment Origin | China |
| Shipment Destination | The Port of Los Angeles, Los Angeles, California |
| Port of Unlading | The Port of Los Angeles, Los Angeles, California |
| Port of Lading | Busan, South Korea |
| Place of Receipt | DALIAN |
| Transport Method | Maritime |
| Vessel | XIN FEI ZHOU |
| Quantity | 2828 |
| Measurement | |
| Weight (kg) | 24801 |
| Weight (t) | 24.801 |
| Weight (Original Format) | 24801 K |
| FROB | false |
| Manifest Number | 000001 |
| Inbond Code | |
| Number of Containers | 3 |
| Has LCL | false |

Company Details

| | |
|-----------|-------------------------------------|
| Consignee | Forever 21 Inc. 3380 N. Mission Roa |
|-----------|-------------------------------------|

1 of 3

27/04/2019, 15:08

Figure 11: An example US imports shipment of HS Code 6201.93.⁴⁴²

442) https://panjiva.com/shipment_search/shipment/103186728?type=us_imports.

| | |
|-----------------------------|---|
| Consignee (Original Format) | FOREVER21, INC 3880N. MISSION ROAD LOS ANGELES, CA 90031, NOT AVAILABLE, NOT AVAILABLE |
| Consignee Global HQ | |
| Consignee Domestic HQ | |
| Shipper | Vent D'est International |
| Shipper (Original Format) | VENT D'EST INTERNATIONAL CORP DALIAN LTD 10, CHUNHE STREET,, ZHONGSHAN DISTRICT DALIAN CHINA, NOT AVAILABLE |
| Shipper Global HQ | Vent D'est International |
| Shipper Domestic HQ | Vent D'est International |
| Carrier | CHNJ |
| Notify Party | SAME AS CONSIGNEE C090031, NOT AVAILABLE, NOT AVAILABLE |

3 Containers

Container 1

| | |
|-------------------|---|
| Container Numbers | CAIU9236112 |
| HS Code | 6201.93 |
| Goods Shipped | GENERAL OUTWEAR JACKET LSLV W HOOD CASUAL JACKET LSLV W HOOD |
| Container Marks | . CARTON |

Container 2

| | |
|-------------------|---|
| Container Numbers | CCLU7436111 |
| HS Code | 6201.93 |
| Goods Shipped | GENERAL OUTWEAR JACKET LSLV W HOOD CASUAL JACKET LSLV W HOOD |

Figure 12: An example US imports shipment of HS Code 6201.93 (continued).⁴⁴³

443) https://panjiva.com/shipment_search/shipment/103186728?type=us_imports.

Export Processing via North Korea

All shipments | US Imports — Panjiva

https://panjiva.com/shipment_search/company?m=shipments&pid...

| | |
|-----------------|----------|
| Container Marks | . CARTON |
|-----------------|----------|

Container 3

| | |
|-------------------|---|
| Container Numbers | TGHU6978176 |
| HS Code | 6201.93 |
| Goods Shipped | GENERAL OUTWEAR JACKET LSLV W HOOD CASUAL JACKET LSLV W HOOD |
| Container Marks | . CARTON |

3 of 3

27/04/2019, 15:08

*Figure 13: An example US imports shipment of
HS Code 6201.93 (continued).⁴⁴⁴*

444) https://panjiva.com/shipment_search/shipment/103186728?type=us_imports.

Summary

The investigation of five Chinese trading networks with strong ties to the international and Dutch garment industries has revealed the practice of export processing to North Korea. Coupled with the established prevalence of North Korean labourers in Chinese garment factories in and near Dandong, the details combine into a worrying picture. North Korean labour must be understood as forced labour and in some cases even as contemporary slavery, whether it takes place domestically or overseas.⁴⁴⁵ The networks we have examined seem to make it clear that Dutch (and US-based) companies working with the Chinese companies investigated above run a very high and very real risk of having (had) North Korean forced labour/contemporary slavery in their supply chains. As such, we deem it a task of immediate urgency for these Dutch companies and relevant others (such as the Dutch Agreement on Sustainable Garments and Textiles) to investigate their supply chains for the presence of North Korean forced labour/contemporary slavery and eliminate it. We also recommend taking constructive measures to ensure either that the companies who rely on North Korean forced labour/contemporary slavery are eliminated from the product supply chain or that these companies are, verifiably, required to convert to the international standard of decent labour in order to keep their place in the supply chain of companies active in the European and Dutch markets.

There are generally speaking two major risks associated with having North Korean labour in a product supply chain. First, empirical research has shown that all (state) organized North Korean labour can be categorized as forced labour and/or contemporary slavery. Second, depending on the precise nature of the activity, of the products involved, and of the time period involved, companies run the risk of breaking the very strict UN, US and EU sanctions on the DPRK, which can result in potentially severe countermeasures.

445) See for example Breuker and van Gardingen, *People for Profit*; Breuker and van Gardingen, 'Pervasive, punitive, and prevalent: Understanding modern slavery in North Korea,' in *Global Slavery Index 2018*, 1-36 (Walk Free Foundation, 2018); Breuker and van Gardingen, *Slaves to the System: North Korean Forced Labour in the European Union, the Polish case - How the Supply of a Captive DPRK Workforce Fits our Demand for Cheap Labour* (LeidenAsiaCentre: Leiden, 2017); Marcus Noland, 'See no evil: South Korean labor practices in North Korea,' (East-West Institute, 2014).

And third, as Chapter 5 in this part shows, DPRK prison camps and political annihilation camps have a large stake in the manufacturing of garments for productions. Combined with the fact that real on-site inspection of North Korean factories is impossible, the mere possibility that international buyers purchase garments made under -literally- the most inhumane conditions possible by North Korean inmates who had no choice, should give any buyer serious pause for consideration.

The relative liberal nature of US privacy laws compared to those of the EU make it possible to track shipments from North Korea via China to the US down to the level of the company receiving the shipments. As the section 'US Shipments' has shown, the US companies mentioned may run a real risk of -unintentionally- breaking the US and UN sanctions. Significantly more thorough vetting of the international supply chains involved seems an absolute necessity for these companies.

It needs to be emphasized here that the analysis of the trading data presented in this chapter seems to be a mere scratching of the surface, the tip of the proverbial iceberg. The research done so far has been done with relatively modest resources. A sustained and structural effort to understand the extent of North Korean export processing and overseas North Korean labour will yield a significantly fuller picture.

North Korean Labourers in China

Marieke P. Meurs

Introduction

The main findings of this report are based on trading data and thus focus on the issue of export processing or outsourcing to North Korea, as discussed in the previous chapter. The present chapter deals with North Korean workers active in the Chinese textile industry. This is because there is reason to believe that international clothing companies sourcing from Chinese factories in Northeast China may be tied not only to practices of outsourcing to the DPRK, but also to practices of hiring North Korean workers in the Chinese factories that supply directly to foreign brands. There have been several reports of factories in the Chinese border region producing for the foreign market while employing North Koreans. Therefore, this possibility constitutes yet another notable risk for foreign brands doing business in the region. In the present chapter, the main aspects of the DPRK's labour export to the Chinese textile industry are discussed—including the scale of the issue and working conditions—in order to argue that the employment of North Koreans in the supply chain of foreign brands should be considered undesirable, regardless of UN sanctions. Unfortunately, due to safety concerns, our research team was unable to conduct direct fieldwork for verification of the information presented below.

Numbers and Locations of North Korean Workers

Although China is the biggest importer of North Korean labour worldwide, estimates on numbers of North Korean labourers dispatched vary widely and their reliability is limited.⁴⁴⁶ Research on North Koreans active in China is very much lacking, compared to research on North Korean labour in Russia for example, as there are practically no testimonies from North Korean workers who have defected in China during their stay abroad. Testimonies of individuals who have left North Korea after having returned from working in China are also scarce. Furthermore, field research in China can be considered challenging and risky when it comes to investigating this specific topic.⁴⁴⁷ In order to illustrate the scale of North Korean employment within China, this section compiles some estimates, focusing on the most recently published data. It should be noted that most available estimates focus on the total number of North Korean workers in China, with some focusing on individual cities, but very few sources offer estimates on workers in the Chinese garment industry specifically. Another important limitation to these numbers is that they predate the late-2017 sanctions targeting the (North Korean) textile industry. While it is apparent that the employment of North Korean garment workers is still an ongoing practice even post-sanctions, it is very challenging to assess the extent of this practice currently.

Both the South Korean foreign ministry and South Korea's Asan Policy Research Institute have estimated the number of North Korean workers involved in industrial production in China to be around 19,000 as of 2013.⁴⁴⁸ The North Korea Strategy Centre and the Korea Policy Research Centre reported a lower estimate, one year prior, of around 7,000 to 8,000 North Korean workers active in

446) Yöngyun CH'OE, 'Pukhan haeoe nodongja hyönhwang: t'onggye deit'ö chungshim-üro', Pukhan kyöngje ribyu February (2017): 103–12; Sangshin YI, Kyöng-söp O, and Yejun IM, 'Pukhan haeoenodongja shilt'ae yön'gu', Chöngch'æk shiri-jü (Seoul: Korea Institute for National Unification, 2017), 14, <http://repo.kinu.or.kr/handle/2015.oak/8471>.

447) YI, O, and IM, 'Pukhan haeoenodongja shilt'ae yön'gu', 17.

448) CH'OE, 'Pukhan haeoe nodongja hyönhwang', 103; Chang-Hoon SHIN and Myong-Hyun GO, 'Beyond the UN COI Report on Human Rights in North Korea' (Seoul: Asan Institute for Policy Studies, November 2014), 30, <http://en.asaninst.org/contents/asan-report-beyond-the-coi-dprk-human-rights-report/>.

China across all regions.⁴⁴⁹ In contrast, Sejong Research Institute's 2016 estimate is much higher, suggesting at least 70,000 to 80,000 North Korean workers in China alone at the time of publication, and predicting this number will at some point exceed 100,000. The Korean Institute of National Unification (KINU) also published a similar estimate of 70,000 to 80,000.⁴⁵⁰ According to the Beijing branch of the Korea Trade Association and China's National Tourist Administration,⁴⁵¹ roughly half of the 188,300 North Korean citizens who entered China in 2015 were said to have been dispatched for labour.⁴⁵² Considering these are official figures published by a Chinese government authority, the credibility of this data is questionable, although they do more or less coincide with the South Korean estimates.

As for individual cities, Dandong is said to host around 30,000 North Koreans as of August 2016, but this number includes those involved in trading activities.⁴⁵³ Other numbers for Dandong include Radio Free Asia's estimate of some 15,000 to 20,000 North Korean workers across all industries,⁴⁵⁴ and Kim and Kang's similar estimate of roughly 20,000 North Korean workers.⁴⁵⁵ Washington Post put the number of North Korean workers in Dandong at

449) This source only mentions restaurant and construction workers. At the time of this publication, China's Jilin province had recently agreed to receive an additional 20,000 North Koreans as "industrial trainees", as had the city of Dandong. Based on these numbers, the total number of North Korean workers in China can be assumed to have surpassed 50,000 in as early as 2012 or 2013. 'Pukhan-üi haeoeillyöksongch'ul shilt'ae', 18.

450) YI, O, and IM, 'Pukhan haeoenodongja shilt'ae yön'gu', 20.

451) China's National Tourist Administration is now merged into the Ministry of Culture and Tourism.

452) Chinuk NAM, '2016 sangban'gi Pukhan-üi kyöngje tonghyangkwall'yön t'onggye charyo', Pukhan kyöngje ribyuJuly (2016), 114; CH'OE, 'Pukhan haeoe nodongja hyönhwangja', 112.

453) Chongsök YI, 'Kukkyöng-esö pon Puk-Chung kyöngje kyoryu-wa Pukhan kyöngje shilsang', Chöngch'aek p'rip'ing, August (2016), 8.

454) Ch'angsöp PYON, 'Tandung Pukhan nodongja-dül, ch'öeag-üi t'ongjesaenghwal', *Radio Free Asia*, 27 September 2016, https://www.rfa.org/korean/weekly_program/bd81d55c-c774ac8c-bb38c81cc9c0c694/fe-cp-09272016095027.html.

455) This source specifies that the total population of Dandong is around 80,000 and that the estimate of 20,000 North Korean workers does not include those entering Dandong with short term travel passes. Christina H. Kim and Juwon Kang, 'Reworking the Frame: Analysis of Current Discourses on North Korea and a Case Study of North Korean Labour in Dandong, China: North Korean Labour in Dandong, China', *Asia Pacific Viewpoint* 56, no. 3 (2015): 95, <https://doi.org/10.1111/apv.12107>.

13,000.⁴⁵⁶ According to a Chinese source, roughly 10,000 to one quarter of the 50,000 garment workers active in Dandong as of 2017 are North Koreans.⁴⁵⁷ As for other locations, the number of North Korean workers in the cities of Hunchun and Tumen in 2016 was estimated to be at 3,000 and 4,000, respectively.⁴⁵⁸ North Korean textile workers are reportedly present in more cities in Northeast China, such as Dalian,⁴⁵⁹ or Helong in the Yanbian Korean Autonomous Prefecture.⁴⁶⁰ Yanbian Prefecture is part of Jilin, which was the

456) Anna Fifield and Yoonjung Seo, 'Talking Kimchi and Capitalism with a North Korean Businessman', *The Washington Post*, 16 March 2015, https://www.washingtonpost.com/world/asia_pacific/talking-kimchi-and-capitalism-with-a-north-korean-businessman/2015/03/15/5599ff26-be0a-11e4-9dfb-03366e719af8_story.html.

457) The same document (a project plan of Dandong city government to invest 15 billion yuan into the textile industry) provides two contradictory estimates. One specifies 10,000 workers are North Korean, while the other states that "around a quarter" of the 50,000 textile workers are North Korean, putting the total at 12,500. Three North Korean businesses in Dagushan (Economic Park, closely connected with North Korean enterprises) workers hired 2,000 workers between them, while three Chinese businesses account for 1,500. Another 2,000 workers were located in Qianyang (which is administratively part of Dandong), out of a total of 5,000 textile workers in this area. 'Dàgūshān fāngzhǐ fúzhuāng chǎnyè xiàngmù shì jí xiàngmù Dāndōng shì zhāoshāng jǔ', 9 February 2017, <http://zhaoshang.dandong.gov.cn/html/80/20172/a9b7ba70783b617e9998dc4d-d82eb3c5.html>.

458) Another source puts the number of workers in each of these cities at 2,000. The city of Tumen is also said to have signed an employment contract, in 2016, for about 20,000 extra labourers to come work in an industrial park built specifically to attract North Koreans. Yet another source claims that the number of workers active in Hunchun jumped to 8,000 in 2017. YI, 'Kukkyōng-esō pon Puk-Chung kyōngje kyo-ryu', 8-10; Sūngjae KIM, 'Tandokch'wijae Puk-Chungmilch'ag-ūro tol'p'agu ch'ajatta', *Shindonga*, 20 May 2018, <http://shindonga.donga.com/3/all/13/1290930/1>; 'Chung Puk Nodongja, ko-doen nodong-gwa saenghwalch'onghwa-e "Ch'arari kwiguk-haget-ta"', *DailyNK*, 6 July 2016, <https://www.dailynk.com/%E4%B8%AD%E5%8C%97%E B%85%B8%EB%8F%99%EC%9E%90%EA%B3%A0%EB%90%9C%EB%85%B8%EB%8F%99%EA%B3%BC%EC%83%9D%ED%99%9C%EC%B4%9D%ED%99%94%EC%97%90/>; Kayōng KIM, 'Chung kongjang-dūl, Puk nodongja koyong chungdan t'ongbo', *DailyNK*, 11 August 2017, <https://www.dailynk.com/%E4%B8%AD%EA%B3%B5%EC%9E%A5%EB%93%A4%E5%8C%97%EB%85%B8%EB%8F%99%EC%9E%90-%EA%B3%A0%EC%9A%A9%EC%A4%91%EB%8B%A8%ED%86%B5%EB%B3%B4/>.

459) Susōk KO, 'Tae-Bukchejae kungmyōn-e', *Chung'ang Ilbo*, 26 January 2016, <https://news.joins.com/article/19473627>.

460) Yoon Ah HA, 'Over 1,000 North Korean Workers Slated for Dispatch to China', *DailyNK*, 12 April 2018, <http://english.dailynk.com/english/read.php?num=15123&catald=nk01500>; Sūngjae KIM, 'Chung chinch'urhan Puk saōp-kadūl yuksōng chūngōn', *Shindonga*, 19 April 2018, <http://shindonga.donga.com/3/all/13/1290930/1>; Joonho KIM and Richard Finney, 'North Korean Workers Return to China in Defiance of UN Restrictions', trans. Leejin JUN, *Radio Free Asia*, 4 April 2018,

first Northeastern province to hire workers from the DPRK.⁴⁶¹ The manufacturing industry—which the economy in Northeast China is mostly reliant on—has experienced labour shortages roughly since 2013, thus there has been a growing demand for (relatively inexpensive) North Korean labour force in the region.⁴⁶² Most North Koreans dispatched to China find themselves working in the textile industry, in restaurants or food processing factories, or in IT/electronic assembling factories.⁴⁶³ According to South Korean newspaper Joongang Ilbo, 30,000 to 40,000 North Korean workers were present in the Northeastern region as of 2016.⁴⁶⁴ The number of North Koreans working in Yanbian Prefecture was relatively recently estimated to be at 12,000.⁴⁶⁵

Additionally, interviewed CEOs of Chinese factories employing North Koreans revealed estimates of 60,000 workers in Liaoning province and around 15,000 to 18,000 in Dandong. One company interviewed by KINU claimed to employ 4,000 North Koreans in Hunchun and 2,000 in Tumen. According to this source, practically every garment company in the Liaoning, Jilin, and Heilongjiang

<https://www.rfa.org/english/news/korea/workers-04042018134944.html>.

461) According to a Chinese source, 20,000 North Korean workers entered Jilin in 2012, and this was the first large-scale government arrangement of this kind. A Korean source has also investigated the establishment of industrial complexes in the region, and corroborates that workers received by Tumen city (Jilin) were the first North Korean workers officially imported by the Chinese government. Later, other cities like Hunchun, Yanji, Helong and Longjing started hiring North Korean workers. Among the seven areas in Yanbian prefecture that have built industrial complexes for the hiring of North Korean workers, Tumen city has named its complex “North Korean industrial complex”, while the other cities conceal the presence of North Koreans by operating the complexes under the name of “Economic Development Zone”. Zhong Jian, ‘Chaoxian Laogong Tanmi! 2 Wan Laogong Rujing Neiqing’, *Phoenix Weekly* (blog), 17 February 2013, http://blog.sina.com.cn/s/blog_4b8bd1450102ebt1.html?tj=1; KIM, ‘Tandokch’wijae Puk-Chungmilch’aküro tolp’agu ch’ajatta’.

462) KO, ‘Tae-Bukchejae kungmyön-e’.

463) Unification Media Group and DailyNK, ‘Hhaeoe Pukhan nodongja ingwön-shilt’ae, chunggugül kada’ (Seminar paper, 21 June 2017), 24; Kim and Kang, ‘Reworking the Frame’, December 2015, 396.

464) The newspaper also reported that in 2015, the Northeastern Chinese provinces had requested additional workers to be sent to the region. KO, ‘Tae-Bukchejae kungmyön-e’.

465) According to reporter Kim Sŭngjae, the North Korean and Chinese governments have made plans to take in a total of 200,000 NK workers in Yanbian prefecture. Sŭngjae KIM, ‘Yuen tae-Bukchejae Chungguk-sŏ kumöng sungsung’, *Shindonga*, 25 February 2018, <http://shindonga.donga.com/3/all/13/1230692/1>; KIM, ‘Tandokch’wijae Puk-Chungmilch’äg-üro tolp’agu ch’ajatta’.

provinces employs at least one hundred North Koreans, and some up to 800 or 1,000.⁴⁶⁶ A contract document secured by KINU corroborates these numbers, stating 400 garment workers (and up to 430-500 if needed) are to be dispatched to a Chinese factory.⁴⁶⁷ Research by Kim and Kang found that while some Chinese factories might hire hundreds of North Koreans, other smaller scale factories might only hire ten to twenty workers.⁴⁶⁸

Recruitment Process, Visas, and Confiscation of Documents

The aim of this section is not to describe in detail every step of the recruitment process for North Koreans to go work abroad, but rather to point out some obstacles and unfair conditions North Koreans face before they can even begin working. Most of this information does not specifically or exclusively concern North Koreans sent to China, but we believe it is likely applicable to their case as well.

According to testimonies, dispatch of workers is decided either by the Labour party forming an official agreement with a foreign country, or by a North Korean trading company and a factory in the receiving country. In the latter case, workers can be dispatched by the trading company once this has been approved by the party.⁴⁶⁹ A Chinese factory in need of workers would contact a representative from an agency and request North Korean workers.⁴⁷⁰ Expansion of the number of workers to be sent can be agreed upon by the trading company and the foreign company, as demonstrated by a clause in a contract document included in KINU's report.⁴⁷¹

Based on testimonies, application for dispatch abroad is generally initiated voluntarily and information about the process is sought out by workers themselves.⁴⁷² There are no official employment notices or announcements posted anywhere, so workers

466) YI, O, and IM, 'Pukhan haeoenodongja shilt'ae yŏn'gu', 18; 'Dàgūshān fāngzhī fúzhuāng chǎnyè'.

467) YI, O, and IM, 'Pukhan haeoenodongja shilt'ae yŏn'gu', 31.

468) Kim and Kang, 'Reworking the Frame', December 2015, 397.

469) YI, O, and IM, 'Pukhan haeoenodongja shilt'ae yŏn'gu', 23.

470) Sangyong Yi (editor-in-chief of DailyNK), interview by Jonne Bosselaar and Rosa Brandse, Skype, trans. Hyojin Pak, 13 September 2018; Kim and Kang, 'Reworking the Frame', December 2015, 396.

471) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yŏn'gu', 25–31.

472) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yŏn'gu', 82–84.

usually obtain information regarding work abroad through personal connections and unofficial channels. The secrecy surrounding the application process creates a situation in which even acquiring the information about opportunities to work overseas may require bribery.⁴⁷³

The opportunity to work abroad is not offered to all workers, as aspects like class, background, and loyalty to the party must be judged to be outstanding before one can be considered for dispatch.⁴⁷⁴ Still, offering bribes is ultimately the most crucial requirement, as confirmed by many of KINU's interviewees. Without bribery, dispatch abroad is impossible, regardless of one's background. Bribes can even help workers, who do not qualify for work abroad based on their criminal record or unsatisfactory family background, obtain permission for dispatch through fabrication of the necessary documents for example.⁴⁷⁵ The need for bribes throughout the entire application process, along with other costs (e.g. transportation abroad, visa application, etc.) workers are considered responsible for, means that workers accumulate significant debts even before they can start working abroad. In some cases, initial costs are paid off by working without receiving any pay for a number of months.⁴⁷⁶

North Korean workers cannot choose or request a specific region to be dispatched to or field to work in. Apart from paying bribes in order to potentially obtain somewhat more favourable working conditions, in practice, workers have do not have the freedom to determine their occupation abroad or to negotiate terms and conditions of employment.⁴⁷⁷ Many defectors interviewed by KINU have also stated they did not receive detailed information regarding the conditions on the worksite. It seems the North Korean

473) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yǒng'u', 43.

474) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yǒng'u', 46; Unification Media Group et al., 'Haeoe Pukhan nodongja in'gwǒnshilt'ae', 7; Researcher (anonymous), interview by Jonne Bosselaar, Rosa Brandse, and Michael Lee, Skype, 9 October 2018.

475) KINU's report suggests that the thriving of this selection system based on bribery reflects a change in North Korean society, where the collapse of the distribution system and subsequent introduction of a market economy has allowed individuals to accumulate personal wealth. YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yǒng'u', 49–50.

476) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yǒng'u', 93.

477) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yǒng'u', 43; Kim and Kang, 'Reworking the Frame', 399.

authorities notify workers—at a very late stage—of the country to which they will be dispatched, yet duration of work period, area of dispatch, contract clauses and working conditions, salary, etc. are not made known to the workers beforehand.⁴⁷⁸

Contracts appear to always be formed between a North Korean trading company and a foreign company/factory owner.⁴⁷⁹ Workers are never personally nor individually involved and do not sign any contract. This has been unanimously confirmed by multiple defectors previously dispatched to various countries at various times.⁴⁸⁰ The contract published by KINU corroborates this claim as it is a contract between North Korean “company A” and Chinese “company B”. This particular contract explicitly requests, for a period of at least three years,⁴⁸¹ a number of female workers with at least six months of prior experience in the garment industry, preferably aged eighteen to twenty-five but no older than forty-five.⁴⁸² The fact that the contract specifically mentions garment workers also somewhat contradicts the claim that workers are unaware of the industry they will be working in abroad, since in this case the women sent to work in the Chinese textile industry were already working in the same industry in North Korea. It is difficult to assess whether this is typical of labour export in the textile industry, or to what extent the selection process differs compared to other fields/industries. In any case, it appears that those sent to work in the textile industry are almost always (young) women, while managers/supervisors are men.⁴⁸³

478) YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yǒng’u’, 36.

479) Kim and Kang, ‘Reworking the Frame’, December 2015, 396.

480) YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yǒng’u’, 28–35; Unification Media Group and DailyNK, Hhaeoe Pukhan nodongja in’gwǒnshilt’ae’, 27–28.

481) Workers are typically recruited for three years, then rotated. ‘Dàgūshān fāngzhī fúzuāng chǎnyè’; KIM, ‘Chung kongjangdūl’; ‘Chung Puk Nodongja’.

482) A Chinese source also mentions some employment requirements for North Koreans: workers should be skilled technicians with university education, and must have family remaining in North Korea. Zhong Jian, ‘Chaoxian Laogong Tanmi!’

483) Researcher (anonymous), interview, 9 October 2018.; Anna Fifield, ‘Ban on North Korean Clothing Exports Will Hurt Women the Most, Experts Say’, *The Washington Post*, 17 September 2017, https://www.washingtonpost.com/world/ban-on-north-korean-clothing-exports-will-hurt-women-the-most-experts-say/2017/09/16/2a6ec716-995c-11e7-a527-3573bd073e02_story.html; Wong and Wen, ‘North Korea Factories Humming with “Made in China” Clothes, Traders Say’.

It is unclear what kind of visas and travel documents North Korean workers use to enter China, and practices have most likely been affected by the sanctions on North Korean overseas labour. Kim and Kang stated in their 2015 work that most North Korean workers in Dandong hold work visas with a duration of stay ranging from one month to two years.⁴⁸⁴ In the contract excerpt provided, it is stated that the receiving Chinese factory is responsible for providing all the workers with valid work visas.⁴⁸⁵ Similarly, the employment contract published by KINU holds the receiving company responsible for “guaranteeing legal employment” by taking care of all necessary procedures in China.⁴⁸⁶ However, KINU’s report states that up until mid-2016, North Korean trading companies and Chinese factories did not go through official procedures in order to receive permission from the Chinese authorities for the dispatch of workers, meaning official work permits were not issued. Instead, China simply condoned and unofficially approved of the practice, with provincial governments allegedly offering bonuses to local companies hiring North Koreans. Local authorities (immigration office and police) did register North Korean workers coming in and were aware of the number of workers active in the border region.⁴⁸⁷ Some other sources state many workers entered China on a so called “river crossing pass” rather than an official work visa.⁴⁸⁸ One source we interviewed confirmed they encountered textile workers who did not have proper work visas issued by China. The workers likely used some kind of short term border pass instead, which they had to renew monthly by briefly returning to North Korea in small groups.⁴⁸⁹ Yet South Korean journalist Kim Sŭngjae has reported on the illegal renewal of workers’ visas in the border region since implementation of the sanctions, which again suggests that many workers did indeed enter the country with a work permit.⁴⁹⁰ Considering the available information on visas or other documents is both scarce and inconsistent, we cannot be certain whether there

484) Kim and Kang, ‘Reworking the Frame’, 396.

485) Kim and Kang, ‘Reworking the Frame’, 397.

486) YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yŏng’u’, 32.

487) YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yŏng’u’, 26–27.

488) Unification Media Group et al., ‘Haeoe Pukhan nodongja in’gwŏnshilt’ae’, 27.

489) Researcher (anonymous), interview, 9 October 2018.

490) These work visas were usually valid for a period of three years and could be renewed yearly. KIM, ‘Yuen tae-Bukchejae’.

are/were several different practices and methods of sending workers into China, or how these procedures may have changed over time and after the implementation of sanctions on the issuing of new work visas.

While workers hold on to identity/travel documents throughout their journey into the receiving country, documents are confiscated as soon as workers reach the worksite.⁴⁹¹ The obligatory seizing of documents has been confirmed by many ex-workers across industries, locations and times of dispatch. According to one testimony, workers crossing the border into China have their documents confiscated as soon as the Tumen river has been crossed and the customs house has been reached. In this case, workers initially hand over their documents to local customs officers.⁴⁹² Identity documents are then kept and stored by the workers' supervisors (representatives of the North Korean authorities) dispatched alongside them, or by the receiving company.⁴⁹³ The obvious reason for this practice is the perceived risk of defection and consequent need to restrict workers' movements.⁴⁹⁴

Wages

The contract document uncovered by KINU specifies each garment worker should earn 1,800 to 2,000 yuan per month, with the exact amount to be fixed or adjusted by both parties once or twice a year.⁴⁹⁵ In the excerpt of a contract provided in Kim and Kang's work, workers are entitled to 650 yuan (roughly USD 105) the first month, up to 2,150 yuan (roughly USD 345) from the sixth month onwards.⁴⁹⁶

However, it is apparent that workers never receive their full wages and that a significant portion goes to the North Korean state.⁴⁹⁷ It is customary for the receiving factory to pay the workers' salaries

491) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yǒng'u', 91.

492) Unification Media Group et al., 'Haeoe Pukhan nodongja in'gwǒnshilt'ae', 26.

493) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yǒng'u', 93; Unification Media Group et al., 'Haeoe Pukhan nodongja in'gwǒnshilt'ae', 26.

494) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yǒng'u', 91; Unification Media Group et al., 'Haeoe Pukhan nodongja in'gwǒnshilt'ae', 26.

495) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yǒng'u', 33.

496) Kim and Kang, 'Reworking the Frame', 397.

497) Yi (editor-in-chief of DailyNK), interview, 13 September 2018; SHIN and GO, 'Beyond the UN COI Report on Human Rights in North Korea', 9.

in a lump sum to the North Korean trading company responsible for the workers dispatch.⁴⁹⁸ It is unclear how exactly workers receive their pay, although it is quite certain they never receive it directly from the employer,⁴⁹⁹ but through their supervisors.⁵⁰⁰ In any case, wages are much lower than what is stated on paper, due to supervisors misappropriating salaries, the North Korean state requiring a portion of the pay, and frequent occurrences of overdue/delayed payment by the receiving employer.⁵⁰¹ According to an ex-manager of North Korean workers, not properly paying the workers is the North Korean authorities' standard policy, the idea being that if workers were to receive sufficient pay, the risk of them deserting the worksite would be significant.⁵⁰²

Estimating the average actual income of North Korean overseas labourers is difficult, as the amount workers receive can vary depending on the field they are sent to work in, the location or region, and the percentage of wages that supervisors decide to hold back.⁵⁰³ As a result, available estimations vary widely. KINU has stated that in most cases, workers (across industries) can earn somewhere between 2,000 and 3,000 dollars per year.⁵⁰⁴ Reuters reported North Korean workers earn around 2000 yuan (USD 300) a month, but this estimate most likely includes the money workers hand over to the North Korean state.⁵⁰⁵ Kim and Kang claim North Korean workers in Dandong can earn between USD 200 and 345 a month, but in practice, their actual earnings are more likely to be

498) Kim and Kang, 'Reworking the Frame', 397; YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yŏn'gu', 35.

499) One source claims 40% of a 150 to 200 USD monthly is paid directly to workers by the company. Zhong Jian, 'Chaoxian Laogong Tanmi!'

500) Kim and Kang, 'Reworking the Frame', 397; Unification Media Group et al., 'Haeoe Pukhan nodongja in'gwŏnshilt'ae', 28–33; Songa SŎL, 'Kwiguk Puk nodongja taech'ero chagungmin ch'ae'yonghan Chung Tandung kongjangdŭl', *DailyNK*, 9 November 2017, <https://www.dailynk.com/%EA%B7%80%EA%B5%AD%E5%8C%97%EB%85%B8%EB%8F%99%EC%9E%90%EB%8C%80%EC%B2%B4%EB%A1%9C%EC%9E%90%EA%B5%AD%EB%AF%BC%EC%B1%84%EC%9A%A9%ED%95%9C/>; 'Chung Puk Nodongja'.

501) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yŏn'gu', 52.

502) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yŏn'gu', 58.

503) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yŏn'gu', 53.

504) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yŏn'gu', 52.

505) Another source estimates employers initially pay 500 USD per worker to the North Korean managers. Wong and Wen, 'North Korea Factories Humming with "Made in China" Clothes, Traders Say'; 'Chung Puk nodongja'.

around USD 100.⁵⁰⁶ Similarly, reporters from South Korea's Unification Media Group found that while the salary of workers dispatched to China has been estimated at around 200-300 dollars a month, the actual pay handed to workers is closer to roughly a third of this estimate.⁵⁰⁷ Their actual pay is also much lower than that of Chinese workers in the same industry:⁵⁰⁸ Reuters has reported on Chinese textile workers earning twice as much as North Koreans.⁵⁰⁹ The report on Unification Media Group's field research in the Chinese border region adds the suspicion that in some cases, workers do not receive any pay until the moment they go back to North Korea, but their research team was unable to verify this.⁵¹⁰ It also appears North Korean textile workers in China rarely receive payment for working overtime, and are most likely unaware of the contents of "their" contract and of the salary they are entitled to on paper.⁵¹¹

As for the percentage of wages that is held back and paid to the North Korean authorities instead, estimates differ again. Both NKDB and KINU have estimated workers only receive about 10% of their wages.⁵¹² Similarly, another source suggests workers may keep between 10% and a third of their wages, and that they are paid less than their Chinese counterparts.⁵¹³ Thus, up to 90% of salaries must be handed over to North Korean authorities as a compulsory

506) Kim and Kang, 'Reworking the Frame', 396; 'Chung Puk nodongja.'

507) This same source states that according to testimonies gathered by KINU, workers are paid roughly 600 yuan (around 88 USD) in practice, when they are entitled to 1800-2000 yuan (265-294 USD) based on the contract. Unification Media Group et al., 'Haeoe Pukhan nodongja in'gwönshilt'ae', 31.

508) Unification Media Group et al., 'Haeoe Pukhan nodongja in'gwönshilt'ae', 5; Kim and Kang, 'Reworking the Frame', 396.

509) According to reporter Kim Sŭngjae, Chinese employers pay around 2100 yuan per North Korean worker while Chinese workers each cost 3500 yuan. Wong and Wen, 'North Korea Factories Humming with "Made in China" Clothes, Traders Say'; Sŭngjae KIM, 'T'witton'gwa tae-Bukchejae', *Shindonga*, 11 November 2018, <http://shindonga.donga.com/3/all/13/1547487/1>.

510) Unification Media Group et al., 'Haeoe Pukhan nodongja in'gwönshilt'ae', 5.

511) Unification Media Group et al., 'Haeoe Pukhan nodongja in'gwönshilt'ae', 29.

512) Elizabeth Shim, 'North Koreans Assembling Clothes for Leading U.S Brands in China', *UPI*, 17 May 2016, https://www.upi.com/Top_News/World-News/2016/05/17/North-Koreans-assembling-clothes-for-leading-US-brands-in-China/5021463541893/; YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yŏn'gu', 35.

513) Marc Bain, 'Your "Made in China" Clothes May Actually Have Been Made in North Korea', *Quartz*, 14 August 2017, <https://qz.com/1053045/your-made-in-china-clothes-may-actually-have-been-made-in-north-korea/>.

token of workers' allegiance and loyalty.⁵¹⁴ In the specific case of workers dispatched to China, DailyNK and Unification Media Group state at least 70% of salaries are to be paid to the state.⁵¹⁵ One of the contracts previously mentioned explicitly states meal expenses are included in/deducted from the workers' salary.⁵¹⁶ One media source also suggests a significant amount is deducted from salaries to cover living expenses, with "only" 50% of wages directly going to the North Korean state.⁵¹⁷ It appears workers do have access to a limited amount of cash money, as they receive a monthly allowance (about USD 45) subtracted from their monthly salary which can for example be used to buy products at a local market.⁵¹⁸

For Chinese factories, hiring Chinese employees can be twice as expensive as hiring North Koreans. It has been reported that recently, wages for North Korean workers sent to China have been lowered further, in order to continue fostering the export of NK labour and to ensure it is still attractive for Chinese factories to hire North Koreans despite the sanctions.⁵¹⁹

Working Conditions (Working Hours, Labour Rights, Safety, Insurance, Etc.)

The following sections focus on information specifically about labour and living conditions in Chinese factories. Unlike the case of North

514) Hakch'ae KIM, 'Noye saenghwar-e naemollinŭn Puk nodongja', KBS News, 24 August 2016, <http://d.kbs.co.kr/news/view.do?ncd=3333524>; Kayŏng KIM, 'Puk haeoe nodongja, kukkaga imgŭm ch'akch'wi-hanŭn hyŏndaep'an noyeje)', *DailyNK*, 22 June 2017, <https://www.dailynk.com/%E5%8C%97%ED%95%B4%EC%99%B8%EB%85%B8%EB%8F%99%EC%9E%90%EA%B5%AD%EA%B0%80%EA%B0%80%EC%9E%84%EA%B8%88%EC%B0%A9%EC%B7%A8%ED%95%98/>.

515) Unification Media Group et al., 'Haeoe Pukhan nodongja in'gwŏnshilt'ae', 31.

516) A Chinese source suggests food expenses amount to 8 to 10 yuan per person and per day. Other sources state some Chinese employers set meal expenses at 300 yuan per person per month, while others may not cover meal expenses at all. Kim and Kang, 'Reworking the Frame', 397; 'Dàgūshān fāngzhī fúzhuāng chānyè'; Unification Media Group et al., 'Haeoe Pukhan nodongja in'gwŏnshilt'ae', 5–6.

517) SŎL, 'Kwiguk Puk nodongja'.

518) Yi (editor-in-chief of DailyNK), interview, 13 September 2018; Kim and Kang, 'Reworking the Frame', 397.

519) Sŏngil KIM, 'Pukhan, Chung p'agyŏnnodongja kisul haksŭpsaeng-ŭro tun'gap, illyŏksuch'ul', *DailyNK*, 13 November 2018, <https://www.dailynk.com/%EB%B6%81%ED%95%9C%E4%B8%AD%ED%8C%8C%EA%B2%AC%EB%85%B8%EB%8F%99%EC%9E%90%EA%B8%B0%EC%88%A0%ED%95%99%EC%8A%B5%EC%83%9D%EC%9C%BC%EB%A1%9C%EB%91%94%EA%B0%91%EC%9D%B8%EB%A0%A5%EC%88%98/>.

Koreans workers in Poland, information on North Koreans' working and living conditions in China could not be extensively verified through primary sources. As stated previously, research into North Korean labour in China is lacking and challenging. Therefore, the information gathered in this section is mostly anecdotal, originating from secondary sources. However, based on this information and on previous research into North Korean labour in other countries, it is fair to say that there is sufficient reason to suspect a number of violations of workers' labour and human rights.

One problematic aspect of North Korean labour is working hours. When North Korean workers are required to work excessive hours, they have no choice but to follow orders as there is no platform or possibility for them to claim their labour rights.⁵²⁰ According to the official contract document, workers are expected to work eight hours a day and are guaranteed two rest days per month.⁵²¹ However, the Unification Media research team has found that North Koreans work at least twelve hours a day with no set rest time other than lunchtime, and this was confirmed by an ex-manager of North Korean textile workers.⁵²² In fact, working additional hours is practically unavoidable since workers must earn enough money to repay debts and to cover initial expenses of their dispatch. If there is sufficient work to be done, working over ten to twelve hours a day is common. If there is a lot of additional work, workers often continue working through the night or at least until 10 pm or 11 pm, in order to meet deadlines. In one particular Dandong garment factory employing twenty-eight North Koreans, the tailors worked fourteen hours a day and had two days off every month. When a deadline had to be met, they worked into the morning without

520) Yi (editor-in-chief of DailyNK), interview, 13 September 2018.

521) Unification Media Group et al., 'Haeoe Pukhan nodongja ingwönshilt'ae', 33.

522) Working twelve hours a day constitutes a violation of China's labour laws. Unification Media Group et al., 'Haeoe Pukhan nodongja ingwönshilt'ae', 5; 'Dispatched Laborers Endure 12 Hours of Hard Work without Rest or Respite', DailyNK, 28 June 2017, <https://www.dailynk.com/english/dispatched-laborers-endure-12-hour/>; 'Dägüshān fāngzhī fúzuāng chǎnyè'; 'Puk nodongjaga ulgo itta Chung kiöb'in-dül, ssaguryö nodong ch'wigüp', *DailyNK*, 20 June 2017, <https://www.dailynk.com/%E5%8C%97%EB%85%B8%EB%8F%99%EC%9E%90%EA%B0%80%EC%9A%B8%EA%B3%A0%EC%9E%88%EB%8B%A4%E4%B8%AD%EA%B8%B0%EC%97%85%EC%9D%B8%EB%93%A4%EC%8B%B8/>.

receiving overtime pay.⁵²³ The DailyNK/Unification Media Group report mentions cases of workers not getting any sleep for three consecutive days.⁵²⁴ As for Chinese workers in the garment industry, they usually work eight hours a day as prescribed, and are kept separated from North Korean workers.⁵²⁵ North Korean workers also cannot interact directly with their Chinese employers, and are always supervised by North Korean management.⁵²⁶ This is stated in the employment contract as well.⁵²⁷

The work environment North Korean textile workers find themselves in is described as poor by sources. The DailyNK/Unification Media Group report mentions “female workers collapsing while working in a factory full of dust without being able to rest”, as does an ex-manager quoted in DailyNK articles. In the summer, conditions can get so uncomfortable that workers have been seen “working with towels filled with ice hung around their neck” as there is no air-conditioning.⁵²⁸

In China, all foreign employees must be insured and receive benefits equal to those of Chinese employees when it comes to matters such as healthcare, unemployment, etc.⁵²⁹ The contract document also states it is the receiving Chinese company’s responsibility to “ensure that all members (...) have rights and treatment equal to those of the host country’s residents” and to “guarantee accident insurance”.⁵³⁰ However, in practice, North Koreans working in China are excluded from the social security system.⁵³¹ If illness or injury occurs, treatment expenses often fall on the worker as the employer tries to keep labour costs as low as possible. Workers can be diagnosed and potentially treated for minor injuries by a North Korean doctor sent along with the group, but medication is often

523) Kim and Kang, ‘Reworking the Frame’, 398–99.

524) Unification Media Group et al., ‘Haeoe Pukhan nodongja in’gwönshilt’ae’, 36.

525) ‘Dispatched Laborers Endure 12 Hours of Hard Work without Rest or Respite’; Researcher (anonymous), interview, 9 October 2019.

526) Yi (editor-in-chief of DailyNK), interview, 13 September 2019; Zhong Jian, ‘Chaoxian Laogong Tanmi!’

527) YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yön’gu’, 32.

528) Unification Media Group et al., ‘Haeoe Pukhan nodongja in’gwönshilt’ae’, 5; ‘Dispatched Laborers Endure 12 Hours of Hard Work without Rest or Respite’; ‘Puk nodongja-ga ulgo itta’.

529) Unification Media Group et al., ‘Haeoe Pukhan nodongja in’gwönshilt’ae’, 6.

530) YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yön’gu’, 32.

531) ‘Dägūshān fāngzhī fúzhuāng chǎnyè’; ‘Puk Nodongjaga ulgo itta’.

unavailable unless bribes are paid. There have been reports of cases where workers required serious medical treatment, but were unable to cover the costs and did not receive support neither from their employer nor from their North Korean supervisors, and therefore had no choice but to be repatriated⁵³² to North Korea or to accumulate significant debts.⁵³³ Such situations, in which workers are insufficiently protected and are not guaranteed access to healthcare, can lead to life threatening situations (as the previous research on workers in Poland has shown):⁵³⁴ between January 2015 and April 2016, a total of one hundred and twelve North Korean labourers died overseas, including in China.⁵³⁵ Factors such as excessive working hours and insufficient nutrition also contribute to this death toll.

As stated in the contract, it is the receiving company's duty to guarantee "the safety of members", "protective working gear", and "safe labour conditions".⁵³⁶ Because this responsibility lies with the receiving company, safety standards and education about safety measures vary depending on the employer, as pointed out by testimonies.⁵³⁷ It has been suggested that the chance of accidents occurring is high because factory managers and workers do not receive sufficient training regarding basic safety regulations. DailyNK provides a specific example of a North Korean textile worker who injured her finger in a sewing machine, but the incident was

532) Workers generally do not have the option to quit their job and voluntarily return to North Korea, as they are expected to fulfil the full duration of their contract. Although workers often suffer mentally, they carry the burden of providing for their families remaining in North Korea, and therefore have no choice but to keep working. 'Chebal oji malgo tonina tö pöröra -kal kot irün Puk nodongja', *DailyNK*, 26 June 2017, <https://www.dailynk.com/%EC%A0%9C%EB%B0%9C%EC%98%A4%EC%A7%80%EB%A7%90%EA%B3%A0%EB%8F%88%EC%9D%B4%EB%82%98%EB%8D%94%EB%B2%8C%EC%96%B4%EB%9D%BC%EA%B0%88/>.

533) Unification Media Group et al., 'Haeoe Pukhan nodongja in'gwönshilt'ae', 6; YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yön'gu', 66–68; 'Dispatched Laborers Endure 12 Hours of Hard Work without Rest or Respite'.

534) Remco E. Breuker et al., *Slaves to the System: North Korean Forced Labour in the European Union, the Polish Case* (Leiden: LeidenAsiaCentre, 2016); Remco E. Breuker et al., *People for Profit: North Korean Forced Labour on a Global Scale* (Leiden: LeidenAsiaCentre, 2018).

535) Hyönggu KIM, 'Pukhanhaeoenodongja handal p'yönggyun 7myöng sa-mang', *Chung'ang Ilbo*, 24 June 2016, http://news.jtbc.joins.com/article/ArticlePrint.aspx?news_id=NB11259779.

536) YI, O, and IM, 'Pukhan haeoe nodongja shilt'ae yön'gu', 62.

537) Ibid.

dismissed and the injury neglected, leading to serious complications.⁵³⁸ If a worker survives a work-related incident but sustains a disability, they do not receive any financial compensation.⁵³⁹

Long working hours as well as the general discipline of North Koreans have earned them a reputation as good workers. Across the sources, there is consistent praise for the high quality of North Korean workers, who are repeatedly described as educated, disciplined, skilled, and possessing strong work ethics.⁵⁴⁰ One source, for example, describes them as easy to manage as they do not miss work or cause trouble: “In North Korea, factory workers can’t just go to the toilet whenever they feel like, otherwise they think it slows down the whole assembly line. (...) They aren’t like Chinese factory workers who just work for the money. North Koreans have a different attitude — they believe they are working for their country, for their leader.”⁵⁴¹ It seems the docility and skill of North Koreans have made them preferable in the industry. Moreover, North Koreans are considered the “lowest rank” of workers, and this is reflected⁵⁴² in the way they are treated. Whether it be living expenses or medical treatment, Chinese employers aim to cut costs wherever possible.

Living Conditions, Surveillance, Restriction of Personal Freedom

North Korean workers must live together as a group in dormitories provided by the employer.⁵⁴³ The buildings where workers reside are often located on the worksite itself, where sanitation can be lacking despite their contract ensuring “the best sanitary environment.”⁵⁴⁴

538) ‘Dispatched Laborers Endure 12 Hours of Hard Work without Rest or Respite’; ‘Puk nodongjaga ulgo itta’.

539) YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yǒn’gu’, 68.

540) Zhong Jian, ‘Chaoxian Laogong Tanmi!’; ‘Dàgūshān fāngzhī fúzhūāng chǎnyè’.

541) Reportedly, North Korean workers can produce around 30% more clothes daily than Chinese workers, an informant was quoted as saying. Wong and Wen, ‘North Korea Factories Humming with “Made in China” Clothes, Traders Say’.

542) ‘Chung Puk nodongja’; ‘Puk nodongja-ga ulgo itta’.

543) Unification Media Group et al., ‘Haeoe Pukhan nodongja in’gwǒnshilt’ae’, 14; YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yǒn’gu’, 32–70; Yi (editor-in-chief of DailyNK), interview, 12 September 2018; KIM, ‘Puk haeoe nodongja, kukka-ga imgūm ch’akch’wi’.

544) Unification Media Group et al., ‘Haeoe Pukhan nodongja in’gwǒnshilt’ae’, 5; YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yǒn’gu’, 32.

Although living in dormitories is very common for Chinese textile workers as well, North Koreans are subjected to a greater number of restrictions.⁵⁴⁵

They are always under strict surveillance by the North Korean authorities, either through their supervisors (as they represent the Party) or through their colleagues.⁵⁴⁶ In a group of one hundred North Koreans, ten to twelve would be managers/supervisors in charge of managing the daily lives of workers and monitoring their thoughts.⁵⁴⁷ These supervisors regularly check on workers in their dormitory rooms.⁵⁴⁸ Workers may not venture outside and can only move from worksite to dormitory and vice versa.⁵⁴⁹ Outings (to a market for example) are occasionally allowed, but can only take place in groups of at two or three people. In these situations, workers are expected to watch each other, creating a system of mutual surveillance. One group member is often a so called “spy”, someone instructed to directly report to supervisors should anyone break rules. This means workers can never trust their colleagues or open up about their honest thoughts.⁵⁵⁰ The workings of this strict surveillance system have been described and confirmed in defector testimonies from the 1980s and 1990s as well as in more recent ones.⁵⁵¹

It has been reported fairly recently that surveillance and restrictions may have become even tighter: in Tumen and Hunchun, where groups of North Korean workers used to be spotted occasionally in public places, it appears that workers are not seen outside at all anymore. This could potentially be due to China demonstrating compliance with UN sanctions by attempting to conceal the presence of North Korean workers in the region.⁵⁵² According to an

545) YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yǒng’u’, 70.

546) Unification Media Group et al., ‘Haeoe Pukhan nodongja ingwǒnshilt’ae’, 23–31; ‘Chung Puk nodongja.’

547) Zhong Jian, ‘Chaoxian Laogong Tanmi!’

548) Unification Media Group et al., ‘Haeoe Pukhan nodongja ingwǒnshilt’ae’, 31.

549) Zhong Jian, ‘Chaoxian Laogong Tanmi.’

550) Researcher (anonymous), interview, 9 October 2018; Yi (editor-in-chief of *DailyNK*), interview, 13 September 2018; Unification Media Group et al., ‘Haeoe Pukhan nodongja ingwǒnshilt’ae’, 32; KIM, ‘Puk haeoe nodongja, kukkaga imgǔm ch’akch’wi.’

551) YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yǒng’u’, 71–74.

552) Yoon Ah HA, ‘North Korean Laborers Abroad Under Increased Scrutiny’, *DailyNK*, 17 August 2018, <https://www.dailynk.com/english/north-korean-laborers-abroad-under-increased-scrutiny/>.

interview published by Radio Free Asia, North Korean workers in China are subjected to particularly strict surveillance compared to North Koreans dispatched to other countries, possibly because of the presence of South Koreans—which they are explicitly forbidden from interacting with—in the region.⁵⁵³

Workers cannot access internet or watch television according to some sources, although the employment contract provided by KINU states “North Korean TV channels will be provided so that workers can watch.”⁵⁵⁴ According to more recent testimonies (2010 and later), limited use of a mobile phone may be permitted in some cases, but use of a smartphone with internet access is still explicitly forbidden.⁵⁵⁵ Furthermore, contact with outsiders is strictly prohibited, and this includes contact with family in North Korea via phone or post.⁵⁵⁶ However, according to DailyNK, North Korean family members are able to cross the border into China using a short term “family visit” pass, although it is not clear to what extent it is possible for them to come in contact or meet with a relative working in a factory.⁵⁵⁷ Also, the contract document published by KINU mentions the right for workers to return to North Korea once a year, but it is unclear whether this is reflective of actual practices.⁵⁵⁸

Even when abroad, North Korean workers are subjected to regular meetings for the purposes of self-criticism and mutual criticism.⁵⁵⁹ All defectors interviewed by KINU have confirmed that this system is enforced abroad just as it is in North Korea, possibly

553) PYŎN, ‘Tandung Pukhannodongja-dül, ch’oeg-üi t’ongjesaenghwal’.

554) It appears that workers only have access to the North Korean central television channel. Yi (editor-in-chief of DailyNK), interview, 13 September 2018; YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yŏngu’, 32; Unification Media Group et al., ‘Haeoe Pukhan nodongja in’gwŏnshilt’ae’, 32; Joonho KIM and Richard Finney, ‘Foreign TV Blocked For North Korean Workers in China’, trans. Soomin JO, *Radio Free Asia*, 28 February 2017, <https://www.rfa.org/english/news/korea/foreign-02282017145314.html>.

555) YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yŏngu’, 79.

556) Unification Media Group et al., ‘Haeoe Pukhan nodongja in’gwŏnshilt’ae’, 32; KIM, ‘Noye Saenghwar-e naemollinün Puk nodongja’.

557) Yi (editor-in-chief of DailyNK), interview, 13 September 2019.

558) YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yŏngu’, 32.

559) A Chinese source also states that workers must report daily on any interaction with Chinese, what was said, and whether this was out of line. Zhong Jian, ‘Chaoxian Laogong Tanmi!’; Chung Puk nodongja’.

even more formally.⁵⁶⁰ A businesswoman from Dalian has claimed that hiring North Koreans can be “a hassle”, since employers have to be able to guarantee a closed off living space and a classroom for meetings and ideology lessons. “They bring their own doctor, nurse, cook, and teachers,” she said.⁵⁶¹ The Chinese factory receiving North Koreans is also expected to aid in providing groceries and daily necessities.⁵⁶²

In some ways, the surveillance system controlling North Koreans abroad is even stricter than it is within North Korea, as they are even barred from contacting family or moving around freely.⁵⁶³

Conclusion

To summarize, findings on North Korean workers mobilized in the Chinese textile industry align with information on workers in other countries reported on thus far. They are generally subjected to similar conditions, most notably the insufficient compensation for their labour and partial extortion of their salary, the excessive working hours and poor working conditions, and the near total lack of freedom. While this chapter mostly relies on secondary sources, and while these may at times contradict each other, it should be clear that there is sufficient indication that North Koreans working in China are being subject to a number of human and labour rights violations. The employment of North Koreans in the supply chain of foreign brands is therefore problematic not only because of the indirect financial contribution to the DPRK’s regime and military in the form of foreign currency, but also in consideration of the humanitarian aspects. The risk of North Koreans being employed directly by Chinese suppliers and the risk of Chinese suppliers sending garments to be made by workers in the DPRK should both be considered by any foreign company sourcing in China, particularly in the Northeastern border region. Also, since estimates of the scale of the issue vary widely, more research into North Korean workers

560) YI, O, and IM, ‘Pukhan haeoe nodongja shilt’ae yǒngu’, 75.

561) Wong and Wen, ‘North Korea Factories Humming with “Made in China” Clothes, Traders Say’; ‘Dàgūshān fāngzhī fúzhūāng chǎnyè’

562) ‘Dàgūshān fāngzhī fúzhūāng chǎnyè’.

563) Unification Media Group et al., ‘Haeoe Pukhan nodongja in’gwǒnshilt’ae’, 32.

in China is needed—and this in itself should indicate that brands cannot assess the risk they are taking with any certainty.

Garment Production in the Prison Camps and Political Annihilation Camps

Remco E. Breuker

Evidence from interviews with former detainees of North Korean prison and political annihilation camps has showed for decades that these camps also have a clearly defined economic function. This chapter investigates what until now has been known about garment production for export abroad in North Korean prison and political camps.

Introduction

Outsourcing garments production to North Korea is not simply a matter of business. As this and other studies have shown, North Korean labour invariably brings with it, exploitation, abuse, and, if overseas, trafficking. Those phenomena are in themselves grave infringements on the rights of the workers, but there is an even more serious and scarcely believable side to garment production in North Korea. The outsourcing of garments production to North Korea also brings it into contact with particular DPRK patterns of production and of labour. These include more than forced labour per sé (most of the work sanctioned and required by the state in the DPRK is forced labour according to the definition of forced labour by the ILO), they also include work outsourced to inmates of the

prison camps and, horrifically, political concentration camps, although the term ‘outsourced’ seems hardly suitably for this practice.

The practice of outsourcing of garment production to DPRK prison and concentration camps is prevalent and conform in structure: it seems if not centrally coordinated then at least it is centrally initiated. It is market-driven, which begs the question who are the go-betweens to the different markets the DPRK camp products are exported to.

DPRK concentration camps (both the legally defined *kyohwaso* or *prison camps* from which release is possible depending on the sentence an inmate received, and the extralegal *kwalliso* or *political-annihilation-camps* in which internment until death is the norm and sentences are not issued, at least not formally) have been long known to be sites of economic production for the DPRK state.⁵⁶⁴ The *kyohwaso* function as—extremely harsh—prisons, both for those who fall foul from the DPRK’s criminal laws and for those whose infringements are seen as relatively minor political misdeeds from which redemption is possible.⁵⁶⁵ The *kwalliso*, on the other hand, are places where inmates disappear into to never appear again—not even their shadows are allowed to be ever reflected on the—Supreme Leader’s—soil outside of these camps, for this would be a recognition of the fact that they still had their humanity, the first thing the camp authorities try to strip away from newly arrived inmates.⁵⁶⁶

564) For a discussion of the different penal institutions, legal and extralegal, see Yun Yösang, *Pukhan chöngch’iböm suyongso-üi unyöng chëgye-wa inkwön shilt’ae* (Seoul: Database Center for North Korean Human Rights, 2011); Ken E. Gause, *Coercion, control, surveillance, and punishment: An examination of the North Korean police state* (Washington: HRNK, 2012). For a general overview of works on North Korean prison and political camps that I have not directly cited in this chapter, please refer to the bibliography attached to the end of this chapter.

565) Banishment to the countryside or internment and re-education (ranging in period from several months to several years) is in fact a staple of the cv’s of most DPRK cadres. I am preparing a study on this phenomenon.

566) See for example the memoirs of Yi Sunok, published in 15 installments in *Han’guk nondan* in 2006. The memoirs of Shin Tonghyök or of An Myöngchöl also leave little doubt about what happens in a political camp. There is a reason that no propaganda is found in the so-called ‘total control zones’ where the political inmates without hope of release are kept prisoner: inhuman beings (‘rats’ being a favourite comparison) cannot be expected to either benefit from or understand knowing DPRK political ideology. See Yi Sunok, ‘T’albukcha-üi chöjölhan chüngön: Kkori-ömnün chimsüng-dür-üi nunpit 1’, *Han’guk nondan* 196 (2006): 110–31; Shin Tonghyök,

Anecdotally, it has long been known that the production of garments was a structural part of the different activities that make up economic productions in the camps. Testimonies of survivors indicate that the secondary goal of extralegal political annihilation camps, the primary goal being irreversible extraction of individuals from society and then their destruction, was generating economic profit through backbreaking and dangerous work under the worst conditions possible.⁵⁶⁷ Institutionally, also, garment production for export seems to be accessible through different sources than witness testimony. The introduction briefly touched upon the importance of producing garments for export abroad for the DPRK. The number of garment factories just in Pyongyang is already very high: the 2007 census records of Pyongyang which demonstrate this, however, also show how even the notion of political re-education is tied up with garment production. It mentions the following garment factory: Fourth Re-educational Camp Garment Factory (Sa kyohwaso p'ibok kongjang).⁵⁶⁸ This refers to a garment factory that falls under the management of the Fourth Re-educational Facility, which seems to refer to a prison camp. Camp 4, also known as the Kangdong Re-education Camp, is the camp that is most closely located to Pyongyang, less than thirty kilometers from the center for the capital.⁵⁶⁹

In this short text, I would like to try to find beginnings of answers to some of the most important questions regarding the production of garments in prisons and political camps in the DPRK. What camps use(d) forced labour to produce garments? What garments are produced? What does the production process look like? What does it mean for the prisoners to be forced to produce garments? What are the motivations of the DPRK regime to engage in these activities? A key question with regard to CSR is

Sesang pakk-üro naoda: Pukhan chöngch'iböm suyongso wanjön t'ongje kuyök (Seoul: Pukhan Inkwön Chöngbo Sent'ö, 2007); An Myöngchöl, *Wanjön t'ongje kuyök* (Seoul: Sidae chöngsin, 2010).

567) Norma Kang Muico, *Forced labour in North Korean Prison Camps*, London, 2007; Kim Kwang-jin, *Gulag, Inc.: The use of forced labor in North Korea's export industries* (Washington: HRNK, 2016).

568) For an explanation of the database, please refer to the introduction to this part.

569) More information on the camp can be found here: Yu Hyejöng, *Kangdong 4-ho kyohwaso: P'yöngyang-üi tto tarün olgul* (Seoul: Database Center for North Korean Human Rights, 2016).

this: is it possible to positively exclude the possibility that garments produced in the DPRK through an outsourcing agreement were produced in prison camps or concentration camps?⁵⁷⁰ I have based this chapter on interviews with and books written by former prisoners and camp guards already available to me. A more thorough investigation of this issue should comprise new interviews with North Korean exiles who left the DPRK more recently. This I will leave for a next opportunity. For now, and as a cautionary tale for those inclined to have their textiles produced in the DPRK, this preliminary investigation must suffice.

Generally, it seems to be agreed upon that all DPRK prison and political camps use forced labour in some way or other to produce products which are then used in the camps themselves, sold domestically or exported abroad.⁵⁷¹ From witness testimony it can be gathered that the following camps used or still use forced labour to produce garments, both for domestic use and for export.⁵⁷²

Concentration Camp 14 in Kaech'ŏn.⁵⁷³

According to Shin Tonghyŏk (Shin Donghyuk), the garment factory housed as many as 2,500 prisoners.⁵⁷⁴

570) The question whether outsourcing to North Korea necessarily involves forced labour is not a question I will answer here: for that, please refer to Remco E. Breuker and Imke B. L. H. van Gardingen, *Pervasive, punitive, and prevalent: Understanding modern slavery in North Korea* (Walk Free Foundation, 2018): 1–36.

571) Yi Sunok, 'T'albukcha-ŭi ch'ŏjŏlhan ch'ungŏn: Kkori-ŏmnŭn chimsŭng-dŭr-ŭi nunpit 5 - chisang ch'ŏefu-ŭi noyesŏn, such'ul kongjang', *Han'guk nondan* 200 (2006): 148–67. Also see Yun Yŏsang, Pukhan ch'ŏngch'ibŏm suyongso.

572) Most prisons and political camps have a diversified portfolio with regard to forced labour, but here I shall only focus on textile production. To name one example, Camp 14, which housed a large garment production department, also exploited coal mines. See Shin Tonghyŏk, *Sesang pakk-ŭro naoda*.

573) Database Center for North Korean Human Rights, *Survey Report on Political Prisoners' Camps in North Korea (PPC)* (Seoul: Database Center for North Korean Human Rights, 2009), 136.

574) "The clothing factory was located in Valley No. 2 with about 2,000 female prisoners and about 500 male prisoners. There were 12-13 work units. It is estimated that there were about 2,000 – 3,000 prisoners altogether. Work was divided by type: for repairs, transportation, cloth cutting, sewing, boiler and electrical maintenance. In the repair unit there were workers for electric motors, sewing machines, etc., as well as electricians, with 40 prisoners at each unit. All work units worked in two shifts; repair work was carried out even at night. There were approximately 1,000 sewing machines. There were cutters also. Each work unit is normally divided into 4-5 sub-units with

Prison Camp 13:⁵⁷⁵

Camp 13 had a boarding house only for the girls working at the garment factory.⁵⁷⁶ The scale of the garment production unit seems to have been significantly smaller than that of Camp 14. The garment factory employed 120 women and 20 men, producing clothing for export. The clothing produced here was for export and enjoyed a reputation for good quality. The food produced here was shipped to Pyongyang because of its superior quality.⁵⁷⁷

Re-education Camp 1 in Kaechŏn:⁵⁷⁸

The set-up in this camp seems to have been comparable in size to that of Camp 14. Both garments and shoes were produced here.

Concentration Camp 22 in Hoeryŏng:

“Clothing from the factory here was designated for export and shipped away to unknown locations.” (A08, former SSA officer at PPC No. 12 and 13 1967.⁵⁷⁹ Also: Factory of basic necessities; garment factory (production of military uniforms) (PPC NK Today, 316).

each sub-unit holding some 20-30 prisoners for a total of 100 to 150 prisoners per each work unit.” David Hawk, *The hidden gulag: Exposing North Korea’s prison camps: Prisoners’ testimonies and satellite photographs* (Washington: HRNK, 2003).

575) “PPC No. 13, in Chongsong. PPC No. 13, which has now been closed, used to grow corn and peppers in the farm areas, as well as raise pigs, cows, chickens and goats. The camp also operated a clothing factory (for export), a food factory (liquor, soy-bean sauce and paste, candy, etc.) and the coal mine in Tongpo. The PPC managed an additional construction work unit, a stock-breeding farm, a power transfer sub-station, etc. Of the products made in PPC No.13, corn, peppers and meat were transported outside the camp. The clothing produced here was for export and enjoyed a reputation for good quality. The food produced here was shipped to Pyongyang because of its superior quality. Coal produced here was also shipped outside the camp. Liquors produced here, including a local vodka, were made of sugar beets grown within the camp and the final product supplied directly to Pyongyang.” See Database Center for North Korean Human Rights, *Survey Report on Political Prisoners’ Camps*, 136.

576) Of the girls working at the food factory, some 20 of them stayed in a boarding house in the factory. All the girls working at the garments factory slept in the boarding house.” (A08, former SSA officer at PPC No. 12 and 1, 1967-1992).

577) Database Center for North Korean Human Rights, *Survey Report on Political Prisoners’ Camps*, 104-6.

578) Hawk, *The hidden gulag: Exposing North Korea’s prison camps*, 43-6.

579) Database Center for North Korean Human Rights, *Survey Report on Political*

Re-education Camp 11 in Chŭngsan:

According to Kim Miran, who was there from 2004 to 2007, there were several sewing groups, with 45 prisoners placed in one group.⁵⁸⁰

Re-education Camp 19 in Tanchŏn:

Sole reference that there was a garment factory there.⁵⁸¹

Re-education Camp 23 in Töksŏng:

Garment factory (PPC NK Today 316).

It seems reasonable to assume that garment production (under which category for convenience's sake I will also include the production of shoes and boots) is a staple in the economic exploitation of the camps, as is for example mining. While this does not mean that every camp will have (had) a garment production workshop (alternatively referred to in North Korean as 'kongjang' or 'chagŏbban'),⁵⁸² the relatively low cost of investment and the availability of (semi-) trained labourers (most of the female prisoners had experience mending garments in a domestic setting, some had professional experience) will have made garment production an easy and obvious choice for many prisons and camps.

What Garments are Produced?

It seems that garments were and are produced in roughly three categories:

1. clothes for internal use - camps were supposed to be self-sufficient. Camps can even rely on their own power generators.

Prisoners' Camps, 108.

580) Ri Sunok's testimony here: https://eng.nkhumanrights.or.kr:444/eng/datacenter/related_write.php?mode=view&bbs_idx=4429&search_mode=&search_word=&pg=5. Accessed on July 5, 2019.

581) Database Center for North Korean Human Rights, *Survey Report on Political Prisoners' Camps*, 105.

582) Lee and Sin use different terms here, but seem to mean the same.

2. clothes for domestic use (such as military uniforms and military accessories)
3. clothes for export (outstanding quality).

On category one, we can be short: prison camps and certainly political camps are supposed to be completely self-sufficient. The socio-political necessity for the political camps to operate on the strictly guarded principle that whoever enters such a camp, can never be seen outside it again (including his/her shadow) has as its practical countermeasure that nothing from the outside should enter the camp to make its functioning possible.⁵⁸³ Self-reliance is the key concept. Not just socio-politically, but also economically. A camp that does not cost the state anything in terms of its upkeep, but produces everything it needs and a surplus is an important asset in a severely constricted economy such as that of the DPRK.

The surplus produced in prison and political camps falls partly in category two, items for domestic use: both products from the mines (such as coal) and garments and military accessories, such as military uniforms and pistol holsters.

Finally, category three is where the system uses the camp system to its biggest financial advantage: products for export. Except for produce from the mines, this seems to consist overwhelmingly of garments and accessories. While it is unclear whether there is a causal relationship, anecdotal evidence suggests that the more restrictive and isolated a camp is, the higher the likelihood that the garments it produces are considered to be high quality and as such high value. According to Ri Sunok, the garments produced were held in higher esteem by the camp authorities than the lives of the prisoners who made them.⁵⁸⁴

The Production Process

The most complete description of the production process in a political concentration camp comes from Shin Tonghyök, who worked as a sewing machine mechanic; his most important task was to keep the sewing machines running 24 hours a day. According

583) Database Center for North Korean Human Rights, *Survey Report on Political Prisoners' Camps*.

584) Yi Sunok, 'T'albukcha-üi chöjölhan chüngön: Kkori-ömnün chimsüng-dür- üi nunpit 5 - chisang chöefu-üi noyesön, such'ul kongjang.'

to Shin, a 12-hour working day was the norm. The daily schedule looked as follows:

05:00 - rise
06:00 - 07:00 preparation and washing
07:00 - breakfast
07:30 - leave for work
08:00 - 12:00 - work
12:00 - lunch (machines stopped except when a deadline needed to be met)
13:00 - 20:00 - work without break
20:00 - evening meal
20:30 - 22:00 - extra work
22:00 - 23:00 - ideological battle
23:00 - bedtime⁵⁸⁵

A similar day schedule was recalled by Yi Sunok (Li Sun Ok/Lee Soon-ok), who had stayed in a camp with a very similar name but 30 kilometers away and worked as labourer and later as inspector and accountant in the garment production unit from 1987 to 1992.

05:00 - getting up and reporting to work sites
05:30 - 07:00 work
07:00 - 07:15 breakfast at work sites
07:15 - 12:00 work
12:00 - 12:15 lunch
12:15 - 19:00 work
19:00 - 19:15 supper
19:15 - 22:00 work
22:00 - 24:00 a review of the day
24:00 - bedtime⁵⁸⁶

Shin wrote that there were different production workshops in the camp (he calls them *chagöbban*; Ri notes something very similar, but calls the workshops 'factories' or *kongjang*). The circumstances in the Export Workshop where she was put to work were so dismal,

585) Shin Tonghyök, *Sesang pakk-üro naoda*.

586) See her testimony here: https://eng.nkhumanrights.or.kr:444/eng/datacenter/related_write.php?mode=view&bbs_idx=4340&search_mode=&search_word=&pg=14. Accessed on 02-07-2019.

that when she wrote about it, she named the chapter: “The Last Slave Ship on the Face of the Earth – The Export Workshop.”⁵⁸⁷ Shin distinguished six different workshops: repairs, logistics, cutting (of cloth), sewing, boiler, electricity.⁵⁸⁸ Yi observed that in the camp she was in, six workshops were in operation: an export workshop, two shoe production workshops (1 & 2), a garment production workshop, and a cloth cutting workshop. About 250-300 prisoners would be assigned to a particular workshop, which was not coincidentally also the size of a re-education group - one of the paramount organisational units of camp life.⁵⁸⁹ Mostly, gender specific roles from society were adopted in the camp also: the sewing machines were ‘manned’ by women prisoners, while the mechanics and those responsible for transport and logistics were male. All chiefs of working units would also always be male: this person was an inmate himself, but in a position of considerable authority with regard to his fellow inmates. This suggests that to a certain extent the camp one is sent to (otherwise a very opaque affair without clear indications why someone would be sent to a particular camp) may also have been influenced by the effort to maintain the desired male to female ratio in order to enable the traditional division of labour also in the camp workshops.

The leadership structure in the workshops seems to have been similar in all camps (whether penitential or political). At the head of the workforce (of a particular kind, say garment production or mining) was a camp guard who worked for the relevant overseeing ministry (either the State Security Department or the Ministry of People’s Security). Incredibly, he would be the only guard in the work place: according to Shin Tŏnghyŏk, the guard oversaw as many as 2,500 inmates under his command.⁵⁹⁰ This could work because the inmates themselves were tasked for directly overseeing themselves. Under the camp guard, one head prisoner would report to him. While the power the guard held over him was that over life and

587) Yi Sunok, ‘T’albukcha-ŭi chŏjŏlhan chŭngŏn: Kkori-ŏmnŭn chimsŭng-dŭr-ŭi nunpit 5 - chisang chŏefu-ŭi noyesŏn, such’ul kongjang’.

588) Shin Tonghyŏk, *Sesang pakk-ŭro naoda*, 224.

589) Yi Sunok, ‘T’albukcha-ŭi chŏjŏlhan chŭngŏn: Kkori-ŏmnŭn chimsŭng-dŭr- ŭi nunpit 4: kŭ-dŭr-ŭi sa’mŏng moksum pachŏ ilhaekkŏnman’, *Han’guk nondan* 199 (2006): 58–81.

590) Shin Tonghyŏk, *Sesang pakk-ŭro naoda*, 225. A comparison with the situation in Nazi death camps comes to mind.

death and thus immense, so was the head prisoner's power over the inmates placed under him. Under the head prisoner, there were the unit chiefs, again inmates with relatively immense power. The system is set up to encourage competition among the inmates and to instill the realisation that for any kind of reprieve comradeship with other inmates is not sufficient and only the good graces of the guards will do. The UN COI report describes how this system works by illustrating it with a concrete example:

Mr Shin Dong-hyuk was 13 years old when he reported a conversation he overheard between his mother and brother in which they talked about escaping from the camp. As a result, his mother and brother were both executed. Mr Shin had to watch the public execution of his mother and his brother, along with all other inmates. Mr Shin described the thought process leading to him denouncing his own mother as follows:

I first reported about their plan [to escape], because I was obliged to report every detail to the guards... That was the rule of the prison's camp, so that's why obviously I thought it was my job to report about their plan to the guard at that time. At my age, I was really proud of that. ... I asked the supervisor to reward me, to give full portion of cooked, dried rice so fill my stomach. And, I was promised that reward and that's why I reported about their plan.⁵⁹¹

Each workgroup lived according to where its members had been assigned to work, so that a minimum of time is needed in the mornings for the inmates to reach their place of work.

All workgroups work in 2 shifts: 8AM-8PM and 8PM-8AM, although the end of a shift is largely determined by the need to meet quotas. Yi Sunok testified that prisoners, who had been up since 5AM, often worked until one o'clock at night to meet export deadlines, or, "or, for many months, the prisoners slept two to four hours at the work site. They ate, worked and slept in the same place. The standard export items all year around were clothing and different kinds of brushes. They were for markets in Europe,

591) Commission of inquiry on human rights in the Democratic People's Republic of Korea, *Report of the detailed findings of the commission of inquiry on human rights in the Democratic People's Republic of Korea*, 2014, 234.

Japan and Hong Kong.”⁵⁹² Prisoners were only allowed to visit the toilet if it was their turn. If not, they either had to hold it up, or soil themselves while continuing to work. This was especially hard on newcomers.⁵⁹³ Since the sewing machines had to work 24 hours per day, mechanics were always on duty to guarantee this.⁵⁹⁴ The machines had incidentally been built inside the camp from wood and cast iron.

Yi Sunoks testimony before US Congress tells us more about what working in garment production in a camp was like:

There were big water pans for the prisoners to wash their hands clean frequently. Each prisoner was given a piece of white cloth to cover their dirty laps and keep the products clean. The finished products were beautifully packed and shipped for export. The prisoners often fall asleep while working and wake up when their fingers are injured by the sewing machine. They apply sewing machine oil on the wound and continue to work. They have to hide their bleeding fingers for fear of punishment for sleeping. So much punishment and loss of life for the sake of meeting the export deadline! I was informed that the foreign exchange earned was spent to supply imported television sets and refrigerators for the security and police officers.⁵⁹⁵

Witness testimony also has made clear that the power wielded by the males in charge (guards and inmates alike) gives rise to unbridled sexual harassment and abuse. In Camp 14, young women who tried to escape the rigours and hardships of working behind the sewing machine for the biggest part of the day, competed over jobs of cleaning prison officials’s offices, even though such jobs left them extremely vulnerable to sexual abuse.⁵⁹⁶ If sexual abuse of female inmates resulted in a pregnancy, the unfortunate victim was disappeared, taken into the mountains and shot, out of fear of reprisals against the male who had abused her. Sexual relations

592) Yi Sunok, *Testimony of Ms. Soon Ok Lee*, Washington, June 2002, 6.

593) Hawk, *The hidden gulag: Exposing North Korea’s prison camps*, 44 -5.

594) Shin Tonghyök, *Sesang pakk-üro naoda*, 225.

595) Yi Sunok, *Testimony of Ms. Soon Ok Lee*, 6.

596) David Hawk, *North Korea’s hidden gulag: Interpreting reports of changes in the prison camps* (Washington: HRNK, 2013), 65; COI DPRK Report of the detailed findings, 236-7.

between inmates were only allowed if sanctioned from above and those between inmates and guards strictly prohibited.⁵⁹⁷

Punishment

Particularly in the political camps, not being killed outright was seen by the authorities as a favour to the inmates. As a result, rewards for good behaviour existed mainly in the form of absence of punishment. Ri Sunok listed four reasons to be punished:

1. *Laughing*
2. *Singing*
3. *Looking at oneself in mirror*
4. *Damaging a machine*

The first three punishments are indicative of the extreme dehumanization the inmates underwent once they entered the camps, from which they had been told they would never depart—even their bodies would be buried or burnt within the camp's confines.⁵⁹⁸ Indeed, as the prisoners are told on their first day in the camp, their mere existence has become such an insult to Leader and Party (and it is only their magnanimity that keeps them alive), that “even the shadow of an inmate may no longer be seen.” The dehumanising process is an essential part of the labour process and labour is essential part of dehumanising process, hence the strictly enforced policy that machines needed for production were deemed more important than the humans who operated them.⁵⁹⁹ The four punishments listed above suggest the absolute and central position punishment occupies in the life of the camp inmate.

There are many punishments for inmates of prison and political camps. Generally, the precarious living circumstances made the cutting of rations the most feared punishment.⁶⁰⁰ Surviving is extremely difficult anyway and being given even less to eat may

597) Shin Tonghyök, *Sesang pakk-üro naoda*. Also see COI DPRK, Report of the detailed findings.

598) “The bodies of prisoners who died in detention were simply dumped in the mountains like dead animals, non-burial being culturally offensive to Koreans.” Hawk, *The hidden gulag: Exposing North Korea's prison camps*, 46.

599) Yi Sunok, ‘T’albukcha-üi chöjölhan chüngön: Kkori-ömnün chimsüng-dür- üi nunpit 4: kü-dür-üi sa'myöng moksum pachö ilhaekkönman,’ 60.

600) Yi Sunok, ‘T’albukcha-üi chöjölhan chüngön: Kkori-ömnün chimsüng-dür- üi

well tip the scales in favour of dying: through hunger or through direct consequences of being given less food: diseases, fatal loss of energy, demotivation. Shin writes of rations being halved or culprits being whipped when some cloth had been stolen.⁶⁰¹ The cutting of rations was often done collectively: the entire working unit would suffer on the behalf of one its members, especially if the reason for the punishment was a too slow production. In other cases, inmates would be forced to watch the punishment of one of their unit members, who had been found guilty of an infringement of the rules. The following account was published in *The New York Times*:

In the prison camp, she says, she was put to work up to 16 hours a day, every day, making shoes, police uniforms, hats and goods for export. Those who did not work hard enough were locked in a coffin-sized punishment cell, pitch dark, on a starvation diet.

Other prisoners were punished with death. Mrs. Li told the story of Suh Young Soon, 21, who was sewing nylon dresses when she accidentally tore some fabric. Miss Suh was so frightened that she hid the torn dress under her chair.

A guard discovered it, and Miss Suh was lashed to an iron pole that stood in the prison courtyard. All of the prisoners were summoned and forced to watch as Miss Suh was gagged but not blindfolded. Then six guards fired three volleys at Miss Suh's chest, killing her instantly.

A particularly gruesome punishment was meted out to Sin Tonghyök (Shin Donghyuk), after he had dropped and damaged a sewing machine base he had been carrying.⁶⁰²

After dropping the base, the work unit chief (*chag'öbbanjang*) hit him in the face several times. He then reported the incident to the foremen, who reported it up the chain of command. The supervising guard found out, who then ordered the foremen to cut off the top of Shin's middle finger. Shin was held by some men and the

nunpit 4'

601) Shin Tonghyök, *Sesang pakk-üro naoda*, 226.

602) See <https://www.nytimes.com/1996/07/14/world/survivors-report-torture-in-north-korea-labor-camps.html>. Accessed on July 3, 2019.

work unit chief cut off the top of his middle finger. The whole incident took about 30 minutes to end in this mutilation. After having the top of his finger cut off, Shin was sedated and given bandages. Knowing that his finger might easily get infected (which might be a death sentence, since there was no penicillin in the camp), Shin disinfected the wound in the cold salted soup the inmates were given to eat. The fear for infection was so widespread, in fact, that often, when a sewing machine's needle would break off inside the finger of a seamstress, the finger was cut off in order to prevent infection.⁶⁰³

The emphasis on finishing products meant to be exported was so great that failure to do so was punished accordingly - eventually resulting in disastrous consequences for the health of the inmates:

Frequently the threat of reduced food rations drove the women prisoners to work through constant pain. In winter, hands and fingers numb from cold were prone to accidents from the sewing needles and scissors. Mindful of their production quotas, prisoners continued at their work-stations, doubly fearful that their dripping blood would soil the garments they were sewing. Repeated infractions led to transfer to the prison's shoe factory. Even more severe punishment included prolonged solitary confinement in a cell too small to allow for a person to fully stand up or lie down inside, leading to loss of circulation and severe pain.⁶⁰⁴

Missing stitches, or soiling or spoiling garments, in the sewing factory commonly resulted in kicks or slaps. Several years of below-subsistence-level food rations coupled with hard labor and brutal treatment apparently caused spinal columns and ligaments to weaken. Numerous physical deformities followed, and many women prisoners developed "hunched backs."⁶⁰⁵

State-organized Forced Labour and Slavery

Going through the testimonies of former camp inmates will yield more details, but the picture is clear: widespread forced labour, indeed even modern slavery, is endemic and structurally present in North Korea's prison and political camps and it is certainly also

603) Although this created another wound that could be infected, at least there was no non-sterile foreign object left in the body to catalyse the infection.

604) Hawk, *The hidden gulag: Exposing North Korea's prison camps*, 44-5.

605) Hawk, *The hidden gulag: Exposing North Korea's prison camps*, 46.

tied to the production of garments. The following question remains: Why would the DPRK state involve its prison camps and extralegal political concentration camps in the production of garments meant for export? The risks seem to outweigh the benefits at first sight. Or don't they, perhaps?

The only way to answer that question sufficiently is to quantify the garment production taking place in the camps, measure the prizes fetched for the garments when exported abroad, and observe whether this process leads to further sanctions or other forms of punishment for North Korea. Unfortunately, for the time being, the quest for an answer to this question is already torpedoed at the first stage: we have no way to quantify the garment production taking place inside North Korean prison and political camps.

The available evidence is only anecdotal (although with the emergence of supply chain databases such as Panjiva, this may well change in the near future), it would only be possible to arrive at some general deductions using the known numbers of garment labourers, the facilities, the emphasis on fast production, and market responsiveness. This effort will necessarily need to rest on a foundation of solid research on North Korea's system of prison and political camps. And while this research has been started, we are nowhere near the possibility of such a calculation yet. Anecdotal evidence must suffice for the moment, but, flawed and fragmentary though it is, a picture nonetheless emerges of a similar system in place in different camps, at different places, and during different periods, suggesting that, if not centrally coordinated, the system is the result of central planning.

It remains to be seen how the export producing camps are tied to the outside world. Yi Sunok's testimony made it very clear that the production in the camp she was in was highly flexible and responsive to market demand: the one-time production of 90,000 high quality brassieres for export to the Soviet Union in 1988 shows as much.⁶⁰⁶ Sin Tonghyök's comments confirm this, as does the testimony of a guard who worked in Camps 12 and 13 for 25

606) Yi Sunok, 'T'albukcha-üi chöjölhan chüngön: Kkori-ömnün chimsüng-dür- üi nunpit 5 - chisang chöuefu-üi noyesön, such'ul kongjang,' 156-7.

years.⁶⁰⁷ The 2014 UN COI report is unequivocal in this respect, concluding that:

*The forced labour output of the prisons, including precious ores and other goods destined for export, provide the state with important foreign currency earnings needed to sustain the political system and the elites on whose loyalty the system relies. The ordinary prison system and the way it is operated, therefore serves two central political objectives.*⁶⁰⁸

In other, perhaps overly cynical, words, as long as the DPRK system remains as it is, the commercial exploitation of the prison and political camps will always engender opportunities for entrepreneurial initiatives from abroad. The quality of the clothes manufactured in the camps is supposedly very high; the ability of the camps' management to enforce deadlines—an unfortunately accurate expression—unrivalled.

None of the textile companies or buyers we talked to indicated that they knowingly had their garments produced in North Korea. Confronted with the possibility that garments they had bought through Chinese companies which had outsourced the production to North Korea, had actually been produced in North Korean prison and political camps, the reactions were uniformly horrified. Yet, it is a real possibility, all the more problematic in the absence of any kind of reliable mechanism to check whether this is indeed the case.

It is up to the buyers, then, to exercise due diligence when buying garments from North Korea or when outsourcing its production to North Korea. Given the utter impossibility of external quality control in North Korea (i.e. through employing inspectors tasked by foreign buyers to inspect the production processes in North Korean manufacturing sites), it is necessary to consider not buying from or outsourcing to North Korea in order not only to keep one's supply chain free from forced labour and/or modern slavery but also to not compound this by becoming complicit in the exploitation of prison and political camp inmates in the DPRK.

607) Database Center for North Korean Human Rights, *Survey Report on Political Prisoners' Camps in North Korea (PPC)*, 137, 255.

608) COI DPRK, Report of the detailed findings, 328.

Caveat emptor sounds hollow, but seems a warning seldom more necessary.

Summarizing the Indescribable

Reading through the testimonies, autobiographies, and interviews of former prisoners of the DPRK's prison and political camps is a harrowing experience. The abuse and exploitation that befell these people is impossible to imagine for anyone who was not there with them to experience it. Enough of these experiences seep through, however, to impress upon the reader the inutterable horror of what happened and is still happening, exacerbated by the fact that export processing is such a crucial element in the operation of the camps.

Perhaps a compounding factor is the fact that these horrors seem to have been calculated to take place. The camp system has been in operation for more than six decades now, conceived of and overseen in the centre in Pyongyang, executed locally in the camps. As has been noted before, the camps explicitly and intentionally serve a dual purpose: the removal and punishment from society of undesirable elements and their economic exploitation until the day they die. The horrors and abuses inflicted upon them in the midst of the execution of this dual task make the North Korean camps, in particular the extralegal political annihilation camps, sites of unparalleled human rights abuses and crimes against the humanity. Even more unimaginable than what is the daily reality in these camps is the fact that international companies are the happy buyers of the garments produced in what can only be described as hell on earth. Impossible to imagine, perhaps, but possible and necessary to remedy.

The Role of Overseas Companies: How Policies do not Match Local Needs

Jonne Bosselaar & Rosa Brandse

The previous chapters described the precarious working conditions of North Korean workers in the textile industry in Dandong. As buyers, brands can influence the enforcement of international standards and norms in the factories they source from, and this responsibility is increasingly felt in the international textile industry. Companies have been adding social corporate responsibility to their agenda and working on improving the sustainability of their supply chain. Besides social policies of individual companies, there are also an increasing number of initiatives wherein companies bundle their strengths to deal with these issues. Some examples of these kind of initiatives are the Ethical Trading Initiative (ETI), the Fair Wear Foundation (FWF), the Bangladesh Accord, the Dutch Agreement on Sustainable Garments and Textile (AGT) and branch organisations like Modint in the Netherlands.

Awareness and Current Policies

To get an overview of the policies and the awareness of companies, the research team reached out to several industry actors for an interview. In the middle of 2018, we contacted several actors to discuss their views on the problem. A branch organisation was interviewed in December and stated they were not sure if there

were any factories of their members in the region, but as no one ever brought it up as a question, they had never looked into it. They do assume that those working for the bigger companies would be aware of the problem, but the smaller companies might not.⁶⁰⁹ An initiative on ethical sourcing in textile explained that none of the brands they work with source from the border region, so they do not have any policies in place.⁶¹⁰

Marieke Weerdesteijn of the Dutch AGT mentioned that the AGT was aware outsourcing to North Korea is a problem in the region, and that it had informed parties and signatories of the AGT both before and after the sanctions.⁶¹¹ The AGT is signed by Dutch (or European) brands, retailers, agents, wholesalers and importers.

When signing the Dutch AGT, companies commit to an annual process of due diligence.⁶¹² As part of this process they are expected to do a risk assessment, which is strengthened each year. In this risk assessment companies are expected to consider the nine themes addressed by the parties of the AGT.⁶¹³ In line with the OECD guidelines, companies are expected to prioritise risks and develop actions to prevent, mitigate or remediate risks in their supply chains. In the assessment framework,⁶¹⁴ the minimum requirements per year (starting from a company's signing date) are listed.⁶¹⁵

Three Chinese factories that were included in the 2018 Production Location List of the AGT emerged in the case studies of our previous chapters and have been found to engage in export processing to North Korea up to the beginning of 2017 and possibly

609) Interview with apparel branch organisation in the Netherlands, Skype, 18 December 2018.

610) Interview with an initiative on ethical sourcing in textile, 31 July 2018.

611) Interview with Marieke Weerdesteijn, Phone, 13 March 2019.

612) This process can be found here: 'Due Diligence', IRBC Agreements, https://www.imvoconvenanten.nl/garments-textile/agreement/method/due-diligence?sc_lang=en.

613) You can find the nine themes here: 'About this agreement', IRBC Agreements, https://www.imvoconvenanten.nl/garments-textile/agreement?sc_lang=en.

614) 'AGT Assessment Framework', IRBC Agreements (The Hague: SER, April 2018). See https://www.imvoconvenanten.nl/garments-textile/agreement/~/_media/files/imvo/kleding/assessment-framework-agt.ashx.

615) Marieke Weerdesteijn to Rosa Brandse, 'Onderzoek Chinese textielindustrie', 19 March 2019.

even after.⁶¹⁶ Some clothing brands that signed on to the AGT also have factories on their supplier list that have used export processing to the DPRK – this suggests that these companies ought to significantly sharpen their due diligence to ensure no North Korean forced labour is in their supply chains. Through the AGT, the research team was able to contact several companies, but none could provide us with an interview. However, right before the publication of the report in March 2019, representatives from some of the stakeholders joined the research team and the AGT for a meeting to discuss the findings of the research project.

A manager of a textile company who choose to remain anonymous corroborated that while many are aware, specific policies are not in place and talking about the topic is often avoided.

*I think it is a little sort of a, people don't talk about it, because they don't want to admit that they are doing it.*⁶¹⁷

One of the brands with the most elaborate program on countering forced labour in various localities of the textile industry is C&A.⁶¹⁸ C&A is a frontrunner when it comes to supply chain transparency and the C&A Foundation has contributed to several ethical sourcing projects such as the Open Apparel Registry, which lists the factories in use by international brands.⁶¹⁹ In its policies, it also acknowledges that China is one of the countries with the highest risks of forced labour. However, its plans to decrease forced labour in its supply chain do not mention China or the issue of North Korean workers, and this is reflected in its choice of suppliers. As was shown in Chapter 3, C&A sources from various factories in Dandong that have until recently used and might still use export processing to North Korea, possibly contaminating its supply chains. We reached out to C&A for an interview, but it turned out not to be possible to schedule an interview.

616) These factories are Richland, Vent D'est and Dalian Fashion garment.

617) Interview with Anonymous, 11 May 2018.

618) 'Forced & Child Labour Strategy: Strategy to 2020', C&A Foundation, November 2017, <https://www.candafoundation.org/en/impact/forced-labour/forced-child-labour-strategy.pdf>.

619) 'Open Apparel Registry', Open Apparel Registry, <https://info.openapparel.org/>.

Risk Analysis

Currently, sourcing practices in Dandong seem to fall under the same CSR policies as anywhere else, with the standard audits and the standard background checks. While this might be enough to solve certain problems in the supply chain, it is not sufficient when it comes to the presence of North Korean workers. In late 2018, a company that sources from the region was contacted directly for an interview, which they agreed to on the condition of anonymity. Its supply chain manager explained that factories “know that their costumers do not want to see North Koreans in their factories, and so we don’t see them.”⁶²⁰ Audit reports therefore do not reflect the actual conditions, but many brands still feel that this is the best tool at their disposal. However, as the same supply chain manager stated, “Nobody with any auditing system should be so confident and so reliant as to draw that kind of conclusion.”⁶²¹

There are other ways to check for North Korean labour in the supply chain. With outsourcing, Chinese customs records can show previous engagement of companies with North Korea. In the future, when China releases real-time customs data again, this can also be used for more up to date information. When the data shows irregularities regarding a factory, in-line audits could be used to establish what is going on. In-line audits check the shipment *during* production, which can be used to establish if the factory is in fact producing the clothes itself. If the product was not produced in the factory during the audit, it was most likely subcontracted.⁶²²

When it comes to North Koreans working in Chinese factories, there are special ways for auditors to check for their presence. A recurring theme in overseas North Korean labour is the propaganda they are submitted to. This can be seen in North Korean slogans on the walls and songs played on the work floor.⁶²³ Such propaganda can (and has) also been seen in the dormitory lobby and walls.⁶²⁴

620) Interview with anonymous sustainable supply chain manager, 20 December 2018.

621) Ibid.

622) Ibid.

623) Interview with anonymous researcher, Skype, 9 October 2018.

624) Britt C. H. Blom and Rosa Brandse, ‘Surveillance and Long Hours: North Korean Workers in Russia’, in *People for Profit: North Korean Forced Labour on a Global Scale*, ed. Remco E. Breuker and Imke B. L. H. van Gardingen (Leiden: LeidenAsia-Centre, 2018): 43-66.

The dormitory system is mandatory for all Chinese factories who want North Korean labour.⁶²⁵ Auditors in risk regions could request to visit the dormitories as well and look for signs there.

One more method to detect North Korean labour in Chinese factories, is an identity check. In China everyone above sixteen should carry an identity card stating among other things one's nationality.⁶²⁶

*Identity documents are compulsory in China. That policy came into a place when the Chinese wanted to check for child labour. It is very effective. (...) Unless the documents have been forged.*⁶²⁷

As we know that North Koreans often have to hand over their passports and/or travel documents to their management or to embassy personnel the moment they arrive abroad,⁶²⁸ it is crucial to verify that all of the workers are in fact in possession of their own identity documents.

While the current UN sanctions have curbed some of the outsourcing and overseas labour practises, there is still a large amount of irregular activity to be observed in the border region between China and North Korea. Also, while the sanctions could be lifted in the future, giving North Korean labour another opportunity to enter the international textile industry, it is not likely that the defining characteristics of North Korean labour abroad and at home (its forced nature, the absence of fundamental freedoms, the abuse of human rights) will disappear anytime soon. This makes it even more important for international brands to scrutinize their

625) Chi Sang-Hyun et al., 'Chöpkýöngjiyök pyönghwaüi kwan'gyeronjök chöngch'ijirihak: Pukhan-Chungguk chöpkýöngjiyök Tandungül chungsimüro', Han'gukkyöngjejirihakhoe 20, no. 3 (2017): 295.

626) 'Regulations of the People's Republic of China Concerning Resident Identity Cards', Ministry of Commerce of People's Republic of China, accessed 27 January 2019, <http://english.mofcom.gov.cn/aarticle/lawsdata/chineselaw/200211/20021100053292.html>.

627) Interview with anonymous manager of a fashion platform that sources clothes from China, 10 December 2018.

628) Remco E. Breuker and Imke B.L.H. van Gardingen, *Slaves to the System: North Korean Forced Labour in the European Union – the Polish Case* (Leiden: LeidenAsia-Centre, 2016): 42.

suppliers from the region around Dandong and to eliminate the risk of using North Korean forced labour.

The Corporate Responsibility to Respect Human Rights and North Korean Forced Labour in the Garment Industry

Antoine Duval

Introduction

The previous chapters have painted a detailed picture of the involvement of North Korean workers in the supply chains of European and American garment companies. Be it through export processing as evidenced in chapter 3 or the recourse in China to forced labour from North Korea as discussed in chapter 4, we can safely assume that some of the clothes bought by European, and in particular Dutch, consumers are made with the help of one form or another of North Korean forced labour. For the purpose of this chapter, we will consider that this has been sufficiently established through the empirical evidence presented in this book.

Forced labour and slavery are outlawed by ILO conventions (recognised as fundamental in the ILO Declaration on Fundamental Principles and Rights at Work from 1998),⁶²⁹ and banned by the

⁶²⁹ Forced Labour Convention, 1930 (No. 29) and Abolition of Forced Labour Convention, 1957 (No. 105).

Universal Declaration of Human Rights⁶³⁰ and the International Covenant on Economic, Social and Cultural Rights.⁶³¹ The International Court of Justice has considered protection from slavery as one of two examples of “obligations erga omnes arising out of human rights law”.⁶³² Furthermore, ‘enslavement’ is considered a crime against humanity by Article 7(1)(c) of the Rome Statute of the International Criminal Court and falls under the jurisdiction of the ICC. More recently, Sustainable Development Goal 8.7 called on “all to take immediate and effective measures to eradicate forced labour.”

Thus, it is hardly doubtful that states which allow, support, and organise the recourse to forced labour on their territory or outside of it are in contravention with international law. Yet, as evidenced by the North Korean example, there are only weak enforcement mechanisms available to ensure that they comply with their obligations in this regard.⁶³³ Individuals subjected to forced labour or slavery might be able to raise this issue in certain committees, but they will be hard-pressed to obtain financial compensations from the relevant states for the harm suffered. In other words, despite the universal condemnation of slavery, including forced labour, in international law, very little has been done to hold the North Korean state, or the Chinese state, legally accountable for tolerating or encouraging such practices.

The question is then whether corporations which rely indirectly through their suppliers on North Korean forced labour could be held accountable for it. This is a controversial matter in

630) Article 4 UDHR states that “[n]o one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.”

631) Article 6.1 ICESCR provides that “[t]he States Parties to the present Covenant recognize the right to work, which includes the right of everyone to the opportunity to gain his living by work which he freely chooses or accepts, and will take appropriate steps to safeguard this right.”

632) *Barcelona Traction, Light and Power Co, Ltd. (Belgium v. Spain)*, Judgment of 5 February 1971, I.C.J. Reports, 1970, 32.

633) A shortcoming identified already in David Weissbrodt and Anti-Slavery International, ‘Abolishing Slavery and its Contemporary Forms’, Office of the United Nations High Commissioner for Human Rights (UN, 2002). For a comprehensive study of the drivers of (non)compliance with ILO standards on forced labour, see Lars Thomann, *Steps to Compliance with International Labour Standards: The International Labour Organization (ILO) and the Abolition of Forced Labour*, VS Research (Springer Science & Business Media, 2011).

theory and practice. In this chapter, we are primarily aiming at the accountability of corporations that have commercial relationships with suppliers that either employ North Korean workers in Dandong or engage in export processing with factories located in North Korea. In other words, what type of responsibility is borne by corporations, like Adidas or C&A, which are potentially linked through their Chinese suppliers to North-Korean forced labour? At this point in time, it remains extremely difficult to envisage that the civil liability of a company extends to the harmful activities of another company with which it has only a commercial relationship. In fact, even insofar as subsidiaries are concerned, courts have until now been quite reluctant to find the mother company (often located in the global north) liable for the activities of the subsidiary (often located in the global south). In this chapter, we will focus on four different regulatory instruments under which a company sourcing in Dandong and likely to be connected to forced North Korean labour could be held accountable. In this regard, we will first discuss the broader frame, the social expectations, embodied by the United Nation Guiding Principles on Business and Human Rights (UNGPs), we will then turn to the OECD Guidelines on Multinational Enterprises (OECD Guidelines) and the connected OECD Guidance, thereafter we will look at the relevance of the Dutch Agreement on Sustainable Garment and Textiles (Dutch Agreement), before ending with a brief discussion of the United Kingdom Modern Slavery Act (UK MSA).

The Responsibility to Respect under the UNGPs for Business and Human Rights

The UNGPs constitute ‘the global authoritative standard, providing a blueprint for the steps all states and businesses should take to uphold human rights.’⁶³⁴ The text does not create legal obligations for states or corporations,⁶³⁵ however it has a powerful symbolic value as the U.N. Human Rights Council endorsed it unanimously.⁶³⁶ Moreover,

634) Ra’ad Al Hussein, ‘Ethical Pursuit of Prosperity’, *The Law Society Gazette*, 23 March 2015, <https://www.lawgazette.co.uk/commentary-and-opinion/ethical-pursuit-of-prosperity/5047796.article>.

635) It provides in its General Principles that: “Nothing in these Guiding Principles should be read as creating new international law obligations [...]”

636) Human Rights Council, Resolution 17/4 Human rights and transnational cor-

as we will see in the following sections, the UNGPs have a decisive influence on the shape of other regulatory instruments, which have greater practical effects on corporations. The UNGPs were aimed at crystallising high social expectations vis-à-vis businesses with regard to their human rights responsibilities. In other words, they are conceived as minimum requirements of a company's social license to operate.⁶³⁷ It is questionable whether the companies that are connected to suppliers having recourse to forced labour from North Korea are compliant with the UNGPs and are therefore deserving of that 'social licence'. To properly determine this, we need to further explicate the requirements imposed on businesses by the UNGPs.

First, the UNGPs are addressed to all business enterprises, small and big, and the responsibility to respect human rights covers both the International Bill of Human Rights (comprised of the Universal Declaration of Human Rights and the main instruments through which it has been codified: the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights) and the principles concerning fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.⁶³⁸ All the corporations mentioned in the previous chapters are thus direct addressees of the UNGPs and the various prohibitions of slavery and forced labour enshrined in the CLS, the UDHR or ICESCR fall under the scope of Principle 12. In particular, the responsibility of a business to respect human rights entails that it "should avoid infringing on the human rights of others and should address adverse human rights impacts with which they are involved."⁶³⁹ This requires business to:

a) Avoid causing or contributing to adverse human rights impacts through their own activities, and address such impacts when they occur;

porations and other business enterprises, A/HRC/RES/17/4, 6 July 2011.

637) J. Ruggie, Protect, Respect and Remedy: A Framework for Business and Human Rights, A/HRC/8/5, 7 April 2008, para. 54, 17.

638) Principle 12 UNGPs.

639) Principle 11 UNGPs.

(b) Seek to prevent or mitigate adverse human rights impacts that are directly linked to their operations, products or services by their business relationships, even if they have not contributed to those impacts.⁶⁴⁰

In the context of this study, Chinese businesses having recourse to North Korean forced labour are clearly failing to abide with the former requirement, while the western brands who are sourcing with these companies are falling under the latter alternative. As it seems hardly disputable that Chinese companies having built their business model around the conscious recourse to cheap North Korean forced labour are disrespecting the UNGPs, the focus will be exclusively on the western brands. Another reason to do so is that the UNGPs are mainly an authoritative source for social expectations and as such most relevant for the companies that are potentially affected by the behaviour of consumers, e.g. the big brands. Moreover, these companies are much more likely to have publicly committed to comply with the UNGPs. In fact, some of the western companies that have been identified as likely connected to North Korean forced labour in the previous chapters, such as Adidas⁶⁴¹ or C&A,⁶⁴² have publicly committed to comply with the UNGPs and to respect human rights.

Principle 15 UNGPs foresees that business enterprises should put in place a “human rights due diligence process to identify, prevent, mitigate and account for how they address their impacts on human rights.” This process should in particular cover adverse human rights impacts of a business enterprise which “may be directly linked to its operations, products or services by its business relationships.”⁶⁴³ The first step of the process is to “identify and assess any actual or potential adverse human rights impacts with which they may be

640) Principle 13 UNGPs.

641) ‘Human Rights and Responsible Business Practices Frequently Asked Questions’, Adidas Group, https://www.adidas-group.com/media/filer_public/2013/11/14/human_rights_responsible_business_practices_qa_july_2011_en.pdf.

642) ‘C&A respects the human rights of everyone we work with. In partnership with C&A Foundation, we’re working hard to drive better practice across the entire industry. Our Supplier Code of Conduct and Employee Code of Ethics are guided by best practice on human rights, including the UN Guiding Principles for Business and Human Rights and the International Labor Organization (ILO).’ See ‘Our Values’, C&A Global Sustainability Report 2018, <http://sustainability.c-and-a.com/about-ca/our-values/>.

643) Principle 17 UNGPs.

involved either through their own activities or as a result of their business relationships.”⁶⁴⁴ After having identified these impacts, business enterprises are expected to ‘integrate the findings from their impact assessments across relevant internal functions and processes, and take appropriate action.’⁶⁴⁵ The determination of the appropriate action will be different if an enterprise causes an impact or is merely linked to it, and depending on the leverage the company may have in addressing the impact.

In practice, the western brands sourcing from the Dandong region should have identified through their due diligence processes the high risks posed by the widespread recourse (through export processing or direct employment) to North Korean forced labour in the local garment industry and acted upon it. In light of the evidence gathered by the research team and the relative ease to access it,⁶⁴⁶ it is hard to believe that a serious human rights due diligence process would have failed to identify the salience of this specific risk. If a company sourcing in the Dandong region did fail to identify it, then the brand’s due diligence operation cannot be deemed compliant with the UNGPs. If it did identify this risk, then it should have acted upon it. In fact, the commentary below Principle 19 UNGPs provides a set of criteria to determine the appropriate action when the risk of an adverse human rights impact is identified. It highlights the importance of the severity of the abuse and the leverage of the enterprise over the entity involved in the violation in determining the appropriate action. As documented in the previous chapters, the severity of the risk of slavery in the North Korean context can hardly be overstated. Various reports have documented the pervasiveness of slavery and forced labour inside North Korea and the regime’s policy to export North Korean forced labour abroad as a key source of income.⁶⁴⁷ Furthermore, in the specific context of the commercial

644) Principle 18 UNGPs.

645) Principle 19 UNGPs.

646) The team did not engage in costly and potentially risky evidence-finding such as on-site investigations or interviews. Instead, most of the information used has been obtained via publically available sources (press reports, social media posts, company websites, public statements by company executives) and the Panjiva database, which is easily accessible to corporations or auditors.

647) North Korea ranks first in the Global Index with around 2,640,000 estimated people living in modern slavery: ‘Country Data: Korea, Democratic People’s Republic of’, Global Slavery Index, <https://www.globallslaveryindex.org/2018/data/country-data/>

relationships between western brands and local garment suppliers in Dandong, it is hardly the case that the brands are dependent on the Chinese suppliers as they could relatively easily find alternative suppliers. In this regard, they must be considered as having some leverage over the local export-oriented garment industry. In any event, if they lack the requisite leverage to effect change, then the Commentary below Principle 19 UNGPs provides that they “should consider ending the relationship.” Due to a lack of publicly available information, we are not in a position to assess the human rights due diligence processes put in place by the brands sourcing from Dandong region and we are not aware of the specific actions they may have taken to tackle the heightened risks of forced labour. But if the spirit of the UNGPs is to be heeded, businesses sourcing there should have identified the high risk of being connected to exploitation of North Korean forced labour and should have acted accordingly to mitigate it, or, if doing so proved impossible, they ought to stop sourcing from the region’s garment factories.

The OECD Guidelines for Multinational Enterprises

The OECD Guidelines provide a second avenue to hold western corporations accountable for relying on North Korean forced labour in their supply chains. They do not impose legal obligations on corporations, nonetheless they have legally binding consequences for the states party to the OECD (and for the non-OECD members who have signed up to them). The latest revision of the Guidelines took place in 2011 and was meant to align them with the UNGPs. The OECD Guidelines are applicable to the multinational enterprises (MNEs) operating in or from the territories of the signatories. MNEs in the sense of the Guidelines “usually comprise companies or other entities established in more than one country and so linked that they may co-ordinate their operations in various ways”.⁶⁴⁸ There is little doubt that major textile brands such as Esprit, Adidas or C&A fall under the personal scope of the OECD Guidelines.⁶⁴⁹ Furthermore,

north-korea/. See also Remco E. Breuker and Imke B.L.H. van Gardingen, *Slaves to the System: North Korean Forced Labour in the European Union – the Polish Case* (Leiden: LeidenAsiaCentre, 2016).

648) OECD, *OECD Guidelines for Multinational Enterprises* (OECD Publishing, 2011), 17.

649) Adidas for example has faced proceedings before various National Contact

contrary to the UNGPs, the material scope of the OECD Guidelines is not limited to human rights and extends to a range of issues such as employment and industrial relations and the environment. With regard to internationally recognised human rights, which are most relevant in the present study, the Guidelines are aligned with the UNGPs as they provide that MNEs must “[s]eek ways to prevent or mitigate adverse human rights impacts that are directly linked to their business operations, products or services by a business relationship, even if they do not contribute to those impacts.”⁶⁵⁰ This entails, like for the UNGPs, the recommendation to carry out human rights due diligence. In theory, there is no difference between the corporate responsibility to respect human rights as enshrined in the UNGPs and the human rights responsibilities of MNEs under the OECD Guidelines, thus our above considerations regarding the UNGPs apply *mutatis mutandis*. However, there are two important differences between the UNGPs and the OECD Guidelines. On the one hand, the OECD has considerably specified through a Guidance the application of the OECD Guidelines to the garment and footwear sector. On the other, the National Contact Points (NCPs) provide interesting accountability mechanisms to support the MNEs’ compliance with the OECD Guidelines.

The OECD Guidelines and the Garment and Footwear Sector

In 2017, the OECD adopted a detailed Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (OECD Guidance) in order to “help enterprises to implement the due diligence recommendations contained in the OECD Guidelines for Multinational Enterprises along the garment and footwear supply chain in order to avoid and address the potential negative impacts of their activities and supply chains.”⁶⁵¹ This Guidance provides, therefore, more specific expectations on how MNEs involved in

Points in the past. See Dutch NCP, ‘Joint Statement by The Netherlands National Contact Point, Adidas and the India Committee of The Netherlands’, 12 December 2002, <http://www.oecd.org/investment/mne/2489243.pdf>. See also German NCP, ‘Statement by the German National Contact Point on a specific instance brought by the German Clean Clothes Campaign (CCC) against Adidas-Salomon’, 24 May 2004, <https://www.oecd.org/corporate/mne/38033170.pdf>.

650) OECD *Guidelines* (2011), 31.

651) OECD, *Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector* (Paris: OECD Publishing, 2018), 3.

the garment sector are to conduct human rights due diligence. While it is not legally binding, it “reflects the common position and political commitment of OECD Members and non-OECD Member Adherents to the OECD Guidelines for Multinational Enterprises”.⁶⁵² Hence, it is of importance for instances lodged at the NCPs against garment companies.

Interestingly, this Guidance contains a specific module dedicated to forced labour.⁶⁵³ This module stipulates as a policy commitment that MNEs are encouraged “to adopt a zero-tolerance policy for forced labour in their own operations and their supply chain” and “to establish additional policies relevant to the nature of the risk, for example, the enterprise may adopt a policy on the use of private recruitment agencies and subcontracting as relevant.”⁶⁵⁴ One of the key risk factors of forced labour, as identified by the Guidance, is that of “state-orchestrated forced labour.”⁶⁵⁵ This resonates with the role of the North Korean state apparatus in organising North Korean forced labour at home and abroad sketched in the previous chapters. In order to assess the presence of forced labour, the Guidance calls for strict supplier assessments requirements including direct interviews with workers to be conducted in a protected context.⁶⁵⁶ The experience of the research team shows that an independent assessment of the presence of North Korean forced labour in factories of the Dandong region is currently extremely difficult to conduct. It necessitates the collaboration, at great personal risk, of current and former workers, and is therefore unlikely to be effectively conducted by the MNEs falling under the scope of the OECD Guidelines. The Guidance also provides recommendations with regard to the type of actions that MNEs are encouraged to adopt if there is a specific risk of forced labour.⁶⁵⁷ In particular, they ought “to suspend orders (even in the context of State-sponsored forced labour) if forced labour has been identified until action has been taken to prevent forced labour.”⁶⁵⁸ In light of the difficulty to

652) *Ibid.*, 4.

653) *Ibid.*, 126-133.

654) *Ibid.*, 126.

655) *Ibid.*, 127.

656) *Ibid.*, 130.

657) *Ibid.*, 131.

658) *Ibid.*

identify the presence of North Korean forced labour in the Dandong region and the high risk of local Chinese companies having recourse to export processing in North Korea,⁶⁵⁹ the suspension of business relationships with local garment manufacturers might be the only effective way to comply with the Guidance.

At this stage, it is necessary to remember that compliance with the Guidelines and Guidance is voluntary, they do not create any legally binding obligations for MNEs. However, they do come with a specific implementation mechanism, the NCPs, where interested parties could lodge complaints to hold MNEs linked to North Korean forced labour publicly accountable.

Using the NCPs Against MNEs Linked to North Korean Forced Labour

The NCPs are “handling enquiries and contributing to the resolution of issues that arise relating to the implementation of the Guidelines in specific instances.”⁶⁶⁰ They are financed by the states adhering to the Guidelines and are structured and staffed differently on a country-by-country basis.⁶⁶¹ When dealing with specific instances they are to “offer a forum for discussion and assist the business community, worker organisations, other non-governmental organisations, and other interested parties concerned to deal with the issues raised in an efficient and timely manner and in accordance with applicable law.”⁶⁶² If contacted by a party, the NCPs will have to make (and publish) an initial assessment of the issues raised to determine whether they deserve further examination. If they conclude that the issues deserve further examination NCPs have to “offer good offices to help the parties involved to resolve the issues.”⁶⁶³ Finally, at the end of the procedure, the NCPs are expected to publish the results of their examinations through either:

- *A statement when the NCP decides that the issues raised do not merit further consideration.*

659) See Part II, Chapters 3 and 4.

660) OECD Guidelines (2011), 68.

661) See OECD, ‘Structures and Procedures of National Contact Points for the OECD Guidelines for Multinational Enterprises’ (2018).

662) OECD Guidelines (2011), 72.

663) Ibid.

- *A report when the parties have reached agreement on the issues raised.*
- *A statement when no agreement is reached or when a party is unwilling to participate in the procedures. This statement should at a minimum describe the issues raised, the reasons why the NCP decided that the issues raised merit further examination and the procedures the NCP initiated in assisting the parties. The NCP will make recommendations on the implementation of the Guidelines as appropriate, which should be included in the statement. Where appropriate, the statement could also include the reasons that agreement could not be reached.*

Access to remedy is not directly provided by this procedure, as the NCP is not in a position to sanction a particular enterprise and to order it to provide a particular remedy. However, they can be used more generally to highlight the lack of compliance of a particular MNE with the OECD Guidelines and push it to accept changes to its commercial policies. For example, the Berlin-based European Center for Constitutional and Human Rights started in 2010 a European campaign against state-sponsored forced labour in the cotton fields of Uzbekistan by initiating (with the help of a network of NGOs) multiple NCP instances against different companies sourcing there.⁶⁶⁴

Allegedly, at the time of the complaints, adults and children were systematically forced to take part in cotton harvest by the Uzbek state. The complaints led to some changes in the supply chains of the companies targeted, as well as to greater awareness of the public to the prevalent nature of forced labour in the Uzbek cotton industry. More importantly, it also led NCPs to make authoritative statements on the application of the OECD Guidelines to forced labour. Notably, in one of these cases (decided under the 2000 version of the OECD Guidelines), the French NCP held that “in all circumstances, child labour and forced labour in Uzbeki-

664) For more details on these cases, see ‘Forced Labor of Children and Adults in Uzbekistan: How Effective is the OECD Complaint Mechanism?’ (European Center for Constitutional and Human Rights, 2013), available at https://www.echr.eu/fileadmin/Publikationen/Uzbekistan_How_effective_is_the_OECD_complaint_mechanism__2013-05.pdf.

stan's cotton fields constitute a serious and blatant violation of the OECD's Guidelines" and "that the trade of products manufactured on the basis of forced child labour, regardless of where it occurs, is a serious and blatant violation of the OECD's Guidelines."⁶⁶⁵ This constitutes a relevant precedent with regard to the North Korean case, as it involved from the Uzbek side a state-owned enterprise and state-led forced labour. Based on these findings it is likely that an NCP would consider a company whose products can be traced back in part to North Korean forced labour (in North Korea or China) to be at odds with the OECD Guidelines. While this would not entail specific sanctions or legal consequences, it might restrict a company's access to public procurement or export funding and damage its reputation with consumers. Reflecting on the cases lodged by the ECCHR, the former Chair of the OECD Working Party on Responsible Business Conduct, Roel Nieuwenkamp, was convinced that the NCPs have an important role to play in tackling modern slavery.⁶⁶⁶ In fact, recently an NGO lodged a complaint at the Brazilian NCP against major coffee brands over allegations of the presence of widespread forced labour in their supply chain in Brazil.⁶⁶⁷

The NCPs of the home countries of MNEs linked to North Korean forced labour, such as Adidas (Germany) or C&A (Belgium/The Netherlands/Germany), could be suitable avenues to hold them accountable for the presence of forced labour in their supply chains. At least, it would trigger a debate on the quality of their human rights due diligence processes and on the opportunity to maintain trade relations with suspicious suppliers.

The Dutch Agreement on Sustainable Garment and Textiles

In order to comply with its state duty under the first pillar of the UNGPs,⁶⁶⁸ the Dutch government has been pushing forward a set

665) French NCP, 'Final Statement', 21 September 2012, <http://www.tresor.economie.gouv.fr/File/397223>.

666) Roel Nieuwenkamp, 'Tackling modern slavery in global supply chains', OECD Insights, 11 March 2016, <http://oecdinsights.org/2016/03/11/tackling-modern-slavery-in-global-supply-chains/>.

667) OECD Watch, 'Conectas Human Rights & ADERE MG v. coffee sellers', 21 August 2018, https://complaints.oecdwatch.org/cases/Case_512.

668) For some background on the rationale underlying the introduction of the agree-

of voluntary agreements, the Agreements on International Responsible Business Conduct (or IRBC Agreements).⁶⁶⁹ One of these IRBC Agreements is aimed at the textile and garment sector, e.g. the Agreement on Sustainable Garment and Textiles (the Dutch Agreement).⁶⁷⁰ The Agreement aspires to cover 80% of the garment and textile businesses in the Netherlands by 2021. It includes as its signatories corporations like C&A, Esprit, G-Star or HEMA.⁶⁷¹ Interestingly, at least one of these companies, C&A, can be linked to Chinese factories known to source in North Korea or to have recourse to North Korean forced labour.⁶⁷² Moreover, the Secretariat of the Agreement publishes an aggregated list of the factories across the world in which the signatories of the covenant are sourcing.⁶⁷³ While, one cannot trace back a specific factory to the supply chain of a particular brand, it is noticeable that a number of the Chinese factories included are located in the Dandong region, where the risk of North Korean forced labour being used is the highest. Thus, it is relevant to assess the obligations of the signatories of the Agreement with regard to forced labour and the potential consequences they face if they fail to comply with them.

Forced Labour Under the Dutch Agreement

The signatories to the Dutch Agreement commit to introduce a due diligence process within one year after signing the Agreement and to present an annual action plan to the Secretariat of the Agreement

ments, see: 'Advisory Report 14/04: Agreements on International Responsible Business Conduct' (SER, 2014). Available at <https://www.ser.nl/-/media/ser/downloads/engels/2014/international-responsible-business-conduct.pdf>.

669) See the overarching website: 'IRBC Agreements', IRBC Agreements, https://www.imvoconvenanten.nl/?sc_lang=en.

670) For a general introduction on the Agreement, see Antoine Duval and Enrico Partiti, 'The UN Guiding Principles on Business and Human Rights in (National) Action: The Dutch Agreement on Sustainable Garment and Textile', in *Netherlands Yearbook of International Law 2017: Shifting Forms and Levels of Cooperation in International Economic Law: Structural Developments in Trade, Investment and Financial Regulation*, ed. Fabian Amtenbrink, Denise Prévost, and Ramses A. Wessel (Springer, 2018): 381-409.

671) The list of signatories is available at: 'Businesses', IRBC Agreements, https://www.imvoconvenanten.nl/garments-textile/signatories?sc_lang=en.

672) See Part II, Chapter 3 of this volume.

673) The list of factories is available at: 'View production locations under the Agreement', IRBC Agreements, https://www.imvoconvenanten.nl/kledingtextiel/agreement/method/factories?sc_lang=nl.

for assessment and approval. The expected due diligence process is aligned on the requirements introduced by the UNGPs and the OECD Guidelines. Thus, as already discussed, signatories are expected to identify the salient human rights risks in their supply chains and address them.

Forced labour has been identified by the Dutch Agreement as one of the themes that “merit the priority attention of enterprises in the garment and textile sector operating in the Netherlands in terms of international responsible business conduct.”⁶⁷⁴ Further, the Agreement also provides that the parties aim at preventing and eradicating forced labour in the production or supply chain.⁶⁷⁵ Concretely, parties are expected to take the following (or equivalent) measures:

- *To analyse the risks of forced labour in the garment sector in general and, specifically, in the production or supply chains of enterprises participating in the Agreement, starting in 2016. This analysis will be based on existing studies and reports, additional research and individual and joint due diligence processes.*
- *To draw up a road map based on this analysis for regions/ countries where a substantial purchase of products is made by enterprises participating in this Agreement and which have a high risk of forced labour. The elements of the plan include:*
 - *Setting measurable targets for each country for jointly addressing forced labour in risky stages of the production or supply chains and also seeking collaboration with (other) public authorities, industry organisations, trade unions, local organisations and civil-society organisations and, for example, the German Partnership for Sustainable Textiles (Textilbündnis) and the OECD.*

674) ‘Agreement on Sustainable Garment and Textiles’ (SER, 2016), 15. Available at <https://www.ser.nl/-/media/ser/downloads/engels/2016/agreement-sustainable-garment-textile.pdf>.

675) ‘Agreement on Sustainable Garment and Textiles’, 29.

- *Establishing a monitoring and evaluation system to improve the detection of forced labour.*
- *Facilitating the testing and introduction of worker empowerment training.*
- *Formulating a joint prevention and remediation policy in cases where forced labour has been found or appears to happen frequently in the production or supply chain.*⁶⁷⁶

Unfortunately, the work done on forced labour by the signatories of the Dutch Agreement has not been reported on publicly. It is therefore difficult to assess to which extent they have fulfilled the commitments enshrined in Annex 1 of the Agreement. At least, the Secretariat should be extremely attentive and demanding when assessing the action plans of the companies sourcing in the Dandong region. These plans ought to acknowledge the high risk of North Korean forced labour in the local garment industry and provide clear and credible measures to mitigate it. In light of the difficulty to do so, enterprises party to the Agreement might have to consider terminating their agreements with suppliers located in the Dandong region.

Using the Complaints and Disputes Committee of the Dutch Agreement Against Signatories Linked to North Korean Forced Labour

The Dutch Agreement entails a Complaints and Disputes Committee composed of three members, which is competent to deal with complaints by a “stakeholder, or a party mandated by the stakeholder to represent him”⁶⁷⁷ The Rules of Procedure of the Committee define a stakeholder as “anyone who has suffered damage due to a violation of The Agreement caused or contributed to by an Enterprise, or caused or contributed to by another entity to which the Enterprise is directly linked”⁶⁷⁸ This includes also legal entities “when the

676) Ibid.

677) Ibid., 12.

678) Article 1.9 of ‘Rules of Procedure of the Complaints and Dispute Mechanism of the Agreement Sustainable Garment and Textile’, IRBC Agreements (SER, 2018). Available at <https://www.imvoconvenanten.nl/-/media/imvo/files/kleding/rules-of-procedure-complaints-dispute.pdf?la=en&hash=78D65F190A2822EC6F1D0B4B420>

interests that they specifically represent, according to the factual actions and objects clause found in the articles of association, have been damaged due to a violation of The Agreement”.⁶⁷⁹ The latter is particularly relevant in the context of North Korean forced labour, as it is highly unlikely that a worker (unless she manages to escape China) will be able to safely lodge a complaint on her own behalf. The wide definition of stakeholder seems to allow for trade unions or NGOs to directly lodge a complaint against a specific enterprise. In any event, if the complaint is deemed admissible by the Committee, it will then “assess, after hearing both sides of the argument, whether an enterprise participating in the Agreement is acting in accordance with the Agreement”.⁶⁸⁰ For example, a signatory sourcing in Dandong might be failing to comply with its obligation to conduct human rights due diligence if it is unaware of the presence of North Korean forced labour in the region. Furthermore, it might also be questionable whether the enterprise in question has taken the necessary measures to mitigate the risk of forced labour. In light of the pervasiveness of North Korean forced labour in and around Dandong and of the documented difficulty to independently and effectively monitor factories in the region, it is possible that the Committee would conclude that the only effective measure to mitigate the risk would have been to terminate the commercial relationship with the local supplier. The final ruling of the Committee will be binding on the enterprise concerned and can include binding recommendations for improvement as well as impose a duty to remediate in accordance with the UNGPs and OECD Guidelines.⁶⁸¹ If the enterprise refuses to comply with the decision, it can be named and shamed and as *ultima ratio* expelled from the Agreement.

As has been documented in the previous chapters, some of the signatories of the Dutch Agreement have been linked with factories, which have (or had) recourse to North Korean forced labour. The Secretariat of the Agreement should therefore exercise extra care when assessing the due diligence processes introduced by the

6168D.

679) Ibid.

680) ‘Agreement on Sustainable Garment and Textiles’, 13.

681) Article 34 of ‘Rules of Procedure of the Complaints and Dispute Mechanism of the Agreement Sustainable Garment and Textile’.

companies sourcing in Dandong and critically evaluate the actions taken to mitigate the salient risk of North Korean forced labour being employed. Furthermore, a complaint against a signatory of the Agreement could be another way to hold a brand accountable for the presence of North Korean forced labour in its supply chain. In contrast to the process at the NCPs, if successful such a complaint could ultimately lead to a binding decision allocating damages to the victims and force a corporation to change the structure of its supply chain.

The U.K. Modern Slavery Act

The final mechanism relevant to this chapter is the U.K. Modern Slavery Act (UK MSA), which entered into force in the United Kingdom in 2015. In its Section 54, the Act requires that commercial organisations with a global annual turnover of at least £36 million publish annually a Modern Slavery Statement on their webpage.⁶⁸² The scope of application covers corporations that are conducting a business, or part of a business in the UK wherever that organisation is incorporated. The Act does not define the content of the statement to be published, but it sets out the following optional criteria:

- *the organisation's structure, its business and its supply chains;*
- *its policies in relation to slavery and human trafficking;*
- *its due diligence processes in relation to slavery and human trafficking in its business and supply chains;*
- *the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk;*
- *its effectiveness in ensuring that slavery and human trafficking is not taking place in its business or supply chains, measured against such performance indicators as it considers appropriate;*

682) See Shamistha Selvaratnam, 'Global Modern Slavery Developments (Part I): A Critical Review of the UK Modern Slavery Act', *Doing Business Right Blog*, 27 November 2018, <https://www.asser.nl/DoingBusinessRight/Blog/post/global-modern-slavery-developments-part-i-a-critical-review-of-the-uk-modern-slavery-act-by-shamistha-selvaratnam>.

- *the training about slavery and human trafficking available to its staff.*

Concretely, the companies falling under the scope of the Act have only a duty to publish a statement. They do not have to report or act upon the risks potentially identified in the statement or to account for the presence of forced labour in their supply chains. Unsurprisingly, the MSA has been widely criticised for its lack of teeth and effectiveness in achieving its objectives.⁶⁸³ With regard to our study, one would expect that the brands linked to suppliers located in the Dandong region would at least report the high risk of North Korean forced labour being involved. Yet, Adidas's Modern Slavery Act Transparency Statement, for example, does not provide any specific details with regard to the risks of forced labour in its supply chain.⁶⁸⁴ Nor is there any mention of the specific forced labour risk faced with regard to suppliers located in the Dandong region.⁶⁸⁵ Adidas might very well have identified this risk through its internal due diligence process, yet it is not obliged by the MSA to report publicly about it.

It seems that not only is the MSA a rather weak instrument to incentivise corporations to take action against modern slavery, but as exemplified in the Adidas case it is equally unable to enhance the transparency of corporations regarding their internal mapping of the risk of forced labour across their supply chains. Henceforth, the entire regulatory logic of the MSA seems to be defeated, as the public scrutiny sought through the statement is lost due to its evasiveness and vacuity.

683) Virginia Mantouvalou, 'The UK Modern Slavery Act 2015 Three Years On (2018)', *The Modern Law Review* 81, no. 6 (2018), 1017; Radu Mares, 'Corporate Transparency Laws: A Hollow Victory', *Netherlands Quarterly of Human Rights* 36, no. 3 (2018), 189; Shuangge Wen, 'The Cogs and Wheels of Reflexive Law – Business Disclosure under the Modern Slavery Act', *Journal of Law and Society* 43, no. 3 (2016), 327; Genevieve LeBaron and Andreas Rühmkorf, 'Steering CSR Through Home State Regulation: A Comparison of the Impact of the UK Bribery Act and Modern Slavery Act on Global Supply Chain Governance', *Global Policy* 8, no. 3 (2017), 15.

684) 'Modern Slavery Act Transparency Statement', Adidas, https://www.adidas-group.com/media/filer_public/31/b8/31b8bf61-7b63-4035-a8eb-0fb20eccce9/modern_slavery_act_transparency_statement_reebok_uk_2016.pdf.

685) Adidas's latest list of suppliers includes for example Dandong SLT Garment Industrial Co., Ltd. See 'Global Factory List', Adidas, <https://www.adidas-group.com/en/sustainability/compliance/supply-chain-structure/>.

Conclusion

Forced labour is a massive problem in our globalised economy.⁶⁸⁶ Some argue that there is a “business case that strongly supports the use of slave labour and conditions that enable modern slavery.”⁶⁸⁷ The case of North Korean forced labour in the garment supply chain shows indeed that it might be quite difficult to hold western brands liable for ordering their products from shady suppliers in the Dandong region. Only soft mechanisms are available, such as the NCPs for the OECD Guidelines or the Complaints Committee of the Dutch Agreement, to which affected parties can turn to hold a specific corporation accountable. As argued in this chapter, they could serve to at least highlight the deficiencies of the due diligence processes of the brands sourcing from the Dandong region and name and shame those that are linked to factories which are known to have employed North Korean forced labour. At the same time, there is considerable evidence pointing at the limits of such soft regulatory strategies based on transparency, mediation and *in fine* goodwill in being effective to rein abuses against workers.⁶⁸⁸

The recently adopted French law on the *devoir de vigilance* could constitute an interesting alternative strategy to hold companies accountable.⁶⁸⁹ Indeed, the law provides for the liability of a company for the harm suffered due to a human rights violation linked to its activities (or the activities of its suppliers), if it has failed to put in place a proper human rights due diligence process. In other words, a North Korean worker forced to toil in a Dandong factory

686) The latest estimates are of 25 million people in forced labour. See ‘Global Estimates of Modern Slavery: Forced Labour and Forced Marriage’ (ILO, 2017).

687) See Christina Stringer and Snejjina Michailova, ‘Why Modern Slavery Thrives in Multinational Corporations’ Global Value Chains’, *Multinational Business Review* 26, no. 3 (2018): 194-206. See also ‘Profits and Poverty: The Economics of Forced Labour’ (ILO, 2014).

688) For a similar view, see LeBaron and Rühmkorf, ‘Steering CSR Through Home State Regulation’ and Justine Nolan and Gregory Bott, ‘Global Supply Chains and Human Rights: Spotlight on Forced Labour and Modern Slavery Practices’, *Australian Journal of Human Rights* 24, no. 1 (2018): 44-69.

689) See ‘Loi n° 2017-399 du 27 mars 2017 relative au devoir de vigilance des sociétés mères et des entreprises donneuses d’ordre’. The recently adopted Dutch Child Labour law goes in the same direction, see Joseph Wilde-Ramsing and Manon Wolfkamp, ‘Going Dutch: The Netherlands’ Adoption of a Child Labour Law Reaffirms Trend of Mandating Corporate Due Diligence’, The Freedom Fund, 29 May 2019, <https://freedomfund.org/blog/going-dutch-the-netherlands-adoption-of-a-child-labour-law-reaffirms-trend-of-mandating-corporate-due-diligence/>.

could in theory claim damages against a corporation linked to the factory and falling under the scope of the French law. The defendant would then have to demonstrate that it had put in place a proper due diligence system in order to escape liability. This law should constrain French companies to conduct stricter human rights due diligence. Another potential avenue to hold companies accountable would be to find them liable under criminal law. A recent Dutch case, involving North Korean forced labour in the shipbuilding industry in Poland, provides a potential blueprint for such a solution.⁶⁹⁰ In that case, a complaint was filed with the Dutch prosecutor against a Dutch shipbuilder, which had subcontracted the construction of a ship to a Polish wharf which was employing North Korean welders supervised by the regime. In conclusion, it is only by extending in one way or another the civil or criminal liability of those at the end of the value chain profiting from forced labour will the set of incentives currently encouraging it be changed. In any event, the North Korean case discussed in this book highlights the limits of the existing mechanisms to drive western brands to seriously identify and address the risks of forced labour in their supply chains.

690) Kieran Guilbert and Magdalena Mis, 'North Korean Worker Seeks Dutch Shipbuilder's Prosecution over Labor Abuses', *Reuters*, 8 November 2018, <https://www.reuters.com/article/us-netherlands-lawsuit-trafficking-exclu/exclusive-north-korean-worker-seeks-dutch-shipbuilders-prosecution-over-labor-abuses-idUSKCN1ND1BR>.

Addressing North Korean Forced Labour by Means of International Economic Sanctions

Cedric Ryngaert

In its second case-study, *Tightening Belts* describes how North Korean (DPRK) workers carry out forced labour in the supply chains of Chinese factories and international textile brands. The authors recommend that corporations—Chinese garment factories, as well as (Western) buyers of garments—take their corporate social responsibility seriously and step up their due diligence efforts. This contribution approaches the infringements from a public law perspective, and inquires what international or domestic regulatory measures are, could, or should be adopted to address DPRK forced labour in international supply chains. Regulatory measures could take a variety of forms, but the emphasis of the analysis lies on the adoption of *economic sanctions*, defined as ‘the withdrawal of customary trade and financial relations for foreign and security policy purposes’,⁶⁹¹ with the aim ‘to bring about a change in the policy or activity’ of targeted entities.⁶⁹² Applied to the case of the DPRK, the

691) Jonathan Masters, ‘What Are Economic Sanctions?’, Council on Foreign Relations, 12 August 2017, <https://www.cfr.org/backgrounder/what-are-economic-sanctions>.

692) General Secretariat of the Council of the EU, Sanctions Guideline, 5664/18, 4

question is how the international community and third states (i.e., states other than the DPRK) (can) use restrictive measures with a view to curbing or even bringing a halt to the forced labour activities performed by DPRK nationals. The contribution focuses on measures that are *human rights*-oriented, i.e., measures that address forced labour as a human rights violation (a violation of the labour rights of DPRK workers),⁶⁹³ rather than as an undesirable source of income for the DPRK government.

The contribution distinguishes between two types of economic sanctions, which are discussed in the first two sections: (1) measures that are specifically aimed at curbing DPRK nationals' *work activities in third states*; (2) measures that embargo the *exportation of DPRK-produced goods*. Both measures may have beneficial impacts on the human rights situation of DPRK nationals, even if their primary aim may be to reduce the DPRK government's foreign earnings.

While in international sanctions practice the former type of measure is decidedly uncommon,⁶⁹⁴ the latter is not. Thus, the discussion of the DPRK export/import embargo in Section 2 forms the springboard for a more wide-ranging inquiry into non-geographically limited import bans for foreign-origin goods produced with forced labour (Section 3). Internationally speaking, the use of state-tolerated forced labour in the production of goods that may be destined for exportation is unfortunately legion. In 2012, the International Labour Organization (ILO) estimated that 20.9 million people are victims of forced labour globally,⁶⁹⁵ and in 2014 it found that in the private economy, forced labour generates US\$

May 2018.

693) See Article 8(3)(a) International Covenant on Civil and Political Rights (adopted and opened for signature, ratification and accession by General Assembly resolution 2200A (XXI) of 16 December 1966, entry into force 23 March 1976) ('No one shall be required to perform forced or compulsory labour').

694) In the case of the DPRK, they have exceptionally been adopted with a view to tackling the practice of the DPRK sending its nationals abroad to generate funds for the regime, in the context of which forced labour occurs. In general, states do not send their nationals abroad to toil there in forced labour conditions. This does not mean that foreign workers are not exploited. See, e.g., the exploitation of migrant workers in Qatar: 'The Ugly Side of the Beautiful Game: Exploitation of Migrant Workers on a Qatar 2022 World Cup Site' (London: Amnesty International, March 2016).

695) International Labour Office Special Action Programme to Combat Forced Labour (SAP-FL), 'Global Estimate of Forced Labour' (Geneva: ILO, 2012).

150 billion in illegal profits per year.⁶⁹⁶ Such forced labour can be used to produce goods that enter international supply chains. Accordingly, import restrictions could put pressure on exporting states to address forced labour practices more vigorously. Section 3 gives pride of place to a recently amended US act that bans the importation into the US of goods produced with forced labour. Section 4 concludes.

1. Curbing DPRK Nationals' Work Activities in Other States

A rather unique restrictive measure adopted by the international community in respect of DPRK slave labour is the curbing of DPRK nationals' work activities in other states. In particular, UN Security Council (UNSC) Resolution 2397 (2017) expressed concern 'that DPRK nationals continue to work in other States for the purpose of generating foreign export earnings that the DPRK uses to support its prohibited nuclear and ballistic missile programs', and on that basis decided that UN Member States 'shall repatriate to the DPRK all DPRK nationals earning income in that Member State's jurisdiction and all DPRK government safety oversight attachés monitoring DPRK workers abroad immediately but no later than 24 months from the date of adoption of this resolution.'⁶⁹⁷ Larissa van den Herik pointed out earlier in *People for Profit* that the 'protective reach of UN sanctions for North Korean migrant workers is limited', as the obligation to repatriate DPRK workers is 'not primarily inspired by human rights concerns, but rather functional in nature, aimed at curbing financial flows to Pyongyang'.⁶⁹⁸ However, repatriation of DPRK workers can, in principle, have positive human rights effects in that DPRK workers will no longer be toiling abroad in slave-like conditions. While, as the current study has found, 'North Korean labour must be understood as forced labour and in some cases even as contemporary slavery, *whether it takes place domes-*

696) International Labour Office (ILO) Special Action Programme to Combat Forced Labour (SAP-FL) Fundamental Principles and Rights at Work Branch (FPRW), 'Profits and Poverty: The Economics of Forced Labour' (Geneva:ILO,2014).

697) UNSC Resolution 2397 (2017), 8.

698) Larissa van den Herik, 'Testing the Protective Reach of UN Sanctions for North Korean Migrant Workers', in *People for Profit: North Korean Forced Labour on a Global Scale*, ed. Remco E. Breuker and Imke B. L. H. van Gardingen (Leiden: LeidenAsia-Centre, 2018).

tically or overseas,⁶⁹⁹ it also transpires that the situation of DPRK workers abroad may ‘in some ways’ be worse than in the DPRK itself.⁷⁰⁰ For instance, the report notes that ‘the surveillance system controlling North Koreans abroad is even stricter than it is within North Korea, as they are even barred from contacting family or moving around freely.’⁷⁰¹

As repatriation of DPRK workers may, apart from curbing DPRK income, result in minor improvements of the situation of DPRK workers, adequate implementation of UNSC Resolution 2397 is called for. It is not entirely clear, however, whether all states take their obligations to repatriate DPRK workers seriously. Recently, states have reported on their repatriation efforts to the UNSC DPRK sanctions committee, in line with Resolution 2397, which required all Member States to provide a midterm report after 15 months.⁷⁰² Russia and China, the states where arguably the largest number of DPRK workers are active, have stated that they repatriated respectively two-thirds and more than half of DPRK workers in 2018.⁷⁰³ Poland, which occupied a central place in the *Slaves to the System* report,⁷⁰⁴ reported that while in December 2017, 451 North Koreans were working in Poland, only 37 were working there by the end of 2018.⁷⁰⁵ It is not certain, however, that all reported figures are correct. For instance, it has been reported that in 2018, Russia, rather than repatriating DPRK workers, hired *new* workers. A Russian decree on foreign workers apparently gave Russian companies permission to hire 1,237 DPRK workers in Russia’s Amur region, which borders the DPRK.⁷⁰⁶ This would be in breach of UNSC Resolution 2375 (2017), which decided that all Member States ‘shall not provide

699) Breuker & van Gardingen, *Tightening Belts*, 210 (emphasis added).

700) Breuker & van Gardingen, *Tightening Belts*, 234.

701) Breuker & van Gardingen, *Tightening Belts*, 234.

702) UNSC Resolution 2397 (2017), 8.

703) Michelle Nichols, ‘Russia, China Sent Home More than Half of North Korean Workers in 2018: UN Reports’, *Reuters*, 26 March 2019. The reports have not been made public, but Reuters had access to them.

704) Remco E. Breuker and Imke B.L.H. van Gardingen, *Slaves to the System. North Korean Forced Labour in the European Union – the Polish Case*, Leiden: LeidenAsia-Centre, 2016.

705) Breuker & van Gardingen, *Slaves to the System*.

706) Alec Luhn, ‘Russia hiring North Korean “slave” workers despite UN sanctions’, *The Daily Telegraph*, 3 August 2018, <https://www.telegraph.co.uk/news/2018/08/03/russia-hiring-north-korean-slave-workers-despite-un-sanctions/>.

work authorizations for DPRK nationals in their jurisdictions in connection with admission to their territories unless the Committee determines on a case-by-case basis in advance that employment of DPRK nationals in a member state's jurisdiction is required for the delivery of humanitarian assistance, denuclearization or any other purpose consistent with the objectives of [UNSC resolutions on DPRK].⁷⁰⁷ Russia defended itself by stating that the relevant contracts had been signed before the adoption of UNSC Resolution 2375.⁷⁰⁸ In doing so, it made use of a savings clause pursuant to which the prohibition 'shall not apply with respect to work authorizations for which written contracts have been finalized prior to the adoption of this resolution.'⁷⁰⁹ However, it was reported that 'the number of new work permits and job listings by companies who have received them raises doubts that all this employment was agreed before the ban.'⁷¹⁰ Reports also indicated that Russia continued to operate joint ventures with DPRK entities in violation of another provision of UNSC Resolution 2375, which prohibits such joint ventures from January 2018 onwards.⁷¹¹ Russia, and possibly other states, may bank on the potential relaxation or even withdrawal of UN sanctions given the thaw in US-DPRK relations.⁷¹² It is of note in this respect that, pursuant to UNSC Resolution 2397, UN Member

707) UNSC Resolution 2375 (2017), 17.

708) Luhn, 'Russia hiring North Korean "slave" workers despite UN sanctions.'

709) UNSC Resolution 2375 (2017), 17.

710) Luhn, 'Russia hiring North Korean "slave" workers despite UN sanctions.'

711) UNSC Resolution 2375 (2017), 18 ('Decides that States shall prohibit, by their nationals or in their territories, the opening, maintenance, and operation of all joint ventures or cooperative entities, new and existing, with DPRK entities or individuals, whether or not acting for or on behalf of the government of the DPRK, unless such joint ventures or cooperative entities, in particular those that are non-commercial, public utility infrastructure projects not generating profit, have been approved by the Committee in advance on a case-by-case basis, further decides that States shall close any such existing joint venture or cooperative entity within 120 days of the adoption of this resolution if such joint venture or cooperative entity has not been approved by the Committee on a case-by-case basis, and States shall close any such existing joint venture or cooperative entity within 120 days after the Committee has denied a request for approval.').

712) See the US-DPRK summit in Singapore (2018). The full transcript of US President Trump's press conference after the summit can be found here: Jennifer Williams, 'Read the Full Transcript of Trump's North Korea Summit Press Conference', *Vox*, 12 June 2018, <https://www.vox.com/world/2018/6/12/17452624/trump-kim-summit-transcript-press-conference-full-text>.

States have a period of 24 months to repatriate DPRK workers.⁷¹³ This means that they remain technically in compliance even if they repatriate remaining DPRK nationals only on the very day of 22 December 2019 (the end of the 24 month period). Accordingly, the actual human rights impacts of the repatriation obligation remain undetermined.

2. Embargoing the Exportation of DPRK Goods Produced

The UNSC has not only addressed the situation of DPRK workers abroad, but also—albeit indirectly—the situation of DPRK workers in the DPRK itself, by embargoing the exportation from the DPRK of goods which are crucial sources of earning for the regime.⁷¹⁴ Textiles are among those goods. They feature very prominently in Part II of *Tightening Belts*, which addresses the use of DPRK forced labour in textile supply chains through export processing techniques involving Chinese trade companies. UNSC Resolution 2375 decided ‘that the DPRK shall not supply, sell or transfer, directly or indirectly, from its territory or by its nationals or using its flag vessels or aircraft, textiles (including but not limited to fabrics and partially or fully completed apparel products), and that all States shall prohibit the procurement of such items from the DPRK by their nationals, or using their flag vessels or aircraft, whether or not originating in the territory of the DPRK.’⁷¹⁵ *Tightening Belts* has documented that this prohibition is not properly complied with, and in particular that ‘garments produced in North Korea are still being exported through China for the international market.’⁷¹⁶ Such practices not only strengthen the DPRK regime but also entrench DPRK workers’ forced labour in the DPRK.

Insofar as states such as China are unable or unwilling to address the procurement of textiles from the DPRK, and in fact outsource their production to the DPRK, the focus shifts to the states of final destination of the produced garments, i.e., the states

713) UNSC Resolution 2397 (2017), para. 8 (‘Decides that Member States shall repatriate to the DPRK all DPRK nationals earning income in that Member State’s jurisdiction and all DPRK government safety oversight attachés monitoring DPRK workers abroad immediately but no later than 24 months.’).

714) UNSC Resolution 2375 (2017), paras. 13-16 (listing condensates and natural gas, petroleum products, crude oil, and textiles).

715) UNSC Resolution 2375 (2017), para. 16.

716) Breuker & van Gardingen, *Tightening Belts*, 191.

with the largest consumer markets. The report mentions that ‘China exported over USD 95 billion just in finished garments and foot-wear to brands in the EU, US, Canada, Australia, and New Zealand’, including USD 6.14 billion to the Netherlands in 2017.⁷¹⁷ These Western states of destination/importation also have obligations under UNSC Resolution 2375, as the resolution requires that ‘all States... prohibit the procurement of [textiles] from the DPRK by their nationals.’⁷¹⁸ Accordingly, Western states should make sure that DPRK-origin textiles do not end up on their markets.

The most straightforward means for a state to implement a procurement prohibition as laid down in UNSC Resolution 2375 is an import ban, in this case a ban on importing DPRK-origin textiles. This regulatory (administrative) measure could be combined with the imposition of civil or criminal penalties (prosecution) on importers. Such penalties could have an additional deterrent effect. Indeed, a mere *import ban* may not prevent importers from trying to place prohibited goods on the market in case it is enforced only haphazardly. If importers are put on notice that they also risk penalties beyond the denial of the privilege of importing tainted goods, they may think twice and carry out proper due diligence on their supply-chains.

The US and the EU have adequately implemented the UNSC-mandated prohibition of procuring *textiles* from North Korea in their own sanctions regulations.⁷¹⁹ Just like the UNSC sanctions, these US and EU sanctions are primarily informed by a desire to curb the revenue for the DPRK government which is generated by the exportation of DPRK-produced goods or the use of DPRK labour.

However, US lawmakers have extended this import ban to all goods that are tainted by the DPRK forced labour, by inserting a provision into the Countering America’s Adversaries through

717) Breuker & van Gardingen, *Tightening Belts*, 66.

718) UNSC Resolution 2375, para. 16.

719) ‘North Korea Sanctions & Enforcement Actions Advisory: Risks for Businesses with Supply Chain Links to North Korea’ (Washington DC: US Departments of the Treasury, State, and Homeland Security, 23 July 2018); ‘EU Restrictive Measures against North Korea: Transposition of Sectoral Sanctions Imposed by UNSC Resolution 2375 (2017)’, Council of the European Union, <https://www.consilium.europa.eu/en/policies/sanctions/history-north-korea/>.

Sanctions Act (CAATSA),⁷²⁰ a US federal law that inter alia imposes sanctions on North Korea. US President Trump signed the bill into law on August 2nd, 2017, i.e., before the adoption of Resolution 2375 which imposed a procurement prohibition. From a human rights perspective, it is symbolically important that the relevant Section 321 of CAATSA bears the title ‘sanctions for forced labour and slavery overseas of North Koreans.’ These sanctions are primarily based on a desire to combat practices that violate human dignity, regardless of whether they also generate revenue for the DPRK government which the latter could use for the development of nuclear and ballistic missile programs. Importantly, such sanctions may well remain in place even if the DPRK no longer poses an international security threat.

Section 321 CAATSA amends 22 U.S.C. § 9241a, which now provides that ‘any significant goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part by the labour of North Korean nationals or citizens shall be deemed to be prohibited ... and shall not be entitled to entry at any of the ports of the United States, except ‘if the Commissioner of U.S. Customs and Border Protection [CBP] finds, by clear and convincing evidence, that the goods, wares, articles, or merchandise described in such paragraph were not produced with convict labour, forced labour, or indentured labour under penal sanctions.’ On the basis of Section 321 CAATSA, the CPB may deny entry of DPRK goods, issue civil penalties, and seize and forfeit the goods. The US Immigration and Customs Enforcement (ICE) may follow up with the initiation of criminal investigations, which may result in incarceration, fines, and forfeiture of goods and proceeds.⁷²¹

Section 321 CAATSA lays down a presumption that North Korean labour is forced labour. This presumption could be rebutted, in which the relevant goods can enter the United States. However, *textiles* originating in the DPRK or from DPRK labour cannot, at least not for the time being, be imported in the US, even in the

720) H.R. 3364, Pub.L. 115–44.

721) US Customs and Border Protection, ‘CBP Combats Modern-Day Slavery with the Passage of the Countering America’s Adversaries through Sanctions Act’, 7 November 2017, <https://www.cbp.gov/newsroom/national-media-release/cbp-combats-modern-day-slavery-passage-countering-america-s>. ICE criminal enforcement is based on 18 U.S.C. 1761, 18 U.S.C.545, and 18 U.S.C. 1589.

(admittedly unlikely) case that evidence is adduced that the goods were not produced with forced labour.

3. Banning the Importation of Goods Produced with Forced Labour

The insertion of Section 321 into CAATSA cannot be viewed separately from another legislative evolution in the United States, namely the amendment of 19 U.S.C. § 1307, to which Section 321 CAATSA refers for the definition of forced labour. 19 U.S.C. § 1307 provides for a general ban on the importation into the US of goods produced with forced labour: ‘All goods, wares, articles, and merchandise mined, produced, or manufactured wholly or in part in any foreign country by convict labour or/and forced labor or/and indentured labor under penal sanctions shall not be entitled to entry at any of the ports of the United States, and the importation thereof is hereby prohibited.’⁷²²

The geographical scope of 19 U.S.C. § 1307 is potentially unlimited: goods produced with forced labour, regardless of their origin, are barred from US importation. Pursuant to this statutory provision, there is no presumption that goods coming from particular states have been produced with forced labour. Such a presumption only exists for DPRK goods, per Section 321 CAATSA. Even if a presumption does not exist for other states, obviously, the CBP (which also enforces 19 U.S.C. § 1307) will tend to focus its enforcement efforts on goods coming from states where forced labour is prevalent. The CBP is likely to take inspiration from the US Department of Labor’s annual lists of goods produced globally by child labour or forced labour and of countries where these goods are produced.⁷²³ For instance, in May 2018 the CBP relied on the Department of Labor’s Bureau of International Labor Affairs’ research on the use of forced labour in the production of cotton from Turkmenistan when issuing a detention/withhold release order (WRO) banning the importation into the US of all Turkmenistan

722) 19 U.S.C. § 1307 goes on to state: “‘Forced labor’, as herein used, shall mean all work or service which is exacted from any person under the menace of any penalty for its nonperformance and for which the worker does not offer himself voluntarily. For purposes of this section, the term “forced labor or/and indentured labor” includes forced or indentured child labor.’

723) ‘2018 List of Goods Produced Globally by Child Labor or Forced Labor’ (US Department of Labor, September 2018), <https://www.dol.gov/sites/dolgov/files/ILAB/ListofGoods.pdf>.

cotton or products produced in whole or in part with Turkmenistan cotton.⁷²⁴ The ban was triggered by a 2016 petition from members of the US Cotton Campaign, Alternative Turkmenistan News, and International Labor Rights Forum.⁷²⁵ The general ban on the importation of goods produced with forced labour has in fact been in existence since 1930, but only in 2016 did the US repeal the ‘consumptive demand exception’ in 19 U.S.C. § 1307, which had allowed importation of such goods if they were not produced ‘in such quantities in the United States as to meet the consumptive demands of the United States’. This loophole rendered the statute relatively toothless as importers could argue that the imported good was meant to meet US demand.⁷²⁶ Since the closing of the loophole, the CBP has issued five WROs with respect to China, and one with respect to Turkmenistan.⁷²⁷

Bans on the importation of goods produced with forced labour do not normally violate the law of the World Trade Organization (WTO), in particular the General Agreement on Tariffs and Trade (GATT) which governs the trade in goods. While import bans may restrict international trade, and perhaps *prima facie* breach substantive provisions of GATT, Article XX GATT provides for ‘exceptions’ which may justify trade measures pursuing public policy goals. Article XX(e) explicitly allows states to adopt or enforce measures relating to the products of prison labour. Trade measures relating to products of forced labour could be justified under Article XX(a) GATT, which allows states to adopt or enforce measures ‘necessary to protect public morals’. In the context of animal welfare, in *EC-Seals*, the WTO Appellate Body held that a ban on the importation of seals products could be provisionally justified under Article XX(a) GATT as it was necessary to protect public moral concerns of EU

724) ‘Withhold Release Orders and Findings’, US Customs and Border Protection, <https://www.cbp.gov/trade/trade-community/programs-outreach/convict-importations/detention-orders>; ‘2018 List of Goods Produced Globally by Child Labor or Forced Labor’.

725) ‘U.S. Customs Halts Imports of Forced Labor Cotton and Cotton Goods from Turkmenistan’, Cotton Campaign, 23 May 2018, <http://www.cottoncampaign.org/us-customs-halts-turkmen-cotton.html>.

726) Tim Fernholz, ‘US Border Agents Seized Goods Tied to Forced Labor for the First Time Since 2001’, *Quartz*, 29 March 2016, <https://qz.com/650121/us-border-agents-seized-goods-tied-to-forced-labor-for-the-first-time-since-2001/>.

727) ‘Withhold Release Orders and Findings’.

consumers, even if the relevant activity – the clubbing to death of seal pups, mainly in Canada – occurred abroad.⁷²⁸ Similarly, public moral concerns of consumers in states importing goods produced with forced labour could justify an import ban on these goods⁷²⁹ (provided that a number of conditions are met).⁷³⁰ What ultimately matters is that consumers of states of importation, such as the US, are genuinely concerned about forced labour. What also matters is that forced labour is not just a concern of the US, but an international concern that has been addressed by treaties as early as 1930.⁷³¹ This international dimension confers additional legitimacy on US import bans for goods produced with forced labour. In banning such goods, the US acts as a decentralized enforcer of international law.

It is certainly advisable for other states to follow the US example. Other states have admittedly adopted legislation to counteract modern slavery, but this legislation falls short of an import ban. For instance, the much-touted UK Modern Slavery Act only requires ‘transparency’ in supply chains, by mandating businesses with a turnover of £36m or more to produce statements on their efforts to tackle modern slavery in their supply chains.⁷³² The ‘destruction

728) ‘European Communities: Measures Prohibiting the Importation and Marketing of Seal Products Report of the Appellate Body’ (World Trade Organization, 22 May 2014): WT/DS400/AB/Rand WT/DS401/AB/R: paras. 5.289-5.290, upholding the finding of the Panel, ‘European Communities: Measures Prohibiting the Importation and Marketing of Seal Products – Report of the Panel’ (World Trade Organization, 25 November 2013): WT/DS400/R and WT/DS401/R.

729) See in the context of child labour: Aleydis Nissen, ‘Can WTO Member States Rely on Citizen Concerns to Prevent Corporations from Importing Goods Made from Child Labour?’, *Utrecht Law Review* 14 (2018): 70-83.

730) Compare WTO Appellate Body, above note x, para. 5.289 (endorsing the Panel’s analysis of the EU Seal Regime under Article XX(a) of the GATT as follows: ‘The Panel then conducted a relational analysis in which it evaluated the importance of the objective of addressing EU public moral concerns regarding seal welfare, the trade-restrictiveness of the EU Seal Regime, the contribution of the EU Seal Regime to the objective, and whether the alternative measure proposed by the complainants was reasonably available.’). See also the conditions pursuant to the chapeau of Article XXGATT (‘Subject to the requirement that such measures are not applied in a manner which would constitute a means of arbitrary or unjustifiable discrimination between countries where the same conditions prevail, or a disguised restriction on international trade...’).

731) International Labor Organization, *Convention concerning Forced or Compulsory Labour*, 1930 (No. 29).

732) Modern Slavery Act 2015, s. 54; Modern Slavery Act 2015 (Transparency in

of markets' which results from import bans is surely a much more potent tool.

It remains, however, that the enforcement of import bans on goods produced with forced labour is very resource-intensive. In addition, it may be undermined by countervailing amoral, political imperatives to encourage trade. Thus, while the NGO community has saluted the relevant US legislation, it has also signaled that the CBP lacks capacity to investigate and document whether goods are made with forced labour, that it is difficult for the ICE to conduct investigation as it has to rely on agents abroad, and that the CBP also has a trade facilitation function which may cancel out its role as an enforcer of trade regulations.⁷³³ Still, the fact that the Trump Administration has now formally based its fight against foreign forced labour-produced goods on the safeguarding of American interests in the context of its America First policy, rather than just on the protection from exploitation of foreign vulnerable workers,⁷³⁴ may possibly give a boost to enforcement efforts, regardless of its parochial overtones.

Concluding Observations

The international community increasingly resorts to economic sanctions to bring about policy change. This is also the case in respect of the DPRK. To starve the DPRK government of cash, the UNSC has required that UN member states repatriate DPRK workers and has restricted international trade relations between the DPRK and third states in a number of sectors, such as textiles. In addition, individual states, such as the United States, have banned the importation of goods from the DPRK, presuming that such goods have been produced with forced labour.

In principle, all these measures could curb DPRK forced labour practices, as they put pressure on the DPRK, as well as those in cahoots with the DPRK, to change their ways. However, there

Supply Chains) Regulations 2015, SI 2015/1833.

733) David Abramowitz, 'One step closer to stopping the import of goods made with forced labour', *Thomson Reuters Foundation News*, 28 February 2016, <http://news.trust.org/item/20160228062758-du6n5/?source=gep>.

734) 'List of Goods Produced Globally by Child Labor or Forced Labor'; 'US Steps Up Fight against Slave Labor "to Safeguard American Jobs"', *Reuters*, 20 September 2018, <https://www.theguardian.com/world/2018/sep/20/us-slave-labor-safeguard-american-jobs>.

is no conclusive evidence that economic sanctions are an effective policy instrument.⁷³⁵ As regards the DPRK, there is obviously no guarantee that the repatriated workers will no longer perform forced labour in the DPRK. Moreover, banning the importation of goods from the DPRK will not necessarily improve the lot of North Koreans. On the contrary, such crude measures – as opposed to smart sanctions imposed on members of the governing elite – are likely to worsen living conditions in the DPRK, resulting in violations of economic and social rights of North Koreans.⁷³⁶ At most, perhaps such measures may appease our conscience by preventing that we ‘feel complicit’ in DPRK slave labour.⁷³⁷

735) Maarten Smeets, ‘Can Economic Sanctions Be Effective?’, WTO Staff Working Paper (Geneva: World Trade Organization, 15 March 2018), <https://doi.org/10.30875/0b967ac6-en>.

736) Dursun Peksen, ‘Better or Worse? The Effect of Economic Sanctions on Human Rights’, *Journal of Peace Research* 46 (2009): 59-77 (‘Economic coercion remains a counterproductive policy tool, even when sanctions are specifically imposed with the goal of improving human rights.’).

737) I do not use complicity in the technical, criminal law sense of the word here, but rather in its ordinary meaning of ‘[t]he fact or condition of being involved with others in an activity that is unlawful or morally wrong’ (Oxford English Dictionary).

Appendices

Part I

Appendix I: Map of Highways in Pakistan



Appendix II: ILO Conventions Ratified by Pakistan

Fundamental

| Convention | Date | Status | Note |
|---|------------|----------|------|
| C029 - Forced Labour Convention, 1930 (No. 29) | 23-12 1957 | In Force | |
| C087 - Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87) | 14-02 1951 | In Force | |
| C098 - Right to Organise and Collective Bargaining Convention, 1949 (No. 98) | 26-05 1952 | In Force | |

| | | | |
|---|------------|----------|--|
| C100 - Equal Remuneration Convention, 1951 (No. 100) | 11-10 2001 | In Force | |
| C105 - Abolition of Forced Labour Convention, 1957 (No. 105) | 15-02 1960 | In Force | |
| C111 - Discrimination (Employment and Occupation) Convention, 1958 (No. 111) | 24-01 1961 | In Force | |
| C138 - Minimum Age Convention, 1973 (No. 138) Minimum age specified: 14 years | 06-07 2006 | In Force | |
| C182 - Worst Forms of Child Labour Convention, 1999 (No. 182) | 11-10 2001 | In Force | |

Governance (Priority)

| Convention | Date | Status | Note |
|--|------------|----------|------|
| C081 - Labour Inspection Convention, 1947 (No. 81) | 10-10 1953 | In Force | |
| C144 - Tripartite Consultation (International Labour Standards) Convention, 1976 (No. 144) | 25-10 1994 | In Force | |

Technical

| Convention | Date | Status | Note |
|--|------------|----------|------|
| C001 - Hours of Work (Industry) Convention, 1919 (No. 1) | 14-07 1921 | In Force | |

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|---|------------|--------------|--|
| C004 - Night Work (Women) Convention, 1919 (No. 4) | 14-07 1921 | Not In Force | Abrogated by decision of the International Labour Conference at its 106th Session (2017) |
| C006 - Night Work of Young Persons (Industry) Convention, 1919 (No. 6) | 14-07 1921 | In Force | |
| C011 - Right of Association (Agriculture) Convention, 1921 (No. 11) | 11-05 1923 | In Force | |
| C014 - Weekly Rest (Industry) Convention, 1921 (No. 14) | 11-05 1923 | In Force | |
| C015 - Minimum Age (Trimmers and Stokers) Convention, 1921 (No. 15) | 20-11 1922 | Not In Force | Abrogated by decision of the International Labour Conference at its 106th Session (2017) |
| C016 - Medical Examination of Young Persons (Sea) Convention, 1921 (No. 16) | 20-11 1922 | In Force | |
| C018 - Workmen's Compensation (Occupational Diseases) Convention, 1925 (No. 18) | 30-09 1927 | In Force | |

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|--|------------|--------------|--|
| C019 - Equality of Treatment (Accident Compensation) Convention, 1925 (No. 19) | 30-09 1927 | In Force | |
| C021 - Inspection of Emigrants Convention, 1926 (No. 21) | 14-01 1928 | Not In Force | Abrogated by decision of the International Labour Conference at its 107th Session (2018) |
| C022 - Seamen's Articles of Agreement Convention, 1926 (No. 22) | 31-10 1932 | In Force | |
| C027 - Marking of Weight (Packages Transported by Vessels) Convention, 1929 (No. 27) | 07-09 1931 | In Force | |
| C032 - Protection against Accidents (Dockers) Convention (Revised), 1932 (No. 32) | 10-02 1947 | In Force | |
| C041 - Night Work (Women) Convention (Revised), 1934 (No. 41) | 22-11 1935 | Not In Force | Abrogated by decision of the International Labour Conference at its 106th Session (2017) |
| C045 - Underground Work (Women) Convention, 1935 (No. 45) | 25-03 1938 | In Force | |

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|--|------------|--------------|--|
| C059 - Minimum Age (Industry) Convention (Revised), 1937 (No. 59) | 26-05 1955 | Not In Force | Automatic Denunciation on 06 Jul 2007 by convention C138 |
| C080 - Final Articles Revision Convention, 1946 (No. 80) | 25-03 1948 | In Force | |
| C089 - Night Work (Women) Convention (Revised), 1948 (No. 89) | 14-02 1951 | In Force | |
| C090 - Night Work of Young Persons (Industry) Convention (Revised), 1948 (No. 90) | 14-02 1951 | In Force | |
| C096 - Fee-Charging Employment Agencies Convention (Revised), 1949 (No. 96)Has accepted the provisions of Part II | 26-05 1952 | In Force | |
| C106 - Weekly Rest (Commerce and Offices) Convention, 1957 (No. 106)The Government has declared that the Convention also applies to persons employed in the establishments specified in Article 3, paragraph 1(c). | 15-02 1960 | In Force | |

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|--|------------|----------|--|
| C107 - Indigenous and Tribal Populations Convention, 1957 (No. 107) | 15-02 1960 | In Force | |
| C116 - Final Articles Revision Convention, 1961 (No. 116) | 17-11 1967 | In Force | |
| C118 - Equality of Treatment (Social Security) Convention, 1962 (No. 118)Has accepted Branches (c) and (g) | 27-03 1969 | In Force | |
| C159 - Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983 (No. 159) | 25-10 1994 | In Force | |
| C185 - Seafarers' Identity Documents Convention (Revised), 2003 (No. 185) | 21-12 2006 | In Force | |
| Amendments of 2016 to the Annexes of the Convention No. 185 | 08-12 2016 | In Force | |

Appendix III: Beyond The Law, Corporate Social Responsibility within the Chinese Context

Overview of Chinese Economic History and CSR Policies

Corporations have had a unique history in China. Its inception can be traced to the turn of the 20th century, during a time when China was struggling with the question of how to deal with Western influence, including Western industrialization. Chinese companies were, therefore, founded with a sense of “historical responsibility” of saving their country, and many of the earliest companies were tied to the government in some form.⁷³⁸

This close relation between state and corporation continued into the Communist period. During the era of centralized planning economy (command economy) from the founding of the PRC in 1949 to 1978, all companies in China were state owned, following the model of the Soviet Union. These state-owned companies (SOE) had little authority: they could not adjust labour forces, nor did they retain their profits. Their personnel were appointed and controlled by the Communist Party. Workers in these companies could neither quit nor be fired, essentially guaranteeing them with a job for life.⁷³⁹ Companies were responsible for their welfare, health, and political indoctrination.⁷⁴⁰ Although China’s economic system has changed considerably, the legacy of this period still carries on.

The period of economic reform that followed Mao’s death in 1976, spanning from 1978 to 1994, was marked by a general pattern of decentralization, wherein local enterprises were permitted to compete with SOEs. In 1994, the Company Laws introduced a new, uniform legal framework that levelled the playing field for different types of companies. Traditional SOEs became legal forms of corporations, and they were permitted to diversify ownership by selling shares. Gradual restructuring began, as encouraged by the government. The largest state firms became joint-stock corporations, sold shares to the public, and became listed on stock

738) Jingchen Zhao, *Corporate Social Responsibility in Contemporary China, Corporations, Globalisation and the Law* (Cheltenham: Elgar, 2014), 56–7.

739) Barry Naughton, *The Chinese Economy: Transitions and Growth* (Cambridge, Mass: MIT Press, 2007), 59–62.

740) Naughton, *The Chinese Economy*, 298–301.

exchanges, although the state still retained some measure of control. This control was solidified in 2003 with the creation of a new state organization, the State Asset Supervision and Administration Commission (SASAC), under which the largest firms retained. As of 2017, SASAC controls 102 SOEs, including two of the companies working on the M4 (CRFG and CGGC). SASAC also has its own guiding principles on social responsibility, which is discussed in depth later.

SOEs continue to play an important role in China. Despite reforms in 2013, it appears that they are consolidating strength and growing into even larger companies.⁷⁴¹ As of 2017, China has approximately 150,000 SOEs, of which around one third are owned by the central government.⁷⁴² As they can be considered as implementers of Chinese political strategy, it is notable that Chinese SOEs are contracted for a large number of projects in the BRI, an issue that has caused concern as this does not benefit local communities. According to a news article in China in November 2018, SOEs have undertaken 3,116 BRI projects, or 50% of infrastructure projects already underway or in the pipeline.⁷⁴³

With this context of the importance of SOEs and its ties to the political structure in mind, we now turn to the development of CSR in China.

Development of CSR in China

Although the aforementioned 1994 Company Laws did not contain provisions for CSR policies, the concept of social responsibility became a topic in China in the late 1990s, culminating in the first sustainability report issued in 1999 by Shell China and China joining the WTO in 2001.⁷⁴⁴ These developments were guided by both external and internal factors: externally, China's interactions

741) Kjeld Erik Brødsgaard, 'Can China Keep Controlling Its SOEs?', *The Diplomat*, 5 March 2018, <https://thediplomat.com/2018/03/can-china-keep-controlling-its-soes/>.

742) 'China - 7-State Owned Enterprises | Export.Gov', <https://www.export.gov/article?id=China-State-Owned-Enterprises>. Accessed 11-01-2019.

743) Tan, 'Central SOEs Managing over 3,000 Projects under BRI'.

744) Sam Yoon-Suk Lee and Joshua Wickerham, 'China', in *The World Guide to CSR: A Country-by-Country Analysis of Corporate Sustainability and Responsibility*, ed. Wayne Visser & Nick Tolhurst (London: Routledge, 2017), <http://www.myilibrary.com?id=1034830>.

with foreign buyers and multinational companies meant facing international demands for quality and safety, in order to help market access and social reputation,⁷⁴⁵ internally, as a consequence of rapid economic development, poor business practices resulted in environmental problems such as pollution that endangered its own citizens.⁷⁴⁶

The period around 2005 to 2007 can be seen as an important period of CSR development in China. In 2005, then-Chinese leader Hu Jintao instituted the concept of “Harmonious Society”, a vision for the development of China which, as some have noted, has similar objectives to those of CSR. Among other things, Harmonious Society aims to address unequal income in China, the weak rule of law, and environmental damages; it has been seen by scholars as a change of emphasis from absolute growth to tackling social issues that has arisen.⁷⁴⁷ This concept was then instituted into policy in 2006, when the first national CSR summit was also held. In the same year, the fifth article of the new Chinese Company Laws recognized CSR: “a company must, when engaging in business activities, abide by the laws and administrative regulations, observe social morals and business ethics, be in integrity and good faith, accept regulation of the government and the public, and undertake social responsibilities.”⁷⁴⁸ A number of legal and CSR reforms followed in the subsequent years, including the Shenzhen Stock Exchange CSR guidelines (2006), the Labour Contract Laws of the PRC (2007), and SASAC’s provisions on CSR (2008).

It may seem paradoxical to discuss the role of the government in promoting CSR, as by definition CSR is voluntary and beyond legal requirements. As we have seen, however, the unique political and economic background of China means that the government continue to play important roles in business through its SOEs. Thus, it cannot be discounted as a major stakeholder in the development and implementation of CSR, and consequently the

745) Zhao, *Corporate Social Responsibility in Contemporary China*, 69–75.

746) Yongqiang Gao, ‘Corporate Social Performance in China: Evidence from Large Companies’, *Journal of Business Ethics* 89, no. 1 (2009): 23–35, <https://doi.org/10.1007/s10551-008-9982-y>.

747) Geoffrey (Kok Heng) See, ‘Harmonious Society and Chinese CSR: Is There Really a Link?’, *Journal of Business Ethics* 89, no. 1 (2009): 1–22, <https://doi.org/10.1007/s10551-008-9981-z>.

748) Zhao, *Corporate Social Responsibility in Contemporary China*, 68.

Chinese conception of CSR is closely linked with political concepts, and is often expressed as such.

Chinese CSR

With this in mind, several scholars have written about the differences of CSR in practice in the Chinese context. Xu and Yang,⁷⁴⁹ for example, has surveyed 630 business owners across different industries in China in order to assess their conceptions of CSR when compared with international ideas, as derived from international CSR literature. While a number of points were similar, such as the importance of environmental protection, there were also a number of differences. Philanthropy, such as donation or charity, factored as a major component in Chinese CSR conceptions. While staff health and workplace safety were mentioned by both Western and Chinese conceptions, Chinese conceptions omitted “meaning and satisfaction of work”. Finally, several unique Chinese dimensions included patriotism as well as obeying the laws as part of CSR, again highlighting the connections between CSR and politics in China.

These observations seem valid when examining the provisions of CSR guidelines, such as the SASAC guideline under which SOEs operate, a document laden with political language.⁷⁵⁰ The importance of fulfilling CSR, the document begins, is “not only an important measure for promoting the socialist harmonious society and also an embodiment of the CSOEs to thoroughly implement the China’s new ideas about economic development, social progress and environment protection.” This is important especially in the global context: “either helpful in establishing a “responsible” public image by Chinese enterprises and more internationally influential, or significant for China to spread an image as a responsible nation.” In concrete terms, the document provides several principles for CSOEs to follow, including ensuring work safety, protecting the legal rights of employees, philanthropy, environmental protection, and

749) Shangkun Xu and Rudai Yang, ‘Indigenous Characteristics of Chinese Corporate Social Responsibility Conceptual Paradigm,’ *Journal of Business Ethics* 93, no. 2 (May 2010): 321–33.

750) State-owned Assets Supervision and Administration Commission of the State Council, ‘Guidelines to the State-Owned Enterprises Directly under the Central Government,’ December 6, 2011, http://en.sasac.gov.cn/2011/12/06/c_313.htm.

encouraging the Chinese Communist Party's political integration in the companies. Most of these principles, however, merely reaffirm the legal framework by urging companies to follow the relevant legal codes, and, as recommended guidelines, do not include punishments for companies that do not follow these principles.

It is useful here to briefly review the legal framework regarding labour conditions. In 2008, a new Contract Law was passed in order to address shortcomings of the 1994 Labour Law, which developed into problems in the 2000s. Among other things, it established mandatory written contracts, clarifications on subcontracting, laws on fixed term employment, and forbidding dismissal without notice.⁷⁵¹ Problematically, however, an independent survey conducted in 2010 established that only 60% of surveyed workers had a signed contract, and that dispatching practices still continue to expand at the expense of acceptable pay and working conditions.⁷⁵²

Of particular relevance to our case study is the state of the construction industry in China, as highlighted in a 2008 report by Students and Scholars Against Corporate Misbehaviour (SACOM), an NGO based in Hong Kong. The report, surveying around 1,300 workers over ten construction sites, finds that no workers had signed a labour contract, except for a small portion whose contracts were highly exploitive. Workers were contracted through a series of subcontractors, and wages were generally paid seasonally instead of the legally required monthly, and were often late. The wages were also subject to a series of deductions, sometimes in the form of mandatory food stamps or as punishments. They had poor living conditions and worked long hours, sometimes up to 70 or 90 hours a week, far above the limited 40 hours as stipulated by the laws.⁷⁵³ Other reports published by the same NGO reveal similarly problematic situations across different industries.⁷⁵⁴

751) Benoit Vermander, *Corporate Social Responsibility in China: A Vision, an Assessment and a Blueprint* (New Jersey: World Scientific, 2014), 143–53.

752) Sean Cooney, Sarah Biddulph, and Ying Zhu, *Law and Fair Work in China*, Routledge Contemporary China Series (Abingdon, Oxon [UK]; New York: Routledge, 2013), 95–6.

753) Students and Scholars Against Corporate Misbehavior, 'Jiànzhù yè nóngmín gōng: Niàn yī shìjì de bāoshēngōng', 2008.

754) 'Investigative Report – Students and Scholars Against Corporate Misbehavior', accessed March 29, 2019, <http://sacom.hk/category/information-centre/investigative-report/>.

To further compound the problem, workers in China have limited options to redress their issues. There is only one worker's trade union in China, the All-China Federation of Trade Unions (ACFTU). Because the CCP nominally fights for the working class, the ACFTU has a large membership: by the end of 2014, this had 288 million registered members, or 36% of the total Chinese workforce. However, despite the supposed free election of its regional leaders, in practice this is rarely enforced, and leaders tended to be nominated by the state or the union itself. Legally, the trade union is supposed to seek a balance between the workers and the companies or the state; in practice, it often sides with the latter, instead of with the workers. As setting up independent trade unions is prohibited, workers have few alternatives to redress their grievances. Despite worker-organized independent strikes and some signs that the government are beginning to regulate collective bargaining,⁷⁵⁵ the overall situation and power of trade unions in China are still limited when compared with that of other countries. In the case of SOEs, it is likely that the power imbalance is stronger, as such companies have the backing of the state and usually win legal disputes, if they had arisen in the first place.⁷⁵⁶

CSR guidelines, then, do exist in China, although the conception of it is rather different to Western norms. In China, the government is an important stakeholder in promoting CSR policies, which generally follow and reinforce the legal framework. For this reason, it is difficult to judge if CSR in China can be considered different from government policies. Problematically, however, while freedom of association is technically permitted, trade unions are also part of the governmental organ and therefore does not always side with employees. In the case of SOEs, the problem grows more severe, as the companies are backed up by the state. This is the case of several BRI-related projects worldwide, as discussed in the report.

755) Sebastian Heilmann, ed., *China's Political System* (Lanham, Maryland: Rowman & Littlefield, 2017), 269–74.

756) 'China - 7-State Owned Enterprises | Export.Gov'

Company Profiles: CRFG, CGGC, and XBRB

China Railway First Group (CRFG)



中国中铁一局集团有限公司

CHINA RAILWAY FIRST GROUP CO.,LTD.

China Railway First Group is a subsidiary of China Railway Group Limited. The acronym of this latter group is CREC, which refers to their predecessor, China Railway Engineering Corporation. It is the third largest construction company worldwide, the largest railroad and bridge construction company in Asia, and the leading construction company in China. CREC was formerly a part of the Ministry of Railways (now defunct), and now a state-owned enterprise under SASAC.

CRFG has CSR reports on their website dating from 2011 to 2015, only in Chinese. CREC have annual reports on their CSR policies ranging from 2008 to 2017 available on their website (bilingual). In the report, they list a number of domestic and international guidelines they adhere to:

We prepared the report by referring to the “ten principles” promulgated by the United Nations Global Compact (Global Compact), the relevant standards of the Global Reporting Initiative (GRI), Social Accountability International (SAI), Chinese National Standards GB/T36000-2015 Social Responsibility Guidelines, GB/T36001-2015 Social Responsibility Reporting Guidelines, GB/T36002-2015 Social Responsibility Performance Classification Guidelines, Construction Industry in China CSR Reporting Guidelines (CASS-CSR3.0), Guide on Social Responsibility for Chinese International Contractors and relevant requirements of the SASAC, Shanghai Stock Exchange and the Stock Exchange of Hong Kong.⁷⁵⁷

757) CREC, ‘2017 shèhuì zérèn bàogào jì ESG huánjìng, shèhuì yǔ guǎn-zhì) bàogào’ (CREC, March 2018), 4, <http://www.crecg.com/china/zt/268/288/355/32159/2018033017215653964.pdf>.

China Gezhouba Group Company (CGGC)



Found in 1970, China Gezhouba is another state-owned enterprise. They are a member company of Energy China (CEEC). CGGC has bilingual CSR annual reports from 2008 to 2017 available on their website.⁷⁵⁸ They are working on the Shorkot-Khanewal section of the highway.⁷⁵⁹ It is listed in the Shanghai stock exchange, and their 2017 annual report points out that it is prepared according to the principles laid out by the Shanghai Stock Exchange as well as the Guidelines on Sustainable Development Report issued by the Global Reporting Initiative (GRI).⁷⁶⁰

Xinjiang Beixin (XBRB)



The website of XBRB is not functioning, but some information can be gleaned from their parent corporation website. The corporation, which became an SOE in 2000, is active in various countries abroad, including Pakistan. It possesses 14 child companies; XBRB is its only publicly listed company. The corporation possesses more than 13,000 employees, and was selected as part of the China Fortune 500 in 2016. However, this website does not possess a section on CSR.⁷⁶¹

758) See <http://www.cggc.ceec.net.cn/col/col7044/index.html>. Accessed on 19-01-2019.

759) 'AIIB-Invested Highway Project Commenced by CGGC,' China Gezhouba Group Co. Ltd, August 13, 2016, http://www.chinadaily.com.cn/m/gezhouba/2016-08/13/content_26938734.htm.

760) '2017 Corporate Social Responsibility Report' (China Gezhouba (Group) Limited, n.d.), 2, <http://www.cggc.ceec.net.cn/attach/0/1804151058191848411.pdf>.

761) See <http://www.xbjgjc.cn/webportal/index/aboutUS/show.do>. Accessed on 19-01-2019.

Appendix IV: Integral and Anonymized Interview Texts

A1

| | | |
|---|---|--|
| 1 | <p>Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc.</p> | <p>Male, 50. I worked on the median strip at the motorway.</p> |
| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>Many people from my village were working there and I joined them since I didn't have any other work. I worked for two years there. The recruitment was all verbal. No paper work was done. The company was ZKB and my contractor's (thekedar) name was Iqbal. I used motorcycle to commute to the work site. No I don't know which section it was. I only know it was motorway.</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>As I said there were many people from my village working there. They included my relatives. In our team only there were around 20 people. People from various ethnic backgrounds were there, including Punjabi, Siraiki, Sindhi and Pathan. Yes, there were Chinese workers; they were all bosses/on managerial position as far as my knowledge is concerned. So they were treated comparatively better than other workers. Neither I saw any woman there nor I think women are involved in our work.</p> |

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| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>It was all verbal. I worked on daily wages.</p> |
| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site) Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>No safety gears or special clothing were given to us. In case of an injury, workers were provided medical care. There was no insurance. May be the company (ZKB) workers had it but not us who worked under the contractor. We are used to work and live in harsh conditions so the health and sanitation thing never bothered me. Yes, there were visits by officers/ auditors. They would see our work but never talked to us directly. They would talk to the contractor only. During the visits, we would only work. No smoking break or any other.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>I don't know what it is.</p> |

| | | |
|---|--|--|
| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>We would start work at 8 in the morning until 5/6 in the evening. Sunday was our off. We would get offs on festivals and gazetted holidays. Yes, we could get leaves when we were sick or had an emergency.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earn the same / etc.</p> | <p>I was paid Rs700 (€4.5) per day. I have a household to feed. Although the income was insufficient but our family managed because many of us are working so we will pool in the money to run the kitchen. The payment schedule was fortnightly. There was no bonus. We would get a meal at 12 noon. We were provided transport whenever we had to commute to longer distances on the motorway. There was no payment slip. The contractor had a register in which he would keep the record of all his workers. No the senior workers were paid more. There was no borrowing facility.</p> |

| | | |
|----|--|--|
| 9 | <p>Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc.</p> | <p>It was enough to keep our cash flow in. I prefer private work over this because I would earn more than this. But here is a downside, the private work depends on it availability. If it is there, we would earn some money but is it not then we would go back home empty pockets. I am a poor person, I don't know what a Chinese investment or foreign investment is. What matters to me is that I should get work because at the end of the day I need to feed my household.</p> |
| 10 | <p>Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how</p> | <p>I think it is causing us loss. Because the government is buying our land for the project on price less than the market value. I think that they should build some factories where we should get some work.</p> |

A2

| | | |
|---|--|---------------------|
| 1 | <p>Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc.</p> | <p>27, married.</p> |
|---|--|---------------------|

| | | |
|---|--|--|
| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>I got there with the people of my village. They were already working there. The recruitment was done verbally. I was introduced to the contractor (thekedar) AR. There was another contractor: Y. I worked as a steel fixer. We used motorcycle for commuting to the worksite. Mostly I worked on the motorway near Shorkot.</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>There were many people from different places and ethnic backgrounds. They were Punjabis, Siraikis and Sindhis. Pathan workers were mostly involved in operating machinery. In my team, there were around 20 people, most of them from my village. Yes, there were Chinese workers too. They were all officers. The youngest worker would be somewhere between 18 to 20. We used Punjabi for communication. No, there were no women.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>As I said, it was done verbally. There was no certain period of employment. As long as there was work, there was employment. The main company was ZKB and it had hired contractors who hired us. We had no direct contact with the company.</p> |

| | | |
|---|--|---|
| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site)</p> <p>Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>We were given boots, a yellow colour jacket and a helmet for one day only. The work was dangerous though. I cannot remember the date exactly but I saw an accident one day. There was a boy from DI Khan who fell off an under construction and got baldy injured. He was taken to hospital and provided medical treatment. And after he got well, he was sent back to his village -- that's what I heard because I never saw him again. The auditors/officers would visit us and see the work. Once during inspection our whole work was failed and we had to do it from the start again. We behaved as we usually did. Just focused on our work.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>Never heard of a union there.</p> |

| | | |
|---|--|---|
| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>It was from 8pm to 5pm. We were given overtime, if we had to work for longer than that. There was no holiday. The longest working day I remember was of around 16 hours. Yes, we could get leave if we had to.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earn the same / etc.</p> | <p>I earned Rs600 (€3.7). That I guess was the minimum wage for the work I was involved with. The amount depended on the years of experience and skill workers brought with them. The wage would go up to Rs1000 (€6.3). I was paid monthly. There was bonus or any other additional payment but the wage. No we didn't get food. We had to have it on our own. No insurance no nothing for children. There was no loan facility. Payment was in cash and there was no slip for it.</p> |

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| 9 | <p>Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc.</p> | <p>I see it as a work where the payment was not enough. But still I worked there because I had no other job. I am jobless these days, because the work is almost over. They are now doing the electrical work on the motorway.</p> |
| 10 | <p>Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how</p> | <p>I am a simple village guy. I don't know anything about what a foreign investment meant to. For me, earning for my family is the ultimate goal.</p> |
| 11 | <p>Do you have anything else to tell us?</p> | <p>They should do something about people like me who live in villages. We have to go to places like Lahore, Karachi and others in search of work.</p> |

A3

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|---|--|---------------------|
| 1 | <p>Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc.</p> | <p>32, married.</p> |
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| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>One of my friends was working there. He asked me if I wanted to work and I said since it was a work which was ensuring me a daily pay. I would go to work on motorbike with the same friend. The company was ZKB. I worked on the project for two years.</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>There were many people from different villages and cities in Punjab and Sindh. The Chinese were the bosses. They were often seen at the work site. They never spoke to us. Only our contractor was talking to them. I never saw a child nor a woman working there. All workers were adult of more than 20 years of age.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>There was no contract. The word of contractor was the only thing we depended on.</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site)</p> <p>Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>We were provided with boots, jacket and helmet. No training was conducted for us and I never heard about any such thing. If someone had gotten injured, he was given medical care. But there was no paid leave, even if someone was sick. Yes, there were visits by auditors/officers. They never spoke to us.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>Never heard of a union there.</p> |

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| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>The work started at 8am. We would off at 5pm. The longest working day for me was of 16/17 hours. We were paid overtime. We could leave if we didn't want to work after 5pm. But I never did so because I saw the money at the end.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earns the same / etc.</p> | <p>I earned Rs700 (€4.5). The wage was different for different people so was the payment mode. Some would get it weekly, fortnightly or monthly. But the issue was that the contractor would not pay us all. He would keep some of our money and say that it will be paid later. I hated this thing but could not do much about it. There was no such thing as bonus, insurance or allowance. Just the wage. The contractor would not give us loan.</p> |

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| 9 | Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc. | I prefer private work on this. Because in it, the payment is good and you get paid in full. |
| 10 | Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how | Well, it has affected me in a way that I had work for a period of time but nothing else than that. |
| 11 | Do you have anything else to tell us? | They should something for the poor people |

A4

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| 1 | Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc. | 25, male, unmarried. |
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| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>There was a word in our village that they were hiring people, including steel fixers which I am, to work on the construction of M4. So my friends and I went there and spoke to the contractor (thekedar). We used motorcycle to commute to the work site. We worked on several parts of the motorway. We would go till Shorkot for work and were provided transport to travel to whichever site we were needed on. I worked for around one-and-a-half year there.</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>There were 20/25 people in our team. There were many people including Punjabis, Sindhis, Siraikis and Pathans. The Chinese were seen on the site almost daily. They were the officers/engineers. There were no minors on the site. All were adult. And the minimum age of a worker would be 20... I guess. We used our native language. The contractor also spoke to us in the same. There were no women. No, there are no women in the work I am involved.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>For us, it was all verbal. The paper work involved only in the jobs that were directly under the company ZKB. And that required education which most of the villagers didn't have.</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site) Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>Yes, they gave us helmets, jackets, boots and sometimes gloves when we were working on hot iron. There was no such medical facility, however, if someone had gotten injured during the work, he was provided the medical treatment. No were not insured. The working condition was as usual as it is in the country. The Chinese and Pakistani officers would come to visit the site and the work almost daily. No, we not interviewed by any of them. Yes, the contractor would ask us to just focus on our work during the visits.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>I heard there was union but never saw it</p> |

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| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>The work time was from 8am to 5pm. Sunday was our off. In case we need a leave for some work or for some sickness, we would speak to the contractor. It never occurred to me that someone was denied a leave.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earns the same / etc.</p> | <p>I started with Rs800 (€5) and my last drawn wage was Rs900 (€5.6). I think that was enough as it is a standard rate for a day job in our work, lest we are doing some private work. We were paid weekly. Thursday was the pay day. There were no other allowances. We would get a meal each day. No, there was no such loan facility.</p> |

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| 9 | Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc. | I have worked on several such projects like building flyovers, underpasses and buildings in Islamabad and Lahore. It is good that we are getting work because of CPEC. |
| 10 | Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how | For me, it is good and I hope that there would be betterment. |
| 11 | Do you have anything else to tell us? | No |

A5

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| 1 | Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc. | 35, male, married. |
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| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>I am a steel-fixing master and I headed a team of a dozen persons while working at M4. I worked for around two years on the project. We would commute to the site on motorbike and we would also get transport to travel from one site to another or wherever we were needed. The section we worked on most was near Toba Tek Singh</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>I cannot tell you exactly how many workers were there. They could be in thousands or more on all of the M4. Mostly they were Punjabis and Pathans. The Chinese workers were officers/engineers only. They were seen daily on the sites. The youngest worker would be at least 18/20. The difference among sites depended on the structure we were building. No women was involved in the construction process.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>It was done verbally. We didn't sign any contract.</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site)</p> <p>Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>We were not given any safety tools. Though in case of an injury, we were provided medical care and treatment. But there were no paid leaves in case the injured or sick workers needed some rest. The health and sanitation standards were the same as they are in our village, so we adjusted. Yes, there were visits by auditors/officers who would check our work. They would come almost daily. Never did they interview us. Yes, the contractor (thekedar) would ask us to be extra careful during such visits. And when there were some high-ups coming, we were provided with helmets, jackets and boots.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>No there was none.</p> |

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| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>The working hours were from 8am to 5/6pm. In case there's work left, we would not take an off on Sundays too. We would work and were entitled to overtime too. For me, it was difficult to get a leave because virtually I was managing my team. So I had to be there all the time.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earn the same / etc.</p> | <p>Mine daily wage was Rs1000 (€6.3). My parents, wife and kids depended on this income. I think that it was insufficient when compared to our work. The payment was supposed to be made regularly like weekly or fortnightly but there was a problem at the end of the contractor that he would keep some of the money with him and would promise to clear the dues at the earliest. But in my case, it never happened. The contractor still owes me Rs35,000 (€221.5). There was no payment slip.</p> |

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| 9 | <p>Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc.</p> | <p>I have usually worked on private projects. People would hire me and my team for the construction of their homes and shops and I prefer doing that work because the wage is good in it. So far, we have only been benefitted in a sense that the villages around the motorway have gotten work. Nothing else than that.</p> |
| 10 | <p>Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how</p> | <p>No, it has not brought any big change in our lives. We are as we were. We have only heard about CPEC but don't know anything about it.</p> |
| 11 | <p>Do you have anything else to tell us?</p> | <p>We want that there should be a scheme for people like us who earn daily to make both ends meet. There should be a plan in which we could work for the betterment of the future of our children. I wish that they should not live in the conditions we are in.</p> |

A6

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| 1 | <p>Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc.</p> | <p>29, male, married.</p> |
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| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>I heard through a friend who was already working on M4 that his site needed someone with a tractor trolley who could water the surface around the motorway. I was involved in it so I went there and started the work</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>I would take my tractor trolley to wherever I was needed. I would make around 35 to 40 rounds daily from 8pm to 5/6pm from the water filling site to the work site. My work was away from where the Chinese would visit but the other officers would come to see it and would also let me know if I had provided less or more water to a site. There were no women.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>Verbal</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site)</p> <p>Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>No safety tools were provided. Neither was I injured nor did I see anyone wounded. There were no paid leaves in case someone is sick/ injured.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>No I don't know about it</p> |

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| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>Sunday was our day off. In my case, there was no overtime. If I had to take a leave, I had to send to someone else as my substitute.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earn the same / etc.</p> | <p>I was hired on a pay Rs60,000 (€379) that included the cost and fuel of the tractor trolley I ran. The payment mode was in cash on monthly basis. There was no other allowance, bonus or any other monetary benefit in it.</p> |

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| 9 | Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc. | Yes, it is. Now I am back to providing water in my village which is more profitable for me than the M4 work. I prefer my current occupation over the motorway work because I myself is the boss here and the money I earn is good. |
| 10 | Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how | No, I don't think it has affected us in a positive way. I am not aware of what foreign investment is or what it benefits are. I am only interested in how I can make money so that my family would not go to sleep with an empty stomach. |
| 11 | Do you have anything else to tell us? | No. |

A7

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| 1 | Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc. | 25, male, married. |
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| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>I landed the job by the reference of my friends/relatives who were working there. Company was ZKB and I cannot remember the name of my contractor (thekedar). Sometimes we would get a motorcycle to ride on, other times we would find some transport passing by or we would simply walk. I don't know the section exactly but I would work near Toba Tek Sindh and Shorkot.</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>There were six to seven people in my team. The workers were Panjabis, Siraikis, Sindhis and Pathans. We used Punjabi for communicating. Chinese workers were officers/engineers. We never talked to them nor did they. Almost all the workers were adults. Work was nearly the same everywhere for us. There was no women.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>Verbal</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site)</p> <p>Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>Usually we didn't wear any safety tools like helmets, jackets and boots but sometimes we were given them when there was an inspection by the top officers. There was no medical facility but in case of an injury treatment was provided. No were not insured.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>Not aware about union</p> |

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| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>It was from 8am to 6pm. Sunday usually was our off. But we also had overtimes to complete the project in the stipulated time. Longest day for me was may be 16 hours. We could get a leave but that would always be unpaid.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earns the same / etc.</p> | <p>I earned Rs500 (€3) in the beginning and later Rs600 (€3.7). My family, including my parents, depended on my income. It was insufficient but other members of my family also worked so we managed somehow as we are used to. The payment was supposed to me made regularly, fortnightly, but then the contractor (thekedar) would withheld some of the amount which annoyed me much. So I decided to leave it and switch to other [private] job. Do you think that when the contractor who would not give us our wage would give us loan?</p> |

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| 9 | <p>Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc.</p> | <p>It was nearly the same but the payment was not good at all. I think that the wage system should have been better. I am not aware about any foreign investment. I only know that China is building something here in Pakistan.</p> |
| 10 | <p>Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how</p> | <p>Everyone is doing what they deem fit or beneficial for them. There is nothing for us but some work that is also for only a short time.</p> |
| 11 | <p>Do you have anything else to tell us?</p> | <p>No.</p> |

A8

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|---|--|---------------------------|
| 1 | <p>Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc.</p> | <p>36, male, married.</p> |
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| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>I was in search of a job and there was work available on M4, so I got it. Company was ZKB and my contractor's (thekedar) name was Arif. Sometimes I would get a transport as many people from my village were going there, other times I would walk. My work was almost on all the motorway from Toba Tek Singh to Shorkot and ahead too.</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>We were two people in the team, driver and me. On the construction side, there were many workers. They included Punjabis and Pathans mostly. Chinese would come daily to the site. Infact they were there all the day moving from one site to another, checking the work being done on the project. All were adults. I never saw any woman working on the site.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>Verbal</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site)</p> <p>Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>No there were no safety tools. Getting a leave was hard enough. I had to send a substitute if I was not able to make it to work myself. Never saw anybody getting badly injured at work, at least to which I was involved. But heard about such incidents. Don't know what happened. Yes, there were visits by officers/ engineers. They would see our work and advise accordingly.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>Don't know about this.</p> |

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| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>It was a 12 hours job from 6am to 6pm. Sunday was the off. There was no overtime.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earns the same / etc.</p> | <p>I earned Rs12,000 (€76) monthly but that was not enough. I have four children, my parents and my wife to feed. It should have been better. There was no bonus, insurance or any other income. Just the salary. We could also not get an advance salary.</p> |

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| 9 | <p>Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc.</p> | <p>I have left the work. Now I am picking oranges. I am just a simple villager who only know about how to earn, nothing else.</p> |
| 10 | <p>Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how</p> | <p>I think it has provided us work – it is the only way I can explain how it benefitted us.</p> |
| 11 | <p>Do you have anything else to tell us?</p> | <p>We should get some work.</p> |

A9

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| 1 | <p>Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc.</p> | <p>22/23, married.</p> |
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| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>I am a steel-fixer so I learned about the work opportunity at motorway (M4). I was recruited by contractor (thekedar) named Allah Rakha. The company we worked for was ZKB. We used motorcycle to commute to the worksite. From there if we had to go to a different site, we would either use the same motorcycle or would take other transport, if available. We worked between Faisalabad and Shorkot.</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>There were people from almost all ethnicities in the country, like Punjabis, Sindhis, Siraikis and Pathans. Chinese were officers/engineers. We never spoke to them. There were underage boys working at the site but they were not involved in our work. We would our own language to communicate. And for that we never had a problem. There were no women.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>It was all verbal. May be because we were not directly employed by the company, at least this is what we were told. So no paper work was involved.</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site) Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>No, there was no safety tools provided to the workers. We had to arrange them on our own. Yes, they would provide medical care to workers in case of an accident involving injuries. The health and sanitation conditions were fine for us because we already are used to such kind of situation (muddy air, lack or no toilets at all). Yes, the officers/engineers would inspect our work. We don't know exactly who these persons were whether they were ZKB high ups, Chinese or others. We already were so engrossed in work so no one ever had to tell us to behave.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>There was no union. We would ourselves informally organize and put our demands before contractor. It happened many times but to no avail. He would not listen to us. And If we would go to the company, they will see that we are not their employees.</p> |

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| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>It was from 8 in the morning to 6 in the evening. Sunday was our off usually. But we would do overtime too. Many times we did that. The longest day I can remember was may be 18 hours working. We could get leave but then we will lose a day age. There was no paid leave in any case whether death of someone or sickness.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earns the same / etc.</p> | <p>I started as a helper, at that time I would get Rs500 (€3.2)/Rs600 (€3.8) per day. Later, I learned the skills and then I was paid Rs900 (€5.7). No, it was insufficient because I have a household to feed. Still we managed because there was no other opportunity. Payment was supposed to be made weekly but it would get late sometime. There had been incidents in which the contractor would withheld the payment. There was no bonus or allowance. Different workers earned differently.</p> |

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| 9 | <p>Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc.</p> | <p>I would say that in other projects, including private work, we would get fully paid but here some contractors would not pay us in full. It happened with me and my colleagues that we had to trace back a contractor to his native town in Bahawalpur to get our money.</p> |
| 10 | <p>Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how</p> | <p>I don't think that it has affected us in a better way than that that we have gotten work for some time. No other respite. Nowadays, I am picking oranges in gardens which are many around our village. You can understand how much this investment has changed our lives.</p> |
| 11 | <p>Do you have anything else to tell us?</p> | <p>Workers should get their rights to fair wage and others. And they should be provided with jobs. Though the M4 is running through our area but we don't have any jobs here. It is the same backward village as it was.</p> |

A10

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| 1 | <p>Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc.</p> | <p>18, single.</p> |
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| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>I was jobless and then the motorway (M4) project came. The company was ZKB. The name of contractor who hired me was A. I would go to work riding on a motorbike with a friend who too worked there. I used to be on tractor-trolley carrying water. I would water the surface around the motorway.</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>The workers at the site were of mix ethnicities. Usually my work was away from the site where the Chinese would be seen but I could see them often. They were officers/engineers. There were many young workers on the site. The youngest would be 14/15. There were no women.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>It was done verbally.</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site)</p> <p>Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>No we were not provided with any safety. They would provide medical care in case of an injury but sick-ness period would not be paid. The days we were not at work would be deducted from our salary. The health and sanitation conditions were fine for us. Yes, officers would visit us to see our work. No, they never spoke to us.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>There was no union.</p> |

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| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>The work was more than twelve hours. I would leave home at 6am and it took me around an hour to reach the site. Then I would usually off at 7pm. Yes, we were paid overtime if worked late. Sunday was our off but we would work on holidays too if there was work. I never refused an overtime because I saw the money at the end. No taking a leave was the most difficult job.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earns the same / etc.</p> | <p>I earned Rs18,000 a month. Six people of my family depended on this income. I think the salary should have been more. I left the work because the payment schedule was not good. They would withheld our money. I felt disgusted at this. There was no bonus or allowance other than the salary. No borrowing facility. No payment slip.</p> |

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| 9 | Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc. | Don't know about the investment thing but the other works that I have done were better because the payment would be made at the end unlike what I have been through. |
| 10 | Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how | We have not been affected much by this because there is no development in our area but of the motorway that runs nearby. |
| 11 | Do you have anything else to tell us? | There should be something in which we should get some jobs. |

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| 1 | Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc. | 35, married. |
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| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>I found the job opportunity as a dumper (truck) driver. I submitted my documents with ZKB through my contractor A. Yes, I signed a paper. I would use motorcycle to commute.</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>There were people from Punjabi, Sindhi, Pashtun ethnicities. Yes, there were Chinese too, I know nothing but they were officers/engineers. Yes there were underage boys. The youngest among them would be 15, I guess. We used Punjabi to communicate. There were no women.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>I signed a paper which read that I was responsible for taking care of the vehicle I was driving and any damage should be paid by me.</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site)</p> <p>Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>No, they didn't provide us safety tools. Though the people directly employed by the company were provided with these. They told me that I was not the company employees but of a third-party. Hence I was not entitled to any paid leaves which the company workers were. I was never interviewed by any officer/auditor.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>There was no union.</p> |

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| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>It was a 12 hours job. I took off on Friday. They paid overtime. I worked for 24 hours a day for like three to four months. Taking a leave was a difficult thing.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earn the same / etc.</p> | <p>I earned Rs25,000 (€158) per months. I those months when I worked too much overtime I earned double salary. The payment would be withheld. They kept at least two months salary with them. They would make excuses but that meant to ensure that workers should not run off. You can call it an informal security deposit. There was no bonus nor other allowance. They would take our signature on a register when paying us. No loans were given.</p> |

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| 9 | Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc. | We have been working in nearly the same circumstances. All we care is that we should be paid at the month end. Nothing else. |
| 10 | Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how | No it has not made any change in our life. |
| 11 | Do you have anything else to tell us? | No. |

A12

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| 1 | Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc. | 35, married. |
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| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>I drove the tractor-trolley carrying water for more than a year. I used motorcycle to commute to the site and in case the facility was not available, I would simply walk.</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>They were from mix ethnicities, Sindhis, Punjabis and Pathans. We didn't have much work with Chinese but I saw them on the site often. Never spoke to them nor did they. The labour included young boys too. As low as 13 years of age. Many such boys had also come from Sindh in search of work. There were no women.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>They took my documents and made me sign document which read that I was responsible for the vehicle I was driving. Any damage should be covered from my pocket.</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site)</p> <p>Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>There were no safety tools given to us. An ambulance would take worker to hospital in case of an injury. No there no paid leaves even in cases of sickness or to attend funeral of some family member. The officers would come to visit the sites, but I never spoke to them.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>There was no union.</p> |

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| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>It was a 12 hours job. Overtime was paid when I worked more. There was no holiday except national days or festivals.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earn the same / etc.</p> | <p>I earned Rs20,000 (€126) per month. No it was insufficient as compared to the amount of work we did and the hours we spent. Yet we managed because there was no other option. There was no bonus or allowance. No there was no slip for payment. They would just take our signatures.</p> |

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| 9 | Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc. | I prefer work in which payment is better or certain that it will be paid. No, it doesn't matter to me. |
| 10 | Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how | I think workers have not gotten anything out of it. Their conditions are the same as they were. |
| 11 | Do you have anything else to tell us? | The labour exploit should stop. |

A13

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| 1 | Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc. | 28, male, near Toba Tek Singh, Punjab |
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| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>I am a daily wager and was looking for work as I learned about the opportunity at M4 from my friends. The company I worked for was ZKB and my contractor name was Riaz. No, I don't have any relation with the recruiter. The work site was near from my place. I would commute on my motorbike.</p> |
| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>I am steel fixer. There were over a dozen people I worked with in our team. There were people from almost all over the country, including Sindhis, Punjabis and Pathans. Same was for the officers/engineers who came to inspect our work. Chinese workers never talked to us. They talked to the engineers only. The youngest, I guess, would be 17/18 may be. We used Punjabi to communicate. Never saw women.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>Verbal.</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site)</p> <p>Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>Our work involves dangers. Yes, there had been accidents in which people were injured but they were given medical care. We are not used to work with safety gears. We actually don't feel comfortable wearing. However, we were provided with them like boots, helmet and a jacket. We are already used to conditions that were on the M4 site. There was lot of mud that would be lifted up by air. In worst scenario we would make masks from handkerchief or kefiyyeh to cover our nose and mouth. No, We were not insured. There was no interview but instructions from the inspectors checking our work. There was no need to us be instructed to behave because we already would be busy with it to meet the target before the end of work.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>No, there was no union, at least I never heard or seen it.</p> |

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| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>It was an 8-hour job starting at 8 in the morning upto 5/6 in the evening. Sunday usually was our holiday but often we worked overtime. The longest may be was of 15/16 hours. Yes, we could refuse but I never did because I wanted to make money. Yes, we could take off from work in case of sickness or an emergency but that would be unpaid.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earn the same / etc.</p> | <p>I earned Rs800 per day. There are 12 people in my household. My parents, my wife, my two children, my brothers and sisters. It would be hard for us to keep the kitchen running on this income so the adults in the family would all work and pool in the income to make both ends meet. We were paid in cash fortnightly. There was no allowance or bonus. No borrowing or loan facility too. No, we were not given anything when like payslip. People with different skills and experience would earn differently. The higher the skills the higher the amount.</p> |

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| 9 | <p>Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc.</p> | <p>I think that was good enough to provide us with work for a stipulated period. But after that we are still searching for work. Yes, I would prefer this work over others only if the wage is good. For us private work is better. In it we earn handsomely but that is not always available.</p> |
| 10 | <p>Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how</p> | <p>I don't know anything about CPEC but I heard from people at M4 that it is ought to be good for the country. May be for the people who live in big cities. There is nothing for us who live in villages. We are back to our daily routine. Everything unchanged.</p> |

A14

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| 1 | <p>Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc.</p> | <p>20, male, near Toba Tek Singh, Punjab</p> |
| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>My brother took me there and introduced me to a contractor, Nadeem. I have no special skill set. I was hired as a helper. I would go to work with my brother on his motorbike. Company was ZKB.</p> |

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| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>I was assigned to work with steel fixers. My role was to only help them in the work by bringing them the tools required for work or simply follow the instructions I was given. There were Punjabis, Siraikis and Pathans. I saw Chinese workers daily. They moved around the worksites, talking to engineers, contractors and supervisors. I never talked to them. We used our native language to communicate. Most of people including Pathans would use Punjabi to communicate. There was no woman.</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>It was a spoken contract. When I was hired, my contactor just told me about the wage I would earn. He asked for my consent and nothing else.</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site) Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>It was dangerous though. Lot of room for accidents especially in the construction of bridges. But thankfully no major accidents happened before my eyes. No, I was not given safety gear. The senior workers would wear them if necessary. I heard that the company born expenses of the medical care if someone was injured. Usually the contractor saw our work because he had to report to the engineers. They did talk to other workers but never to me.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>Never heard of it.</p> |

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| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>My work started at 8 in the morning and I would remain at the site until my senior workers have done their work. Usually, we would go back home in the evening at 6/7. We were given holidays on eid or on other national holidays. Yes, we could take a day off but that meant loss of that day's wage.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earn the same / etc.</p> | <p>I was given Rs500 per day. Of course it was insufficient. But that was all. There were no other options. We were supposed to get the payment weekly but that would get late. Sometimes we were paid after the month. Like I said, there was nothing else than the wage that we would get from the work. No, contractor would not lend us money. I don't know about the company because I was not a direct employee of the company. There was no payslip. The munshi would just see you name in the register he had and then will give you the money you had earned.</p> |

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| 9 | <p>Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc.</p> | <p>I am a newbie. Haven't worked on such projects before. So can't say anything about it.</p> |
| 10 | <p>Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how</p> | <p>Don't know</p> |

A15

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|---|---|---|
| 1 | <p>Who are you? Tell us a bit about yourself Age / Gender / Marital status / Where from / family / etc.</p> | <p>23, male, unmarried, near Toba Tek Singh, Punjab</p> |
| 2 | <p>How did you end up working on the M4? Work experience / Recruitment (company, subcontractor) + name / Moving for the job / Relation with the recruiter / How do you commute to the worksite / which section(s) of the motorway did you work on / Etc.</p> | <p>My relative was working at M4. He took me there. My contractor name was Sajjad. I would go to work with my relative on a tractor trolley. Many workers joined us as there was space to accommodate people.</p> |

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| 3 | <p>Can you tell us more about the worksite(s)? Commute to the worksite / How many people / Migrant status of the workers / Ethnic background of the workers and managers/ status of the Chinese workers / how were Chinese workers treated comparatively / Age youngest workers / Languages used on worksite / difference on different sections of worksite? / number of women working on this site compared to previous work experience/ men-women ratio/ etc.</p> | <p>We were two people in the team. Driver and me. Our job was to provide water wherever needed on the motorway. We usually did not interact with the workers much because we were like transporter moving from one place to another. Yes there were Chinese but I never interacted with them. Never saw woman. The women of the villages around usually work in fields. We have lots of orange orchids here</p> |
| 4 | <p>How does contracting work for this project? Contract (written or spoken) / Long-term or shortcontract / Can we see a contract / Can you read the contract / Contract with company or subcontractor / who with (construction company or subcontractor?) / etc.</p> | <p>Verbal, nothing in writing.</p> |

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| 5 | <p>How safe is the workplace? Safety tools: helmets, ear protection, fire protection, special clothing, training, / feeling safe / do people often get injured / What happens if you get injured / Medical care / Are you somehow insured for getting sick or injured / are health and sanitation standards sufficient / are living spaces sufficient (if on-site)</p> <p>Have you been visited by third-party auditors / how long were they on-site / how many people / what did they see / were you or your colleagues interviewed / did it lead to changes / were you made to behave differently during the audits</p> | <p>There were no safety tools for us. I saw some workers wearing them though. For us, taking a day off was quite hard because we were already two people and if one of us would not come then it affected the work. So either we had to bring a substitute or go to work by any mean. Yes, the engineers/officers would talk to us and instruct about how the water should be spilled on the surface and how not.</p> |
| 6 | <p>Freedom of association Are you aware of freedom of association / are there unions / are you allowed to join unions (or similar) / are they effective / are you encouraged/given the opportunity to form unions / would you know where to go for help</p> | <p>Dont know about a union.</p> |

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|---|---|--|
| 7 | <p>Can you tell us about your working hours? Days per week / Holidays / Hours per day / Do you work overtime / Working day or at night / Longest day ever / Can you refuse overtime / Working on local or national festivals / Is it possible to take days off, for example for holidays or sick leave (if so, are there consequences?) / etc.</p> | <p>It was 12-hour job from morning to evening. We usually did not have overtimes. Sunday was our off besides the national holidays.</p> |
| 8 | <p>What is your income? What is your income / How many people depend on your income / Is your income sufficient / What do you think you should earn / Is the payment made regularly / How do you get paid / Do you get paid overtime / Do you receive any bonuses / are there penalties / Do you receive any services by employer (food, children's allowance, insurance) / Is any money withheld from your income (for example for food, hostel or transportation) / Do you need to take loans or borrow money / Payment slip / Does everyone earns the same / etc.</p> | <p>I earned Rs12,000 monthly. My family depended on it. It was hard to survive with this money but then I have others in my family who earn. So we adjusted. We were paid in cash. The contractor would take our signatures on a register when paying us. No there was no food or anything else.</p> |

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| 9 | <p>Does this project differ from other projects you worked on? Wage / Working hours / Safety / Colleagues / Management / Does it matter that there is Chinese management / does it matter there is international investment / Would you prefer this job over other jobs in the construction industry / etc.</p> | <p>I should not go there back provided they offer me a better salary. It doesn't matter to me that who is financing the project. I care about earning bread for my family.</p> |
| 10 | <p>Foreign Investment How has CPEC affected you/your family / how do you regard foreign/Chinese investment / are you aware of Chinese companies investing in your local community / has this made a difference for you or your community / have resettlement policies affected you/your community; how</p> | <p>Yes, I know that CPEC is a China-Pakistan's joint project. But I don't feel that it has affected our village much. We are still short of jobs. Our village lack basic facilities.</p> |
| 11 | <p>Do you have anything else to tell us?</p> | <p>They should make some projects from which the local people could benefit in long term.</p> |

Appendices

Part II

Appendix I: North Korean Workers in China, A Case Study

Introduction

The purpose of this section is to examine structural similarities in the labour landscape between textile workers in North Korea and a North Korean restaurant worker dispatched to China in a time period after the textile workers had already left the country. Previous research into the labour environment in North Korea shows conditions that pertain to forced labour being found across multiple sectors of employment, suggesting that these are not so much caused by the imposition of circumstances within one or a few specific industries such as textiles—which happens to be the case study focus of this report—but rather, more by those related to impositions by the state.⁷⁶² Similarly, research into the working conditions of North Korean workers dispatched abroad have found replication of the North Korean labour environment even across nation state boundaries.⁷⁶³ Our qualitative approach to the interviews in this section begins with such understandings of the North Korean labour environment – where certain institutional and informal practices are found replicated across industries and geographies. In the absence of interviews conducted specifically with North Korean textile workers in situ, we thus have reason to assume the existence of structural similarities and to look for evidence to refute the applicability of these in that situation, rather than to start from a set of industry-specific or geography-specific assumptions and expectations.

762) Remco E. Breuker and Imke B. L. H. van Gardingen, *Pervasive, punitive, and prevalent: Understanding modern slavery in North Korea*, in *Global Slavery Index 2018*, 1-36. (Walk Free Foundation: 2018).’

763) Remco E. Breuker and Imke B. L. H. van Gardingen (eds.), *People for profit: North Korean forced labour on a global scale* (Leiden: LeidenAsiaCentre, 2018); Breuker& van Gardingen (eds.), *Slaves to the system: North Korean forced labour in the European Union, the Polish case: how the supply of a captive DPRK workforce fits our demand for cheap labour* (LeidenAsiaCentre: Leiden, 2016). Also see these works for more elaborate references to studies on overseas DPRK labour.

Background the the interviews

The main source in this case study analysis is a semi-structured interview conducted in late 2018 regarding working conditions for a North Korean worker posted to China as a restaurant attendant. The worker remained in that position for a little over two years, during the period 2014-2016.

The other primary data examined come from four semi-structured interviews on working conditions in the textiles industry inside North Korea. These interviews with former North Korean workers were originally conducted as part of primary research for the report “Understanding Modern Slavery in North Korea”. The four cases are analysed here due to the workers’ experience in the textiles industry.

The identities of all five interviewees have been anonymized. The four textile workers are referenced as B1, B2, B3, B4 and the restaurant worker is referenced as A.

1. Getting the job

The textile interviewees refer to a standard procedure of the state for assigning workers to jobs upon completion of schooling. Individual preference regarding the industry or factory is possible, within certain lateral axes. For example, seeking jobs with differences in nature of the required daily tasks rather than seeking jobs with different career advancement opportunities. Nevertheless, the pursuit of such preferences is sought through the centralized state mechanism for personnel management:

B1: I was group assigned to work at the textile factory. After that, I applied by myself to work at the garment factory and then at the department store.

B2: There is something called the personnel officer in the Department of Labour. If you know somebody in the provincial Department of Labour branch or the city Department of Labour branch, then you give them a bribe. If you do that, you are able to get an assignment to a workplace of your choice. You would consider which was the comfortable job you can do for the rest of your life. If you think “I want to make clothes, it’s something I could do for a long time”, then that’s what you choose.

B3: The state assigned me to the job right after I finished school. Usually students receive uniforms as a present on national holidays. My workplace produced the uniforms which were distributed on days such as Kim Il Sung's birthday. The state made group assignments [to workplaces].

B4: After completing school, we receive official assignments to places such as a clothing factory or shoe factory. In my case, I didn't like the placement so I moved to another factory. If you want to change, you can apply to the Department of Labour for a dispatch stamp to a factory you want to move to, it's not too difficult to make this change.

The role of central mechanisms in job assignments is not unique to the textiles industry, as discussed elsewhere in the report.

It is not unique to jobs within the country either, as was highlighted in the report mentioned in the introduction. In our case study of the restaurant worker who voluntarily sought to be dispatched overseas, the following picture that emerges is very similar – where getting a job according to individual preference requires the manipulation of the levers of official and centralized state mechanisms, even if it involves the use of ‘informal’ means such as bribery.

A: The restaurant director asked for 100 USD saying he needed it to get approval from the Central Party Committee supervisor. I considered this as obviously standard in a situation where I was hoping for overseas dispatch, so I gave him the 100 USD. The overall amount spent in the preparation for overseas dispatch was around 1500 USD, including bribes and miscellaneous costs. To break it down, 10 dollars to a friend's mother as the introduction fee to [withheld] restaurant; a token of appreciation of 200 dollars to the restaurant director; 400 dollars for the restaurant attendant uniform, including traditional dress; 100 dollars for tuition costs, including dancing and singing; 50 dollars to the regional Party Secretary; 15 dollars for the document processing costs; payments ranging from 20 – 50 dollars to several city officials involved with documentation; 200 dollars for passport and visa; 200 dollars for interview at the Central Party, and so on.

Money doesn't open all doors though, as the family background of the applicant is considered during the official recruitment process:

The screening process involved an examination of documents, family background and a physical check-up. There were no problems for me. But if one's parents were divorced, the children failed to progress at the family background stage.

Bribes and family backgrounds aside, ultimately though, the decision of assignment rests with the ruling political party:

A supervisor in the Central Party Committee makes the ultimate decision.

The ruling party is the entity that manages the political loyalty record-keeping of North Korean citizens, including the management and oversight over self-criticism sessions and the defining of what constitutes a political crime. This leads to the state's (and anyone who executes on behalf of the state's) wielding of a constant form of indirect power over the employee, even when an agent of the state is not directly visible or present - as we shall continue to witness.

2. Contracts

Although the textile interviewees describe formal and bureaucratic processes related to recruitment matters, this does not include the signing of an employment contract between an individual and an enterprise:

B1: I didn't know about an employment contract. I had never heard of it while I was in North Korea.

B2: There is a Department of Labour registry. They send a notice, maybe that is similar to a contract.

B3: When I started the job, the only documentation was on my ability to do the work.

B4: There were no contracts, but if you encounter difficulties you can change workplace. The process for moving workplace involves getting an employment certificate from the workplace you wish to move to and then submitting it to the labour supervisor at your current workplace. The supervisor then submits it to the Department of Labour. The Department makes a decision. The labour supervisor provides a document which you can submit to the new workplace.

The restaurant worker was employed by an enterprise that was a joint venture between Chinese and North Korean company ownership. In other words, it is not the state that owned the entity on paper, partly or in whole. Notwithstanding this difference in arrangement, this worker did not see or sign an employment contract either:

Q: Did you receive an explanation about things like the country you would be dispatched to, the company or working conditions before you were dispatched abroad?

A: *I heard that I would be working in [withheld] in China before I left the country. But I didn't receive particular details about working conditions.*

Q: Did you know your employment contract conditions?

A: *There was no opportunity to find out.*

Q: Were you given an explanation beforehand of the employment conditions?

A: *They didn't tell me anything specific. You do the tasks that they give you and you receive whatever they give you. All of us think of it like that.*

Q: Did you know about payment, allowances, working hours, rest hours, lunchtime, provision of meals, vacations, insurance and other such employment benefits?

A: *I heard that they would give you a place to sleep in the dormitory and meals at the restaurant, and that you'd be compensated for the work, but I didn't know any more details than that.*

3. The organizational unit

As far as the textile employees were concerned, being employed does not consist of a specified and limited employer-employee relationship between a standalone corporate entity and an individual. It is rather more conceptualised as part of the fabric of a wider individual-state relationship. One of many examples in which this is evident is in the responses to the question, "Were you ever able to refuse a direction or instruction at work?"; the obligatory dimension of compliance at work is associated with obligations to the state as an individual.

B1: No. If they asked us to work overnight we had to do it, if they asked us to take part in a battle we had to do it, if they asked us to help other groups, we had to do it.⁷⁶⁴

764) So-called 'battles' are directives for greater devotion to and faster completion of

B2: Instructions from above come down in the form of policy instructions. As they become laws, if it says to do it, everybody has to do it. But if something seems to you to not fit with Kim Il Sung or Kim Jong Il's teachings, then you don't have to do it. You just say to your superior that you don't think it matches Kim Il Sung or Kim Jong Il's teachings.

B3: There are people who distribute the work tasks – heads of institutions, the local committee head of the Women's Union. These people are under the control of the provincial Party branch. If instructions are given by the state you cannot refuse to follow them. You can refuse to do simple [self-standing] tasks.

B4: No. If you do not implement them, you are punished by being sent to a labour training camp.⁷⁶⁵

The inseparability of accountability as an employee to an enterprise with that of an individual to the state is also evident in this description about the motivation to meet quotas and to not complain, given in response to the question, “Was money taken from you for any pretext at this job? If so, who took the money and for what?”:

B1: I left the company without ever receiving any of the money that I had been asked to deposit [in their account]. I'm angry now thinking about it.... At the time, if they didn't give me the money, I thought okay, they are not giving me the money. I didn't dispute it. I don't know why I was like that. I don't think I would be like that now. If the state said it should be done, I did it. If it said we should do work battles, I did it, I did whatever the state asked. If it was [like me] now, I would have even asked for overtime.

Such an intertwining of accountability to the state and to the enterprise is not restricted to tasks directly related to the job, as affiliation with a company brings with it obligations to be mobilized for tasks handed down through the central mechanisms of the state:

work for a sustained period, issued by the ruling political party.

765) Labour training camps (단련대) are a type of correctional facility run by the state. See ‘The Parallel Gulag’ for a description, and where these stand in the context of other prison camps and prisons. David Hawk and Amanda Mortwedt Oh, *The Parallel Gulag: North Korea's “An-jeon-bu” Prison Camps* (Washington: Committee for Human Rights in North Korea, 2017).

B1: Sometimes I was assigned to do construction labour by my factory for a month. All the work had to be done using my hands like moving soil using a stretcher. The factory would start manufacturing clothes from February or March. The factory accepted a lot of new workers in August and mobilized all of them to construct a nursery [until February next year].

B2: Mostly it was farm mobilisation, you are all mobilized to plant seeds in spring and in autumn. They close all the factories and you have to go work [on the farm]. We also did maintenance work on streams and rivers.

B3: I was mobilized to do house construction. If I was assigned to a construction we had to leave the workplace in shifts and work on it until the construction was complete. In 2012, I was mobilised four times per month, once every week.

B4: I did mobilisation such as whittling to be used as firewood in the factory, embankment construction, farm work on the lands the factory is responsible for, construction work around the city.

For the restaurant worker posted abroad, physically and geographically the worker is outside of North Korea, and employed by an enterprise that is seemingly more disconnected from the state on paper; but institutionally, she is still part of an organisational unit (조직) as if they were still living in North Korea: the supervisors at work are also the supervisors of 'organisational unit life' (조직 생활), where the private life of employees are very much within the limit of authority of the company as much as is the working life of employees.

A: The manager was a 53 year old woman and a Party member. Her and the accountant's responsibility was to monitor and control the workers, so the workers were not too comfortable, but there were no major incidents. The manager and accountant controlled the outings of the workers and led the life conduct criticism sessions. [...]. The life conduct criticism sessions were managed by the accountant, once a week on Monday mornings. It was uncomfortable to have to criticize each other's mistakes while working at the same place daily. [...]. The company provides the dormitory. You can't have private accommodation, you have to live collectively. [...]. A house with three rooms was rented with eight of us living in each room. The manager and accountant lived with us too. [...]. As an example of not being comfortable, once when she wanted to go to the sauna and no one volunteered

to go with her, she pressed each worker for an answer, What about you? What about you? What about you?, throwing her slippers and demonstrating anger, with some reluctantly ending up going with her. Another example is when there was a worker with a birthday, instead of celebrating in our own restaurant, she forced that worker to urge a regular customer to host a party for her in another restaurant, in order to have the customer cover the costs. Sometimes the accountant insisted on joining a party where she was not wanted and made us feel uncomfortable and would swear strongly at someone. On days like that, the girls cried a lot at night. [...]. The manager and accountant exercise overall control over daily conduct while the team leader and assistant team leader assist them. The ideological control is run and monitored separately by a security officer posted to Beijing.

In line with other testimonies of North Koreans who have worked overseas, we are told that the manager kept the passports of the restaurant's North Korean employees.⁷⁶⁶ Also in line with other testimonies, the workers' personal movements and communications, even and especially outside working hours, has to be reported to the company supervisors:

Q: Can you leave the accommodation for personal business?

B: *As long as it isn't during working hours, you can do so after reporting it to the manager or accountant.*

Q: Is it possible to have personal communications with outsiders?

B: *You cannot unless you have reported the intent and then received approval for it.*

4. Working hours and holidays

Empirical research has shown that working hours for overseas North Korean labourers tend to be very long. When faced with a deadline, working on for hours at an end is not unheard of. Overtime is not paid.

B1: I worked 12 hours on average a day from 9 am. The work was tough at the garment factory...because the factory was run on a conveyor system

766) This is a consistent characteristic returning in the testimonies of all former North Korean overseas labourers. See the aforementioned studies. It should not pass unnoticed that being deprived of the possession of your identity documents is one of the very strong indicators of human trafficking.

and there were many details on the suits...As it was a conveyor system, if I didn't work fast the worker next to me got nothing to do. On the 5th of every month, the products had to be delivered to Nampo. So we had to work quickly, to meet the deadline. Sometimes, we had to work from 9 am to 2 am. There were about 10 days a month that we had to work like this. The only times we could leave work on time were the days when we had met the deadline by the 5th and the products had been exported then we could leave on time for about a week after that. We only had Sundays off but not all the time. We had a day off on national holidays or Kim Il Sung's birthday or Lunar New Year. We only had the first Sunday of every month off, and this didn't happen every month. [...]. I worked almost every day, Monday to Sunday. Sometimes, we were given a day to rest, but you can say we generally worked every day.

B2: I worked 8 hours, I would go to work at 7 am and go to morning assembly, and start at 8 am. I worked until 6 pm but if we finished all our work then we would have a meeting for about an hour. Then that's about 10 hours a day. [...]. There were days when the state would cut off the electricity. In Hyesan, Fridays would be the day that the electricity would be cut off; apart from that day, we worked 6 days a week.

B3: Usually I worked 9am to 5pm. Sometimes I did overnight work when there was lots to do or when we had delays. [...]. I got a day off on Sunday.

B4: Generally I worked for 11 to 12 hours from 7:30 am until 7 pm. I ate and slept in the factory dormitory during the period in which school uniforms needed to be made. There were no particular work times, we just worked as much as we could during that period. [...]. The uniform making period would start from September/ October and last to April the following year, we didn't get to leave the workplace during this time. [...]. Usually you had to eat and sleep in dorms, and would have to work if there was electricity. If there wasn't electricity then we were allowed to rest, but it was very irregular. However, in my case the dorms were under maintenance so I couldn't use them. I would often fall asleep at the work site while working. [...]. Usually I would rest on Sundays, but sometimes I would have to work. There were more Sundays I could have off than not. I worked 7 days a week during the uniform manufacturing periods.

For the restaurant worker dispatched to China, the situation of working hours and days off are described as following:

A: The normal working day is 16 hours, from eight in the morning to midnight. The time we get off work changes depending on whether there are customers. [...]. You get up at 7 am and start work by 8 am. The end of the day is normally around midnight, but it's irregular because you have to fit to when the customer is finished. You work on the weekends like on the weekdays. [...]. The weekends weren't different from weekdays. We worked in the restaurant. [...]. The restaurant didn't have a day off. The workers received two days off a month, of one day each, on rotation. If you missed one, you were allowed to take add that to the next month's allocation.

Even on days off, workers had to receive permission from the supervisor at work in order to leave their assigned lodgings:

On principle, you have to spend your day off in the dormitory. The exceptions were if you received permission to go out in order to purchase things like sundries, you could form a group of two people and go to the markets. You have to notify before you leave and when you return. As there were no cooking facilities in the dormitory, people mostly went to buy food on their days off.

In terms of vacation days, the worker was not familiar with the concept:

Q: Could you apply for vacation days?

A: *There were no such things as vacation days.*

Q: Did you apply for vacation days?

A: *I never applied. Even if you got one, there was nothing different we could do on that day.*

Q: What was the procedure for applying for vacation?

A: *I don't really know.*

5. Money and pay

With regards to income from work, the motivation of the textile workers for staying in their jobs was not the prospect of compensation, so much as the negative repercussions at the hands of the state for leaving the assigned job. This is in line with the testimonies of other North Korean escapees, who have described how compensation from the state for doing jobs assigned by it has not

been enough to survive on, ever since the collapse of the Public Distribution System in the 1990s.⁷⁶⁷

B1 (left in 2001): I received regular payment, 150~160 won per month. My workplace forced me to pay fifty won a month into a savings account. I didn't receive a penny of this when I left my job. The reason for this was simple. Since the factory operated industrial electric sewing machines, shuttle boxes, shuttles, awls, scissors and other parts of the machine were supplied to each machine worker. I had to manage the different parts, they would often get lost. The factory would then deduct the same amount of money from my saving account based on the market price of the components. There was only 12~13 won left after that. So I was unable to receive any of it. When I went to financial department in the factory, they gave me that reason which I thought that was unfair; however, there was nothing I could do about it. I couldn't get the missing pieces back. Almost everyone working there had the same problem as me. It was impossible to preserve the equipment in the same condition as when it was first supplied. For example, either the needle could break or the shuttle box could be crushed during the production process. Anyway the factory shifted all these costs to the individual workers. Even though the machine was not mine.

B2 (left in 2013): If you don't work you have to give money. In North Korea they tell you to go and earn money elsewhere when there are no raw materials. You have to give your workplace something like 60% of the money you earned using your talent and skills.

B3 (left in 2013): I didn't receive any payment from my job. Instead, I had to give a certain amount of my share. The money that I had to pay per month was up to 30 Chinese Yuan. I didn't receive any rations. I must do my job because otherwise I would be sent to a labour training camp and wouldn't be able to do any trading. That is why I formally registered money but instead I was producing items and selling them and this was deducted from myself (at a work place) and only went there 2-3 times per month for the life criticism sessions. This way I did some trading from my home.

B4 (left in 2015): I have never received payment. The official salary is about 3,000 KPW. However, I never received any because it would get deducted

767) On the collapse of the PDS, see Stephan Haggard and Marcus Noland, *Famine in North Korea: markets, aid, and reform* (Columbia University Press, 2007). For a typology of marketisation since the PDS collapse, see Sang T. Choe, 'The New Markets of North Korea: Jangmadang', *American Journal of Management* 15, no.4 (2015): 62.

for reasons like labour mobilisation, mobilisation for other areas. Even if I received the 3,000 KPW I would only be able to buy 5 packs of chewing gum.

In fact, workers describe the phenomenon of having to *pay* their employer, in order to meet demands for mobilised labour as directed by the state.

B3: If you don't take part [in the mobilization] you have to pay them money.

B4: I had to pay more money than I received from them. I had to pay 20,000 KPW for Urangcheon (a stream) mobilisation, Mt. Baekdusan mobilisation. It cost an average 100,000~150,000 won per person (per month). This type of mobilisation typically involved some employees working in a factory. They would send, for instance, 5 people from the clothing factory and 5 people from the shoe factory. After a certain period you switched. During this time other workers would donate money so that the worker participating in the mobilisation could buy the materials needed like cross gloves. I had to do trading on the side in order to afford the donations on top of my 3,000 won I get in wages. If you didn't want to come to work in the factory, you had to pay 50~100 Yuan or 75,000~150,000 KPW to work as an 8.3 worker. If you didn't pay that you would be sent to a labour training camp. It's as if they're saying do what you need to survive but keep the socialist ways by coming to the workplace you have been assigned to. Nowadays young people in North Korea find this difficult to understand, but the elderly people take that lying down.

The case of the restaurant worker was different in that the motivation for seeking the job was the prospect of financial compensation, even as it required initial investment in the form of bribes to get the job in the first place. Nevertheless, she received no advance clarity on what the compensation would amount to.

A: I had heard that you could earn money if you worked overseas, so I applied. My father was working at a company under the auspices of the regional Party branch, but his salary was very small. My mother sold tofu on the streets, but couldn't make much money. I made the decision in order to relieve the livelihood burden from my parents. I also thought that if I wanted to get married in the future, I should go abroad to earn lots of money and save it.

Q: Were you satisfied with the pay and the method of pay?

A: *In the beginning, I didn't have any particular opinion regarding the wages, whether positive or negative. But gradually I became discontented. So when I started, whenever I received tips from the customer I gave it all to the accountant, but later I only gave some of it.*

Q: Did you receive a payment slip?

A: *I never saw a payment slip. I just signed in the box with my name in the accounting book.*

Q: Do you sign yourself the wages receipt confirmation signature? Or is it done for you?

A: *I signed myself. But my signature was not upon receiving the money and confirming it.*

Q: Did the payment correspond to what was promised at the start?

A: *There was no agreed amount at the start.*

The restaurant worker said she did not receive wages in person:

A: The wages are not given directly to workers, we were told that the manager or accountant would keep the wages and that they would deliver it to our family when they returned to Pyongyang once every three months. [...]. There was no occasion when I actually received wages. For the purposes of accounting, it is arranged as if the accountant has paid them. Every month, workers sign in the wages accounting book which just had our name and no other details. [...]. In the whole time, the total amount of money I received was the 1000 yuan used for buying gifts to be delivered to my parents, and the 40 yuan a month I received on the two days off to be used for food.

She added that she was unable to confirm whether the wages had actually been delivered to her family back in Pyongyang:

It was never confirmed whether my wages were delivered to my parents in Pyongyang. On days off, I received 20 yuan from the accountant and used it for things like buying food. Once when the accountant made a visit to Pyongyang, I requested for 600 yuan to be delivered to my parents in Pyongyang, and I also asked for around 1000 yuan in order to buy trousers, underwear, TV batteries and other gifts for people back home. That was all deducted from my wages. I didn't receive communications from my

parents that they received the money and gifts, so I don't know if they were delivered properly.

Although the prospect of earnings was what led her to apply to work overseas, the phenomenon of an employee paying the employer as within the larger framework of an individual-state relationship was applied, even as her employment took place outside of the DPRK jurisdiction:

Although I heard from the Chinese workers, "We get 2000 yuan but you get 4000 yuan", I never found out what my exact wages were supposed to be. The manager said that 50% of wages (2000 yuan) would be offered to the state. Of the remaining half (2000 yuan), half of it (1000 yuan) had to be paid to the company. On that calculation, my wages would technically be 1000 yuan, but they deducted around 200 yuan every month for purposes of loyalty offerings to the Central Party or regional Party, or for purchase of donations. In the end my allotment would be around 800 yuan a month. If a plate is broken during work, that is deducted. Although I signed on the wages accounting book that the accountant had, I never saw the wages amount written in it.

Q: Were loyalty funds or donations demanded from you during your posting?

A: *Twice on the birthdays of Kim Il Sung and Kim Jong Il, and once on the birthday of Kim Jong Sook, I paid loyalty offerings. Maintenance costs for the Kumsusan Palace, cleaning equipment costs for Kim Il Sung statues, purchase of devotion offerings, these and other various things would be the reason for taking 2-300 yuan monthly off of workers' wages. In the case of devotion offerings, each individual has to give at least 100 yuan, and you can't refuse. If you don't pay it, you expect to be criticized for a shortfall of loyalty during the life conduct criticism sessions. In North Korea, often significant facilities such as Kim statues are cleaned collectively. Because North Korean products are not of high quality, they may break after two or three times of use. So they told us that was why Chinese products were bought to be used back home.*

6. Concluding remarks

Being employed in North Korea is not always about doing work and being compensated, but it does always entail being visible and accountable to the state.

Q: If you quit this job would there have been any consequences? Please explain.

B1: The consequences would be being sent to a labour training camp or farm mobilization or shock brigades or construction sites.

B2: There's no such thing [as quitting]. They've made that like a law.

B3: I would be sent to labour training camp, if I don't go to work.

B4: You are sent to a labour training camp. You could quit by using your connections to a state official but if you rest for too long then you are sent to the labour training camp.

Appendix II: Overview of the Sanction Provisions Targeting the North Korean Textile Industry and Overseas Labour

In August 2017, the UN Security Council expressed concern regarding DPRK nationals working in member states for the purpose of generating foreign export earnings, which are likely used to support the DPRK's nuclear and missile programs. Consequently, provision 12 of resolution 2371 decides that all member states “shall not exceed on any date after the date of adoption of this resolution the total number of work authorizations for DPRK nationals provided in their jurisdictions at the time of the adoption of this resolution”. Additionally, provision 13 prohibits “by [member states’] nationals or in their territories, the opening of new joint ventures or cooperative entities with DPRK entities or individuals, or the expansion of existing joint ventures (...)”.⁷⁶⁸

In September 2017, sanctions were tightened and two of the DPRK's largest sources of income—textile and overseas labourers—were (further) restricted. When combined with recent sanctions on coal and other products, resolution 2375 now bans about 90% of the DPRK's exports. Provision 16 decides that “the DPRK shall not supply, sell or transfer, directly or indirectly, from its territory or by its nationals or using its flag vessels or aircraft, textiles (including but not limited to fabrics and partially or fully completed apparel products), and that all States shall prohibit the procurement of such items from the DPRK (...). However, resolution 2375 states that “States may allow those shipments [of textiles] to be imported into their territories up to 90 days from the date of adoption of this resolution with notification provided to the Committee (...)”.⁷⁶⁹ Furthermore, provision 17 decides “all Member States shall not provide work authorizations for DPRK nationals in their jurisdictions (...) and decides that this provision shall not apply with respect to work

768) United Nations, ‘Security Council Toughens Sanctions Against Democratic People's Republic of Korea, Unanimously Adopting Resolution 2371 (2017)’, 5 August 2017, <https://www.un.org/press/en/2017/sc12945.doc.htm>. Accessed on 20-05-2019.

769) United Nations, ‘Security Council Imposes Fresh Sanctions on Democratic People's Republic of Korea, Including Bans on Natural Gas Sales, Work Authorization for Its Nationals’, United Nations, 11 September 2017, <https://www.un.org/press/en/2017/sc12983.doc.htm>. Accessed on 20-05-2019.

authorizations for which written contracts have been finalized prior to the adoption of this resolution”. Additionally, joint ventures are further restricted in provision 18, as “states shall prohibit, by their nationals or in their territories, the opening, maintenance, and operation of all joint ventures or cooperative entities (...), with DPRK entities or individuals (...), states shall close any such existing joint venture or cooperative entity within 120 days of the adoption of this resolution (...).”⁷⁷⁰

In December 2017, the UN Security Council acknowledged again that the proceeds of the DPRK’s trade in goods including textiles, as well as the revenue generated from DPRK workers overseas, contribute to the DPRK’s nuclear and missile program. It also expressed concern that DPRK nationals continue to work in other states despite the adoption of resolution 2375, therefore provision 8 of resolution 2397 “decides that Member States shall repatriate to the DPRK all DPRK nationals earning income in that Member State’s jurisdiction (...) immediately but no later than 24 months from the date of adoption of this resolution.”⁷⁷¹

Regarding the implementation of these additional sanctions against North Korea, all three of these resolutions prescribe that “Member States shall report to the Security Council within 90 days of the adoption of this resolution (...) on concrete measures they have taken in order to implement effectively the provisions of this resolution”. The resolutions also call upon member states to “redouble efforts to implement in full the measures (...) and to cooperate with each other in doing so, particularly with respect to inspecting, detecting and seizing items the transfer of which is prohibited by these resolutions”. Resolution 2371 “requests the Secretary-General to provide additional analytical resources needed to the Panel of Experts (...) to strengthen its ability to analyse the DPRK’s sanctions violation and evasion activities.”⁷⁷² Resolution 2397 additionally “decides that all Member States shall provide a midterm report (...) of all DPRK nationals earning income in that Member

770) Ibid.

771) United Nations, ‘Security Council Resolution 2397 (2017)’, 22 December 2017, <https://www.un.org/undpa/en/speeches-statements/22122017/resolution2397%282017%29>. Accessed on 20-05-2019.

772) United Nations, ‘Security Council Toughens Sanctions Against Democratic People’s Republic of Korea’.

State's jurisdiction that were repatriated over the 12 month period starting from the date of adoption (...), and all Member States shall provide final reports by 27 months from the date of adoption of this resolution". Lastly, this resolution "decides that when a Member State has information to suspect that the DPRK is attempting to supply, sell, transfer or procure, directly or indirectly, illicit cargo, that Member State may request additional maritime and shipping information from other relevant Member States (...)."773

Summary (including only those provisions applicable to the textile industry):

| Resolution | Date | Content | Implementation |
|------------|----------------|--|--|
| 2371 | August 2017 | <ul style="list-style-type: none"> - No further work authorizations for DPRK workers - No new joint ventures or further investments into existing joint ventures with DPRK | <ul style="list-style-type: none"> - Report on measures taken - Cooperation between member states - Provision of additional resources to detect sanction violations |
| 2375 | September 2017 | <ul style="list-style-type: none"> - No supplying of textiles from/by DPRK - No work authorizations for DPRK workers unless previously finalized - No operation of joint ventures with DPRK, must be closed within 120 days | <ul style="list-style-type: none"> - Report on measures taken - Cooperation between member states |
| 2397 | December 2017 | <ul style="list-style-type: none"> - Repatriation of all DPRK workers within 24 months | <ul style="list-style-type: none"> - Report on measures taken - Cooperation between member states - Midterm and final report on repatriation - Requests by member states for additional shipping information |

773) 'Security Council Resolution 2397 (2017)'.

Effect of sanctions on the North Korean textile industry and North Korean workers in China

Although there has been consistent discussion and adoption of several UN sanctions over the past years—freezing DPRK assets, limiting coal trade, etc.—the late 2017 sanctions are the first to specifically mention the North Korean textile industry as well as its export of labour. As mentioned in the sanction provisions, these additional measures were spurred by an increasing awareness of the fact that foreign currency obtained through North Korean textile exports and workers abroad could constitute a significant financial contribution to the country’s military and nuclear projects. Thus it was expected that these particular sanctions would have a tangible effect on the textile trade between the DPRK and China—especially since garments overtook coal as North Korea’s main export to China in early 2017—as well as on the presence of North Korean workers in the Chinese border region.⁷⁷⁴ It was also expected that these measures would deter garment companies in UN member states from producing in or sourcing from the DPRK, and that companies would be prompted to ensure that the DPRK was not involved in their supply chain. However, the North Korean textile industry has relied on violations of previous sanctions to continue functioning,⁷⁷⁵ therefore it is not unlikely that these more recent sanctions are also being circumvented through loopholes of some kind. This section summarizes reports on the potential implementation or violations of the sanctions, focusing on observations in the border region rather than on the role of international brands.

Before examining the enforcement of the sanctions introduced above, it should be noted that our findings discussed in chapter 3 reflect changes in trading practices between North Korea and China in as early as January 2017, before the announcement of textile related sanctions. Peculiarities in the customs records suggest

774) Kristin Huang, ‘The North Korean Export Industry That’s Making the Most of China’s Coal Ban’, *South China Morning Post*, 21 August 2017, <https://www.scmp.com/news/china/diplomacy-defence/article/2107584/clothing-becomes-north-koreas-main-export-china-after>. Accessed on 20-05-2019.

775) Jane Perlez, Yufan Huang, and Paul Mozar, ‘How North Korea Managed to Defy Years of Sanctions’, *The New York Times*, 12 May 2017, <https://www.nytimes.com/2017/05/12/world/asia/north-korea-sanctions-loopholes-china-united-states-garment-industry.html>. Accessed on 20-05-2019.

that Chinese companies and factories dealing with North Korea felt the need, in light of the political situation at the time, to adapt their practices in order to appear less conspicuous to Chinese customs. Around the same time, China announced it had decided to suspend all imports of coal from the DPRK following a November 2016 UN resolution.⁷⁷⁶ This development could potentially be correlated with the sudden changes in textile trade practices. Some sources assess that 2017 marked a turning point in China's attitude towards North Korea, as China appeared to take a number of measures that had tangible effects on North Korea's economy.⁷⁷⁷ Nevertheless, it remains unclear why companies involved in trading textiles over the border were prompted to adapt their practices from January 2017 onwards.

Sanctions implementations and violations

Immediately after the announcement of sanction 2371 in August 2017, it was initially reported that Chinese factories would very soon refuse North Korean workers, thereby complying with the new sanction provisions. An increasing number of Chinese factory managers claimed to take this stance.⁷⁷⁸ It was also predicted that the most crucial factor in the implementation of the sanctions would be China's willingness to comply.⁷⁷⁹ In September 2017, Reuters reported that according to Chinese traders, Chinese authorities were already strictly enforcing sanctions, with a number of businesses relying on trade with North Korea going bankrupt.⁷⁸⁰ Indeed, a steep drop

776) Somini Sengupta and Jane Perlez, 'U.N. Stiffens Sanctions on North Korea, Trying to Slow Its Nuclear March', *The New York Times*, 30 November 2016, https://www.nytimes.com/2016/11/30/world/asia/north-korea-un-sanctions.html?_r=0&module=inline.

777) Benjamin Katzeff Silberstein, 'China's Sanctions Enforcement and Fuel Prices in North Korea: What the Data Tells Us', *38North*, 1 February 2019, <https://www.38north.org/2019/02/bkatzeffsilberstein020119/>. Accessed on 20-05-2019.

778) Kayöng KIM, 'Chung kongjangdül, Puk nodongja koyong chungdan t'ongbo', *DailyNK*, 11 August 2017, <https://www.dailynk.com/%E4%B8%AD%EA%B3%B5%EC%9E%A5%EB%93%A4%E5%8C%97%EB%85%B8%EB%8F%99%EC%9E%90%EA%B3%A0%EC%9A%A9%EC%A4%91%EB%8B%A8%ED%86%B5%EB%B3%B4/>.

779) Fifield, 'Ban on North Korean Clothing Exports Will Hurt Women the Most, Experts Say'.

780) Sue-Lin Wong and Richa Naidu, 'U.N. Ban on North Korean Textiles Will Disrupt Industry and Ordinary Lives, Experts Say', *Reuters*, 12 September 2017,

in trade between the two countries was observed.⁷⁸¹ North Korean workers were also spotted at Dandong's train station waiting to leave China, presumably because their contracts had expired and extension of their work permits (if they have been issued official permits) is now prohibited by sanctions.⁷⁸² DailyNK reported that by late September 2017, 170 of the 300 North Korean workers who were employed at a specific garment factory in Dandong appeared to have been repatriated. Even workers who had started working at the factory a couple months prior were forced to leave. This could mean that the contract between the Chinese factory and the North Korean trading company was terminated, leading to automatic cancellation of all workers' visas. Just before this, a source estimated the number of North Korean workers active in Dandong at 5000 to 7000 (across industries and including garment workers).⁷⁸³

Washington Post also reported an "unusual rigor" in China's implementation of the UN sanctions (putting pressure on local authorities), stating that Chinese traders and companies involved in textile are feeling the effects of the sanctions and going bankrupt.⁷⁸⁴ However, it is noted that banned goods can apparently still be imported into China, albeit with some delay, if the shipments

<https://www.reuters.com/article/us-northkorea-missiles-sanctions-textile/u-n-ban-on-north-korean-textiles-will-disrupt-industry-and-ordinary-lives-experts-say-idUSKCN1BN1SI>.

781) Silberstein, 'China's Sanctions Enforcement and Fuel Prices in North Korea: What the Data Tells Us'.

782) It is normally common practice for a factory to extend their contract with a North Korean trading company every three to five years. Kayöng KIM, 'Chòegün Chung Tandung kich'ayöng-e kwigukkil örün Puk nodongja-dül nómch'yóna', *DailyNK*, 5 September 2017, <https://www.dailynk.com/%EC%B5%9C%EA%B7%BC%E4%B8%AD%EB%8B%A8%EB%91%A5%EA%B8%B0%EC%B0%A8%EC%97%AD%EC%97%90%EA%B7%80%EA%B5%AD%EA%B8%B8%EC%98%A4%EB%A5%B8/>.

783) 'Chung Tandung sömy kongjangsö irhadön 300myöng Puk nodongja chung 170myöng kwiguk', *DailyNK*, 27 September 2017, <https://www.dailynk.com/%E4%B8%AD%EB%8B%A8%EB%91%A5%EC%84%AC%EC%9C%A0%EA%B3%B5%EC%9E%A5%EC%84%9C%EC%9D%BC%ED%95%98%EB%8D%98300%EB%AA%85%E5%8C%97/>.

784) A woman involved in the textile business (sending textile into North Korea and importing finished products back into China) was quoted as saying she does not dare to send anything over the border anymore. Simon Denyer, 'On China's Border with North Korea, a Constricted Economic Lifeline Is Still a Lifeline', *The Washington Post*, 29 September 2017, https://www.washingtonpost.com/world/asia_pacific/on-chinas-border-with-north-korea-a-reduced-trade-lifeline-is-still-a-lifeline/2017/09/28/bbc6eefc-a2c4-11e7-b573-8ec86cdf1ed_story.html.

had been agreed upon before the sanctions were announced.⁷⁸⁵ This would not necessarily mean a violation of sanctions, as sanction 2375 states “transfers of textiles (...) for which written contracts have been finalized prior to the adoption of this resolution” are allowed.⁷⁸⁶ As for the effect on North Korean workers, it was reported that the local Dandong authorities had imposed factories a fine for each newly hired or remaining North Korean worker, and had announced that workers would be forcibly deported.⁷⁸⁷

In late 2017, sources again assessed that trade between China and North Korea—including the import of garments produced in North Korea—had fallen due to sanctions, and that the effects of this were being felt locally.⁷⁸⁸ China also claimed to maintain its commitment to implementing the sanctions adequately.⁷⁸⁹ Factories in the border region reportedly had started recruiting Chinese workers as replacement for the North Koreans, with local authorities claiming “there will be no hiring of North Koreans for the time being.”⁷⁹⁰ It was reported that those workers still remaining were working as many hours as possible in order to earn additional cash before re-

785) Ibid.

786) ‘Security Council Imposes Fresh Sanctions on Democratic People’s Republic of Korea.’

787) Wŏngyŏng PAK, ‘Kyodo Chungguk Tandung, Pukhan nodongja Sin’gyugoy-ongsi Pŏlgŭm 86manwŏn Pugwa’, SBS News, 5 October 2017, https://news.sbs.co.kr/news/endPage.do?news_id=N1004423580; Sŭngjae KIM, ‘8wŏl ihu ipkuk Puk kŭlloja chŏnwŏn chŏlsu chishi’, *Shindonga*, 22 October 2017, <http://shindonga.donga.com/3/all/13/1100705/1>; Sŭngjae KIM, ‘Kŏt-kwa sok-tarŭn Chung tae-Buk chejae hyŏnsil’, *Shindonga*, 24 December 2017, <https://shindonga.donga.com/3/all/13/1165746/3>.

788) It was also reported a few months later that Ma Xiaohong, a businesswoman at the head of a global conglomerate of companies that accounted for a fifth of all imports and exports between North Korea and China, was facing investigations by the USA and China into her business with North Korea. Myers, ‘Businesswoman’s Fate a Test of China’s Resolve on North Korea.’

789) Simon Denyer, ‘China’s Trade with North Korea Slumps as Nuclear Sanctions Finally Start to Bite’, *The Washington Post*, 13 October 2017, https://www.washingtonpost.com/world/asia_pacific/chinas-trade-with-north-korea-slumps-as-nuclear-sanctions-finally-start-to-bite/2017/10/13/20c37ae6-b008-11e7-99c6-46bdf7f6f8ba_story.html; KIM, ‘8wŏl ihu ipkuk.’

790) Songa SŎL, ‘Kwiguk Puk nodongja taechŏero chagungmin ch’aeyonghan Chung Tandung kongjang-dŭl’, *DailyNK*, 9 November 2017, <https://www.dailynk.com/%EA%B7%80%EA%B5%AD%E5%8C%97%EB%85%B8%EB%8F%99%EC%9E%90%EB%8C%80%EC%B2%B4%EB%A1%9C%9E%90%EA%B5%AD%EB%AF%BC%EC%B1%84%EC%9A%A9%ED%95%9C/>.

turning to North Korea.⁷⁹¹ Meanwhile, a Chinese source claimed to have heard from a North Korean businessman that foreign orders for factories in North Korea were also cut off due to sanctions.⁷⁹²

Six months after the adoption of resolution 2371, the Chinese government officially published a list of goods prohibited from being traded with North Korea.⁷⁹³ China also submitted its first report to the UN on the implementation of resolution 2397 on March 16. The report states, that work permits of North Korean workers already working in China will not be extended past December 22nd, 2019, in line with the sanction provisions. Other topics related to the sanctions are included, such as the prohibition on the import of steel and metal. On paper, the Chinese government is conforming to the UN sanctions.⁷⁹⁴ Trade between China and the DPRK was still reported to be declining.⁷⁹⁵ Additionally, China's Ministry of Commerce of China had previously affirmed its commitment to closing down "North Korean companies established in China in the form of joint ventures joint venture or sole investments" by January 9, 2018, in accordance with resolution 2375.⁷⁹⁶ Despite all this, there are many indications that sanctions are not implemented consistently and reliably in practice.

In January 2018, after Chinese local officials and North Korean businessmen were seen dining together at a North Korean restaurant, the visas of 147 North Korean workers in the Tumen and Hunchun area were extended, which goes against resolution 2397's provision demanding the repatriation of DPRK nationals. After the introduction of this resolution, North Korean trading companies allegedly told workers to wait it out, and not to worry as they would not be evicted by Chinese authorities.⁷⁹⁷ Then, the

791) Joonho Kim and Roseanne Gerin, 'North Koreans Working in China Hustle for Extra Yuan before Returning Home', trans. Leejin JUN, *Radio Free Asia*, 23 February 2018, <https://www.rfa.org/english/news/korea/north-koreans-working-in-china-hustle-for-extra-yuan-before-returning-home-02232018150652.html?searchterm:utf8:us-tring=china+north+korean+workers>.

792) KIM, 'Yuen tae-Buk chejae Chungguksŏ kumŏng sungsung'.

793) KIM, 'Yuen tae-Buk chejae Chungguksŏ kumŏng sungsung'.

794) KIM, 'Chung chinch'ur-han Puk saöpka-dül yuksŏng chüngŏn'.

795) 'As Sanctions Bite, China Trade With North Korea Plummetts', VOA, 12 January 2018, <https://www.voanews.com/a/china-north-korea-trade-plummetts/4204708.html>.

796) KIM, 'Yuen tae-Buk chejae Chungguksŏ kumŏng sungsung'.

797) KIM, 'Yuen tae-Buk chejae Chungguksŏ kumŏng sungsung'.

meeting between Xi Jinping and Kim Chŏngŭn in late March 2018 provoked enthusiasm among businessmen in the border region: they now had good reason to expect sanctions to be lifted soon, or at least loosened.⁷⁹⁸ Shortly after, a large group of about 400 North Korean female workers were seen entering China by bus to go work in a garment factory in Helong city. Regarding this, China later denied the hiring of new workers and claimed the footage of workers arriving in Helong, Yanbian prefecture, was shot pre-sanctions.⁷⁹⁹ As for border trade, smuggling of goods from North Korea greatly increased starting from the first week of April, and was generally overlooked/ignored by Chinese customs authorities.⁸⁰⁰ Overall, news reports published around this time reflect a definite change in the implementation of sanctions. DailyNK quotes a source stating that prior to Kim's visit to China, North Korean workers were frequently seen leaving the country, but after the meeting, this became a rare sight. Joint ventures were allegedly operating again, in violation of resolution 2397.⁸⁰¹

Furthermore, businessmen in the region were preparing for a new influx of workers as an additional 1000 workers were said to be dispatched to work in Dandong's garment factories.⁸⁰² Some businesses had allegedly already halted the process of repatriation of North Korean workers in March 2018.⁸⁰³ One source even

798) KIM, 'Chung chinch'ur-han Puk saöpka-dül yuksöng chüngön'; Ha, 'Over 1,000 North Korean Workers Slated for Dispatch to China.'

799) This statement was supported by an official from Yanbian prefecture, who claimed 'the Chinese government would not be so stupid as to receive 400 NK workers in a time of sanctions'. Süngjae KIM, 'Chung, tae-Buk t'uja sönjöm tongnyö chung', *Shindonga*, 20 June 2018, <http://shindonga.donga.com/3/all/13/1356442/1>.

800) KIM, 'Chung chinch'ur-han Puk saöpka-dül yuksöng chüngön.'

801) Kim and Finney, 'North Korean Workers Return to China in Defiance of UN Restrictions'; Yoon Ah HA, 'Chung hörungsö Puk yösöng nodongja subaengmyöng idong', *DailyNK*, 4 April 2018, <https://www.dailynk.com/%E4%B8%AD%ED%97%88%EB%A3%BD%EC%84%9C%E5%8C%97%EC%97%AC%EC%84%B1%EB%85%B8%EB%8F%99%EC%9E%90%EC%88%98%EB%B0%B1%EB%AA%85%EC%9D%B4%EB%8F%99%EA%B9%80%EC%A0%95%EC%9D%80%EB%B0%A9%EC%A4%91/>.

802) Another source suggests workers are coming back into China in smaller groups so as not to attract too much attention. Ha, 'Over 1,000 North Korean Workers Slated for Dispatch to China'. Süngjae KIM, 'Tandokch'wijae Made in DPRK such'ul hwaktæ chunbi chung', *Shindonga*, 25 July 2018, <http://shindonga.donga.com/3/all/13/1393784/1>.

803) Also, a source was quoted as saying 'the hiring of hundreds of NK workers is not something that happened suddenly overnight. Documents were being prepared since at least four or five months ago. At the time, the sanctions against North Korea

suggested that many North Korean workers “fired” from clothing factories were in fact being employed again in different factories rather than repatriated.⁸⁰⁴ Many others never made any plans to leave the country and just continued working as usual.⁸⁰⁵ It was also reported that newly arriving workers were making use of the so called “river crossing” passes to enter China, likely because the issuing of further work permits is now explicitly prohibited by resolutions 2371 and 2375.⁸⁰⁶ Since these short term passes are not technically work permits, trading companies are utilizing a loophole in the sanctions. However, since resolution 2397 orders that all North Korean nationals must be repatriated, even the number of workers with a short-term visa should diminish.

Although the task of eradicating smuggling over the border had been handed over to the Chinese army⁸⁰⁷ and police—replacing “corrupt” customs officers—these troops vacated the checkpoints shortly after Kim and Xi’s meeting. Customs officials were now reportedly condoning and ignoring illegal trading practices. In

were strictly enforced. North Korea and China have been secretly preparing for the dispatch of North Korean workers.’ KIM, ‘Chung chinch’ur-han Puk saöpka-dül yuk-söng chüngön’.

804) According to Ha, DPRK workers who were supposedly let go due to pressure from China, were actually continuing to earn money in different fields and factories in the region. According to a source connected to Chinese authorities, officials visited some garment factories in Dandong and ordered factory managers to end North Korean workers’ contracts. This is problematic for these managers because canceling contracts means they owe the North Korean trading company a ‘cancellation fee’. For this reason, a deal was made with North Korean supervisors: in exchange for a reduction of the cancellation fee, the workers will be hired again in different locations so that foreign currency can continue to be earned. Yoon Ah HA, ‘Chung tangguk ap-pag-e Puk nodongja-dül taeryang haego’, *DailyNK*, 5 April 2018, <https://www.dailynk.com/%E4%B8%AD%EB%8B%B9%EA%B5%AD%EC%95%95%EB%B0%95%EC%97%90%E5%8C%97%EB%85%B8%EB%8F%99%EC%9E%90%EB%93%A4%EB%8C%80%EB%9F%89%ED%95%B4%EA%B3%A0%EC%99%B8%ED%99%94%EB%B2%8C%EC%9D%B4%EB%8A%94/>.

805) KIM, ‘Köt-kwa sok-tarün Chung tae-Buk chejae hyönsil’.

806) Following resolution 2375, the issuing of work visas had been halted, but Chinese and North Korean citizens living in the border region could still cross the river to visit relatives or to work by obtaining a border pass, which is valid for 30 days up to a year. Workers simply have to regularly return to North Korea for renewal of the pass. Ha, ‘Over 1,000 North Korean Workers Slated for Dispatch to China’; Korea Development Institute, ‘Chungguk hakcha net’üwök’ü kuch’uk mit hyönji chosa’, *Haeoe ch’ul-chang pogo* 해외출장 보고 January (2018), http://www.kdi.re.kr/news/business_view.jsp?idx=36938&pp=10&pg=1.

807) KIM, ‘8wöl ihu ipkug’.

addition to this, smuggling was reported to be increasingly taking place via ship.⁸⁰⁸ Companies relying on trade with the DPRK were said to be actively involved in trade once again.⁸⁰⁹ A trader in Dandong claimed customs officers were not checking for restricted goods as thoroughly as they used to. Trucks could still get fined for carrying restricted goods, but were allowed to continue their journey immediately.⁸¹⁰

According to reporter Kim Sŭngjae, China has been actively encouraging businessmen to invest in North Korea, in violation of the provisions limiting joint ventures. For example, the city of Dalian held a gathering for the garment industry, at which a Chinese government official advised businesses to seize opportunities for investment and trade with North Korea.⁸¹¹ Meanwhile, North Korean officials have been seeking contact with Chinese companies that could aid in setting up factories for the manufacturing of “made in DRPK” products for worldwide export. The parties involved seemed confident that sanctions would be lifted in the near future.⁸¹² Furthermore, Kim has reported that more industrial complexes for North Korean workers are being set up in the border region.⁸¹³ Furthermore, Kim has reported that more industrial complexes for North Korean workers are being set up in the border region.⁸¹⁴

However, the summer of 2018 appeared to mark yet another turning point in the implementation of UN sanctions. While China

808) KIM, ‘Köt-kwa sok-tarŭn Chung tae-Buk chejae hyönsil’.

809) KIM, ‘Tandok ch’wijaek Puk- Chung milch’ag-ŭro tol’pagu ch’ajatta’; Hyemin Son and Richard Finney, ‘Smuggling Increases on North Korea-China Border Following Top-Level Talks’, trans. Leejin Jun, *Radio Free Asia*, 8 June 2018, <https://www.rfa.org/english/news/korea/smuggling-06082018160825.html>; Dong Hui Mun, ‘Smuggling Activities Increase across Sino-North Korean Border’, *DailyNK*, 8 June 2018, <https://www.dailynk.com/english/photo-smuggling-activities-increase-across-sino-north-korean-border/>.

810) A Dandong businessman involved in the export of clothing illegally made in the DPRK corroborates that crackdowns on illegal trade have diminished in recent months. This businessman uses illegal vessels to bring materials into the DPRK and bring out processed clothes via the Yalu river. Joonho Kim and Joshua Lipes, ‘China Relaxes Customs Inspections on Border With North Korea, Despite Sanctions Assurances’, trans. Leejin Jun, *Radio Free Asia*, 15 June 2018, <https://www.rfa.org/english/news/korea/customs-06152018140404.html>.

811) KIM, ‘Chung, tae-Buk t’uja snjömg tongnyö chung’.

812) KIM, ‘Tandokch’wijaek Made in DPRK such’ul hwaktaek chunbi chung’.

813) KIM, ‘Tandok ch’wijaek Made in DPRK such’ul hwaktaek chunbi chung’.

814) KIM, ‘Tandok ch’wijaek Puk- Chung milch’ag-ŭro tol’pagu ch’ajatta’.

and North Korea seemed to be maintaining a close relationship, Chinese authorities suddenly ordered all North Korean labourers—who arrived after August 2017 in possession of short term passes rather than official work permits—working in Dandong and Dunggang factories to leave the country by July 28.⁸¹⁵ Companies still employing North Koreans past this date would face a fine, and remaining workers would be deported. The reason for these sudden measures is unclear, but Kim assesses that China might have felt prompted to demonstrate compliance with the UN sanctions.⁸¹⁶ Road signs pointing to the location of some of the North Korean industrial complexes were also removed,⁸¹⁷ and traffic of goods over the border coming from the DPRK was halted for some time.⁸¹⁸ Yet, after the deadline for the repatriation of workers had passed, Kim found that the majority of North Koreans workers in Dandong were still present, suggesting that the seemingly strict crackdown may have been a pretence to collect money from factory managers in the form of fines and bribes.⁸¹⁹ In August, the call for repatriation was broadened to include all North Korean workers, the deadline was extended, and surveillance at the border was allegedly tightened.⁸²⁰

Following reports yet again contradict some of the previously made observations. In late August 2018, it was reported that garment factories in North Korea were in fact receiving orders

815) Around this time, the number of North Korean workers in the region was estimated at 100,000 by one source, with only 2,000 to 3,000 of these workers using official work permits. Sŭngjae KIM, ‘Chung, ‘Tandung pulböp cheryu Puk nodongja songhwa-nŭn Kim Jŏngŭn-ŭi ttüt?’; *Chu Kandonga*, 28 August 2018, <http://weekly.donga.com/3/all/11/1438098/1>.

816) Sŭngjae KIM, ‘Pulböp ch’wiöp Pukhan nodongja 7wöl 28il-kkaji kwiguk-shik’yöra’, *Chu Kandonga*, 24 July 2018, <http://weekly.donga.com/List/3/all/11/1395254/1>.

817) Ha, ‘North Korean Laborers Abroad Under Increased Scrutiny’.

818) KIM, ‘Tandok ch’wijaie Chung kogangdo tae-Buk appag-ŭn Mi poyöjugishik’; Sŭngjae KIM, ‘Pukhansan chep’um Chungguk kukkyöng nŏmji mothanda’, *Chu Kandonga*, 31 July 2018, <http://weekly.donga.com/3/all/11/1404131/1>.

819) Kim reports that 50,000 North Koreans have arrived since August 2017 and that only about 18,000 of these workers actually left China. KIM, ‘Tandok ch’wijaie Chung kogangdo tae-Buk appag-ŭn Mi poyöjugishik’; KIM, ‘Chung, Tandung Pulböp cheryu Puk nodongja songhwa-nŭn Kim Jŏngŭn-ŭi ttüt?’.

820) Kim mentions a trader who, in August 2018, failed to import clothing made in the DPRK back into China even though he offered the customs officers much higher bribes than usual. KIM, ‘Tandung pulböp cheryu Puk nodongja songhwa-nŭn Kim Jŏngŭn-ŭi ttüt?’; Sŭngjae KIM, ‘Salbör-han milsu tansok Chungguk Tandung’, *Chu Kandonga*, 23 September 2018, <http://shindonga.donga.com/3/all/13/1469794/1>.

and operating more actively than ever, and that big quantities of manufactured goods including garments were being smuggled into China, mainly via alternative routes such as the Yalu river. This report speaks of products intended for both the local and international market.⁸²¹ Official 2018 trade statistics released by Chinese customs authorities do not reflect a significant increase in imports from the DPRK around this particular time, which again suggests that a considerable portion of the trading was taking place through unofficial channels.⁸²² In late 2018, Radio Free Asia concluded that since the latest sanctions, trade between the DPRK and China had merely slowed down rather than significantly dropped or halted completely. Outsourcing of garment production was still taking place.⁸²³ Kim reported in October 2018 that the crackdown on both import of goods over the border and employment of North Koreans had loosened yet again.⁸²⁴

As for North Korean workers active in China, it was reported in September 2018 that around 39,000 out of an estimated 100,000 workers (across all industries) had returned home, demonstrating that the Chinese crackdown on illegal North Korean employment had become more effective.⁸²⁵ However, Kim does not expect that China will ensure all workers are gone: this would have negative consequences for its regional economy, as many Chinese companies rely on cheaper North Korean employment. The presence of North Korean workers also conveniently offers Chinese authorities a pretence to ask Chinese employers for bribes in exchange for turning

821) Sŭngjae KIM, 'Tandok ch'wijae yŏktae ch'ŏedae Puk-Chung milsu hyŏnjang', *Shindonga*, 22 August 2018, <https://shindonga.donga.com/3/all/13/1428114/1>; KIM, 'Salbŏr-han milssu tansok Chungguk Tandung'.

822) 'Special Report, Inside N. Korea Shaken by Sanctions, Regime Takes a Direct Hit as Pyongyang's Privileged Feel the Pressure', *Rimjin-Gang*, 19 March 2019, <http://www.asiapress.org/rimjin-gang/2019/03/news/regime-sanctions/5/>.

823) Yongjae Mok, Hyemin Son, and Richard Finney, 'North Korea-China Trade Only Slows Under UN Sanctions', trans. Leejin JUN, *Radio Free Asia*, 20 December 2018, <https://www.rfa.org/english/news/korea/slows-12202018150735.html>.

824) Sŭngjae KIM, 'Tandok ch'wijae Kim Chŏngŭn naenyŏn chejae p'ullinda parŏn ilp'a man'p'a', *Shindonga*, 16 October 2018, <http://shindonga.donga.com/3/all/13/1503542/1>.

825) Kim claims that some of the workers previously expelled from Dandong factories are now employed in cities like Hunchun or Tumen. KIM, 'Pukhan, Chung p'agyŏn nodongja kisurhak sŭpsaeng-ŭro tun'gap illyŏksuch'ul'.

a blind eye.⁸²⁶ In late 2018, DailyNK reported that North Korean trading companies were effectively circumventing resolutions 2371 and 2375 regarding new work permits by sending garment workers as “technical apprentices”, using short term visas that must be renewed monthly.⁸²⁷ Radio Free Asia found that an increasing number of North Koreans were seeking employment abroad, particularly in China and often through brokers rather than through official dispatch by the North Korean state.⁸²⁸ Yet, around the same time this news was published, Kim reported that China had suddenly halted the issuing of short term “river crossing” passes, which somewhat contradicts his earlier assessment that China was only moderately committed to the crackdown on North Korean labour. This does not prevent workers from entering with other types of short-term visas, such as those for “technical apprentices”.⁸²⁹

Meanwhile, North Korea has become increasingly confident—following the several summits involving Kim Chŏngŭn—that sanctions will be lifted in 2019, and has continued to encourage businessmen to attract Chinese investments.⁸³⁰ Very recently, it was reported that in spite of the UN still upholding the sanctions, garments produced in North Korea are still being exported through China for the international market.⁸³¹ While resolution 2397 mandates that all North Korean labourers must be repatriated by the

826) KIM, ‘Salbŏr-han milsu tansok Chungguk Tandung.’

827) The source specifically mentions the cities of Hunchun and Tumen. KIM, ‘Pukhan, Chung p’agyŏn nodongja kisurhak süpsaeng-üro tung’ap illyöksuch’ul.’

828) Myungchul Lee and Eugene Whong, ‘North Koreans Increasingly Look for Work Abroad to Earn Higher Pay’, trans. Leejin JUN, *Radio Free Asia*, 14 November 2018, <https://www.rfa.org/english/news/korea/north-koreans-increasingly-look-for-work-abroad-to-earn-higher-pay-11142018150950.html>.

829) Local authorities are aware of this happening, but are usually bribed by factory managers. Due to these additional expenses, the employment of North Koreans is becoming less profitable. KIM, “‘Twitton’-gwa tae-Buk chejae’.

830) Myungchul Lee and Eugene Whong, ‘North Koreans Optimistic That Flurry of Diplomacy Will Bring Sanctions Relief’, trans. Dukin Han, *Radio Free Asia*, 11 October 2018, <https://www.rfa.org/english/news/korea/sanctions-optimism-10112018144756.html>; KIM, ‘Tandok ch’wijae Kim Chŏngŭn naenyŏn chejae p’ullinda parŏn ilp’a manp’a’.

831) This source reports clothing made in Sinŭiju is being sold in South Korea. Tonghŭi MUN, ‘Pukhan- Chungguk-gan sömyu üiryu milgŏrae chisok’, *DailyNK*, 5 March 2019, <https://www.dailynk.com/%EB%B6%81%ED%95%9C%EC%A4%91%EA%B5%AD%EA%B0%84%EC%84%AC%EC%9C%A0%C2%B7%EC%9D%98%EB%A5%98%EB%B0%80%EA%B1%B0%EB%9E%98%EC%A7%80%EC%86%8D%EB%8C%80%EB%B6%81%EC%A0%9C%EC%9E%AC%EA%B5%AC/>.

end of 2019, and resolution 2371 and 2375 state no further working permits may be issued, the DPRK is still sending its citizens to work in China. A group of female workers dispatched to Hunchun was recently spotted crossing the border.⁸³² The continuation of these practices does not mean North Korea's economy is not suffering under the sanctions: the country may have lost up to 90% of its expected trade income.⁸³³

832) Jieun Kim and Eugene Whong, 'North Korea Still Dispatching Workers to China Despite UN Sanctions', trans. Leejin Jun, *Radio Free Asia*, 21 March 2019, <https://www.rfa.org/english/news/korea/north-korea-workers-sanctions-03212019143334.html>.

833) 'Special Report, Inside N. Korea Shaken by Sanctions, Regime Takes a Direct Hit as Pyongyang's Privileged Feel the Pressure'.

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The two studies brought together in this volume not only look like they are miles apart, in fact they are. The first study investigates the construction of the M4 motorway in Pakistan, while the second study deals with the presence of North Korean forced labour in the supply chains of Chinese factories and international textile brands.

One common strand that links these two different studies is that of the notion of Corporate Social Responsibility (CSR). These studies try to determine to what extent companies and financial institutions take responsibility in order to ensure compliance with internationally agreed standards in the value chain.

Another strand the two pillars of this report have in common is the presence of the Netherlands: the Dutch state as a stakeholder participating financially in the

first project, while the second project involves major Dutch companies whose supply chains run very high risks of containing North Korean forced labour.

The third common strand is the introduction of new empirical facts into the discourse, through regional interviews in the first project and by way of new ways of mapping and understanding supply chains in the second.

Finally, the last common strand is the role of China in both projects.

Both case studies show how proper implementation and execution of CSR requires awareness and knowledge of the region involved and should never be a matter of merely ticking the boxes. The severe infringements we found in both case studies show as much: due diligence needs to be tightened up.

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