



# Bangladesh Apparel Factory Collapse: Background in Brief

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## Summary

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

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

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

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

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

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

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

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

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

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

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

Figure I. Map of Bangladesh



Source: U.S. Department of State.

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

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

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

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

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

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

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

Bangladesh's major export is apparel, which, along with a small amount of textiles, accounts for more than 80% of the country's \$23 billion in exports to the world in 2011, or nearly \$20 billion. (See **Text Box 1.**) As a result of the Rana Plaza building collapse, some firms, such as Disney,<sup>7</sup> have indicated they may no longer source production from Bangladesh, largely due to concerns over their brand reputation. If this becomes a major trend, one consequence could be that many women, who constitute 80% of the workers in the apparel sector, could lose their jobs. These women, mostly Muslim, have found new independence and an increased standard of living for their families, and have, in many cases, become primary breadwinners. The effect on the economic structure of Bangladesh could be compounded by an ongoing struggle between a secular Bangladeshi identity and a more fundamental/religious Islamic identity.<sup>8</sup>

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

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

## ILO

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

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

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

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

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

## **Bangladesh in Brief**

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

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

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

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

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

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

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

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

These rights are the following:

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

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

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

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

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

1. the right of association;
2. the right to organize and bargain collectively;
3. a prohibition on the use of any form of forced or compulsory labor;

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

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

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

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

4. a minimum wage for the employment of children; and protection against the worst forms of child labor;<sup>15</sup> and
5. acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.

Bangladesh is currently a beneficiary country under GSP. If the President determines that Bangladesh is no longer meeting GSP criteria, he may suspend benefits. In 2007, the Office of the U.S. Trade Representative (USTR) first accepted a petition from the AFL-CIO for review of GSP status for Bangladesh. The petition challenged whether Bangladesh was meeting the GSP worker rights criteria. That decision is still pending.<sup>16</sup>

The GSP program, however, excludes from eligibility most apparel and textile articles (and other import sensitive products), which constitute 92% of Bangladesh's exports to the United States. Therefore, if GSP benefits were suspended, the decision would not affect U.S. tariffs on apparel imports, which reportedly average about 16%.<sup>17</sup> On the other hand, some businesses might decide to pull out of Bangladesh for fear that association with a country that has lost its GSP status for reasons relating to internationally recognized worker rights could damage their reputations. Some may argue that suspension of GSP status could significantly reduce Bangladesh's apparel-making labor force and adversely impact its economy.

## **Corporate Codes of Conduct**

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

The Rana Plaza collapse has focused greater attention on the worker conditions and laws in Bangladesh, and may impact Bangladesh's continued role as a major supplier of apparel, due to corporate buyer concerns over branding and reputation. Key issues may include whether firms will continue to source apparel from Bangladesh, or whether firms will engage more proactively

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

<sup>16</sup> Office of the U.S. Trade Representative (USTR) Requests Comments on Bangladesh GSP Labor Eligibility Review, *World Trade Online*, January 10, 2013. See also, Pre-Hearing Brief Concerning the Petition to Remove Bangladesh From the List of Eligible Beneficiary Developing Countries Pursuant to Section 19 U.S.C. 2462(d) of the Generalized System of Preferences (GSP), filed by the AFL-CIO March, 2013.

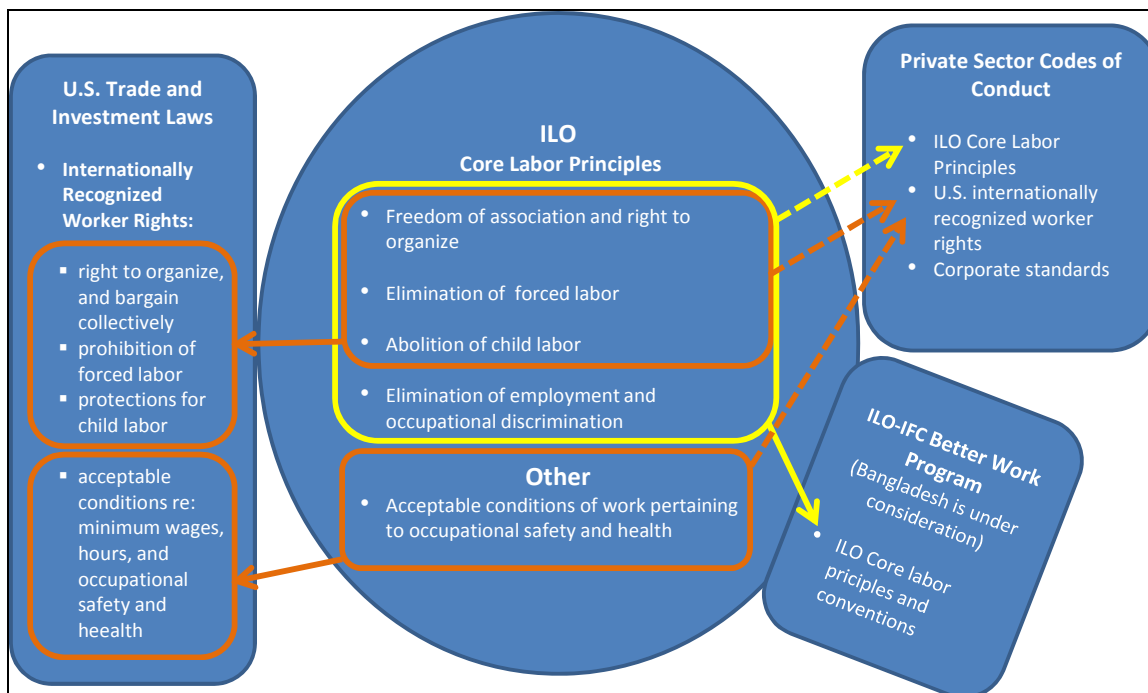
<sup>17</sup> Source of data: U.S. International Trade Commission (USITC) Dataweb. While one option might involve oversight on possible suspension of GSP status for Bangladesh, as the USTR is considering, some experts have suggested considering, as an alternative, extending tariff-free treatment for apparel, to Bangladesh, perhaps in conjunction with a proposed ILO Better Work Bangladesh program under consideration. See "How to Avoid Another Bangladesh Factory Disaster," by Kimberly Elliot, Center for Global Development, May 7, 2013.



to improve conditions there, as well as the extent to which corporate codes of conduct have been helpful.<sup>18</sup>

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

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



Source: Graphic prepared by CRS.

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

Response to the Bangladesh tragedy has come from Congress, the Administration, the ILO, the Bangladesh government, and the private sector, and is evolving. This section briefly describes recent developments.

### Congress

Some Members of Congress, to date, have focused on seeking businesses and other stakeholders to work together to improve worker conditions in Bangladesh. On May 1, 2013, for example,

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

Representatives Sander Levin, ranking Member of the House Ways and Means Trade Subcommittee, and George Miller, ranking Member of the House Education and the Workforce Committee, sent a letter to President Obama, urging the Administration to convene representatives of European and American retailers, the Bangladesh garment industry (including their workers and unions), the Bangladeshi government, the ILO, and non-governmental organizations, to facilitate development of a “concrete action plan” to address the range of issues relating to working conditions and worker rights in the garment sector.<sup>19</sup>

In addition, a group of eight U.S. Senators, led by Senators Harry Reid and Sherrod Brown, has written letters to major retailers that source in Bangladesh, urging them to reconsider signing the Accord on Fire Safety in Bangladesh. This Accord has already been signed by a number of U.S. and European retailers. Some U.S. retailers who have not signed have reportedly opted for self-monitoring or voluntary initiatives due to concerns over liability. The companies receiving the letters had previously declined to sign the accord.<sup>20</sup>

## **Executive Branch**

**State Department, USTR, and Labor Department Response:** On May 8, 2013, the State Department, Department of Labor, and USTR convened a conference call with U.S. buyers in Bangladesh’s garment industry. In that call, they “strongly urged” U.S. (corporate) buyers to coordinate efforts with each other, and with the government of Bangladesh, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), civil society, and labor groups to (a) help pay for independent safety and fire inspectors; (b) communicate to the Bangladeshi government their concerns about labor conditions; and (c) urge immediate passage of labor law amendments to lay the basis for the establishment of an ILO/World Bank Better Work Program for Bangladesh.<sup>21</sup>

**GSP Status for Bangladesh:** The USTR is evaluating GSP status for Bangladesh as part of its annual review process. The review was already underway at the time the building collapsed. The USTR had accepted an AFL-CIO petition on Bangladesh that was first submitted in 2007 and then updated in 2012, after the Tazreen fire. The GSP Trade Policy Staff Committee held hearings in March of 2013 on the issue, and its decision on whether to suspend GSP preferences for Bangladesh is pending. In the past, the USTR has suspended GSP status for worker rights issues, including for Burma.

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

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

<sup>21</sup> U.S. Department of State, “State Department Call With U.S. Buyers in Bangladesh Ready-Made Garment Sector,” May 8, 2013; and “State Department Bureau of International Information Programs, Bangladesh, Private Partners Work to Improve Worker Safety,” May 9, 2013.

## ILO

The ILO acted after the disaster to help Bangladesh focus on what needed to be done. On May 1-4, shortly after the Rana Plaza building collapse, the ILO sent a delegation led by the Deputy Director General for Field Operations and Partnerships to engage with the tripartite partners and other stakeholders to identify what should be done to prevent future tragedies. They agreed on the need to develop an action plan, focusing on a number of short- and medium-term steps. These include (a) submission to parliament of a labor law reform package; (b) assessment by the end of 2013 of the structural and fire safety status of all export-oriented ready-made garment factories; (c) recruitment of 200 additional factory inspectors within six months; (d) implementation of a National Tripartite Plan of Action on Fire Safety, which also addresses the structural integrity of buildings; and (e) focus on a possible ILO/World Bank Better Work program for Bangladesh, already under consideration.<sup>22</sup> After a nine-month “participatory design phase,” which began in 2012, and further assessment of the potential for successful implementation of a Better Work Program for Bangladesh, the ILO-World Bank has declined to permit Bangladesh to join a textile industry monitoring program until the country overhauls its labor laws, and conditions for unions improve.<sup>23</sup> (See Bangladesh Government actions below.)

## Bangladesh Government

The Bangladesh government response after the tragedy was to begin working with the ILO to focus on changes needed. As a result, the Bangladesh cabinet has reportedly approved some changes to its labor laws—changes that will require approval by the Bangladesh Parliament, scheduled to convene in June. These changes would: (1) make it easier for workers to form labor unions; (2) increase severance and retirement payments for workers with longer tenures; and (3) equalize, for all workers, annual payments under a welfare fund. Government officials are also reportedly beginning discussions between labor and management on setting a new minimum wage for garment workers, who are reportedly “increasingly angry” about low wages, particularly in light of recent inflation.<sup>24</sup> In addition, the government reportedly plans to add 200 factory inspectors within six months, and to complete a comprehensive safety assessment (extending to fire and structural safety) of all export-oriented garment factories.<sup>25</sup>

## Private Sector

Private sector responses have varied. According to press reports, retailers and some apparel firms have acknowledged their links to unsafe Bangladesh factories, while others have hedged.<sup>26</sup>

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<sup>22</sup> ILO, “Conclusions of the ILO’s High Level Mission to Bangladesh.” May 4, 2013. This program is jointly sponsored by the ILO and the International Finance Committee (IFC), a member of the World Bank Group.

<sup>23</sup> ILO, “Better Work Bangladesh – Design Phase,” January 5, 2012; and “Bangladesh is Barred from Textile Safety Group,” *The Washington Post*, May 18, 2013.

<sup>24</sup> “Global Retailers Join Safety Plan for Bangladesh; Will Pay for Changes,” *The New York Times*, May 14, 2012, p. A1.

<sup>25</sup> “Bangladesh to Reform Labour Laws After Tragedy,” *Financial Times*, May 6, 2013, p. 4; “Bangladesh Factory Toll Passes 800—Government Shuts 18 Sites for Safety Improvements, but No Big Outflow of U.S. Companies Seen,” *Wall Street Journal*, May 9, 2013; and “Global Retailers Join Safety Plan for Bangladesh; Will Pay for Changes,” *The New York Times*, May 14, 2013.

<sup>26</sup> “After Disaster, PR Tactics Vary; Some Clothing Firms Quickly Concede Links to Unsafe Bangladesh Factory. Others Hedge,” *Los Angeles Times*, May 9, 2013.

Another private sector response to the tragedy has been for businesses to debate whether to leave Bangladesh and relocate to countries with fewer high-visibility labor issues, or stay and help solve them in Bangladesh. Some companies, including Disney, as previously mentioned, are considering not sourcing from Bangladesh for a number of reasons, including concerns about their business reputation.<sup>27</sup>

A broader response from many corporations, particularly in Europe, has been to join forces to support change in Bangladesh. After the building collapse, officials from two dozen retailers and apparel companies met with representatives from the German government to try to negotiate a plan to ensure safety at roughly 4,500 garment factories in Bangladesh.<sup>28</sup> On May 13, 2013, several of the world's largest apparel companies reportedly agreed to an Accord on Fire and Building Safety in Bangladesh to help pay for fire safety and building improvements in Bangladesh. The Accord requires a five-year commitment from participating retailers to conduct independent safety inspections of factories, and pay up to \$500,000 per year toward safety improvements. European corporations that have signed onto the accord include Swedish retail giant H&M (the largest producer of apparel in Bangladesh); Inditex, headquartered in Spain; C&A, a Dutch retailer; and Primark and Tesco (British retailers). U.S. signatories include PVH, the parent company of Calvin Klein, Tommy Hilfiger, and Izod, which has signed on to the five-year plan, contributing \$2.5 million; and Abercrombie and Fitch. Other U.S. companies have reportedly resisted signing, objecting to the agreement's legally binding nature, and arguing that they had pursued or are pursuing their own initiatives, such as the hiring of fire inspectors and promising loans for factory improvements.<sup>29</sup> A coalition of faith organizations, investors and labor groups, including the AFL-CIO, is urging major U.S. retailers, including Walmart, Gap, Sears, and others, to sign onto the plan.<sup>30</sup>

## Issues for Congress

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

Key questions for Congress include the following:

- Is the ILO/World Bank Better Work program an effective approach, and has it been implemented successfully in other countries? Can it be expedited for Bangladesh?
- Should GSP eligibility for Bangladesh be reconsidered? Conversely, should tariff benefits for apparel be extended to Bangladesh to support it in improving the

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<sup>27</sup> "Bangladesh Fears an Exodus of Apparel Firms," *The New York Times*, May 2, 2013.

<sup>28</sup> "Some Retailers Rethink Their Role in Bangladesh," *The New York Times*, May 1, 2013.

<sup>29</sup> "Global Retailers Join Safety Plan for Bangladesh," *The New York Times*, May 14, 2013, p. A1. Bangladesh Factory Safety Accord: At Least 14 Major North American Retailers Decline to Sign, *The Huffington Post*, May 17, 2013.

<sup>30</sup> "Retailers Key to Bangladesh Worker Safety, Investors Tell Walmart, Gap," AFL-CIO, May 17, 2013.

safety conditions of its workers?<sup>31</sup> Are there other steps the U.S. government should take?

- Have corporate codes of conduct been helpful?
- Will the Bangladesh Parliament approve the proposed changes that the ILO has recommended, and if so, will the ILO monitor their implementation?
- What are possible unintended consequences for Bangladeshi apparel workers if action leads to a decline in the apparel industry?

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<sup>31</sup> While one option might involve possible suspension of GSP status for Bangladesh, as the USTR is considering, some experts have also suggested as an alternative extending tariff-free treatment for apparel to Bangladesh, perhaps in conjunction with a proposed ILO Better Work Bangladesh program under consideration. See "How to Avoid Another Bangladesh Factory Disaster," by Kimberly Elliot, Center for Global Development, May 7, 2013.