

Alert

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New U.S. Ban on Chinese Cotton Suppliers Adds Stress to Fashion Industry's Weakened Supply Chain

Trade tensions between the United States and China, coupled with a global pandemic, have had devastating effects on the fashion industry — highlighting the problem of reliance upon China as a major, if not sole, source of goods and manufacturing. Now, a recent ban on certain cotton suppliers from China adds pressure upon brands and retailers to pivot quickly to identify and contract with other cotton supply sources in order to avoid major disruption to their supply chains.

On September 14, 2020, U.S. Customs and Border Protection issued five *Withhold Release Orders* (WRO) directed at products manufactured in the People's Republic of China, including cotton, apparel, and other goods that were produced with state-sponsored forced labor in the Xinjiang Uyghur Autonomous Region. These orders ban the import of the identified goods produced by certain Chinese manufacturers. Acting DHS Deputy Secretary Ken Cuccinelli cited human rights violations and anti-competitive implications as a basis for the action taken by the U.S. government, stating: "By taking this action, DHS is combating illegal and inhumane forced labor, a type of modern slavery, used to make goods that the Chinese government then tries to import into the United States. When China attempts to import these goods into our supply chains, it also disadvantages American workers and businesses."

Chinese cotton is extremely important to the fashion industry as a whole. As much as 85 percent of the cotton utilized in the industry is from the Xinjiang region of China. In the United States, 24 percent of all imports of cotton textile and apparel come from China. While the recent WROs did not go as far as to ban the import of all cotton and yarn products from China into the United States, it puts the industry on notice that cotton and other products from this region are becoming controversial due to human rights concerns, and further negative state action may follow should the situation persist. Indeed, the European Union is already working on legislation mandating due diligence on environmental and human rights issues across the supply chain.

Given the actions taken by the United States and other international governments, fashion companies must be proactive in identifying potential problems or areas of vulnerability in their supply chain. Initial and continuing due diligence into each vendor in the supply chain can help minimize the risk of association with a company involved in human rights violations, such as forced labor or human trafficking. This protects not only the supply chain itself, but the reputation that brands spend significant time and money cultivating. For these reasons, some well-known fashion brands are already beginning to terminate relationships with Xinjiang suppliers of cotton, as well as working publicly with organizations whose efforts are focused on terminating conduct that violates human rights.

Regardless of whether fashion businesses are mandated to consider environmental and human rights implications within their supply chain, companies should prepare to engage with stakeholders to consider improvements as these issues continue to grow in importance.



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