

# VISION: October 2011

## Verité up close:

Back in 1985, when I was first teaching English, my American colleagues and I used to joke that we would one day write an article pretentiously entitled: “China, Land of Contrasts.” For me, after my visit to the World Economic Forum “Summer Davos” meeting in Dalian, that day has, happily, finally, come. I share the following anecdotal observations about the country from this visit:

**China is expensive.** Among our new friends is a lovely Chinese woman who works for a property development company. (We connected by commiserating about the challenges of raising teenagers.) Her company is selling new ‘villas’ that list for just under \$1M a piece and which were heavily promoted during the Forum. In China, she makes several multiples of the salary that she used to make working a major American company in the US. (Lest this seem too attractive, she has only about five days off – including weekends! – in a year.) If we are looking for an emblem of the new rich in China, she fits.

She can command such a salary because there is a serious shortage of skilled workers. She can have hope of selling such expensive houses because after several decades of growth and property market speculation, there is a lot of money to spend. Combine these factors with the substantially appreciated *yuan* and China is by no means a low-cost place to operate any more, whether you are making garments, running a company, or staffing an NGO like Verité.

**But China’s workers are still vulnerable.** Wages continue to go up for skilled workers and the middle class grows in size and wealth. Yet there are still millions of Chinese workers who don’t know what they should be paid or how their wages are calculated; who face dangerous conditions; who cannot access support from unions or others who could help them. Most of them work in agriculture or mining. As more Chinese agricultural products enter the US market, we are finding ways to link those workers to the levers of change that have had some positive effect for manufacturing workers.

**China is more transparent, and business more responsive.** The Chinese press was full of reports about pollution spilled into a waterway near a solar panel plant run by Jinko Solar. Jinko is listed on the New York Stock Exchange, and was faced by a protest of several hundred people outside the plant from which toxic water was released. The local EPA confirmed that the water had excessive chemical levels. The intersection of public protest and international listing obligation has prompted the company to apologize publicly and promise remediation.

**But Chinese CSR still has a long way to go, and better get there soon.** Big companies in China have mostly embraced a “1990s” version of CSR, emphasizing philanthropy like scholarships and school construction, and, in some cases, environmental protection. Chinese CEOs lack the sophisticated vocabulary about business case or business integration that western business leaders have internalized and deploy effectively. Few if any Chinese business leaders have embraced a western style approach to empowering workforces – presenting a challenge to

those of us who believe that such empowerment is the key to sustained change in respect for labor rights.

Yet more and more Chinese businesses are expanding overseas, so they'd better start recognizing how western consumers and other stakeholders expect them to behave. While in New York City earlier this week, I saw for the first time the Haier Building on Broadway. I first knew Haier as a Chinese appliance brand with which we furnished the kitchen of our Beijing apartment in 1996. It is now a global seller of machines with a brand name building in Manhattan. Yet the hallmarks of its corporate responsibility are worthy but "old-fashioned" donations of water heaters and the construction of schools. Haier represents how Chinese companies need to connect their growth in scale and sophistication with growth in how they consider their responsibility to employees, the environment, and to other stakeholders.



**China is made for Social Enterprise.** At the Conference, we Social Entrepreneurs interacted with a new community of the World Economic Forum called the Global Shapers, which is a group of Chinese leaders who are all under age 30. Most of them are involved in social enterprises – building rural businesses to produce ‘green’ products, for example, or using arts to strengthen communication of social issues. As someone who’s been involved in running foreign NGOs and supporting Chinese NGOs for over two decades, and suffered through the challenges associated with the non-profit sector in China, it

strikes me how important it is to build further understanding about social enterprise in China. “Social’ businesses can avoid the administrative and political difficulties that many NGOs face – particularly in controversial spaces like labor rights and human rights. While there are important and significant differences between NGOs and social businesses everywhere, it is clear that there is great potential for the concept and practice of social enterprise to fill space that is unachievable through NGOs. Supporting these new Chinese colleagues to increase the social impact of their enterprises is a worthwhile area to focus.

Thanks for reading.

--Dan Viederman, CEO

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## From the Field

**The \$27,000 Journey: Nepalese and Indian Immigrants to Latin America and the United States**

**By Quinn Kepes, Research Program Manager**



As I crossed the bridge between Mexico and Guatemala – where I am based – I peered over the edge of the bridge to the river below and could see dozens of undocumented immigrants floating on precarious rafts made of old tires tied together in order to get around the border posts. The border of Tecun Uman is known as the place where the *Tren de la Muerte*

(Train of Death) begins its journey north with undocumented immigrants clinging to the train and trying to defend themselves against marauding gangs who attempt to knock them off the trains with baseball bats. With an increase in border security, corruption, and kidnapping and extortion of immigrants by drug gangs such as the Zetas, migrating to the United States through Mexico has become increasingly dangerous for Central Americans. But what about immigrants from Africa and Asia who are thousands of miles from home, and can't speak Spanish *or* English? I was headed to Mexico to research the trafficking of Nepalese immigrants to the United States and was astonished by what I found.

The transition from the center of the border city of Tapachula and the outlying areas was shocking. As I crossed the famed train tracks, I could see gang members, deported migrants down on their luck, and migrants waiting to go north. I was on my way to the Casa del Migrante, a shelter run by Padre Flor de Maria, an elderly Italian priest who has been in Mexico assisting migrants for over 15 years. The taxi let me off in front of the shelter, a colorful, sprawling concrete building with a huge sign painted on one of the walls reading, "Human Trafficking is a Crime. Do Not Let Them Harm or Exploit You" and included a number for a hotline to report trafficking. When I walked into the shelter one of the first things I noticed was a huge painting of Jesus hanging on a wall amidst the drying clothes of migrants housed at the shelter. Beneath the signature of the artist it said "Nepal." I was met with a warm greeting from Padre Flor de Maria, who stepped out into the hallway in bare feet, with a foot-long white beard, white frock, and a huge smile. He was bursting with energy and good will as he led me through a free health clinic into his unimposing office at the back of the building.

I explained to him that Verité was carrying out research on the trafficking of Nepalese immigrants to Israel, the United Arab Emirates, Malaysia, and the United States for labor exploitation. While I had gathered information about Nepalese visa lottery recipients who had been subjected to forced labor in the US even though they had green cards, I was now looking into whether undocumented Nepali immigrants were also being trafficked into the US. Our partner, [ASK-India](#), which is conducting research in India and Nepal, confirmed that many Nepali immigrants were obtaining false Indian passports in order to go to the United States via Guatemala, because Guatemala had recently lifted its visa requirement for Indians. In fact, a group of Nepali immigrants that was detained at Guatemala's main international airport with false passports was forced to remain at the airport begging for food for weeks because the authorities could not find a translator to determine where they should be sent back to. A number of Nepali immigrants have been detained with false passports and Indian and Nepalese immigrants have been freed from so-called "safe houses" in Guatemala City where they were held captive with one meal a day until they could come up with more money for the journey north. A couple of weeks before my visit to Tapachula, Mexican immigration authorities had found two tractor trailers literally stuffed with 513 immigrants, including some from India and Nepal.



What Padre Flor de Maria told me in his perfect Spanish with an Italian flourish was astonishing. He informed me that since

Central American countries lifted a visa restriction on Indian immigrants approximately two years earlier, there had been a flood of Indians coming to the shelter after they had been caught trying to traverse Mexico or had run out of money. The vast majority of these “Indian” immigrants had flown to Guatemala and had immediately gone to Mexico to try to get into the US. While he stated that many of these “Indian” immigrants could have been Nepalese, a total of 17 immigrants had officially registered as being from Nepal between the end of July and October 2010 alone. These immigrants reported that they had paid between USD \$27,000 and \$47,000 to get from Nepal to the US, many by boat via Dubai and Egypt, a journey that took up to seven months. These were not wealthy Nepalis and a fee that high makes them tremendously vulnerable to trafficking, and forced labor, as they most likely have to work for years to pay off these fees.

Padre Flor de Maria told me about the many immigrants from the Horn of Africa, Pakistan, and India that also resided at the shelter. He spoke of a young Pakistani couple that were clearly victims of trafficking and had paid \$25,000 to get to Mexico by a circuitous boat journey which took over a year. He also said that there was a firm of Indian lawyers based in Mexico who charged Indians excessive fees to obtain asylum status in Mexico so that they could transit freely to the US border. He said that one of the lawyers offered him a large sum of money if he would attest that a group of Indian immigrants were in his custody at the shelter, a bribe that he of course refused to take. As I headed out the door, I asked him about the painting. He said that one of the Nepalese immigrants who was staying at the shelter used an old piece of plywood and paint that he found in the shelter and presented the painting to him with a huge smile as a sign of his appreciation, as his inability to speak Spanish or English prevented him from expressing his thanks in words.



My next stop was the UN High Commission for Refugees’ office in Tapachula. Upon climbing the steps to the office building, which is shared with the Mexican Commission for Refugees (COMAR), I came upon groups of immigrants from countries around the world. There was a group from Liberia and Sierra Leone, another from Colombia, and yet another from Somalia, totaling over 50 immigrants. I found out that they were seeking to obtain asylum in Mexico. As the Mexican authorities had recently changed the regulations, prohibiting asylum seekers from traveling north of Chiapas, it seemed that they were genuinely seeking asylum rather than trying to head north. I spoke with an 18 year-old lone migrant from Bangladesh who explained to me that there were more job opportunities for him in impoverished Chiapas than in Bangladesh and that he wanted to stay there and work.

As I drove back to Guatemala, I thought about the level of danger and abuse that Latin American immigrants suffer en route and how they are subjected to forced labor once they arrive in the US, as we uncovered in our [Help Wanted report](#). I thought about how much more vulnerable migrants from Asia and Africa are. They lack the language skills to communicate in Mexico and the US and the social networks to help them get settled and obtain jobs, as well as to report labor abuses. They pay huge sums of money to get to the US, which they have to work for years to pay off if they actually make it over the border. Verité is now conducting research to find out more about the trafficking networks that deceive and exploit Nepali immigrants around the world. This

research will be used to develop policy recommendations to protect migrants from becoming victims of labor trafficking in the future.

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## What We're Talking About

### [The Fraying of a Nation's Decency](#)



When people think “sweatshop,” they are unlikely to picture the dot-com bellwether that sells books, and doesn’t really manufacture anything. No doubt people within Amazon.com felt this way,

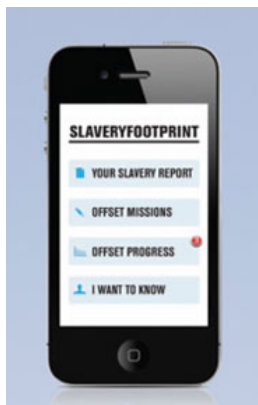
It is highly unlikely that people in the company thought that by contracting for warehouse services they would end up facing critical articles in *The New York Times*. They were just conducting business as usual, finding a cheaper way to fulfill core parts of their business. Outsourcing is one way that companies save money and find efficiencies. Unfortunately, this approach inevitably brings risks as companies lose control of their operations. As we’ve pointed out elsewhere, the biggest risk of labor exploitation emerges when hiring is subcontracted to a labor contractor or staffing agency. Without visibility into the conditions that result from this business relationship, the possibility of surprises is very high. Amazon’s recent experience provides a vivid illustration of the problems we’ve described in manufacturing, agriculture, and the construction sectors overseas in our [Help Wanted Fair Hiring Toolkit](#). The good news is that these problems can be solved.

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## Latest News

### **The Slavery Footprint App and Beyond**

by Allison Arbib, Raw Materials Manager



Many people want to know how much forced labor fuels their life. So many people, in fact, that when [Slavery Footprint](#) launched an online survey and app to answer that question, the site’s servers crashed.

The app asks visitors to take a short survey about their lifestyle: how big their house is, what products they use, what they eat and drink, what they wear, etc. Then using data vetted by the US Department of State, it calculates a forced labor “score” or “footprint” for each user, which indicates how many modern slaves were ‘used’ in the gathering and production of daily products.

Introductory language on the site focuses strongly on the labor that goes on outside of the factory asking “What about the cotton in that t-shirt? The tantalum in that smart phone? The beans in that cup of joe? That’s where you find the slaves. In the fields. In the mines. In the raw materials processing.”

The results of the survey are “brand-agnostic.” The survey assigns scores based on sector and product rather than a specific brand, because many brands source their materials from the same origins and suppliers. The app and website do however incorporate ways for consumers to get involved, such as asking brands to find out where their materials are coming from. [Learn more about Verité’s efforts to help brands address labor and human rights issues in their farms and fields.](#)

Slavery Footprint has earned a lot of attention for an issue that people tend to overlook, and we are thrilled. It’s likely that concerned consumers will be looking for further steps they can take to get involved in the fight against forced labor. For concerned consumers, Verité offers the following actions:

1. Learn about the companies you buy from:
    - a. Does it publish reports or have a special section of its website devoted to issues of human rights and social responsibility?
    - b. Do these reports discuss their suppliers and raw materials supply chains? Do they discuss suppliers beyond the ‘first tier?’
    - c. Does the report (or other section of its website) discuss how the brand gains insight into its supply chain?
    - d. Does the brand disclose any challenges in their supply chain? Discussion of negative issues can seem like a red flag, but if brands can be transparent about the challenges, they can be transparent and proactive about solutions.
    - e. Does the brand publish a Code of Conduct for its suppliers? (You may have to dig around a little for this). The Code of Conduct explains a brand’s expectations for its suppliers. A strong Code of Conduct should (at minimum) clearly and unequivocally prohibit forced labor and child labor and protect the right to freedom of association (where not prohibited by law). If a Code of Conduct is available, does the code of conduct apply to suppliers beyond the first tier?
  2. Go deeper. After using the Slavery Footprint app, consumers may want to [learn more about forced labor in commodities and raw materials](#).
    - a. Check out the [Verité Forced Labor Commodity Atlas](#) to read more about forced labor in materials that go into every day products.
    - b. Read about Verité’s groundbreaking work in the [tomato](#), [tobacco](#), and [cocoa](#) sectors.
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## INSIGHT

Workers in an car manufacturing factory in Mexico were routinely being laid off for simply asking management about what their rights were as employees, or for approaching local union representatives to interpret their own contracts, employment agreements, and rights as workers.

[\[more\]](#)

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## **IMPACT**

This summer, Verité expanded its auditor certification training to Europe, the US, Brazil, and Taiwan. 97 CSR professionals learned how to gather sensitive information from workers, and to spot, analyze, and communicate weaknesses in the management systems that help electronics factories avoid social and environmental problems.