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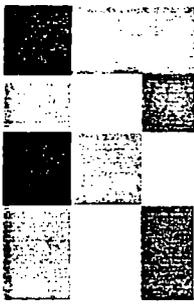
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First-Ever Lawsuits Filed Charging Sweatshop Conspiracy Between Major U.S. Clothing Designers and Retailers, Foreign Textile Producers

15,000 Workers Living In Indentured Servitude While Producing Goods "Made in the USA"

More Than \$1 Billion Sought -- Defendants Include The Gap, Tommy Hilfiger, May Company, Sears and Wal-Mart

In the first-ever attempt to hold U.S. retailers accountable for mistreatment of workers in foreign-owned factories operating on U.S. soil, litigation was filed today in California and Saipan against 18 high-profile U.S. clothing manufacturers and retailers, including The Gap, Tommy Hilfiger, May Company, Sears and Wal-Mart.

These companies are accused of violating federal law by engaging in a "racketeering conspiracy" using indentured labor -- predominantly young women -- to produce clothing on the island of Saipan. (Saipan is part of the Northern Mariana Islands, a U.S. Commonwealth in the South Pacific).

Their foreign-owned garment contractors in Saipan are also charged with failing to pay overtime and creating intolerable work and living conditions. In the last five years, contractors in Saipan have received more than 1,000 citations for violating U.S. Occupational Safety and Health Administration (OSHA) standards, many of which characterized capable of causing death or serious injury.

Two federal class action lawsuits were filed on behalf of more than 50,000 workers from China, the Philippines, Bangladesh and Thailand. The workers were allegedly drawn to Saipan with promises of high pay and quality work in the United States. Instead, they found themselves working up to 12-hour days, seven days a week, often times "off the clock" without receiving any pay or overtime.

A third companion lawsuit was filed in California state court by four national human rights and labor organizations (Global Exchange, Sweatshop Watch, Asian Law Caucus and UNITE!). The lawsuit accuses the retailers of using misleading advertising, and trafficking in "hot goods" manufactured in violation of U.S. labor laws.

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Together, the three lawsuits are seeking more than a billion dollars in damages, disgorgement of profits and unpaid wages.

"To allow such squalid conditions to persist on American soil is both patently unlawful and morally reprehensible," said Al Meyerhoff, one of the lead attorneys. "Saipan is America's worst sweatshop."

According to the Lawsuits:

- Garments made in Saipan's sweatshops may carry a "Made in the USA" or "Made in The Northern Mariana Islands, USA" label. American consumers are deceived into believing they have purchased a product made by American workers protected by U.S. labor laws, that guarantee a living wage and a clean, safe work place.
- Last year alone, the federal government estimated that contractors and U.S. retailers avoided more than \$200 million in duties for \$1 billion worth of garments shipped from Saipan, that would otherwise have been paid for the same clothing if it were manufactured in China or the Philippines. Some Chinese garment interests have moved their textile operations to Saipan virtually "lock stock and barrel," in large part, to avoid U.S. duties and quota restrictions. The federal government estimates that this increase in Chinese apparel production in Saipan has allowed China to exceed its import quota by 250% in 1997 alone.
- Although Saipan's garment factories are owned predominantly by Chinese and Korean companies, quality-control inspectors from The Gap, The Limited, and other U.S. retailers allegedly oversee the manufacturing process. Still, they have refused to exercise their power to mitigate the intolerable work and living conditions.
- Over 90% of garment industry jobs in the Marianas are held by foreign "guest workers." These and other foreign workers make up more than half of the estimated total Marianas population of 70,000. This is largely due to the Island's exemption from U.S. minimum wage and immigration laws instituted to encourage local economic development. Since 1996, over 200,000 apparel industry jobs were lost in the continental United States.
- With promises of a good job and a new life, workers agree to repay recruitment fees from \$2,000 to \$7,000. They often must sign "shadow contracts" waiving basic human rights, including the freedom to date or marry.
- The crowded, unsanitary factories and shanty-like housing compounds are in flagrant violation of federal law. The heat in some factories is so extreme it can cause workers to faint. Many live in a room with up to seven other people in inward-pointing barbed wire-enclosed barracks. Their movements are strictly supervised by guards, and are subject to lockdowns or curfews. Complaints about the conditions are met with threats of termination, physical harm, and summary deportation.

"Unfortunately, indentured servitude is alive and well in the many parts of the world, including the United States," said another lead attorney, William S. Lerach. "Companies like The Gap and Wal-Mart have reaped millions in profits from this scheme -- now they will be held accountable."

Conditions in the Marianas have generated a host of highly critical reports from federal agencies and Congressional oversight. One recent report on the Marianas from the U.S. Department of Interior sharply criticized "the heavy and unhealthy dependence upon an indentured alien worker program and on trade loopholes to expand its economy."

Garment production in Saipan continues to increase, already exceeding that of Malaysia and Jamaica. Although the legal limit on foreign garment workers is 11,000, recent estimates exceed 15,000, and more factories are being built.

The plaintiffs are represented by a coalition of law firms, including Milberg Weiss Bershad Hynes & Lerach LLP -- class action specialists with principal offices in New York and San Diego. The firm has successfully litigated numerous consumer lawsuits against such companies as R.J. Reynolds ("the Joe Camel" case); Prudential Insurance (for life insurance fraud); and Lincoln Savings (for defrauding depositors).

Most recently, the firm negotiated a \$1.2 billion settlement from Swiss banks as reimbursement to surviving families and victims of the Holocaust. They are currently seeking compensation for Holocaust victims forced to work as slave labor in factories.

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Statement from Jay Mazur, President of UNITE:

“American consumers will be shocked to learn that major American clothing manufacturers produce clothing through a system of virtual indentured servitude in the U.S. territory of the Northern Marianas. Investigations by Congressman George Miller have exposed terrible conditions. Workers lured to the Marianas from China and other Asian countries are forced to repay large "recruitment fees" and confined to prison-like barracks. The long hours, low wages, unpaid overtime and physical abuse are as bad as any we have discovered in Third World sweatshops. But this situation is even more outrageous because the garments sewn under such terrible conditions enter the United States duty free carrying the Made in the USA label. UNITE has long struggled to eliminate sweatshops at home and abroad, and we join this lawsuit to demand that these large corporations remedy the terrible injustices inflicted on these workers and bring an end to an intolerable system of exploitation on U.S. soil. “

UNITE, (the Union of Needletrades, Industrial and Textile Employees) is the largest apparel and textile union in North America. It is known for its aggressive organizing and defense of human rights. The union has taken a lead in the fight against sweatshops at home and abroad.

Background on the Saipan Litigation

The lawsuits being filed by foreign garment workers and labor and human rights organizations make the following allegations:

Saipan (one of a group of islands known as The Northern Mariana Islands) came under U.S. control in negotiations with Japan after World War II. The Marianas gained Commonwealth status following a 1975 plebiscite. In recent years, Asian-based companies have established dozens of low-tech garment factories and shanty-like housing compounds on the islands, drawn there in part by the lack of tariffs and production quotas that the U.S. otherwise imposes on Asian imports.

An estimated \$1 billion worth of wholesale so-called "Made in the USA" clothing was shipped duty-free in the year ended October 1998 from Saipan to the U.S. mainland. According to the U.S. government, this resulted in an estimated savings of more than \$200 million in duties that would otherwise be paid by the Asia-based garment factories and the U.S. garment industry.

Young women and men are recruited from poor regions of China, the Philippines and other Asian countries with the promise of good wages, healthy food and "American-style" living quarters. Upon arrival in Saipan, however, these workers encounter what the lawsuit calls a "cruel hoax." Conditions are unsafe and abhorrent, and liberties of the workers can be greatly restricted.

Causes of Action

Quality-control inspectors from U.S. companies routinely visit the garment factories as part of their quality inspection programs to check on the manufacturing process, then either knowingly or negligently turn a deaf ear to reports of dangerous working conditions, physical and psychological abuse, and filthy living quarters. The lawsuits involve alleged violations of racketeering, labor, human rights and unfair business practice laws.

Case # 1 -- Filed in federal district court in Los Angeles, brought pursuant to the Alien Tort Claims Act and the Racketeering Influenced Corrupt Organization Act (RICO). This lawsuit alleges that contractors, manufacturers and retailers engaged in and benefitted from forced labor, and also alleges that workers were forced into conditions constituting peonage and involuntary servitude, in violation of international human rights laws. The plaintiffs are a class of current and former Saipan workers, estimated to number more than 50,000 people.

Case # 2 -- Filed in state court in San Francisco, under California statutes against unlawful and unfair business practices and misleading advertising. This lawsuit alleges that manufacturers and retailers gained profits by trafficking in "hot goods." These companies also claim to have in place "no sweatshop" and monitoring programs to ensure such conditions do not exist. In addition, the defendants falsely advertise their clothing, focusing on the "American" nature of its production. The plaintiffs are public interest and labor groups that include UNITE!, Global Exchange, Sweatshop Watch and the Asian Law Caucus, representing the interests of the labor and human rights communities.

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Case # 3 -- Filed in federal district court in The Commonwealth of The Northern Marianas Islands (C.N.M.I.), brought under the Fair Labor Standards Act and C.N.M.I. law. This lawsuit alleges that garment contractors fail to pay workers who are forced to "donate" their time when their regular shifts end. The plaintiffs are a class of workers estimated to number more than 25,000.

Defendants Include:

The Associated Merchandising Corp., Cutter & Buck Inc., Dayton-Hudson Inc. (*Marshall Fields, Mervyn's, Target*), The Dress Barn Inc., The Gap Inc., Gymboree Manufacturing, Inc., J. Crew, Inc., J.C. Penney Company Inc., Jones Apparel Group, Lane Bryant, Inc., The Limited Inc., The May Department Stores Company (*Famous-Barr, Filene's, Foley's, Hecht's, The Jones Store, Kaufmann's, Lord & Taylor, L.S. Ayres, Meier & Frank, Robinson's-May, Strawbridges*), Nordstrom Inc., Oshkosh B'Gosh Inc., Sears, Roebuck and Company, Tommy Hilfiger USA Inc., Wal-Mart Corp., Warnaco, Inc.

Statement of Allegations

Information gained from reviews of reports from government and human rights organizations and interviews with numerous former and current workers forms the basis of the litigation. The allegations in the lawsuits include prison-like confinement. The housing compounds are frequently secured by guards and surrounded by fences often topped with inside-pointing razor wire. Workers have little freedom of movement. Except for infrequent passes, many spend their free time in these barracks under constant supervision. Workers who leave without permission or violate curfews may be threatened with deportation to their home countries.

Peonage

Workers must stay on the job in order to pay exorbitant recruitment fees that are a pre-condition of their employment, often as much as \$7,000. Unilaterally determined costs for food and housing of up to \$200 a month are also deducted from their paychecks. At a minimum wage of \$3 an hour, these workers may need to work up to 2,500 hours in a year just to break even, but their maximum contract can only be for one year. The effect is to keep workers in a state where their wages rarely exceed the payments owed for their debts.

Unhealthy Living Conditions

For cleaning and drinking, workers must often depend on water brought home in bottles, rain water or water delivered in metal barrels. It is not uncommon for the water to be non-potable. Routinely, water is not provided to the workers in factories. The flushing mechanisms on toilets are often inoperative, as are the showerheads.

Food is of low nutrition and unhygienic or infested, leading to intestinal problems. Cooking equipment may only consist of a hotplate.

Up to twenty people sleep in rooms infested with vermin and insects. Floors are bare concrete and the beds are constructed of plywood with light padding. The air-conditioning often is broken, and there is little ventilation. Personal belongings are often damaged or are stolen in persistent thefts.

Unsafe Working Conditions

Many of the garment factories are hotboxes due to poor ventilation. Punishment is regularly meted out as a means of instilling worker discipline. In one case, workers had to remove bolts of cloth from a storage unit that was so hot the skin on their backs, arms and legs was burned from contact with the metal walls, making a searing sound like "frying meat." The worker reporting the incident was subsequently ridiculed by management when he complained.

There are numerous reported incidents of safety shields being removed from sewing machines to allow for faster production, fire exits being blocked or chained shut and factories not offering dust masks despite air filthy with synthetic and cotton fibers.

In 1996, U.S. OSHA inspectors visited numerous garment factories in Saipan and found over 90 violations, 45 of which involved the risk of serious injury or death. Workers report that, just prior to inspections, supervisors will strive to create a false impression of safety, installing safety shields, turning on fans and unlocking previously chained exits. Since 1993 there have been more than 1000 reported OSHA citations in the Saipan garment factories.

Callous Medical Treatment and Physical Abuse

To cut costs and to avoid the chance that outside doctors might report abuse or injuries, garment contractors provide medical care to workers at their place of employment. Many workers report suffering at the hands of these company doctors and some even witnessed colleagues die after being denied basic medical care. One worker reported being reprimanded and threatened with termination for following a doctor's order to elevate his injured leg while at work.

Infringement of Civil Liberties

Many workers must sign what are referred to as so-called "shadow" contracts restricting their freedom of speech, freedom of religion, freedom to engage in social activities and ability to seek alternative jobs.

Workers have been threatened with violence or deportation should they report violations of safety or human rights laws. Retribution is also threatened against their families in their home countries, who often are without resources or influence. One factory owner, Willy Tan (who was recently forced to pay \$9 million in restitution for unpaid overtime, minimum wage and sub-standard living conditions) stood on the tailgate of a truck and made these threats to an assembly of workers who had been ordered out of their barracks.

Unpaid Overtime Work

When unrealistically high production quotas are not met, workers are told to resume working on an unpaid basis. Workers report having to contribute 15 - 20 or more additional hours of "free" time each week.

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Label Letter

SPECIAL EDITION
Summer 1998

Union Label & Service Trades Department, AFL-CIO

The more people learn about the U.S. Commonwealth of the Northern Mariana Islands (CNMI) and the garment industry that dominates it, the more outraged most of them become.

Clothing valued at more than \$800 million was shipped into the United States duty-free last year from the CNMI, almost all of it from the largest island, CNMI's capital, Saipan.

It went to U.S. clothiers like The GAP, GEAR, Sears, J.C. Penney, Ralph Lauren, The Limited, Tommy Hilfiger, Gymboree, Chadwicks of Boston, Mervyn's, Oshkosh B'Gosh, Levi Strauss & Co., May Co. department stores, and others.

Most was labeled "Made in USA"—the phrase widely accepted as warranting products free of the abuses associated with Third World sweatshops. Most of the rest was labeled "Made in Saipan, USA," or "...Northern Marianas, USA."

Most of it, however, was made in factories run as virtual sweatshops by Asian investors—mostly Chinese (including China's government) and Koreans. Asians own 21 of the 26 factories in Saipan.

The factories are staffed by "guest workers" brought in from China, the Philippines, Bangladesh and Sri Lanka after they pay thousands of dollars to job brokers. The 35,000 "guest workers" outnumber the 27,000 U.S.-citizen residents of the CNMI.

They work for the CNMI's minimum wage of \$3.05 an hour, \$2.10 less than the U.S. minimum wage, which applies in all U.S. territories except the CNMI and American Samoa. The average actual pay rate for garment workers in the U.S. is \$8 an hour.

They live and eat in factory barracks, often behind razor wire fences. As much as \$200 a month is deducted from their pay for room and board.

It all takes place under federal legislation passed in

'Guest Workers' Exploited in U.S. Territory

1976 that gave the islands special privileges when they became a U.S. territory. The privileges were aimed at helping develop a local economy to benefit the islands' permanent residents. Currently unemployment runs 14% among islanders, and 30% of all citizens live below the poverty line.

The companies openly ignore other U.S. laws from which the CNMI is not exempt. These include laws that protect workers' right to organize into unions and that provide for premium pay for overtime work and for safe and healthful working conditions.

"It's an absolute insult to American workers and American taxpayers that you would be able to make these products using harshly exploited individuals and foreign

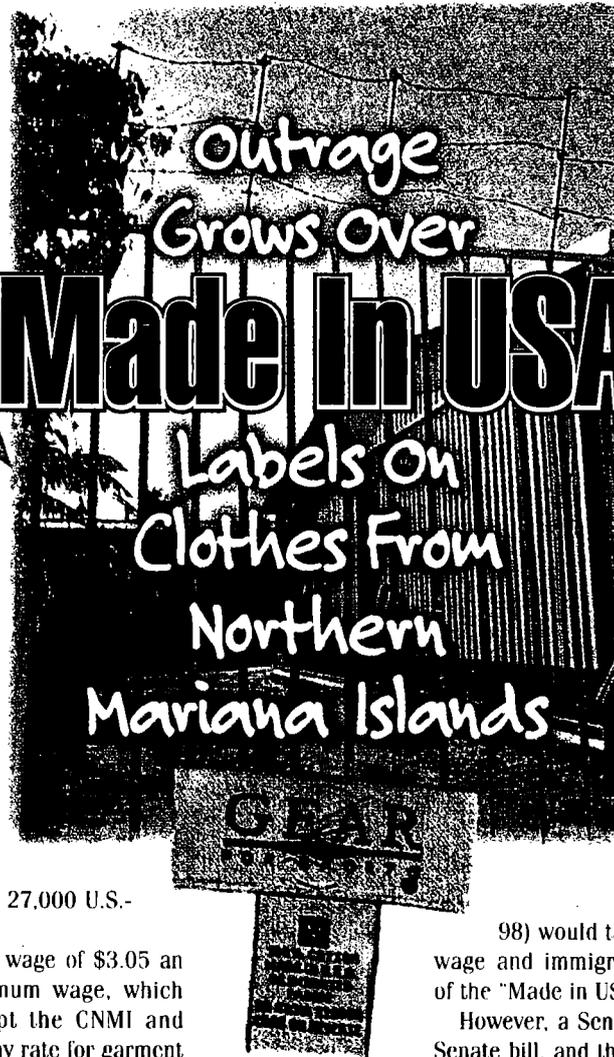
workers and then get all the benefits of using the 'Made in USA' label," Rep. George Miller (D-Calif.) told a reporter for the *Philadelphia Inquirer* earlier this year.

"None of this would be tolerated in the 50 states. Obviously the battle to protect the integrity of the 'Made in USA' label is not over," said Charles Mercer, president of the Union Label & Service Trades Dept. (UL&STD). He referred to the campaign last year that resulted in the Federal Trade Commission withdrawing a proposal to lower the standard for the label's use.

Bills in the 105th Congress (1997-98) would take away most of the CNMI's minimum-wage and immigration-law exemptions and restrict use of the "Made in USA" label on goods produced there.

However, a Senate committee pulled the teeth from the Senate bill, and there was little prospect for action on the House bill before November's congressional elections.

"The new Congress will offer new hope for correcting the situation," said the UL&STD's Mercer as he urged union members to send post cards to Congress, c/o the UL&STD, for delivery to the new Congress (see pages 3 and 4).



A 'Made in USA' label from a garment assembled in a sweatshop in Saipan.