



# Human Rights Responsibility in the Global Supply Chain: The Challenges and Strategies for Multinational Corporations in the Context of the Xinjiang Cotton Incident

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**Abstract.** The human rights responsibilities in global supply chains pose significant challenges for multinational companies. With the deepening of globalization, supply chains have become increasingly complex, involving multiple countries and regions, as well as various production and service links. This complexity makes it difficult for multinational companies to fully control potential human rights issues within their supply chains. These issues include, but are not limited to, labor rights, health and safety, environmental protection, and fair trade. To address these challenges, multinational companies need to develop and implement comprehensive human rights responsibility policies, strengthen cooperation and supervision with suppliers, and ensure that every link in the supply chain meets international human rights standards. Additionally, multinational companies should strengthen cooperation with governments, international organizations, and non-governmental organizations to jointly promote human rights protection in global supply chains. Only by doing so can multinational companies achieve sustainable development in the context of globalization while maintaining their reputation and brand image.

**Keywords:** Human Rights, Transnational Corporation, Business.

## 1 INTRODUCTION

In today's globalized world, multi-national enterprise (MNEs), extending across many countries, hold vast influence and responsibilities, making them key players in addressing human rights issues within their production and trade activities [1]. These issues involve labor rights protection, environmental pollution, cultural conflicts, community impact, gender equality, children's rights, fair trade, consumer rights and many other aspects. Given this context, examining the human rights issues of multinational companies is crucial, as it impacts their growth, global economic stability, and the principles of fairness and justice, with supply chain human rights emerging as a key area of focus, spurred by advancing legislation in developed countries [2]. The controversial Xinjiang cotton issue in recent years has drawn more attention to human rights, and the responses

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of MNEs around the world to the incident have demonstrated the importance of human rights responsibilities, but the divergences in the response are a good indication of whether MNEs are truly concerned about human rights responsibilities. The incident has had a significant impact on the attitudes and practices of MNEs towards human rights today. Therefore, this paper aims to deeply discuss the human rights issues faced by multinational companies under the background of globalization, analyze their causes and impacts, and propose corresponding solutions.

Exploring human rights issues within globalized multinational corporations is crucial for advancing human rights theories and enhancing global governance. By examining these corporations' behaviors and their effects, we gain insights into global human rights trends, offering fresh perspectives for theory development. This research holds significant value in shaping the global economic landscape, as the practices and commitments of multinational corporations influence the global governance framework. Deep dives into these matters offer vital guidance for governments, international organizations, and businesses, driving the evolution of global governance. Additionally, studying these issues underscores the importance of social equity and justice, highlighting society's collective responsibility to protect universal human rights, encourage public engagement, and foster a collaborative effort towards safeguarding human rights and advancing fairness and justice.

The structure of this paper is designed to provide a comprehensive overview of the Xinjiang cotton incident, delve into the underlying causes and challenges it presents to MNCs, and explore potential solutions and strategies for addressing human rights issues in global supply chains. The introduction sets the stage by outlining the research background and significance, followed by a detailed examination of the Xinjiang cotton incident, including its origins, development, and the international response it elicited. Subsequent sections will analyze the broader economic, legal, and social contexts that contribute to human rights challenges in supply chains, and conclude with a discussion of practical measures that can be implemented by multinational corporations and the international community to promote human rights compliance and ethical business practices.

## **2 Overview of Xinjiang Cotton Incident**

### **2.1 The Origin and Development of Xinjiang Cotton Incident**

On March 24, 2021, the Swedish clothing brand H&M issued a statement on its official website claiming that there were forced labor and religious discrimination in Xinjiang. Complying with its member BCI (Better Cotton Initiative), whose full name is Better Cotton Development Association, it decided to stop using cotton from Xinjiang. The BCI had previously, in October 2020, expressed that cotton production in Xinjiang, China, did not adhere to its standards due to concerns about human rights abuses, leading to the suspension of its certification for Xinjiang cotton in March 2021[3]. This move prompted other global brands like Uniqlo, Nike, Adidas, and GAP to also distance themselves from Xinjiang cotton. However, data from Xinjiang's agricultural department in 2020 showed a 69.83% mechanization rate in cotton harvesting, with the

northern region of Xinjiang achieving 95% mechanization, challenging the allegations of forced labor.

Statistics show that Xinjiang cotton accounts for more than 20% of the global cotton supply, serving as a crucial raw material source for cotton textile production in China and beyond. This positions Xinjiang cotton as a major supplier to numerous countries and regions around the world. Xinjiang cotton's status in the global market is attributed to its superior quality and abundant production. The unique natural conditions and advanced cultivation techniques in Xinjiang endow the cotton with long fibers, excellent color, and high strength, making it highly sought-after in both domestic and international markets. Meanwhile, the substantial output of Xinjiang cotton meets the demands of the global market. Beyond its quality and production volume, Xinjiang cotton also boasts strong export competitiveness. Its main export markets include Southeast Asia, East Asia, and South Asia, with products ranging from towels, bedsheets, to clothing sold worldwide. This advantage arises from Xinjiang cotton's competitiveness in terms of pricing, quality, and delivery, making it a preferred choice in the international market.

After the incident was reported by Chinese media, it caused strong dissatisfaction and rebuttal from the Chinese government and people. As the incident escalated, some countries unreasonably accused and suppressed China's cotton industry in Xinjiang, and even took trade protectionist measures. The Chinese government firmly defended its own interests and dignity, and conducted strong counterattacks and protests. To eliminate misunderstandings and biases, the Chinese government actively took measures to show the true situation of the cotton industry in Xinjiang to the international community. For example, it organized international media to conduct on-site inspections in Xinjiang and held cotton-specific promotional activities.

## **2.2 Involved Multinational Corporations and International Response**

In its "Statement on Due Diligence in Xinjiang," H&M expressed deep concerns over allegations of forced labor and religious discrimination in Xinjiang, highlighted by civil society and media reports. The company clarified it does not engage with any Xinjiang-based garment factories or source materials from the region. Similarly, Nike, responding to concerns of forced labor, affirmed it doesn't source from Xinjiang and has ensured its suppliers do not use textiles or yarn from the area, also halting recruitment from Xinjiang at its Qingdao factory. Adidas, acknowledging U.S. sanctions on Xinjiang cotton, stated it has not produced in the region and, since spring 2019, has directed suppliers to cease sourcing cotton yarn from Xinjiang, supporting the BCI's decision to stop certifying Xinjiang cotton. Fast Retailing, parent of Uniqlo, also confirmed no Uniqlo products are made in Xinjiang and its production partners do not subcontract to local mills, expressing serious concerns about the Uyghurs' situation. These multinational enterprises appear to have taken the initiative to assume human rights responsibilities and criticize human rights issues in Xinjiang, but in fact they are misinterpreting human rights. As mentioned earlier, mechanical harvesting of cotton in Xinjiang has been largely covered. Instead, the boycott of Xinjiang's cotton has reduced its marketability, which in turn has compressed the living space of the people of Xinjiang.

The response to the Xinjiang cotton issue has stirred international concern and uncertainty within the cotton industry, prompting some countries to decrease or even halt cotton imports from China. This has affected the procurement plans of multinational companies and the normal operation of their supply chains, exacerbating the importance of supply chain risk management among these companies. To avoid falling into similar risk situations, some multinational companies have begun to scrutinize the compliance and sustainability of their supply chains more rigorously. This not only increases the operational and time costs of multinational companies but may also affect the supply chain efficiency of the entire industry. For multinational companies that rely on Chinese cotton supplies, this means the need to find other reliable sources of cotton or adjust product formulations to mitigate risks.

### **2.3 Impact on the Human Rights Responsibility of Multinational Corporations**

On the day of the statement's release, H&M was fully removed from Chinese e-commerce platforms, and other brands such as Adidas, Nike, New Balance, Burberry, and Uniqlo faced strong resistance from Chinese consumers, resulting in a sharp decline in their brand images. Chinese artists who had business contracts with these brands also terminated their contracts one after another [4]. According to Nike's financial report, Nike's revenue in the Greater China region has experienced a steep decline. In 2019, Adidas' revenue in the Chinese market reached 5.28 billion euros, but it dropped to 4.6 billion euros in 2021 and further declined to 3.18 billion euros in 2022. Especially during the period from 2021 to 2022, Adidas had to readjust its Neo brand due to the loss of competitiveness in the Chinese market and issues such as inventory accumulation, and closed 2,000 offline stores in the Chinese market.

Despite the controversy and economic repercussions, the Xinjiang cotton incident served as a catalyst for a broader discussion on the intersection of global trade and human rights. Through extensive discussion and promotion, people are paying more attention to their own and others' rights, respecting and safeguarding human rights principles more, thereby forming a strong atmosphere of respecting and protecting human rights throughout society. This prompts multinational companies to more actively fulfill their social responsibilities. As public attention to human rights issues continues to increase, multinational companies need to pay more attention to their performance in the field of human rights and take active measures to protect the rights and interests of employees, consumers, and affected groups. This helps multinational companies to enhance their sense of social responsibility and form a positive corporate culture and values.

### **3 REASONS AND CHALLENGES BEHIND THE INCIDENT**

#### **3.1 Economic Globalization and Supply Chain Management**

Economic globalization has broadened the market for companies, necessitating an expansion of supply chains on a global scale. This globalization offers numerous opportunities but also presents significant challenges, demanding that companies evaluate and optimize their supply chain for efficiency and cost-effectiveness. To remain competitive, companies must source affordable raw materials and labor, streamline operations, and adopt innovative technologies to enhance productivity and market responsiveness. The complexity of managing a global supply chain includes increased risks from natural disasters, political instability, and trade disputes. Effective risk management strategies are essential to mitigate these vulnerabilities and ensure continuity. Moreover, embracing advanced technologies such as the Internet of Things, big data, and artificial intelligence can significantly improve supply chain intelligence, transparency and predictability.

Labor rights protection in the supply chain is an important human rights issue. Companies are responsible for ensuring fair working conditions, reasonable wages, and adherence to legal work hours for all employees. Promoting a culture of equality and diversity is crucial, requiring firms to treat all employees fairly, regardless of race, gender, religion, or age, and to foster an inclusive work environment that values every individual's contributions. Ensuring safety, preventing child and forced labor, and establishing emergency response plans are also critical components of responsible supply chain management.

#### **3.2 International Human Rights Legal Framework**

The provisions of international law on trade and human rights mainly focus on ensuring that trade activities do not violate human rights and respect and protect human rights in the process of trade. Article 2 of the Treaty on European Union states: "The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law, and respect for human rights. In a society that upholds pluralism, non-discrimination, tolerance, justice, solidarity, and equality between men and women, these values are shared by Member States [5]." This foundational stance places human rights at the heart of the EU's operations and interactions, both internally and in its external trade relations.

Moreover, the sustainable development goals established by the United Nations include comprehensive consideration of human rights, trade, and sustainable development [6]. For example, Goal 8 promotes sustained, inclusive and sustainable economic growth, promotes full and productive employment and decent work for all, which involves the relationship between trade and human rights. This goal acknowledges the critical role of trade in achieving human rights objectives by fostering an environment where economic activities contribute positively to the well-being of all individuals.

Expanding on this legal framework, various international agreements and conventions also play a pivotal role in shaping trade policies that respect human rights. The

General Agreement on Tariffs and Trade (GATT) and its successor, the World Trade Organization (WTO), for example, have increasingly recognized the need to consider human rights within trade negotiations and dispute resolutions. Though not explicitly focused on human rights, these bodies have begun to address issues such as labor standards and environmental protection, which are closely tied to human rights concerns. Additionally, regional trade agreements (RTAs) and bilateral trade agreements often include specific clauses dedicated to human rights, labor standards, and environmental protection. These agreements serve as instruments to enforce human rights principles among trading partners, ensuring that economic benefits do not come at the expense of human dignity and welfare.

### **3.3 Multiple Analysis of the Incident**

Behind the Xinjiang cotton incident involves multiple elements such as economy, politics, society, and culture. First, from an economic perspective, cotton is one of the important agricultural products in Xinjiang, and is of great significance to the local economic development. However, some countries attempt to suppress China's Xinjiang cotton industry by restricting imports of cotton from China, which may have a negative impact on China's economic development and people's well-being. Second, politically, it is inappropriate for some countries to interfere in China's internal affairs. The Chinese government has always been committed to promoting and protecting human rights and freedoms, including freedom of speech and economic rights. Any attempt to interfere in China's internal affairs is unacceptable. In addition, this incident also reflects differences and misunderstandings in society and culture. Some countries based on their own culture and values judge China's traditional clothing, diet, etc. This behavior not only lacks respect and understanding, but also easily leads to cultural conflicts and misunderstandings. The incident appears to be a human rights issue, but it actually involves the political tactics of the United States against China.

When human rights issues become tools of political rivalry, multinational companies need to be more cautious and strategic in fulfilling their human rights responsibilities. First, multinational companies should follow international labor and human rights standards, including but not limited to conventions of the International Labor Organization (ILO) and the United Nations Global Compact. This can help companies establish a basic framework for conduct that ensures adherence to basic human rights standards regardless of the political environment. In times of political tensions, it is particularly important to handle human rights issues with transparency. Multinational companies should regularly publish reports on human rights issues, demonstrating their commitments and actions in this area to the public. At the same time, companies should actively respond to concerns and questions from the public and stakeholders, strengthening their trust and recognition. Moreover, companies should not undertake human rights responsibilities solely for the sake of doing so. Such actions can be influenced by political factors and may create genuine human rights issues.

## **4 RESPONSE STRATEGIES AND PRACTICES**

### **4.1 Improving Supply Chain Transparency and Compliance**

Transnational companies have particular challenges and responsibilities in strengthening supply chain supervision. Firstly, transnational companies need to formulate globally unified supply chain supervision standards to ensure that all supply chain links follow the same criteria and requirements. This helps to reduce inconsistencies and potential risks. Additionally, transnational companies should conduct strict screening and evaluation of suppliers to ensure that they comply with laws and regulations, social responsibilities, and ethical standards, since suppliers are a key component of the supply chain. At the same time, long-term cooperation relationships should be established with suppliers to promote information sharing and joint improvement. Transnational companies should also conduct regular internal audits and monitoring of the supply chain to ensure compliance and sustainability in all supply chain links. Timely measures should be taken to address issues discovered, and relevant responsibilities should be traced. Furthermore, transnational companies can use modern technological means, such as artificial intelligence, big data analysis, and the Internet of Things, to improve the efficiency and accuracy of supply chain supervision. These technologies can help companies monitor the supply chain status in real-time, predict potential risks, and take corresponding countermeasures. Moreover, transnational companies should work with partners to deal with supply chain risks and establish risk sharing mechanisms. Through close cooperation with partners, companies can better understand the status of the supply chain, promptly detect potential risks and take response measures.

### **4.2 Strengthening Cooperation Between Transnational Corporations and International Human Rights Organizations**

On November 24, 2015, local time in Europe, Nestlé, a Swiss company, admitted that there were phenomena of forced labor and slave oppression in its affiliated seafood supply chain companies in Thailand. Nestlé authorized Verite to conduct an investigation. Verite conducted a secret investigation and interviewed 100 relevant individuals, including fish farm owners, captains, and workers. Most of the workers came from two neighboring countries - Myanmar and Cambodia. After more than a year of investigation and evidence collection, the long-standing rumors were confirmed [7]. The charity organization also made suggestions to Nestlé to avoid such incidents from happening again.

This cooperation has prompted companies to raise their awareness and respect for human rights issues. Such collaboration can help companies better understand and comply with international human rights standards and principles, thereby improving their impact on employees, consumers, and the community. Working with international human rights organizations has enabled multinational corporations to establish more effective regulatory mechanisms to ensure that their business activities align with human rights standards. At the same time, this cooperation has also increased the transparency of companies, allowing them to more openly report on their human rights practices and

performance. By improving human rights conditions, companies can create a more equitable, inclusive, and prosperous environment for their local communities and society at large.

However, multinational corporations and international human rights organizations may come from different cultural backgrounds and value systems, which may lead to misunderstandings and conflicts during their collaboration. Therefore, it is crucial for both parties to establish a relationship of mutual respect and trust to ensure smooth cooperation. Legal and regulatory environments may vary across different countries and regions, potentially affecting the collaboration between multinational corporations and international human rights organizations. For example, certain countries may adopt different attitudes and positions towards human rights issues, which could limit the scope and depth of their cooperation. Although multinational corporations and international human rights organizations can reach cooperation agreements, converting these agreements into practical actions may face numerous challenges. For instance, companies may need to overcome internal conflicts of interest, as well as a lack of resources and capabilities, to ensure that their business activities align with human rights standards.

### **4.3 Implementing Comprehensive Human Rights Strategies in Multinational Corporations**

Multinational companies should formulate clear human rights policies and integrate them into their strategic planning and daily operations. These policies should include, but are not limited to, respecting labor rights, protecting the environment, and safeguarding consumer rights. Additionally, the top management of the company should regularly evaluate the implementation of these policies to ensure they align with international human rights standards. An effective multinational regulatory mechanism should be established to monitor and evaluate the behavior of multinational companies. This mechanism should cover multiple areas such as human rights, environment, and labor to ensure that companies comply with international and domestic laws and regulations. Moreover, companies that violate these laws and regulations should face appropriate sanctions [8]. Multinational companies should also strengthen information sharing and communication with stakeholders such as governments, non-governmental organizations, and communities. By regularly releasing reports, holding public forums, and other methods, companies can provide outsiders with insights into their operations and human rights practices. This is crucial for building trust, reducing misunderstandings, and promoting sustainable development. Furthermore, multinational companies should ensure that employees enjoy basic labor rights, including a safe work environment, fair compensation, and reasonable working hours. Additionally, companies should establish effective complaint mechanisms to promptly address and respond to employee complaints.



#### 4.4 Promoting Reform of the International Legal Framework

There should be enhanced legal coordination among nations to establish uniform codes of conduct for multinational companies [9]. This will help ensure that their actions are consistent with international norms and standards, promoting responsible and sustainable business practices globally. Governments around the world should work together to promote the signing and implementation of relevant international treaties and agreements, ensuring that the conduct of multinational companies complies with international and domestic laws and regulations.

To address potential disputes and conflicts in the field of human rights involving multinational companies, a diversified dispute resolution mechanism should be established. This mechanism should encompass various methods such as mediation, arbitration, and litigation, to cater to the needs and expectations of different stakeholders. Additionally, the mechanism should guarantee fair, just, and efficient handling of disputes. In addition to legal frameworks and dispute resolution mechanisms, it is also crucial for governments to promote transparency and accountability among multinational companies. This includes requiring companies to disclose information about their operations, including their impact on human rights, the environment, and labor conditions. By ensuring transparency, governments can help stakeholders make informed decisions and hold companies accountable for their actions. Moreover, governments should encourage and support the development of sustainable business practices among multinational companies. This includes promoting responsible resource use, environmental protection, and social inclusivity. By fostering a culture of sustainability, governments can contribute to the long-term viability and success of both companies and the communities they operate in [10].

Overall, it is the combined effort of governments, multinational companies, and various stakeholders that can lead to the creation of a more equitable, sustainable, and inclusive global economy. By working together, we can ensure that the activities of multinational companies are conducted in a manner that respects human rights, protects the environment, and benefits all stakeholders.

## 5 CONCLUSION

Against the backdrop of globalization, supply chains have become a significant driver of the world economy, with multinational companies serving as a core force within them. However, as supply chains continue to expand and deepen, human rights issues have gradually emerged as a non-negligible challenge for multinational companies operating globally. While enjoying the economic benefits brought by globalization, multinational companies must also assume the social responsibility of protecting human rights.

To address this challenge, multinational companies need to adopt a series of countermeasures. Firstly, companies must strengthen internal human rights protection standards to ensure that all links in the supply chain comply with international and domestic human rights regulations. This requires multinational companies to not only focus on their own conduct but also conduct rigorous audits and supervision of suppliers and

partners within the supply chain. Secondly, multinational companies need to establish an effective cross-border supervision mechanism, strengthen cooperation with other countries and international organizations, and jointly combat human rights violations in the supply chain. This can not only improve the compliance of multinational companies but also help maintain the stability of the entire supply chain. Additionally, multinational companies should establish sound accountability mechanisms. For human rights violations within the supply chain, they must promptly take measures to correct them and pursue accountability against the responsible parties. This is not only justice for the victims, but also the protection of the company's own reputation and long-term interests. Finally, multinational companies should actively promote sustainable development and closely integrate human rights protection with their corporate social responsibility. By adopting environmentally friendly technologies, supporting local community development, optimizing interest distribution, and other methods, multinational companies can achieve a win-win situation for both economic and social benefits, and contribute to building a more just and harmonious global supply chain.

In summary, the human rights responsibilities in the global supply chain are an important challenge that multinational companies must face. Through strengthening internal standards, establishing regulatory mechanisms, accounting for responsibility, promoting sustainable development, and other countermeasures, multinational companies can actively respond to this challenge, achieve a win-win situation for both human rights protection and economic benefits, and contribute to the healthy development of the global supply chain.

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