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Equality | The Big Take

## Shein's Cotton Tied to Chinese Region Accused of Forced Labor

Tests link retailer's apparel to Xinjiang, where US officials say China abuses Uyghurs

By Sheridan Prasso

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A US attempt to ban imports of cotton linked to forced labor in China contains a loophole large enough for a multibillion-dollar business to pass through: clothing from Shein, the Chinese online retail giant and social-media phenomenon that ships fast-fashion apparel directly to consumers.

Laboratory testing conducted for Bloomberg News on two occasions this year found that garments shipped to the US by Shein were made with cotton from China's Xinjiang region. The results bring new urgency to concerns about the retailer, which stars in endless TikTok "haul" videos with young customers showing off their purchases.

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Citing what the US State Department has called "horrific abuses" against the Uyghur people in Xinjiang, federal officials banned the importation of cotton and other products from the region last

year; European officials have proposed a similar ban. Statements from former detainees and reports from an array of researchers and advocacy groups have alleged that the Chinese government put more than 1 million people in detention camps in the region and that laborers in fields and factories were forced or coerced.

While the US ban has sent retailers scrambling to prove they don't source cotton from Xinjiang, Shein – the largest online-only company selling clothing to US consumers – is different. Typically, its individual shipments to customers fall below an \$800 value threshold that triggers reporting requirements to US Customs and Border Protection, meaning they're not subject to the scrutiny applied to retailers' bulk imports.



Laboratory testing conducted for Bloomberg News on two occasions this year found that garments shipped to the US by Shein were made with cotton from China's Xinjiang region. *Photographer: Sheridan Prasso/Bloomberg*

In a statement, Shein didn't dispute Bloomberg's test results or say whether it uses cotton from Xinjiang. The fast-fashion retailer said it takes steps in all its global markets "to ensure we comply with local laws and regulations." A "Sustainability and Social Impact" report on Shein's US website says the company carries out regular audits aimed at ensuring a zero-tolerance policy for "forced labor" and other environmental and social concerns.

For Shein, the porous US approach presents a challenge: Acknowledging its cotton comes from Xinjiang would risk alienating consumers. Disputing it would risk angering Beijing, where China's government has vehemently denied the allegations and said there is no forced labor in Xinjiang, only jobs-creation programs. For US policymakers, Shein's position demonstrates the limits of government attempts to keep the products of forced labor out of the domestic market, disappointing human rights activists, textile makers and brick-and-mortar apparel retailers that complain of having to compete with unfair labor practices.

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“Chinese companies like Shein have taken this loophole and exploded it,” said Kim Glas, president and chief executive officer of the National Council of Textile Organizations, which represents the US textile industry. “Products are making their way to our closets with no scrutiny.”

### **Cotton Imports**

Simple mathematics suggests that plenty of cotton from Xinjiang has made its way to the US recently, since the overwhelming majority of China's cotton comes from the region. Last year, US importers brought in \$8.4 billion worth of cotton products from China, including apparel, through regular, declared channels.

Shein isn't the only retailer that can avoid scrutiny from US Customs via the loophole, but it's by far the largest. The company, founded in Nanjing in 2012, developed a network of low-cost suppliers in southern China to become the biggest online fashion brand in the world. It targets teens and young adults, turning out new styles quickly and keeping prices low. Most items cost less than \$25. They aren't available in China, only online to customers in more than 150 countries.

Backed by investors including Sequoia Capital and IDG Capital, Shein conducted a funding round this year that put its value at \$100 billion, exceeding that of rivals H&M and Zara combined. Buoyed by its ability to spot trends and respond quickly with inexpensive merchandise, the company's global revenue topped \$16 billion last year, and it's on track for \$24 billion this year, according to people familiar with its performance. A third of that is estimated to come from the US.

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Labor activists, human rights groups and others have long expressed concern that the retailer was using cotton grown in Xinjiang, but Bloomberg's testing provides the first public evidence on the matter. Two batches of garments from Shein – one ordered in March and a second in July – were shipped to a laboratory in Germany for analysis. The clothes were chosen from about 60,000 items that turned up in a search for “cotton” on the retailer's US website.

Agroisolab GmbH in Jülich, Germany, tested the items using stable isotope analysis, which measures variations in the isotopes of carbon, oxygen and hydrogen present in the cotton's fibers to indicate the altitude and other climate characteristics of the region where it was grown.

Shein's cotton was compared with fabric from Xinjiang that Bloomberg obtained from a US apparel company with operations in China. The company asked not to be identified. The Shein items were also compared with another sample the lab had previously obtained from Xinjiang. The first batch of Shein garments, which included pants and a blouse, matched both Xinjiang samples with only slight variations.

“We have to conclude it is a typical sample from Xinjiang, China,” said Agroisolab’s CEO Markus Boner. The second batch, which included shorts and a dress, had slightly higher variations, but its carbon, hydrogen and oxygen isotope ratios matched the two samples within the range that indicates a very likely Xinjiang origin, Boner said. A fifth item, a sweatshirt, was found to be likely a blend of Xinjiang cotton and another fabric; a sixth item, a T-shirt, appeared to be cotton but was determined to be polyester. The tests also ruled out with more than 95% probability several other cotton-growing regions, including India, Egypt, Australia, the US and China’s Shandong province.

Isotope testing has been used to verify the origins of food, wood and other plants, and it’s often used for forensic evidence in court cases. In the 1990s, the US government used it on \$100 bills, which are made of US cotton, to determine widespread counterfeiting – leading to a redesign with additional

security features. Agroisolab has used the technology to help differentiate organic from conventional eggs and to trace the geographic origins of lumber, and Boner has co-authored several scientific papers on the methodology.

Shein said in a statement that it has engaged another lab, London-based Oritain, which employs the same type of isotope testing as Agroisolab. Rupert Hodges, Oritain's chief commercial officer, said the firm began working with Shein this year "to support them in ensuring a robust and traceable supply chain" and to help the retailer "comply with all legal requirements in the countries in which they operate." Earlier this year, Oritain declined to test Shein's products for Bloomberg, citing a conflict of interest. Shein and Oritain declined to discuss the results of Oritain's testing.



A detention center in China's Xinjiang region in 2021. An August UN report said that the detention of Uyghurs in Xinjiang may constitute crimes against humanity. *Photographer: Mark Schiefelbein/AP Photo*

### **'Prison Labor'**

The US government considers all products from Xinjiang to be the result of "detainee or prison labor and situations of forced labor" resulting from "intimidation and threats, withholding of wages, and abusive living and working conditions." A State Department warning to US businesses said abuses against Uyghurs in Xinjiang "include widespread, state-sponsored forced labor and intrusive surveillance, forced population control measures and separation of children from families, mass detention, and other human rights abuses."

China's treatment of the Uyghurs, who are predominately Muslim, may constitute "crimes against humanity," according to an Aug. 31 report from the United Nations that cited interviews with former detainees and included allegations of torture, cultural persecution and forced labor.

A US regulation banning cotton from Xinjiang first took effect in January 2021, and Congress expanded the prohibition to all products – including solar panels and raw materials – from Xinjiang under the Uyghur Forced Labor Prevention Act (UFLPA) last December.

In June, the US government began invoking a "rebuttable presumption" provision in the new law, which holds that any merchandise from the Xinjiang region is the product of forced labor – and requires importers to prove otherwise to avoid enforcement. Violators don't face criminal penalties, only seizure and forfeiture of shipments and possible fines. China's Foreign Ministry spokesman Wang Wenbin criticized the law, saying that forced labor in Xinjiang is a "a huge lie made up by anti-China forces to smear" the country. Recent articles by Chinese news agency Xinhua have said that 80% of recent cotton harvesting in Xinjiang is carried out by machines and no longer requires human labor.

Last year, 87% of Chinese cotton production came from Xinjiang, according to the National Bureau of Statistics of China. Meanwhile, the value of Chinese cotton imports to the US rose 125% over 2020. US

cotton apparel imports from China continued to rise this year through August, by 23% over the same period in 2021 – but that increase is likely the result of shipments delayed by backlogs and supply-chain disruptions, said Neil Saunders, managing director at GlobalData Plc. “There are a lot of orders in the pipeline that were placed some time ago,” he said.

*Read More: How Trump's Trade War Built Shein, China's First Global Fashion Giant*

US imports from other countries grew more rapidly than those from China, with cotton apparel imports from Turkey rising 68% by volume. From Pakistan, the increase was 62% and from Egypt 53%, expansions that coincided with the US ban on Xinjiang cotton in 2021.

“A lot of the big-name retailers have tried very proactively to disassociate themselves from the region, so they don’t want to be tarnished with that,” Saunders said.

In August and September, Customs officials said they’d either seized, prohibited or held for further documentation 1,329 shipments of goods into the US with a value of more than \$425.5 million “for suspected use of forced labor,” including goods subject to the UFLPA. Seizures or prohibitions of goods from Xinjiang for the fiscal year that ended in September accounted for almost half of the 3,000 total and were valued at \$500 million, according to the Customs agency. Officials declined to specify the nature of the shipments or the importers’ identities.

Shein’s items escape such targeting under a so-called de minimis rule that lets goods of low value enter the US while avoiding Customs declarations or duties. Roughly 2.7 million such packages arrive in the US daily, a number that has almost doubled since the 2021 fiscal year, Customs data show.

China is the largest originator, and Shein’s shipments make up a sizeable share. The retailer’s US orders skyrocketed 568% in the first two years of the pandemic, through March 2022, according to Bloomberg data.





China's President Xi Jinping (center) visits a cotton field in the Xinjiang region in July 2022. *Source: Xinhua News Agency/Getty Images*

Congress this year considered closing the loophole; legislation that passed the US House in February would have tightened declaration requirements for shipments from China regardless of their value, but that measure died in the Senate. Its sponsor, Representative Earl Blumenauer, an Oregon Democrat, called the loophole “big enough to drive a 747 through,” and said in an interview that he’ll try to attach the provision to future legislation.

Labor rights advocate Scott Nova said the results of Bloomberg’s tests add urgency to the issue. “When Shein sends a product containing Xinjiang cotton to a US consumer, it is violating federal regulations that have been in effect for nearly two years,” said Nova, executive director of the Worker Rights Consortium, a labor rights monitoring organization. “Customs and Border Protection can and should treat all Shein shipments as suspect and apply the rebuttable presumption across the board, or at least to an appropriate and substantial subset of Shein’s imports.”

### **European Ban Proposed**

Efforts to ban Xinjiang cotton have been spreading. In September, the European Commission proposed a ban on all imports made with forced labor. In October, Uyghur rights groups sued the British government for not taking sufficient action to enforce laws prohibiting imports made with

prison labor or linked to crime. The measures are among several putting pressure on UK and EU governments to follow the US lead.

Shein faced new questions about its supply chain last month. Britain's Channel 4 and the i newspaper published an investigation that said employees at two Shein suppliers in China work as many as 18 hours a day with no weekends and just one day off per month, practices that would violate China's labor laws. The company said in response that its suppliers must abide by a code of conduct and that it would "terminate partnerships that do not meet our standards."

In addition to citing its audits of suppliers for forced labor, Shein noted in its sustainability report that it has reduced its inventory waste and created a program through which customers can sell used Shein apparel – measures designed to mitigate the environmental impacts associated with fast fashion. The company says it also conducts audits aimed at rooting out "severe health and safety violations, and underage labor."

## **Xinjiang Region of China**

The region accounts for almost a sixth of China's land area

Bloomberg

Meanwhile, a Shein spokesman confirmed that the company is planning to open US distribution centers and diversify its supply chain, as previously reported by the *Wall Street Journal*. The move will not only help "cut down delivery times by 3-4 days, but also help reduce our reliance on air freight, reducing our carbon emissions," Shein said in a statement. A planned distribution center in Indiana

would create 1,400 jobs by the end of 2025, the company said. Shein didn't respond to questions about how the US ban on Xinjiang cotton would affect its US expansion plans.

Glas, the textile group's president, said she expects Shein to keep using the de minimis trade exemption "because it is the foundation of their business model and has made the company billions of dollars." That will hurt domestic manufacturers and retailers, she said.

"This is why we need Congress and the administration to urgently act and make the policy changes we need to close this damaging loophole once and for all," Glas said.

– *With assistance by Daniela Wei*