

CHAPTER I

INTRODUCTION

UNIQLO is one of multinational corporations from Japan. This company is a company which focuses on fashion retail industry. UNIQLO has marketed its products throughout the world. Southeast Asia is no exception; this company already has branches in South Korea, India, Singapore, Thailand, Malaysia, Philippines, Vietnam, Indonesia and China.

Having a branch company in China, UNIQLO also certainly has similar competitors that can compete with them including local companies in China. With many competing companies, UNIQLO is able to survive in China. However, this company has a problem with Chinese workers which will be the topic of this research.

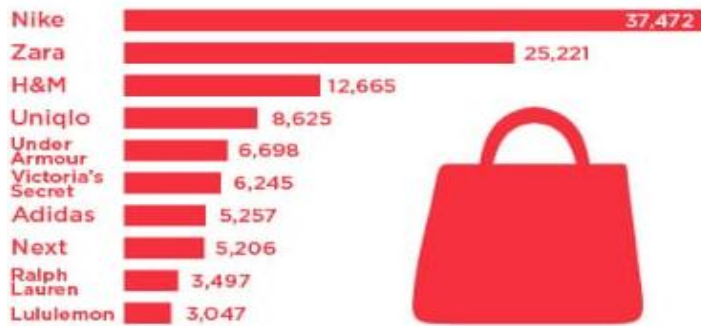
The researcher was interested in this company because this company has problems with labor in China. Therefore, the researcher wanted to find out why a company such as UNIQLO plays such an important role in China.

A. Background

In the current era of globalization, human needs are very diverse. One of the needs is fashion. Over time, fashion encompasses a long-lived human lifestyle that has followed developments. Clothing functions as protecting the body, but it has changed into a human lifestyle and also as human identity.

Clothing always shows a person's lifestyle in how to dress, from head to toe. Lifestyle is increasingly developing, presenting multinational corporations in the midst of globalization to meet the needs of human clothing. Multinational corporation offers a wide variety of various clothing products that attract all types of people, especially young people.

Multinational corporations always showcase the latest fashion output in the face of a growing world of fashion. A multinational corporation that focuses on the clothing retail industry is UNIQLO. The company is from Japan and it is managed by Fast Retailing Co., Ltd. UNIQLO can be regarded as multinational corporation because the company is operating in more than two countries and having central control in the state it is originated from.



1.1 Comparison Chart of Top 1 International Brand Value 2016

In 2011, sales in the Asian market reached 70% of total sales. UNIQLO also strengthened its business infrastructure outside Asia, such as France, Russia, the UK and the US. More than 200 UNIQLO outlets spread throughout the world. The UNIQLO brand made it into the list of the top six world-class fashion companies in the biggest turnover category. UNIQLO also competed with GAP, ZARA, H&M, Ross, and Limited Branch. According to Forbes magazine, the owner of UNIQLO has been named as one of the richest fashion retailers in the world.¹ In 2016, the company ranked fourth in the world market. UNIQLO has collaborated with various famous athletes such as Roger Federer, Adam Scott, etc. So it was not a surprise that UNIQLO gained global sales of 8,625 million US dollars in 2016.

¹ *Uniqlo Jagonya Collaboration*. (2019, July 31). Retrieved from Marketeers: <https://marketeers.com/uniqlo-jagonya-kabor-collabor/>

In 2002, UNIQLO was present in China and was managed by Pt Fast Retailing China TRADING CO., LTD. China is the largest apparel exporter which monopolizes nearly 40% of the global garment industry. Please note that UNIQLO itself does not have an original factory in China, they are collaborating with 155 garment companies in China. For the plains region of China, companies that work on UNIQLO clothing are located in the Dongguan region. Both of these regions are newly developed areas as industrial areas.

The entry of UNIQLO in China is due to the Foreign Investment Law in China which provides convenience and provides foreign investment protection related to investment security and further market liberalization, and emphasizes intellectual property protection. This is seen in Article 22 Foreign direct investment of China where the state will protect the intellectual property rights of foreign investors and foreign-funded companies, and protect the legal rights and interests of holders of intellectual property rights and relevant rights holders; in the event of a violation of intellectual property rights, legal liability must be investigated in strict accordance with the law.² UNIQLO invested in China with an investment of 1.2 billion yen in its subsidiaries and investment of 10.4 billion yen for opening stores.³ This large amount of investment is of course very significant to meet the needs of the Chinese state's income from foreign investment, the large investment and a significant export value are certainly beneficial for the country of China because it generates not small income. In 2018, UNIQLO has pocketed revenue of 258.2 billion yen, or about US \$ 2.3 billion in 2018.⁴ UNIQLO sales came from China by

² Zhang, L. (2019, May 30). *China: Foreign Investment Law Passed*. Retrieved from The laws library of congress. : <https://www.loc.gov/law/foreign-news/article/china-foreign-investment-law-passed/>

³ Fast Retailing. (2002). *2002 Annual Report UNIQLO*. Tokyo: Fast retailing.

⁴ Sebayang, R. (2018, January 15). *Penjualan Global Uniqlo Meroket*. Retrieved from CNBC Indonesia:

25%, with sales increasing by 16% from 2017 to 2018. This made the public believe that the quality of products made by UNIQLO is always good.

The value of investment and income in China does not make workers get a decent work environment and wages. According to labor confessions, they rarely get time off; they work from morning to 10 pm. Sometimes they work until 11:00 at night too. They are sometimes employed for 1-2 months. They are required to iron 600-700 pieces of shirt per day, each shirt from UNIQLO is only 0.29 RMB. An unfavorable work environment is felt for UNIQLO workers where they work with dusty shop floors with poor ventilation systems. In addition, workers working at room temperature can also reach around 38-42 degrees Celsius. And management always treats workers as machines that must continue to function without rest.⁵

This is in sharp contrast to UNIQLO's founder and CEO, Tadashi Yanai, with an estimated net worth of US \$ 19.3 billion (Rp.272 trillion), which makes him the second richest person in Japan. In addition, this company has a program of their campaign that carries the "Sustainability" which run by the company, corporate responsibility in environmental and social areas, including the welfare of employees.⁶ By bringing its campaign program in China, which is contrary to the incidents experienced by its workers, this company is certainly bad in the eyes of the wider community.

UNIQLO focuses on a number of designs to produce casual basics that are easily coordinated with other items as "clothing components." While garment companies such as Pacific (Panyu) Textile Ltd. (hereafter Pacific) and Dongguan Luen Thai Garment Co. Ltd. (hereafter Luenthai) are targeted

<https://www.cnbcindonesia.com/news/20180115142140-4-1495/penjualan-global-uniqlo-meroket>

⁵ Chan, A. (2015). *Investigative Report on the Working Conditions in UNIQLO's China Suppliers*. Hong Kong: SACOM.

⁶ Wow keren team. (2019, July 31). *Tak Dibayar Uniqlo, Penjahit Tanah Air Gelar Demo Di Tokyo*. Retrieved from Wowkeren.com: <https://www.wowkeren.com/berita/tampil/00251682.html>

to produce targeted goods in large quantities, improve quality and reduce costs.⁷

UNIQLO is also known as Black Kigyo in Japan. In Japanese terms, it refers to companies that have the potential to conflict with labor laws and regulations, exploit their employees, work excessively, are not paid for overtime, abuse of power with force or violence, threats, ignore the health aspects of employees so that employees may die from overwork or *karoshi*.⁸ According to an investigative report on working conditions at SACOM's on January 2015, there were reported violations experienced by workers in the workplace where UNIQLO has violated the existence of working conditions that exploit its workers where there are long working hours with low basic wages, hazardous working conditions in health and safety, harsh management behavior and punishments, and workers who are not represented.⁹

Researchers found that UNIQLO visits the factory floor twice per week to monitor product quality, but there seems to be no similar commitment to monitoring commitments to the UNIQLO Code of Ethics.¹⁰ This makes evidence that UNIQLO was negligent in paying attention to the safety of its factory workers.

From these conditions, this company has violated Article 4 of the Chinese labor contract law in which the

⁷ *Fast Retailing Co., Ltd UNIQLO*. (2009). Retrieved from Porter Prize:

<https://www.porterprize.org/english/pastwinner/2009/12/03114807.html>

⁸ Susilo, R. (2013, October 29). *Ternyata Uniqlo Adalah Black Kigyo*. Retrieved from Tribun News: <https://www.tribunnews.com/bisnis/2013/10/29/ernyata-uniqlo-adalah-black-kigyo>.

⁹ Chan, A., op. cit.

¹⁰ *The Reality Behind Uniqlo's Corporate Social Responsibility Promises*. (2015, February 23). Retrieved from War on Want: <https://waronwant.org/media/reality-behind-uniqlos-corporate-social-responsibility-promises..>

employer formulates, changes or decides important rules or events regarding wages, working time, rest, vacation, work safety and sanitation, insurance and welfare, training employees, labor discipline, or production quota management.¹¹ Although the government has allowed trade unions to fulfill their rights through the establishment of the People's Republic of China Labor Law in 2001 (on the orders of the President No.62), in practice the Trade Unions that have occurred have never significantly affected the government's position in dealing with the problem of exploitation impacted the persecution of Chinese workers who worked in factories.

Until finally the protest occurred at the UNIQLO store which occurred in 2015. The protest was carried out by NGOs, including SACOM. They are a group of students and scholars from a tertiary institution in Hong Kong who work to monitor and publicize violations of multinational corporations through direct investigations in supplier factories. SACOM invites consumers and investors who are committed to ending injustice in sweatshop practices. By basing itself on the struggle related to the UNIQLO sweatshop issue then SACOM struggles to ensure that:

- UNIQLO facilitates suppliers on improving working conditions by providing adequate resources;
- UNIQLO adheres strictly to their corporate social responsibility policies;
- UNIQLO supports the formation of trade unions that are fully represented by workers in their suppliers through direct and democratic elections;
- UNIQLO maintains transparency to the public by disclosing a complete supply list where their products are produced.

The protest action carried out by SACOM is usually colored by several demands such as, improving the welfare of workers, improving work environment, and demanding the

¹¹ *Ibid.*

minimum wage to be increased. This is inseparable from (class awareness) how workers feel exploited by MNCs.¹²

B. Research Question

Why UNIQLO was considered creating exploitation toward China's worker?

C. Theoretical Framework

To analyze UNIQLO regarding labor exploitation in China, theories and concepts are needed to facilitate the analysis process. In this case the researcher wants to analyze through concept, namely :

1. Concepts of MNC

Multinational Corporation (MNC) has become a significant exchange in the present period of globalization. The essentialness of its job in the market can be said to have surpassed the state. In certain circumstances, even MNCs can impact state arrangements with the goals that their advantages can be accomplished. Robert Gilpin just implies that an MNC is "*a firm of a particular nationality with partially or wholly owned subsidiaries within at least one other national economy*". MNCs in maintaining their organizations will, in general, keep on extending their business sectors abroad. One type of market development is through Foreign Direct Investment (FDI).¹³

Based on Stephen D. Cohen, Multinational Corporations (MNC) is a business substance that has satisfied explicit lawful necessities and has endorsement reports by national government authorities or nearby government experts in the nation where the new organization was set up. At that

¹² Pontoh, C. H. (2011, June 18). *Kelas Dan Perjuangan Kelas Dalam Manifesto Komunis*. Retrieved from Indoproggress.com: <https://indoproggress.com/2011/06/kelas-dan-perjuangan-kelas-dalam-manifesto-komunis/>

¹³ Gilpin, R. (2001). *Global Politic Economy : Understanding the International Economic Order*. New Jersey: Princeton University Press.

point, global organizations additionally move assets starting with one nation then onto the next for a similar explanation as individual financial specialists. A global partnership has a reason to get a higher pace of return or yield that can be acquired in the root nation.¹⁴

Cohen clarified in a model that shows various alternatives claimed by a nation in a Foreign Direct Investment (FDI) system. In this model, there are four fundamental on-screen characters, (1) the accepting State (Host Countries), (2) Countries of beginning of venture (Home Countries), (3) Multinational Corporations, (4) Stakeholders (open everywhere, laborers, the earth and gatherings sorted out open interests). The first and fourth actors felt it was basic for the beneficiary nation to have the position to ask organizations that had branches in their nations to acclimate to local guidelines, qualities, and meanings of a decent organization from the beneficiary nation. The point is for the beneficiary nation to guarantee that the organization works as per national needs. This is classified as a gathering of Obligations and Limits dependent on equity. In the actor's numbers two and three expect that the state ought not to legitimize and make guidelines that can upset an organization's opportunity to get money related achievement. Global organizations consolidate monetary premiums with a free-showcase belief system to spread their capacity to augment riches and financial productivity.¹⁵

To show the situation of the legislature and MNCs, we can utilize the law "Organic market" to analogize it. The legislatures of creating nations speak to the stock perspective with the area, work, and material got from nearby common assets. Moreover, MNCs are the gatherings that speak to the solicitation. Besides, it is simple, when supply is more noteworthy than request, at that point the bartering position of

¹⁴ Cohen, S. D. (2007). *Multinational Corporation and Foreign Direct Investment Avoiding Simplicity Embracing Complexity*. New York: Oxford University Press.

¹⁵ *Ibid.*

MNCs will be more noteworthy than the haggling position of the legislature, where MNCs play the governmental issues of “take it or leave it”.¹⁶

The objectives and thought processes of PMN to make direct speculations abroad are additionally unique. There is a MNC's that means to grow vertically. The parent organization (which forms it further) builds up an abroad branch to create contributions for further preparing by the parent organization. MNC's can likewise extend evenly by building up branches abroad via completing exercises that are nearly equivalent to the parent company.¹⁷

On the off chance that the reason for setting up an abroad branch is to accomplish the greatest benefit, at that point the thought of cost proficiency in different nations turns into the primary thought. Numerous MNC's are keen on extending in nations with low work costs (for instance creating nations), particularly whether the items delivered are work serious. Another part of the workforce that is regularly the fundamental fascination of MNC's is the specialty and not visit strikes. Another cost factor that is regularly considered is transportation costs. By opening a branch, transportation expenses can be diminished. Notwithstanding transportation costs, generally low charges can be a fascination for MNC.¹⁸

MNC has inalienable duties to address the issues of its laborers and the general great of society. Laborers in creating nation industrial facilities have indistinguishable human rights from organization investors and should be treated with a similar nobility and regard. Numerous worldwide organizations don't need guidelines to address the issues of their laborers. Organizations offer confidence to CSR, yet they trust it must be intentional as opposed to managing, a guideline will hamper

¹⁶ Haeruddin, M. I. (n.d.). *Multinational Corporations & Dampaknya Bagi Indonesia*. . *Sebuah Kajian Hubungan Industrial*, 1-9.

¹⁷ Nopirin. (2017). *Ekonomi Internasional Edisi Ketiga*. Yogyakarta: BPFE.

¹⁸ *Ibid.*

development and national intensity. The guideline is likewise pointless in light of the fact that global organizations know about the money related advantages of being socially dependable. Notwithstanding the ongoing flood in social duty talk, numerous organizations can't, and won't, execute the human rights plan required for the activities of their creating nations without outside observing specialists or structures that uphold a lot of norms.¹⁹ The lack of role of the government in overseeing the operation of multinational companies, causing multinational companies to not be able to implement the human rights agenda.

Given the absence of multilateral systems to direct worldwide organizations, private on-screen characters have been associated with advancing corporate social duty (CSR). NGOs speaking to shopper, natural and strict gatherings have forced global organizations to take part in socially dependable conduct, and worldwide organizations have been available to some intentional self-guideline. NGOs need to advance mindful MNC conduct without participating in ideological showdown. Exiles NGOs attempt to uncover and rebuff corporate conduct that is flippant and less ready to take part in an exchange. Their methodologies incorporate a blacklist of shoppers to transparently uncover and rebuff natural infringement, screens to follow and scatter data about exercises harming worldwide organizations, and counter data to invalidate MNC claims.²⁰

There are constantly two distinct sides to one money. As a favorable position of the nearness of the MNC, government national salary will build, interest in physical framework, pay from charges, and talented and gifted specialists. Another favorable position displayed by MNCs is the strengthening and ingestion of the neighborhood workforce.

¹⁹ Mahmood Monshipouri; Claude E. Welch, Jr.; Evan T. Kennedy. (2003). Multinational Corporations and the Ethics of Global Responsibility: Problems and Possibilities. *Human Rights Quarterly* Vol.25, 988.

²⁰ Cohn, T. H. (2016). *Global Political Economy*. New York: Routledge.

It is irrefutable that the nearness of MNCs can give business openings, preparing, and move of information, innovation, and abilities to the neighborhood workforce, which will bring about expanded degrees of work efficiency contrasted with laborers at nearby organizations.²¹

Then again, the nearness of MNCs is addressed on the parts of social welfare, ecological security, human rights (HAM) and modern relations with laborers. These issues incorporate installment of inadequate wages, misuse of underage specialists, sex segregation, inappropriate behavior, constrained work, and a dangerous workplace.²²

2. Four motivations of a multinational company to invest foreign direct investment (FDI) in a country:

a. The Market-Seeking concept is one of the universal commerce concepts which clarifies that multinational companies are trying to find markets for expansion openings through different reasons such as growing promoting connections with residential buyers within the have nation, either surpassing or dodging being played by competitors in certain have nations, bringing down transportation costs, creating items near to nearby markets, and to advantage from venture motivating forces.²³ A few thinks about particularly examined whether the market-seeking coordinate venture would be more likely to happen by created or creating nations.²⁴ A few recently industrialized economies have utilized this concept to create they possess companies in arrange to export a

²¹ Haeruddin, M. I. (n.d.). *Multinational Corporations & Dampaknya Bagi Indonesia*. . *Sebuah Kajian Hubungan Industrial*, 1-9.

²² *Ibid.*

²³ Cohen, S. D. (2007). *Multinational Corporation and Foreign Direct Investment Avoiding Simplicity Embracing Complexity*. New York: Oxford University Press

²⁴ Makino, Shige; Rhy-Song Yeh. (2002). Asset-Exploitation Versus Asset-Seeking: Implication for Location Choice of Foreign Direct Investment from Newly Industrialized. *Journal of International Business Studies*, 411.

lot. The nation can be said to be another mechanical nation on the off chance that it has a generally excellent economy, however, it has not yet arrived at the phase of a propelled nation and China is one piece of this new modern nation.

As indicated by Nagesh Kumar's clarification that the monetary rise by new mechanical nations (Korean organizations) has made a lot of exchange venture support in created nations, building up affiliations to create exchange arranges the host nation and give after-deals exercises.²⁵ This demonstrates each organization can make the ideal market authority when the item incorporates an item that gets a decent reaction from the host nation.

A portion of the clarifications above allude to that of a modern nation it will just infiltrate venture into outside business sectors that have the chance to put resources into nations that have more noteworthy market openings than in nations with barely any market openings. New mechanical nation organizations will look for advertising openings and will put resources into created nations where the market size is generally enormous contrasted with creating nations with moderately little market sizes, and in this manner, new modern nation organizations will be progressively keen on putting resources into created nations on the grounds that the fundamental target of venture they are investigating market openings.²⁶

b. The Efficiency-Seeking concept or the quest for proficiency that was started by Stephen D. Cohen clarifies that the general inspiration for organizations to lessen generation costs. This general inspiration produces unmistakable examples of conduct and financial impacts. The first of the two fundamental explanations behind this kind of FDI includes the foundation of an auxiliary in a low-wage nation. Laborers who are moderately low-wage will, in general, be low-gifted specialists as well in any case, on the off chance that they have

²⁵ *Ibid.*

²⁶ *Ibid.*

a decent hard-working attitude the global organization profits by cost-viability by creating low-tech products (apparel and footwear, for instance) or gathering merchandise that is it just amasses standard and constant innovation (simple radio and TV, for instance).²⁷ The subsequent fundamental explanation is to stifle merchandise that has high capital in the underlying advancement. For the most part, this capital concealment framework is innate to an innovative multinational corporation.

c. Resource-Seeking concept is one of the general inspirations of global organizations which was additionally started by Stephen D. Cohen. This idea has 2 factors: the first is that a few organizations are searching for common assets that emphasis on removing minerals and metals, for example, oil, gold, and copper, or collected tropical wares, for example, bananas and elastic²⁸. The subsequent factor is the means by which the nation sees the nearness of worldwide organizations in its nation, for example, how political authorities suit outside organizations by giving great administration, positive expense and administrative strategies, and the standard of law.

d. Strategic Asset-Seeking concept or a benefit search system is an idea additionally displayed by Stephen D. Cohen in which the immediate speculation thought process is generally explicit and is infrequently engaged with the direct venture. This idea clarifies that immediate speculation will run well if the organization gets a few or the entirety of the advantages of remote organizations so as to build the intensity of the organization either through expanded cooperative energy or decreased contenders. The reason for this idea isn't to diminish costs or secure certain business sectors.²⁹ On the other hand, organizations seek after resources that are viewed as fit for fortifying the general aggressive situation of the gaining

²⁷ Cohen, S. D. (2007). *Multinational Corporation and Foreign Direct Investment Avoiding Simplicity Embracing Complexity*. New York: Oxford University Press

²⁸ *Ibid.*

²⁹ *Ibid.*

organization so as to debilitate their rivals. The organization's acquisitions of key resources empower the organization to swallow contenders, extend its product offerings, improve the innovation installed in its items, and keep the third organization from obtaining the benefits it buys.

UNIQLO is part of the owners of capital and multinational companies originating from Japan. As a multinational corporation with a large capital of UNIQLO officials, it will be easier for them to expand to other countries that have lower production costs compared to their home countries for the purpose of seeking maximum profits, one of which is China. According to this theory, the relationship between the owner of capital and paid workers is an indirect relationship, because between them there are workers who are paid by the owner of capital. They can be categorized as contract factory owners who produce UNIQLO products as well as those who work as factory supervisors.

On the other hand, China has quite a lot of human resources as a host country. However, the Chinese government, which acts as an oversight body for corporate behavior, cannot protect its citizens. The Chinese government hands over the role of "protection" to factory managers including their trade unions. The chairman of the union is even appointed by the manager. Therefore, the definition of a trade union that should fight for the interests of its members becomes a trade union under the control of the capital owner, thereby weakening the position of the workers.

We also see the 2001 People's Republic of China Trade Union Act (by Presidential Decree No.62) which should support and protect trade unions. However, it seems neglected by the government because the workers feel that their rights are not getting they are increasingly powerless to see government policies that are more pro-investor and regulations regarding the fulfillment of labor rights are not all realized making workers increasingly have no power. What's more, UNIQLO is investing in China in large numbers which certainly makes the government feel dependent because it can encourage national

economic growth and a loss if companies like UNIQLO shift their production activities to other countries.

D. Hypothesis

UNIQLO was considered creating exploitation toward China's worker because:

UNIQLO as MNC plays a role in controlling the capitalist system where they have a bigger position than the government, where MNCs play politics "take it or leave it". The amount of capital and financial strength possessed by UNIQLO as an MNC certainly adds to UNIQLO's profit position. The control of the Chinese government is weak, moreover Chinese government regulation and supervision tends to benefit UNIQLO. This makes the workers / laborers do not have a profit and weak position even though they are assisted by trade unions and NGOs who fight for the UNIQLO workforce in China.

E. Research Purposes

The purposes of this study were:

1. To contribute to science, especially to the science of international relations.
2. To find out how PT Fast Retailing sees market opportunities in the fashion retail industry that as well as knowing the efforts made by PT Fast Retailing as an MNC plays a role in paying attention to its workforce.
3. Finally, to fulfill the requirements for obtaining a graduate degree in International Relations at Muhammadiyah University of Yogyakarta.

F. Limitation and Scope of Research

In order for the research to run well, there had to be spatial and temporal limitations. The author tried to provide limits on the preparation of this thesis. The author would only discuss UNIQLO in the exploitation of labor in 2012 - 2018. The scope of this study is not permanent and does not

rule out the possibility to include various phenomena that occur.

G. Research Methods

This research was a descriptive qualitative research. Data collection technique used in this research was literature study. Data sources used in this study included books, journals, research reports, articles, and data from the internet that were all summarized in the bibliography to strengthen the data and deepen the knowledge of the problem under study so that the formulation of the research problem could be answered.

H. Writing System

- Chapter I : This section consists of the background of the problem, the formulation of the problem, the framework of thought, hypothesis, scope of research, research methods, and systematic writing.
- Chapter II : In this chapter the author will explain the object of research to be examined, including the company profile of PT Fast Retailing, company history, etc.
- Chapter III : The author wants to explain how UNIQLO is influential in running its business in China
- Chapter IV : In this chapter the author will explain the reality of the exploitation of China workers by UNIQLO
- Chapter V : This chapter is the conclusion of the entire chapter that has been discussed, contains a brief summary of the research compiled by the author of all the things stated in the previous chapters.