



# Lessons forged from the fire

**FEATURE**

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For almost two years, a supply chain law has been in force in Germany. Soon, a corresponding EU directive will be implemented. Growing hostility towards the law from business associations and leading politicians also signals that this is about something fundamental: namely the global responsibility of corporations. Twelve years after a catastrophic fire in a Pakistani textile factory, this is finally enshrined in law. However, in order for these regulations to result in tangible improvements for factory workers worldwide, local authorities must enforce them. In the crucial struggle to make this happen, trade unions play a key role.

Twelve years on, the survivors of the catastrophe are now able to tell their grandchildren what happened on that day. How they somehow managed the narrowest of escapes when a fire at their workplace, the Ali Enterprises textile factory in Karachi, Pakistan, killed 260 people. Perhaps they still remember the toxic fumes, panicked screams and locked emergency exits; nightmarish images that to this day keep them awake and are far too horrific to unleash upon the minds of their young grandchildren.

At the time, survivors and relatives of those who died decided that something fundamental had to change after this tragedy. After all, the fire in the textile factory could have been avoided. This time, the bereaved would not let themselves be brushed aside, not with money, and certainly not with kind words. Instead, those responsible for the biggest fire disaster in the history of global textile production had to be held accountable, in order to ensure that “the martyrdom of our loved ones has not been in vain.” These were the words of the late Saeeda Khatoon, whose 18-year-old son Ijaz died as a result of the fire. She and other affected families joined forces in 2014. At the time, the future political implications of their fight were unimaginable. The fact that this struggle is far from over can be clearly seen in the current political debates and sluggish reactions of German authorities.



The Ali Enterprises textile factory in Karachi (Pakistan) in 2012, roughly two weeks after the fire that claimed 260 lives.  
©Ayesha Mir/The Express Tribune



Survivors and relatives of the deceased workers are demanding justice.  
©NTUF/AEFFAA/ECCHR



The burned-out textile factory was demolished, but the questions raised by this disaster can no longer be erased from the world.  
©HBWWF (Home-Based Women Worker's Federation)

## DIRECT FROM THE PLAYBOOK OF ORGANIZED IRRESPONSIBILITY

The textile discounter KiK (which, in English, stands for: “Customer is King”), the main client of Ali Enterprises at the time, initially tried to limit its reputational damage in the usual way: a flawless performance of sorrow and sympathy about a “tragic individual case”; a voluntary payment of one million US dollars to the families of the victims; and a comprehensive denial of any responsibility. The firm declared itself a victim of “fraudulent certification companies,” unreliable business partners and corrupt politicians. A script of organized irresponsibility—an updated version of which KiK CEO Patrick Zahn continues to use today with media-savvy. In a recent *Stern* report covering his trip to Bangladesh accompanied by a sustainability officer, he boasts of the company’s voluntary commitment to disadvantaged women and children. Yet at the same time, he complains about fraudulent local trade unions and ineffective development aid whose failings “the industry, by complying with the Supply Chain Act,” are now expected to compensate. On site, he is confronted with the revelation that one of KiK’s suppliers is outsourcing its manufacturing orders to subcontractors that have illegally dismissed their seamstresses without providing severance pay. Zahn’s flippant reponse: “You can never rule out the possibility of being cheated.”

This statement is an insult to the workers in Bangladesh, Pakistan or other production countries whose local economy depends on orders from large transnational textile companies. A large proportion of these people still work without written contracts for wages that are barely enough to survive on. Often, they are not even paid at all. For example, workers in a factory in Karachi hemming pants and skirts destined for the German market describe a non-transparent, temporary work system in which each “subcontractor” pockets a portion of the money. For these 3,000-plus workers, there is no statutory minimum wage, no written employment contract and not even clean drinking water.

## LAWS AGAINST THE DEADLY PURSUIT OF PROFIT

In the summer of 2024, while KiK boss Zahn complained to *Stern* in Bangladesh about his entrepreneurial woes, Annabell Brüggemann learned about these recent developments in the factories. Brüggemann is a lawyer at the European Center for Constitutional and Human Rights (ECCHR), a Berlin-based human rights organization whose work spans various programs in the global struggle to enforce human

rights for everyone. For more than 10 years, ECCHR lawyers have been fighting alongside victims’ relatives and Pakistani trade unions to ensure that the lessons learned from the Ali Enterprises fire disaster result in fundamental and far-reaching changes in working conditions. They played a key role in the development of the Supply Chain Due Diligence Act (LkSG), which came into force in Germany in 2023. The success of this law in imposing restrictions on the deadly pursuit of profit is evident from the way that business associations, the FDP and other lobby groups are fighting against it. This campaign is not only underway in Germany, but also at the EU level. A similar regulation (CSDD Directive) was passed at the beginning of this year, but only at the 11th hour after major concessions to companies were granted.

Now that the CSDDD has come into force, from 2026 only a modest group of roughly 5,000 companies across Europe will be required to gradually comply with its obligations. Workers in production countries in the Global South will have to overcome significant hurdles in gathering evidence of violations, asserting their claims in court and claiming compensation. Furthermore, the threshold at which violations of the law may lead to financially painful consequences for large corporations remains high.

## LOOKING BACK: CORRUPT GOVERNMENTS, VOLUNTARY SELF-REGULATION AND RESPONSIBLE CONSUMERS

Looking at past events, the impact of global supply chain regulations is evident. In 2013, only seven months after the deadly fire in Pakistan, the Rana Plaza textile factory collapsed in neighboring Bangladesh. 1,134 people died. Here again, textiles were being manufactured for the global market. At this point, it was abundantly clear that this was no longer about “tragic individual cases,” but the business model of an entire industry. For many consumers, the joys of shopping suddenly disappeared. For the first time, a wide-ranging debate began in Germany about the true price of T-shirts and jeans, of which an ever-increasing variety were being offered at ever-decreasing prices. On the one hand were the ongoing issues of a lack of monitoring in local factories, deplorable safety standards in producing countries and the failure of local authorities and governments to act. On the other, calls for end-consumers in the affluent Global North to assume responsibility, with the claim that individuals could influence working conditions with their next purchase. The fact that seamstresses’ wages make up no more than three percent of a garment’s

sales price went largely unmentioned at the time. The economic dependency of manufacturing companies on the purchasing habits of a few large clients, and the equally massive influence of these buyers on wages and working conditions, was also hardly addressed by anyone. To this day, textile factories in Pakistan sometimes do not even earn back enough revenue to cover their production costs. Yet they accept these losses as the price of keeping their contracts with the big customers.

The beneficiaries of this global division of labor, the major clothing brands, devised a wide range of voluntary commitments, non-binding corporate codes of conduct and non-transparent evaluation rubrics. T-shirts, jeans and summer dresses were decorated with certificates and labels to revive the buying impulses of nervous customers. Their proliferation on products quickly became overwhelming. Today, the insignificance of certifications has been confirmed, a reflection of the ineffectiveness of voluntary measures in improving working conditions at production sites. The marketing costs at company headquarters presumably rose during this time, alongside expenses for inspections by so-called auditing firms. Those costs were of course “priced in,” as sensitized consumers proved willing to accept some price increases. At the same time, a new market segment for “sustainable fashion” emerged targeting more affluent customers. A murderous business model had now been modernized. But for textile workers in Southeast Asia, things remained largely the same.

## **JOINT STRUGGLES FOR COMPENSATION, RECOGNITION AND LABOR RIGHTS**

This also became apparent to Saeeda Khatoon and her fellow advocates in 2015. KiK management refused to travel to Pakistan to negotiate further compensation payments, which were of course voluntary. It had long been apparent to the victims’ relatives, who had in the meantime joined forces, that they could not expect any support from their own government in Pakistan. The imprisoned factory owners had been released on bail after a few months. Instead of sanctioning deadly working conditions, authorities and entrepreneurs speculated about an arson attack by alleged terrorist actors. In the end, they fabricated highly dubious evidence for this theory and submitted it to one of the most notorious courts in Karachi specialized in fighting terrorism. Trade unionists that sought to inform themselves about working conditions in the factories or condemn abuses were obstructed. They were also often physically threatened and,

in some cases, arrested and tortured by Pakistani paramilitary units. When trade unions cannot access production facilities, textile workers are reliant on the goodwill of factory owners and their European buyers—itsself highly contingent upon how many customer manufacturing orders need to be fulfilled. For this reason, the now-organized relatives quickly joined forces with the Pakistani trade union umbrella organization National Trade Union Federation (NTUF) and, overseen by the UN agency International Labor Organization (ILO), demanded a binding compensation scheme from KiK for all affected families.

When the company refused to agree to this—and was not even prepared to commit to paying a binding share of the proposed compensation fund—the victims decided to bring their claims to the place where the real profits are made. In North Rhine-Westphalia, home to KiK headquarters, they filed a claim for damages with the Dortmund Regional Court, with the support of the aid organization *medico international* and ECCHR. This was certainly about money. As surviving dependents who had lost their most important breadwinner in the fire, they needed it for their basic survival. But there was also a second objective, for the company management to acknowledge its joint responsibility for the deaths of 260 people, publicly and on the record. The plaintiffs no longer wanted to leave it to the PR advisors of governments and companies to write the history of this catastrophe. They took back the narrative power over their lives and demanded that their expertise be recognized.

For all these reasons, in June 2016 Saeeda Khatoon and Abdul Aziz Kahn, accompanied by trade unionist Nasir Mansoor, traveled to Germany for two weeks. Their supporters at *medico* and ECCHR had organized numerous meetings for them with representatives from the political sphere, civil society, media as well as with students. As the trade unionist explained at the time, it was the first time that “the most repressed and suppressed . . . the victims of the whole supply chain . . . were in a country like Germany, where they could see for themselves the things they produce being worn by the people. And they spoke with these people, for whom they produce.” These encounters showed that their goal was not to pit those with little money who buy their clothes at discount stores against those who earn meager wages in textile production in Pakistan. The activists from Pakistan also dispelled myths about “bad apples” and “tragic individual cases” that enable complacency while sustaining obscene profit margins. “It’s not just about KiK. All the other companies also have their goods produced under the same conditions. KiK is implicated in this major catastrophe, which is why we are mainly talking about KiK here.

But many other companies, which many people think are the better ones and have a good reputation, also produce in the same factories and buy certificates from the same companies that say their working conditions are okay.”

With these statements, Nasir Mansoor, who fought for workers’ rights as a trade unionist long before the Ali Enterprises fire and continues to do so until this day, likely made a decisive contribution to the development of the German Supply Chain Act. In 2016, KiK rushed to pledge 5.15 million US dollars for survivor and accident compensation. The first payment, however, did not reach the injured parties until May 2018. By this time, KiK’s lawyers had found a legal strategy to undermine the proceedings before the Dortmund Regional Court, where the first hearing had taken place. Since the accident had occurred in Pakistan, they argued that the country’s two year statute of limitation period should apply in Germany. Given the company’s stalling tactics, this argument is beyond cynical. However it was accepted by the court, which dismissed the case in January 2019.

The crucial question, namely the responsibility of transnational companies for working conditions in their supply chains, remained unresolved. Neither money nor compassionate words were sufficient. Legal Director of ECCHR Miriam Saage-Maaß, who has been involved in the Ali Enterprises case from the outset, commented at the time: “German companies from all sectors have been following the lawsuit against KiK closely. Legal experts in Germany, the UK and Switzerland have adopted the argumentation. It is clear to everyone: the current law is not equal to task of handling the globalized economy.”

### **PLAYING HARDBALL: TRADE UNION HARASSMENT AND STRUGGLES FOR POWER**

Almost four years later, the German Supply Chain Due Diligence Act (LkSG) came into force. Since then, KiK and other large German companies with international operations have been obligated to investigate indications of possible human rights violations in connection with their business activities. Whether regarding the procurement of raw materials, working conditions or environmental damage, they are required to develop their own complaint and monitoring procedures and, above all, take measures to remedy the abuses. It is not enough to rely on contracts or assurances from suppliers. Rather, they must adapt their own purchasing practices and prices to ensure fair working conditions in their supply chains. If companies violate this new

law the competent German authority, the Federal Office for Export Control (BAFA), can impose financial penalties of up to two percent of annual revenues.

What may sound rather minor to non-lawyers actually represents the central political achievement of the German Supply Chain Act. The question of *whether* companies that benefit from a globalized economy also bear responsibility for working conditions has been answered unequivocally with a “yes”—at least for the time being. The follow-up questions are critical: namely, how far will this responsibility extend, and in what form should it be fulfilled? It has been clear since the last-minute attempt to overturn the EU CSDD Directive that the business lobby is playing hardball. Hardly a week goes by without someone publicly questioning the legitimacy of this legislation, whether European, German or both. Christoph Ahlhaus, head of the BVMW, an association for small and medium-sized enterprises (SMEs), complained in the *FAZ* newspaper about excessive bureaucratic requirements and that “the general parameters for the international competitiveness of German SMEs” are worse than ever before. KiK CEO Patrick Zahn falsely claimed in *Stern* that, due to the EU supply chain regulation, non-European market participants could “increasingly commission NGOs to overrun the domestic industry with lawsuits.” Beyond the suspicious nature of these specific claims, the tone of such interventions suggests that “the economy” is if not above, then at least outside the law. It is as if there is a special economic zone where different rules apply, which are somehow more “natural” or “reasonable” than any democratically established law on corporate responsibility.

In addition to such discursive arrogance, behind closed doors very concrete work is being carried out to limit the ability of the new laws to bring about practical change on the ground. One example is the remuneration of textile workers in the Pakistani province of Sindh, where the Ali Enterprises disaster occurred 12 years ago. Over the past two years, Nasir Mansoor’s trade union colleagues from the umbrella organizations NTUF and HBWWF, together with regional trade unions, have fought for a significant increase in the minimum wage for unskilled workers from the equivalent of 83 euros to 106 euros per month. Ensuring that these wages are actually paid, of course, also falls under the duty of care that large companies are legally mandated to implement. However, according to a small survey conducted last year this type of due diligence is an exception to the rule. Out of 350 respondents in over 20 factories, 97 percent of workers still had no written employment contract. This means that they have no basis to claim wages or their rights, not to mention to organize themselves into a union.

Naturally, Nasir Mansoor and his European supporters from the NGOs FEMNET and ECCHR informed the responsible corporations about these extensive rights violations occurring at their supplier companies. Unlike in the pre-Supply Chain Law era, they all responded. Some, including KiK, were even prepared to meet with the trade unions onsite and, for the first time ever, negotiate specific measures. For Annabell Brüggemann, this is an important signal that a company is taking its responsibility seriously: “Independent trade unions elected by the workers are the only ones who can really check whether labor rights are being respected in the factories. It’s no different in Pakistan than it is here.”

Because of this, company management—both here and there—is known to have numerous methods at its disposal to limit the scope of action and influence of trade unions. A particularly popular form of union-busting at the moment is to install fake unions that spy for management instead of representing the interests of workers. One such fake election took place at the beginning of the year at a KiK supplier company, only a few weeks after Nasir Mansoor and his NTUF colleagues had reached a promising agreement with this factory. Trade unionists were to be given access to employees during working hours, and a joint monitoring body was to be established to ensure compliance with local labor laws. However, this was undermined when, instead of being elected, workers’ representatives were installed by the factory’s management. Shortly afterwards, the company failed to intervene when 140 workers were summarily dismissed without notice or severance. Complaints from the trade union umbrella organization were written off by the company as “interference.”

In response, NTUF, FEMNET and ECCHR reminded KiK that its PR department had publicised its “trade union agreement for Pakistan” as recently as March 2024. The agreement mandates compliance with local labor law at textile production facilities. However, the company had itself not signed the agreement. This is hardly surprising, given the regular disputes between ver.di works councils and KiK over working conditions in warehouses and stores in Germany. It is also fitting that once the agreement was signed, when the first concrete conflict at the supplier occurred KiK was not prepared to use its purchasing power to ensure that the unlawful dismissals were withdrawn, or that the factory fulfilled its obligations under the agreement. In June 2024, the trade union federation, ECCHR and FEMNET declared their negotiations with KiK to be over for the time being. Before the Supply Chain Act came into force, in the worse case this would have caused a PR debacle for KiK. Now, it could have legal consequences.

“Legally binding regulations on our working conditions, our wages and the safety of our factories, instead of compassion and voluntary commitments”—that is what Saeda Kathoon, whose son died in the Ali Enterprises disaster, had called for. Twelve years later, these legal regulations finally exist. However, the struggle to enforce them will have to continue. No law or court case will be able to replace the development of strong, internationally networked trade union movements. But now, with the German Supply Chain Act and the EU CSDD Directive, trade union movements have new opportunities to use these mechanisms in the power struggle that is still a matter of survival for far too many textile workers in Pakistan and elsewhere. Even if no factory is currently on fire.

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