

Wal-Mart Faces Suit by Labor Group;

The retailer is accused of failing to enforce its code of conduct, which mandates basic wage and working conditions, for its suppliers.

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A labor group that last year forced Unocal Corp. to settle human-rights claims sued Wal-Mart on Tuesday, alleging the world's biggest retailer allowed sweatshop conditions at supplier factories around the world.

The case opens a new front in litigation against the retail giant, which is already fighting a mammoth suit alleging it has underpaid female employees as well as efforts by residents and politicians in some communities to block new stores.

The International Labor Rights Fund filed the suit in Los Angeles Superior Court on behalf of hundreds of thousands of factory workers in China, Bangladesh, Indonesia, Swaziland and Nicaragua -- as well as California workers at Ralphs and Safeway grocery stores who it claims were harmed by the company.

The suit contends Wal-Mart failed to enforce its corporate code of conduct -- which mandates basic wage and working conditions -- on its suppliers around the world, as the company has pledged to do. It claims the California grocery workers were hurt because Wal-Mart forced grocery chains to cut pay and benefits to compete.

It also accuses Wal-Mart of making "false and misleading statements ... to the American public with regard to its labor and human rights practices."

The lawsuit could provide a test of corporate conduct codes, which many companies have adopted to assure consumers and investors that they -- as well as their overseas suppliers and subsidiaries -- treat workers fairly and humanely. These codes followed revelations that workers who sew dresses and assembled athletic shoes for several name-brand retailers routinely worked unpaid overtime in sweltering or dangerous factories in Asia and Central America.

Wal-Mart adopted such a code, its "Standards for Suppliers," in 1992. But Terry Collingsworth, the labor rights fund's executive director, contended the company has "never taken it seriously," viewing it "as a public relations response."

A spokeswoman for the Bentonville, Ark.-based chain declined to comment on the lawsuit. "It's too early for us to say anything," Beth Keck said.

In 1996, the Washington-based human-rights group sued Unocal Corp. on behalf of 15

villagers from Myanmar, charging the energy company with responsibility for forced labor, rapes and a murder allegedly committed by soldiers guarding its pipeline there.

Late last year, after steadfastly insisting that it was not responsible for the alleged abuses, the El Segundo-based company settled the human rights suit with plaintiffs accepting an undisclosed settlement. Last month Chevron Corp. bought Unocal.

Similar suits have been filed against other major U.S. corporations, including Ford Motor Co. and IBM Corp. None so far has gone to trial.

Collingsworth patterned the Wal-Mart complaint after suits brought in U.S. courts during the last decade, some of which have since settled, prodding large U.S. retailers such as Gap Inc. and Abercrombie & Fitch Co. to improve labor practices abroad.

"The lawsuit ... could force the company to reform," according to Ralph Steinhardt, who teaches international law at George Washington University. But he notes that while "some companies would feel the pressure, others would welcome the opportunity to defend their practices in a court."

There's no way to predict whether Wal-Mart will prevail, he added, "but it was a big surprise when Unocal decided to settle."

The suit alleges that Wal-Mart's suppliers forced its employees to work overtime without pay, and in some cases denied them breaks and days off, locked them in factories and fired them for trying to unionize. The plaintiffs, representatives of a class that could number several thousand, are seeking back pay and damages of potentially hundreds of millions of dollars.

Some economists question whether suing retailers will be effective in changing their supplier's practices.

"It's a good PR strategy," observed Susan Aaronson, director of the Kenan Institute's Washington Center for Globalization Studies, "but it's probably not the best strategy to get Wal-Mart to change its ways."

She questioned whether the courts are the best venue to hold a retailer responsible for the behavior of its suppliers. The government might be able to do more to promote responsible corporate behavior, she said -- by, for example, giving procurement preference to companies that can demonstrate that their suppliers respect worker rights.

Steinhardt, of George Washington University, said courts historically have held U.S. corporations accountable for a small number of obligations under international law, primarily not to engage in piracy or genocide. But recent cases, including the Unocal settlement, puts pressure on big employers to take responsibility for their suppliers and operations abroad.

And legally, he said, Wal-Mart may be vulnerable under California law to the foreign workers' claim that Wal-Mart's failure to enforce its labor code amounted to false advertising. "It's like someone who buys milk from a dairy advertising that its milk is pasteurized but finds out it's not," he said.

Wal-Mart has 1.6 million employees worldwide and operates 3,773 Wal-Mart and Sam's Club stores in the United States with additional stores in Europe, South America, China and Canada.