

BY WILLIAM H. OVERHOLT — AUGUST 4, 2021
[Letter to the Editor - The Wire China](#) [text below]

In this note I'm going to break two rules that have hitherto governed every research note I've sent. I always send a carefully objective analysis and I always keep my personal life out.

Here I want to talk about a company, Esquel, that has attracted U.S. sanctions for doing business in China's repressed province of Xinjiang. Ironically, Washington may have imposed sanctions on the world's most socially responsible company.

Before offering my personal comments, here's a link to a thoroughly professional account published in *The Wire China*, the superb new online publication about China: [Hemmed In – The Wire China](#).

Having referred you to a highly professional account, here is my personal story about it. I learned about Esquel in Xinjiang by getting to know Marjorie Yang, the CEO. And I got to know Margie in an unusual way. When I was a bank research manager in Hong Kong I received an invitation to a ballroom dance from two of the leading ladies in Hong Kong, Lydia Dunn and Marjorie Yang. I wasn't sure why I was invited but it sounded like fun and I had met Marjorie Yang at business events.

Everybody in Hong Kong knows Margie. She got a mathematics degree from MIT and an MBA from Harvard, then built her father's modest textile and garment business, Esquel, into a global empire, the world's last fully integrated business of its kind, growing cotton, spinning it, making cloth, and manufacturing garments in factories around the world. I was told that one out of every seven shirts sold in the US was made by Margie's company. She led in producing high-end shirts and blouses for the likes of Brooks Brothers, Saks Fifth Avenue and Nordstrom.

Margie was also well-known for philanthropy. She supported the Chi Lin Nunnery, multiple conservation efforts, medical charity, exploration, and the universities she'd attended.

I must have expressed interest in the dancing because shortly afterwards I found myself at a dance class with Margie. The instructor was teaching the waltz and I didn't think I needed lessons because I had learned to go 123, 123, 123 at Cotillion back when I was twelve years old. Eventually I figured out that my flatfooted trudge around the floor wasn't what either the instructor or Margie had in mind. Somehow, through a magical process that escapes memory, I soon found myself playing hooky from investment banking to take two double lessons a week trying to catch up with Margie. I never came close. She was an international champion dancer. A generous friend might describe my skills as mediocre. For some reason, though, Margie kept inviting me.

People would inquire about our relationship. I would respond that unfortunately we were just dance partners. Margie would say, "Bill is my willing victim."

Our friendship did lead Margie and her sister to invite me on visits to Esquel's facilities in Xinjiang, a province I had first visited in 1992. Chinese officials yearned to be stationed in Xinjiang, because its extensive natural resources together with the central government's vast investments in infrastructure were creating an exceptional economic takeoff. It was a great place to get rich, but the riches went predominantly to the influx of Han Chinese, not to the Uyghur locals.

Nonetheless, in half of the province economic development had facilitated general calm between the Uyghurs and the Han, while in the other half an impoverished desert society angrily and sometimes violently resented its privations. Even in the more pacific areas the Uyghurs' sense of a separate identity from the Han Chinese was omnipresent. Like Brazilians, the Uyghurs were warm and outgoing. Uyghur women wore clothing in bright flamboyant colors, in local full-length styles. (They were, incidentally, nothing like the repressed Saudi clothing styles or life styles that Beijing apologists describe.) My official government guide took me to a Uyghur home. Turkish style, one entered a small ground-level space, removed shoes, stepped up onto a raised platform covered

by a Turkish carpet, then sat there to drink Turkish coffee so thick that one could leave a thumbprint in it. At a kindergarten the children sang songs exclusively in Turkish. The guide spoke not a single word about politics or cultural identity but the message was clear.

My later visits were to Esquel. The cotton spinning plant was a football-field size building with giant, whirring Toyota Machinery spinners turning the cotton into thread. Nobody else in the world had this high tech machinery. The whole thing was controlled by two young Uyghur women operating computers from a glass-enclosed, air conditioned booth in one corner. Other Uyghur women managed quality control at different stages of the process, using high tech equipment. Margie had brought both the highest technology and a high level of training to the Uyghur community.

In the evening a prominent Uyghur family invited us to their home. Following a lavish dinner, the locals started dancing and tried to teach us. The Uyghur dances required not just good footwork and posture but also intricate movements of the hands and fingers—like Thai dancing. Margie picked up the figures immediately. I pranced around waving my hands and fingers randomly, feeling foolish. But it wasn't embarrassing. This was a jovial celebration of mutual success, of Margie as a benefactor of the Uyghurs. No tensions. Nobody was walking on cultural eggshells. The camaraderie reminded me of the Hong Kong investment bank trading floors, where Hong Kong Chinese, PRC Chinese, Americans, Brits, Japanese, Indonesians, Indians and Pakistanis all got on smoothly because they were all making money together.

In late 2001 I left Hong Kong for long stints at RAND and at Harvard, and my connections with Margie and other Hong Kong friends attenuated. But in 2013-15 I returned to Hong Kong and served as President of Fung Global Institute. A big German company, which had helped clean up Germany's once-terribly polluted waterways, sought our advice about a potential project to clean up the whole watershed around the city of Foshan, north of Hong Kong. I traveled to Foshan and visited the most advanced water treatment plant in China, which turned out to be Esquel's. To produce brightly colored shirts, Esquel had to clean the water. Then, dyeing shirts produced horribly polluted water. The whole area around Hong Kong's airport, the Kai Tak Nullah, used to stink like an outhouse because most textile companies just dumped polluted water into an ocean or river.

I expected to see the rippling small pond that one typically sees in the U.S. for water purification. Instead there was a facility the size of a city block and four stories high. The water went through 15 stages of purification, including a couple different kinds of sedimentation, treatment in anaerobic and aerobic tanks, biological filtration, carbon filtration, and others. Some of the processes, invented at Margie's alma mater MIT, were patented, unique to Esquel. The purified water was fit for drinking. (I drank some.) Water quality sensors wired their results directly to the mayor's office. As in Xinjiang, Margie had, very expensively, brought the highest technology and training to a country known for backwardness in these things. This made her "Pi" brand shirts cost over \$200.

Esquel was bringing social sensitivity, uplift of the local people, and expensive pollution control to a country where it wasn't required to do these things and virtually nobody did. Esquel might be the world's most socially conscious company. Do I know that for sure? Well, I certainly haven't surveyed every company in the world. But for two decades I ran research teams that analyzed large numbers of companies, and monitored research on many others, and I never encountered a company that even came close. It's quite possible that the U.S. government has imposed sanctions on the world's most socially responsible company and one that has been particularly beneficial to the Uyghurs.

For anyone who wants to accuse me of bias, I've provided lots of ammunition. You, the reader, can read the different accounts and judge.

When a fisherman casts a big net to catch tuna, it occasionally ensnares a porpoise. That's inevitable. Catching a porpoise doesn't make the fisherman bad. He is judged on whether he frees the porpoise.

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August 4th, 2021