

Obama raises the stakes for multinationals to combat human trafficking

07/13/2016 07:35 pm 19:35:27 | Updated 23 hours ago

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In February 2016, President Obama finally [eliminated](#) a loophole in the Tariff Act of 1930 that allowed imports regardless of how products were manufactured if there was insufficient supply to meet domestic demand. [The Trade Facilitation and Trade Enforcement Act of 2015](#), which now prohibits the importation into the United States of any goods produced by child or forced labor, became reality largely due to the efforts of investigative journalists from the Associated Press and the New York Times, who [exposed](#) slavery practices in the fishing industry in Southeast Asia. American multinationals are now on the front lines of combating modern day human trafficking, including child labor, forced labor, and slavery. Up until this point, consequences for companies, whose supply chains were proven to have used child or forced labor, were largely limited to reputational damage.

Forced labor has been an ongoing issue of global proportions and, according to the most recent [Global Slavery Index](#) report issued by the Walk Free Foundation, 48.5 million people are enslaved globally with 60 percent living in some of the world's largest manufacturing and trade-exporting nations: India, China, Pakistan, Bangladesh, and Uzbekistan. Among these, China, Bangladesh, and Uzbekistan are also on the [U.S. State Department Watch List](#), an annual report ranking governments' efforts in combatting human trafficking.

For multinationals sourcing from these countries, reputational risks can be considerable and cause long-lasting brand damage, as was the case with [Nike sweatshops in the 1990s](#). Other major companies facing accusations of slavery in their supply chains include [tech giants](#) Apple and Samsung, [retailers](#) Wal-Mart and JC Penney, and food giant [Nestlé](#). In total, the U.S.

Government has [identified 136 products](#) from 74 countries on its list of goods produced by child and forced labor.

The June [seizure of sweeteners](#) produced for [PureCircle](#) in China by U.S. Customs and Border Protection agents was only the latest episode of stepped up efforts by the U.S. Government to combat human trafficking and forced labor. This underscores that the Administration has become more serious in combating human trafficking and companies should expect even more seizures.

However, the problem is not with the multinationals, but rather with a segment of their suppliers. For their part, multinationals have [struggled](#) to develop effective controls programs. These suppliers, usually second-tier, can often be small businesses in remote places, where multinationals lack any infrastructure to ensure forced laborers are not used. Yet, the government has now placed the burden on these corporations to ensure their supply chains are divested of such practices.

Fortunately, with targeted investment and dedicated efforts, there is much multinationals can do to mitigate the risks of slave labor in their supply chains. An obvious first step is to develop internal policies and procedures, including training for employees to recognize the signs of forced labor. Even more important is for companies to use a risk-based assessment approach to identify at-risk suppliers in locations and industries with high levels of forced labor. Such assessments should lead to concrete action plans and corrective action, which at times will necessitate cooperation with authorities.

It is equally important for companies to communicate with all stakeholders—customers, suppliers, employees, investors, and regulators—about the steps taken to root out forced labor from their supply chains. Public relations campaigns will not only help raise positive awareness about multinationals' actions, but can inform and share best practices across industries and sectors. For example, large multinationals, including Coca Cola, Microsoft, and Delta have come together to [share best practices](#). This visibility also has the added benefit of building trust with regulators and law enforcement, who have limited resources to investigate the numerous leads they receive and therefore must prioritize. Having established trust with authorities by taking steps towards becoming better global citizens, multinationals can reduce the risk of becoming target of investigations and seizures.

The development of a robust and healthy private sector has been the greatest driver to building wealth and lifting billions of people out of poverty. Due to the success of so many corporations, we today live in the best conditions yet in human history. However, major challenges remain and companies have not only the opportunity, but also the responsibility, to stem out modern day human trafficking and forced labor. With the President's action in February, society is taking a step forward and demanding action and accountability.

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