



Organization for Security and Co-operation in Europe

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CONCLUDING MEETING
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“Strengthening stability and security through co-operation on good governance”

To be checked against delivery!

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Excellencies,

Ladies and gentlemen,

It is my sincere pleasure to be here with you at the Concluding Meeting of the 24th OSCE Economic and Environmental Forum “*Strengthening stability and security through co-operation on good governance*”. Allow me to express my deepest appreciation to the 2016 OSCE German Chairmanship, in particular to Dr. Erler; as well as to the Chairperson of the OSCE Economic and Environmental Committee, Ambassador Žugić; and to Dr. Yiğitgüden, Co-ordinator of OSCE Economic and Environmental Activities, for inviting me to this event and giving me the opportunity to speak. Human Trafficking is a cross-dimensional issue. It is not only a human rights issue and a transnational threat, but also a matter of good governance. The second dimension will only play an increasing role to prevent human trafficking in a comprehensive way through improving economic competitiveness and connectivity, decent work conditions for workers, promoting transparency and fighting corruption, in order to create a level playing field for businesses trying to do the right thing, when 90% of all forced labour occurs in the private economy.

To best prevent trafficking in human beings in supply chains we need to understand **the magnitude of the problem**. The ILO suggests that 20.9 million people are in forced labour situations worldwide and the majority of them, or an estimated 68%, are in a situation of labour exploitation. The ILO also estimates that forced labour in the private economy generates US\$ 150 billion in illegal profits per year, about three times more than previously estimated. According to a recent report of the Ethical Trading Initiative, 71% of global companies surveyed in the UK believe there is a likelihood of modern slavery occurring in their supply chains¹. The report of the International Trade Union Confederation “Inside the

¹ Corporate approaches to addressing modern slavery in supply chains: A snapshot of current practice, The Ethical Trading Initiative, 2016

global supply chains of 50 top companies” indicates that the 50 top companies, having a combined revenue of 3.4 trillion USD, may have a hidden workforce of 116 million people. The ILO estimates that 170 million are engaged in child labour, many making textiles and garments to satisfy the demand of consumers in Europe, the US, and beyond². These statistics allow us to understand that the risks of human trafficking in supply chains are real and they have to be addressed in a comprehensive way.

Adherence to internationally accepted labour and social standards is key to preventing human trafficking. I call on all States to ratify the 2014 Protocol to the ILO Convention 29 on Forced Labour. Another important instrument is the 2011 UN Guiding Principles on Business and Human Rights which clearly outline the “the State duty to protect human rights” and “the corporate responsibility to respect human rights”.

The United Nations has recently taken a further step towards mainstreaming international efforts on combating forced labour and human trafficking, by including, for the first time, specific references to trafficking in human beings, in three of its Sustainable Development Goal targets.

I am heartened by the fact that some forward looking countries, including from the OSCE region, where most multinational brands are headquartered, or do businesses, have adopted legislation, policies and other initiatives which oblige state institutions and commercial entities, including state-owned companies, to combat human trafficking in their supply chains, **especially through public procurement and transparency measures**. I was encouraged to hear last week in Berlin that **Germany will bring these issues forward during their G20 Presidency** and lend their significant political weight to the promotion of an agenda including Sustainable Supply Chains and Decent Work.

² Marking progress against child labour, Global estimates and trends 2000-2012, ILO

Businesses are also beginning to do their part. An example is the Electronic Industry Citizenship Coalition (EICC), the largest industry coalition dedicated to electronics supply chains responsibility. It is comprised of over 100 of the world's leading electronics companies with a combined annual revenue of over \$4.5 trillion working together to improve efficiency and social, ethical, and environmental responsibility in the global supply chain. They EICC Code of Conduct, a set of standards on social, environmental and ethical issues in the electronics industry supply chain. Their work affects 3.5 million people from over 120 countries who contribute to the manufacturing of EICC member's products.

The economic argument is perhaps the most relevant reason to today's discussion on how and why governments and companies should focus their efforts on preventing human trafficking in supply chains. Since labour is a critical and cost intensive input to service delivery and goods production, companies who exploit workers have an illegal unfair advantage on costs of production compared to companies who work to create decent work conditions. Therefore, companies, which use the labour of trafficked persons and exploit them in supply chains distort the market and undermine the competitive process.

There are great economic risks for companies exploiting trafficked persons in their supply chains. First of all, I am referring to **reputational risk**. Once the public is aware of the fact that a certain company is using forced, child or trafficked labour, it can stop buying the products of this company. Sales of future products can also be affected because of the damaged reputation of the brands. There is also the risk of losing market share. The media has covered different stories of global brands, which encountered problems especially with the lower tier suppliers. You may have heard the recent news about an important company which is a supplier of stevia to Coca Cola and whose products were seized by the US Customs and Border Protection because there are reasons to believe that the goods have been produced using forced labour in one of Asia's countries. I think we all understand what it means to risk losing Coca Cola as a client and that the supplier in this case

has all the incentives to ensure that there is no human trafficking used in the production of its goods. Here, I would like to stress the critical role of government policy, an example is the recently adopted US Trade Facilitation and Trade Enforcement Act of 2015, which makes it easier to prevent goods made with forced labor from being imported into the country by closing the so-called “consumptive demand loophole” in Section 307 of the Tariff Act of 1930. As a result the US Customs and Border Protection agency has the legal mandate to seize goods made with forced labor.

Governments are powerful economic actors, who should not lose tax revenue to unpaid wages and hidden company profits, but put measures in place to ensure accountability and transparency of contractors, to incentivize the private sector to do the right thing, and to create a level playing field for those who do.

To conclude on the economic and good governance aspects of combating human trafficking in supply chains, I would like to underline that the worst decision that a government or company can take is to be passive towards preventing trafficking in persons in their supply chains, and only react in the case of scandal or tragedy.

Reflecting on the **OSCE’s leadership in the field of combating human trafficking in supply chains**, I am glad to acknowledge that our organization has adopted strong commitments and recommended actions on measures to prevent human trafficking in supply chains.

This year we started the implementation of the **OSCE project ”Preventing Trafficking in Human Beings in Supply Chains through Government Practices and Measures”**, which is financially supported by the governments of Austria, Germany, the Netherlands and Switzerland. I would also like to thank the OCEEA for their valuable contribution to this project work. The overall project objective is to provide OSCE participating States with practical tools to enact concrete measures to prevent human trafficking in supply chains, as well as build their capacity to implement these measures, thus protecting human rights through

good governance.

Five workshops will be held in various locations across the 57 participating States in order to build states' capacity to enact measures based on the practices shared and guidance provided. The first workshop took place in Berlin last week and it was organized in cooperation with the German Federal Ministry of Labour and Social Affairs. Another will be held in Astana Kazakhstan around the Expo 2017, including a side event focused on preventing THB in energy and extractives industry. A practical tool, flexible **Model guidelines on preventing trafficking in supply chains** will be drafted under this project, with a focus on government procurement and transparency practices.

On 7-8 September 2016 we held the high-level conference in Berlin on *Preventing Trafficking in Human Beings for Labour Exploitation in Supply Chains*, organized in close co-operation with the German OSCE Chairmanship in Office, which considers combating trafficking in human beings for labour exploitation, fostering economic connectivity and the promotion of labour and social standards in supply chains as important topics. This high-level event forms part of the OSCE and Germany's on-going efforts, within the OSCE and also the G7 and G20, to raise awareness about the problem of labour exploitation in supply chains and to advocate for increased actions by governments and the private sector across the OSCE region to adopt measures to strengthen and enforce anti-trafficking protections, and to prevent this form of modern slavery in the first place.

I would like to present the **outcomes of the discussions in Berlin** among over 180 participants who discussed how governments can improve labour standards, market efficiency, and competitiveness, by creating a level playing field for companies with complex global supply chains.

The Conference concluded that **binding legislation and their enforcement** are essential to prevent THB in supply chains.

While there is no “one-size-fit-all” solution in preventing THB in supply chains, and existing practices focus on labour licensing, public procurement and transparency legislation, on grievance and reporting mechanisms, etc., **businesses welcome harmonization of approaches to lessen the burden on them** to adapt to different laws and policies in various countries.

The discussions also showed that one of the elements that commonly create or exacerbate the **vulnerability of workers is when they have to pay a recruitment fee**. The OSR/CTHB welcomes the on-going public consultation in some OSCE pS on the definition of recruitment fees.

It was inspirational to see so many big businesses committed to the cause of CTHB in supply chains and embracing the prevention of human trafficking, child and forced labour as a key principle of doing business. The Berlin Conference demonstrated that businesses are glad to comply with well-designed regulations that **create a level playing field for all** and reduce the possibilities for unfair competition where irresponsible businesses profit from worker vulnerability. We encourage governments of the OSCE pS to act accordingly on this demand from companies for efficient legislation and policies.

A recommendation of the Berlin Conference is that the first step for governments and business alike is to **admit that the problem can happen in any country, industry and supply chain** – no business or purchaser, including governments, is exempt from forced and child labour. It is important to incentivize businesses to proactively address concerns, and not punish them for finding THB in supply chains. It is better to prevent and provide effective remedies, rather than be forced to react to the problem, often after a scandal or a tragedy.

Another recommendation of the Conference is that we all need to **listen to the voice of the workers**, and provide access to grievance mechanisms.

One of the most important recommendations of the Conference is for **governments to leverage public procurement** to prevent human trafficking in supply chains as

governments are some of the largest purchasers of goods and services, spending up to 15% of GDP on public procurement contracts. It is of great importance to secure support for these issues at the most public procurement senior management level in order to create buy-in. It is important to also include managers from both CSR and purchasing departments, in order to build understanding for the issue of labour exploitation among them as well.

It was concluded that the role of both financial institutions and investors are critical to the future of anti-trafficking: if they demand an end to trafficking, it will drive many more companies to decisive action, or lose easier access to the capital they need. Investors need benchmarks and rankings to make these assessments easier, to show which companies are taking action, and those who are not.

In conclusion, allow me to stress that my office sees our work on preventing human trafficking in supply chains as strategic. We agree that public procurement process and the transparency by private sector companies, if correctly incentivized and enforced, can have a great influence on preventing human trafficking in supply chains. To make this reality we must engage in partnerships to ensure that all relevant stakeholders do their part, and work together towards a similar approach. The goal of our norm setting project work is to create a level playing field by harmonizing jurisdictions across the OSCE region, thus lessening the burden on business to adapt to different laws and policies in various countries.

For my part, I am glad to work with you towards a possible Ministerial Council Decision in Hamburg to ensure sustainable and transparent supply chains, as we agree that no government or company should allow its goods or services to be produced and delivered by child or forced labour and human trafficking.

Thank you for your attention!