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Educating corporations and corporate counsels on the business risks associated with human trafficking, forced labor, and modern slavery within supply chains, and promoting the adoption of counter-human trafficking corporate policies and adherence to human trafficking legislation and regulations.

Counter Forced Labor Technologies is a global compliance and advisory company that provides **on-site** assessments, improvement plans, training, research, and supply chain transparency required for corporations to combat human trafficking, forced labor, and modern slavery. We offer a wide array of services designed to help corporations understand intricate legislative policies and mitigate risk within their global supply chain.

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USA MEXICO & CANADA

Exclusive Edition

Thought provoking insightful summaries
of current events that matter most.

Insight and expertise into the state of affairs
to mitigate risk, protect assets, investment,
and reputation.

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● CURRENT AFFAIRS



The Breaking Point: Borders & Boundaries

Safety, security, and the **economic stability** of our country and its citizens are of paramount importance.

Presently, illegal immigration is at the highest rate since 2007, and the statistical data is staggering, according to the U.S. Border Patrol.¹ Recently, *The New York Times* reported that in February of 2019, more than double the level of migrants crossed the border, citing specifically 76,000 more unauthorized migrants in comparison to this same period last year.² These are the largest numbers seen in any February in the last twelve years. The border system is literally and figuratively at a breaking point.

Mexico is the United States' **third largest** goods trading partner, according to the Office of the U.S. Trade Representative.³ Additionally, Mexico was ranked as the second largest U.S. goods export market in 2017. Numbers quoted by the Office of Trade specify that U.S. goods and services trade with Mexico totaled an estimated \$615.9 billion in 2017.⁴ Exports were \$276.2 billion; imports were \$339.8 billion. The U.S. goods and services trade deficit with Mexico was \$63.6 billion in 2017.

It's important to understand the statistical data behind illegal immigration and Mexico's spot as the United States' third largest goods trading partner, especially when looking to identify the correlations between trade, illegal immigration, and human trafficking. Open borders without clear policies and procedures regarding migration and

trade are a slippery slope to not only human trafficking, but to economic deficiencies as well within the balance of goods and services between both the U.S. and Mexico.

The border, and more broadly how the United States defines its relations with Mexico, directly affects the 12 million people who live within 100 miles of the border and indirectly affects communities across the United States and Mexico.

There are two distinct ways to view the US-Mexican 'border and boundaries' concept both currently and for the very near future. The first could be stated as a **"Security for Stability"** viewpoint which is based on the mindset that porous borders must be tightened up via new security policies in order to mitigate the rise in human trafficking, drug cartel activity, and economic hinderances. The second viewpoint could be stated as a **"Stifle in Supply and Demand"** mindset which is directed at understanding how new security policies such as the newly adopted USMCA (United States Mexico Canada Agreement), which recently replaced the NAFTA agreement and trade tariffs, might hinder the current free flow of trade, in turn "Stifling" the "Supply and Demand" that currently exists within the positive trade economies between the U.S. and Mexico.⁵

¹Southwest Border Migration, U.S. Customs and Border Protection, May 8, 2019.

²Border at 'Breaking Point' as More Than 76,000 Unauthorized Migrants Cross in a Month, *The New York Times*, March 5, 2019.

³Mexico: U.S.-Mexico Trade Facts, Office of the United States Trade Representative, 2019.

⁴Trade Agreements, Office of the United States Trade Representative, 2019.

⁵United States-Canada-Mexico Agreement, Office of the United States Trade Representative, 2019.

The New NAFTA: Quick Facts

The new NAFTA Agreement, which has now been named the USMCA (United States-Mexico-Canada Agreement), is essentially NAFTA 2.0 with a few updates. The pact has been revisited and rewritten in order to include changes for automakers, labor and environmental standards, intellectual property protections, and to include digital trade provisions.

The following are the newest changes:

Country of Origin Rules:

Automobiles must have 75% of their components manufactured in Mexico, the U.S., or Canada to qualify for zero tariffs (up from 62.5% under NAFTA).

Labor Provisions:

40 to 45% of automobile parts must be made by workers who earn at least \$16 an hour by 2023. Mexico has also agreed to pass laws giving workers the right to union representation, extending labor protections to migrant workers, and to protect women from discrimination. The countries can also sanction one another for labor violations.

U.S. Farmers Get More Access to the Canadian Dairy Market:

Canada has agreed to open its dairy market to U.S. farmers.

Intellectual Property and Digital Trade:

The deal extends the terms of copyright to 70 years beyond the life of the author (up from 50). It also extends the period that a pharmaceutical drug can be protected from generic competition and includes new provisions to deal with the digital economy, including prohibiting duties on things like music and e-books, and protections for internet companies so they're not liable for content their users produce.

Section 232 Tariff Protections:

Section 232 is a trade loophole that Trump used to impose steel and aluminum tariffs on Canada, Mexico, and the European Union. Canada and Mexico wanted protections from these tariffs as part of the NAFTA negotiations, and the fact that tariffs are still in place remains a sore subject, particularly for Canada. Canada and Mexico did get the U.S. to make a side agreement that shields them from possible auto tariffs under Section 232.

Sunset Clause:

The agreement adds a 16-year "Sunset" clause — meaning the terms of the agreement expire, or "sunset," after a set period of time. The deal is also subject to a review every six years, at which point the U.S., Mexico, and Canada can decide to extend the USMCA.

The USMCA is signed and awaiting full approval:

U.S. President Donald Trump, Canadian Prime Minister Justin Trudeau, and Mexican President Enrique Peña Nieto signed the USMCA agreement on November 30, 2018 and to date the agreement is awaiting ratification by all country leaders. The USMCA ratification must happen this year in the U.S. or wait until after 2020 with an impending election season, which would move implementation into early 2021. As for now, everyone is waiting on the U.S. to pick up speed. Until all three countries ratify the new agreement, the original NAFTA continues to govern North American trade.

¹United States-Mexico-Canada Trade Fact Sheet, Office of the United States Trade Representative, November 2018.

²Shares of Canadian auto parts suppliers surge after trade deal removes tariff threat, Financial Post, October 1, 2018.

³United States-Mexico-Canada Trade Fact Sheet Modernizing NAFTA into a 21st Century Trade Agreement, October 2018.

View Point:

Security for Stability

Recent concerns by the Administration and the U.S. Department of Homeland Security (DHS) have come to the forefront due to an influx of persons coming across the border and posing a threat to U.S. safety. Specifically, this includes drug cartels, traffickers, and terrorists.

President Trump and members of the administration have warned of Central American gang members and would-be South Asian and Middle Eastern terrorists joining caravans to infiltrate the United States. Former DHS Secretary Kirstjen Nielsen has stated that hundreds of convicted criminals were among those traveling toward the U.S. border¹, although *The Washington Post* has challenged the administration's figures about U.S.-bound migrants with criminal histories.²

"The truth is that the politics and policies of open borders have failed the American people. Our broken system endures, and the ongoing humanitarian and security crisis at our Southwest Border leaves many minors and families at extreme risk of being exploited by traffickers, human smugglers, gangs, and other nefarious actors seeking to profit at their expense," said Former Secretary of Homeland Security Kirstjen M. Nielsen.³

According to the U.S. Department of Homeland Security the risks associated with a porous border that lacks appropriate controls are evident in the following:

- One in three women are sexually assaulted on the journey to the border⁴
- 20,000 children were illegally smuggled into the United States during the month of December alone⁴
- In FY 2018, ICE made more than 1,500 human trafficking arrests – 97% of them for sex-trafficking⁵



While the vast majority of apprehended individuals in previous years were Mexican migrants, an increasing number—about one in three⁶—are now asylum seekers from Central America's Northern Triangle: Honduras, Guatemala, and El Salvador.⁷ Rather than seeking to evade border patrols, they are turning themselves in to enter through legal channels. They say they are fleeing gang recruitment, protection rackets, abusive police, and inept criminal justice systems, as well as poverty.⁷

On the flip side, Mexico's large drug cartels, including El Chapo's Sinaloa Cartel (estimated to supply between 40 and 60% of the cocaine and heroin sold on the streets in the U.S.), are the dominant wholesale suppliers of illegal drugs in the United States. Additionally, they usually recruit business partners among U.S. crime gangs to receive and distribute their drugs. All of this activity significantly contributes to the growing issues of human and drug trafficking and its direct effect on border security.

Understanding all the aforementioned factors that play a role in the safety concerns regarding the U.S.-Mexican border provides policy makers and businesses with helpful

¹Secretary Kirstjen Nielsen Statement, Department of Homeland Security Facebook, November 26, 2018.

²The Trump Administration's fuzzy math on 'criminals' in the caravan, *The Washington Post*, November 9, 2018.

³Humanitarian and Security Crisis at Southern Border Reaches 'Breaking Point', Department of Homeland Security, March 6, 2019.

⁴President Donald J. Trump Calls on Congress to Secure our Borders and Protect the American People, White House, January 8, 2019.

⁵President Donald J. Trump Is Fighting to Eradicate Human Trafficking, White House, January 9, 2019.

View Point:

Stifle in Supply and Demand

Having now looked at the perspective of having more robust border controls for security reasons, there is an alternative view. This point of view specifically looks at border controls from an economic perspective, in that the proposed border wall and soon to be efficacious security controls might significantly hinder economic expectation, productivity, and growth.

With NAFTA no more, the North American Free Trade Agreement has a new name — the United States-Mexico-Canada Agreement (USMCA), and its rules have been updated and revamped. Specifically, the new USMCA Agreement does the following for the US Mexico trade balance:

- The United States Mexico and Canada (USMCA) agreement would have a "moderate" overall impact on the U.S. economy, according to a report from the International Trade Commission (ITC).
- The report simulated effects of the deal and found it would raise U.S. GDP by \$68.2 billion or 0.35% and create 176,000 jobs, which represents a 0.12% bump in total U.S. employment.

U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors, United States International Trade Commission, April 2019.

Reason for a possible hinderance to economic continuance and growth between the U.S and Mexico, is that a full closure of the U.S.-Mexican border would halt more than \$1.6 billion worth of goods that flow back and forth every day. A real-life example of this has been stated by importers who have been warning that the U.S. would run out of avocados in three weeks – and clearly guacamole is the least of our trade problems. In that vein, fresh tomatoes, peppers, melons, and eggplant for the country would soon be in short supply. "Probably over half of what most consumers put in their shopping bag when it comes to fresh produce, they would find reduced quantities and higher prices," said Lance Jungmeyer, president of the Fresh Produce Association of the Americas.¹

The Trump administration has already announced plans to halt truck traffic through Nogales on Sundays, as customs officers who typically staff the border crossing there are

reassigned to deal with the influx of Central American migrants. If that shutdown extends to other days of the week, Jungmeyer worries some people will be out of work. "There's jobs that depend on moving goods back and forth every day. And if that's not moving, those people are laid off," Jungmeyer said. "That means those people are not able to keep the lights on in their own homes and to put groceries in their own refrigerators. So, it gets really dicey, really quick."¹

The effects aren't limited to the border region. Mexico is a critical supplier for companies throughout the U.S., including the highly integrated auto industry. "We don't just trade with each other. We're making things together," said Kristin Dzikczek, Vice President of the Center for Automotive Research in Michigan. "Mexico is a source of thirty seven percent of all imported auto parts to the U.S. Every vehicle has Mexican parts in it."

U.S. assembly plants are especially dependent on Mexico for critical parts such as wiring harnesses. Without them, those plants would soon grind to a halt. And that in turn would idle domestic parts-makers. "We'll see auto production in the U.S. shut down pretty quickly. Some within hours and certainly the whole industry within days," Dzikczek said.¹

As such, by taking into account these various supply and demand factors that relate to the USMCA and border security aids in the supply chain decision making process for those businesses in the agricultural and automotive industries who might be the most effected.

Fastidiousness for the Future

Clearly there is a challenge to estimating the future security and economic supply chain impact of the new USMCA and its connection to the new border wall. But, in understanding the aforementioned two viewpoints of **"Security for Stability"** and the **"Stifle in Supply and Demand,"** policymakers and businesses alike will have the know-how and ability to prepare for and mitigate the future effects of the future outcomes of the USMCA agreement and its relation to the U.S. Mexican border wall so that there will not be a breaking point.

¹Southern Border Closure Would Have Consequences for US Economy, NPR, April 2nd, 2019.



Nestlé

Knows Cocoa, Chocolate, Curb Appeal, and the Customer

When it comes to the food and beverage market, Nestlé dominates over the competition as the world's biggest company of its kind. Established in 1866 by Swiss pharmacist, Henri Nestlé, the organization originally specialized in infant cereal.¹ From these humble beginnings, Nestlé grew over the years by acquiring other companies into its fold. This mammoth organization now operates from over 189 different countries and hires almost half a million people worldwide.

Nestlé knows their **curb appeal**.

Nestlé knows their **consumer**.

Nestlé knows **chocolate**.

¹The Nestlé company history, Nestlé.

The Demand for Chocolate & The Supply Chain of Slave Labor

As the owner of more than 2,000 brands in over more than 189 countries, the onus is on Nestlé to provide security and due action for their employees and consumers globally.¹ There is an age old saying "to whom much is given, much is expected." Nestlé has a lot to live up to – not only now, but for their past, present, and future. **Nestlé understands their plight and their plow for the future. The future of food and beverage is full of opportunity, success, and great expectations with the growing prioritization of social responsibility.**

Understanding the 'plight and plow' is imperative, especially when looking at the impoverished West African nation of Burkina Faso which is home to hundreds of thousands of small farms that have been carved out of the forest. These farms form the world's most important source of cocoa and are the setting for an epidemic of child labor that the world's largest chocolate companies promised to eradicate nearly 20 years ago.

“

About two-thirds of the world's cocoa supply comes from West Africa where, according to a 2015 U.S. Labor Department report, more than 2 million children were engaged in dangerous labor in cocoa-growing regions.

Cocoa's Child Laborers, *The Washington Post*

Nestlé pledged nearly two decades ago to stop using cocoa harvested by children. Yet much of the chocolate you buy still starts with child labor. As of recent, the biggest brands in chocolate – Nestlé, Mars, and Hersey – have been diligent to circle back to their pledge 20 years ago to eradicate child labor in their supply chain. Yet, somehow these corporate giants still cannot identify the farms where all their cocoa comes from, let alone whether child labor was used in producing it.

Does Nestlé know how much child labor exists in their supply chain? What has Nestlé established in their supply chain as a success model?

What is it that Nestlé does not know? How does the world's largest producer of the food and beverage understand the gaps within its supply chain market mission? Just as most global corporations are accountable, like Starbucks or Nike, they all still have the missing link of knowledge when it comes to understanding the removed chain of "supply and demand" command. Having said that, Nestlé is at the forefront of tracking child labor in the supply chain and can trace up to 49% of its global cocoa supply to farms.

Slavery is not a word that is heard, said, or taken lightly.
Slavery **exists**. Slavery is **inevitable**.

¹Nestle says slavery reporting requirements could cost customers, *The Sydney Morning Herald*, August 19, 2018.

Is There Child Labor in Nestlé's Supply Chain?

Eradication of child labor is a formidable task. Especially when it comes to the cocoa industry since its roots lie in poverty. A typical cocoa farmer lives on less than one dollar a day.¹

Simply put, 90% of the world's cocoa is grown on small family farms by about 6 million farmers who earn their living from growing and selling cocoa beans. The typical cocoa farm in the Ivory Coast is less than 10 acres, and the farmer's annual household income is around \$1,900, according to research for Fairtrade, one of the many groups that issues a label that is supposed to ensure ethical business methods.¹ This amount is well below levels that the World Bank defines as the poverty line for a typical family. Roughly 60% of the country's rural population lacks access to electricity, and, according to UNESCO, the literacy rate of the Ivory Coast reaches about 44%. Fact is, that with such low wages, Ivorian parents often can't afford the costs of sending their children to school, and instead they use them on the farm to provide for the family living.



¹Cocoa Farmers, Fairtrade.



IVORIAN GOVERNMENT:

Prohibited Activities for Children in the Cocoa Industry

- Carrying heavy loads
- Felling trees
- Using animal-drawn cultivation techniques
- Charcoal manufacturing and lumber jacking
- Burning fields
- Hunting
- Selling, transporting or handling of agro-chemical products

Note: A new list of prohibited activities was adopted in June 2017, including items such as using a machete and driving motorised vehicles. The data in this report however, is based on the original list above.

Source: Tackling Child Labour, Nestlé Cocoa Plan, 2017.

Realistically, there is truly no company that is sourcing cocoa from Côte d'Ivoire and Ghana that can fully eliminate the risk of child labor in its supply chain. Nestlé is no different, and the company's current strategic plan is determined to tackle the problem. Nestlé is working towards less child labor in their cocoa supply chain through pioneering monitoring and remediation schemes in Côte d'Ivoire and Ghana, via the Nestlé Cocoa Plan. In October 2017, Nestlé published a report laying out, for the first time, the important progress made considerable effort in undertaking child labor. Clearly as long as child labor still exists on cocoa farms, there is more to be done. Ending child labor is a shared responsibility, and Nestlé is keen to take collective action with all organizations and laws that support the enforcement of eradicating child labor.²

Does Nestlé know how much **child labor** exists in their supply chain?

What has Nestlé established in their supply chain as a **success model**?

² Tackling Child Labour 2017 Report, Nestlé Cocoa Plan, 2017.

Child Labour Monitoring and Remediation System

How it works



Step 1

The Community Liaison Person (CLP) visits the households and farms of every member of the Nestlé Cocoa Plan co-operative to gather basic information on the issue

Step 2

A child is spotted (or self-declares) engaging in a hazardous activity

Step 3

This information is entered into a centralised database via a mobile app

Step 4

At the co-operative level, the Child Labour Agent (CLA) verifies the information and validates the report submitted by the CLP

Step 5

International Cocoa Initiative (ICI) analyzes the data coming from a co-operative, identifies trends and suggests a palette of remediation activities that will be implemented by ICI with the support of the CLA and CLP

Step 6

ICI, or one of its local partners, implements or distributes remediation support to the child and/or their parents

Step 7

The child is monitored to ensure the process is successful, and the effectiveness of the remediation activities is critically reviewed on an on-going basis

In 2017, **51%** of children identified are no longer in child labour¹⁸

Nestlé's Supply Chain Success Model

Through supply chain analysis, other businesses can learn from Nestlé's success, especially since the Swiss company continues to expand and evolve their products. The company has specifically modeled four main strengths in their supply chain which has led to success.

Profiling the Consumer

To create products that appeal to consumers, Nestlé believes in a strategy they call "Brand Building the Nestlé Way (BBNW)." One of BBNW's six founding principles is focused on profiling their brand's consumers. Nestlé is very engaged with their customers, specifically over online venues. The company goes far beyond market research to reach their clientele, as they strive to see who their core demographic is and what makes them tick.

As a company, Nestlé excels at interacting with real-life consumers on social media. For instance, their 850 Facebook pages for various brands carry a total of 210 million fans. It's an inspiring way to quickly and efficiently gather customer responses. To receive a high response level, the company posts around 1,500 new items per day across their online platforms. When it comes to supply chain analysis, having an intimate knowledge of what your customers want from your products is imperative in running a successful operation.

Focusing on Responsible Sourcing

Looking at Nestlé's supply chain, it's immediately clear that responsible sourcing is a huge concern for the company. With 700,000 farmers working for Nestlé, the Swiss company puts a strong emphasis on acting respectfully toward the many families and agricultural communities who are dependent upon them. Consequently, Nestlé goes to great lengths to track their food product's origins, thus ensuring that they're complying with ethical practices. This attitude gains Nestlé loyalty from both their suppliers and their consumers.

Nestlé's Supply Chain Success Model

Acquisition for Better Product Diversity

With over 2,000 unique brands and 10,000 products on the market, Nestlé certainly has a broad reach in the food industry. Much of the company's supply chain relies on acquisition, as they're consistently bringing new companies into their fold. This wave of buyouts began after the Berlin Wall fell in 1989, opening up the European and Chinese markets. Nestlé's first major acquisition was Ralston Purina Company, a popular pet food maker, in 2001. They followed this purchase up with Dreyer's, Movenpick, Jenny Craig, and Gerber over the following years. Nestlé's commitment to investing in other companies allows them to continuously put new, exciting products on the market. By buying former competitors, they're eliminating any threats and gaining access to these companies' suppliers in the process.

Transforming into a Zero-Waste Company

After a media backlash in 2010 against Nestlé's environmental practices, the company moved quickly to revamp its policies. Their first change was implementing a "no deforestation" policy, in response to Greenpeace's allegations over Nestlé's methods for gathering palm oil. The company's current priority is to eliminate waste in their upstream supply chain. By 2020, Nestlé has committed to becoming fully zero-waste-to-landfill, according to Pascal Gréverath, Nestlé's Head of Environmental Sustainability. Through these practices, the company is invested in improving its supply chain's efficiency. It's clear that Nestlé will save itself money in the long run, since no amount of food will be wasted.



United States Imported Products at Risk tied to Modern Slavery

Chocolate & Cocoa Win

Overall, supply chain analysis shows that Nestlé's business model has a lot to offer all companies. Whether you're a fledgling start-up or a long-standing corporation, this Swiss conglomerate displays the true importance of market research, responsible sourcing, product diversity, and going waste-free.

After all, Nestlé didn't reach a **\$247 billion net worth** by accident.

Annual value of at-risk imported cocoa by source country



Côte d'Ivoire
\$981,623k



Ghana
\$218,650k

Source: The Global Slavery Index, Walk Free, 2018.

With Counter Forced Labor Technologies' Global Risk Assessment Technology™ (GRAT), your business can adopt a holistic supply chain management solution that allows you to monitor your suppliers adherence to relevant legislation and regulations. With mandatory supplier participation and our risk scoring algorithm, your business can proactively identify and react to your suppliers that present the most risk.

The Counter Forced Labor Technologies Solution for Businesses



While there are plenty of ways that businesses can adjust their internal processes to correct for certain issues within their domestic supply chain, the ability to monitor and trust your international 3rd party suppliers is another story.

The Counter Forced Labor Technologies Global Risk Assessment Technology™ allows for proactive risk assessments at multiple levels from multiple dynamic perspectives.

- Our hosted **dashboard technology** assists companies in evaluating and monitoring the risk of slave labor in their supply chain.
- Our technology creates a **database for suppliers** that can be monitored and used to influence suppliers to mitigate the risk of human trafficking in the supply chain.
- Counter Forced Labor Technologies' experts evaluate global data on a daily basis which is used to impact and update the **Counter Forced Labor risk scoring system**.
- Counter Forced Labor Technologies' Global Risk Assessment Technology™ can serve as a vital tool for moving a CSR strategy from reactionary management to **proactive management** of

**THE LINK AND LEXUS OF GANGS & CHILD
TRAFFICKING IN THE U.S.**

Loopholes Let Laws Linger & Lack Luster

What is risk? What does risk look like?

Are you, your loved ones, or your organization at risk to human trafficking? Literally, “**risk**” is defined as a *situation involving exposure to danger or disaster*, and defined as an action – it is described as *exposure to danger, harm, or loss*.¹ We are all “at risk” every day when we do all the following: walk out the front door of our home; drive a car; board an airplane; walk across a cross-walk; or just breathe in the air around us – it is all, in some form or fashion, a risk.

Knowing that, it's important to be aware of the current links between gangs and human trafficking, and the recent high risk this poses to children and teenagers in the U.S.

Families are falling victim to these crimes more frequently. As shown in a recent case where MS-13 gang members at a local high school in Long Island, New York killed two classmates, “many ordinary Americans had heart-wrenching stories to tell because our country had not kept their children safe.”²

¹Risk, Merriam-Webster, 2019.

²Loopholes in Child Trafficking Laws Put Victims – and American Citizens – At Risk, Whitehouse, April 5, 2018.

Human trafficking takes no names and has no regard for age or race.

It was an afternoon like any other, yet the predators of MS-13 took the lives of two innocent high schoolers.³

The deadly connection between trafficking and MS-13, which is today one of the largest and most violent transnational criminal organizations in the world, is of monumental merit. Recently, there has been a rise in MS-13 engagement into human trafficking.³

As clearly stated, by the *Human Trafficking Search Agency*, the MS-13 "preys on the vulnerability of the unaccompanied minors, some whom have previously suffered sexual abuse either in their home country abroad or during the trip to the U.S.; others lack a community and do not speak English-leaving them helpless. Members of MS-13 seek out vulnerable young girls using violence and coercive tactics to intimidate the girl into having sex for money to financially help support the gang.³" Sex trafficking is a core element of the MS-13 business model.⁴ Presently, **the system is broken for unaccompanied alien children who are smuggled into the U.S. by criminal organizations**, i.e. human smugglers, who use these children and traffic them as they see fit.²

¹Loopholes in Child Trafficking Laws Put Victims – and American Citizens – At Risk, Whitehouse, April 5, 2018.

²The Connection between the Mara Salvatrucha and Human Trafficking, Human Trafficking Search, 2017.

³Center for Immigration Studies



It is important to have an awareness and understanding that MS-13 targets and specifically harnesses the youth in the U.S., by explicitly taking advantage of those who have immigrated or migrated. In recent cases, MS-13 members have taken advantage of the loopholes within the U.S. legal system to enter the country as unaccompanied minors and infiltrate the educational and legal system, all the while recruiting Unaccompanied Alien Children (UAC) to drug smuggling and trafficking.

According to reports by the Health and Human Services Agency (HHS) most of the unaccompanied alien children are statistically older teens who have migrated from El Salvador, Honduras, and Guatemala. Some of whom are MS-13 gang members who use the immigration system to infiltrate the U.S. Unfortunately, unaccompanied alien children are often smuggled into the U.S. by criminal organizations, and are prime targets for gang recruitment, violence, and human trafficking. Human smugglers generally are paid by the UAC's sponsors or family.¹

On December 8, 2019 the Department of Homeland Security (DHS) reported that border crossing separations occurred due to criminal activity or gang affiliation by adults, or hospitalization. Affirming this recent trend, DHS spokeswoman Katie Waldman stated that, "As we have already said – and the numbers show: separations are rare, but the numbers we have recently compiled show unequivocally that smugglers, human traffickers, and nefarious actors are attempting to use hundreds of children to exploit our immigration laws in hopes of gaining entry to the United States."²

Traffickers have no regard for humanity, and certainly no respect for the youth and our standards as a country – in that we as a country of independence – will always uphold our Declaration of Independence for the innocent to ensure all humanity is certain that *"we hold these truths to be self-evident, that all men are created equal; that they are endowed by their creator with inherent and inalienable Rights; that among these, are life, liberty, and the pursuit of happiness."*

Today, the clear and present *"risk"* is the safety of the youth. Children and teenagers alike, whether they are unaccompanied alien children or present citizens in the U.S. – both are vulnerable targets and at *"risk"* to modern day slavery and human trafficking.

¹U.S. Department of Health and Human Services, Unaccompanied Alien Children Program Fact Sheet, May 2019.

²81 Children Separated at Border Since Trump's Executive Order on Dividing Families, CNN, December 6, 2019.

Americas Region Highlights

1,950,000

Estimated people in
Modern Slavery

60%

Forced Labour Percentage

34%

Forced Marriage
Percentage

5%

Regional Proportion
of Global Estimate

41/100

Average
Vulnerability
Score

AAA AA A BBB BB **B** CCC CC C D

Average Government Response Score

LOW



HIGH

Today's global cross-border trade movement is an exciting and challenging time to be a part of within the supply chain industry.

There are new developments unfolding every day which can be leveraged if done strategically and with the right technologies. Specifically, with the new USMCA agreement the agricultural and automotive industry might either take a hit or soar, and there is still time for businesses to be proactive and prepare themselves for further changes that are coming.

The software technology available for customs declarations and global companies has developed rapidly in recent years and opens up substantial possibilities for public authorities, importers and exporters, and can be seen in the increasing digitalization of the global customs clearance processes. By taking advantage of such technology advancements for the supply chain, businesses can better-leverage complex regulations and unlock substantial opportunities.

Global companies should not only look for opportunities, but also the gaps within the future supply chain in order to best leverage for success.

The global trade landscape is becoming more dynamic with the ever-changing rules and regulations to keep goods moving across borders.

Given the new set of trade terms illustrated by the U.S. Trade Commission and the United States-Mexico-Canada Agreement (USMCA) it is critical for companies to be well versed on the impacts within industry sectors. Specifically, with regards to the predicted outcomes, the trade commission estimates that there will be positive gains and impacts for the U.S. even with the modified rules of trade for the various industry sectors.

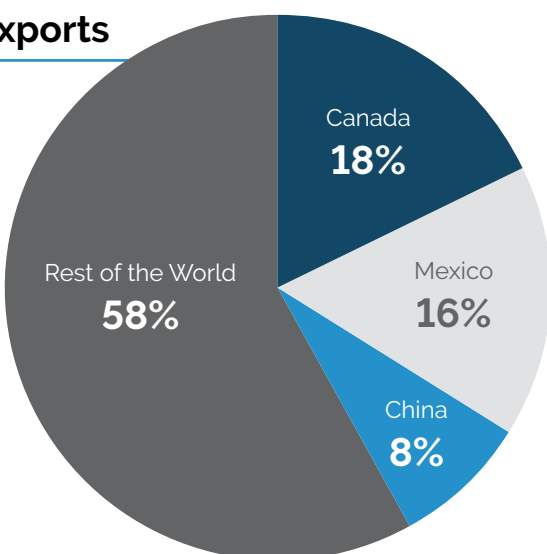
However, it is important to note that many countries already have their own customs and compliance rules for trading. High-level trading countries have begun to overtly flex their economic muscles, especially as the rules that keep goods moving across borders become more complex. Additionally, there are numerous international trade agreements and a variety of new pacts that will be coming online which might create imbalance. Finally, as emerging economies continue to develop, they will add their own rules and regulations into an already confusing customs soup of supply and demand.

For instance, in the past year the United States government declared various regulatory policies that have had a ripple effect across the trade industry. Take for example the decision to impose trade tariffs on China, which was reciprocated by the country's own regulation on American goods.² While these policies may bring about great transformation to certain businesses, there are some that are already beginning to feel the impact. It is important to prepare for that –if and when – such regulations become an imposition to our bordering neighbors, like Mexico and Canada, it might impact and infringe on our supply chain fastidiousness.

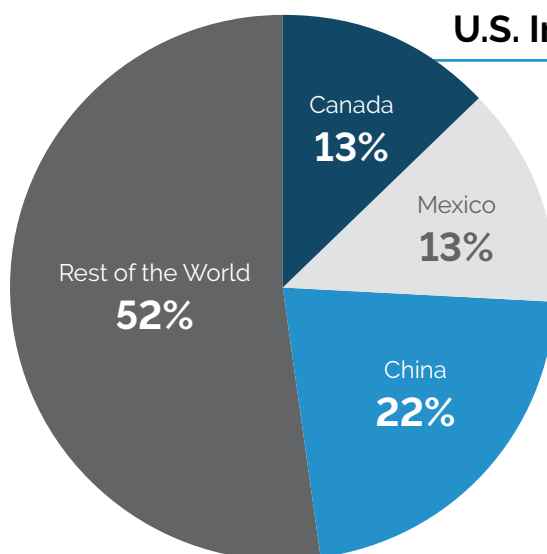


Trade shares of the selected countries in U.S. trade in goods.

U.S. Exports



U.S. Imports



Source: USITC DataWeb/USDOC (U.S. total exports and general imports; accessed February 12, 2109).

¹ U.S.-Mexico-Canada Trade Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors, US International Trade Commission, April 2019

² The US-China Trade War: A Timeline, China Briefing, May 2019

A recent example of this trade tariff imposition is seen in the state of Maine's lobster industry, which took a particularly hard hit due to the trade tariffs between the U.S. and China. With seventy percent of Maine lobster exports going to Asian markets, the trade tariffs drove away customers and put jobs across the supply chain in jeopardy.¹ These hefty new tariffs have resulted in millions of dollars' worth of live Maine lobster typically exported to China now being seized for the economic taking by Canadian lobstermen. While this is one example of the effect these policies can have, it is not unique to this specific industry. It's only scratching the surface of what's to come. If this type of decision-making were to take place in an improper channel of trade and tariffs with either Mexico or Canada, it would be detrimental to our economy. Therefore, it has never been more important for businesses to shift their focus to implementing cutting-edge compliance technology into their supply chain.

What the New NAFTA Means for the Supply Chain

When trade wars break out, everyone loses. Not surprisingly, industrialists breathed a sigh of relief in November 2018 when the heads of the United States, Mexico and Canada signed a revised framework governing tariffs and trade between North America's three nations. The agreement, nicknamed "USMCA," still needs to be ratified by each country's legislature, but it does provide a needed road map and some regulatory clarity for the major industries in the regions: automotive, pharmaceutical and agriculture.

Supply chain professionals might be eager to start planning, but they also must prepare to face additional pressures in supply lines and negotiate new savings in the supply chain. Unforeseen impacts and volatility arising directly from the USMCA framework are likely to occur.

Everyday Risks in the Supply Chain

In general, there are everyday risks in every supply chain, but the supply chain can also be volatile when it comes to compliance globally. In the past few years there have been at least four global companies that have been hit with fines of over \$1 billion for various forms of regulatory non-compliance.² Offenses included the following: bribery, corruption, product non-compliance, financial fraud and many more. The mere fact that fines of this size are occurring on a near-monthly basis gives even the most established and ethically-conscious business executives reason for pause.

While the concept of financial risk is not lost on senior executives and compliance managers, there are other compliance risks that are rarely given a level of attention proportional to the business disruption they could inflict if left unaddressed. These risks develop in corporate supply chains, among third-party intermediaries and within win-at-all-costs mentalities, which hide or even reward unnecessary risk. It is difficult to see these realities because they often exist in blind spots, residing just beneath the surface of an underfunded or ineffective compliance program.

To avoid these risks, it is essential a company takes firm steps to implement a robust risk identification and management system to mitigate supply chain risks before they take hold. In doing so, companies can avoid the financial, reputational, operational and legal setbacks that frequently go hand-in-hand with regulatory non-compliance.

With an emphasis on practical take-aways and compliance survival stories, compliance personnel will gain insight into the tangible steps they can take to upgrade their programs to meet the challenges of an evolving compliance landscape.

¹Tariffs Hit Maine's Lobster Industry, NPR, July 14, 2018

²U.S., EU fines on banks' misconduct to top \$400 billion by 2020: report, Reuters, September 27, 2017.

Importers, exporters, and customs brokers are wise to adopt technologies such as customs management solutions to automate these processes and efficiently navigate this volatile environment. Due to the dynamic nature of the supply chain, it is critical that the customs management suite is future-oriented and goes beyond the electronic customs declaration. In addition to the actual features, the system architecture itself is crucial, and the software should be integrated, automated, and flexible to ease the user's workload and reduce errors that lead to costly fines.

Going forward, global companies should look for the following attributes in order to **best leverage** technology and **adapt** to future supply chain developments:

Integrated and Intuitive Databases: In light of globally diverse and dynamically changing regulations, laws, and tariffs, customs systems should have constantly updated databases.

Limitations and Preferences: Recognize prior to import whether goods are subject to any import restrictions, what the underlying tariffs are, and whether a tariff preference can be applied.

Interfaces with the Existing IT Environment: A key to success here is understanding how the customs management suite integrates with the existing IT environment—including systems like the ERP, TMS and WMS. Through integration, all solutions can work with one central database. This saves time, avoids transmission errors, and ensures a standardized and consistent database.

Integrated Workflow Management: Functionality allows companies to automatically define the proper individual customs clearance processes and assign them to the right employees for handling.

Document Management: With an integrated documents management system, all documents that are part of a customs clearance process are filed in a digital folder, so they might be found quickly and in such a way to meet audit requirements.

Classification of Goods: Fully or semi-automatic classification of goods is another significant simplification. Classifying means is attributed to the right commodity number to goods.

Automatic Tariff Assessment: The attribution of the correct customs tariff to a commodity is the basis of all import and export processes. An intelligent customs management suite can automate the attribution process to the furthest extent, which greatly reduces the risk of error.

Backup System: Organizations, customers, and authorities all demand fast, safe, and simple access to data. Therefore, having integrated data backup goes without saying for a modern customs system.

Correct Handling of the Anti-Terrorism Rules: Regulations often center around embargo measures in the fight against terrorism. These rules and regulations are not aimed at specific countries or groups of commodities, but rather at persons, organizations, and affiliations with which business contact is prohibited.

Simplified Manual Input: Despite automation, manual input will not be completely eliminated, so it is important to simplify the input activities as much as possible.

Powered by People: Making sure to have licensed customs brokers on staff to interpret and implement changes into the software is invaluable and saves precious time and resources for companies who do not have to staff experts for such functions.

Automatic Customs Value Assessment: The customs value assessment is a complex topic, and should be supported by a high-performance IT system.



Meet Rita Maria Hernández

*Executive Director,
Comisión Unidos Vs. Trata*

More recently, Rita has been working in advocacy and lobbying related to the Mexican government's trafficking legislation, as well as the importance of complying with Article 9.5 of the United Nations Palermo Protocol, which outlines policies in anti-human trafficking and commits states to discourage the demand that fosters all forms of exploitation in trafficking. Since 2015, Mrs. Hernández has served as the Executive Director of Comisión Unidos vs Trata in Mexico City, Mexico. Comisión Unidos Vs. Trata aims to provide protection and care for victims, influence human trafficking laws, raise awareness and in general prevent future cases of human trafficking and sexual exploitation. Additionally, she is also Vice Chair of the International Coalition for the Abolition of Prostitution and sits on the board of the R832 Policy in Tijuana.

Rita has a Master's degree in Education Research and a Doctorate in Public Policy. She holds dual U.S. and Mexican citizenship.

Interview with Rita Maria Hernández

Executive Director, Comisión Unidos Vs. Trata

1. Even though there has been increased awareness regarding human trafficking in the last few years, what are the impending core issues that should be mitigated by both the U.S. and the Mexican government?

First and foremost, trafficking is a global issue, but having said that, it is truly a binational issue. Mexico and the U.S. must work together to mitigate the advance of trafficking on both sides.

In order to do this effectively there should be a focus to stop the following:

- A. The trafficking and smuggling of victims into the United States for labor exploitation, specifically the women and girls into the U.S. commercial sex industry of pornography and prostitution, and;
- B. The sexual tourism generated by U.S. sex buyers into Mexico.

2. What is unique about your work and your role in the fight against sex trafficking?

In my role as Executive Director of Comisión Unidos vs. Trata in Mexico City, we are doing frontline work directly with victims in the largest red-light district in Latin America. Helping women identify themselves as victims and helping them prosecute their traffickers is one of the hardest tasks we face on a daily basis. Another important part of our work is the research and data gathering we do directly in the streets, as well as the advocacy we are able to generate in the Mexican legislature. My work in advocacy and lobbying related to the Mexican trafficking legislation and the importance of complying with the United Nation's Palermo Protocol to Prohibit, Prevent, Suppress and Punish Trafficking in Persons of Women and Children specifically commits states to discourage the demand that fosters all forms of exploitation.

3. Are women and children in Mexico more at risk now to human trafficking? What are the statistics or important numbers you could share and provide with regards to US/ Mexico policy awareness?

The policies being adopted by our new Mexican government have put women and children more at risk for trafficking. Unfortunately, it is the Mexican government that has stopped all funding to NGO's that care for victims, they directly and openly promote the legalization of prostitution and disregard key issues regarding trafficking.

Staggering Statistics:

Mexico & Sex Trafficking:

- Mexico is the **#1 Producer of Child Pornography** for the U.S. Market
- **80%** of Consumers of Sex Trafficking are U.S. Nationals
- There are **400,000** Women in Sex Trafficking in Mexico Alone; **300,000** Children in Latin America
- **18%** of Victims are Young Boys
- **90%** of Women are Controlled by Pimps or Traffickers
- **82%** of the Women Sold in Latin America were Trafficked into the Commercial Sex Industry are between the Ages of 14 and 16
- Average Finished Schooling in Mexico of Women is the **6th Grade**

Statistics Provided by Organization: Comisión Unidos vs. Trata

News & Events:

Movies Making a Difference

This past March, Counter Forced Labor Technologies CEO and Founder, Linda Rizk, was honored to support the *Movies Making a Difference* event in Palm Beach, Florida. The event focused on survivors of child labor, child marriage and trafficking, telling the stories of victims with socially conscious movies and raised funds to give back to their cause. Guests of the event listened to stories of child slavery in the United States and Canada, including personal accounts of a former child bride and a child slave.

Movies Making a Difference (MMAD) is a 501c3 non-profit organization that focuses on raising awareness through films to aid survivors who have survived human trafficking. The nonprofit organization currently works with more than 60 young adults with similar stories. Specifically, MMAD rescues trafficking survivors and provides safe housing, education, treatment and empowerment.



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The Counter Forced Labor Journal is published by the Counter Forced Labor Technologies Intel Team, which is composed of tenured military and business analysts with intimate knowledge and direct experience dealing with human trafficking, forced labor and modern slavery.

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The Counter Forced Labor Journal is a newsletter published by the Counter Forced Labor Technologies Intelligence Division. It is issued four times a year and provides updates for C-suite-level decision making in support of terrorism and human trafficking risk management of the supply chain. The Counter Forced Labor Journal serves to strengthen current corporate social responsibility policies.

We welcome feedback and suggestions for articles in future issues.

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