COUNTER FORCED LABOR QUARTERLY JOURNAL

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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.

RC

COUNTER FORCED LABOR TECHNOLOGIES

TOPICS IN THIS ISSUE

Blockchains *for the* Supply Chains

In alignment with the Digital Supply Chain (DSC) evolution, Industry 4.0 - or the fourth revolution - is allowing companies to acclimatize to customer trends through e-commerce, digital marketing, social media, and customer driven trends. From backyard businesses to global suppliers, the DSC is improving through digitization in support of a myriad of elements. These include: integrated planning and execution, logistics visibility, Procurement 4.0, smart warehousing, efficient spare parts management, autonomous and B2C logistics, prescriptive supply chain analytics and digital supply chain enablers. With the advent of blockchains, the already complex digital transformation of supply chains is becoming more streamlined. Through its consensus and membership protocol, Blockchain's distributed ledger system removes the third-party layer such as banks, customs clearing agents, inspection and verification agents, and legal advisors.

These peer-to-peer transactions are modernizing the traditional business network.

Industry 1.0 (1800's)
Steam and Water Power

Industry 2.0 (1900's)
Electrification

Industry 3.0 (1970's)
Digital Computer

Industry 4.0 (2015+)
Digitization of Everything as Part of the Internet of Things (IoT)

Digital Ecosystem (2030+)
Encompassing Integration of Virtual Digital Technologies

Procurement 4.0 Framework

New Procurement Value Proposition	**1**
Digital Category and Service Procurement	**2**
Digital Supply Chain and Supplier Management	**3**
Innovative Procurement Data Utilization	**4**
Digital Processes and Tools	**5**
Organization and Capabilities	**6**

Blockchains are good for business

Over a ten-year period from 2006-2016, the world merchandise trade of World Trade Organization (WTO) members increased from $11.4 trillion to $15.4 trillion, according to the World Trade Statistical Review 2017. Expansion of trade with developing countries, their resources, and advancing technologies have all contributed to the growing trade volume. Despite 2016's lowest volume of world merchandise trade since 2008 at only 1.3%, progress in the first half of 2017 showed a sharp rise in global trade growth with a global merchandise trade volume of 3.6%. As the single most influential creator of wealth, global trade is on the mend with room for growth. Revolutionary solutions to reducing market friction such as blockchain anticipate accelerated flow of capital and new opportunities for wealth.

By alleviating typical market frictions which are limiting to growth throughout business networks, blockchain asserts secure streamlining of contracts, supply chains and its participants through its distributed ledger. For instance, cross-border regulations are limiting to globalization and cyber-attacks are difficult to prevent and debilitating to recover from, but blockchain reduces common market frictions dependent on traditional business networks. Reduction of market frictions is dependent on the different industries with varying degrees of impact. The improved visibility of business networks is transforming the cumbersome supply chain industry.

Schrauf, Stefan, and Berttram, Philipp. "Industry 4.0: How digitization makes the supply chain more efficient, agile, and customer-focused." Strategy And, September 7, 2016.
"Bridging the Gap: 2015 Annual Global Working Capital Survey," PricewaterhouseCoopers, 2015.
"World Trade Statistical Review 2017," World Trade Organization, 2017.

Market frictions slow down business

Information Frictions: Limitations caused by poor information management

- Information is not corrected or consistent causing delays or poor decisions
- Information is inaccessible due to data management constraints
- Information is at risk to cybercrimes or privacy concerns

Interaction Frictions: Limitations caused by delays in transactions

- Intermediaries exponentially delay business
- High transaction costs/fees
- Participants are not physically co-located or operating in various time-zones

Innovation Frictions: The inability to react to market changes

- Internal bureaucracy, legacy systems, resistance to change
- Regulatory costs and delays
- Unplanned competitive business models

The increased visibility among business networks using blockchain will alter current supply chain methodologies. According to IBM's guide book *Blockchain for Dummies*, blockchain technology will make appropriate data visible in near real-time and much more:

"...blockchains could enable a robust and secure exchange for shared logistics, coordinating a vast array of activities from sharing spare space in a warehouse to optimizing truck fleets and shipping containers. Retailers and manufacturers could greatly improve demand forecasting and stock replenishment. Financial institutions, armed with a detailed track record of a supplier's reliability, could extend much needed credit to fuel growth. Regulators could trace the origin of goods from raw materials, making it easier to identify counterfeit items, as well as sources of tainted materials."

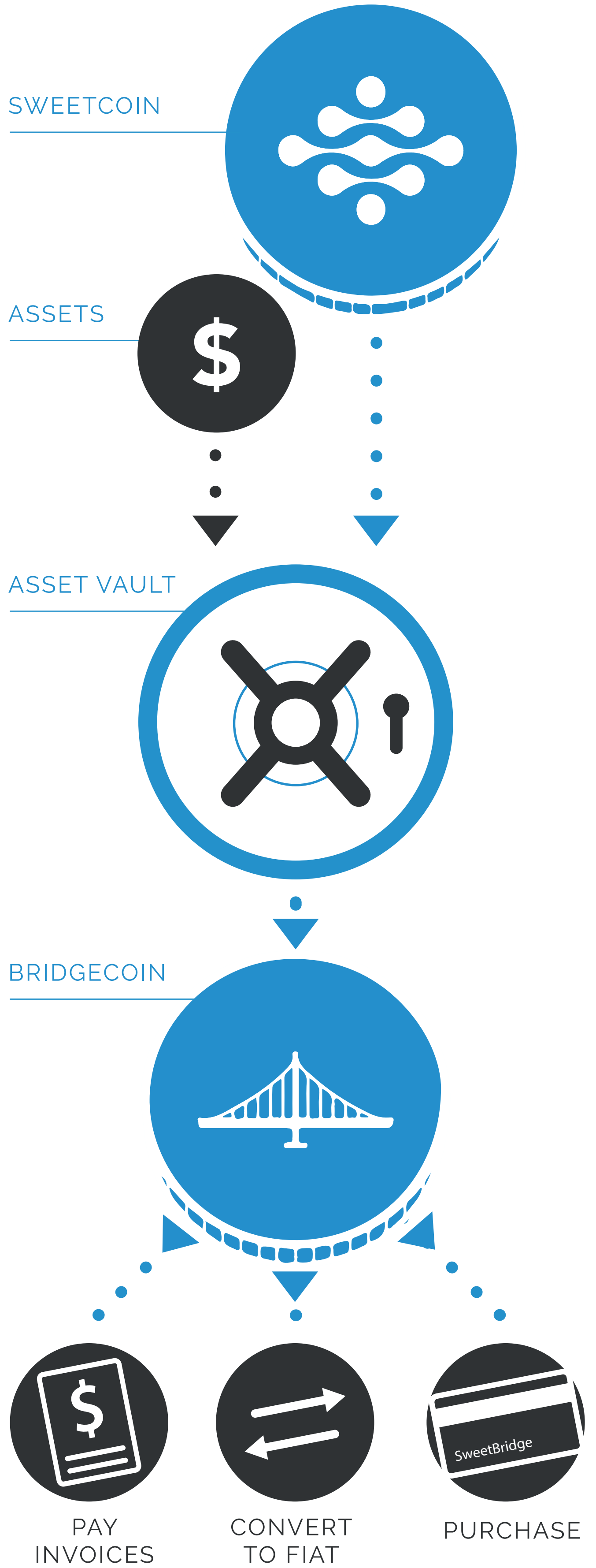
- Karen Lewis, Content Strategist & Project Manager, IBM

Lewis, Karen. "Rethinking enterprises, ecosystems and economies with blockchains," IBM, February 20, 2017.

Among the list of positive changes cited by IBM, reducing financial costs associated with strategic procurement is a primary concern within the $54 trillion global supply chain industry. The Sweetbridge Foundation, a non-profit operating a blockchain-based economic framework, operates a block-chain protocol stack driven to enable highly efficient supply chains and commerce without intermediaries. Their vision to lower the cost of doing business in global supply chains is implemented through a five-layer protocol. In the base layer of the protocol, cheap liquidity is generated on demand by mobilizing underutilized resources: inefficient uses of capital and talent assets, illiquidity in working capital, and disruptive change. Assets combined with Sweetcoin, essentially a software license that reduces liquidity fees for its holders, are deposited into an Asset Vault. Using Sweetbridge's version of cryptocurrency, also known as Bridgecoin, participants can use the cash-like assets in exchange for purchasing power, fiat currency, or pay invoices as part of layer two in the low-risk settlement protocol. Protocol layer three serves three purposes: transparency, risk management and auditability allowing known future values – taking in account risk and volatility – to become a type of collateral in parallel with other assets. The data from previous layers generates the fourth protocol stack dedicated to collaborative use of shared resources such as factories, warehouses, and heavy equipment.

> "Asset sharing can increase the efficiency of global commerce by 10-20%"
>
> - Sweetbridge Foundation Whitepaper

The final protocol again mobilizes unforeseen assets by placing a value on tools, APIs, and data aggregation used to analyze the supply chain and measuring personnel performance. This last protocol rewards supply chain professionals based on efforts versus time-based salaries or consulting fees offering incentives while potentially saving money.



Gupta, Manav. "Blockchain for dummies: IBM Limited Edition" IBM, 2017.
Scott Nelson, J. et. Al., "A blockchain-based protocol stack for global commerce and supply chains," Sweetbridge, 2017.

Blockchain's Collaborative Use

No matter the chosen cryptocurrency, blockchain technology has immense potential to evolve into a universal supply chain operating system. To track every transaction in a supply chain whether it is a physical product, services or money, blockchain also has implications to support food traceability and even environmental and human rights transparency in the supply chain. As each component of the supply chain is logged in the ledger, blockchain leverages government regulators and compliance requirements because no single authority "owns" the provenance information.

The multifaceted global food system and its supporting supply chain are examples of blockchain technology benefiting new areas of value such as traceability. In 2016, Walmart spear-headed a consortium with food system stakeholders from leading food retailers and food companies meant to explore how blockchain technology could be used to make the food supply chain safer. The dilemma of food recalls is a critical issue effecting one-in-ten people each year from cross contamination or the spread of food-borne illness resulting in unnecessary waste and economic hardship. Nine other businesses joined Walmart in the world-wide collaborative effort using IBM's blockchain platform: Dole, Driscoll's, Golden State Foods, Kroger, McCormick and Company, McLane Company, Nestlé, Tyson Foods, and Unilever.

After year-long parallel trials in China and the U.S., the consortium demonstrated that blockchain can be used to instantly track a food product's supply chain from farm to retail shelf. Through the collaboration with all food system stakeholders, IBM's blockchain platform essentially operates as a digital ledger that captures information of a product at each point to include compliance measures. For transparency to work, a lot of people needed to work together, not in competition – resulting in an improved food system.

After the successful trials demonstrating food traceability using blockchain technology, Walmart and IBM joined JD.com, a Nasdaq listed Chinese retailer, and the Tsingua University National Engineering Laboratory for E-Commerce Technologies last December in the development of a Blockchain Food Safety Alliance meant to improve food tracking and safety in China. This newest collaboration will delivery not only traceability for food safety but also transparency across the whole supply chain. Operating with a sense of urgency, the collaborators who join the alliance will share information using blockchain technology and choose a standards-based traceability solution dependent on their needs and legacy systems. To increase the ecosystem, collaborating with other stakeholders is key to include farmers, suppliers, and retailers who may not have advanced supply chain technology.

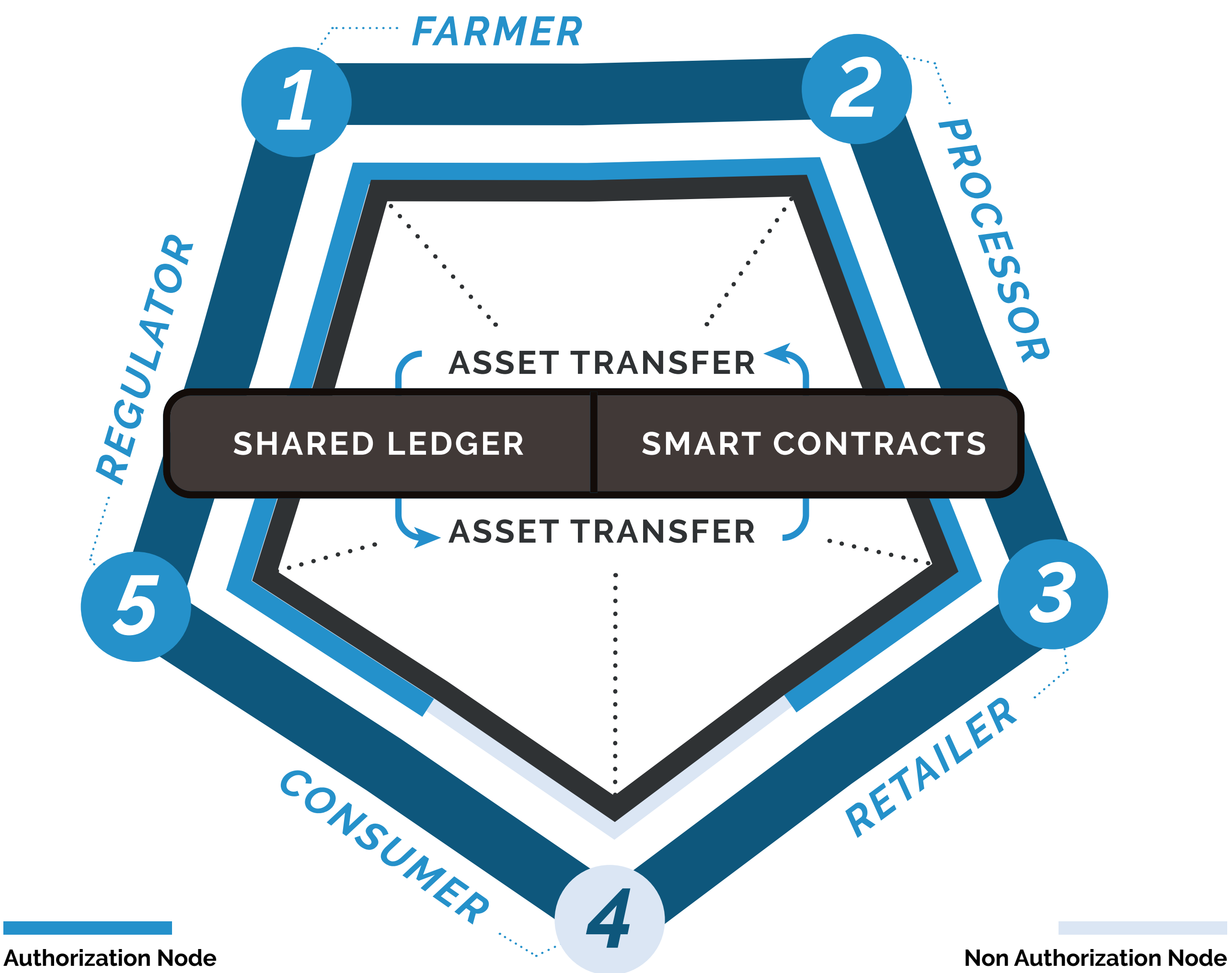
In summary, the already complicated global supply chain industry has a plethora of technologies, tools, and industry leaders offering various solutions, and it may seem redundant to employ blockchain technology in your supply chain. In reality, blockchain technology is probably already operating in your business network. As determined by the IBM-Walmart trials, collaboration is key to a successful blockchain ecosystem and was helpful in improved traceability and transparency aspects of the food system. After your business determines the efficacy of blockchain in your supply chain and you realize the appropriate use case for blockchain, it is imperative you grow your network and collaborate with others to overcome any market frictions. Blockchain technology is still developing into a mature solution but is no doubt a major part of the digital supply chain evolution.

> We don't believe traceability is the goal – we believe that transparency is the ultimate goal.
>
> – Frank Yiannas, Vice President, Food Safety, Walmart.

Aitken, Roger. "IBM & Walmart Launching Blockchain Food Safety Alliance In China With Fortune 500's JD.com," December 14, 2017.

WALMART, IBM AND TSINGHUA UNIVERSITY

Explore the Use of Blockchain to Help Bring Safer Food to Dinner Tables Across China



1. Farmer
1. New Beef Cattle
2. Beef Cattle Live Status (IOT)
3. Beef Cattle Feeding Record
4. Beef Catttle Vaccination
5. Beef Cattle Full Grown
6. Beef Cattle Transfer

2. Processor
1. Processing (Slaughter)
2. Quarantine Beef
3. Beef Transfer

3. Retailer
1. Beef Slice and Packaged with QR Code
2. Beef Slices Sold Out

4. Consumer
Query Supplychain Information via
1. App - Via Scan QR Code (IOS and Android)
2. Web - Via Input QR Number

5. Regulator
Query Supply Chain via Web Page

"Blockchain use cases," IBM Blockchain, 2017.
van Rooyen, Jan. "Blockchains for supply chains,"Resolve. May 10, 2017.
van Rooyen, Jan. "Real-world applications of blockchain-enabled supply chains," Resolve. May 26, 2017.

Blockchain's Technology

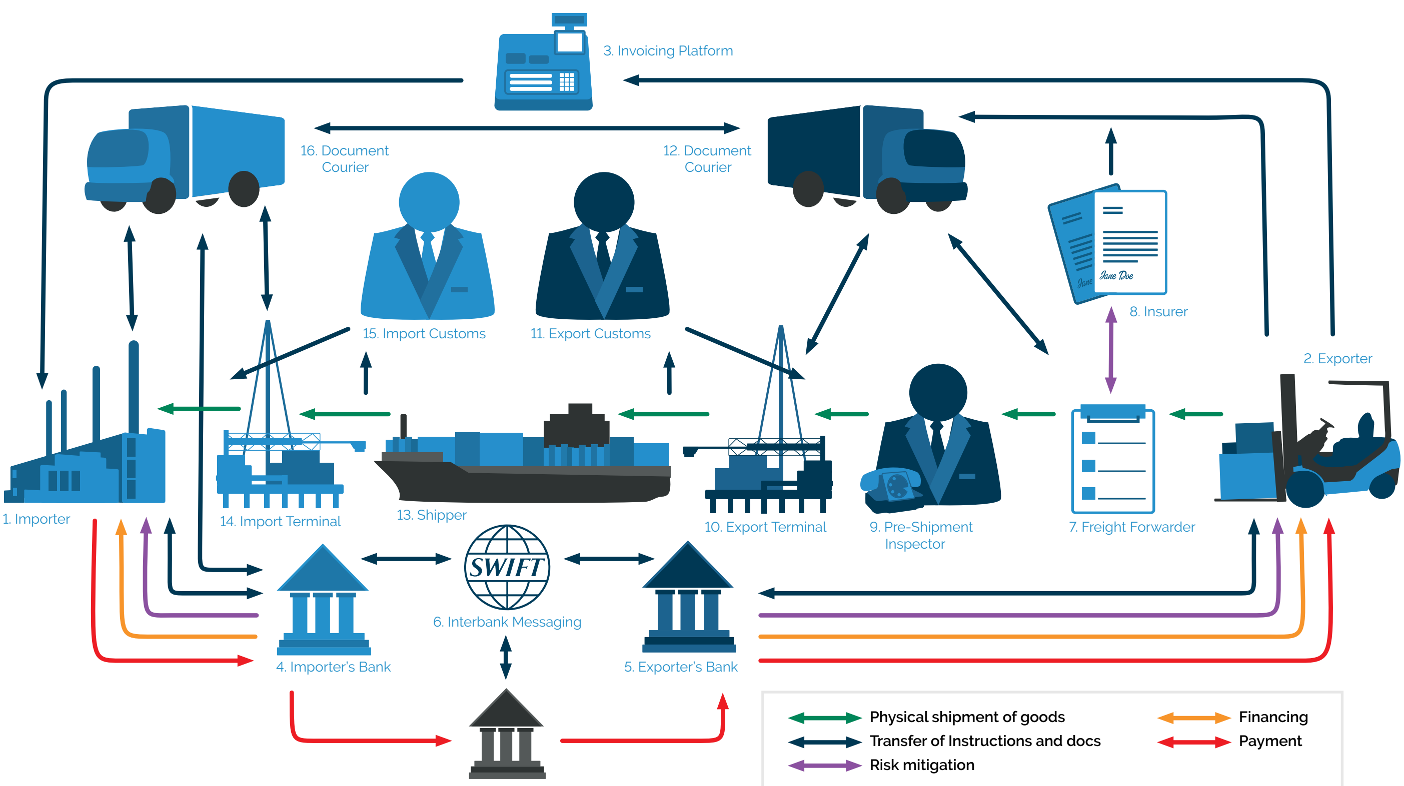
Blockchain technology increases trust and efficiency in the exchange of almost any kind of information. Traditional data distribution and storage practices are being altered with blockchain technology. Synonymous with Bitcoin cryptocurrency, blockchain technology has become the standard for a peer-to-peer ledger system with advanced security removing intermediaries, but as the concept grows, the applications for blockchain are exponentially emerging. The blockchain-driven solutions are limitless with increased investor funding, growing collaborative partnerships, innovative data security solutions, and the advent of "smart contracts" worldwide, but what is it exactly and how does it work?

What is Blockchain?

Blockchain technology is not strictly a financial tool as when used with Bitcoin. Simply designed as a general ***shared ledger,*** it is designed to move and store blocks of cryptographically validated data that users can't corrupt. Basically, blockchain is a transparent paper trail that anyone can access, but no one can alter, thus a shared ledger.

Blockchain technology is not a new technology, it is a combination of proven technology innovatively applied. The ***blockchain backbone*** consists of three existing technologies: the internet using a peer-to-peer network, private key cryptography, and a protocol governing an incentive. This backbone creates a system of digital interactions that don't need a trusted third-party.

SHARED LEDGERS FOR SUPPLY CHAINS



Shared ledger

Shared ledgers come in two types of trust models: public and private. Both models allow companies and businesses to work together more streamlined than in the past. Private shared ledgers employ a less trusting model thus sacrificing decentralization but offering an increased consistency and enterprise scale. Public shared ledgers offer a combination of all three features varying by model. Essentially, shared ledgers provide end to end business processing and record keeping for corporations.

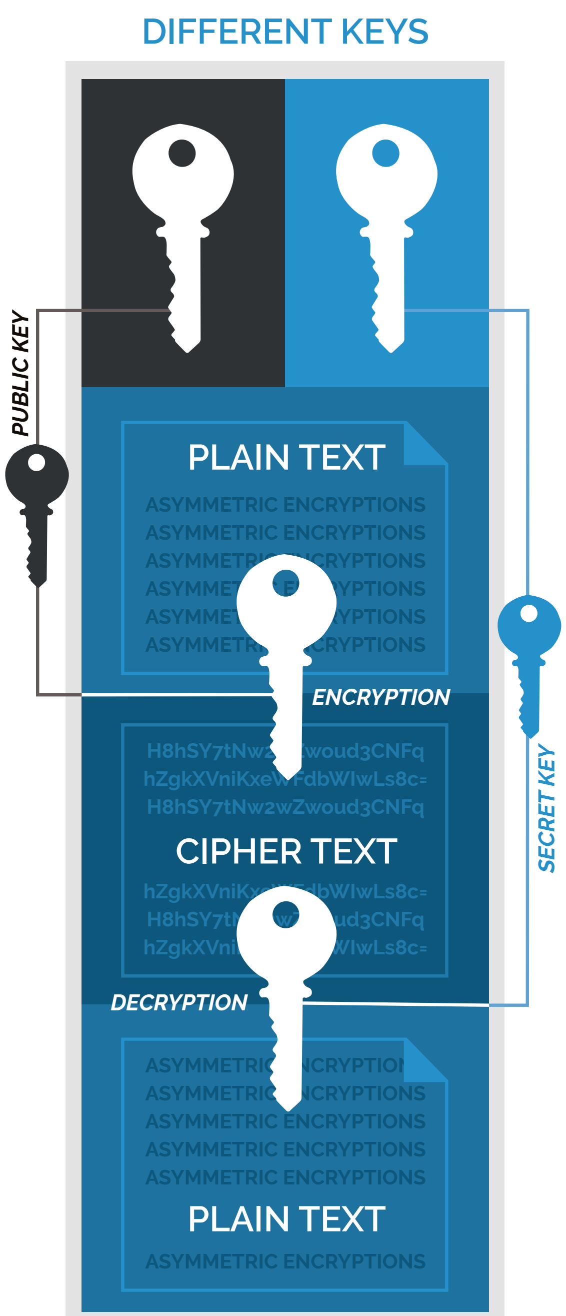
Samman, George. "Consortiums and Shared Ledgers: Supply Chains as a Blockchain Use Case," Sammantics, December 28, 2016.
"A Beginner's Guide to Blockchain Technology," Coindesk, 2016.
Newman, Daniel. "Blockchain 101: How This Next Big Service Will Change The Future," Forbes, April 13, 2017.

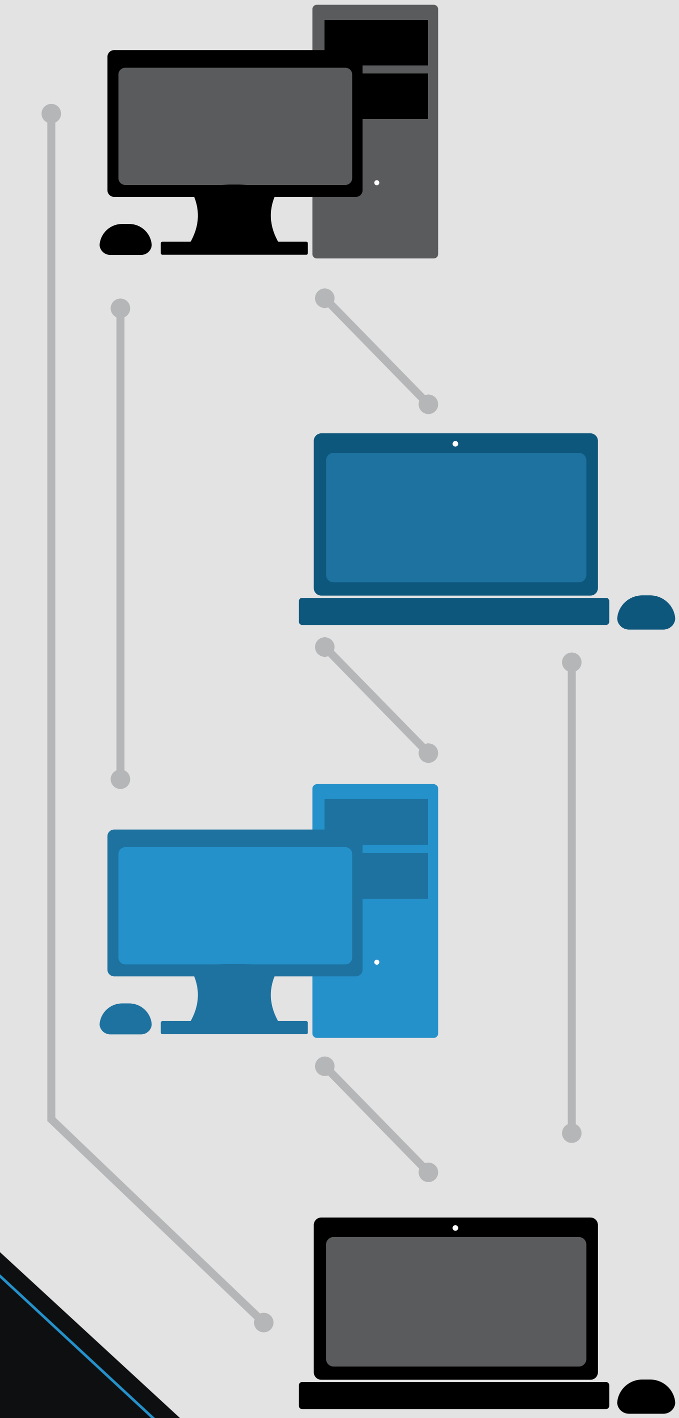
The Blockchain Backbone

Private Key Cryptography

Private encrypted communication between message sender and message recipient using asymmetric-key encryption.

ASYMMETRIC ENCRYPTION





P2P Network

Computer systems represent the “peers” in a peer-to-peer (P2P) network which are connected to one another via the internet not a central file server.

Program (Blockchain Protocol)

At this time, there are 6 major blockchain protocols: Bitcoin, Ethereum, Ripple Consensus Network, Hyperledger, R3's Corda, and Symbiont Distributed Ledger, with more in development.

Ethereum Technology Stack

Decouples the Smart Contract Layer from the Consensus Layer (unlike Bitcoin)

Relations	Smart Contracts Application Layers
Assets	Record of Transactions Blockchain Layer
Governance	Consensus Rules Blockchain Layer
Network	P2P Network Blockchain Layer
Infrastructure	TCP/IP Internet Layer

"Ethereum," BlockchainHub, May 1, 2016.

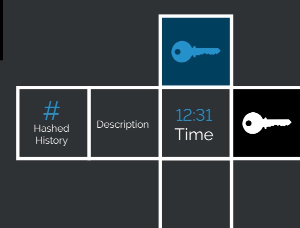
Blockchains are built from 3 Technologies

Public Key Cryptography

Identity

P2P Network

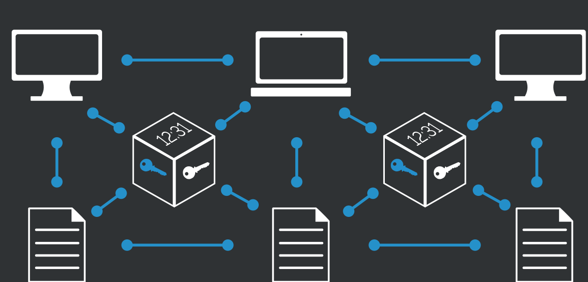
System of Record

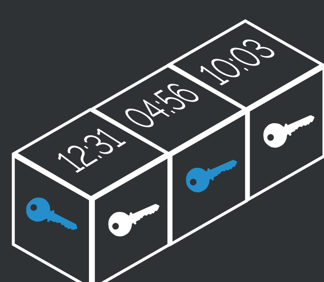


Program

(the blockchain's protocol)

Platform





How Does Blockchain Technology Work?" Coindesk, 2016.

How does it work?

Based on the three backbone technologies discussed prior:

ONE
Private Key Cryptography

TWO
A Distributed Network with a Shared Ledger

THREE
An Incentive to Service the Network's Transactions Record-keeping and Security

Blockchain works based on **five basic principles** underlying the technology.

ONE *Distributed Database:*

Each party on a blockchain has access to the entire database and its complete history.

Every party can verify the records of its transaction partners directly, without an intermediary.

No single party controls the data or the information.

TWO *Peer-to-Peer Transmission:*

Communication occurs directly between peers instead of through a central node.

Each node stores and forwards information to all other nodes.

Transactions are broadcasted and every node is creating their own updated version of events, eliminating the need for a trusted party to facilitate digital relationships.

THREE *Transparency with Pseudonymity:*

Every transaction and its associated value are visible to anyone with access to the system.

Each node, or user, on a blockchain has a unique 30-plus-character alphanumeric address that identifies it.

Users can choose to remain anonymous or provide proof of their identity to others.

Transactions occur between blockchain addresses.

THREE Transparency with Pseudonymity:

Every transaction and its associated value are visible to anyone with access to the system.

Each node, or user, on a blockchain has a unique 30-plus-character alphanumeric address that identifies it.

Users can choose to remain anonymous or provide proof of their identity to others.

Transactions occur between blockchain addresses.

FOUR Irreversibility of Records:

Once a transaction is entered in the database and the accounts are updated, the records cannot be altered, because they're linked to every transaction record that came before them (hence the term "chain").

Various computational algorithms and approaches are deployed to ensure that the recording on the database is permanent, chronologically ordered, and available to all others on the network.

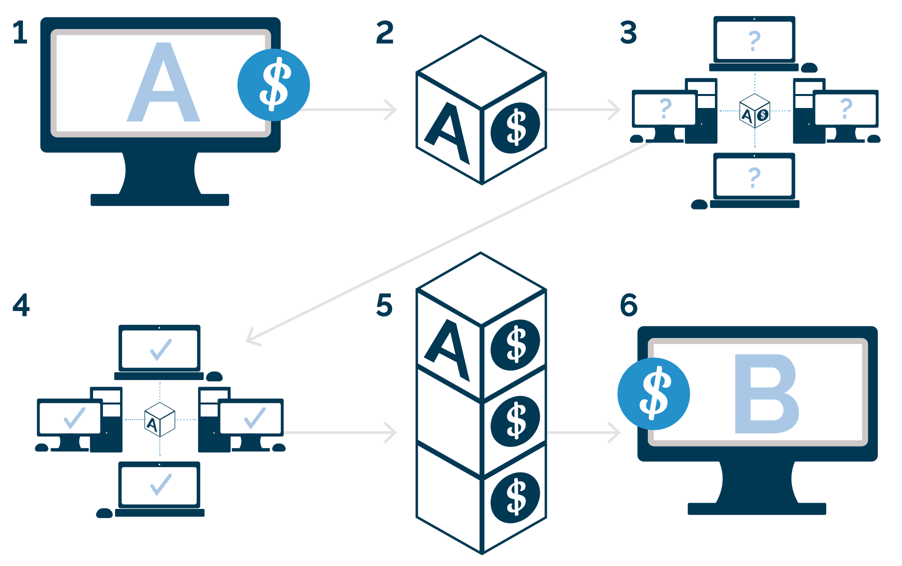
FIVE Computational Logic:

The digital nature of the ledger means that blockchain transactions can be tied to computational logic and, in essence, programmed.

Users can set up algorithms and rules that automatically trigger transactions between nodes.

How a blockchain works?

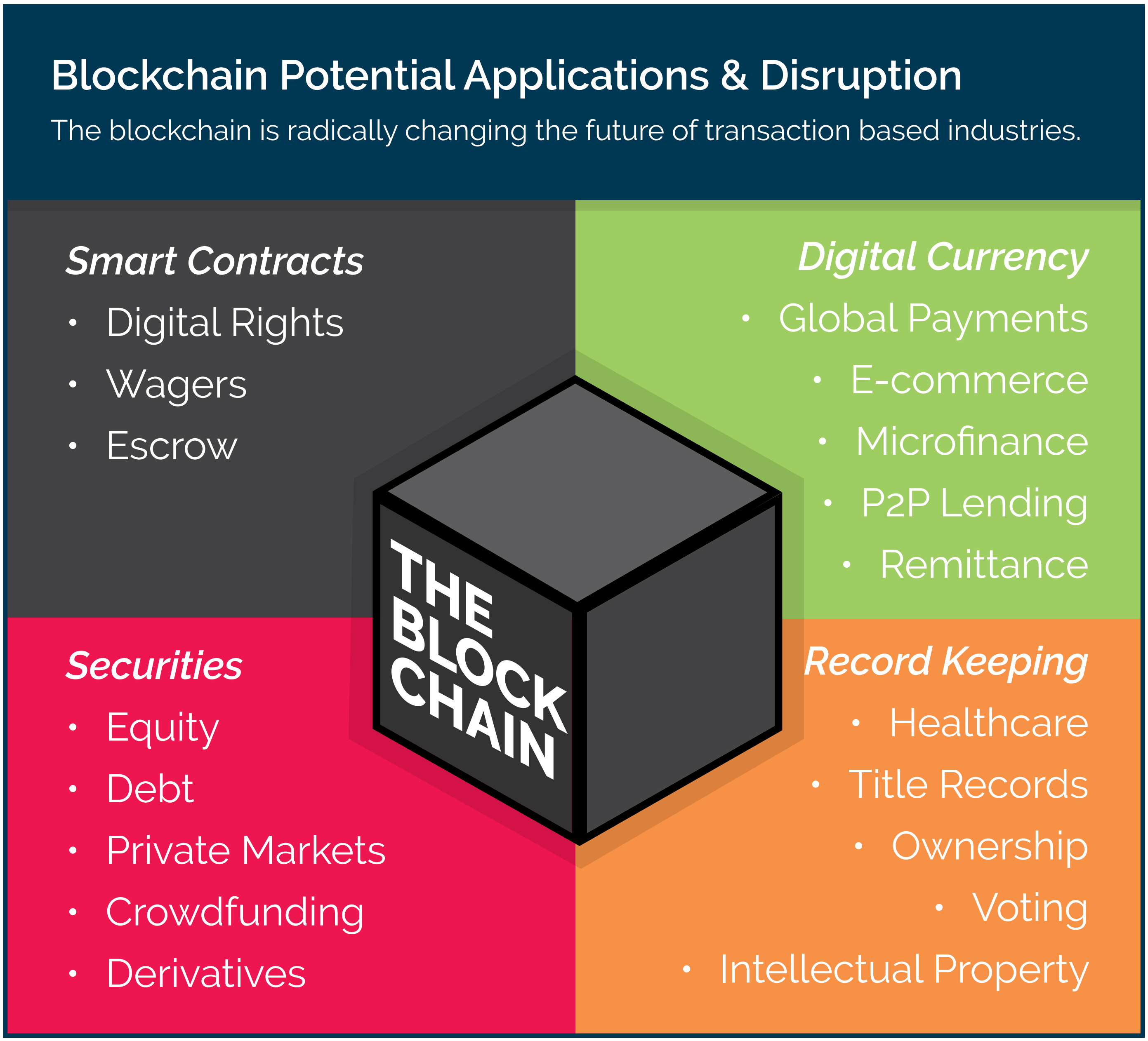
1. "A" wants to send money to "B"
2. Transaction is represented online as a 'block'
3. The block is broadcast to every party in the network
4. Those in the network approve the transaction is valid
5. The block then can be added to the chain, which provides an indelible and transparent record of transactions
6. The money moves from "A" to "B"



Hutt, Rosamond. "All you need to know aboutblockchain, explained simply," World Economic Forum. June 17, 2016.

Why we need it?

Blockchain technology offers new tools for authentication and authorization in the digital world that remove the need for integrated administrators. More than a financial tool, it is the Industry 4.0 version of sharing, validating, or otherwise endorsing almost any kind of value point. Beyond Bitcoin and money, blockchain technology can be used for an array of business industries: titles, deeds, music, art, scientific discoveries, intellectual property, and even votes.

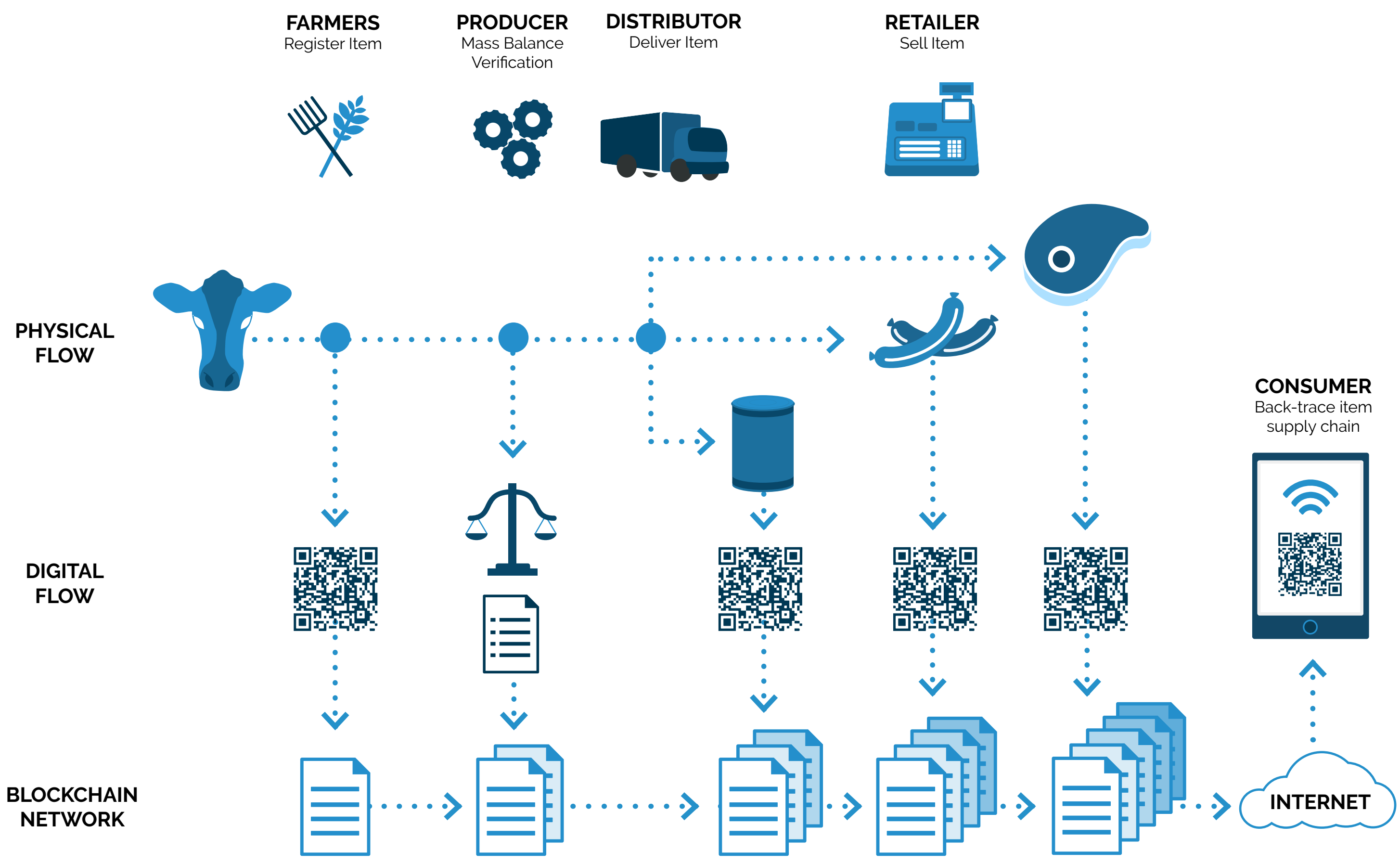


Beliūnas, Linas. "The Underlying Principles of Blockchain," Contis Group Ltd. April 17, 2017.

Blockchain Use Case ***ONE***

Traceability within food supply chains, as demonstrated by the Walmart and IBM collaboration, was launched to protect consumers as well as save food resources and financial losses from mass food recalls. Initially using pork, information was captured during each transaction as validated by businesses within the network. The network details collected were farm origination details, batch numbers, factory and processing data, expiration dates, storage temperatures, and shipping detail. The pork digitally linked as it moved from source to destination. Once delivered to the Walmart store, the food item was verified as authentic, and the digital record helps Walmart retailers improve management of a product's shelf-life, thus saving money and deterring any food safety issues.

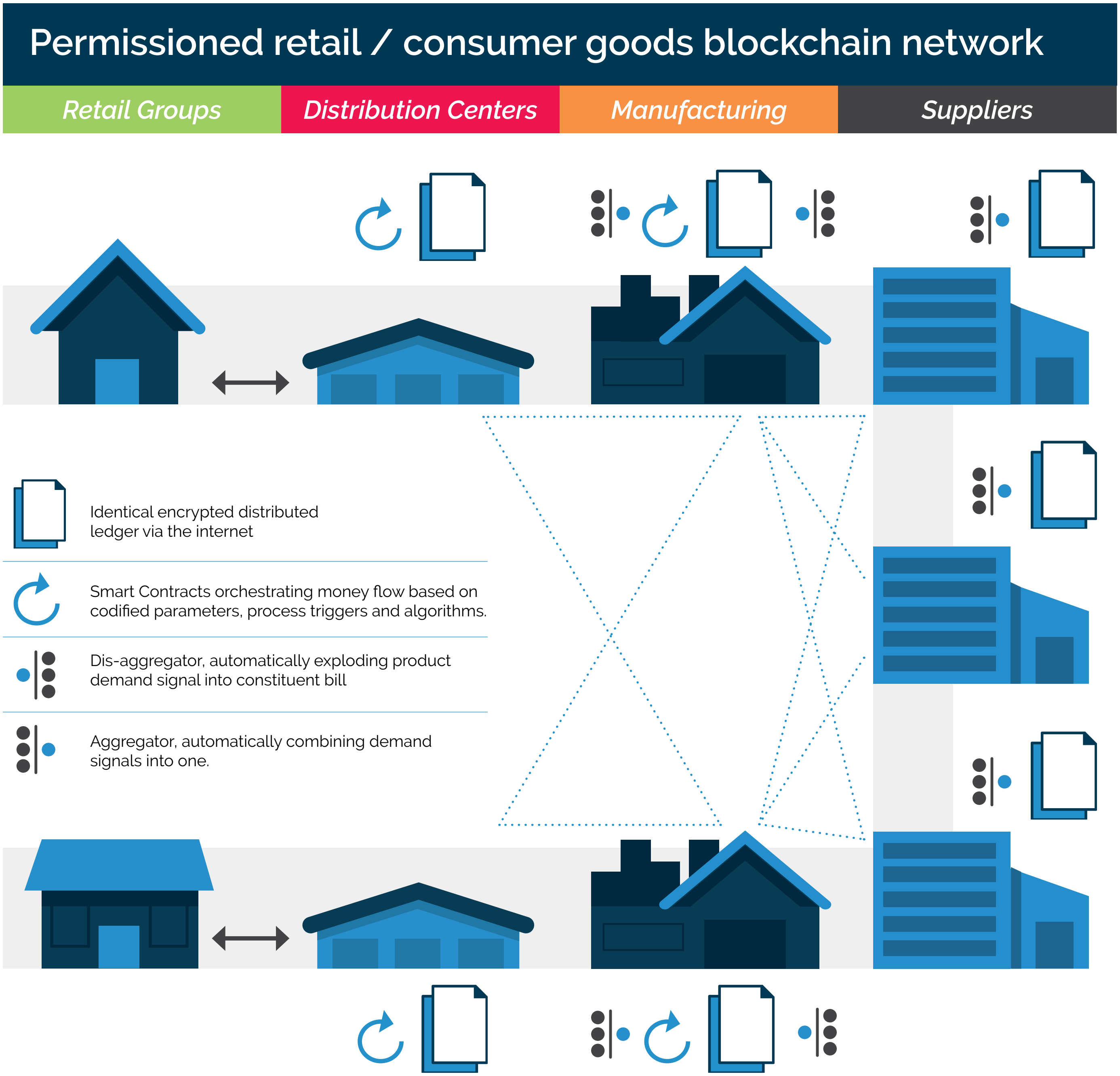
Real-world applications of blockchain-enabled supply chains



van Rooyen, Jan. "Real-world applications of blockchain-enabled supply chains," Resolve. May 26, 2017.

Blockchain Use Case TWO

The "smart contract" concept of executing an agreement upon fulfillment of specified conditions is an exciting replacement for the bulk of legal intermediaries. Based on a predefined set of rules as agreed upon by user parties, the "smart contract" is a portion of a computer code that facilitates, verifies, and enforces the negotiation or performance of a contract. For example, a retailer-supplier relationship offers a deluge of sequential trade related documents such as purchase orders, invoices, receipts, shipping notifications, and inventory data. With blockchain technology, the transactions are not only automatically matched and verified, but instigate payments, and replenish orders based on the "smart contract" rules.



Beliūnas, Linas. "The Underlying Principles of Blockchain," Contis Group Ltd. April 17, 2017.
Gupta, Manav. "Blockchain for dummies: IBM Limited Edition" IBM, 2017.

BLOCKCHAIN

BITCOIN MARKET PRICE: $6,833.39
(AS OF 4/10/18)

AVERAGE BLOCK SIZE (24HR):
1.07 MB

AVERAGE BLOCKS MINED (24HR):
135

AVERAGE TOTAL MINERS REVENUE (USD)(24HR):
$43,599,728.53

AVERAGE TIME BETWEEN BLOCKS (24HR):
10.17 minutes

AVERAGE BITCOINS MINED (24HR):
1,687.5 BTC

AVERAGE BITCOIN TRANSACTIONS PER DAY:
367.656

TOTAL NUMBER OF TRANSACTIONS IN 2017:
~280,000,000

AVERAGE TOTAL TRANSACTION FEES (BTC)(24HR):
930.00968069 BTC

AVERAGE % EARNED FROM TRANSACTION FEES (24HR):
35.36%

AVERAGE COST PER TRANSACTION (USD)(24HR):
$117.68

AVERAGE DAYS TO RESOLVE BLOCKCHAIN DISPUTES:
40 days

% OF GDP EXPECTED TO BE STORED BY BLOCKCHAIN TECHNOLOGY IN 2025:
10%

"Popular Stats," Blockchain, 2018.
"Bitcoin Stats," Blockchain, 2018.
"Blockchain: in numbers," Infogram, 2018.

ASIA

MODERN SLAVERY LAW

Hong Kong, China

A movement by the Slave Free Campaign has spurred anti-human trafficking action in the Hong Kong business world. In an effort to work in tandem with businesses, not against them, the Slave Free Campaign according to founder Julie Lim, "...aims to integrate human rights into business practices in order to eliminate labor trafficking in global supply chains." The assumption by Lim is that most retail brands don't understand what is happening in their factories operating in remote areas by middlemen. In auxiliary to the Slave Free Campaigns movement, Judge Zervos of the High Court of Hong Kong, recently made judgement highlighting the government's failure to implement a comprehensive system of legislation and training covering slavery in all its forms. Both the Slave Free Campaign and High Court's actions are ancillary to the increasing criticism from outside Hong Kong for a lack of action against human trafficking. The U.S. Trafficking in Persons Report downgraded Hong Kong from Tier 2 to Tier 2 Watch List last year, and the United Nations CESCR Humans Rights Committee has persistently reported the high level of trafficking in Hong Kong, China. All of these efforts have justified a need for change in Hong Kong's policy against human-trafficking.

Aside from Judge Zervos's condemnation of serious flaws in the legal system against trafficking, the Hong Kong Security Bureau is adamant that the legal framework in place is "solid and proven" even though the criminal law only addresses human trafficking for the purpose of prostitution, not forced labor or domestic servitude, the most prevalent concerns in Hong Kong. In 2008, neighboring Macau approved an anti-trafficking law and mainland China has a National Action Plan to Combat Human Trafficking for 2013-2020, but Hong Kong has yet to introduce a measure to combat trafficking in whole.

In recent proposed legislative changes to the Employment Ordinance (Cap. 57), the administration has proposed an amended penalty against debt bondage employment or bonded labor, the cyclic process of people giving themselves to slavery-like working conditions against a loan or inherited debt. The practice of overcharging job seekers in terms of commissions or referral fees by intermediary or employment agencies will be amended by the Legislative Council Bills Committee on Employment (Amendment) (No.2) Bill 2017. Formerly, employees subjugating employees to debt bondage were susceptible to a fine of only HK$50,000. With changes, the fine will increase to HK$350,000 and three years' imprisonment.

The implications under the new Employment (Amendment) (No.2) Bill 2017 legislation are unclear if larger corporations will be responsible for hiring employees from middlemen that hire people using excessive commissions or referral fees, essentially debt bondage.

"Modern Slavery Law proposed for Hong Kong," Herbert Smith Freehills LLP, January 8, 2018.
Carvalho, Raquel "Campaign aims to make Hong Kong a key player in fight against slavery," South China Morning Post, October 28, 2017.
"Employment (Amendment) (No.2) Bill 2017," Legislative Council of the Hong Kong Special Administrative Region of the People's Republic of China, 2017.

AUSTRALIA

MODERN SLAVERY IN SUPPLY CHAINS REPORTING REQUIREMENT

Australian Government

Inspired by the Britain's landmark anti-slavery law, the UK Modern Slavery Act (MSA), Australia is likely to implement a similar business global supply chain reporting requirement in 2018. In response to Australia's *National Action Plan to Combat Human Trafficking and Slavery* 2015-19, a National Roundtable consisting of experts from a Supply Chains Working Group (business, civil society and government agencies) recommended a modern slavery supply chain reporting requirement. Thus, the *Modern Slavery in Supply Chains Reporting Requirement* document was released for public consultation early last year. The government's proposal for an anti-slavery law known as The Australian Modern Slavery Act has been modeled after UK's Modern Slavery Act (which was based on California's *Transparency in Supply Chains Act 2010*), and is seeking a balance between required transparency and limiting increased bureaucratic burdens on businesses. With annual imports equaling $192 billion, Australia's Modern Slavery Act is targeting offshore slavery and exploitation in their import supply chain.

As outlined by the reporting requirement proposal, the definition of supply chains extends beyond first tier suppliers according to the Australian Government. In result, businesses with their headquarters or operations in Australia AND with annual total revenue currently set at AUS100 million will have to publish an annual disclosure statement on anti-slavery due diligence. Unlike the optional reporting criteria set by the UK's MSA, Australia is requiring all qualifying entities report specific four criteria in their disclosure statement. The requirement is meant to ensure that the content of the statements is consistent and more easily comparable. The businesses' disclosure statements are subject to approval by a board-level entity, thus promoting corporate governance and liability at senior levels.

In addition, entities will be required to publish Modern Slavery Statements on their webpages, but will not include punitive penalties for non-compliance. As in the *California Transparency in Supply Chains Act of 2010*, public criticism is the primary driver for compliance. The Australian Government plans to provide a searchable database that will include disclosure statements and compliance reporting but not before providing clear and detailed guidance and awareness materials for effected businesses. In general, the Australian Government encourages all businesses to maintain a disclosure statement and engage in a corporate training program against trafficking in their supply chains.

DISCLOSURE STATEMENT *Criteria*

ONE

Provide entity's structure, operations and supply chains

TWO

Identify modern slavery risks present in the entity's operations and supply chains

THREE

Identify the entity's policies and process to address modern slavery in its operations and supply chains and their effectiveness (including codes of conduct, supplier contract terms and training for staff)

FOUR

Identify the entity's due diligence processes relating to modern slavery in its operations and supply chains and their effectiveness

China	$45 billion / 23%	*Extreme Risk*
USA	$23 billion / 12%	*Medium Risk*
Japan	$14 billion / 7.5%	*Medium Risk*
South Korea	$10 billion / 5.3%	*Medium Risk*
Thailand	$10 billion / 5.3%	*High Risk*
Germany	$9.28 billion / 4.8%	*Medium Risk*

EUROPE

LAWFUL MONITORING OF EMPLOYEES

European Court of Human Rights

The European Court of Human Rights, an international treaty under which the Member States of the Council of Europe promise to secure fundamental civil and political rights to everyone in their jurisdiction, has deemed companies can only monitor their employees' email if they are notified in advance. The convergence of technology, privacy, and worker rights has been evolving but without specific legislation or case law to offer guidance. In this recent decision, the Grand Chamber of the European Court of Human Rights has gone against a previous ruling by the First Chamber which allowed companies widespread powers to monitor workplace communications – similar to existing law in the United States. With the current case law, employers will not be permitted to have a general monitoring policy, instead the policy will need to be detailed, outlining why, how, and where employees may be monitored and explaining any information gathered through monitoring may be used.

European Court of Human Rights Treaty States

Albania
Andorra
Armenia
Austria
Azerbaijan
Belgium
Bosnia and Herzegovina
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Georgia
Germany
Greece
Hungary
Iceland
Ireland
Italy
Latvia
Liechtenstein
Lithuania
Luxembourg
Malta
Republic of Moldova
Monaco
Montenegro
Netherlands
Norway
Poland
Portugal
Romania
Russia
San Marino
Serbia
Slovakia
Slovenia
Spain
Sweden
Switzerland
The former Yugoslav Republic of Macedonia
Turkey
Ukraine
United Kingdom

"Factsheets", European Court of Human Rights, Council of Europe, 2017.

UNITED KINGDOM

CORPORATE LIABILITY AGAINST HUMAN RIGHTS ABUSE

Following the latest report on human rights and business by the UK Parliament's Joint Committee on Human Rights and Business, the government has been urged to take stronger enforcement action to prevent business-related human rights abuses. As the first to adopt a National Action Plan on Business and Human Rights – an effort to implement recommendations of the United Nations Guiding Principles on Business and Human Rights – the UK Government is contemplating the report's recommendations for stricter requirements on supply chain transparency and imposing a duty on all companies to prevent human rights abuses and creating criminal offense for failure to prevent human rights abuses.

In tandem with increased corporate liability and stemming from the UN Guiding Principles on Business and Human Rights' framework, these ongoing negotiations for an international binding treaty on business and human rights continue in Geneva. In the current working paper, several possible elements are under debate, including:

- An obligation on States to introduce laws requiring businesses to respect human rights and to take measures to ban companies from bidding for public contracts if they fail to respect human rights.
- An obligation on States to introduce laws requiring businesses to conduct human rights due diligence to prevent human rights violations.
- An obligation on States to strengthen administrative and civil penalties for business-related human rights violations, including by providing for corporate criminal liability and prosecution of corporate officers.
- The establishment of a specialist international court or other international tribunals to prosecute transnational corporations which, according to the working paper, are said to be able to exploit the limits of territorial jurisdiction in order escape prosecution.

It is doubtful the UN will develop a new legal instrument to impose obligations under the proposed binding treaty. It is much more likely that the UK will implement legislation imposing a corporate duty to prevent human rights abuses, yet a timeline has yet to be determined.

"First Year of FTSE 100 Reports under the UK Modern Slavery Act: Towards Elimination?" Business & Human Rights Resource Centre, 2017.
"Elements for the Draft Legally Binding Instrument on Transnational Corporations and Other Business Enterprises with Respect to Human Rights," United Nations Office of the High Commissioner, September 29, 2017.
"Human Rights and Business 2017: Promoting Responsibility and Ensuring Accountability," UK Parliament, 2017.

FRANCE

DUTY OF VILIGANCE LAW

In February 2017, the French National Assembly adopted a law establishing a "duty of vigilance" for large multinational firms carrying all or part of their activity in France. The legislation, minus the proposed civil penalties for companies, was upheld in March 2017 by the Constitutional Council and shortly thereafter became law.

Businesses considered large limited liability companies that are headquartered in France with at least 5,000 employees worldwide (including through direct and indirect subsidiaries); or Foreign companies headquartered outside France, with French subsidiaries with at least 10,000 employees worldwide (including through direct and indirect subsidiaries) are subject to the new legislation. A company is considered to be a subsidiary if another company owns more than 50% of its capital, thus multinationals that own more than 50% of a company operating in France are covered by the law.

Differing from California's *Transparency in Supply Chains Act* of 2010 and the *UK's Modern Slavery Act*, companies are required to not only report but implement a vigilance plan and publicize their actions as part of their annual reports under the Duty of Vigilance Law. At a minimum due diligence plans are expected to include the following components:

- Procedures to identify and analyze the risks of human rights violation or environmental harms in connection with the company's operations.
- Procedures to regularly assess risks associated with subsidiaries, sub-contractors, and suppliers with which the company has a commercial relationship.
- Actions to mitigate identified risks or prevent the most serious violations.
- Mechanisms to alert the company to risks and collect signals of potential or actual risk.
- Mechanisms to assess measures that have been implemented as part of the company's plan and their effectiveness.

Although the Constitutional Council revoked any civil penalty provisions, companies could be subject to liability if individuals are harmed by a company's failure to establish or implement a plan and seek damages for corporate negligence.

"French Corporate Duty of Vigilance Law," European Coalition for Corporate Justice, February 2017.

SWITZERLAND

SWISS RESPONSIBLE BUSINESS INITIATIVE

Based on UN Guiding Principles responsibilities, the Swiss Responsible Business Initiative (RBI) is seeking an amendment to the Swiss Federal Constitution that would require companies to conduct mandatory human rights due diligence. Although the federal council rejected a similar grass roots initiative in early 2017, citing the initiative was a deterrent of multinational companies headquartering in the country. Originally, the obligation of due diligence in addition to periodic reports were extended to all business affiliations and all companies controlled abroad, and liability penalties exceeded other countries' legislations – combined both issues would potentially endanger Switzerland's economic competiveness.

In another attempt, the RBI has adapted a new bill. The law is meant to regulate the obligations of companies that have their registered office, central administration, or principal place of business in Switzerland. Under the amendment, business will be held accountable based on three principles:

- Human Rights Due Diligence should be mandatory for all large companies and SMEs operating in high-risk areas.
- There should be effective sanctions for non-compliance.
- Parent companies should be liable for serious human rights abuses committed by their subsidiaries.

The proposed bill still has several hurdles to overcome. First, it must receive support from Switzerland's lower house of Parliament or National Council. After initial approval and commencing a full draft, a subsequent referendum can be expected late this year or early 2019.

Swiss Coalition for Corporate Justice SCCJ

The Responsible Business Initiative enjoys the support of a broad coalition comprising of 85 organizations working in development aid, women and human rights and environmental protection, as well as churches, unions and shareholders' associations.

"Swiss Parliament Calls for Parent Company Liability for Human Rights Breaches," Herbert Smith Freehills, 2018.

"The Responsible Business Initiative: protecting human rights and the environment," Swiss Coalition for Corporate Justice (SCCJ), 2016.

NORTH AMERICA

CTPAT

At the Annual Northeast Cargo Symposium held by the Coalition of New England Companies for Trade (CONECT) in Providence, R.I. last November, the Customs Trade Partnership Against Terrorism or CTPAT announced it is making more than just aesthetic changes to the program. In addition to a new logo, a red, white, and blue globe made of interlocking pieces, and changing the spelling, with no hyphen in its name or acronym, the program will be implementing a new "best practices" framework. The framework is still in development but will include five elemental changes:

- Senior management support, including the participating organization's culture and management philosophy regarding security and compliance
- Innovative application of technology, as appropriate for the company's size and resources
- Documented processes, including consistency and continuity over time
- Checks, balances, and auditing, including such areas as accountability and testing
- Evidence of implementation; that is, proof that plans have been put into practice and are being maintained

The CTPAT was established in 2001 to prevent terrorists from carrying out attacks on the United States via international networks. Program participation is a voluntary public-private partnership with 11,000-plus members, including importers, exporters, surface carriers, customs brokers, marine terminal operators, freight consolidators, and other entities. About one-third of CTPAT members are small and medium-sized companies with 70 employees or less.

Gooley, Todd. "U.S. Customs plans to update CTPAT best practices, minimum security requirements, and compliance certification," November 16, 2017.

Countering America's Adversaries Through Sanctions Act (CAATSA – USA)

U.S. Customs and Border Protection (CBP) has initiated a significant communications outreach to trade stakeholders in the wake of the passage of the Countering America's Adversaries through Sanctions Act (P.L. 115-44). That legislation contains a provision affecting the entry of merchandise with a nexus to North Korean nationals or citizens, and CBP is committed to ensuring that importers are aware of the risks associated with forced labor, their compliance responsibilities, and ways they can validate that their supply chains are free of forced labor.

Under the new law, passed on August 2, 2017, "any significant merchandise mined, produced, or manufactured wholly or in part by North Korean nationals or citizens is prohibited from entry into the United States unless CBP finds through clear and convincing evidence that the merchandise was not produced with a form of prohibited labor." Where CBP finds such evidence of North Korean labor, CBP will deny entry, which may include seizure of the merchandise, and refer the issue to Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) with a request to initiate a criminal investigation for violation of U.S. law.

CBP openly welcomes allegations on forced labor at its eAllegation portal, and parties who provide original information that leads to the recovery of any penalty, fine, or forfeiture of merchandise are eligible to seek compensation under 19 U.S.C. § 1619. Compensation may be up to $250,000.

"Countering America's Adversaries Through Sanctions Act," U.S. Congress, August 2nd, 2017.

"CBP Combats Modern-Day Slavery with the Passage of the Countering America's Adversaries through Sanctions Act," U.S. Customs and Border Protection, November 7, 2017.

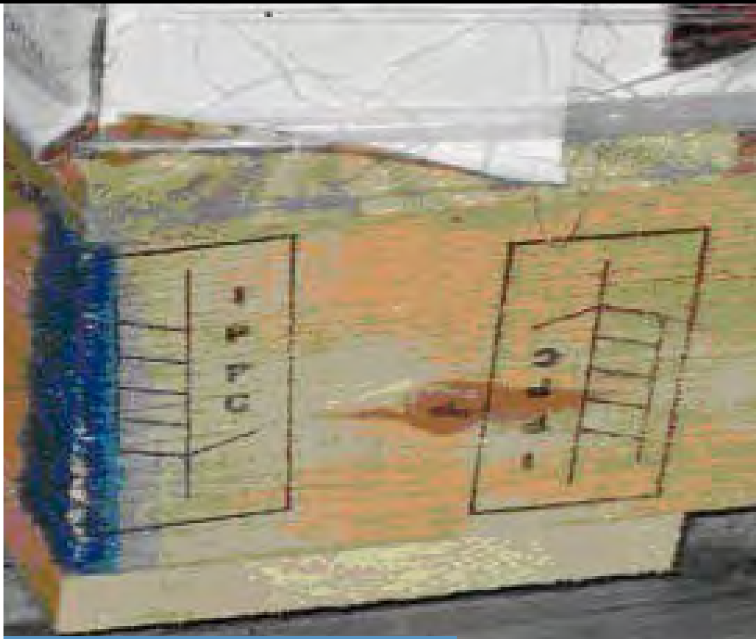


Figure 1. Non-compliance markings

Figure 2. Illegible marking

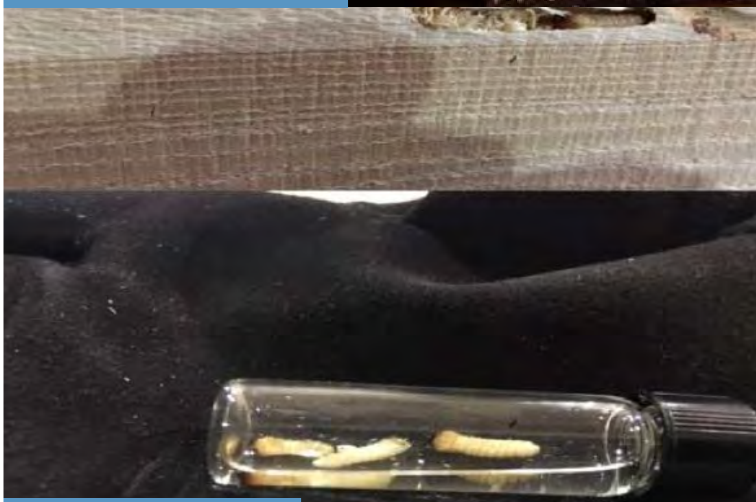


Figure 3. Pest infested

International Standards for Phytosanitary Measures (ISPMs – USA)

Late last year, U.S. Customs began issuing penalties for Wood Packing Material (WPM) violations. Non-exempt wood packaging material imported into the United States must have been treated at approved facilities at places of origin to kill harmful timber pests that may be present. The WPM must display a visible, legible, and permanent mark certifying treatment, preferably on at least 2 sides of the article. The mark must be approved under the International Plant Protection Convention (IPPC) in its International Standards of Phytosanitary Measures (ISPM 15) Regulation of wood packaging material in international trade.

As of November 1st, if any WPM from foreign origin is found to be lacking appropriate IPPC-compliant markings, or found to be infested with a timber pest, it will be considered not properly treated to kill timber pests, and in violation of the regulation. "The responsible party (importer, carrier, or bonded custodian) for the affected WPM may be issued a penalty by U.S. Customs and Border Protection (CBP) under Title 19 United States Code §1595 a(b) or under 19 USC § 1592."

The responsible party must also adhere to the Emergency Action Notification stipulations and be responsible for any costs or charges associated with the export of the affected WPM.

"Guidelines For Liquidated Damages and Penalties for Non-Compliant Wood Packaging Material (WPM)," U.S. Customs and Border Protection, 2016.

"Updated Wood Packaging Material Penalty Guidance," U.S. Customs and Border Protection, September 26th, 2017.

THE IMPORTANCE OF CYBER-SECURITY:

UNDERSTANDING THE RISKS TIED TO YOUR SUPPLY CHAIN

The cyber-security industry is ready to explode. Worth an estimated $120 billion in 2017, some experts project the business of cyber-security to exceed $1 trillion over the course of the next 4 years. Businesses, much like the general public, understand the significant risks that cyber-threats pose, but businesses have much more at stake than your typical internet user. Cyber-threats in the form of malware, phishing, ransomware, and trojan horses are just a few examples of the types of threats that could bring businesses to a halt with potentially no resolution or fix. A recent example of such a threat occurred in 2017, when the computer malware named NotPetya spread globally across major businesses, leading to a $300 million loss for FedEx in September alone. As our lives become more and more connected as a part of the Internet of Things (IoT), the list of cyber-threats will only continue to grow and become more advanced. In order to combat the cyber-threats of tomorrow, businesses need to prioritize cyber-security and the practice of protecting systems, networks, and programs from digital attack.

As part of the IoT, increased international supply chain complexity combined with emerging cyber-security risks to supply chains have amplified risks for businesses. The main drivers for increased cyber-security in the international supply chain:

Business process and quality of products may be compromised by poorly monitored suppliers.

3rd-party suppliers could unintentionally or intentionally introduce malware that compromises confidentiality, integrity, or availability.

Disruptions to supply chains could lead to a scramble for parts, which could enable poor quality control and/or counterfeits to enter the supply chain.

Valuable intellectual property shared with suppliers is at risk of misuse.

Service suppliers – such as outsourced legal and accounting personnel, contracted manufacturers, and maintenance providers – could tamper with a company's data with access to a company's unprotected information system.

Hackers can use the weaknesses of different connected devices within the supply chain to attack a company's information systems.

"Best Practices in Cyber Supply Chain Risk Management," National Institute of Standards and Technology, July 2015.

As business operations are increasingly jeopardized by new cyber-threat spectrum, Counter Forced Labor Technologies' Global Risk Assessment Technology™ GRAT can act a cost-effective risk tool that offers multi-tier visibility of your supply chain while providing cyber supply chain risk management though identifying slave labor and non-compliance within the supply chain. As we know, slave labor can be used to affect all the above business drivers. When you have control or influence of someone within the work force, you can further manipulate them, exploit their access and placement, or influence their activities, all of which increase risk in the cyber supply chain. Cyber-espionage is the number one cause of compromise and is increasing in the number of attack attempts on the manufacturing line. Having worked in this arena for many years, we have identified that recruitment of actors within the workforce is one of the easiest and most effective ways to impact cyber-security.

"60% of breaches in 2014 were a result of cyber-espionage with manufacturers being the most targeted (27.4%). 85.8% of the time cyber-espionage was used to compromise company secrets."

"Cybersecurity Market Report," Cybersecurity Ventures, 2017.
"The hacks that left us exposed in 2017," CNN, December 20, 2017

The holistic solution of cyber supply chain risk management includes Chief Executive Officers and Board Members knowing the following:

Who is in the supply chain?
Transparency of the supply chain is the ability to identify critical chokepoints, compliance problems, physical or cybersecurity vulnerabilities, financial stability or quality issues.

What are the second and tertiary levels of our supply chain?
Supply chain complexity places you at risk thus compromising the end product, business performance, reputation, and shareholder value.

What is the ROI for supply chain risk management?
The competitive benefit of having multi-tier visibility results in cost reductions in sourcing, manpower and insurance. It also safeguards against disruptions like cyberattacks.

To wrap up, forced laborers are more susceptible to coercion and or recruitment to perform acts that compromise the integrity and security, both physical and cyber, of the supply chain. Counter Forced Labor Technologies' GRAT is a low-cost tool that can help to identify possible risk due to slave labor within the supply chain and protect brand reputation and shareholder value.

Are you doing business with North Korea?

In 2017, under the Trump Administration, a metamorphosis occurred of international trade relationships with the elephant in the room being North Korea. The unrelenting wrath of the Trump Administration unleashed a myriad of sanctions against the tyrannically led communist country of Democratic People's Republic of Korea (DPRK). With added sanctions and a relatively low standard for allegations of forced labor, supply chains are under more scrutiny than ever and require businesses to remain vigilant with updates to their corporate social responsibility programs.

Beginning with changes to the Tariff Act of 1930 (a nearly 80-year old statute banning the importation of goods made with forced labor) in early 2016 which removed the "Consumptive Demand Loophole"; permitting imported goods made with forced labor whenever U.S. demand exceeded domestic supply, supply chains have increasingly compelled businesses to avoid forced labor-related goods. Immediately after the Trade Facilitation and Trade Enforcement Act (TFTEA) was signed into law, U.S. Customs and Border Protection (CBP) initiated "withhold release orders" (WRO) for shipments of articles manufactured by a specific named foreign entity that is suspect of having produced articles with forced labor.

Although a crude means of enforcement requiring a relatively low standard, the WROs remain a viable tool for CBP's enforcement of the labor ban. Because WROs are difficult to have removed, often companies named in the WRO suffer significant economic burdens. Once notified of an WRO, companies must provide a packet describing their supply chain in detail to prove their innocence through a potentially arduous appeals process. Unfortunately for some importers, they are not cognizant of the minutiae involved in their supply chain and remain susceptible to forced labor allegations. Through an updated informed compliance publication, CBP is specifying importers are expected to have documented controls in place to mitigate the risk of importing goods made with forced labor. Even with the growing awareness of forced labor in supply chains and sanctions, North Korea has continued to elude U.S. enforcement efforts and navigate through remaining international loopholes.

In one such loophole, North Korea has instilled a network of forced labor camps through a system of arbitrary imprisonment of its citizens for non-criminal activity. Often imprisoned as political prisoners undergoing repatriation at "re-education" penitentiaries, prisoners suffer from near starvation, lack of medicine and arduous labor conditions as initially reported by a United Nation's Human Rights Council Commission of Inquiry report in 2014 on human rights in the Democratic People's Republic of Korea (DPRK). North Korea operates two detention systems; political concentration camps and long-term prison labor facilities. Both systems are typically located in the countryside featuring forced labor and brutal conditions with prisoners kept from corresponding with their families. According to the recent report, *The Parallel Gulag*, based on interviews by the Committee for Human Rights in North Korea with former prisoners, prisoners are forced to work in mining, logging, agricultural labor, crop production, or animal husbandry at no benefit to themselves. Often coal and other minerals mined by prison labor go to higher authorities for either domestic use or export to China. The same is likely the case for timber and timber products, and for varied manufactured goods such as textiles, shoes, bricks, or cement. Prison officials or higher authorities are known to have contracted prison labor for retail products such as textiles, wigs, and fake eyelashes.

Chang-Hoon, S. & Myong-Hyun, G. "Beyond the UN COI Report on Human Rights in DPRK," The Asan Institute for Policy Studies, 2014.
Hawk, David. "The Parallel Gulag: North Korea's 'An-Jeon-Bu' Prison Camps," Committee for Human Rights in North Korea, 2017.
"Midterm report of the Panel of Experts established pursuant to resolution 1874 (2009)," United Nations Security Council, September 5th, 2017.

In another form of modern day slavery, North Korea routinely exports its residents to work in countries not sanctioned from trade with the United States. North Korean laborers are known to be working in more than a dozen industries across more than 40 countries, according to the U.S. government to include: China, Russia, Poland, Uruguay, the Gulf states, several struggling African countries, and even North America itself. The North Korean government leases or rents out its laborers under forced labor conditions for a discounted rate. The workers are isolated from the local population and only see 20% of their earnings with 80% going to the North Korean government. This exploitation of its citizens is a means for raising money for their nuclear program.

According to an *Associated Press* article, the Chinese city of Hunchan services mercantile from a broad swath of industries such as textiles and seafood processing using North Korean laborers. As a central processing point for seafood from China, Russia and even snow crab from Alaska, the North Korean citizens were processing seafood destined for the U.S. and Canada packaged for Walmart, Sea Queen, Morgan foods and Alliance Seafood. The international trade of its people for wages is endemic in the international supply chain and has been highlighted by the recent Countering America's Adversaries Through Sanctions Act or CAATSA. Most corporate social responsibility assessments don't ask nationality because it didn't matter before, but now it does with CAATSA. Guidelines to protect your supply chain from DPRK labor policies include:

- Inventory your products for their originating country
- Educate your suppliers at every level about CAATSA
- Devise a legal CSR action plan with assistance from corporate attorneys
- Revise your supply chain
- Implement more frequent unannounced audits
- Maintain a track record of your suppliers and prepare for a WRO
- Instill a relationship with U.S. government colleagues
- Enforce a no-tolerance forced labor policy

The UN Panel of Experts on North Korea, the body charged with monitoring sanctions enforcement on the country, published a midterm report in late 2017 addressing several continued violations of UN sanctions by North Korea. The report highlights 16 African countries of interest involved in assisting North Korea to bypass the arms embargo and participating in large financial construction projects to the tune of $200 million in over just nine months. It also highlights fiscal evasion of sanctions through the establishment of front companies, including companies not registered as financial institutions but functioning as such. North Korean representatives establish foreign residency, undertake commercial development and major financial institutions, and provide banking services to the front companies therefore substantiating any subsidiaries or joint ventures. In late March, a new report to be released by the United Nations is anticipated to highlight countries that have violated UN sanctions against North Korea and recommended penalties:

"Statues and ammunition: North Korea's Africa connections," CNN, December 14, 2017.

Overall, sanctions will remain a large part of the offensive against North Korea and their use of forced labor in the supply chain. The afterglow of the Winter Olympics in South Korea resulted in a flimsy truce that has since expired with continued maximum pressure against North Korea by way of President Trump's anticipated "phase two" sanctions. Unfortunately, where there is a will, there is way for North Korea to build up its coffers for nuclear weapons. Ultimately, protecting your supply chain from becoming entangled in sanction-related fines and delays, is your responsibility. **Are you doing business with North Korea?**

"Webinar: North Korea Forced Labor in the Global Supply Chain," iPoint Systems, November 16, 2017.
Kim, H., Mendoza, M. & Sullivan, T., "NKorean workers prep seafood going to US stores, restaurants," Associated Press, October 5, 2017.
"Report of the Commission of Inquiry on Human Rights in the Democratic People's Republic of Korea," United Nations Human Rights Council, February 7, 2014.
Ryall, J. "UN report to shed new light on Egypt's role in North Korean weapons sales," The Telegraph, March 4th, 2018."

Korean Interdiction and Modernization of Sanctions (KIMS) Act Summary

On March 21, 2017, House Foreign Affairs Committee Chairman Ed Royce (R-CA) introduced H.R. 1644, the Korean Interdiction and Modernization of Sanctions (KIMS) Act, a sanctions bill that would expand upon the North Korea Sanctions and Policy Enhancement Act (NKSPEA) which was signed into law in February 2016. The core components of the bill include:

- An expansion of the purchase of certain minerals from North Korea, the provision of goods or services to North Korean vessels sanctioned by the UN or U.S., or the maintenance of a correspondent account with a North Korean financial institution. (Sanctioned entities may face civil or criminal penalties, as well as a loss of access to the U.S. financial system.)
- New discretionary sanctions targeting North Korea's major sources of export earnings (such as coal, iron, textiles, seafood, and overseas workers), as well as against entities providing petroleum or telecommunications services to North Korea.
- Strengthened penalties against international ports and countries that do not adequately enforce UN sanctions against North Korea, including a ban on vessels from such countries from entering U.S. waters or ports.
- **Strengthened sanctions regarding forced or overseas labor by North Korean workers.**

Sanction Designations

The President is **required** to sanction individuals/entities determined to have knowingly, directly or indirectly:

- Purchased significant amounts of gold, titanium ore, vanadium ore, copper, silver, nickel, zinc, or rare earth minerals from North Korea.
- Provided significant amounts of rocket or aviation fuel to North Korea, except for consumption by civilian passenger aircraft on round-trip flights.
- Provided significant amounts of fuel, supplies, or other services to ships or aircraft that are subject to UN or U.S. sanctions designations, or that are controlled by entities designated by the UN or U.S.
- Facilitated transactions to operate or maintain vessels or aircraft designated or owned and controlled by an entity subject to UN or U.S. sanctions designations.
- Insured or registered a vessel controlled by the North Korean government, except as approved by the UN Security Council.
- Maintained a correspondent banking account with a North Korean financial institution, except as approved by the UN Security Council.

Sanction Designations

The President **has discretionary authority** to sanction individuals/entities who have knowingly:

- Supported any person sanctioned by the UN Security Council or by U.S. laws and regulations.
- Purchased significant amounts of coal, iron, or iron ore in excess of the limitations imposed by UN Security Council resolutions.
- Purchased significant amounts of textiles from the North Korean government.
- Facilitated the transfer of North Korean government funds or property in conjunction with activities that violate UN Security Council resolutions.
- Directly or indirectly transferred or facilitated significant transfers of bulk cash, precious metals, or gemstones to or from North Korea.
- Provided significant amounts of crude oil or other petroleum products to North Korea, other than heavy fuel oil, gasoline, or diesel for humanitarian use or aviation fuel for civilian travel.
- Facilitated online commercial activities of the North Korean government, including online gambling.
- Purchased fishing rights from the North Korean government.
- Provided telecommunications services into or out of North Korea, other than for humanitarian or diplomatic purposes or as exempted under IEEPA for personal correspondence and communication.
- Purchased significant amounts of food or agricultural products from the North Korean government.
- Facilitated the export of workers from North Korea in a manner intended to generate revenue for the North Korean government or Workers' Party.
- Conducted significant transactions in North Korea's transportation, mining, energy, or financial services industries.
- Facilitated the operation of a branch or office of a North Korean financial institution.

Human Rights

The State Department is required to report a list of foreign individuals or entities that employ North Korean laborers. Any such individuals or entities are subject to sanctions penalties, unless the President certifies that their employment of North Korean laborers does not provide funding to the North Korean government, that all wages are provided directly to the laborers, and that the laborers' working conditions meet international standards. It directs the State Department to consider a foreign country's use of North Korean laborers when making determinations for the Department's annual Trafficking in Persons Report and creates a presumption that any goods produced by North Korea nationals are produced by forced labor, and are therefore prohibited from import to the United States unless the Commissioner of U.S. Customs and Border Protection finds that such goods were not produced by forced labor.

"A Bill To enhance sanctions with respect to transactions relating to North Korea, and for other purposes." U.S. House of Representatives, March 21, 2017.

Countering America's Adversaries Through Sanctions Act (CAATSA)

As a means to counter aggression by the Governments of Iran, the Russian Federation, and North Korea, the U.S. Congress enacted the Countering America's Adversaries Through Sanctions Act (CAATSA) with significantly expanded sanctions targeting the bespoke countries. Although sanctions are primarily focused against Russia, CAATSA also contains non-nuclear sanctions against Iran and incorporates sanctions targeting North Korea found in the earlier "Korean Interdictions and Modernization of Sanctions (KIMS) Act."

Specifically expanding mandatory and discretionary sanctions, **most importantly CAATSA, effectively requires businesses to submit proof to customs and import that North Koreans were not used in forced labor**. The presumption is if any goods attempting to cross into the U.S were produced wholly or in-part by a North Korean, it was likely made using forced labor. This is based on the precedent of North Korea outsourcing its citizens to foreign countries in exchange of goods or services.

Mandatory Sanctions

- Persons who knowingly purchase or otherwise acquire from North Korea any significant amounts of gold, titanium ore, vanadium ore, copper, silver, nickel, zinc, or rare earth minerals.
- Persons who knowingly sell or transfer to North Korea any significant amounts of rocket, aviation or jet fuel (except for use by a civilian passenger aircraft outside North Korea, exclusively for consumption during its flight to North Korea or its return flight).
- Persons who provide significant amounts of fuel or supplies, provide bunkering services, or facilitate a significant transaction to operate or maintain a vessel or aircraft that is designated under an applicable Executive Order or United Nations Security Council resolution, or that is owned or controlled by a person so designated.
- Persons who insure, register, facilitate the registration of, or maintain insurance or a registration for, a vessel owned or controlled by the Government of North Korea, except as specially approved by the United Nations Security Council.
- Persons who maintain a correspondent account with any North Korean financial institution, except as specifically approved by the United Nations Security Council.

Discretionary Sanctions

- Persons who purchase or otherwise acquire from the Government of North Korea significant quantities of coal, iron, or iron ore, in excess of the limitations provided in applicable United Nations Security Council resolutions.
- Persons who purchased or otherwise acquired significant types or amounts of textiles from the Government of North Korea.
- Persons who sold, transferred, or otherwise provided significant amounts of crude oil, condensates, refined petroleum, or other types of petroleum or petroleum byproducts, liquefied natural gas, or other natural gas resources to the Government of North Korea (except for heavy fuel oil, gasoline, or diesel fuel for humanitarian use).
- Persons who conducted a significant transaction in North Korea's transportation, mining, energy, or financial services industries.
- Persons who facilitated the operation of any branch, subsidiary, or office of a North Korean financial institution.

"H.R.3364 – Countering America's Adversaries Through Sanctions Act," United States Congress, July 24, 2017.

Executive Order 13810 Summary

On September 20, 2017, President Trump signed Executive Order 13810 or the September 20 Executive Order authorizing sweeping new sanctions on non-U.S. banks and companies that do business with North Korea. The Executive Order expands beyond the Countering America's Adversaries Through Sanctions Act (CAATSA) authorizing the Secretary of the Treasury, in consultation with the Secretary of State, to freeze funds of any persons who violate the Executive Order and whose funds come under control of a U.S. person. Essentially, non-U.S. banks engaging in "significant transactions" (not further defined in the Executive Order) with North Korea, the banks cannot do business in the United States and risk having their funds in the U.S. frozen.

Most significantly, the Executive Order requires the blocking of funds that (1) are in the United States, that hereafter come within the United States, or that are or hereafter come within the possession or control of any U.S. person and (2) originate from, are destined for, or pass through a non-U.S. bank account that has been determined by the Secretary of the Treasury to be owned or controlled by a North Korean person, or to have been used to transfer funds in which any North Korean person has an interest.

The Executive Order also imposes restrictions on ships or aircraft that have called on North Korea. Specifically, **the Order prohibits an aircraft or vessel that has landed in or called on North Korea from landing at or calling on airports or ports in the the U.S. within 180 days of a physical presence in North Korea, or if it has engaged in a ship-to-ship transfer with a vessel that has docked in North Korea.**

Within a week of the September 20 Executive Order's signing, the Office of Foreign Assets Control (OFAC) imposed new sanctions on 8 North Korean banks and 26 individuals acting as representatives of North Korean banks in China, Russia, Libya, and the United Arab Emirates.

Specific Sanctions Apply To:

I. Companies operating in the construction, energy, financial services, fishing, information technology, manufacturing, medical, mining, textiles, or transportation industries in North Korea.

II. Companies owning, controlling, or operating any port in North Korea, including any seaport, airport, or land port of entry.

III. Companies engaging in at least one significant importation from or exportation to North Korea of any goods, services, or technology.

IV. North Korean persons, including North Korean persons that have engaged in commercial activity that generates revenue for the North Korean government.

V. Those materially assisting, sponsoring, or providing financial, material, or technological support for sanctioned parties.

VI. Companies owned or controlled by, or acting or purporting to act for or on behalf of, directly or indirectly, any person whose property and interests in property are blocked pursuant to the order.

"Treasure Sanctions Banks and Representatives Linked to North Korean Financial Networks," Department of Treasury, September 26, 2017.

COLLECTIVE REDRESS AND HUMAN RIGHTS

In a growing worldwide trend, business responsibilities and their effect on human rights are receiving increased attention with action plans, guidance, and legislation aimed at alleviating any harmful impact of business on human rights. Businesses rely on labor both directly through activities and indirectly via supply chains, but the invaluable resilient resource of laborers is not without its limitations. Greater recognition of an entire spectrum of internationally recognized human rights – civil and political rights, as well as economic, social and cultural rights have impacted business models with increased efforts to respect human rights and seek to prevent or remedy negative impacts.

Formerly, victims of human rights offenses had very little redress, but by way of class-action lawsuits brought to international jurisdictions there is promising recourse. In a recent published opinion document, the European Union Fundamental Rights Agency (FRA) proposes changes to judicial and non-judicial areas to ensure justice for human rights victims through redress. The guidance will in effect become the backbone for future business-related human rights legislation in the EU to include extra-territoriality legislation. The six headings of the FRA opinion for redress implementation are as follows:

I. **Lowering barriers to make judicial remedies more accessible.**

II. **Enhancing the effectiveness of judicial remedies – especially in extraterritorial situations.**

III. **Ensuring effective remedies through criminal justice.**

IV. **Ensuring effective non-judicial remedies – state-based and non-state based.**

V. **Implementing access to remedy – transparency and data collection.**

VI. **Implementing access to remedy – action plans, coordination and due diligence.**

The European Commission is also considering potential reforms to EU collective redress mechanisms and the European Coalition for Corporate Justice (ECCJ) has recently written to the Commission in support of such reforms. The EU's recommendations are separated in three sections.

Horizontal Issues – Essentially addressing all 19 Member States to make collective redress available at the State level with cross-border participation of foreign groups of claimants or foreign representative entities. An important stipulation recommended by the EU addresses a Lower Pays stance, requiring reimbursement of all legal costs to the winning party.

Injunctions – A blanket proposal that claims for injunctive orders are treated expediently and enforced by way of sanctions for non-compliance.

Compensation – Recommendations to Member States to encourage quick resolution of collective redress matters by way of out-of-court resolution, affording claimants independence from collective redress and protecting against punitive damages.

Specific attention to redress reform has been growing worldwide with a number of national legal initiatives over recent years paving the way towards greater corporate responsibility and accountability. Recently, France adopted the “Duty of Vigilance” law in 2017, a landmark legislation that requires large companies to identify and prevent negative human rights and environmental impacts throughout their operations. In the Netherlands, in January 2020, companies will be required to file declarations within six months certifying that they have conducted the required due diligence to prevent child labor in their global supply chains. Additional countries are opting to create legislation on human rights due diligence as a part of their National Action Plans to implement the United Nation’s Guiding Principles for Business and Human Rights. The U.S. has a more controversial Alien Tort Statute, a federal law that gives federal courts jurisdiction over “any civil action by an alien for a tort only, committed in violation of the law of nations or a treaty of the United States.” The Alien Tort Statute has been tested over the years with human rights cases and remains unclear whether the statute is applicable to corporations that committed human rights violations or aided and abetted such violations that occurred outside U.S. territory.

Highlights of “Duty of Vigilance” Law – France

- The law established a legally binding obligation for parent companies to identify and prevent adverse human rights and environmental impacts resulting from their own activities, **activities of companies they control and from activities of their subcontractors and suppliers.**

- The law mandates companies to practice human rights due diligence, as seen by the UN Guiding Principles of Business and Human Rights as the main operational principle to put companies’ responsibility to respect human rights into practice.

- The law is applicable to any company established in France that:

  Has at least 5,000 employees within the company head office and its direct and indirect subsidiaries at the end of two consecutive financial years, headquarter in French territory.

  OR

  Employs at least 10,000 employees within the company and its direct and indirect subsidiaries, headquartered in French territory.

- The law applies to the parent company, companies it controls directly or indirectly as well as subcontractors and suppliers with whom it maintains an “established business relationship.” Business relationships are understood to include business partners, entities in the value chain and any other non-State or State entity directly linked to a company’s business operations, product or services.

- Companies must establish, publish and implement a vigilance plan that includes appropriate measures to identify and prevent risks of serious infringements to human rights and fundamental freedoms, serious bodily injury, health risks or environmental damage, resulting directly and indirectly from a company’s activities and those of its business relations.

- Non-compliance will result in a judge obliging a company to publish a vigilance plan as prescribed by law. In the event a company is in breach of the law, the company can be held liable, and will have to compensate for the harm that proper fulfillment of the law would have avoided.

Dittmers, H. “The Applicability of the Alien Tort Statute to Human Rights Violations by Private Corporations,” Journal of Science, Humanities and Arts, 2017. “Report From the Commission to the European Parliament, The Council and the European Economic and Social Committee,” January 25, 2018.
“Fundamental Rights Report 2017,” European Union Agency for Fundamental Rights, 2017.
“French Corporate Duty of Vigilance,” Herbert Smith Freehills, March 27, 2017.
Patz, C. “Consumer is King? Of class actions and who matters in EU law,” openDemocracy, December 20, 2017.

Highlights of Child Labour Due Diligence Law – Netherlands

- The legislation aims to prevent goods and services produced with child labor from being delivered to consumers in the Netherlands.
- The legislation is applicable to all companies registered in the Netherlands and international companies who deliver their products or services to the Dutch market twice or more a year.
- The law enters into force on January 1, 2020. Companies must send their statement to the regulator six months after the law enters force (July 1, 2020). Companies may voluntarily send in their statements before deadline as early as 2018.
- Qualifying companies are required to send a single one-time statement submitted to the Dutch Consumer and Market Authority (ACM). The statement must declare the company has carried out due diligence related to child labor in their full supply chains. The form and content of the statement is pending further guidance from the General Administrative Order (GAO).
- Due diligence is defined as an assessment that is reasonably presumed to prevent child labor produced goods and services in the supply chain. The law refers to the International Labor Organization's and International Organization of Employers' recently published "Child Labour Guidance for Business" document.
- Complaints are initiated by third-party entities only and must first be submitted to the company. If the company's response is "inadequate" according to the complainant, the case can escalate to the regulator.
- Failure to submit a statement by the deadline of July 1, 2020 will result in a small fine of €4000, but it can be raised if subsequent complaints of non-compliance occur. If a company is fined twice within five years, the next violation can lead to imprisonment of the responsible director and/or fines of €750,000 or 10% of the company's annual turnover.

From the victims' perspective, increased awareness of anti-human trafficking and emboldened CSR policies are still not meeting a minimum standard. A wave of collective redress claims or class-action lawsuits are anticipated soon as businesses world-wide adjust to legislative demands. The proliferation of legislation and social policies is making it easier for large groups of claimants to bring actions together. As a result, defendants will be faced with much larger claims. With these changes, traditional litigation safeguards in Europe are being stripped away and many fears it could lead to the same abuses that plague the U.S. class action system.

Chocolatiers Prepare for Lawsuits

In February, a Consumer class action lawsuit was filed by consumer Danell Tomasell in the U.S. District Court for the District of Massachusetts against Nestlé USA and in March, a second consumer class action lawsuit against Mars Inc. and Mars Chocolate North America LLC. The woman alleges the chocolatiers deceived consumers by failing to adequately inform consumers that child labor was involved in the cocoa beans used in the defendants' products. According to the complaints, the defendant's chocolate products are made from cocoa beans from West Africa. Both suits argue that had consumers known the products may contain cocoa procured from child or slave labor, they would not have purchased the products. The consumer class action lawsuits seeks judgment against the defendants, awarding plaintiff and the class all appropriate damages including trebling, attorneys' fees, costs, interest, and further relief to be determined. Similar failed Consumer class action cases against Nestlé USA , Hershey and Mars Inc. were thrown out of court in 2016.

Mallari-Torres, J. "Consumer files suit against maker of Snickers, Milky Way over allegation child labor is involved in supply chain," Legal NewsLine, March 8, 2018.

Canada's First-Ever Violations of International Law Case

In November of 2014, three Eritreans filed a lawsuit against the Vancouver, Canada-based company, Nevsun Resources. The lawsuit alleges that Nevsun was complicit in the use of forced labor by their sub-contractor, Segen Construction (owned by Eritrea's ruling party), at the Bisha mine in Eritrea. Nevsun Resources, headquartered in Vancouver, has denied the allegations, in what has been labeled the first lawsuit in Canada where claims are based directly on violations of international law.

The three plaintiffs, Gize Yebeyo Araya, Kesete Tekle Fshazion and Mihretab Yemane Tekle, claim they were held against their will at the Bisha mine and subject to "cruel, inhuman, and degrading treatment." They claim they were forced to work long hours and live in constant feat of threats of torture. Nevsun has rejected the allegations, claiming that the Bisha mine adheres to international standards of governance and safety.

The Supreme Court of British Columbia rejected Nevsun's motion to dismiss the lawsuit in 2016. The case will proceed in British Columbia thanks to doubts that the plaintiffs would receive a fair trial in Eritreat, a ruling which Nevsun has also appealed.

In November of 2017, the British Columbia Court of Appeals rejected Nevsun's appeal to dismiss the suit. The court has also allowed claims of slavery, forced labor, torture, and crimes against humanity to go forward against Nevsun, making this claim the first time an appellate court in Canada permitted a mass tort claim for modern slavery.
On January 19th, 2018, Nevsun filed an application with the Canadian Supreme Court, requesting an appeal to the British Columbia ruling.

Mallari-Torres, J. "Consumer files suit against maker of Snickers, Milky Way over allegation child labor is involved in supply chain," Legal NewsLine, March 8, 2018.

Apple Negotiates Buying Minerals Directly from Miners

The California technology giant, Apple Inc., is in talks to buy long-term supplies of cobalt directly from miners for the first time. Considering the highly competitive technology industry and potential growth in the electric car industry, cobalt is a highly competitive resource seeing companies from BMW AG and Volkswagen AG to Samsung SDI Co. signing multi-year cobalt contracts with mining companies. Apple, on the other hand, has been negotiating the purchase of cobalt mines to safeguard supplies used in its electronics. Currently, Apple secures only refined cobalt smelted in China, Belgium and Finland and only from the Democratic Republic of the Congo (DRC) if it can provide safeguards against child labor. The DRC, a politically tumultuous country ripe with war-displaced populations and forced labor, is the single-source for two-thirds of the world's cobalt production.

"Apple in Talks to Buy Cobalt Directly From Miners," Bloomberg, February 21, 2018.

Forced Child Labor Still Found in Cobalt Mines

Spurred by the two-year old Amnesty International report which revealed that cobalt mined by children was used in products from several companies to include Apple, Microsoft, Tesla, and Samsung, a recent CBS News investigation finds the continued use of children in cobalt mining. The complicated cobalt supply chain beings with artisanal cobalt mines of the Democratic Republic of Congo (DRC) where children as young as four-years old were found packing bags of cobalt in the mines, washing cobalt in the river or lugging it to market where middlemen from China purchase truckloads of cobalt for Chinese refineries. An estimated 40,000 children are working in DRC mines according to the latest research by United Nations Children's Fund (UNICEF). Twenty percent of the DRC's cobalt production is mined by hand based on research by the London-based research company, Darton Commodities Limited.

"CBS News finds children mining cobalt for batteries in the Congo," CBS News, March 5, 2018.

Form I-9 Compliance in 2018

In October last year, Immigration and Customs Enforcement (ICE) announced that it will quadruple worksite enforcement. A key tool for worksite enforcement are I-9 inspections and investigations. All employers must remain in compliance by verifying the identity and employment authorization of individuals hired for employment in the United States via Form I-9 Employment Eligibility Verification. Both citizens and non-citizens alike must complete the form and provide acceptable documents evidencing identity and employment authorization. Fines for non-compliance will change substantially:

- I-9 Paperwork Violations: $224 to $2,236 per Form I-9.
- Knowingly Employing Unauthorized Alien (First Order): $559 to $4,473 per violation.
- Knowingly Employing Unauthorized Alien (Second Order): $4,473 to $11,181 per violation.
- Knowingly Employing Unauthorized Alien (Third or More Order): $6,709 to $22,363 per violation.
- Failure to Inform Government of Continuing Employment Following E-Verify Final Non-confirmation: $779 to $1,558 per violation.
- Document Abuse in I-9 Process: $185 to $1,848 per violation.
- Unfair Immigration-Related Employment Practices (First Order): $461 to $3,695 per violation.
- Unfair Immigration-Related Employment Practices (Second Order): $3,695 to $9,239 per violation.
- Unfair Immigration-Related Employment Practices (Third or More Order): $5,543 to $18,477 per violation.

"Federal Register / Vol. 83, No. 19 / Monday, January 29, 2018 / Rules and Regulations" Government Publishing Office, 2018.

RESPECT – The Responsible and Ethical Private Sector Against Trafficking

Babson College's Initiative on Human Trafficking and Modern Slavery, the International Organization for Migration (IOM) and the Global Initiative against Transnational Organized Crime recently founded the RESPECT initiative: **The Responsible and Ethical Private Sector Coalition Against Trafficking**. This powerful initiative will assemble key thought leaders, practitioners, and policy makers to identify solutions to public and private sector challenges surrounding modern slavery. Particularly, RESPECT aims to add value where it can in facilitating debate between diverse stakeholders, providing relevant contributions to the research basis, building linkages to other crimes, and developing effective public policy towards a more effective global response.

www.respect.international/

Colombia Receives High Marks for Improved Labor

Based on its first periodic review of progress addressing issues identified in a January 2017 report, the Department of Labor recognizes Colombia has made "meaningful progress" on labor issues. According to the review, Colombia's Ministry of Labor installed an electronic case management system in all regional offices and two special administrative offices and have required labor inspectors and their managers to use and update this system. It also requires they publish a bulletin with various inspection statistics comparing data from the third quarter of 2017 to the third quarter of 2016, including the number of investigations initiated and number of fines imposed, as well as the total amount of fines collected over all four quarters of 2016 and the first three quarters of 2017.

In addition, the Colombian Ministry commits to converting 804 of its 904 existing inspector positions to career civil service positions by the end of 2018 and improve the training that all labor inspectors receive. An internal training bureau was launched that will manage and ensure the relevance of trainings and is working with a DOL-funded project being implemented by the International Labor Organization to design updated training curricula. A labor inspector has also been embedded in remote communities for short periods of time to give workers and employers a chance for direct engagement with a labor authority.

"Report on the U.S. Employment Impact of the United States – Colombia Trade Promotion Agreement," U.S. Department of Labor.

Leading Retailers Join Cotton LEADS™ Program

The growing Cotton LEADS™ program, a jointly initiated Australian and United States cotton industries partnership to promote responsible cotton production practices, recently welcomed Gap Inc., Walmart and L.L. Bean to the program. Joining more than 470 program partners, the three new partners are committing to sustainable raw material sourcing and responsible production practices by cotton growers. Gap Inc. which includes Gap, Banana Republic, Old Navy and Athleta Brands has previously announced a range of sustainability goals, including a 50% reduction of greenhouse gas emissions (GHG) from their global operations by the end of 2020. In April, Gap brand committed to sourcing 100% of its cotton from more sustainable sources by 2021, and Athleta aims to use 80% sustainable fibers in Athleta apparel by 2020.

Walmart joined the Cotton LEADS™ program "… in hopes to learn from and collaborate on efforts that U.S. cotton farmers are taking to be responsible and sustainable producers," as explained by Walmart's vice president, General Merchandise, Technical, Quality and Sustainability. Similarly, L.L. Bean also enlisted in the Cotton LEADS™ program to help ensure the cotton they use is as responsibly produced as possible, with less water and fewer chemicals.

"Cotton News", Cotton Leads, 2018.

Improved Social Responsibility Program for the Toy Industry

With an updated mission and strategy, the ICTI CARE Foundation, formerly a non-profit foundation dedicated to promoting responsible sourcing programs in the toy industry, has evolved into the ICTI Ethical Toy Program. With an updated mission and strategy, the *ICTI Ethical Toy Program* will deliver certification following standards to support the rights and well-being of factory workers beginning with the updated Ethical Toy Program Audit Checklist. Expanding beyond the International Council of Toy industries (ICTI) Code of Business Practices, the audit checklist now draws on the conventions of the International Labor Organization (ILO) and other initiatives to promote fair labor practices and incorporate other ethical issues and best practices. The simple 5-step ECTI Ethical Toy Program certification process offers access to the "connect" platform database where companies can access Audit Reports and Corrective Action Plans, connect with other certified members and promote audit certification to customers. Membership fees do apply but are relatively low compared to other programs.

pact of the United States – https://www.ethicaltoyprogram.org/en

Southeast Asian Workers Enjoy Wage Increases

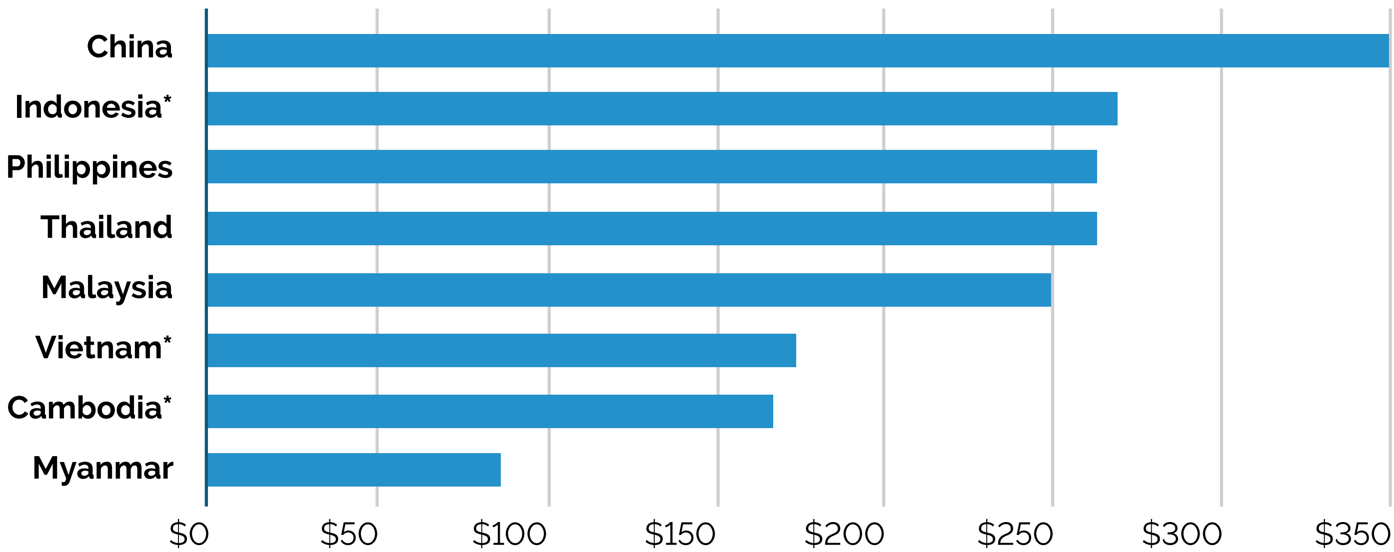
In the last few months, minimum wage increases for Southeast Asian workers are on the rise. In Myanmar with political pressure from protestors, the daily minimum wage increased from 3,600 ($2.70) to 4,800 ($3.60) kyat. In Cambodia, Prime Minister Hun Sen advocated for workers to receive a wage increase resulting in an 11% hike to USD$170 a month. Indonesia saw a boost in wages by 8.7% in major areas like Jakarta although it made a 43.9% wage increase back in 2013. Dependent on the area, Vietnam increased wages by 6.1% to 7%, and Malaysia, as well, is expecting an increase from 1,000 ringgit ($258) after a biennial review of monthly wages later this year. Minimum wages in some parts of Southeast Asia have more than doubled in the past five years.

With increasing wages, so does increased economic growth and additional political considerations. As many businesses consider alternative cheaper labor costs versus increasing costs in Southeast Asia, the minimum wage hikes are exceeding expected inflation rates. According to the International Monetary Fund, consumer prices in Cambodia will rise 3.5%, in Indonesia 3.9%, in Malaysia 2.9%, in Myanmar 6.1%, and in Vietnam 4%. It is too early to determine if the seemingly politically motivated wage increases will hurt local economies as businesses seek less expensive labor in the Middle East or Africa.

"Hungry leaders push Southeast Asia's minimum wages higher," Nikkei Asian Review, February 1, 2018.

Monthly Minimum Wage Level in Selected Asian Countries

(local currencies converted into dollars)



*Revised on January 1
China: Inside Shanghai
Indonesia: Special Capital Region of Jakarta
Philippines: Metropolitan Manila
Thailand: Bangkok; Malaysia: Malay Peninsula
Vietnam: Urban areas of Hanoi, Ho Chi Minh City, Haipong
Source: Bank of Tokyo-Mitsubishi UFJ

Government Report Cautions Consumers Against Buying Counterfeits Online

Changes in the market for counterfeit goods entering the United States pose new challenges for consumers, the private sector, and U.S. agencies that enforce intellectual property rights (IPR). Specifically, growth in e-commerce has contributed to a shift in the sale of counterfeit goods in the United States, with consumers increasingly purchasing goods online and counterfeiters producing a wider variety of goods that may be sold on websites alongside authentic products. For example, 20 of 47 items GAO purchased from third-party sellers on popular consumer websites were counterfeit, according to testing by the products' rights holders (see table), highlighting potential risks to consumers. The changes in the market for counterfeit goods can also pose challenges to the private sector — for example, the challenge of distinguishing counterfeit from authentic goods listed for sale online — and complicate the enforcement efforts of U.S. Customs and Border Protection (CBP) and U.S. Immigration and Customs Enforcement (ICE).

Third-party sellers highlighted in the report have been found operating on; Amazon, Ebay, Walmart, Sears Marketplace, and NewEgg.com. The most frequently counterfeited items were travel mugs, cosmetics and phone chargers. According to ICE, seized counterfeit cosmetics have been found to "contain hazardous substances, including cyanide, arsenic, mercury, lead, urine, and rat droppings." Some consumers have been blacklisted by Customs as a consequence related to purchasing and "importing" counterfeit goods.

Results from GAO's Purchases of Four Frequently Counterfeited Consumer Products

	Shoes	Travel mugs	Cosmetics	Phone chargers	Total
Authentic	15	3	0	9	27
Counterfeit	0	6	13	1	20
Total	15	9	13	10	47

Source: GAO | GAO-18-216

"Intellectual Property: Agencies Can Improve Efforts to Address Risks Posed by Changing Counterfeits Market," United States Government Accountability Office, 2018.

KNOW WHO YOU DO BUSINESS WITH

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.