Prague Security Studies Institute

CONCEPT PAPER

Sanctioning Forced Labor Trafficking: EU and U.S. Models

This discussion will begin by examining the present models of the European Union (EU) and the United States (US) for sanctioning forced labor trafficking. Our foremost undertaking, however, will be to argue for a material strengthening of the existing transatlantic sanctions regimes by introducing the uniquely powerful leverage offered by capital markets sanctions.

Capital markets, which basically constitute the stock and bond exchanges, provide financing and investment opportunities for publicly traded companies. Sadly, these markets can also enable and help underwrite corporate forced labor practices most often employed to keep production costs low and widen profit margins. To date, these corporate forced labor abusers -- most of which are Chinese -- have escaped any penalty or opprobrium in allied capital markets. In short, the status quo is unconscionable and scandalous, especially given the troubling number of Chinese publicly traded enterprises that have been identified in open source publications as forced labor abusers.

Moreover, a presence by these "bad actor" companies in major exchanges like those of the U.S. and Europe imbue them with a veneer of legitimacy, credibility and prestige that, in turn, permits them to leverage other sources of global financing and investment.

Tacitly allowing publicly traded companies to exploit forced labor to generate higher profits not only undermines our fundamental values and human rights policies, but also free market competition.. Addressing the important role of allied capital markets in facilitating and underwriting forced labor practices, via events like PSSI's upcoming roundtable (May 10), helps ensure that investors are aware of the asymmetric, material financial risks and moral outrage associated with investing in corporate forced labor abuses.

This invitation-only roundtable will hopefully provide a more informed policy framework for deterring and penalizing publicly traded forced labor companies via imposing capital markets sanctions which the Chinese Communist Party in particular fears most.

Pohořelec 149/6 • 118 00 Prague 1 • Czech Republic • tel: +420 233 355 735 • pssi.cz