



INCREASED TRANSPARENCY OF FORCED LABOUR AND MONEY LAUNDERING IN SEAFOOD SUPPLY CHAINS

LIBERTY SHARED

CREATING AN ENVIRONMENT
SAFE FROM TRAFFICKING



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INTRODUCTION

For some, greater transparency of supply chains will lead to increased liability and accountability. For most, it will support more effective risk management and the ability to provide customers with a product of higher qualities, a business in line with changing societal and investor values and an enterprise removed from criminality and unlawfulness.

Those directly involved and benefitting from forced labor, trafficking, modern slavery and the underlying necessary criminal and unlawful activities run an increasing risk of being discovered. But worse still is the position of those who did not realise because they failed to conduct due diligence or were not mindful in their choice of business partners and counterparties.

There is now an active commitment by civil society to understand and identify the structure and relationships in supply chains. NGOs caring for victims are now structuring data collection better and, with collaboration, making this available to law enforcement and the banking industry. Other NGOs are using the richer open source intelligence, more proficient search tools and professional practices to develop clear transactional maps showing the supply chain arrangements that begin with abuse of humans forced to provide their labor and end with sale of consumer products.

This briefing paper sets out recent improvements to the transparency of supply chains and analysis techniques and resources being increasingly applied by civil society to identify where exploitative activities exist in a supply chain and the nature of the actors involved. The case study included focuses on a supply chain in the fishing industry, but the methodology is already being applied supply chains in other industries. The output of the analyses has been traditionally used by the anti-money laundering profession which call the output 'typology information products' to determine the underlying reasons for client transactions and the nature of the underlying criminality (predicate offences) that cause or drive the movement of money. However, to other industries, such as the fishing industry, these information products will be transaction maps of supply chains, showing who bought from whom and how the value chain is rooted in trafficking and modern slavery and the crimes that are necessary to force a person to work.

CAVEAT EMPTOR – BUYER BEWARE.

The first substantial reporting exposing trafficking and labor abuse in the fishing industry is Trafficking in Fishermen in Thailand published by the International Organization for Migration (IOM) in 2011¹. The opening paragraphs of the report remind the reader that the first recorded days of trafficking in Thai men to fishing vessels was as far back as 1989 following the ravages of a huge typhoon earlier that year. Re-reading the IOM report, which is as thorough as any since, it is clear much has changed in Thailand but unfortunately much has remained the same and in the intervening period trafficking, modern slavery and forced labor abuses have been identified in many more fisheries and fishing industry activities across the global², such as set out in the Global Slavery Index.

Also in 2011, UNODC published their report Transnational Organised Crime in the Fishing Industry - Focus on : Trafficking in Persons, Smuggling of Migrants and Illicit Drugs Trafficking³ which detailed the wide range of crimes committed in the fishing industry by various participants. Again, re-reading this report, many efforts have since been commenced to reduce crime at sea such as Global Fishing Watch⁴, multi-lateral approaches like Oceana⁵ and supply chain support from NGOs like Sustainable Fisheries Partnership⁶ but with each new initiative comes the recognition and identification of many new problems, particularly wide spread crimes and unlawful activities at sea in the fishing industry.

Liberty Shared⁷ (previously Liberty Asia, and briefly Liberty Global), initially concentrated on how to provide greater protection and prevention to the vulnerable by substantially improving the collection and analysis of data and intelligence of trafficking and modern slavery activities. From the improved knowledge, more accurate and comprehensive information products can be created for action by law enforcement (eg the purple notice issued by Interpol on fishing in South East Asia⁸), governance (our support to the Financial Action Task Force on money laundering from human trafficking)⁹ and for the financial and banking sector who fund fishing businesses and industry with loans, credit facilities and investment¹⁰.

During the last four years, we have worked to make intelligence and data available to the financial and banking industry and we now desire to make that intelligence more available to the fishing industry.

¹ <https://www.iom.int/jahia/webdav/shared/shared/mainsite/activities/countries/docs/thailand/Trafficking-of-Fishermen-Thailand.pdf>

² <https://www.globallslaveryindex.org/2018/findings/importing-risk/fishing/>

³ http://www.unodc.org/documents/human-trafficking/Issue_Paper_-_TOC_in_the_Fishing_Industry.pdf

⁴ <https://globalfishingwatch.org/>

⁵ <https://usa.oceana.org/>

⁶ www.sustainablefish.org/

⁷ www.libertyshared.org

⁸ <https://www.interpol.int/INTERPOL-expertise/Notices/Purple-notice-%E2%80%93-public-versions/2017>

⁹ <https://www.fatf-gafi.org/media/fatf/content/images/Human-Trafficking-2018.pdf>

¹⁰ http://www.blackpeakgroup.com/material/20160912/From_High_Seas_to_High_Finance.pdf

ETHICS AND CRIMINALITY – A STRUGGLE WITH RESPONSIBILITY

Until recently the fishing industry, like other consumer product focused industries, has benefitted from the broad perspective that modern slavery, human trafficking and forced labor in their industry is an issue of business ethics, not one of crime and unlawfulness. To benefit and profit from supply chains that, in part or in whole, rely on the economics of forced labor is treated as uncomfortable and undesirable but has not yet given rise to wide spread liability and responsibility to resolve the issue. Under anti-money laundering laws, the Patriot Act and many other relevant laws and regulations, the banking and finance industry must take a different view.

In the banking and finance industry, clients who directly or indirectly benefit from business involving crimes such as modern slavery, trafficking and force labor may give rise to criminal, civil and regulatory liability for their bankers. What is an ethical issue for the fishing industry is a criminal matter for their bankers, most commonly the crime of money laundering.

There is no doubt that the range and depth of abuse of labor in the fishing industry is more extensive and wide spread today than a decade ago. The risk to banks is now higher and they will seek to reduce or mitigate that risk by due diligence and intelligence gathering. Liberty Shared, in partnership with other NGOs, has worked hard to contribute to the banking industry efforts to fight modern slavery and to reduce their risk.

NEW ROLE FOR CIVIL SOCIETY SUPPORTED BY IMPROVEMENTS IN TRANSPARENCY AND PROFESSIONALISM

During the last four years, some members of civil society, like ourselves, have taken the position that to best protect the vulnerable and victims and prevent abuse from occurring in supply chains, they must use intelligence gathering and analysis to identify bad actions, actors and relationships that drive and profit from trafficking, modern slavery and forced labor.

This work by civil society has become possible because publicly available information and intelligence drawn largely from the internet, i.e. open source intelligence, has become more readily accessible and much richer and deeper in detail. These methods of analysis have been used by the private sector risk management organizations, such as Kroll¹¹, for their clients for many years and can now be utilized by civil society for the vulnerable because of the massive improvement of cost effective search tools and ever richer open source intelligence resources.

Analysis research results can be provided in many ways but the most effective visualization for law enforcement and the banking industry is to view the supply chain as a whole, from crimes of exploitation and abuse to the sale of products to the

consumer. This information product for anti-money laundering professionals is known as a *typology* which allows law enforcement and financial institutions to examine transactions that may involve their clients which relate to crime and unlawful actions¹², such as human trafficking, modern slavery and forced labor. For participants in non-financial industries, such as in the fishing industry, who are the clients, these information products are essentially detailed supply chain transaction maps showing ownership of businesses, board of directors and commercial relationships.

CONVERGENCE OF OPEN SOURCE DATA, HUMAN ANALYSIS AND VISUALIZATION METHODOLOGY

Liberty Shared's Operational Research and Analysis programme, directed by Valerie Farabee, uses various search tools¹³ – Arachnys Investigator, Bureau van Dijk's Orbis and Giant Oak's GOST – which provide access to information on hundreds of millions of companies and offer detailed corporate profiles to identify commercial relationships and ownership structures. The results of the research and analysis allow the team to create maps of the transactions which are rooted in activities of modern slavery and human trafficking. A typical transaction mapping information product, as set out in figure 1 (anonymized for the purposes of publication), will show those directly involved in recruitment and deceit of the worker, physical and psychological abuse to force labor, movement of the fish, processing of the fish and sale of the fish. It may also show who charters and operates the relevant vessels. Specifically, the information products identify the parties involved, their commercial arrangements and their ownership.

Obviously, there are many of potential supply chains to examine and so the selection of which to explore must start with ground information about case(s), the number of victims, information already in criminal justice systems and availability supporting corporate information and data.

FISHING CASE STUDY – FIGURE 1

One such example of how third-party risk can enter the supply chain is set out in the case study below relating to the fishing industry.

Complicated ownership structures often disguise and confuse how entities are connected, and yet this is a prime example of how companies registered in geographical locations find themselves inextricably linked. In this case, a South Korean corporation underwent legal proceedings after an investigation found their fleet of vessels and product implicated in instances of slavery and human rights violations.

Over an estimated eight-year period, an estimated 555 individuals from the Philippines, China, Indonesia and South Korea were alleged to be subjected to human rights violations and slavery on board fishing vessels in New Zealand and surrounding waters. These people were recruited by local manning agents, around Southeast Asia mostly, to work on South Korean FCVs (foreign charter vessels). There they were subjected to human rights violations and slavery – including abusive working and living conditions, sexual abuse, restricted movement and nonpayment of wages.

While slavery comes in varying forms, in this type of case, individuals often come from backgrounds of poverty and hardship, merely looking for a way to provide for their families. Men will sign contracts, often in a language they do not read or understand, say goodbye to their families, and set off to join the crew, hoping for the opportunity to work and send money back to their families.

After allegations surfaced against these vessels, a government investigation led to legal and regulatory reforms in the use of foreign charter vessels in New Zealand.

The location of the companies' processing factories, coupled with known distribution of product, indicates that fish from the slave-manned vessels may have entered the supply chain in New Zealand and South Korea.

CONCLUSION

With the richer data sources and intelligence available in the open source environment, improved search tools and professional practices, supply chains involving modern slavery and human trafficking are now more transparent. Civil society, like ourselves, have been creating transactional mapping information products, like those in figure 1, for several years sharing these products with law enforcement and the banking industry.

It is in the interests of the fishing industry, and other consumer focused industries, that they consider and start treating the risk of involvement and benefitting from modern slavery and human trafficking in the value chain with the same degree of importance as the other stakeholders in their industry must treat the risk, as a matter of criminality and unlawfulness not just an ethical issue.

For an industry to be sustainable in the face of persistent injury to society and the environment, all industry stakeholders must set their minimum risk management standards to that of the highest risk faced by any one of the stakeholders. Currently, the banking and finance industry carries a disproportionate share of industry risk, causing them to either de-risk (cease providing services) or expect their clients to implement more robust risk management to protect the industry.

Businesses in the fishing industry would be prudent to commence implementation of internal risk controls and risk management that allow them to demonstrate to their banks and concerned law enforcement that they are actively engaged in ongoing research and assessment of their supply chains and not merely tier 1 suppliers. Civil society has and will continue to show that it is fully possible to establish the identities of parties within supply chain and how the crimes committed against workers benefit all the way to the consumer.

¹¹ <https://www.kroll.com/en-us/intelligence-center/white-papers/kroll-liberty-asia-series-whitepaper-4>

¹² <https://www.fatf-gafi.org/media/fatf/content/images/Human-Trafficking-2018.pdf>

¹³ <https://libertyshared.org/operational-research/>

SLAVERY BY FOREIGN CHARTER VESSELS

555
ESTIMATED VICTIMS

\$169.84 M
ESTIMATED GENERATED REVENUE (USD)

2005 TO 2012
FORCED LABOUR
ALLEGATIONS

2013-2014
ADDITIONAL
ENVIRONMENTAL CRIME

DIAGRAM LEGEND

ICONS

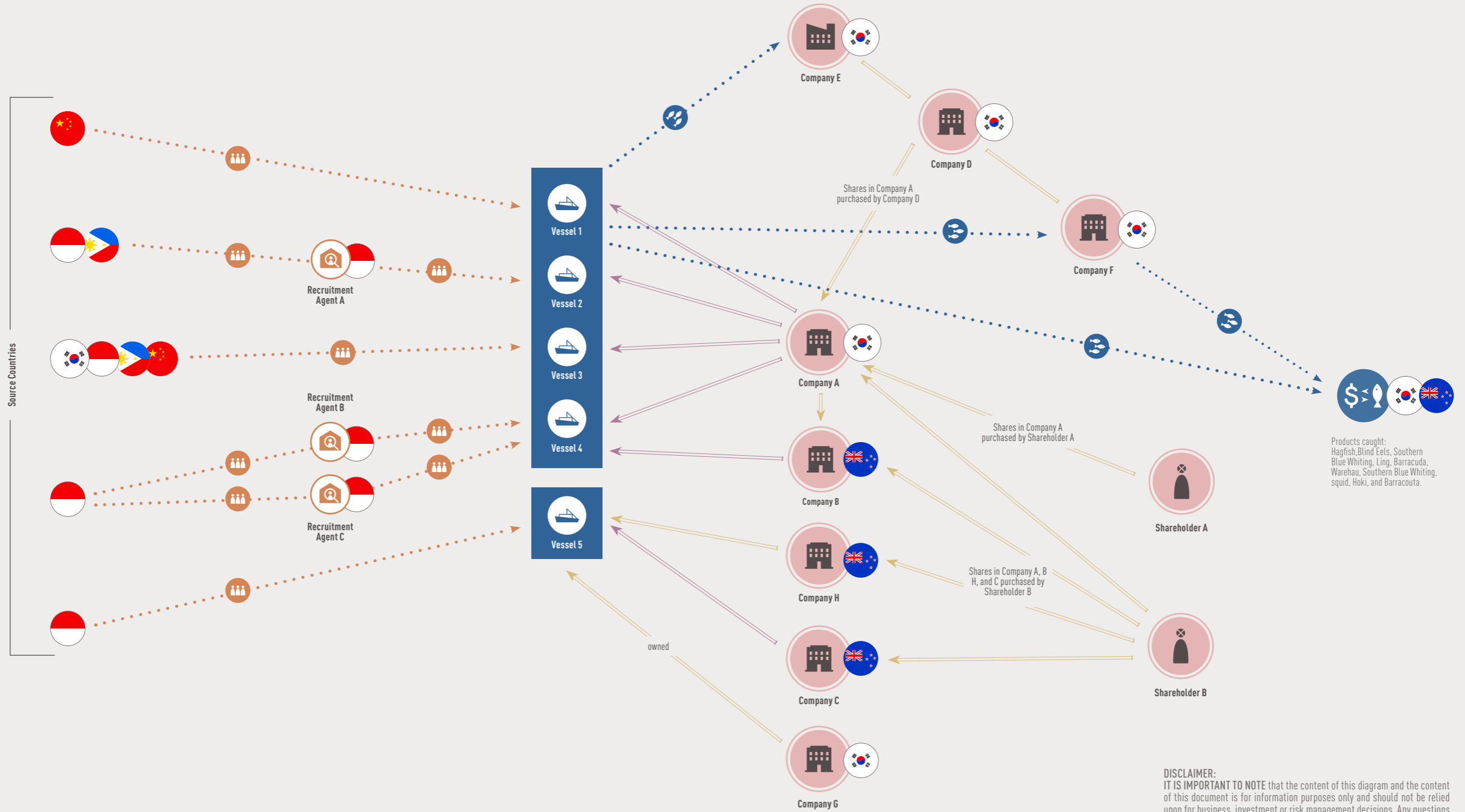
- PRODUCT
- RECRUITING AGENCIES
- FISHING VESSELS
- FACTORIES
- VICTIMS OF HUMAN TRAFFICKING
- KEY PLAYERS/ INVESTORS
- COMPANIES
- DOMESTIC SEA FOOD MARKET

COUNTRIES

- CHN
- PHL
- KOR
- NZL
- IDN

TRANSACTIONAL RELATIONSHIPS

- CORPORATE/COMMERCIAL
 - OWNERSHIP, AFFILIATE
 - CHARTERED, LICENSING OR LEASING
- SUPPLY CHAIN
 - MOVEMENT OF VICTIMS
 - MOVEMENT OF FISH



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