

EU Adopts Forced Labor Regulation



FLAGS OF MEMBER STATES OF THE EUROPEAN UNION STAND IN AN ATRIUM OF THE EUROPEAN PARLIAMENT BUILDING ON MAY 21, 2024 IN STRASBOURG, FRANCE. JOHANNES SIMON/GETTY IMAGES

The European Union's forced labor regulation has received its final green light, clearing the runway for a ban on all goods made in whole or in part with modern slavery in all 27 members of the world's largest single market.

Adopted Tuesday following the European Council's approval—the last hurdle in the decision-making process—the legislation will enter into force after it's signed by the respective presidents of the European Council and Parliament and published in the Official Journal of the European Union. Member states will have three years to begin implementing the law alongside the bloc's corporate sustainability due diligence directive, whose complementary supply chain due diligence requirements were O.K.ed in May.

president Ursula von der Leyen introduced in her State of the Union speech in 2021, covers both domestically produced and imported products. Its goal is to free from the global supply chain the 27.6 million people that the International Labour Organization estimates are being forced to work under the threat of harm or penalty and without their voluntary consent. The EU has said that both combating forced labor and promoting corporate sustainability due diligence standards are priorities of its human rights agenda.

The regulation establishes what its proponents call the "necessary framework" to flag forced labor-tainted goods. But while it follows—and is clearly informed—by a U.S. law that has imposed a blanket ban on products from China's Xinjiang Uyghur Autonomous Region, citing the state-sanctioned repression of Uyghurs and other Turkick Muslim minorities, the EU legislation will take a risk-based approach that puts the burden of proof on so-called competent authorities. It has also so far refrained from singling out China in the context of the law, since doing so would be a breach of the World Trade Organization's rules of non-discrimination.

But critics of the law in its current form say that its lower evidentiary threshold makes it difficult for forced labor victims and their advocates to raise complaints, particularly if state-sponsored exploitation is involved. Mike Gallagher and Raja Krishnamoorthi, chairman and ranking member of the U.S. House Select Committee on the Chinese Communist Party, have also referred to what they consider the EU version of the Uyghur Forced Labor Prevention Act as a “weaker mandate,” proposing a joint U.S.-EU-U.K. forced labor enforcement task force to coordinate policy and enforcement.

The success of the regulation hinges on the EU’s ability to function as a collective. The European Commission, as the bloc’s administrative engine, has been tasked with creating a database that contains “verifiable and regularly updated” information about forced labor risks, such as reports from the ILO and others, that can support the work of competent authorities in assessing potential violations, including in specific economic sectors and geographical regions.

Depending on whether a potential violation occurs outside the EU or within a member state’s territory, the European Commission or national authorities can initiate an investigation. Governments are required to share information with other member states if they suspect that violations of the regulation occur in other parts of the continent, or with the European Commission if there are signs that a third country is involved.

The final decision to outlaw, withdraw or dispose of a product will be taken by whoever led the investigation, but it will also apply to all other member states based on the “principle of mutual recognition.” In instances where the product is considered critical, the competent authority can choose not to require its disposal but instead order the economic operator to suspend its circulation until forced labor has been eliminated.

A 2023 report from the Uyghur Rights Monitor, Sheffield Hallam University’s Helena Kennedy Centre for International Justice and the Uyghur Center for Democracy and Human Rights warned that a “substantial volume” of apparel tainted by Uyghur forced labor from China was “flooding” into the EU. Only legislation, it said, can result in the “sea change” necessary.

“The new rules will boost consumer confidence as products on the EU market are guaranteed to adhere to human rights standards,” the European Commission said in a statement that positioned the move as a win-win. “For businesses, the proposal has the potential to streamline social sustainability efforts, fostering increased public trust and credibility among customers.”

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Trump Threatens Day One Double-Digit Duties for China, Mexico and Canada



PRESIDENT-ELECT DONALD TRUMP. BRANDON BELL / GETTY IMAGES

"On January 20th, as one of my many first Executive Orders, I will sign all necessary documents to charge Mexico and Canada a 25% Tariff on ALL products coming into the United States, and its ridiculous Open Borders," he wrote on Truth Social.

According to Trump, the duties will remain in place until the countries curb the flow of fentanyl and migrants into the U.S.

"Both Mexico and Canada have the absolute right and power to easily solve this long simmering problem," he added. "We hereby demand that they use this power, and until such time that they do, it is time for them to pay a very big price!"

At the same time, Trump took aim at a familiar adversary, reiterating the claim that China is supplying the fentanyl and precursor inputs that are sickening Americans at alarming rates.

"I have had many talks with China about the massive amounts of drugs, in particular Fentanyl, being sent into the United States – But to no avail," Trump wrote.

"Representatives of China told me that they would institute their maximum penalty, that of death, for any drug dealers caught doing this but, unfortunately, they never followed through, and drugs are pouring into our Country, mostly through Mexico, at levels never seen before."

Until the matter is resolved, Trump said the U.S. will charge additional 10-percent tariffs, "above any additional Tariffs," on the litany of China-made products hitting U.S. shores. Trump was presumably referring to the Section 301 duties he implemented on about \$380-billion-worth of products during his first term in office, which ranged between 7.5 percent and 25 percent.

While the drum-beating about duties is nothing new for the former president, it's notable that Trump seems to have pulled back on previous statements about hitting China with duties of 60 percent to 100 percent. The threat was a familiar refrain throughout his campaign for the presidency, stoking concern within the business sector about how the added tariff burden would impact margins and prices at retail.

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Those attitudes may be tempered, however, by newly announced Treasury Secretary appointee Scott Bessent, a finance aficionado who Wall Street executives are lauding as a common-sense pick for the bombastic president-elect.

Leaders in Mexico and Canada are on high alert following Trump's Monday evening comments.

Mexican President Claudia Sheinbaum said in a press conference Tuesday morning that she planned to pen a letter to Trump advising that the 25-percent tariffs on Mexico and Canada would lead to greater inflation and loss of jobs across both nations.

"To one tariff will come another and so on, until we put our common businesses at risk," she said, according to a report from Reuters.

Meanwhile, Canadian Prime Minister Justin Trudeau reportedly jumped into action to head off the tariff threat, calling Trump at his Mar-a-Lago residence in Florida within hours of the Truth Social announcement, according to the New York Times.

Canadian Premier Doug Ford—the leader in a national movement to cut Mexico out of the U.S.-Mexico-Canada Agreement (USMCA) and pursue a bilateral trade program with the U.S. alone—said Trump's 25-percent tariff proposal "would be devastating to workers and

jobs in both Canada and the U.S."

"The federal government needs to take the situation at our border seriously. We need a Team Canada approach and response—and we need it now. Prime Minister Trudeau must call an urgent meeting with all premiers," he tweeted.

The American fashion sector has also wasted no time in weighing in on the potential ramifications of levying duties on Western Hemisphere trade partners.

"We hope President-elect Trump rethinks these tariffs as they relate to footwear, as such measures would place an unnecessary burden on American families when budgets are already stretched thin," Matt Priest, CEO and president of the Footwear Distributors and Retailers of America (FDRA) said early Tuesday. "A 25-percent tariff on products from Mexico and Canada and a 10-percent tariff on goods from China would directly increase costs for retailers and consumers, leading to higher prices on everyday essentials like shoes."

"During this holiday season, Americans do not want to see or hear about an additional tax on items they need most," he added. "Families deserve relief, not policies that make it harder to afford gifts, winter essentials, and footwear for the new year."

“Imposing levies is not a path to real leverage. It may take a few months before these Trump Taxes kick in as spiraling prices for consumers, but if the newly announced tariffs on U.S. imports from Mexico, Canada, and China are implemented—which will affect more than half of all trade—the main impact will be inflationary for all Americans on essential everyday goods,” American Apparel and Footwear Association (AAFA) CEO and president Steve Lamar told Sourcing Journal.

“Mexico is a significant source of jeans and leather footwear. These threats will could also fumble the one trade agreement Trump takes credit for in his previous term—USMCA,” he added.

Kim Glas, chief executive and president of the National Council of Textile Organizations (NCTO), countered the finished goods trade groups’ perspectives, saying, “The domestic textile manufacturing industry has long suffered because of illegal Chinese trade practices, so when President-elect Trump talks about imposing a hefty tariff on finished textile and apparel products imported from China, that is welcomed by U.S. textile manufacturers.”

However, Glas said the new tariffs “must go hand in hand with immediate action to close the de minimis loophole and stepped up

customs enforcement, or importers will just shift to that model even more to circumvent higher tariff rates.” The trade provision, which allows shipments worth \$800 or less to enter the country duty free, facilitates the Customs entry of up to 4 million packages per day.

“If the new administration levies additional penalty tariffs, it has to be done in concert with closing this loophole on Day 1 and we will continue to press for these actions to be taken in tandem,” Glas said. “This loophole acts as a gateway to fentanyl, its precursors, products made with forced labor and unsafe products, hurting our people and our communities and economy.”

Glas said NCTO also aims to work closely with the incoming administration “to stress the importance of maintaining a vibrant U.S.-Mexico-Canada coproduction chain, which supports thousands of workers in the United States and the region.”

“Mexico and Canada represent a major market for the U.S. textile industry under the USMCA. As such, tariffs on these imports under the free trade agreement would harm that critical coproduction chain,” she said. “We encourage the incoming Trump administration to take a measured approach when it comes to imposing tariffs on Mexican and Canadian imports.”

This article has been updated to reflect comments from Steve Lamar and Kim Glas.

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Global plastics treaty: countries remain at loggerheads over chemicals of concern

Debate continues over proposals to include list of substances to regulate



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Countries are now halfway through the final round of negotiations to agree a global treaty to end plastic pollution but have not yet reached agreement on whether chemicals of concern should be part of the treaty text.

In a 27 November meeting in Busan, South Korea, countries tasked with this area of the treaty mandate introduced proposals on how the treaty should address chemicals of concern in plastic products – if at all.

A number of countries put forward proposals, including China, Russia, Switzerland, the UK and the US. However, the meeting was suspended because of continued divergence among views on whether the treaty should include dedicated provisions on chemicals of concern, as well as "the nature of the provisions" put forward, according to Maria Angélica Ikeda of Brazil's delegation, who reported back during the plenary. Negotiators instead decided to hold informal meetings to try to break the deadlock.

In its proposal for the final text, Brazil includes several annexes to address chemicals of concern, including establishing a global list. A submission by Canada, on behalf of Georgia, Ghana, Moldova, Norway, Peru, Rwanda, Switzerland and Thailand, proposes developing an annex to the treaty listing chemicals of concern to be eliminated in certain applications. The UK's submission on design proposes that each party "shall improve the safety and durability of plastic products and promote the use of safe and sustainable chemicals". In another paper submitted by the UK, Moldova and Norway, the countries say they "remain open to views on how chemicals could be integrated into a products provision". The US proposes that nations take "one or more" measures to address the use of chemicals in the production of plastic and plastic products, including prohibition, restriction, avoidance or minimisation, prioritisation or evaluation of chemicals of concern. It also suggests including an annex that lists certain chemicals (see box) that it believes should be prioritised for action.

Turkey advocated for the treaty to establish a scientific subsidiary body to conduct consultations among parties and determine, based on the scientific evidence, lists of plastic products and chemicals of concern that require action.

It proposes that the governing body should evaluate this list by prioritising hazardous chemicals and plastic products with the highest adverse impact on human health and the environment.

Opposing such measures, Russia rejected any proposals to restrict the use of chemicals of concern in plastic products. "This approach contradicts [the] well-established, multi-level system of regulation of chemicals, which is largely driven by the national implementing bodies, which eventually ensure the safety of plastic products once they are placed on the market," it said.

Meanwhile, China is pushing for provisions based on national circumstances and capabilities. Countries should identify national priorities on plastic products that may cause pollution and take necessary measures, while considering the socio-economic impacts of such measures, it said. It also suggested "improving product design to enhance recyclability and circularity, and reduce the environmental and human health risks associated with chemicals contained in plastic products".

Iran's proposal supports mobilising "global efforts to increase the recyclability and reusability rates of plastic", largely through scaling up recycling technologies. It does not mention chemicals of concern.

"Only after reaching a more mature level of recycling should we evaluate the human health and environmental impacts of alternatives [to plastics]," it notes.

The negotiations continue until 1 December. Initial plans were to agree a final treaty text. However, some, such as former European environment commissioner Virginijus Sinkevičius, said in June that it is unlikely a final text will be signed off by the end of the year.

US proposed chemicals list

The US's suggested list of chemicals it deems a risk from plastics production and products:

- 1,3-butadiene;
- acetaldehyde;
- acrylonitrile;
- benzenamine;
- benzyl butyl phthalate (BBP);
- decabromodiphenyl ether (decaBDE);
- dibutyl phthalate (DBP);
- dicyclohexyl phthalate (DCHP);
- di(2-ethylhexyl)phthalate (DEHP);
- diisobutyl phthalate (DIBP);
- di-isodecyl phthalate (DIDP);
- di-isononyl phthalate (DINP);
- 4,4'-methylene bis(2-chloroaniline) (MBOCA)
- phenol, isopropylated phosphate (3:1) (PIP (3:1));
- 4,4'-(1-methylethylidene)bis[2, 6-dibromophenol] (TBBPA);
- tris(2-carboxyethyl)phosphine hydrochloride (TCEP);
- triphenyl phosphate (TPP); and
- vinyl chloride.

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