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**Seafood Industry in Thailand:
A Closer Look at the Supply Chain of Nestle's Seafood
Sourcing in Thailand and Critiquing its Labour
Practices**

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(Source: Verite: Recruitment Practices and Migrant Labor Conditions in Nestlé's Thai Shrimp Supply Chain http://www.verite.org/sites/default/files/images/NestleReport-ThaiShrimp_prepared-by-Verite.pdf)

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Executive Summary

The paper takes a critical look at Nestle's sourcing of seafood material from Thailand, an industry known to have inhuman labour working conditions in the country. Nestle, with one of its largest seafood sourcing units in Thailand, recently acknowledged the fact that their supply chain is rampant with slave labour conditions. The self-reporting act created a stir; however, we will discuss in this paper if the act was actual self-policing or a PR gimmick. We will draw from what the company has done in similar social issues in another part of its business, cocoa sourcing from Ivory Coast.

After establishing that, the paper delves into establishing mechanisms that can be employed by Nestle / monitoring NGOs that could increase the effectiveness of policing. The model's effectiveness will come with some drawbacks, which will be included in the critique; however, the expectation is to ultimately innovate practices that allow larger room for the likes of Nestle to share responsibility with the society in the matter of its supply chain.

Background

The fishing industry in Thailand, estimated at around \$7bn a year¹, has been under scrutiny by various NGOs around the world for its human rights abuses. Infamous for trafficking and slavery, the region is mired with inhumane labour practices in the seafood industry. In 2014, the US State Department's Trafficking in Person (TIP) report downgraded Thailand to a tier three level, the lowest level there is in their scale.

¹ The Guardian: Slavery and trafficking continue in Thai fishing industry, claim activists
<http://www.theguardian.com/global-development/2016/feb/25/slavery-trafficking-thai-fishing-industry->

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Due to such mal-practices in the seafood industry, Thailand, world's third largest seafood exporter, has been facing EU wide ban threats. In April 2014, EU issued Thailand a 'yellow card' threatening to ban seafood imports from the region unless they cleared up their illegal fishing and labour abuses. The ban could cost Southeast Asian nations close to \$1bn annually².

Since the EU yellow card, which was a considerable threat looking at the scale of imports they have from the region, Thailand has been working towards more stringent laws against child labour and slavery, especially in this industry.

"A top-down government with absolute power ironically lacks mechanisms to solve human trafficking problems at home, due to both a lack of cooperation and corruption from agencies and personnel involved. Rectifying human trafficking cannot simply be ordered and delivered from the top – it involves carrots and sticks on the ground," said Thitinan Pongsudhirak, director of the Institutes of Security and International Studies.³

What is interesting to see is that up to 90% of these labour workers are migrant workers from neighbouring countries, many of whom are trafficked into the region.

Amidst such hue and cry created by the ban threats, around 7 months later, Nestle admitted to having found slave labour practices in its own supply chain in Thailand. In an act of self-policing, the Geneva based food giant concluded its year-long internal investigation and came up with the conclusion that there was, in fact, slave labour in its sea food sourcing from Thailand. The official statement also mentioned how every

²Ibid.

³Ibid.

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seafood sourcing company is facing the same challenge in their supply chains and that it is a nationwide problem, instead of being just relevant to Nestle.⁴

The labour workers are from Myanmar, Cambodia, and other poorer neighbours of Thailand. When they arrive, the brokers illegally charge them extremely high brokerage fees to get a job. Once in the job, they are forced to work in fishing fields, fishing vessels, ports etc. to pay back a sum much larger than their earnings.⁵

“Sometimes, the net is too heavy and workers get pulled into the water and just disappear. When someone dies, he gets thrown into the water,” one Burmese worker told the non-profit organisation Verité in a report commissioned by Nestlé. “I have been working on this boat for 10 years. I have no savings. I am barely surviving,” said another. “Life is very difficult here.”

Self-Policing

A question being debated now is if self-policing is the best strategy to deal with internal labour mal-practices in large organisations. What incentives does it give large corporations to self-police and report all mal-practices fairly and work on the root causes? Many also argue for the need for any incentives to do such a cleanup. For a humanitarian anomaly, one shouldn't need extra incentives for cleanup; the fact that the cleanup act can add value to thousands of lives should be enough for corporations.

⁴ Bloomberg Business: Nestle Finds Abuse, Forced Labour by Thai Seafood Suppliers
<http://www.bloomberg.com/news/articles/2015-11-24/nestle-finds-abuse-forced-labor-by-its-thai-seafood-suppliers> (retrieved on March 14, 2016)

⁵ The Guardian: Nestle Admits to Forced Labour in its Seafood Supply Chain in Thailand
<http://www.theguardian.com/global-development/2015/nov/24/nestle-admits-forced-labour-in-seafood-supply-chain> (retrieved on March 14, 2016)

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Although, corporations run with the core objective of maximizing profits, spending money on expenses that have no direct financial returns is a disincentive for many corporations.

In the situation as in our case, did Nestle really make a strong positive move by declaring labour malpractices in their supply chain? Some labour experts and activists have very convincingly claimed that owning up to a problem that has been widely acknowledged by the world is not exactly self-policing. The reports of EU yellow carding Thailand for illegal fishing and slavery in seafood supply chain happened at least 6 months before Nestle's declaration of 'self-policing'. Their contribution to the existing information on seafood labour mal-practices was technically zero.

So what could self-policing actually imply? Nestle contracted Verite to conduct a study in its operations in Thai seafood sector to better understand the risks of forced labour and human trafficking in the industry in Thailand.

Verite is an American organisation working with the mission of promoting fair labour practices globally. The organisation claims to 'illuminate problems, identify solutions, implement solutions, and document outcomes'.⁶ The board of directors consists of people from various labour specialisations, corporate responsibility groups, labour union consultants etc.; implying that there is little chance of private capture on the organisation.

⁶ <http://www.verite.org/what-we-do> (retrieved on March 14, 2016)

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The report had findings that unravel many cases of human abuse; however, what was upsetting was that the recommendations made to Nestle were the kind that a company was not bound to follow and again, didn't add value to the pre-existing knowledge on mitigation strategies. To suggest a corporation to, *'legalise employee immigration without financial burdens'*, *'[providing] workers with unrestricted access to their personal documents including passports'*, *'[ensure] humane treatment'*, *'providing all workers legal or protected status and the documentation necessary to ensure labour protections...'*⁷ etc. are very general, non-coercive recommendations to Nestle. They directly address the existing problems by giving a direct solution, however, Nestle and the other corporations are all aware of these solutions as they are very basic and what is lacking is the incentive / coercive mechanism for them to implement them. Hence, overall, I found the report to be intriguing with interesting finds but again, the recommendations need to be more coercive and strategic in order to get Nestle and the likes to actually feel the impending importance of labour treatment in their supply chains.

Nestle in the Ivory Coast

Ironically, with the self-policing claims by Nestle after the Thailand statement get contradicted when they are seen fighting a lawsuit of child labour and slavery against

⁷ Verite: Recruitment Practices and Migrant Labor Conditions in Nestlé's Thai Shrimp Supply Chain http://www.verite.org/sites/default/files/images/NestleReport-ThaiShrimp_prepared-by-Verite.pdf (retrieved on March 15, 2016)

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them in Cote d'Ivoire (Ivory Coast). Along with Cargill, Archer Daniels Midland, Nestle has been accused of alleged use of child slaves in coca farming in Ivory Coast.⁸

The situation is ironical because at one hand, Nestle is claiming to start a self-policing regime for better labour conditions in its supply chain and on the other hand, it is fighting off a lawsuit for a more profitable business of theirs. According to Andrew Wallis, chief executive of Unseen UK (a charity promoting better supply chain accountability), Nestle's self-reporting in Thailand could be a very well timed tactical move to avoid civil litigations.⁹

However, I feel that Nestle might be onto starting a new era of self-reporting by corporations by its responses on the official 'Ask Nestle' page. They have answered questions (some quoted below) that show how the company is at least claiming to initiate programs under its 'action plan'¹⁰ that will help reduce the child labour participation in cocoa farming in Ivory Coast under its supply chain.

⁸ Business and Human Rights Resource Center: Nestlé, Cargill, Archer Daniels Midland lawsuit (re Côte d'Ivoire) <http://business-humanrights.org/en/nestle-cargill-archer-daniels-midland-lawsuit-re-cote-d-ivoire> (retrieved on March 15, 2016)

⁹ The Guardian: Nestle admits slavery in Thailand while fighting child labour lawsuit in Ivory Coast <http://www.theguardian.com/sustainable-business/2016/feb/01/nestle-slavery-thailand-fighting-child-labour-lawsuit-ivory-coast> (retrieved on March 15, 2016)

¹⁰ http://www.nestle.com/asset-library/documents/creating%20shared%20value/rural_development/action_plan_for_fla_%20cocoa_report.pdf (retrieved on March 15, 2016)

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“The use of child labour is unacceptable and goes against everything we stand for. We’ve set ourselves the goal of eradicating it from our cocoa supply chain and have put a dedicated action plan in place.”¹¹

Does this mean that if an action plan has been created, the problem will definitely be solved? No. In case of Nestle, their action plan still has many loopholes. For example:

In 2012 we began a pilot monitoring and remediation system in two cocoa cooperatives to raise awareness about child labour and to identify children at risk.

Today, this monitoring and remediation scheme has begun in 22 farmer cooperatives, covering more than 12,000 farmers. The scheme will be rolled out to all cooperatives that supply us with cocoa in the country (about 70) by the end of 2016.

We have recruited and trained 18 child labour monitoring and remediation agents so far, as well as 332 community liaison people. The community liaison people and child labour agents are trained to raise awareness about child labour, identify children at risk, and report their findings to us, and to our suppliers.

The system is helping us to identify the root causes of child labour in each cocoa community, and the interventions needed in order to begin to tackle them.

Remediation refers to the intervention efforts we put in place with our partners when a child, or group of children, is identified as being at risk. This could be something as simple

¹¹ Nestle: Does Nestle have child labour in its cocoa supply chain? <http://www.nestle.com/ask-nestle/human-rights/answers/nestle-child-labour-supply-chains>

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as helping a family to get a copy of their child's birth certificate so he or she can attend school, or providing them with school equipment and uniforms.

The monitoring and remediation scheme looks very vague and I still miss the point of what happens when Nestle doesn't perform to the standards it is talking about in this plan. The problem has been the lack of coercive measures to make companies take responsibility for labour conditions of their suppliers. Even though this action plan looks like Nestle is making efforts, the current labour situation clearly shows how little Nestle actually cares about the issue. To avoid this from becoming another convenient, PR gimmick, there needs to be an external pressure that puts a lot more at stake for Nestle than just temporary reputational, inconsequential reputational damage.

As in Ivory Coast, in Thailand too Nestle is one of the many big buyers of cocoa / seafood respectively. For an effective clamp down on slave labour / child labour practices in their supply chain, I have the following recommendations for different stakeholders:

Recommendation 1

Create Alliances with Other Major Buyers in the Region to Share Costs of Effective Implementation

The seafood industry here has multiple major buyers, not just Nestle. A major reason why they do not work towards these social evils is the costs associated to implementing these plans. All players can divide these costs of program implementation to make it

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easy on the financial front. The cost division can be done on different grounds like sharing costs for starting schools for underprivileged children to divert them away from fishing boats and shrimp fields.

The classic boycott in buying has been an effective tool for controlling labour malpractices. For example, CP Foods supplied Shrimp to Walmart, Costco, Tesco, and Carrefour; upon the release of a report by the Guardian exposing the labour conditions in their sourcing process of shrimp, Carrefour suspended its buying from CP Foods, and another Norwegian retailer, Ica, announced that it would remove all products from its shelves that were linked to CP Foods.¹² An industry wide boycott could lead to tantamount losses for the suppliers and might even threaten their company to shut down completely if it gets prolonged. In that case, the suppliers would be coerced to set up stringent, anti-slavery measures in their supply chain.

The downside would be that this process would increase the costs all over the supply chain, shared by consumers, producers, suppliers and everyone else linked to the product. Getting all the buyers to cooperate for such a decision unanimously would be very difficult as well as defecting from this decision would mean lower costs of sourcing and ultimately higher margins. This would be an unstable model unless there were set up some extravagant reputational or monetary costs to defection.

¹² International Labor Rights Forum: How companies can address human trafficking in Thai seafood industry <http://www.laborrights.org/blog/201406/how-companies-can-address-human-trafficking-thai-seafood-industry> (retrieved on March 15, 2016)

Recommendation 2

Stricter regulations created by the Thai government and higher implementation for companies to follow in order to curb unfair labour practices. The government should work in tandem with multiple relevant government agencies, NGOs, and private sector stakeholders.

The Thai government should implement stricter regulations for controlling unfair labour practices. Involving relevant anti-trafficking NGOs, various public organisations, and private agencies would ensure the involvement of multiple stakeholders and various interest groups.

The government's Anti-Human Trafficking Action Plan had 4 aspects¹³ that should see a stronger involvement in one or more of its aspects from Nestle and the likes.

1. Effectively identifying victims of labour trafficking
2. Increasing efforts to investigate and prosecute trafficking offenders or corrupt officials involved in it
3. Improved standards and procedures of labour inspection
4. Enhanced efficiency in protection of workers in the fishing industry

¹³ LABOUR CONDITIONS IN THAI FISHERIES AND FOOD PROCESSING INDUSTRY: CHALLENGES AND SOLUTIONS http://www.seafish.org/media/publications/140228_BSCI_Event_Working_conditions_Thailand.pdf (retrieved on March 15, 2016)

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Conclusion

The seafood industry in Thailand today is miles away from ridding itself of slave labour and child labour in the supply chain. However, following the above recommendations with stronger involvement of the government and private sector alliances to tackle the costs can make tackling the issue more effective and fruitful. Self-policing is a good initiative to have, however, I do not believe that the examples of self-reporting we have seen are technically sound for us to have faith in the future of this technique. There still needs extremely strong outside pressure on these companies, that have always been aware of these labour issues but went along until they faced major opposition from various interest groups. Supporting the movement should also be done by NGOs, Thai and international, to provide with ground data and situation reporting that many government agencies and private sector players might miss. Having various parties also allows for counter balancing of views and decisions can be more democratic instead of being driven by single interest groups.