

Legislative Landscape in EU and US: Impacts on Exporters

US election results:
What Changes
What stays the same

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Mark Jaeger
SVP, Stakeholder Engagement



Agenda

- Social Compliance: From Voluntary to Mandatory
 - North America
 - European Union
- US Elections
- Role of Social Compliance Programs
- Questions



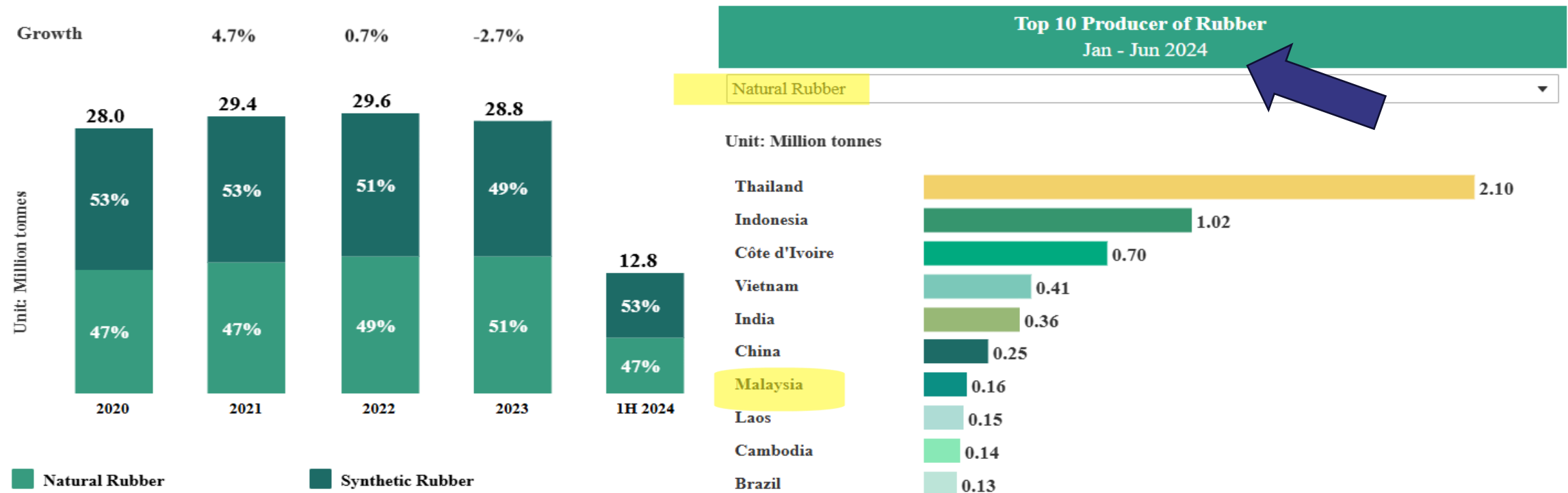
Malaysia Exports

Partner Name	Trade Balance (US\$ Th)	Export (US\$ Th)	Import (US\$ Th)
Europe & Central Asia	9,750,859.93	37,070,283.90	27,319,423.97
Vietnam	4,970,659.75	12,184,086.59	7,213,426.84
Australia	1,694,248.34	10,927,047.84	9,232,799.51
North America	15,065,244.57	39,135,560.64	24,070,316.07
United States	15,195,826.98	38,025,492.59	22,829,665.61
China	-14,831,080.49	47,843,004.76	62,674,085.25
Philippines	3,454,019.22	6,415,430.81	2,961,411.59
Middle East & North Africa	-8,236,711.55	9,714,806.49	17,951,518.04
India	5,299,632.82	12,442,889.57	7,143,256.75
Brunei	421,637.81	1,737,936.49	1,316,298.68
Hong Kong, China	17,739,252.98	21,737,858.53	3,998,605.55
Japan	3,540,439.33	22,416,749.63	18,876,310.30

World Rubber Production

Production (Natural & Synthetic Rubber)

World production of rubber in 1H 2024 decreased by **1.7%** to **12.8 million tonnes**, from **13.0 million tonnes** in 1H 2023.



Consumption (Natural & Synthetic Rubber)

World consumption of rubber for 1H 2024 decreased by **0.2%** to **14.19 million tonnes**, from **14.21 million tonnes** in 1H 2023.

Malaysia Export of Rubber Products

MALAYSIAN RUBBER COUNCIL

MAIN SECTORS

(in Million)

Latex Goods
RM13,742.1
68.3% ▼ 35.9%



Inner Tubes
RM3.6
0.02% ▼ 27.9%

Tyres
RM2,135.1
10.6% ▲ 16.9%



Footwear
RM694.8
3.45% ▲ 8.5%

Industrial Rubber Goods
RM1,846.3
9.17% ▲ 15.33%



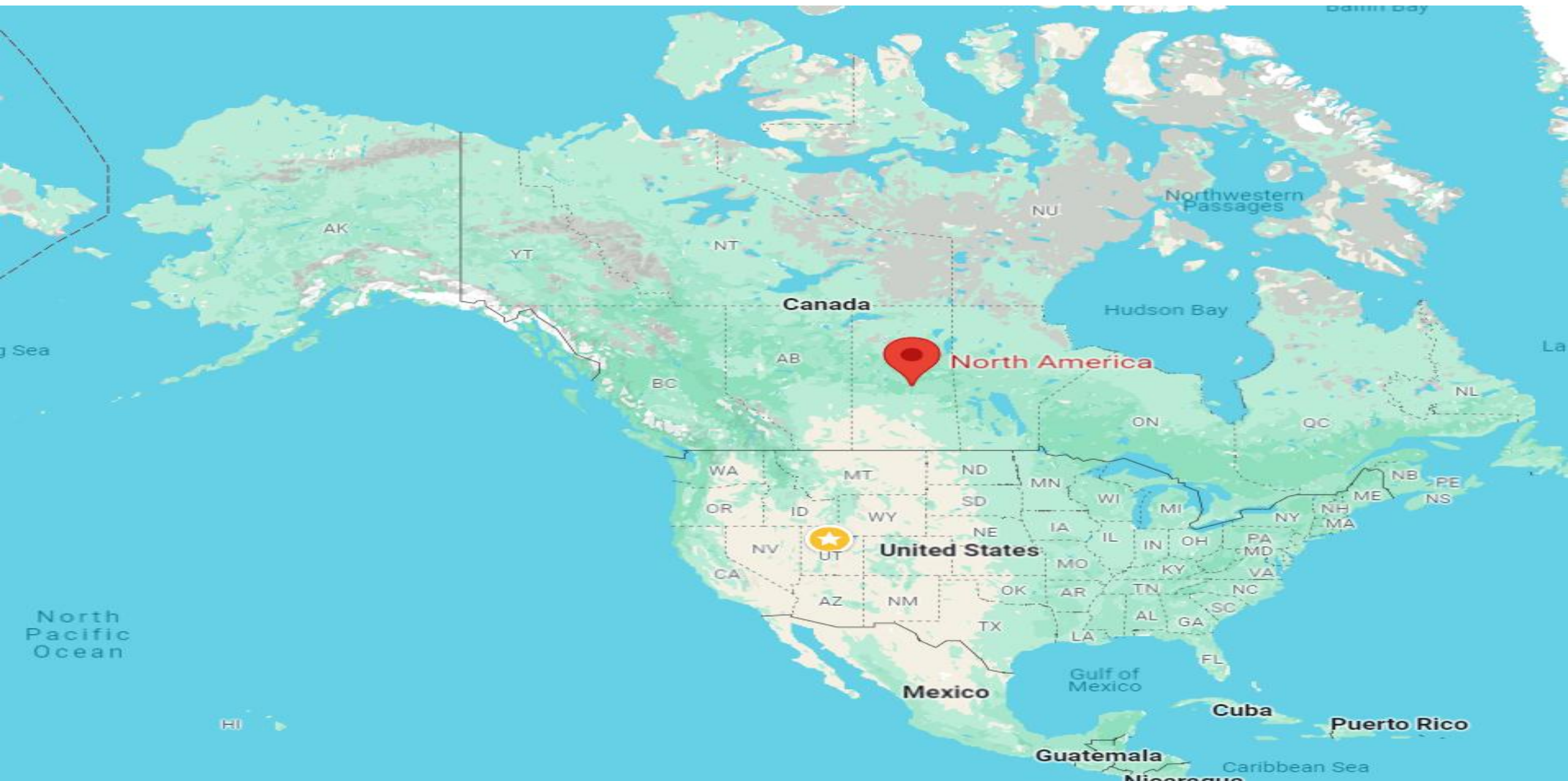
General Rubber Goods
RM1,704.3
8.47% ▲ 1.75%



Social Compliance: Voluntary > Mandatory

- 1995 - 2025
 - 1995 - US buyers voluntarily implement codes of conduct
 - 2000 - Programs like WRAP, BSCI, SA 8000, started
 - 2010 - Countries begin passing mandatory disclosure laws
 - California Transparency in Supply Chains Act - 2010
 - UK Modern Slavery Act - 2015
 - French Duty of Vigilance -2017
 - Canada S-211 - 2024
 - 2017 - OECD guidelines for footwear and garment industry
 - 2022 – UFLPA in US targets imports of goods made with forced labor from XUAR
 - 2023- German Supply Chain Act
 - 2024 – EU moves forward with CSRD, CSDDD, and prohibition on goods made with forced labor

United States



United States Tariff Act of 1930



- Prohibits the importation of goods made with convict labor or forced labor
- Forced labor is:
Work or service which is extracted from any person under the menace of any penalty for its nonperformance and for which the worker does not offer himself voluntarily (19 USC Sec. 1307)
- Forced labor includes forced child labor
- It applies for all countries and all goods exported to the United States
 - CBP can issue a Withhold Release Order “WRO”
 - to prohibit the goods entering the US

Forced Labor – ILO Definition & Indicators



“All work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily.”

11 Forced Labor Indicators:

- 1) Abuse of vulnerability
- 2) Deception
- 3) Restriction of movement
- 4) Isolation
- 5) Physical and sexual violence
- 6) Intimidation and threats
- 7) Retention of identity documents
- 8) Withholding of wages
- 9) Debt bondage
- 10) Abusive working and living conditions
- 11) Excessive overtime

Uyghur Forced Labor Prevention Act (UFLPA)

- **December 2023** – UFLPA became law in the United States
- The UFLPA established a rebuttable **presumption that** the importation of any **goods**, wares, articles, and merchandise mined, produced, or *manufactured wholly or in part in the Xinjiang* Uyghur Autonomous Region of the People’s Republic of China, or produced by certain entities, is prohibited by Section 307 of the **Tariff Act of 1930** and that such goods, wares, articles, and merchandise are not entitled to entry to the United States
- Most enforcement is around whether goods were made in whole or in part from inputs from the region
- The regulations also extend to labor from the Xinjiang Uyghur Autonomous Region working outside the region, as well as third country goods with covered inputs

Uyghur Forced Labor Prevention Act (UFLPA)



UFLPA Statistics

Data as of Dec 31, 2024



U.S. Customs and Border Protection

U.S. Customs and Border Protection (CBP) Uyghur Forced Labor Prevention Act Enforcement Statistics June FY2022 to FY2025 to date

Shipment Metrics

Total
12,666

Denied
5,443

Released
5,482

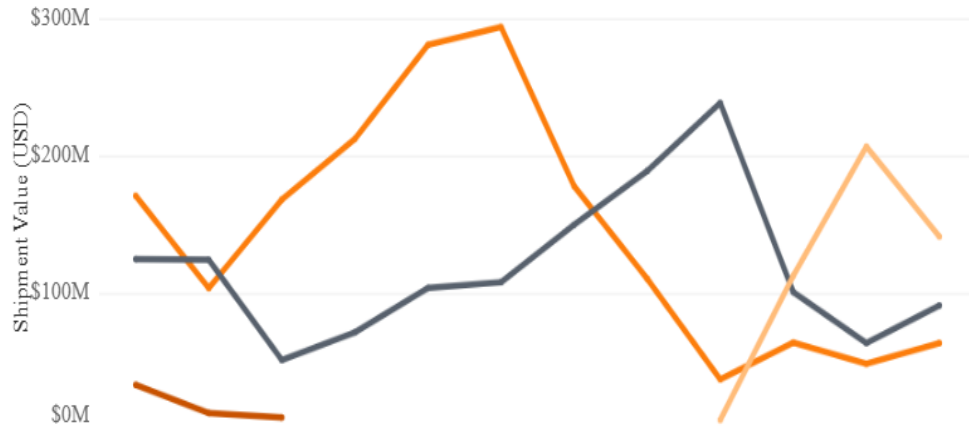
Value (USD)
\$3.68B

FY: (All) Industry: (All) Exam Result: (All) Country of Origin: (All)

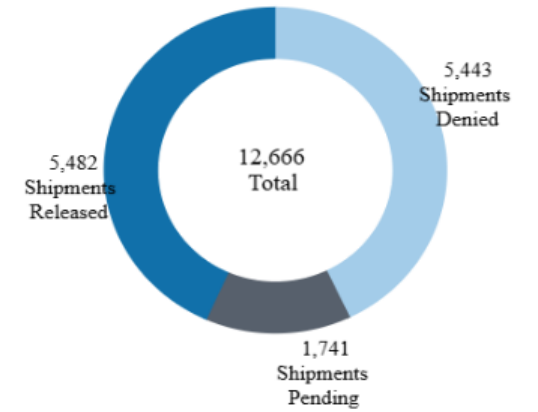
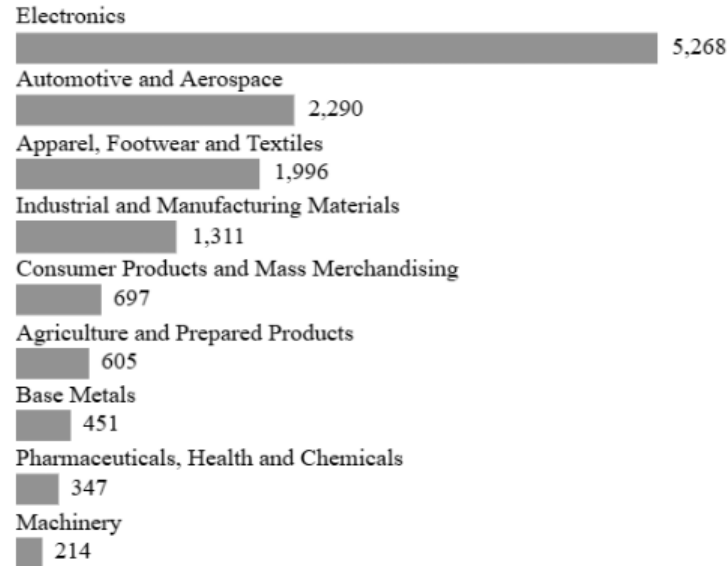
Reset Filters

FY: 2022 2023 2024 2025(FYTD)

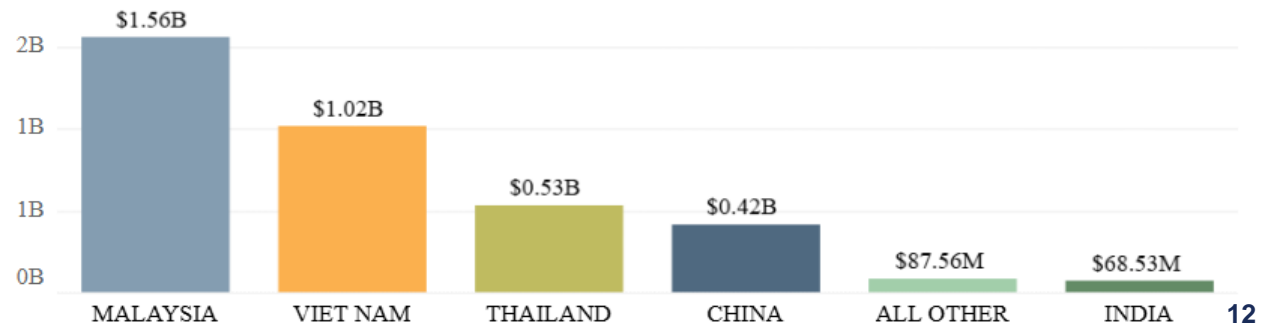
Shipment Value (USD) by Month



Shipment Count by Industry and Exam Result



Shipment Value (USD) by Country of Origin



Canada S.211 and Tariff Act Changes

Fighting Against Forced Labour and Child Labour in Supply Chains Act

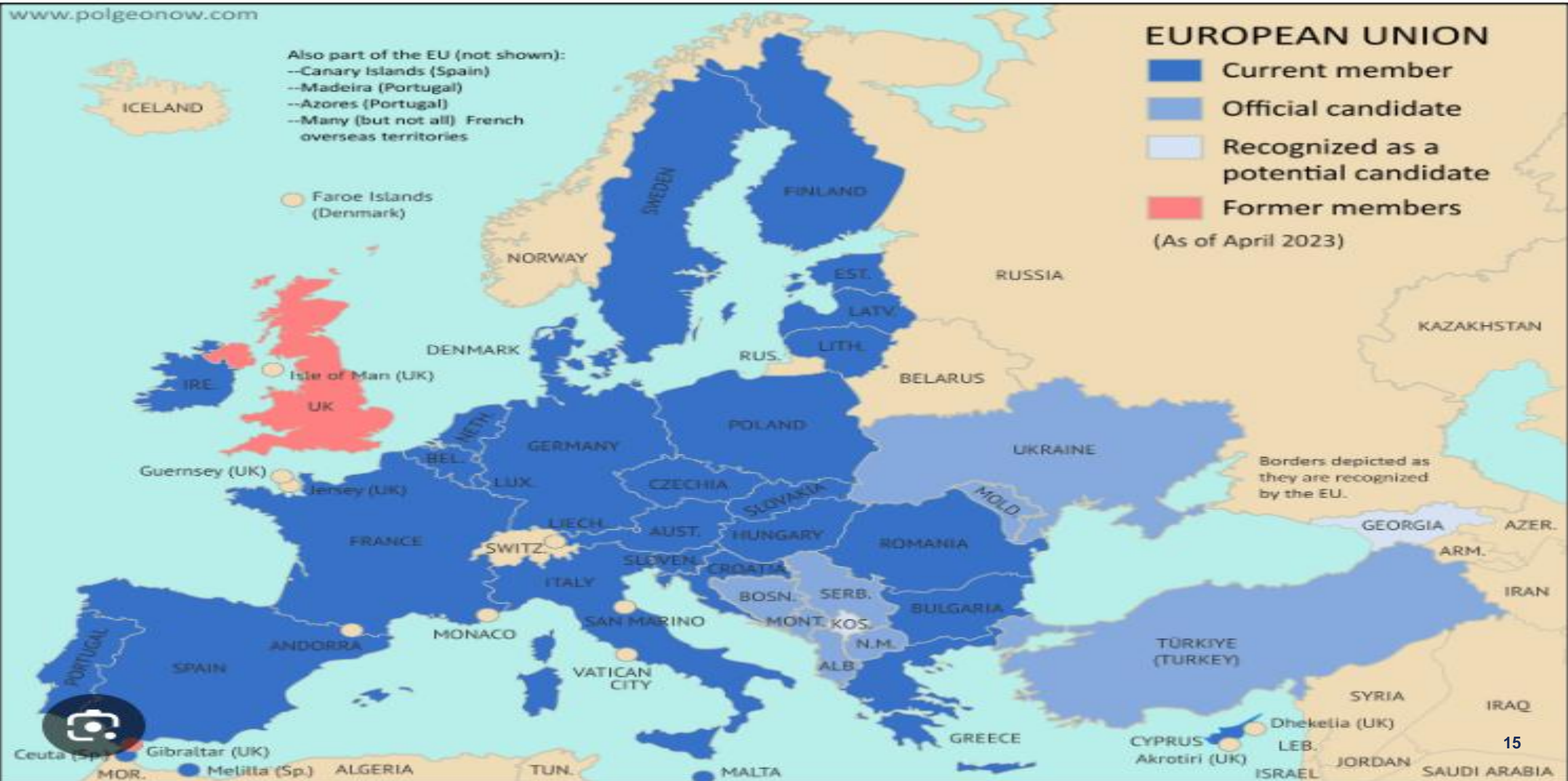
- Senate Bill 211 – covered companies must annually disclose their due diligence
- **Took Effect:** January 1, 2024
- **Covered Entities:** Companies doing business in Canada
 - **Criteria:** Listed in Canada, have a place of business in Canada, or conduct business in Canada
 - Plus meet 2/3 of the following:
 - Global assets over \$20M
 - \$40M in revenue
 - More than 250 employees
 - **Reporting deadline:** May 31'st every year – disclosed to public
 - **Legislative Change:** Modification to Tariff Act to add child labor prohibition to forced labor import ban

Mexico

- **May 18, 2023**, Mexico's Ministry of Economy has **prohibited imports of goods produced with forced labor**
- The regulation implements **Mexico's obligation under the United States–Mexico–Canada Agreement**
- The regulation's definition of 'forced and compulsory labor' **aligns with the ILO's** definition
- The **Ministry may initiate**, on its own or at the **request of a private party**, an investigation into whether goods were produced using forced labor

European Union: Laws / Enforcement / Direction

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German Supply Chain Act

- **Jan 1, 2023**
 - Covers companies with over 1,000 employees in Germany
 - Imposes due diligence obligations to prevent human rights and environmental violations
 - Extends to direct and indirect suppliers
 - Requires a risk management system
 - Appoint a human rights officer
 - Issue relevant policies
 - Implement remedial action

EU's "CSDDD"- Corporate Sustainability Due Diligence Directive

Timeline

- **2022** – The EU Commission proposes a “Directive” – A duty for certain companies to undertake human rights and environmental due diligence in their supply chains
- **April, 2024** – CSDDD Adopted by the EU Parliament
- **2024-2026** – EU Member states will adopt the CSDDD into law
 - **2027 – CSDDD takes effect** for large companies (5,000 employees + turnover of 1.5B)
 - **2027 – 2029** – CSDDD expands to cover smaller companies
 - 3,000 employees and €900M turnover
 - 2,000 employees and €450M turnover
- **Second Thoughts?**
 - **“Omnibus”**
 - **German Supply Chain Act enforcement**

CSDDD and Due Diligence

Integrate Due Diligence into Policies

- Undertake risk-based human rights and environmental due diligence
- Identify actual or potential adverse human rights and environmental impacts
- Prevent or mitigate potential impacts
- Bring to an end or minimise actual impacts
- Establish and maintain a complaints procedure
- Monitor the effectiveness of the due diligence policy and measures
- Publicly communicate on due diligence

What is Due Diligence?

- Reasonable steps taken by enterprises to proactively manage potential and actual adverse human rights impacts with which they are involved
- **Duty of Effort**, not a strict liability standard
- Requires a risk-based approach to identify and remediate adverse human rights and environmental impacts

EU Forced Labor Ban



- **Effective date:** December 13, 2024
- **Full application date:** December 14, 2027
- **What it bans:** Placing on the EU market or exporting any products made with forced labor

Buyer Expectations

- Buyers are **mapping their chain of activities** and asking for detailed information from suppliers
- Buyers are increasingly using **questionnaires and audits** to assess their risk of adverse human rights and environmental impacts
- **Areas of focus:**
 - Workplace safety
 - Freedom of association and collective bargaining
 - Forced Labor

President Trump (2024-2028)

- Strict border controls
 - Sharp reduction in migration
 - Started returning migrants to their home countries
- Increase US Energy production > lower prices
- Pulled out of Paris Agreement re climate
- DOGE reviewing foreign aid -USAID
- Tariffs are a central policy tool in Trump Administration
 - Deferred 25% tariffs on Mex / CDN
 - Renegotiate USMCA
 - New 10% tariff on China
 - Cancelling deminimis entries from China
 - Threatened tariffs on Colombia: Nicaragua under review



President Trump (2024 – 2028)

Tariffs – References Points

- US has long accepted lower average tariffs with trading partners – exceptions are high tariffs on apparel and some footwear
 - WTO pressure developing versus developed country
 - Attempts to achieve a “zero for zero” outcome failed
 - US is largest / richest global trade market
 - US runs trade deficits with most partners
 - Trump is leveraging access to US market to :
 - Rebalance trade with high deficit partners
 - Control migration
 - Increase FDI in US
 - Revitalize US manufacturing base
 - Enhance US security / punish competitors



Human Rights

- Reduce funding for international NGO's
- Reduce USAID and other US funding
- US version of CSDDD unlikely
 - EU / German rethink with Omnibus
- Will not lead with global “Worker Centric” policies
- Will use Tariffs and trade to pressure countries to
 - Lower duties for US goods
 - Buy US goods
 - Invest in US based production

Implications

- Anticipate pressure if running a large trade surplus with USD
- Global economy moving to alliances to service regional markets
- If high relative tariffs remain, buyers will shift supply chains

Overview of WRAP



World's largest independent factory-based certification program, focused on the apparel, footwear, sewn products and related industries

We inspect and certify factories all over the world

Objective, non-profit team of global experts dedicated to promoting safe, lawful, humane, and ethical manufacturing around the world through certification and education

Partner with industry associations

WRAP Forced Labor Statement

Audit WRAP didasarkan pada standar dan konvensi internasional. Metodologi audit WRAP secara eksplisit dan komprehensif menggabungkan 11 Indikator Kerja Paksa ILO Audit WRAP mencakup penilaian rinci tentang risiko kerja paksa dalam operasi facility

WRAP audits are based on international standards and conventions such as the United Nations Universal Declaration of Human Rights, the International Labour Organization (ILO) Core Conventions, the 11 ILO Forced Labour Indicators, as well as local labor laws. The WRAP audit methodology explicitly and comprehensively incorporates the 11 ILO Forced

Labour Indicators. Please refer to Annex A for additional information on the relationship between WRAP and the 11 ILO Forced Labour Indicators.

FACILITY NAME was audited by **AUDIT FIRM** on **AUDIT DATES**. The facility was certified for one year on Certification **ISSUE DATE**.

The WRAP audit included a detailed assessment of forced labour risk in the facility's operations.

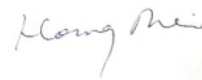
Based on the WRAP audit, there were no findings identified related to forced labour. The risks at the facility are low.

ILO Forced Labour Indicators	Status
1. Abuse of vulnerability	Low risk
2. Deception	Low risk
3. Restriction of movement	Low risk
4. Isolation	Low risk
5. Physical and/or sexual violence	Low risk
6. Intimidation and threats	Low risk
7. Retention of identity documents	Low risk
8. Withholding wages	Low risk
9. Debt bondage	Low risk
10. Abusive work and/or living conditions	Low risk
11. Excessive overtime	Low risk

Key:

Low risk
Medium risk
High risk

Please refer to this facility's full WRAP audit report for additional information. Note that this document is an authorized addendum to the original audit report.



Hong Mei
Senior Director, Program Integrity
hmei@wrapcompliance.org

DATE



Thank You!

Mark Jaeger
Senior Vice President
Mjaeger@wrapcompliance.org

Khoa Nguyen
Head of Operations for ASEAN
knguyen@wrapcompliance.org
Neni Triani
Indonesia and Malaysia Representative
ntriani@wrapcompliance.org