

Harnessing UK trade and investment to address Indo-Pacific modern slavery risks

Research summary

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Research by:



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This summary provides an overview of key findings and recommendations from a mixed methods study examining how UK trade and investment can be leveraged to address modern slavery in the Indo-Pacific, outlined in the report: *Harnessing UK trade and investment to address Indo-Pacific modern slavery risks*. The study was conducted by the Rights Lab (University of Nottingham) in partnership with Anti-Slavery International. The project was funded through an open call for proposals by the Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC), which in turn is funded and supported by the UK Arts and Humanities Research Council (AHRC). The full report can be accessed on the Modern Slavery PEC website at modernslaverypec.org/resources/harnessing-uk-trade-investment-address-indo-pacific-modern-slavery-risks. The views expressed in this summary and the report are not necessarily those of the Modern Slavery PEC or the AHRC.

Key findings

1. Our systematic analysis of UK and Indo-Pacific Trade Agreements (TAs) and Bilateral Investment Treaties (BITs) reveals that UK efforts to include modern slavery relevant concerns in trade and investment instruments with the Indo-Pacific currently fall short of best practice and do not reflect a coherent strategy. While inclusion of modern slavery concerns in TAs has developed over time, these issues are yet to be meaningfully considered in the context of BITs.
2. Our econometric analysis reveals that the impact of trade relations on forced labour depends on the types of products being traded and the characteristics of trade partners. Trade openness can help to reduce forced labour and strengthen protection against it when involving partners with high levels of labour protection. Trade in primary goods and products intensive in unskilled labour can increase forced labour, where labour protections are not pursued and enforced.
3. Our country case studies for China, India, Malaysia, and Thailand reveal high levels of differentiation between different Indo-Pacific states in terms of both modern slavery and trade dynamics, as well as states' commitment to human and labour rights. While some standardisation in UK policy is valuable, this demonstrates the importance of context-specific approaches.

Background

The publication of the March 2021 *Integrated Review* (updated in March 2023)¹ heralded a UK 'tilt' to the Indo-Pacific. It declared that 'By 2030', the UK 'will be deeply engaged in the Indo-Pacific' – the areas around the Indian and Pacific Oceans – and continue its policy of pursuing a 'free and open Indo-Pacific' (FOIP).² As it seeks to increase trade and investment with the region, the UK Government has been vocal in calling on businesses to take steps to ensure their supply-chains are free of forced labour. This is particularly important in UK trade and investment with the Indo-Pacific, since the region has the highest incidence of modern slavery in the world – Asia-Pacific accounts for 59% of the global estimate. The four case study countries alone (China, India, Malaysia, and Thailand) account for 35% of all estimated modern slavery globally.³

The relationship between trade and investment and modern slavery risks and outcomes is becoming increasingly clear. A growing body of international practice and literature positions labour rights, human rights, and sustainable development concerns – including addressing modern slavery – within the domains of international trade and investment. Yet, the extent to which modern slavery is tackled through these instruments has not been systematically addressed, and evidence of the effectiveness of different approaches is limited. Therefore, understanding the role of trade and investment rules in addressing those risks and outcomes is critical to any attempts made to mitigate modern slavery risks and outcomes.

Although there has been an upsurge in attention and impetus to address the issue of modern slavery within the domains of trade and investment, this positioning is not without its challenges. There is a tension between the policy objectives of promoting trade and investment on the one hand, and reducing modern slavery risks on the other, since it involves seeking a balance between the economic imperatives that feature in the consideration of gains from trade and maintaining a commitment to universal human rights norms, principles, and values. There is a further tension raised by the asymmetry between and among trading partners, in terms of market size and power, factor endowments, supply and demand of tradable goods, and the extant international and national legal commitments of states to human rights and fundamental freedoms, including those relating to modern slavery. This tension raises important empirical and theoretical questions for law and policy.

Given the UK's focus on the Indo-Pacific region for trade and investment, this project offers quantitative and qualitative evidence and analysis of immediate relevance to the UK's recent accession to the CPPTP (an Asia-Pacific trade bloc), negotiations for a UK-India trade pact, growing UK-ASEAN trade cooperation, and enhanced two-way capital flows between the UK and the Indo-Pacific.

1. HM Government, 'Integrated Review Refresh 2023: Responding to a More Contested and Volatile World' (March 2023).

2. HM Government, 'Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy' (March 2021).

3. Walk Free, 'Modern Slavery in Asia and the Pacific' (*Global Slavery Index*, 2023).

Methodology

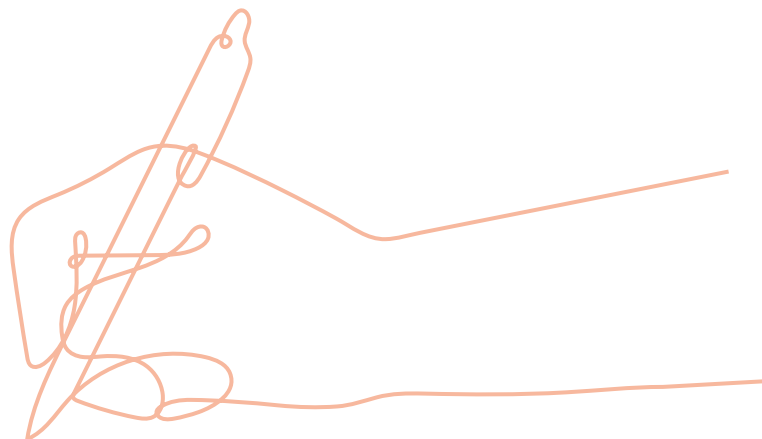
This project set out to achieve its objectives across three inter-related workstreams:

WORKSTREAM 1: a two-day global conference on trade, hosted by the University of Nottingham. This conference laid the groundwork for the establishment of the Trade, Investment and Modern Slavery (TRIMS) Network – a collective of academics and practitioners at the intersection of the three fields to continue research and exchange knowledge to share emerging developments in these fields.

WORKSTREAM 2: an empirical analysis of the relationship between trade and investment and modern slavery through the development of several new databases. One database enabled mixed methods analysis of the inclusion of modern slavery and related considerations in trade and investment agreements (TAs and BITs) adopted by the UK and Indo-Pacific states. The workstream complemented this analysis with a formal theoretical and empirical econometrics study on the relationship between international trade and forced labour using two cross-national and time-series data sets.

WORKSTREAM 3: four qualitative country case studies of the relationship between trade and investment arrangements on the one hand, and modern slavery risks and outcomes on the other. Case studies examined these dynamics in China, India, Malaysia, and Thailand with a focus on trade and investment, vulnerabilities and products, de jure anti-slavery measures, and gaps and barriers to progress.

Findings from the three workstreams are synthesised in the report to better understand current approaches to tackling modern slavery through trade and investment frameworks from different perspectives and in different contexts. Empirical and econometric analyses provided macro-level insights on the impacts of trade and investment on modern slavery dynamics, as well as existing efforts to integrate modern slavery concerns in trade and investment treaties. Case studies provide ground-level and contextualised insights on how these interactions manifest on the ground, while the conference and network provided key informant perspectives to supplement learnings across levels.



Findings

Modern slavery is linked to international trade and investment in myriad ways. While the relationship between trade, investment, and modern slavery is clear, it is also complex, multi-faceted, and variable. Thus, there is no single story of how international trade and investment impact modern slavery. Given the undeniable connection between modern slavery, trade, and investment in various contexts, efforts to address modern slavery through trade and investment instruments and relations have gained significant traction in recent years. Yet, despite the UK's stated commitment to tackling modern slavery globally and acting as a 'force for good' on the international stage promoting and supporting human rights, efforts to address modern slavery in UK trade and investment remain underdeveloped.

Findings from empirical analysis of UK-Indo-Pacific trade agreements (TAs) and bilateral investment treaties (BITs)

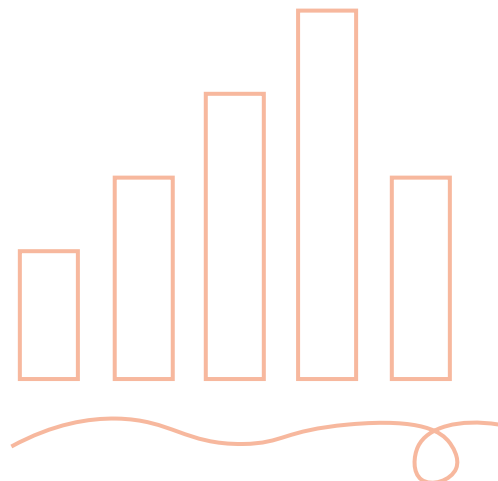
Our systematic analysis of UK and Indo-Pacific TAs and BITS reveals:

1. Efforts to address modern slavery practices and related considerations in UK trade and investment instruments has evolved but fall behind international best practice and have not yet developed into a coherent strategy.
2. The consideration of modern slavery concerns in trade agreements has increased over time. However, this has not yet become systematised. A high proportion of new agreements involving the UK and Indo-Pacific states do not substantially address modern slavery and related concerns, and practice remains piecemeal and highly variable.
3. Although some progress has been made in the consideration of modern slavery concerns in bilateral investment treaties (BITs) in recent years, practice remains limited across the board. Modern slavery considerations are yet to be meaningfully considered in the context of BITs, and modern slavery practices themselves are not mentioned in any UK-Indo-Pacific BIT coded in this study.

Findings from econometric analysis

Although it is not possible based on current evidence to make a decisive determination on whether the incorporation of anti-slavery measures in TAs or BITs makes a tangible difference to the prevalence of modern slavery, our econometric analysis shows:

1. The effect of international trade on forced labour depends on the type of product favoured by trade-induced changes and the institutional characteristics of trade partners.
2. Trade openness reduces forced labour when involving trade partners with high levels of labour rights protection, particularly where trade involves production of primary goods and products intensive in unskilled labour.
3. Increasing trade with countries with high levels of labour protection is related to increases in anti-forced labour government enforcement policies. Thus, other measures for forced labour protection appear to make a difference and provide evidence of a normative 'bandwagon' effect, or evidence of policy diffusion.
4. In the absence of labour protections, or where labour protections are weak, increased trade openness can increase the prevalence of forced labour, particularly where trade involves production of primary goods and products intensive in unskilled labour.
5. The links between trade, investment and modern slavery are becoming clearer. Yet our quantitative analysis demonstrates that these links remain highly differentiated owing to different trade patterns, terms of trade between trading partners, institutional characteristics of trading partners, and the degree to which the production of goods is labour intensive. The effectiveness of trade and investment measures to address modern slavery risk thus requires continued research and econometric analysis.



Findings from country case studies

The risks and dynamics of modern slavery manifesting in connection with trade and investment relations depends on the nature of production, the goods and services that form the basis of trade, and the degree to which any partners in the trading relationship have formal and informal protections in place against modern slavery practices. This varies from one country to the next. There are significant contextual factors specific to the Indo-Pacific region, and individual states within it, that shape the modern slavery risks, patterns, and trends connected to international trade and investment. For instance, our case studies demonstrate:

1. Modern slavery prevalence and dynamics vary by country, the structure of export economy, and the basket of products. Higher vulnerability to modern slavery in specific industries is found where the industry is labour intensive, work is low skilled and low waged, high levels of informality exist, and where migrant workers and those from minority communities are over-represented.
2. The formal commitments of states to international human rights and labour rights instruments vary substantially, demonstrating differential commitment to these regimes and engagement with the international system.
3. National legislative frameworks, and the extent to which these frameworks address modern slavery, labour rights, and human rights issues vary dramatically, diverging not only in coverage and scope, but also in form and content.
4. The number and terms of TAs and BITs, as well as ongoing negotiations of such instruments, vary substantially not only from one country to the next, but also from one instrument to the next where one party remains the same.
5. Variation in market size and power as well as geopolitical factors affect the ability of outside states to negotiate for, and secure, the inclusion of modern slavery provisions in TAs and BITs.
6. While coherent trade and investment strategies to tackle modern slavery in the Indo-Pacific require some level of standardisation in both the commitment to fundamental principles and core frameworks, additional contextual adaptation and nuancing are needed to ensure the approach is fit for purpose in the specific country or countries. Context-specific approaches to the design, implementation, monitoring, and revision of trade and investment instruments and relations is needed in UK relations with Indo-Pacific states.

Recommendations

Recommendations for the UK Government

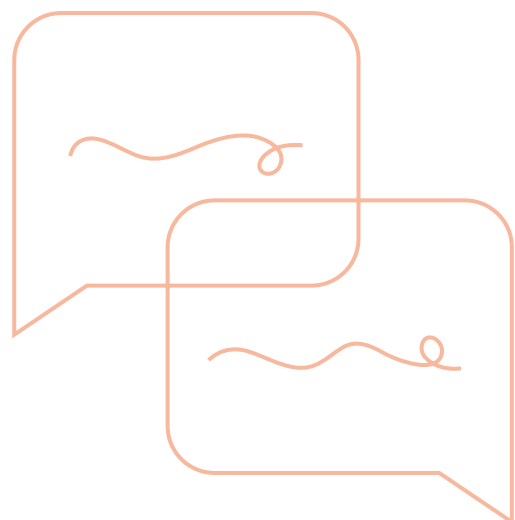
1. Develop a systematic approach to the integration of modern slavery concerns in trade and investment agreements, embedded in a broader UK trade strategy addressing human rights, labour rights, and sustainable development.
2. Seek to ensure that modern slavery concerns are substantially integrated in trade and investment agreements in negotiations, with robust monitoring and engagement mechanisms.
3. Review existing trade and investment agreements with a modern slavery lens to support future amendments and new instruments.
4. Adopt a tailored and context-specific approach to the integration of modern slavery concerns in trade and investment relations with the Indo-Pacific, accounting for the different risk and production profiles of the different states, existing international commitments, and domestic legislative and regulatory infrastructure.
5. Conduct rigorous ex ante sustainability impact assessments during negotiation of all trade and investment agreements, including engagement with people with lived experience of modern slavery and CSOs in the third country.
6. Conduct rigorous and regular sustainability impact assessments for all trade and investment agreements during implementation, including engagement with people with lived experience of modern slavery and CSOs in the third country.
7. Include formal commitments of Indo-Pacific states to international human rights and labour rights instruments as a conditionality of trade and investment negotiations.
8. Develop a coherent foreign policy approach to advancing modern slavery protections in third states, integrating antislavery efforts in trade and investment with other soft power domains (including development policy).
9. Develop mechanisms for engagement of people with lived experience of modern slavery and other vulnerable populations in the negotiation and monitoring of trade and investment agreements, supported by survivor-led organisations.
10. Fund robust research on the impacts of trade and investment on modern slavery policy and practices in third countries.

Recommendations for civil society organisations:

1. Advocate for greater integration of modern slavery practices in future trade and investment agreements.
2. Proactively engage in monitoring and auditing of modern slavery provisions in trade and investment agreements, including recording modern slavery abuses directly related to the impact of trade and investment relations.
3. Support the development of mechanisms for engagement of people with lived experience of modern slavery and other vulnerable populations in the negotiation and monitoring of trade and investment agreements.

Recommendations for researchers

1. Expand the TRIMS-TA/BITs database to encompass all trade and investment agreements globally. This would provide richer insights on where and how modern slavery considerations are addressed in these instruments, what factors influence this, and the impacts of different approaches.
2. Pursue qualitative research on the ways in which modern slavery practices and related concerns are considered in negotiation processes for trade and investment agreements, and how these change throughout the process.
3. Undertake rigorous and systematic research evaluating the impacts of import bans on the ground, with a focus on effects on vulnerable populations.



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The Modern Slavery and Human Rights Policy and Evidence Centre (Modern Slavery PEC) was created by the investment of public funding to enhance understanding of modern slavery and transform the effectiveness of law and policies designed to address it. The Centre funds and co-creates high quality research with a focus on policy impact, and brings together academics, policymakers, businesses, civil society, survivors and the public on a scale not seen before in the UK to collaborate on solving this global challenge.

The Centre is hosted by the Humanities Division at the University of Oxford. The Centre is a consortium of three universities consisting of the Wilberforce Institute at the University of Hull, the University of Liverpool, and the Bonavero Institute of Human Rights at the University of Oxford.

Between 2019 and March 2024, the period when this project was awarded funding, the Centre was led by the Bingham Centre for the Rule of Law (part of the British Institute of International and Comparative Law (BIICL)) and was a consortium of six organisations consisting of the Rights Lab at the University of Nottingham, the Wilberforce Institute at the University of Hull, the University of Liverpool, the Bonavero Institute on Human Rights at the University of Oxford and the Alan Turing Institute.



The Modern Slavery and Human Rights Policy and Evidence Centre is funded and actively supported by the Arts and Humanities Research Council (AHRC), part of UK Research and Innovation (UKRI).

Read more about the Modern Slavery and Human Rights PEC at www.modernslaverypec.org.

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