

# **A Blueprint for Protecting U.S. Companies from Unfair Competition Fueled by Forced Labor**

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## **Abstract**

*In today's competitive global economy, U.S. companies upholding strict labor and human rights standards increasingly face unfair competition from foreign firms that exploit forced labor. In this Essay, we argue that this exploitation is not just a grave human rights crisis but also a serious market distortion that disadvantages ethical businesses in the United States and elsewhere.*

*This Essay outlines a strategic approach to confront this unfairly uneven playing field. Beyond simply deploying the existing legal tools, we propose a unified federal enforcement strategy and smarter trade agreements with enforceable labor standards. We also propose affirmative incentives, including procurement preferences and legal safe harbors, for companies that invest in ethical sourcing. The final component to the integrated strategy we propose is greater investment in traceability technologies and public-private partnerships to identify and root out forced labor deep within supply chains. Ultimately, we outline a forward-looking blueprint to ensure fair and competitive markets for U.S. businesses, ones that reward integrity and drive a global race to the top in labor practices. Economic competitiveness and human dignity, we argue, must be pursued together, not treated as competing priorities.*

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## **Introduction**

In today's high-stakes global economy, companies face fierce competition. Success no longer hinges purely on price, quality, and innovation but is also driven by compliance with applicable labor standards. Unfortunately, companies in the United States and elsewhere that play by the rules and respect their employees' human rights increasingly find themselves at a distinct disadvantage. These businesses are often undercut by foreign competitors who either knowingly exploit forced labor or turn a blind eye to it in their supply chains. This not only seriously undermines fundamental human rights but also distorts fair competition in the global marketplace.

The second Trump administration, like its [predecessors](#) going back to the [Clinton administration](#), has consistently voiced its commitment to fighting all forms of [forced labor](#) (an umbrella term that encompasses child and trafficked labor, as well as debt bondage). In June 2025, [new guidance](#) from the Department of Justice (DOJ) linked antibribery enforcement to a broader mission: protecting U.S. businesses from corrupt foreign competitors who gain an edge through unlawful practices. This guidance, we believe, lays the groundwork for public policy and administration priorities regarding a similar initiative in the forced labor context.

In this Essay, we propose a strategic blueprint for protecting U.S. businesses from the corrosive effects forced labor has on fair competition in the marketplace, while also upholding the important values of integrity and human dignity.

## **I. Today's Stark Reality of Forced Labor**

Forced labor is no abstract problem; it's a pervasive reality. The International Labour Organization [estimates](#) that some 27.6 million people are subjected to forced labor and that forced labor annually generates some \$236 billion in illegal profits. Bringing these worrying statistics closer to home, many companies selling [products](#) into the United States are sourcing goods tainted by forced labor. These violations, moreover, are often buried deep in complex company supply chains.

Despite growing awareness in boardrooms across the United States, there is still a disturbing gap between the public recognition of forced labor as a critical issue and the actual governmental enforcement of laws aimed at eradicating it. Laws such as the [U.K. Modern Slavery Act](#), [California Transparency in Supply Chains Act](#), and [Federal Acquisition Regulation anti-trafficking provisions](#) contain powerful [provisions](#) and have been in place for years. Yet agency enforcement efforts have been lagging, clearing the way for unscrupulous foreign companies to continue exploiting vulnerable workers without facing meaningful consequences.

This imbalance must be corrected. Unlike with many other issues impacting global markets, there is no interest group fighting for those engaged in human exploitation of the basest kind. It is, moreover, unfair to disadvantage U.S. companies that continue to do the right thing by bearing the financial burden of ethical sourcing while allowing some of their foreign counterparts to profit from exploitation. It is time for the U.S. government, aware of the painful pinch that

exploitative foreign competition puts on U.S. companies, to change this status quo.

## **II. The Administration's Recent Foreign Anticorruption Guidance Provides a Template for Tackling Forced Labor**

In June 2025, the DOJ issued [new guidance](#) concerning Foreign Corrupt Practices Act (FCPA) enforcement. The guidance signals a sharp increase in the DOJ's commitment to more narrowly focusing on holding foreign companies criminally accountable for bribery that hurts U.S. business interests by undermining fair competition.

Under the header "Safeguarding Fair Opportunities for U.S. Companies," the new DOJ guidelines note that bribery by corrupt foreign competitors (i) undermines the rule of law, (ii) allows competitors "to obtain lucrative contracts and illicit profits[,] . . . [(iii)] skew[s] markets[,] and [(iv)] disadvantage[s] law-abiding U.S. companies and others for many years." The guidelines add that the "most blatant bribery schemes have historically been committed by foreign companies." The same can be said about those foreign competitors who put profits over humane treatment, relying on an exploited workforce to increase margins and manufacturing control.

There is a clear parallel here: Just as bribery distorts markets, so too does forced labor. When foreign companies exploit cheap, forced labor, they are effectively cheating the system. By exploiting others, they slash costs, are able to exert strict control over their supply chain and manufacturing operations, and, in so doing, push ethical competitors out of the market. The point is that forced labor is not simply a weighty moral issue; it is also an economic one. It is high time to confront this anticompetitive challenge with the same rigor that we apply to corruption.

## **III. Forced Labor: A Direct Threat to Fair Competition**

For years, forced labor was understandably framed largely as a [humanitarian crisis](#). What has received less attention is the direct threat it poses to fair market competition in the United States and beyond. As noted, when foreign companies engage in [wage theft](#) by exploiting forced labor, they slash costs in ways ethical U.S. companies neither can nor should match.

Such flagrant and systematic labor abuse is not only an affront to human dignity, but it also constitutes a form of economic cheating. [One study](#) puts it this way: "When a corporation exploits cheap or free labor, it gains an unfair advantage over its law-abiding competitors

since it has lower labor costs. The prices it can afford to charge for its products are cheaper than those of their counterparts whose supply chains don't rely on exploitation."

As U.S. manufacturers, agricultural exporters, shipping and delivery service providers, and consumer goods firms dealing with increasingly narrow margins know all too well, comparatively high production costs are the net result when foreign competitors cut corners and exploit labor. This is why addressing forced labor should be viewed not only as a moral imperative but as an essential step in leveling the global marketplace's playing field.

#### **IV. Leveraging U.S. Law to Hold Foreign Competitors Accountable**

Fortunately, the United States has powerful legal tools to fight back. The [Trafficking Victims Protection Reauthorization Act](#) (TVPPRA) provides a clear pathway for holding foreign entities criminally and civilly accountable for knowingly benefiting from forced labor, even if the exploitation occurs overseas and the company is not directly involved in the abuse.

Consider also that the U.S. government is the [world's largest consumer](#) of goods and services. Its sheer buying power and leverage as an acquirer of goods and services position it to change company behavior. It is no overstatement that former President Barack Obama's [Executive Order on Strengthening Protections Against Trafficking in Persons in Federal Contracts](#) (Executive Order), enacted as a way of using this unparalleled market power to fight forced labor, carries with it a considerable enforcement bite.

The Executive Order applies universally to government contractors, with no de minimis exceptions allowed. It also mandates all federal contractors to ensure that their supply chains are in no way tainted by trafficked labor, irrespective of contract type or value.

The breadth of conduct that, if proven, establishes a violation is also significant. It is, of course, unlawful to use forced labor in the performance of the contract. But beyond that, confiscating or denying access to an employee's identity or immigration documents, engaging in misleading or fraudulent practices during the recruitment of employees or offering of employment, charging employees recruitment fees, or failing to pay for the costs of return transportation upon the end of employment are just some of the actions that qualify as independent violations.

The punishment for noncompliance, moreover, is equally significant. Sanctions include contract termination, debarment, suspension, and even criminal prosecution (for [false statements](#)). For many companies, being on the receiving end of, say, a debarment or suspension, amounts to a financial death knell.

Finally, [§ 307](#) of the [Tariff Act of 1930](#) bans imports made, wholly or in part, with forced, convict, or child labor. U.S. Customs and Border Protection (CBP) enforces § 307 through actions like issuing [Withhold Release Orders](#) to detain goods and “[f]indings” to seize them.

The [Uyghur Forced Labor Prevention Act](#) (UFLPA), passed in 2021, reinforces § 307.

This portfolio of potent laws gives U.S. enforcers and regulators, along with civil litigators, a powerful set of tools. A strong dose of political will and interagency coordination will be required to ensure that these legal mechanisms are fully enforced.

## V. Rewarding Good Corporate Behavior

A key challenge for U.S. companies is that ethical, law-abiding behavior often comes at a [real-world price](#). Companies that adopt fair labor standards; pay living wages; ethically source materials; and invest heavily in labor audits, outside investigators, and compliance systems risk strained budgets and, thereby, reduced competitiveness.

Their products not only tend to come at a [higher cost](#), but they may also face [bad publicity](#) if they do the right thing by discovering and then reporting abuses in their supply chains. Meanwhile, competitors who ignore substandard labor conditions, especially foreign firms operating in low or selectively enforced regulation environments, [reap the rewards](#) of silence.

But beyond laws punishing bad conduct, there are also pro-business policies available to incentivize good behavior. Affirmative incentives, including [tax breaks](#), favorable [procurement treatment](#), and legal safe harbors, for companies that conduct good faith due diligence and report violations all have their merits. By targeting the worst offenders and rewarding those who follow the law, we create a climate in which doing the right thing becomes a competitive advantage, not a liability.

## VI. Using Trade Policy to Promote Fair Labor Practices

[Trade agreements](#) can play a critical role in addressing forced labor. Too often, labor provisions in trade deals are vague and unenforceable,

leaving companies to fend for themselves. What is needed are trade agreements that include clear, implementable labor rights protections with real penalties for violations.

Recent [CBP efforts](#) to block goods from the Xinjiang Uyghur Autonomous Region of China under the UFLPA are signs of the administration's commitment.

## VII. Investing in Transparency and Traceability Tools

To effectively combat forced labor, U.S. companies need better tools to track the origins of their products beyond their first-tier suppliers. As those familiar with the dynamics at play know, labor violations usually occur [several layers deep](#) in global supply chains, where third-party subcontracting is opaque and accountability is rare. Investment in technologies that promote traceability, such as blockchain, satellite imagery, artificial intelligence, geospatial data, worker voice and mobile platforms, and open-source intelligence, can provide transparency and traceability, enabling companies to monitor high-risk sectors and supply chains more effectively. The [growing move](#) toward multilayered transparency and [traceability/due diligence](#) systems that integrate these individual tools, such as those offered by [Sourcemap](#), [Sedex](#), [Interos](#), and [Everledger](#), holds particular promise.

Public-private partnerships could also play a key role. By creating [shared platforms](#) that facilitate the exchange of labor data, supplier certifications, and whistleblower reporting, responsible companies can identify and avoid tainted suppliers while reducing their compliance burden.

## VIII. A Unified Enforcement Strategy

Today, U.S. efforts to combat forced labor continue to be held back because they are [fragmented](#) across [multiple agencies](#): the Department of Labor, the Department of Homeland Security (DHS), the DOJ, and the Department of State, among others. This scattered approach makes it difficult to create an integrated, coherent strategy to address the issue.

What is needed is a unified, strategic approach, one that prioritizes enforcement against foreign companies and complicit supply chain actors rather than targeting U.S. firms that operate in good faith to uncover problems.

A coordinated and practical federal effort, improving on the models presented by the [President's Interagency Task Force to Monitor and](#)

[Combat Trafficking in Persons](#) and the [DHS Center for Countering Human Trafficking](#), would give U.S. businesses the certainty and support they need to maintain strong compliance programs without fear of being undercut by unethical foreign competitors or punished for their honest and transparent compliance efforts.

## **IX. Incentivizing the Race to the Top**

Protecting U.S. companies from unfair competition fueled by forced labor must become a true strategic priority. The U.S. government must ensure that human dignity and economic fairness go hand in hand, driving not just U.S. competitiveness but also global human rights progress.

Ultimately, the U.S. government's goal should be to create a global "race to the top," where companies succeed because of their labor standards, not despite them. Creating coordinated policies that meaningfully reward ethical behavior while ensuring that those who exploit workers are held accountable not only protects workers around the world but also rewards U.S. companies that are playing by the rules.

By relying on smarter enforcement, targeted litigation, trade leverage, and strategic incentives, the government can ensure that U.S. companies do not lose out simply because they choose to source responsibly. Economic fairness and human dignity are not mutually exclusive goals. Instead, they are two sides of the same coin.

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