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The Dark Side of International Business: Combatting Modern Slavery in MNCs' Global Value Chains

International Business

Bachelor's thesis

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Abstract

Modern slavery, encompassing human trafficking, forced labour, debt bondage and sexual exploitation, affects an estimated 49,6 million people worldwide and generates US\$236 billion in illegal profits annually, making it one of the most severe and economically significant human rights violations of our time. Despite its scale, modern slavery remains largely invisible: the dark figure of unreported cases is high, and the phenomenon persists across both developing and developed economies, including within the global value chains of multinational corporations (MNCs). This thesis addresses the question of why modern slavery thrives in MNCs' global value chains and examines the roles of national disclosure legislation and Anti-Money Laundering (AML) regulations as tools for combatting it.

The thesis draws on a systematic review of academic literature, empirical case studies and policy documents spanning international business and financial regulation. The analysis proceeds in three stages: first examining the structural causes of modern slavery and its prevalence in global value chains; second assessing the effectiveness of corporate and legislative responses, including national disclosure legislation such as the UK Modern Slavery Act 2015; and third evaluating the effectiveness of AML frameworks, particularly the Financial Action Task Force's global standards, in disrupting the financial flows that sustain trafficking networks.

The findings show that modern slavery persists in global value chains due to a combination of structural factors: concentrated corporate power, outsourcing, weak labour protections and governance gaps that distribute responsibility across chains in ways that benefit no one. National disclosure legislation has so far produced limited results, with low compliance rates and no prosecutions for non-compliance. Regarding AML effectiveness, the thesis finds that trafficking finances predominantly operate through cash and informal channels that fall outside the reach of formal AML controls. While empirical research by Jayasekara (2021) and Andiojaya (2025) demonstrates that effective AML implementation correlates with lower levels of corruption and crime, the direct impact on modern slavery itself remains difficult to establish. A key structural weakness is the enforcement gap between high-income destination countries and lower-income source countries along trafficking routes.

The thesis concludes that AML frameworks are a necessary but currently insufficient tool for combatting modern slavery. Their potential can only be realised through consistent enforcement across jurisdictions, greater resources for Financial Intelligence Units in lower-income countries, outcome-based rather than process-based evaluation of compliance, and deeper operational collaboration between financial institutions and law enforcement. Combatting modern slavery ultimately requires a multilayered response in which AML regulations play a supporting role alongside enforceable corporate accountability and state regulation that addresses the root causes of vulnerability.

Keywords: modern slavery, global value chains, multinational corporations, human trafficking, money laundering, anti-money laundering, national disclosure legislation, Financial Action Task Force, organised crime

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Tiivistelmä

Nykyajan orjuus, johon kuuluvat ihmiskauppa, pakkotyö, velkaorjuus ja seksuaalinen hyväksikäyttö, koskettaa arviolta 49,6 miljoonaa ihmistä maailmanlaajuisesti ja tuottaa laittomia voittoja 236 miljardia Yhdysvaltain dollaria vuosittain, mikä tekee siitä yhden aikamme vakavimmista ja taloudellisesti merkittävimmistä ihmisoikeusloukkauksista. Laajuudesta huolimatta nykyajan orjuus jää pitkälti näkymättömäksi. Ilmoittamatta jäävien tapausten osuus on suuri, ja ilmiö jatkuu sekä kehittyvissä että kehittyneissä maissa, myös monikansallisten yritysten globaaleissa arvoketjuissa. Tämä tutkielma tarkastelee kysymystä siitä, miksi nykyajan orjuus kukoistaa monikansallisten yritysten arvoketjuissa, sekä arvioi kansallisten tiedonantolainsäädännön ja rahanpesun torjuntaa koskevien säännösten (AML) roolia sen torjuntakeinona.

Tämä tutkielma perustuu systemaattiseen katsaukseen akateemisesta kirjallisuudesta, empiirisiin tapaustutkimuksiin sekä kansainvälistä liiketoimintaa ja rahoitusalan sääntelyä käsitteleviin poliittisiin asiakirjoihin. Analyysi etenee kolmessa vaiheessa: ensiksi tarkastellaan modernin orjuuden rakenteellisia syitä ja sen yleisyyttä globaaleissa arvoketjuissa; toiseksi arvioidaan yritysten ja lainsäädännön toimien tehokkuutta, kuten Yhdistyneen kuningaskunnan vuoden 2015 nykyajan orjuutta koskevaa lakia (UK Modern Slavery Act 2015); ja kolmanneksi arvioidaan rahanpesun torjunnan puitteiden, erityisesti rahanpesunvastaisen toimintaryhmän (FATF) globaalien standardien, tehokkuutta ihmiskauppaverkostoja ylläpitävien rahavirtojen katkaisemisessa.

Tutkimustulokset osoittavat, että nykyaikainen orjuus jatkuu globaaleissa arvoketjuissa useiden rakenteellisten tekijöiden yhdistelmän vuoksi: yritysten keskittynyt valta, ulkoistaminen, heikko työsuojelu sekä hallinnon puutteet mahdollistavat nykyaikaisen orjuuden ilmentymisen ja vastuun jakautumisen arvoketjuissa tavalla, jossa kukaan ei lopulta joudu vastuuseen. Kansalliset tiedonantovelvollisuutta koskevat lait ovat toistaiseksi tuottaneet vain vähäisiä tuloksia: säännösten noudattamisaste on alhainen, eikä säännösten rikkomisesta ole nostettu syytteitä. Rahanpesun torjunnan tehokkuuden osalta tutkielmassa todetaan, että ihmiskaupan rahoitus tapahtuu pääasiassa käteisellä ja epävirallisten kanavien kautta, jotka jäävät virallisten rahanpesun torjuntatoimien ulottumattomiin. Vaikka Jayasekaran (2021) ja Andiojayan (2025) empiiriset tutkimukset osoittavat, että rahanpesun torjunnan tehokas täytäntöönpano korreloi korruption ja rikollisuuden alhaisemman tason kanssa, suoraa vaikutusta moderniin orjuuteen itsessään on edelleen vaikea osoittaa. Keskeinen rakenteellinen heikkous on täytäntöönpanon ero korkean tulotason kohdemaiden ja matalamman tulotason lähtömaiden välillä ihmiskauppareiteillä.

Tutkielmassa todetaan, että rahanpesun torjunnan toimenpiteet ovat välttämättömiä mutta tällä hetkellä riittämättömiä välineitä modernin orjuuden torjumiseksi. Niiden potentiaali voidaan toteuttaa vain yhdenmukaisella täytäntöönpanolla eri lainkäyttöalueilla, lisäämällä resursseja matalamman tulotason maiden rahanpesun selvittelykeskuksille, prosessiperusteisen arvioinnin korvaamisella tulosperusteisella arvioinnilla sekä syventämällä rahoituslaitosten ja lainvalvonnan välistä operatiivista yhteistyötä. Nykyajan orjuuden torjuminen edellyttää viime kädessä monitasoista vastausta, jossa AML-sääntely toimii tukevassa roolissa yhdessä täytäntöönpanokelpoisen yritysten vastuullisuuden ja haavoittuvuuden perussyihin puuttuvan valtiollisen sääntelyn kanssa.

Avainsanat: nykyajan orjuus, ihmiskauppa, rahanpesu, rahanpesun torjunnan sääntely, globaalit arvoketjut, monikansalliset yritykset, Financial Action Task Force, järjestäytynyt rikollisuus

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1 Introduction

The Universal Declaration of Human Rights Article 4:

” No one shall be held in slavery or servitude; slavery and the slave trade shall be prohibited in all their forms.”

Modern slavery refers to “overlapping types of phenomena of abuse and exploitation spread throughout the world—namely human trafficking, forced labour, debt bondage, sex and child trafficking, worst forms of child labour and state-enforced labour” (Lamas 2023, 661). Combatting modern slavery is becoming essential both for the credibility and legitimacy of businesses regardless of their industry or geographical location (Ethical Trading Initiative 2016, 6–8). Finding ways to tackle modern slavery is therefore crucial for businesses and thus an important topic to discuss when researching international business.

Modern slavery as a phenomenon is considered global. Over 49 million people were living in modern slavery across the world in 2021 as stated by the Walk Free organisation’s Global Slavery Index (Walk Free 2022). The real number of victims is considered to be far higher. The estimation of the actual number of victims lacks accurate measurement due to lack of reporting and capabilities to reach potential victims. It is suggested that hundreds of thousands of victims go unnoticed in Europe (Datta & Bales 2013, 207). According to Datta & Bales the percentage of unnoticed victims compared to reported victims in European countries varies from 47.9% (in Norway) to 100% (in Russia) (Datta & Bales 2013, 208). What makes the number of victims even harder to measure is that modern slavery is most often contractual and temporal in nature. Oftentimes exploitation begins when an individual is tricked into entering an employment agreement voluntarily and from that moment onwards, they become exploited (Stringer & Michailova 2018, 196).

Additionally, it has been showcased that modern slavery is prevalent both in developed and developing countries (Stringer & Michailova 2018, 195). Many modern slavery cases have come to light in Finland in recent years. One of the examples highlight the forced labour and human trafficking in Nepalese restaurants (Teittinen 2019). Another example concerns the neglected labour conditions and forced labour of berry pickers migrating from Thailand to Finland (Auvinen 2025). Modern slavery as a phenomenon is not eliminated at country borders but instead modern slavery is occurring all around the globe. To address this issue is not only to ensure the legitimacy of businesses but is also a humanitarian responsibility.

Modern slavery is a broad non-legal umbrella term (Boersma & Nolan 2022, 165). As mentioned above, it refers to a wide range of abuse. While modern slavery lacks a uniform legal definition, it has gained considerable currency (Ethical Trading Initiative 2016, 6). In 2000, the United Nations Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children was adopted. Human trafficking is a form of modern slavery, and the term is used adjacent with modern slavery in this thesis. The UN protocol views the act of trafficking as the recruitment, transportation, transfer, harbouring or receipt of persons for the purpose of forced labour or other forms of exploitation by the means of the threat or use of force or other forms of coercion, of abduction, of fraud, or deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person (United Nations 2000, Art. 3(a)).

Addressing modern slavery in international business is of high importance since modern slavery thrives in multinational corporations' (MNC) long value chains (Stringer & Michailova 2018, 194). It is also beneficial for companies to address modern slavery. Many law-abiding firms are at a disadvantage where they face competition from businesses using illicit practices such as modern slavery (Stringer & Michailova 2018, 195). Combatting modern slavery in international value chains additionally enhances understanding of the way perpetrators organise and operate in the human trafficking and modern slavery industry. This helps to “gather evidence to support prosecutions and to provide evidence for intervention” (Broad et al. 2020, 3).

The funds originating from modern slavery flow through ordinary banking systems. Human traffickers and other criminals launder the illicit funds and, if successful, enter the money into the global financial system. The banking sector can even be seen as an enabler for the criminal operations. Despite, and maybe because of, the unique position of the banking sector, it could be at the forefront of abolishing modern slavery (Van Dijk et al. 2018, 105). Addressing modern slavery has even appeared to become business as usual for the industry (Van Dijk et al. 2018, 105). The Financial Action Task Force (FATF) has created a crime-prevention system called Anti-Money Laundering (AML). Anti-Money Laundering regulations are important in identifying illegal funds and preventing them from accessing the international banking system but despite the rigid regulations, modern slavery is one of the most profitable illicit markets in the world (Stringer & Michailova 2018, 194).

Therefore, this thesis investigates the effectiveness of Anti-Money Laundering regulations and national disclosure legislations' role in combatting modern slavery. Additionally, this thesis aims to answer the question of why modern slavery thrives in MNCs' global value chains (GVCs) and how it could be prevented by governments and law enforcement, multinational corporations and the private banking sector.

2 Theory of Modern Slavery

2.1 Dark Figure and Root Causes

As mentioned in the introduction, the actual occurrence of modern slavery is challenging to measure, and the real number of victims is most likely considerably higher than official records show. The term “dark figure” refers to the difference between actual instances of a specific crime committed and the reported cases of that crime (Datta & Bales 2013, 207). Datta and Bales identify three reasons why the dark figure of modern slavery is considered so high. First, victims of sexual abuse face significant stigmatisation, which creates a strong disincentive to report. Second, the shame associated with having been enslaved further reduces victims’ propensity to come forward. Third, at the point at which enslavement begins, it is difficult for the victim to predict how long the victimisation will last, which complicates both the decision and the ability to seek help (Datta & Bales 2013, 208).

Additionally, what contributes to the high dark figure of modern slavery is the fact that most victims are held in positions where they are unable to call for help. Therefore, many cases will go unnoticed and not be recorded or counted towards the official reports of crime (Datta & Bales 2013, 208). According to the Global Slavery Index, 49.6 million people in 2021 were living in modern slavery across the world (Walk Free 2022). This chapter focuses on the root causes behind modern slavery and analyses what the main driving causes are that lead to nearly 50 million people being exploited world-wide.

Poverty and globalisation are unanimously considered root causes of modern slavery (Lamas 2023, 661). Root causes are considered underlying and original sources of actions that are fundamental reasons for the occurrence of a problem (LeBaron et al. 2018, 11). Even though poverty and globalisation are often listed as root causes for modern slavery, it is stated that they are used more as “nebulous, catch-all ways that serve more as excuses than explanations” (LeBaron et al. 2018, 7). LeBaron et al list out four root causes for the supply of workers vulnerable to exploitation: poverty, identity and discrimination, limited labour protections and restrictive mobility regimes (LeBaron et al. 2018, 8). Poverty as a root cause is seen from the perspective that the poor do not possess any other viable alternatives than to be pushed into situations of exploitative or forced work in order to meet urgent needs. In other words, poverty takes away a person’s ability to say no and leads to people entering into risky and dangerous employment relations (LeBaron et al. 2018, 6).

Connecting to identity and discrimination as root causes for modern slavery, it should be highlighted that modern slavery and labour exploitation disproportionately impact women, lower castes, and non-white and indigenous people (UN Women 2015; Hall & Patrinos 2014; Kapur Mehta et al. 2011). Additionally, as discrimination heightens vulnerability to exploitative labour it also works as a justification for exploitation and disadvantage. Discrimination prevents the capacity of the discriminated individuals from accumulating wealth that is necessary to escape chronic poverty or debt bondage (LeBaron et al. 2018, 9). These discriminatory systems “give rise to and structure patterns of poverty and marginalisation” (Phillips 2013, 186).

Labour protection is largely ineffective or limited, which is another cause for modern slavery (LeBaron et al. 2018, 30–31). Neoliberal restructuring and global supply chains have expanded non-standard work where labour law is often weakly applied or deliberately exempted (LeBaron et al. 2018, 31–32). These settings lead to workers facing lower pay, unsafe conditions, wage theft and forced overtime which increase vulnerability to severe exploitation (LeBaron et al. 2018, 32–33). Even if there are laws to protect workers, they are too weakly enforced to stop abuse. This is largely due to under-resourced labour inspectorates, reliance on private self-regulation and the decline of collective bargaining. They create a system in which exploitation can continue with little accountability (LeBaron et al. 2018, 33–34). Additionally, restrictive mobility regimes enforce modern slavery. Many migrants are often left with no choice other than to “work outside the reach of regulation and without the benefit of collective action due to limitations that states place on their freedom” (LeBaron et al. 2018, 39).

Other argued causes are demographic growth and government corruption (Lamas 2023, 674). Kevin Bales argues that the modern demographic explosion is the main root cause of modern slavery. He argues that “the rapid population growth in the twentieth century, especially in the Global South, which combined with poverty have flooded the market with potentially enslavable people and cause an unprecedented slave price collapse”. (Bales 2016, 661). Kevin Bales argues the root cause of modern slavery to be the mismatch between the volume of people and new industrial jobs in developing economies (Bales 2012, 234). This argument suggests that population growth in itself is not the problem, but the fact that there are far more people entering the workforce than what the workforce is able to absorb into stable and formal employment is (Bales 2012, 234).

Furthermore, Datta and Bales argue that “for slavery to exist in a community, there has to be an accepted moral economy that justifies and supports it” (Datta & Bales 2013, 213). Datta and Bales argue that the moral economy is rooted in discrimination, political differences, concepts of race or

ethnicity and perceived vulnerabilities. This is supported by the arguments about identity and discrimination as root causes given by LeBaron et al. On the other hand, LeBaron et al state that instead of focusing on the individualistic approach to forced labour the issue should be looked at from a wider perspective. The root causes for modern slavery lie “with the powerbrokers organising our social world, who have ensured that money is a pre-requisite to survival” (LeBaron et al. 2018, 11).

2.2 Modern Slavery in Multinational Corporations’ Global Value Chains

In addition to the root causes, LeBaron et al identify four reasons that contribute to the demand of forced labour. These are concentrated corporate power and ownership, outsourcing, irresponsible sourcing practices and governance gaps (LeBaron et al. 2018, 8). The underlying demand factors behind modern slavery along with reasons for modern slavery’s prevalence in MNCs’ GVCs are examined in this chapter.

Global value chains are increasingly complex and combine multiple countries, legal systems, institutional settings, different industries and an enormous number of suppliers, contractors and retailers. Modern slavery occurs throughout these globally complex values chains and is prevalent in both developed and developing economies (Stringer & Michailova 2018, 195). Stringer and Michailova note that MNCs that are aware of potential unethical behaviour within their value chains, acknowledge their “inability to effectively monitor their entire supply chains” (Dunning & Lundan 2008, 661). How is it possible for modern slavery to persist and even thrive in multinational corporations GVCs to the extent that monitoring it is nearly impossible?

GVCs’ complexity in itself is not a sufficient explanation or root cause for the prevalence of modern slavery. As mentioned earlier, LeBaron suggests four aspects that drive the demand for modern slavery. One of these aspects is concentrated corporate power and ownership. The world’s largest MNCs have gained such vast scale of production that it leads to a concentration of market power in the hands of a few (LeBaron et al. 2018, 17–18). This is highlighted by the fact that just eight men in the world control the same amount of wealth as the poorest half of the planet (Oxfam 2017). With this market power MNCs are able to affect prices and put pressure on the profit margins at the lower end of the supply chain. The wages that the MNCs pay their “first-tier suppliers have knock-on effects throughout the entire supply chain” (LeBaron et al. 2018, 19). The less money is being paid at the first-tier level, the higher the pressure and the lower the wages at the end of the chain are (LeBaron et al. 2018, 19). As production is often outsourced to low labour-cost

countries where labour law enforcement is insufficient, a fruitful environment for exploitative working conditions and thus modern slavery is created.

Additionally, outsourcing allows these global conglomerates to create value chains where labour exploitation takes place far from the actual MNC (LeBaron et al. 2018, 20). This way MNCs are able to benefit from labour exploitation without it harming their legitimacy or reputation. Through outsourcing, the complexity of the GVCs grow and thus monitoring the labour conditions becomes more difficult which sets toward a motion of modern slavery that is difficult to trace. Even though forced labour is prohibited in most jurisdictions and even in MNCs' own contracts and codes of conduct, modern slavery is apparent in global supply chains (LeBaron et al. 2018, 4). One of these reasons is that MNCs create conditions and capabilities that make forced labour a viable management practice (Crane 2013, 50).

Crane's theory of modern slavery suggests that "there are industry, regulatory, geographic, cultural and socioeconomic factors that enable slavery, and when institutional forces are deflected, the latter can come into existence" (Stringer & Michailova 2018, 197). Crane's theory of industry context includes the view that other industries are more prone to modern slavery than others. The factors that enable slavery in an industry are high labour intensity, unequal value distribution within the supply chain, high elasticity of demand paired with low elasticity of supply for labour, low-legitimacy industries (e.g. sex work and domestic work) and regional clustering of slave labour (Crane 2013, 54). According to Crane, slavery is most likely to enter the supply chain where margins are narrowest. Additionally, Crane suggests that there are capabilities that sustain the use of modern slavery. One of these capabilities is the moral legitimatisation of the use of forced labour. Moral legitimatisation means that those "within the immediate institutional field around the organisation" at least minimally accept the use of slavery. This immediate institutional field includes non-slave workers, enslaved workers, clients and local communities (Crane 2013, 61). Moral legitimatisation is often done through storytelling and other forms of rationalisation such as arguing that the violated party is deserving of the exploitation or appealing to tradition or entrenched inequalities (Crane 2013, 61–62).

Another demand factor mentioned in LeBaron's research is governance gaps. Gaps in the monitoring of labour protection laws lead to employers to see that even if modern slavery is illegal, the risk of getting caught and prosecuted are low compared to the possible advantages (LeBaron et al. 2018, 13). LeBaron gives three key governance gaps that facilitate modern slavery: under-enforcement of labour regulations, weak global governance and national legislative approaches, and

governmental preference of self-regulation and corporate social responsibility (CSR) initiatives (LeBaron 2013, 56). There are examples of national legislation that are intended to strengthen global governance, which will be analysed in the next chapter.

As brought to light in this chapter, modern slavery continues to thrive in MNCs' GVCs because of, not only the complexity of GVCs, but because of lack of clear division of responsibility in the global supply chains. As MNCs outsource their production to smaller firms and suppliers, the responsibility to ensure safe working practices moves on to the next level in the value chain. This leads to a system where responsibility lands on no one. Additionally, the trickle-down effect of low payments to first-tier suppliers from MNCs lead to increased pressures on low-labour costs further down the chain (LeBaron et al. 2018, 19). Furthermore, Caspersz et al. argue that appropriation arrangements are GVC elements that enforce modern slavery (Caspersz et al. 2021, 183 – 184). If an increase in economic value is demanded by actors at the consumer level of the value chain, which cannot be achieved through technological or alternative methods of upgrading, applying pressure on employees and deteriorating working conditions will lead to wanted outcomes. This creates incentives for suppliers to continue exploitation. These factors combined with weak global governance and moral justifications for slavery ensure that modern slavery and labour exploitation will continue to flourish in MNCs' GVCs (Caspersz et al. 2021, 195 – 196).

3 Combatting Modern Slavery: Legislative and Corporate Responses

3.1 MNCs' and National Disclosure Legislations' Role

In 2015, the UK government passed the Modern Slavery Act which puts the UK at the forefront in the fight against modern slavery. The Act is the first piece of UK legislation focusing on the prevention and prosecution of modern slavery and the protection of victims (Esoimeme 2020, 833). The Act's Section 54 requires a slavery and human trafficking statement for each financial year from all commercial organisations that fulfil the given criteria. The criteria includes that the organisation supplies goods and services and carries on a business in the UK and its annual turnover is above £36 million. The organisation is required to report any measures it has taken to prevent or address modern slavery (LeBaron et al. 2018, 24). An organisation's slavery and human trafficking statement may include information about the parts of its business and supply chains where there is a risk of slavery and human trafficking taking place, and the steps it has taken to assess and manage that risk (Esoimeme 2020, 834).

Other examples of global governance initiatives are the 2012 California Transparency in Supply Chains Act, and France's 2017 Corporate Duty of Vigilance Law. This type of legislation puts the responsibility on the private sector's economic leverage to shape and improve the working conditions. Additionally, the legislation assumes that knowledge of corporate behaviour will shape consumers' and investors' purchasing decisions (Phillips et al. 2016, 1). Furthermore, it has been found that there have been over 55 pieces of national disclosure legislation passed since 2009 (Phillips et al. 2016, 3). The UK Modern Slavery Act as well as other cases of national disclosure legislation are a step in the right direction, but their effectiveness is still questionable. Many of the companies that have due diligence to report under the UK Modern Slavery Act have fallen short of complying with the law and only a fraction has even published reports (Stein 2017; Business and Human Rights Resource Centre 2016, 2). Neither has a single company been prosecuted for non-compliance (LeBaron et al. 2018, 25). Therefore, it can be stated that these legislations have not been able to address the root causes of modern slavery, nor have they been effective in preventing it. There is high uncertainty about whether lead companies would be open to adopting voluntary mechanisms to prevent modern slavery if there is no regulatory scrutiny, consumer pressure or a credible threat of liability (Hardy & Howe 2020, 223).

Research estimates that 60% of global trade depends on the supply chains of just 50 corporations, which employ only 6% of workers in a direct employment relationship and meanwhile rely on a

hidden workforce of 116 million people (International Trade Union Confederation 2016, 4). As mentioned in the previous chapter, there is a concentration of power at just a handful of companies in the global market. Therefore, the role of MNCs in preventing modern slavery is vast.

Experienced companies state that effective responses to modern slavery require long-term collaboration with suppliers, meaningful remediation, stronger due diligence, and attention to the business models and sector-specific risks that make exploitation possible. Even so, firms still face major obstacles, including limited resources, weak visibility across complex value chains, low bargaining power over suppliers, resistance from commercial partners and concerns that greater transparency may lead to public criticism (Ethical Trading Initiative 2016, 14).

The report (Ethical Trading Initiative 2016, 16) suggests that effective corporate responses to modern slavery depend heavily on senior leadership. It also indicates that executives become more engaged when they have direct exposure to the issue, and that meaningful organisational change requires modern slavery to be understood across the company as a leadership priority rather than a compliance task. In practice, this means that commitment from the top must be reflected in organisational resources, internal enforcement, and long-term strategic attention. Additionally, Harris and Nolan (2022, 148) conclude that relying only on market pressure to enforce anti-slavery rules is not enough. If companies are simply expected to police themselves through reporting, reputation, audits, or consumer scrutiny, it works as a weaker system than a system that includes real legal penalties and active public oversight (Harris & Nolan 2022, 148). Even though national labour law is harder to enforce due to global production, state regulation is still important. Governments are needed to set the legal framework and back up other actors such as NGOs and auditors (Harris & Nolan 2022, 148). One of these legal frameworks is Anti-Money Laundering which is examined in the following chapter.

3.2 Money Laundering, AML regulations and their link to Modern Slavery

“Money laundering is commonly explained as a way of hiding the proceeds of crime so that the authorities cannot take it back, and so that offenders can use it to enjoy a more affluent lifestyle and legitimise themselves and their assets” (Levi & Soudijn 2020, 2). Money laundering usually happens in three phases: placement, layering and integration (Levi & Soudijn 2020, 4).

The first, placement, is the introduction of criminal proceeds into the financial system. It includes depositing cash or transferring money via money remittance bureaus into foreign or domestic bank

accounts, thereby transforming cash into banked assets. The second phase, layering, creates distance between the money and its unlawful origins in order to give it the appearance of legitimacy, through methods such as loan backs, fictitious turnover schemes, front companies, shell corporations and other financial constructions. In the third and final phase, integration, the disguised criminal proceeds are spent or invested in the legal economy at home or abroad (Levi & Soudijn 2020, 4).

There is a global Anti-Money Laundering framework that is shaped by the international entity, Financial Action Task Force (FATF). The purpose of the AML framework is to prevent the funds from illegal and criminal origins “from infiltrating the legitimate economy” (Benson 2018). Anti-Money Laundering is a global situational crime-prevention system with most operational and financial burdens placed on the private sector. Banks, lawyers and high-value dealers are legally required to identify customers (Know-Your-Customer, KYC), monitor transactions and report suspicious activity (Suspicious Activity Reports, SARs) (Levi & Soudijn 2020, 25). Non-compliance leads to heavy fines, which pressure institutions to invest more in AML compliance (Levi & Soudijn 2020, 25).

There are several conditions that affect the level of complexity of money laundering in relation to organised crime in the broadest sense (Levi & Soudijn 2020, 11). The first is the type of crime, and in particular whether it primarily generates cash or electronic funds. The second relates to revenue, as there are meaningful differences between criminals who have no use for money laundering, those who self-laundry, and those who require outside help to do so. The third is the offender’s goals, including individual needs and preferences regarding financial or other returns from criminal investments (Levi & Soudijn 2020, 11).

The International Labour Organisation (ILO) estimates that forced labour generates US\$ 236 billion in illegal profits every year (ILO 2022, 9). Naheem (2021) states that the illegal proceeds from modern slavery make the industry the third-largest criminal enterprise in the world (Naheem 2021, 492). The criminals need to launder the illegal proceeds in order to enter them into the legitimate financial system. The purpose of cleaning the “dirty money” is to hide their origin and thereby ensure that law enforcement cannot detect their crimes. The money is moved around to conceal their origins by e.g. placing them in the victim’s or friends’ accounts or is even used to buy property in the name of another (Kapardis 2024, 430). Human traffickers and modern slavery criminals can take control over the victim’s bank accounts and use it to launder their proceeds of crime. Additionally, they may even use their financial identity. Therefore, banks need to carefully assess their clients which means that they must have robust Know-Your-Customer Due Diligence routines

in place. That way they might be able to identify whether a bank account belongs to a trafficker or a modern slavery victim, and this will help the law enforcement to trace them to the origin of the crime (Kapardis 2024, 430). However, the banking sector can work as an enabler for organised crime by not undertaking the necessary due diligence. Therefore, complying with the AML framework is crucial for banks to prevent enabling the transactions and money laundering by organised criminals. The following chapter focuses on how human traffickers and modern slavery criminals usually launder their proceeds.

3.2.1 Money-Laundering Methods used by Modern Slavery Perpetrators

At the end of the 2010s there has been suggestions for law enforcement and financial institutions to work more closely in order to gain understanding of how traffickers control their finances (Keatinge & Barry 2017, 3). Furthermore, the collaboration between the two parties has been suggested to lead to expanded knowledge of the financial elements that are associated with human trafficking and thus modern slavery (Keatinge & Barry 2017, 3; Europol 2015a, 4). The focus on traffickers financial has increased through section 54 of the UK Modern Slavery Act 2015 (Broad et al. 2020, 5), which shows that national disclosure legislation has had an effect on modern slavery investigation.

According to ILO, the profits from forced sexual exploitation are the highest in the modern slavery market (ILO 2014, 16). Overall, the profits generated by modern slavery vary widely from most profitable activities (sexual exploitation) to less profitable activities such as debt bondage and labour exploitation (Datta & Bales 2013, 210). However, some traffickers seek opportunities where they can maximise their profits at the same time as reducing their risk. This can be done by operating in legal industries but by conducting illegal labour practices, or by subcontracting to others (Crane et al. 2018, 8). In the UK context, research states that modern slavery markets are mostly cash-based and involve relatively small investments which constitute to the fact that the market has a low entry threshold (Antonopoulos et al. 2019, 66). These attributes suggest that the market and the criminals involved in it may be less sophisticated and organised than anticipated (Broad et al. 2020, 10).

There is still a significant knowledge gap in this area, especially regarding how far financial institutions can contribute to detecting trafficking intelligence for intervention (Broad et al. 2020, 8). Combining law-enforcement data with bank information offers a useful way to better understand the financial relationships and transactions connected to human trafficking. When activity can be kept outside formal banking channels, traffickers often rely on cash, which leaves little evidence

behind. However, when larger sums are involved over time, cash becomes harder to manage, so some traffickers turn to banks and electronic payment methods (Broad et al. 2020, 10). In these situations, financial institutions have a crucial role to play in gaining data about how traffickers manage and move money, and about which tools are available to identify potential illegal activity (Keatinge 2017, 132).

Although warning signs can point to trafficking, they may also generate too many false positives to be useful on their own. Europol (2015a) found that trafficking-related laundering does not rely on unique techniques but often involves relatives or other trusted associates handling the money, and the methods resemble those used in other crimes. Other methods include cash-heavy businesses, informal transfer systems, shell companies, cash couriers, front companies and false documentation (FATF 2011, 7). When profits are larger, traffickers are more likely to need help from professionals, such as lawyers and accountants to move and disguise money (Broad et al. 2020, 13). Trust in others is key in the money laundering process whether or not “these facilitators are close contacts, nominee directors or professional service providers” (Levi 2015, 278; Lord et al. 2019, 1219).

Koch (2016) has identified features that may indicate human trafficking, which are “non-payment of taxes, transfer of funds back to employer’s account after payment of wages, high expenditure on items inconsistent with stated business purpose such as rental of multiple hotel rooms and a high volume of credit card authorisations with no subsequent charge” to name a few (Koch 2016, 3). FATF has also stated that, in Europe especially, the purpose of human trafficking is sexual exploitation and forced labour. The trafficker most commonly uses the victim to conduct the laundering operations, and the use of front companies and cash-intensive businesses are usually detected in cases of money laundering in the human trafficking business. Additionally, the transfers of funds are fragmented, and the favourable ways of investing profits are real estate and cars (FATF 2011, 27–28).

A defining characteristic of money laundering in modern slavery and human trafficking is that illicit funds tend to accumulate over extended periods of time in the destination country before being moved. The Bulgarian case study on sex trafficking (Petrunov 2011, 178) argues that traffickers frequently rely on relatively unsophisticated laundering methods, largely because they operate under the impression that they are unlikely to face investigation. This overconfidence underscores why robust AML-frameworks matter. The sophistication of any given laundering scheme is shaped both by the environment in which criminals operate and by the effectiveness of law enforcement in

detecting and dismantling those schemes (Petrunov 2011, 178). Additionally, one of the central logistical challenges for trafficking organisations is moving accumulated cash from destination countries back to their home country without attracting scrutiny. Common methods include physically smuggling cash across borders and converting proceeds into goods, and these transfers typically bypass formal financial institutions entirely, making them difficult for authorities to detect and trace. Even after the money reaches the home country, it is often stored informally (Petrunov 2011, 180). Respondents in Petrunov's study (2011, 180) reported a trafficker concealing cash by burying it on their own property.

Prior to reinvesting proceeds into the legitimate economy, traffickers typically engage in preparatory steps designed to create a plausible legal explanation for the origin of their funds. Petrunov's (2011, 180–181) Bulgarian case study offers a useful illustration of how the regulatory environment shapes this behaviour. Before 2006, traffickers operating in Bulgaria made little effort to legitimize their funds, as there was virtually no institutional pressure to do so. The establishment of the Commission for Establishing of Property Acquired from Criminal Activity (CEPACA) and the country's first money laundering conviction in 2006 marked a turning point, prompting traffickers to adopt cover strategies. Common approaches include taking out bank loans or mortgages to justify large sums of available capital. For funds already invested, traffickers retrospectively fabricate legitimate sources by declaring fictitious gifts, loans from private individuals, or winnings from gambling and lotteries (Petrunov 2011, 180–181).

The final stage involves channelling the proceeds into legal business sectors. Traffickers in Petrunov's study were found to invest across a wide range of industries, including real estate, construction, agriculture, timber, transportation, hospitality, retail, and entertainment venues such as restaurants, nightclubs, and casinos. Once embedded in legitimate enterprises, further concealment occurs through practices such as falsifying property transaction values, manipulating reported revenues in retail operations, and securing public contracts through political connections or coercion (Petrunov 2011, 181). This stage differs meaningfully from the classical integration phase described in money laundering literature, where illicit origins are concealed before investment takes place. In trafficking cases, the business itself becomes the primary vehicle for concealment. Petrunov (2011, 181) highlights this starkly: individuals with no recorded employment history were able to invest directly into legal businesses with little difficulty, illustrating the degree to which AML-mechanisms had failed to keep pace with the scale of the problem.

3.2.2 Effectiveness of Anti-Money Laundering Methods in Combatting Modern Slavery

A fundamental obstacle to AML effectiveness is that much of the financial activity associated with human trafficking takes place entirely outside formal banking systems. Research by Broad et al. (2020) indicates that financial transactions in trafficking markets largely occur through informal channels, making it nearly impossible to trace them through financial institutions. This is corroborated by Antonopoulos et al. (2019), who found that cash payments are almost exclusively the norm in both sexual and labour exploitation markets. When activity remains outside formal banking channels, traffickers leave little financial evidence behind. Only when larger sums accumulate over time does cash become difficult to manage, at which point some traffickers begin using banks and electronic payment methods. This creates a narrow but important window for financial institutions to act (Broad et al. 2020, 10).

This cash-dominated reality limits the reach of AML frameworks. Europol (2015b, 7) reports that cash remains the primary laundering method despite its declining use in the broader economy, precisely because it sidesteps AML controls. Additionally, according to Europol (2015b, 7) criminal abuse of cash remains the primary means by which criminal groups avoid AML controls. As a consequence, developing methods to trace trafficking-related transactions through financial institutions is frequently not possible, and engagement with other forms of data, including perpetrators' own accounts of financial management and intelligence from human trafficking case files, becomes necessary (Broad et al. 2020, 11).

De Koker and Turkington (2016, 19–20) identify a further structural limitation of the AML framework in this regard: its primary focus on the formal financial sector leaves on the periphery significant organised-crime-related economic activity, including the cash economy and trade-based money laundering. The FATF's strategy of keeping illicit funds out of the financial system, rather than processing them to generate crime-combating intelligence, may actually reduce the surveillance capacity of the regime (de Koker & Turkington 2016, 19–20). When higher-risk individuals are denied access to banking services as a result of AML compliance pressures, their transactions are pushed further into the opaque, cash-based informal economy where AML controls have no reach at all (de Koker & Turkington 2016, 19–20).

The primary AML tools available to financial institutions, Know-Your-Customer due diligence, transaction monitoring, and Suspicious Activity Reports, have limited but real potential in the context of trafficking. The FATF framework requires financial institutions to identify and verify customers, understand the nature of business relationships, monitor customer activity, and report

suspicious transactions (de Koker & Turkington 2016, 5). Kapardis (2024) notes that traffickers frequently take control of victims' bank accounts and financial identities to launder proceeds, which means that robust KYC procedures could, in principle, help banks identify whether an account belongs to a trafficker or a victim and assist law enforcement in tracing criminal activity back to its source. However, the usefulness of these tools is constrained.

Even though Suspicious Activity Reports (SARs) have been identified as potentially valuable tools for initiating financial investigations linked to human trafficking, their effectiveness in practice is limited. Europol (2017, 4) found that only around 10% of SARs are actually investigated, which raises serious concerns about the capacity to process such data and the value of mass reporting as a strategy. This points to a broader tension between the quantity and quality of intelligence gathered through AML compliance mechanisms. The fundamental problem, as Broad et al. (2020) conclude, is that there remains a significant knowledge gap regarding how far financial institutions can actually contribute to detecting trafficking for the purposes of intervention (Broad et al. 2020, 15).

Van Dijk et al. (2018, 108) argue that while individual pieces of information may be insufficient to build a successful prosecution, they can be crucial in constructing a complete picture of criminal activity. This requires closer collaboration between banks and law enforcement: banks need to understand what information authorities require, and authorities need to understand what banks are in a position to provide. Although some financial institutions have shown willingness to support anti-trafficking efforts beyond mandatory AML compliance, Van Dijk et al. (2018, 111) stress that these efforts must produce substantive results rather than merely formal compliance.

De Koker and Turkington (2016) highlight a broader tension in how the private sector has been enlisted in AML efforts. Applying a single set of standards consistently across the enormous diversity of financial institutions from retail banks to casinos, money service businesses, lawyers and accountants, is inherently challenging (de Koker & Turkington 2016, 14). The variation between jurisdictions in their assessment and treatment of risk means that institutions operate under differing domestic due-diligence requirements, and for institutions operating internationally across multiple jurisdictions the challenge of defining and applying appropriate controls compounds further. This inconsistency creates gaps that transnational criminal networks, including trafficking organisations, can systematically exploit (de Koker & Turkington 2016, 15). To combat this issue, the FATF has issued 40 recommendations aimed at strengthening legal frameworks to combat money laundering and terrorist financing (de Koker & Turkington 2016, 15). Despite this comprehensive framework, the United Nations Office on Drugs and Crime estimates that between

\$800 billion and \$2 trillion is laundered globally each year, representing 2-5% of global GDP (UNOCD n. d.). This persistent scale of money laundering raises a fundamental question about the real-world impact of global AML standards.

Empirical research directly measuring AML effectiveness against human trafficking is scarce. Most quantitative studies examine AML impact on predicate crimes more broadly. Jayasekara (2021) develops an AML effectiveness index using FATF mutual evaluation data across 67 countries and finds that effective implementation of AML standards shows a statistically significant negative relationship with bribery risk and the overall crime index. Jayasekara (2021, 264) concludes that "the mere existence of a sound legal framework will not be sufficient to reduce crimes unless it is implemented effectively." This matters for trafficking because corruption is one of its most important structural enablers: where officials can be bribed and institutional oversight is weak, trafficking networks operate with near impunity. Reducing corruption through effective AML enforcement therefore creates an indirect but meaningful constraint on trafficking conditions.

Andiojaya (2025) extends this to 192 countries, finding statistically significant relationships between money laundering risk and corruption, bribery and environmental crime, with results confirming a significant combined effect across all crime indicators. Since trafficking is fundamentally profit-driven, the argument that disrupting laundering capacity weakens criminal operations has theoretical weight. Both Jayasekara (2021) and Andiojaya (2025) support the view that effective AML enforcement should reduce the conditions under which trafficking thrives, even if the direct empirical chain from AML compliance to fewer trafficking victims has not yet been fully established in the literature.

However, de Koker and Turkington offer an important cautionary note about the logic underlying this argument. The AML strategy rests on a linear cause-and-effect assumption: that targeted action will produce a reduction in money laundering, thereby reducing underlying predicate crime (de Koker & Turkington 2016, 17). As de Koker and Turkington (2016, 17) argue, criminality is complex and causality is not always clear. Increasing the cost of money laundering may deter some criminals, but it is equally plausible that the strategy compels criminal organisations to become more professionally organised and to resort to more sophisticated and complex methods of moving illicit funds, potentially increasing organised crime risks rather than reducing them. For trafficking networks in particular, which already use relatively unsophisticated laundering methods precisely because they perceive low risk of investigation (Petrunov 2011, 178), increased AML pressure

might simply accelerate the professionalisation of their financial operations rather than disrupting them.

A recurring theme across the literature is that the effectiveness of AML against trafficking depends critically on how consistently standards are implemented across the jurisdictions that trafficking routes connect. De Koker and Turkington (2016, 12) document that in the 2003–2012 round of FATF mutual assessments, nearly 20% of assessed countries had not yet established a Financial Intelligence Unit (FIU) in accordance with the standards, and that low-income countries were far less compliant with international cooperation standards than high-income countries, with the most prevalent reason being the absence of clear rules on cooperation and mechanisms to support it. This matters acutely for trafficking because the flexibility that the FATF standards allow in national definitions of key offences leaves “significant space for differences that transnational organised crime can exploit” (de Koker & Turkington 2016, 10). Trafficking networks systematically route financial flows through the weakest links in the global AML chain, and the enforcement gap between high-income destination countries and lower-income source countries along trafficking routes creates precisely those weak links.

De Koker and Turkington (2016, 16–17) note that asset forfeiture is a key tool in depriving trafficking networks of their profits, and while most countries have relevant provisions in place, only a small fraction of criminal profits is actually confiscated. The financial costs of confiscation frequently outweigh the value of the confiscated property. Furthermore, de Koker and Turkington (2016, 17) argue that the focus should be not on the value of assets recovered but on the disruptive impact on the criminal enterprise. However, it requires precisely the kind of coordinated, intelligence-led approach to asset forfeiture that current frameworks deliver inconsistently.

A further complication is that the effectiveness of the AML strategy is difficult to assess even in principle. Irwin et al. (2011, 86) and Biagioli (2008, 94) note that attempts to measure the size of the financial crime problem have produced estimates that are largely varied and none of which can be irrefutably proven. The FATF's own effectiveness assessment methodology, introduced in 2013, represents a significant improvement. However, de Koker and Turkington (2016, 19) argue that the assessment assumes the current AML framework is effective without showing that it actually prevents organised crime, even if fully implemented. For modern slavery specifically, this means that compliance with FATF standards, even at a high level, does not guarantee that trafficking networks are disrupted. As de Koker and Turkington (2016, 20) conclude, “there is no assurance that effective implementation of the FATF Standards will mitigate organised crime risks. Despite

the financial war waged on it, organised crime therefore still remains a major threat to national and international security."

4 Conclusion

Modern slavery is one of the most severe and persistent human rights violations of the contemporary era, generating an estimated US\$236 billion in illegal profits annually and affecting 49,6 million people worldwide (ILO 2022; Walk Free 2022). This thesis has examined why modern slavery continues to thrive in multinational corporations' global value chains, how it can be prevented through national disclosure legislations, and whether Anti-Money Laundering frameworks represent an effective tool for combatting it.

The first part of this thesis established that modern slavery persists not simply because of the complexity of global value chains, but because of structural conditions that actively enable it. Poverty, discrimination, weak labour protections and restrictive mobility regimes create a large supply of workers vulnerable to exploitation (LeBaron et al. 2018, 6). The trickle-down effect of price pressure from large MNCs onto lower tiers of the supply chain, combined with the moral legitimisation of exploitation in certain institutional contexts, ensures that modern slavery remains a viable management practice in parts of the global economy (Crane 2013, 50).

The second part of this thesis examined how modern slavery can be prevented. National disclosure legislations such as the UK Modern Slavery Act 2015, represent a meaningful step, but its effectiveness has so far been limited. Many companies required to report have fallen short on compliance, no prosecutions for non-compliance have taken place, and the legislation has not addressed the root causes of exploitation (LeBaron et al. 2018, 25). Effective corporate responses require genuine leadership commitment, long-term supplier collaboration and enforceable accountability rather than voluntary reporting alone (Harris & Nolan 2022, 148; Ethical Trading Initiative 2016, 22). State regulation remains essential as the legal framework within which all other actors operate.

Anti-Money Laundering regulation constitutes a further and potentially powerful instrument in this framework. Disrupting the ability of traffickers to launder and reinvest their proceeds attacks the enterprise at its financial core. However, the thesis found that AML frameworks are a necessary but currently insufficient tool for combatting modern slavery. They are necessary because trafficking is fundamentally profit-driven, and because the empirical evidence, Jayasekara (2021) and Andiojaya (2025), demonstrates that effective AML implementation correlates with reduced levels of corruption and crime that sustain trafficking networks. On the other hand, AML methods are insufficient because the cash-intensive and largely informal nature of trafficking finance limits what

formal AML systems can detect. The FATF's focus on keeping illicit funds out of the financial system can paradoxically push transactions into less visible informal channels (de Koker & Turkington 2016, 19). Additionally global standards are unevenly implemented, with low-income countries along trafficking routes remaining significantly less compliant than high-income destination countries. Furthermore, adaptive criminal behaviour means that greater regulatory pressure does not automatically translate into reduced crime.

What the evidence most clearly points to is that implementation quality, cross-border coordination, and outcome-based evaluation are the decisive variables, the mere existence of standards is not (Jayasekara 2021; de Koker & Turkington 2016). The central conclusion of this thesis is therefore that combatting modern slavery requires a multi-layered response in which AML frameworks play an important but supporting role. No single instrument, whether disclosure legislation, corporate due diligence, state enforcement or financial intelligence, is sufficient on its own. The most effective approach combines genuine corporate accountability enforced by meaningful legal penalties, state regulations that address the root causes of vulnerability, and AML frameworks whose effectiveness is measured by outcomes rather than compliance processes. Achieving this requires greater resources for Financial Intelligence Units in lower-income countries along trafficking routes, deeper operational collaboration between financial and law enforcement agencies, and concerted international action to close the jurisdictional gaps that trafficking networks systematically exploit. Without these, AML frameworks will continue to function better as a compliance exercise than as a practical instrument for reducing modern slavery.

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Appendices

Appendix 1: Utilisation of Artificial Intelligence Tools

This thesis makes use of artificial intelligence (Microsoft Copilot, Perplexity, Claude, Volter AI assisted search) in accordance with the guidelines of University of Turku. Artificial intelligence was used as a tool throughout the writing process, but all content of the thesis is entirely the author's own work. Artificial intelligence was used to find sources, for formatting references and to check spelling and to restructuring overlapping information. Below are examples of prompts I have given to AI.

1. Tool: Microsoft Copilot

- a. Stage of use: To narrow down the research scope in the initial phase of planning
- b. Purpose of use: I wanted to write my thesis about modern slavery and utilised Microsoft Copilot in choosing a specific lens for the thesis.
 - i. Example prompt (20.1.2026): "I am working on my bachelor thesis, and the topic is human trafficking. My major is international business so please suggest perspectives for the thesis linking it to IB."
- c. Verification: It suggested several perspectives for research, e.g. *Corporate Due Diligence and Anti-Trafficking Compliance*. That suggestion helped me realise the potential of my own AML background in the thesis process. No text from this tool was used in the thesis.

2. Tool: Perplexity

- a. Stage of use: During the writing process.
- b. Purpose of use: I used the tool to summarise lengthy documents.
 - i. Example prompt (14.5.2026): "Considering what I have written in Kandi_MinttuSaarinen in Chapter 2.2. and what is said in LeBaron et al's article Chapter 8, please suggest ways how to integrate the new information."
- c. Verification: The tool suggested adding a paragraph that links structural vulnerability to GVCs and to use LeBaron's article to show how supply-chain-governance convert vulnerability into exploitation. This was used as a guide in the writing process.

3. Tool: Claude AI

- a. Stage of use: After the writing process.
- b. Purpose of use: Correcting grammar mistakes and repetition.
- c. Verification: The tool pointed out grammar mistakes and repetitive information that I corrected in case the correction it gave was appropriate.

4. Tool: Volter's AI assisted search

- a. Stage of use: Finding sources
- b. Purpose of use: To find sources that link together modern slavery and anti-money laundering.
 - i. Example prompt: "Can AML methods be used to combat modern slavery in MNCs' GVCs?"
- c. Verification: It suggested multiple academic sources and articles of which some I studied in further detail.