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# The Scarlet Market: The Economic Framework of Sex Trafficking and Microfinance as a Proactive Solution

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### **Introduction**

The history of slavery persistently interconnects with the history of humankind, sprouting its roots from the world's first city in Mesopotamia in 6800 B.C. Slavery began with enemies being captured and forced to work, and has continued to morph alongside the development of civilization, technology, and economy. Serfdom arose with the popular acquisition of private property, slave trades were formed with advancing forms of transportation, and currently, human trafficking is flourishing on the coattails of globalization (Slavery in history).

Waves of abolitionist activism have brought about an end to systems of slavery across the globe throughout history. Hundreds of countries have current legislation against slavery, yet human trafficking, its most modern form, is the third largest and third fastest growing criminal enterprise worldwide. In August of 1855, Abraham Lincoln wrote in a letter to a friend, "On the question of liberty, as a principle, we are not what we have been. When we were political slaves of King George, and wanted to be free, we called that maxim that 'all men are created equal' a self evident truth; but now when we have grown fat, and have lost all dread of being slaves ourselves, we have become so greedy to be masters that we call the same maxim 'a self evident lie'". Lincoln was referring to slave-owners and the practice of legal slavery in the United States of America that existed over 100 years ago. The sad truth is that freedom for all is still a self-evident lie on a global scale.

Human trafficking, according to the United Nations Protocol to Prevent, Suppress and Punish Trafficking in Persons, is the "recruitment, transportation, transfer, harboring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of 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,

for the purpose of exploitation”. The focus of this paper will narrow to sex trafficking, which consists of the same elements, but for the strict purpose of sexual exploitation.

Sex trafficking is a transnational system of trade that consists of many networks and transactions. The process starts in source countries, where women are recruited into the system. Most source countries are classified as developing and have poor economic conditions and low job availability, especially for women. This makes them much more vulnerable to accepting deceptive offers from traffickers. When women are removed from their country of origin, they are sometimes transported to transit countries. These transit countries are like layovers for trafficked women, and are usually countries with lax immigration policies that women can be easily smuggled into and out of. Finally, trafficked women are brought to destination countries. Traffickers bring women to destination countries that have a high demand for sexual services, where they hope to obtain maximum profits.

Sex trafficking is an immensely profitable criminal industry, which is the key reason it is growing in revenue generation and intensity. Sex trafficking epitomizes on the downfalls of economic globalization, taking advantage of the effortless movement potential of money and people across national borders. There are many organizations that are currently devoted to rescuing women from the trafficking system and providing victim relief. These services are highly commendable and necessary, but action is still needed to combat the conditions that give rise to the problem in the first place.

The remainder of this text will present a review of current literature on sex trafficking, introduce the concept of microfinance projects and their impact potential, and propose a business that funds microfinance projects aimed at attacking the conditions that allow for the sex marketing industry to thrive.

## **Chapter 1: Economic Framework of Sex Trafficking**

### ***Introduction***

Sex trafficking threatens the most basic human freedoms, benefits those who are willing to exploit, and is currently the third fastest growing and third largest criminal enterprise in the world. Sex trafficking is influenced by countless interdependent factors, and these factors all have varying implications across the globe. Analyzing the problem comprehensively and determining the most effective counteraction is an overwhelming process because of the multi-dimensional nature of the sex trafficking system. There are many international factors that influence the sex trafficking industry, including globalization, cultural and social values, and political setting. However, sex trafficking is most basically the unwilling and nonconsensual movement of people for the purpose of selling their sexual services for a price. At the root, trafficking for sex is an economic problem because it is driven by male demand, sustained by supply of victims, and is fundamentally an exchange of a service for some type of compensation. The existence of and relationship between supply and demand indicate that sex trafficking can most directly be addressed from an economic standpoint. In the following text, the existing literature on sex trafficking will be presented. The background information relating to the current state of the market will be discussed first, the economic framework of sex trafficking and the application of economic theory to the market second, and existing policy recommendations and criticisms that relate to the eradication of sex trafficking to conclude.

### ***Background Information***

Siddharth Kara, author of *Sex Trafficking: Inside the Business of Modern Slavery*, states that people in harsh economic settings are more vulnerable to the deception of traffickers, and from these harsh economic settings come most sex trafficking victims. The current efforts to combat sex trafficking are inadequate for a number of reasons. Sex trafficking remains poorly

understood, and in the fight against it, advocacy and educational organizations are underfunded and uncoordinated internationally. Laws against it are poorly enforced and too general, and a systematic business and economic analysis of the issue has not yet been undertaken. The central argument that is introduced in the first chapter of his book is that “the enormity and pervasiveness of sex trafficking is a direct result of the immense profits to be derived from selling inexpensive sex around the world” (Kara, 2009). Contemporary sex trafficking involves the systematic rape, torture, enslavement, and murder of millions of people and generates millions of dollars each year, having one of the top global profit margins. The final portion of this chapter discusses the elasticity of demand of sex services. The increased use of slaves has caused an increase in demand, which creates a decrease in prices, opening up the market to people with less disposable income. This demand component proves that the most effective strategy against sex slavery is to erode profitability. Higher costs for sex slave retailers either cause them to lose profit or to raise the price. Both of these choices would lead to dramatic decrease of demand.

Kara’s seventh chapter discusses sex trafficking specifically in the United States. The chapter states that contrary to public persuasion, sex trafficking is not as big of a problem in the United States as it is in most other countries. This is because transportation is much more complicated and costly due to the distance from most source countries in Western Europe, Asia, and Africa. It is also because there is no legal veneer to hide the illegality behind, as prostitution is illegal in the majority of the United States. In addition, the government actively enforces anti-trafficking policy, and lower levels of corruption reduce the occurrence of bribes. The sex trafficking industry makes up 15-20 percent of human trafficking in the United States. There are women from 30 countries that have been trafficked to the United States for sex work. These

women are forced to work mostly in massage parlors or brothels, and the majority have money sent to their families overseas. If women attempt to quit or runaway, their families are threatened and the women become subject to harsh violence and torture.

Recently, scholars are asserting that focus should shift to trafficker decisions when studying sex trafficking, because they are the primary decision makers in the process. This differs from previous research in the field which points more strictly towards migration levels, economic conditions, and democracy levels as determinants. Jac-Kucharski presents a mathematical model that labels each of these push-pull factors, like extreme poverty, lack of economic opportunities, civil unrest, political uncertainty, and cost-benefit analysis for trafficker, as the independent variables. An explanation of this model is beyond the scope of this review, but the results suggested that cost effectiveness, ease of land access, and economic inequality between men and women were the most influential factors in determining levels of human trafficking in source countries (Jac-Kucharski, 2012).

Another article presents truths about sex trafficking in both the United States and India, asserting that if similar problems exist in two extensively varying nations, these truths are three global issues in need of address. The three truths presented are that the basic needs of johns are not being met by local population, sex trafficking is more profitable than legal alternatives for pimps, and that victims are lured into the industry by promises of a better life. The similarities specific to sex trafficking are demand stemming from johns who feel entitled to buy women, pimps' desire for profit, reputation, and power over women, and victims being brought under false pretenses. The high levels of sex trafficking in both the United States and India, considering differences in law enforcement style, prove that legislation and government enforcement alone are not sufficient (Hart, 2012).

The current upholding of international agreements to minimize and manage human trafficking is being criticized, specifically in Nigeria. Human trafficking is an increasingly threatening market in Nigeria because it is a prominent source, transit, and destination country for the crime. According to Nwogu (2006), the reasons behind the prevalence of trafficking correlate to high migration rates and include a highly limited amount of available jobs and a strong desire for a higher standard of living. Recommendations are made that include better enforcement of pre-existing policy, educating Nigerians on migration risk, and encouragement to report instances of suspected human trafficking in destination countries.

Research and evaluation has been done on the operations of sex trafficking in Turkey and focuses on methods of recruitment, transportation, and exploitation. The collapse of the Soviet Union has brought an increase of sex workers to Turkey from countries with struggling political and economic systems like Moldova, Ukraine, Russia, and Uzbek. The primary research done by interview confirms that 73% of victims were assured jobs during recruitment, 13% were kidnapped, and the remaining victims were given marriage or vacation offers. The interview information about transportation stated that the recruiter accompanied 53% of victims and 64% of victims were transported by plane. It was also discovered that the Turkish government has flexible visa requirements so 96% of trafficked women were able to enter with legal travel documents (Demir, 2010). Research on exploitation methods confirmed the information collected in the literature review, reflecting high rates of debt bondage and violence and coercion.

An article written in 2003 (Farley et al.) describes the results of individual surveys completed by 854 people either currently or recently in prostitution from Canada, Columbia, Germany, Mexico, South Africa, Thailand, Turkey, United States, and Zambia. The surveys

question the women about what types of abuse, harm, and mental and physical conditions they are dealing with. It was determined that 71% of women in prostitution have been assaulted physically, 89% desire to escape the business but have no other options, 63% have been raped, 75% have been or are homeless, and 68% meet the standards for post-traumatic stress disorder. The article also disproves a few common assumptions about victims of sex trafficking, including that a large portion of prostitutes entered the industry to have drug money.

Mahmound and Trebesch's pioneering article is the first to assess and analyze the drivers of human trafficking with micro data. The article was researched and written to prove that the highest rates of human trafficking occur in areas where migration flows are the most substantial. This thesis points to three main indications: migrant networks are not beneficial because they put citizens at risk, illegal migration patterns increase the risk of trafficking, and awareness campaigns have high potential for decreasing risk. The primary research behind the article was conducted in 2006 from interviews of 5513 households in Belarus, Bulgaria, Moldova, Romania and Ukraine. Households were interviewed about connection to trafficked victims and were analyzed based on many factors including age, gender, location, proximity to capital city, socioeconomic standing and most significantly, the regional migration prevalence rate. The research indicated that areas with high illegal immigration rates are most likely to have high levels of human trafficking occurrences. Surprisingly, local crime rates and poverty levels have a very limited effect on trafficking risk (Mahmoud & Trebesch, 2009).

### ***Economic Framework***

In the human trafficking market, employers that use trafficked individuals are the consumers, human traffickers are the intermediaries that match the buyer with the product, and trafficked individuals are the products. Demand for trafficked individuals is driven most by

employers' desire to maximize profit, while supply is driven by immigrants' desire to relocate for higher pay. The human trafficking market is classified as a monopolistic competition, meaning that there are many buyers and many sellers that are dealing in differentiated products. The authors point out that current policy on reducing the occurrence and intensity of human trafficking focuses on reducing the demand, which hugely contributes to a decrease in price and number of victims. The authors, including Elizabeth Wheaton, also point out that despite the economic efficiency drawbacks, a focus on reducing the supply of human trafficking is an integral step towards improvement (Wheaton, Schauer, & Galli, 2010).

Hahn Diep's article demonstrates that laws created to destroy the sex trafficking industry actually help traffickers to increase exploitation. Sex trafficking, like any other business, has the main objectives of maximizing profits and minimizing costs. Sex trafficking is one of the most lucrative and growing illegal industries, coming in third behind drug and arms dealing. The reasons for its rapid growth are high illegal migration rates due to poor economic situations, low risks for traffickers in comparison to other criminal activities, and the reusable commodities involved, meaning the trafficked women (Diep, 2005).

The work of Samarasinghe in 2009 analyzes the general structure of the demand side of sex trafficking. The article defines demand as the manifestation of a desire to procure, and claims demand is the cause of all dimensions of sex trafficking. The percentage of men involved in the industries has been found to vary. In Japan, 37% of male citizens have claimed participation and in Thailand, 73% claim participation. Worldwide, men buy sex acts for temporary power, and their access to the market is based on their individual purchasing power. Their financial capability sustains the industry, but men commonly do not want to be publicly associated with it. The intermediary category is made up of four subcategories. There are the pimps, recruiters,

brothel owners, and transporters that deliberately support the industry, hotels and entertainment organizations that indirectly profit from the industry, military establishments that are motivated to encourage the industry to satisfy the “needs” of servicemen, and institutions of state that are the policy makers with influence over the sex trafficking industry.

The transnational sex trafficking network was applied to the perspective of a global commodity chain (GCC). A commodity chain is the process by which raw materials are turned into finished products. The article argues that in addition to economic factors, political and sociocultural factors should be seen as influential in a nation’s position in the sex trafficking network. Applying the GCC framework to sex trafficking, women are raw materials that become finished commodities once put in the market. The main reasons for worldwide expansion of the sex trafficking industry and network are the high profit margin it offers and the fact that commodities are “reusable”. Each trafficked woman draws in 75,000 and 250,000 dollars of profit annually, depending on the standard of living in the country of sale. The article states that people with vested interest in profits are corrupt government officials, political leaders, attorneys, transporters, and most significantly, traffickers and transnational organized criminal network (TNOCN) employees. The locations of “production” are brothels, parlors, massage centers, bars, and stretches of street and highway (Das, Eargie, & Esmail, 2011).

The movement of money, the methods of bookkeeping and accounting, and basic laundering techniques were studied within Bulgarian sex trafficking organizations. Bulgaria was identified as the prime source country within the European Union because it ranks within the top three providers to thirteen EU countries. The main motive of human trafficking organizations is to make big money quickly and that the harsh social and economic conditions in Bulgaria leave some citizens more willing to exploit and others more vulnerable to exploitation. The accounting

system in human trafficking organizations begins when the prostitutes record profit obtained after each sale, and is monitored by the parallel recording of each sale by the pimp. The money laundering process within these Bulgarian trafficking organizations typically follows the simple pattern of transferring the money, preparing for investment, and investing money into a legitimate business.

Andrea Bertone (2000) defines the international political economy of sex, proving that industrial capitalism is the most favored economic system and that the emerging trend of commodification fuels the growth of the human trafficking market. Her article states that the capitalistic roots of sex trafficking stem from the obvious existence of supply, the women being exploited, and demand, the men in developed and developing countries. She explains that the increased immigration rates and the believable promises made for better life and better money that traffickers offer to vulnerable women have attributed to the growth of the sex trafficking market. The consequences discussed in the article include declining international security, danger to society by increased criminality, powerful controlling networks of this increasingly lucrative business, and most disturbingly, physical and emotional struggle of the victims.

### ***Policy Recommendations***

Siddharth Kara's final chapter explains the movements that should be made based on the evidence collected to eradicate sex slavery. According to the chapter, the best short-term tactics against the industry are those that reduce the aggregate demand of consumers and slave owners. The most effective way to do this is by attacking the industry's immense profitability by inverting its risk-reward economics. The best long-term tactics include eradicating the primary conditions that gave rise to the crimes in the first place, like poverty and the dangerous asymmetries of economic globalization. He suggests the creation of an extra-governmental

Coalition for Freedom, an organization dedicated to ending all forms of trafficking and slavery. The short-term tactics would be aimed at decreasing profitability and increasing risk, thereby decreasing demand.

Male demand for sex trafficking stimulates and sustains the industry, so educational and legislative measures should be aimed at reducing male demand. The article assumes that sex trafficking is fundamentally an economic problem and must be addressed from a supply and demand standpoint. The article calls out the fact that most existing policy focuses exclusively on supply-side drivers and is therefore insufficient and ineffective because it ignores the real issue. The UN Protocol to Prevent, Suppress, and Punish Trafficking in Persons of 2000 is a comprehensive international approach to eradicate sex trafficking by punishing traffickers and aid their victims. It is the first policy to explicitly highlight the factor of male demand, but its mere suggestion of “discouraging demand” is too weak. The other policy to address demand is the Trafficking Victims Protection Act of 2005, which designated 50 million dollars for local law enforcement and social programs to develop and execute programs to reduce male demand. The article concludes by stating that given the low labor costs, minimum legal barriers, billion-dollar profits, and abusive working conditions of sex trafficking, it represents free-market capitalism at its worst. The best way to attack the problem from the demand side is enacting a prohibition policy like that in Sweden, instituting re-education program of johns and male norms, and enacting a public awareness campaign (Yen, 2008).

Weitzer (2011) analyzes the claims that back up the oppression model of sex trafficking, identifies some legal and policy implications of the oppression paradigm, and offers evidence-based alternatives. He states that advocates of the oppression paradigm base their conclusions on the idea that men have power over women and sex trafficking is a manifestation of that social

inequality. His article states that the media and common opinion privilege victimization stories, ignore root causes, and increasingly present the problem as a threat to national security. His article insists that legislators and advocates against human trafficking create policy and programs based on evidence instead of scholarly gathered evidence. He states that the most effective method to eliminate sex trafficking is not prohibiting all forms of prostitution, but implementing an evidence-based approach that focuses on identifying and assisting victims.

Since the UN Protocol of 2000, trafficking has been managed somewhat, but there are still heavy flows of trafficked people out of countries with struggling economies. The article points out that along with international efforts to discuss and combat human trafficking, political and empirical challenges exist. These include women being unwilling to turn to political or law enforcement officials, being able to pass enforceable anti-trafficking laws, and the inability to obtain comprehensive and accurate data to assess. The article concludes that the surge of trafficking that followed the passage of the Protocol proves that simply punishing traffickers is not sufficient to eradicate trafficking. Also, domestic anti-trafficking laws have proven to be hard to enforce, because 40 percent of the governments that have passed laws have yet to convict a single trafficker from 2000 to 2009 (Smith, 2011). The article also decides that the most effective additional policy would take a human rights approach, and that there are additional avenues for future research that need to be explored to end the problem.

Another perspective explained by Brysk (2011) identifies flaws in current anti-trafficking policy and attacks its underlying assumptions. Brysk states that it cannot always be assumed that trafficked women would not voluntarily participate in sex work, that other local employment options are not exploitative, or that trafficking is uniquely harmful. The singularly focused opposition to commercial sex, instead of the conditions within commercial sex, overlooks the

main problems of violence and coercion. The article states that human trafficking programs have done little to shut down the human trafficking market because they ignore the key issues of poverty and coercion. Many other forms of exploitative labor that involve more victims are ignored in anti-trafficking policy, causing that market to grow substantially. The article explains that an expanded human rights approach to the private wrongs that exist in the sex trafficking trade will stem from a better understanding of freedom, sex, and development.

MacKinnon (2012) persuades readers to stand against legalizing prostitution and explains the not so coincidental parallels between women in prostitution and sex trafficking. These parallels include the absence of a women's agency as an independent entrepreneur, the existing life condition of poverty, and the entrance into the market as a minor. She also attacks the grey area between acceptable and unacceptable prostitution, claiming that they are inseparable, by presenting five conflicting points of morality and disqualifying the differences. The conflicting points include adult versus child prostitution, indoor versus outdoor, legal versus illegal, voluntary versus forced, and prostitution versus trafficking. This claim is evidenced with the facts that adult prostitutes are usually child prostitutes that have grown up in the system, legalization of prostitution masks the illegal aspects that inevitably exist, and 89 percent of surveyed women involved in prostitution want out but cannot get out. Additionally, the article presents two national prostitution policy frameworks, the sex work model and the sexual exploitation approach. The sex work model sees prostitution as a profession and aims to legalize it and reduce the risks involved. The sexual exploitation approach sees prostitution as oppression and aims at decriminalizing the prostituted women and enforcing consequences for the exploiters. Sweden has adopted the sexual exploitation approach, has defined prostitution in

terms of violence towards women, and has had the most effective results. Street prostitution has been cut in half and Sweden maintains the lowest trafficking rates in Europe.

Activists, researchers, and analysts have evaluated sex trafficking from many viewpoints, as evidenced in the extensively varying research provided above. Though there is not one obvious or simple solution, all parties involved in the research field agree that action is absolutely needed to diminish the problem and help those caught in it. The very framework of sex trafficking indicates that it is rooted in economics, so the most direct solution should also be rooted in economics. The following chapter discusses a comprehensive solution to sex trafficking based on Kara's novel *Sex Trafficking: Inside the Business of Modern Slavery*.

## **Chapter 2: Evaluation of Sex Trafficking: Inside the Business of Modern Slavery**

### ***Introduction***

Throughout the research completed during this project, one of the few comprehensive solutions to sex trafficking discovered was Siddharth Kara's *Sex Trafficking: Inside the Business of Modern Slavery*. The previous review of current literature on the economic framework of sex trafficking includes three chapters from his book. This following section will provide a summary and evaluation of Kara's book as a whole.

Kara conducted his research by physically visiting venues associated with sex trafficking in the countries of India, Nepal, Burma, Thailand, Vietnam, Italy, Moldova, Albania, the Netherlands, the United Kingdom, Mexico, and the United States. Kara was inspired to research the topic so that he could better understand the problem and introduce a solution that would make a measureable difference. He took three research trips with money he had saved throughout his career in the business field, and his research was briefly interrupted for a period of time during which he worked to earn enough money to finish.

Kara's book is based on a series of 150 interviews with trafficked women that took place in brothels and shelters around the world and 120 interviews with families of victims, men who purchased trafficked women, shelter and NGO workers, trafficking police and attorneys, one brothel owner and one trafficker. Kara travelled to regions around the world with high concentrations of sex trafficking. He also performed his research along the borders between India and Nepal, Nepal and China, Moldova and Transdniestria, Moldova and Romania, Italy and Austria, Italy and Slovenia, Albania and the Adriatic Sea, Albania and Serbia, the United States and Mexico, Thailand and Burma, Thailand and Laos, and Vietnam and China with hopes to better understand the systems of movement of trafficked women and the process of the crime from start to finish.

Initially, Kara planned to write a broad narrative that explained the current global state of sex trafficking through facts discovered during his travel. However, Kara decided that this approach did not adequately accomplish his goal to accurately describe “the origins of the sex trafficking industry, how it operates worldwide, and how to best eradicate it” (Kara, 2009, p.xiv). Kara begins with a chapter that discusses the key components of sex trafficking and lays a foundation for the body of the text, which describes the crime specific to geographic location, and concludes with a framework for abolition.

### *Overview of Sex Trafficking*

Kara’s novel is based on the central argument that the enormity and horrifying intensity of the sex trafficking industry are attributable to the lucrative nature of the crime. Hefty profits are available for those who perpetuate the crime, at any point during its course. While capitalism and globalization have created opportunities for global efficiency and teamwork, it has also created points of exposure that allow for the success of sex trafficking. Rural poverty is deepened by the continual shift of wealth from the rich to the poor. While the sex trafficking industry grows in strength and size, counteractive movements remain ineffective from every perspective. Kara suggests four reasons that contribute to the shortcomings, the first being that sex trafficking is not properly understood. People with the power to make a difference do not understand the issue at hand, so they cannot initiate change with significant positive impact. Second, organizations that are dedicated to the cause are lacking in funding and coordination. Third, the laws in place to protect women from sex trafficking and punish perpetrators are either too broad to execute or are too miniscule to diminish activity. Last, research that analyzes the economic functioning of the sex trafficking system as a whole has not been conducted.

Understanding the elements of sex trafficking begins with understanding its process. Kara explains that sex trafficking, loosely defined, includes both the concepts of slave trading and slavery. Slave trading deals with the recruitment and movement of trafficked women, and slavery deals with the continual exploitation of these women for profit. According to the research, observation, and interviews conducted by Kara, the most common forms of recruitment worldwide are deceit, sale by family, abduction, seduction, and recruitment by former slaves. He noticed that each of these methods existed in each location studied, but differing local conditions created prevalence of certain methods over others. The second step in slave trading is movement of women from source countries through transit countries to destination countries. With both internal and external trafficking, victims are transported through any means imaginable including cars, boats, buses, and by foot. Once victims realize what is happening to them and they resist, they are often drugged or beaten to make the transportation easier. Traffickers use false identification documents, bribe local law enforcement and patrol, and find breaks in barriers to cross national lines and deliver women to locations for exploitation.

Through the process of acquisition and transportation, sex slaves are abused, raped, drugged, tortured, and starved for the purpose of breaking their spirits and decreasing or eliminating the chance of resistance. Once victims are put into service in destination countries, the systematic exploitation of their bodies for paid sex begins. Kara observed six main venues for exploitation, which are brothels, clubs, massage parlors, apartments, hotels, and streets. The amounts of women held in brothels varied depending on location, some housing hundreds of women and others around twenty. Style and quality of space also depends on region. Some venues make an effort to conceal the occurrence of sex crimes, while others make no effort to hide their purpose. Women begin their time as prostitutes working in brothels, and may be

transferred to other venues once they have accepted a life of prostitution. Other types of locations tend to house less women, are less common, and typically generate less revenue.

Kara describes the business of sex trafficking with three components. The first is the number of slaves, which is a reflection of the overall size and growth of the industry. Kara's calculation is that between five hundred thousand and six hundred thousand individuals are trafficked for commercial sex out of the 1.5 to 1.8 million total individuals trafficked annually. At the end of 2006, there were 1.2 million trafficked sex slaves, five hundred to six hundred thousand were trafficked in 2007, and there was a net increase of forty-three thousand considering the amount of sex slaves that escaped, were freed, or passed away.

The second and third components are the amount of profit generated from the sex trafficking industry, some from the sale between traffickers and exploiters, and some between exploiters and those who purchase sex. Because of the under-the-table nature of transactions relating to sex trafficking, estimates on total global profits range from 9.5 billion dollars, according to the U.S. State Department, to 31.7 billion dollars, according to the International Labor Organization. Some estimates include the sales amounts of women sold from traffickers to locations of exploitation, some include amounts earned from payments for sex, and some include both. The International Labor Organization estimate is generally seen as the most reliable because it specifies the inclusion of both types of sales amounts. Sex trafficking, according to these estimates, has a profit margin of around 70 percent, making it the most lucrative industry, legal or illegal.

Taking a step past the business of sex trafficking, Kara evaluates the economics behind it, detailing supply side and demand side. The huge and increasing number of women entering the industry is due to a number of factors, including economic globalization, gender implications in

culture, and ethnicity and social status. Economic globalization is the opening up of networks, movement, and trade between and through nations worldwide. Though a full evaluation of globalization is beyond the scope of this text, it is a key driver for supply availability. Also, the role of gender in specific cultures creates an exposed and vulnerable position for women. In regions where women aren't viewed as equals to men, the perception of culture makes their presence and potential less valued. Finally, minorities and members of society in lower wealth pools create ideal candidates to be trafficked because they have relatively less or no rights to protect them and less power to earn their way for themselves and their families.

On the demand side, Kara describes three market forces that create enough demand to sustain the industry. These three forces are male sexual demand, profit, and the elasticity of demand. The first, male sexual demand is the primary driver of the industry, as it could not operate without consumers. Male sexual demand is difficult to analyze because some men purchase sex for the entertainment, some for a violent outlet, and some for other purposes. Also, some purchase sex once while others purchase it several times a month. The second factor, profit, was analyzed earlier in this text. The high profit numbers for the sex trafficking industry draw interest from small criminal organizations and large-scale organizations, and it will continue to do so until profitability is diminished. The third market force is the elasticity of demand, which means the degree to which demand changes with changes to price. The pattern that Kara has observed is that the price elasticity of demand for sexual services is extremely high. In a specific brothel in Kamathipura, consumers indicated that when price doubled four dollars to eight dollars, demand dropped by 80 percent. The amount of women being trafficked is increasing, creating a higher supply and lower prices, so there is a more widespread demand for the product. However, if the price were to increase, the demand would dramatically decrease.

Considering these market forces, it is apparent that a decrease in demand, caused by an increase in the price for services and a consequent decrease in profit margin, would lead to a much lower prevalence of the crime. From a demand standpoint, Kara explains the conditions that currently exist that place no risk on those involved in trafficking, allowing for such low prices. There is a widespread misunderstanding regarding the definition of trafficking, and as a result there is more emphasis placed on the movement of people as opposed to the exploitation in the destination countries. There is corruption in law enforcement, making it possible for traffickers to bribe enforcement and patrol officers and avoid legal consequences for their continual actions. There is a lack of international coordination, which is absolutely essential when considering an internationally based crime. There is a general lack of protocol for the prosecution of sex trafficking perpetrators, making it easy to get away with, especially in areas that completely lack procedures. Finally, there is a lack of protection for victims, who have to give their testimony to prosecute traffickers. The lack of activism from the general public and the failure of law enforcement and policy setters to take the crime seriously allow for a limited risk situation for criminal organizations. Kara concludes his introductory chapter by stating that an inversion of risk-reward economics is essential in managing the worldwide epidemic of sex trafficking. The body of Kara's book describes his encounters in each region he visited on his research trips.

### *India and Nepal*

The first place Kara traveled to was Mumbai, and his quest for primary information about the sex trafficking industry began on Falkland Road. He explains the city as overwhelmingly busy and dangerous. Evidence of heavy sex trafficking was blatant and concentrated. Throughout his time on Falkland Road and in Kamathipura, which literally means 'place of pleasure', Kara

encountered handfuls of sex slaves from Nepal and Bangladesh, and the Indian states of Kerala, Uttar Pradesh, Behar, Punjab, Andhra Pradesh, Maharashtra, and Karnataka. Nepalese women are most frequently trafficked into India, Kara's research reflecting that 20,000 women are trafficked into India from Nepal each year and 30,000 out of the 100,000 sex slaves in Mumbai are Nepalese. Brothels were the most common venues of sex trafficking that Kara stumbled upon in India, and there was also a highly concentrated amount of women in *pinjaras*, which are basically cages, on the side of the street offering sex to those passing by.

Kara was also able to gather information and hold discussions with workers and rescued victims in women's shelters in India. He talked to many women that were either rescued from trafficking, or were still involved voluntarily but were at the shelters for emotional support. From his time talking with them, he learned that most of them started their work as prostitutes as teenagers. He also learned that most of them had severe and untreated cases of sexually transmitted diseases, most commonly HIV, and were unsure how long they would have left to live.

When Kara noticed the high concentration of Nepalese women trafficked into India, he decided to travel from India to Nepal to observe conditions along the border and the level of security. Anti-trafficking theorists suggest that two main ways to decrease trafficking volume along borders are tighter border controls and raising awareness. Kara insists that neither of these methods have the power to make significant positive change. The India Nepal border stretches across 1,850 kilometers and the Open Border Agreement of 1950, which was enacted to promote free trade between the two countries, makes strict supervision of crossing impossible. Hotels and brothels along the border were "among the most wretched and dreary sex-slave establishments... encountered" (Kara, 2009, p.69).

Kara was only able to meet and interview one trafficker during all of his research trips, and the encounter occurred in India. During their conversation, the trafficker spoke very casually about his work and showed no remorse when detailing the extent of the profit he has made through the sale of human beings and their futures. The trafficker disclosed that he made around 110 dollars for every male child, 175 for every female child, and that he has sold around 300 children so far in ten years.

### *Italy and Western Europe*

The sex trafficking industry has a much different appearance in Europe than in India. Street prostitution is legal in Italy, making it the most obvious and common form of sex trafficking there. In addition to street prostitution, there are massage parlors, nightclubs, and apartment and house brothels that sell illegal sex. Though street prostitution is legal, most of the transactions made by pimps and brothel owners are illegal because the women are underage. The women that Kara interviewed explained that most of them were trafficked into the industry through deceptive offers. Traffickers promise girls from rural regions that have limited work options the opportunity to work in more urban settings in other countries. Sometimes they promise girls a spouse that will provide for them. None of the street prostitutes that Kara met in Rome were actually from Italy; they were from Romania, Russia, Moldova, Albania, Poland, the Ukraine, Belarus, Latvia, and Bulgaria.

The most common nationality of sex slaves in Italy is Nigerian, with ties of trade between the two countries beginning in the 1970s for oil and wells. During this time, a civil war in Nigeria caused the death of over a million and the displacement of millions more. Nigeria is now one of the poorest countries in the world, has one of the lowest incomes per capita, experiences high annual inflation, and owes heavy national debt. These harsh and hopeless economic

conditions create a desperate need for cash and higher rate of vulnerability for women to be trafficked into the industry.

A topic of interest Kara discusses in his chapter on the sex trade in Europe is the impact of the legalization of prostitution, and whether it benefits or harms those it intends to protect. Benefits of legalization include the idea that women in prostitution would have access to the benefits available in other professions, including health care, retirement, and unionization. Also, legalization would allow for governmental regulation, creating better health and safety standards. Those in opposition of legalization argue that prostitution is never a profession of real choice, and legalizing it further reinforces systems of male sexual dominance. Another argument opposing the legalization of prostitution is that it that legal establishments provide covers for illegal trafficking and underage prostitution, making those crimes even harder to detect. To experience both sides of the spectrum, Kara travelled to Amsterdam, where prostitution is completely legal, and did heavy research on Sweden's strict ban on prostitution. In Amsterdam, he discovered that about 80 percent of prostitutes were foreign, and a majority of those women were victims of trafficking. In Sweden, there is clear legislation that outlaws the purchasing of sex, which is revolutionary in the sense that it attacks the demand side of the transaction.

Kara also carried out his research in Moldova and the Former Soviet Union, Albania and the Balkans, Thailand and the Mekong Subregion, and the United States of America. The venues and circumstances he discovered in these regions further prove the immensity and horror of the global phenomenon of sex trafficking. Kara combined what he observed firsthand, what he learned from interviews, and what he uncovered in scholastic research to provide a comprehensive solution to sex trafficking that is presented in the final chapter of his novel.

***A Framework for Abolition: Risk and Demand***

The final chapter of Kara's book explains his proposed solution based on the experience and research he gathered during his international travel. Kara calls for the creation of what he names the Coalition of Freedom, an organization created separate from the government with the primary goal of abolishing slavery and trafficking in all forms. Kara believes that an organization best suited for combatting slavery and trafficking will exist independently from the government, because some of the most direct goals and strategies prove to be antagonistic to governmental operations. The coalition would be broken down into two main units, both of which would be composed of members of current "anti-trafficking NGOs, economists, business leaders, lawyers, lobbyists, academicians, and law enforcement" (Kara, 2009, p. 201). The first unit would focus on victim assistance. Its focus would be to provide funding, organization, and understanding to organizations already in place to locate and help victims of sex trafficking. The second unit would focus on policy. Its focus would be on "analysis, advocacy, and enactment of the tactics required to eradicate sex trafficking" (Kara, 2009, p. 201).

The first task of the coalition would be to invert the risk-reward economics in the sex trafficking market, which is the best tactic for reducing aggregate demand in the industry, according to Kara. Reducing demand can be best accomplished by attacking the industry's extreme profitability. Profit is most basically defined as the part of revenue left over when all costs have been settled. Since prices charged for trafficked sex are set by those obviously uninterested in the anti-trafficking cause, the best way to diminish profitability is the cost of running the business. Kara describes the components of the sex trafficking industry as in a typical product market, the victim being the product, the trafficker being the wholesaler, the slave owner/exploiter being the retailer, and the john being the consumer. Acquisition and transportation costs between traffickers and slave owners are near impossible to manage as an

outside party because initial and subsequent movement of slaves is easy for those with established connections and routes.

The only other costs assumed in the industry are the real estate to carry out the crime, the equipment needed to sustain operation, and the amount for bribes to pad against risk. Again, real estate prices and prices for equipment like beds, food, alcohol and condoms are almost impossible to manage externally. Costs of acquiring the product and operational costs would not be effective ways to attack industry profitability, which leaves the last associated cost: the cost of being caught.

Currently, the risk of being caught and the consequences accompanying are miniscule. Every business, legal or illegitimate, factors in the risks associated. The only risk-related costs that traffickers, slave owners, and those who purchase trafficked sex have to account for are bribes. Compared to the profits annually derived, there is basically no risk. Kara believes that “severe upward shocks to the cost of being caught can be imposed very quickly” (Kara, 2009, p. 205). Kara presents a systematic four-step process to impose these severe upward shocks. The first step is calculating the cost of being caught. He defines a formula for this calculation; the cost of being caught equals the probability of being prosecuted times the probability of being convicted times the maximum financial penalty.

The second step of Kara’s process is determining the point at which the cost of being caught erodes at profitability. This step, from a logistic standpoint, would be the most difficult to complete because profit and costs numbers are hard to obtain and analyze completely in a black market. Kara is able to make calculations based on the data he collected in specific venues during his research trips. The third step is determining the best strategy to raise the cost of being caught to the desired level. This step relates to imposing and amending paper laws and getting a

tighter grip on prosecution and conviction rates. The fourth step is actually putting the plan into action, or the implementation.

Kara concludes his final chapter by stating that by no means does he expect his plan to have the exact impact outlined in the text. Because the numbers presented aren't based on published financial statements or systematic audits by outside parties, they obviously aren't completely accurate or dependable. However, Kara restates his main point that the best way to attack the sex trafficking industry is through analysis and counteraction based on economic vulnerabilities. The highly elastic nature of the demand side of the industry provides a starting point for increasing costs, decreasing profitability, and therefore, decreasing volume of the crime. Kara believes that whether the impact of implementation of his plan has huge or small impact, it is worth the time and effort to save as many women from the global horror of sex trafficking as possible.

### ***Conclusion***

“To ensure that the business of sex trafficking is eradicated in the long term, the conditions in the “host organism,” that first gave rise to the infection- namely, poverty and economic globalization- must also be addressed” (Kara, 2009, p. 6). Kara presents an ideal framework for abolition, in theory. A globally collaborative movement against sex trafficking that recognizes both the supply and demand side of the issue would be a huge punch to the sex trafficking industry, raising worldwide awareness and punishing those willing to exploit. However, the likelihood of global collaboration is grimly narrow. The difficulty of solving this global horror can be a burdening discouragement, but ignoring the problem will only create an opportunity for it to continue growing. The next chapter will present microfinance, a concept that has the potential to improve and reverse the conditions that allow for the existence of trafficking.

The specific implementation of microfinance in the regions that Kara's novel addresses would help dig economies in areas of risk of sex trafficking out of deep poverty.

### **Chapter 3: Microfinance, Microenterprise, and Microentrepreneurship**

#### ***Introduction***

Microfinance is generally described as the provision of financial services to low-income or zero-income individuals or groups that otherwise have no access. Microfinance is based on the assumption that low-income individuals or communities have the ability to lift themselves out of poverty, just not the means. Microfinancing projects, as discussed in the following review of current literature, can be a useful tool in combating poverty one step or area at a time. The general implementation and effectiveness of microfinance will be evaluated through the exploration of current literature in the following text, and will be followed by a description of specific microfinance projects and their results. Some of the sources discussed relate to microfinance in general, and others explain microfinance in the context of aiding human trafficking.

#### ***General Implementation***

According to Getu (2006), the anti-trafficking measures on a global scale fall under the three categories of prevention, prosecution, and protection, all three dealing with both the supply and demand side. Prevention primarily consists of poverty alleviation through the creation of income and educational or vocational training opportunities. Awareness campaigning is also a prevention method, as it increases resistance to deception of traffickers in origin countries and decreases the ability to slide under the radar in destination countries, both for traffickers and purchasers of sex services. Prosecution relates to legal measures taken against those involved in the human trafficking market, anywhere along the process. Protection deals with carrying for the personal needs of those rescued from human trafficking, focusing mostly on health needs, shelter, and counseling.

Local, national, and global movements are occurring that address human trafficking from economic, social, cultural, political, and legislative standpoints, but the current problem is that they “tend to be short-term in nature and focus more on treating the effects and do little in addressing the root cause through long-term preventative measures” (Getu, 2006). Getu states that a solution with long-term effects will only be possible through the promotion of sustainable and transformational development, and this can be achieved with the implementation of microfinance. Getu insists that microfinance can counter human trafficking by creating jobs and initiating income generation. Also, microfinance can fund educational efforts and vocational training efforts in areas of high susceptibility to trafficking. When job creation and training have been accomplished, family wellbeing can be nurtured, and cycles of abuse and the overworking of children can be broken. Finally, microfinance can allow for increased awareness raising and higher levels of advocacy.

An article by Gregor Campbell highlights the importance and effectiveness of ethical lending to the Third World through the implementation of microfinance. Microfinance is explained in this article as a “market-based initiative, which has proven to address the demand for credit by those trapped on the lowest rung of the world economy,” (Campbell, 2010). Campbell explains the process of microfinance beginning with temporary aid, which leads to a boost of productivity, then a rise of saving and investment, and finally to sustained growth. Campbell asserts that a key issue relating to continuing cycles of poverty is the inability to keep up with improving technology. Microfinance can be a useful tool because the capital donated can secure current technology for those in poverty, assist them in local entrepreneurial efforts, and generate an income flow to provide for their families and reinvest in their new business.

Microfinance provides initial purchasing power for struggling individuals and communities, and can be the kick-start to a healthy market cycle that breaks the trap of poverty.

Campbell's article also employs the use of emotional appeal to deliver his message. He compares the process of microfinancing in developing countries to the process of turning income disparity and poor working conditions in the United States to one of the world's most vigorous economies. Campbell suggests that the use of credit facilities allowed the United States to develop rapidly. Even further, though no two national economic states are identical, microloans to individuals and groups in poor economies can be the resource that realizes the dreams and goals of impoverished entrepreneurial spirits (Campbell, 2010).

### *Specific Examples*

An article by Warner P. Woodworth in 2000 discusses the combined effort of microenterprise, microentrepreneurship, and microfinance on third world economic empowerment. Woodworth introduces the topic by explaining that countless individuals are under the poverty line and are fighting against disease, political conflicts, a lack of education, and environmental factors. Traditional strategies for fighting poverty have proven to generally fail over time because they ignore indigenous culture, or the capital to sustain the strategy is impossible to maintain. "Huge, macro solutions are seen as inefficient, costly, and often wasteful when failure eventually occurs" (Woodworth, 2000). Woodworth urges that bottom-down approaches with managers that have resources but lack understanding fall astoundingly short, while bottom-up approaches create a system of self-generating income and self-reliance. Bottom-up approaches require little capital and little effort, as the entity receiving the loan must do the work to convert it into a sustainable inflow.

Woodworth explains examples of bottom-up approaches that have been implemented, starting with the Grameen Bank in Bangladesh. Bank workers travel to villages to meet with locals, mostly women, about microloans that are available at market interest rates from Grameen. Clients are put in peer accountability groups to ensure repayment of the small loans, the danger and overwhelming nature of women traveling to obtain loans is eliminated, and the women and their families are benefitted immediately and throughout time. 2.2 million people are village bank clients, 37,000 village economies have benefitted, the bank employs 12,600 people, and the percentage of overdue loans is a low 1.32. Another project, Banco Sol, was launched in Bolivia that took use of funds from the U.S. Agency for International Development, the Bolivian Social Emergency Fund, the Bolivian private sector, and the Calmeadow Foundation. Microloans had grown to \$43 million by the time the article was published, and the bank had 69,000 loans outstanding. Banco Sol proved that microloans are effective in lifting poverty, but also make good business sense (Woodworth, 2000).

An article written by Marcela Arrivillaga, Juan Pablo Salcedo, and Mauricio Perez provides another example of a microfinance project in Cali, Colombia. The Intervention based on Microfinance, Entrepreneurship, and Adherence (IMEA) Project was designed to help women with HIV/AIDS in Cali, Colombia, based on their limited access to loans, health care, and job training. 48 women were recruited for the intervention out of the 67 women that were screened for eligibility. The IMEA had three main steps. First, the women were educated on their disease, treatment for it, and overall self-care. Second, entrepreneurial skills were presented to the women, and they received education on how to develop and strengthen skills for available jobs. The third step was development and management of small social enterprises. The article concludes with three recommendations, starting with the suggestion that the practical needs of

participants be understood during the study. Second, according to the article, there should be increased financial support to community HIV organizations. The last recommendation is that IMEA be tested in other social contexts before the consideration of creating a public health program on a larger scale (Arrivillaga, Salcedo, & Pérez, 2014).

The social and financial effects of microfinance projects taken on by non-governmental organizations (NGOs) are evaluated in an article by S. Chahine and L. Tannir. The article discusses the steps needed for NGO's to transform into transformed microfinance institutions (TMFIs), and the improvements that would follow. Most significantly, transformation into TMFIs would "enable them to tap capital markets and to better provide microfinance services" (Chahine & Tannir, 2010). An entity's status as a TMFI is essentially a change in legal status, which would increase their capacity to borrow by opening up investing to the public. A higher capacity to borrow means a higher capacity to loan, increasing the entity's ability to help the fight against poverty in developing countries. Criticisms of this transformation include a potential mission drift, meaning that the focus on improving local economies that are struggling might shift towards maintaining capital, defeating the point of it all.

To evaluate whether or not transformation helps organizations meet their dual goal to increase outreach and financial sustainability of outreach, Chahine and Tannir collected data from 68 TMFIs for the time period 1994-2006 and analyzed the return on assets and return on equity ratios. The methodology of the research is beyond the scope of this literature review, but the results indicate many clear facts. According to the research, improved financial performance of TMFIs comes at the cost of decreased depth of social outreach. More specifically, the transformation from an NGO to a TMFI allowed for increased numbers of active borrowers, but decreased the average loan balance per borrower.

Ana Marr evaluated the effectiveness of microfinancing in rural areas in her 2012 article, and discussed what is already known about the process and what still remains uncertain. There are two main constraints that Marr discovered in her research regarding the evaluation of microfinance effectiveness. The first is that “methodologies for assessing causality of impact remain notoriously challenging” (Marr, 2012). Microfinance projects have a wide range of forms, and have been implemented in areas with struggling economies that have many differences in political standing and culture. Therefore, studies that evaluate their average effectiveness miss the mark. The second main constraint is that “the design of traditional microfinance is clearly inappropriate for rural environments, particularly for agriculture” (Marr, 2012). Rural economies are hugely based in agriculture, and the types of loans that they require involve larger initial working capital and a longer period of return on investment.

Overall, Marr’s article states that the largest challenge for microfinance in rural environments is the general lack of resources, or the inferiority of existing resources. In poor, rural areas, physical infrastructure is typically in bad, even dangerous condition. Roads, bridges, drainage systems, and equipment create daily obstacles for workers to conquer. Also, there is an overall lack of communication channels for marketing, production, and distribution. If workers had the capacity to produce, they likely will still lack the means to get the word out and to deliver. The point of identifying these challenges is to demonstrate to microfinance institutions that additional steps are needed to assist areas in developing countries with agriculture-based production capabilities. Some suggested additional measures presented by the article are input-credit contracts and warehouse receipt systems (Marr, 2012).

David Sloan from Withworth University wrote an article discussing the implementation of microfinance in the United States. The article discusses the difficulties in place for applying

microfinance models domestically, and in an already developed country. The article also focuses on explaining policy paradoxes in the United States that create barriers for microfinance. The first of these differences is that in developing nations, wages are low and job availability is scarce, while in the United States, there are social services that protect the unemployed. In a developing country, the result of unemployment over time is starvation and homelessness. In the U.S., the unemployed feel entitled to a welfare check. Another difficulty is that community and interdependence are prevalent in developing countries, while the United States encourages individualism and independence. Grameen America, an MFI organization in the United States, has seen success through the enactment of solidarity groups rather than individualized loans. This increases accountability to pay back loans, and follows the tight legal regulations in place in the U.S. Legal regulations and government policy are a huge hindrance to successful microfinance, even though their goal to alleviate poverty is in alignment (Sloan, 2013).

As presented by viewpoints in this article, there are many different opinions on the effectiveness of microfinance in developing countries. Dambisa Moyo, a researcher on poverty in Africa, states “aid and handouts to [developing] countries ought to be abandoned altogether in favour of partnerships like microfinance” (Campbell, 2010). Other scholars are more critical of microfinance, stating that it “is not used for entrepreneurship but instead for ‘consumption soothing’”, and that it is not useful because “no one was ever liberated by being placed in debt” (Campbell, 2010). Though these criticisms hold some truth, it can also be argued that when lenders provide both financial support and entrepreneurial guidance, income can be sustainably generated. Considering this, a small amount of debt that can be quickly recovered seems a worthy sacrifice for a future of economic growth, both for individuals and communities.

## Chapter 4: SPOSH Coffee Business Plan

### *Introduction*

As evidenced by the research explored in this text, there are many potential angles from which to attack the problem of sex trafficking. Sex trafficking is a complicated system of exchange, stretching the boundaries of and blending the lines between geographic, social, political, psychological, and economic realms. Because of the comprehensive nature of the problem, there is no simple solution. Efforts, both small-scale and large-scale, to end sex trafficking and reduce or reverse its deteriorating effects must consider each facet of the problem. Implementing a comprehensive solution is most definitely an overwhelming process. There are a high number of factors to be considered that all vary depending on the region. The statistics regarding sex trafficking are so astronomical that it is numbing. However, one person with the motivation to make a difference can do just that.

So here is the idea. The concept of microfinance can be comprehensively applied to both proactively and reactively alleviate the effects of sex trafficking on an international scale. The remainder of this text will provide a business plan description for an organization that will sell coffee to change the world, one small step at a time. The business presented, basically, will purchase, roast, and grind coffee to sell in developed countries or developed regions of developing countries. The profit obtained from the sale of coffee will be used to fund microfinancing projects in regions of source countries where job availability is low and vulnerability to sex trafficking is high. Entrepreneurial ventures will be chosen based on local need in the source countries, and the allocated profits will be used to get the local business/trade started. The general aim would be to create jobs specifically for women in order to minimize their trafficking risk.

The business introduced will be called Small Part of Something Huge (SPOSH) Coffee, or The SPOSH Coffee Project. It will enable any individual with access to a local market of coffee consumers to convert coffee beans into the finished, bagged product and sell it for profit that will be given back to improve the global community. The business will also enable any consumer to join the fight against sex trafficking by simply buying something that they already buy. Each of the main components of a business plan will be discussed below.

### *Company Description*

SPOSH Coffee is a business entity committed to roasting and selling high quality coffee for lower prices than direct competitors. More importantly, it is a social entity committed to end the injustices, including sex trafficking, caused by poverty, one small step at a time. SPOSH Coffee will be based on a unique operating cycle concept that will be discussed in a following section.

SPOSH Coffee will require a small amount of initial capital. The only major equipment needed is an industrial coffee roaster and coffee grinder. SPOSH will also need a regular supply of green coffee beans from select locations, sealable bags for packaging the coffee, and printing labels. As the business grows, additional capital or accumulated profit will be needed to invest in additional roasters and increased amounts of supplies and inventory.

### *Company Formation*

SPOSH Coffee will operate as a limited liability company (LLC). This form of business is most appropriate for the company's mission and operation. The benefits of an LLC include protected assets, pass-through taxation, improved initial credibility, limited compliance requirements, flexible management structure, and relatively less restriction on ownership. The protection of assets is an attractive attribute for owners/members of the company, as their

personal assets will not be at risk. Also, there is no corporate level of taxation, meaning that more of the profit generated can be used to accomplish the company mission.

The disadvantages of creating an LLC include the expenses involved in formation and continued operation, the limited transferability of ownership, and the lack of precedent due to the newness of this business form. There are fees associated with the filing of documents required by the state upon formation. There are also some annual fees associated with the annual report and franchise tax. The fees are less hefty than corporate tax fees, and aren't generally a significant burden for small businesses. The limited transferability of ownership will also have minimal impact on the running of the business.

### *Operating Cycle*

Though SPOSH Coffee is considered a for-profit entity for accounting and legal purposes, its existence is a reaction to the need for social change. Traditionally, a business goes through the continuous cycle of buying materials, transforming these materials into sellable products, selling the products, and either using the profit obtained to reinvest in the business or to distribute to owners. SPOSH will use a modified operating cycle approach, called project planning, to more effectively and efficiently accomplish its mission. Each project will have a head coordinator and will be seen as an individual branch of business. The steps in the cycle are the following:

Step 1- Create an entrepreneurial plan for a region/people group in poverty.

Any person with a passion for poverty alleviation and a specific business idea that could produce sustainable income in an impoverished region can submit their idea to become a head coordinator. The head coordinator must produce a plan with specific,

measurable, achievable, realistic, and timely goals that map out the entrepreneurial venture in the specific impoverished region.

Step 2- Generate profit needed to implement plan.

Once the plan to create a business in an impoverished region has been completed, the head coordinator must raise the money needed to enact this plan. For as long as it takes to raise the amount previously decided, the head coordinator will sell SPOSH coffee in approved venues. The quicker the financial goal is reached, the better the original plan will match current conditions and need in the targeted area.

Step 3- Implement plan by providing the necessary financial and informational assistance.

When sufficient profit is attained, the head coordinator will be able to implement their plan in the targeted region. The way the microfinance approach of SPOSH Coffee differs from usual microfinance is the inclusion of microentrepreneurship. A monetary loan will be made in addition to the training needed to get the business started and sustained.

This project planning approach is an appropriate operating method for SPOSH Coffee due to the cost nature of the business. Because there are little to no fixed costs inherent in operation, the selling of coffee is necessary only to cover the costs of each batch and to meet the level of profit needed for each project. The allocation of profit to project will mimic the process of commission. Whichever head coordinator is responsible for the sale has claims to the profits derived.

***Operating Plan***

Head coordinators will be responsible for the production and selling of products. They will reserve time to use the roaster, request the amount of green coffee needed in pounds and proper packaging and labeling materials, and organize and complete the production and distribution process. Production consists of roasting the green coffee beans, grinding the roasted beans, and packaging and labeling the coffee bags. Head coordinators will be trained on proper equipment use prior to independent work.

***Market Analysis***

The market for coffee is large and already established. There are many brands that have already claimed a large amount of the market share like Starbucks, Dunkin Donuts, Gevalia, Green Mountain, Folgers, and Maxwell House. Quality-focused coffee producers like Starbucks and Dunkin Donuts are highly committed to providing freshness and unique taste, and cover the associated added costs with increases in price. Price-focused producers like Folgers and Maxwell House produce at the lowest cost possible so that they can sell at lower prices, while still producing coffee that is desirable to consumers. The competitive advantage that SPOSH aims to sustain is premium, fresh coffee for lower prices than the above quality-focused producers. The small-scale nature of the business and the reduction of fixed costs assumed allows for low prices to still turn over substantial profit levels.

***Marketing Plan***

The marketing strategy for SPOSH Coffee will parallel the project planning approach. The project head coordinator will be responsible for selecting venues and events to do their selling. A key entity for marketing focus will be churches. SPOSH Coffee hopes to be granted permission to speak and/or pray during weekly services at churches to spread the word and generate demand for the product. SPOSH Coffee will have a booth open to sell coffee at the end

of services or at subsequent events held on church property. Another target location to market and sell SPOSH products will be college campuses, as coffee is a product of high demand for college students.

Marketing with a project-focused approach creates an emotional appeal for SPOSH products. The head coordinator can provide potential consumers with situation-based details about how their purchase will help those in need. The target market of SPOSH Coffee is people that already buy coffee, so the aim isn't to convince them to start buying. The aim is to convince them to buy it from SPOSH, because they are getting what they want and simultaneously contributing to a compassionate global cause.

SPOSH will also keep a detailed website running to provide details about projects that are currently in progress and ones that have already been completed. The website will be an opportunity to prove to current and potential customers that SPOSH is making a global and local impact. Each coffee bag label will be marked with a project name so that customers can find the project online and follow its progress.

### ***Future Growth Opportunities***

The idea behind The SPOSH Coffee Project can be applied to industries other than coffee. Any for-profit business can carry out their operations and use profits to fund microfinance and microentrepreneurship projects. Selling bags of coffee is an easy way to start because of the low level of initial capital needed and low regular cost levels. It is also a business that can be carried out in addition to a salaried career, cutting the costs of payroll. However, a coffee shop that serves the produced coffee, a bakery, or a craft store could be other potential areas of growth for SPOSH Coffee to continue carrying out its mission. A benefit to these types of businesses is that they could employ rescued victims of sex trafficking or individuals

previously stuck in poverty. This opportunity for steady employment could be another small part of the positive global difference SPOSH aims to foster.

### ***Overcoming the Limitations of Microfinance Projects***

A glaring weakness in the implementation of microfinance projects is the lack of customer base for businesses started in areas of poverty. People under the poverty line that do not have enough money to provide for themselves and their families obviously do not have enough money to start their own businesses. The loans offered through microfinance solve this problem by providing start-up capital. However, the people in the local community are most likely suffering from the same problem. They will not have money to pay for the product or service that the start-up business is trying to provide. This general lack of financial resources makes business sustainability impossible.

SPOSH Coffee would attempt to tackle this obstacle by encouraging groups of head coordinators to plan their projects in the same geographical area, but in different industries. The SPOSH projects would establish basic businesses with the potential to meet multiple local needs, and would encourage the initiation of patterns of exchange. The key here is that a shift of wealth from the area the coffee is being sold to the area that the business is being started will create sustained improvement through continual local exchange.

### ***Conclusion***

Sex trafficking is a horrifying social injustice that is partially allowed by and supported through the depth of poverty. The SPOSH Coffee Project business plan aims to attack social injustice at its roots, one region and micro-economy at a time. The implementation of microfinance projects in regions that lack initial resources is an avenue to enable individuals in struggling economies to continually provide for themselves. SPOSH Coffee hopes to

strategically provide a means and a method for financial independence in struggling areas through the application of situation-based planning and provision. SPOSH will purchase raw coffee from global suppliers, roast and bag it, market and sell it to coffee consumers, and use the profit to invest in understanding and compassionate solutions to the global issue of poverty and the social injustices it gives rise to.

### Conclusion

At this very moment, there are millions of enslaved women being sexually exploited for the profit of the coldhearted. In this same moment, there are millions of people without knowledge of this global horror, and even worse, millions that know of it and do nothing about it. Elie Wiesel, a Holocaust survivor and Nobel-Prize winning author for his memoir *Night*, once said, “We must always take sides. Neutrality helps the oppressor, never the victim. Silence encourages the tormentor, never the tormented”. Sex trafficking is a rampantly expanding criminal enterprise with developed networks and high prospective rates of revenue, making it a strong machine that is hard to shut down. There are many suggested plans of attack and many organizations that are currently devoted to seeing an end to sex trafficking. However, the problem is growing quickly with time, proving that efforts against it must improve and grow even quicker.

Most current efforts and patterns of reason that fight sex trafficking, despite the good intentions that back them up, are inadequate for one key reason: they do not display a complete understanding of the problem. A solution that only addresses one facet of a complex problem will have little to no positive influence, and may even create a deeper problem. Sex trafficking is sustained by a complex web of economic, social, cultural, political, psychological, geographic, and legal factors. Expertise in all these fields and their interaction is not attainable for any one individual or organization, but sex trafficking can be most directly defined in economic terms.

The system of sex trafficking involves the acquisition of women to be exploited, the transportation of these women to the location of exploitation, and finally the exchange of sexual services for some type of monetary compensation. Women that are trafficked into the system represent the supply component, and women continue to be available to traffickers primarily due to poor local economic conditions, cultural factors, and vulnerability to deception. The male

desire for cheap sexual services represents the demand component. Traffickers, brothel owners, and pimps represent the intermediaries that make the service available to the market. The forces that drive the sex trafficking system very closely parallel the forces that drive economic theory.

Considering this, the most effective solution should be economically based. In addition, it should be adaptable to the globally varying social, cultural, political, psychological, geographic, and legal settings. The most successful solution, as Siddharth Kara presents in his final chapter of *Sex Trafficking: Inside the Business of Modern Slavery*, would involve global collaboration that significantly increases the penalty for traffickers and johns, provides victim relief and support, and raises awareness for women at risk in poor economic environments. Though this type of international effort is ideal in theory, the likelihood of international cooperation is limited.

Organizations that currently operate to provide victim relief and assistance are highly honorable and necessary. The same goes for movements to raise the penalties for traffickers and johns. However, both of these goals are reactive to the issue at hand. They may be successful in reducing or reversing the effects and aftermath of sex trafficking, but have proven to be ineffective in reducing and reversing the conditions that initially give rise to the injustice. The majority of women trafficked into the market come from regions with poor economic conditions and limited work opportunities. In these areas, women are willing to relocate for the promise of work, are more vulnerable to the deception of traffickers, and often times, experience pressure from their families to financially contribute when the opportunity arises. Considering this, the best way to proactively attack the sex trafficking market is to create opportunities to lessen the depth of poverty in areas where women are at risk.

Microfinance is a system of providing loans to individuals with the ability to earn sustainable income, but lacking the resources to initiate the process. Microfinancing projects can

provide the opportunity needed to reduce the ease of supply of women into the sex trafficking market. The implementation of microfinance projects in regions with poor economic conditions and minimal resources can provide an opportunity for members of the local community to create and sustain businesses that meet local needs and provide steady generation of income.

Implementing multiple microfinance projects in the same region can create the circular flow of economic activity that is needed to sustain multiple industries and businesses.

Microfinance projects are a great match for the problem of sex trafficking because they are adaptable to local conditions. Businesses and trades can be started that match the needs of the local community, and the policies that guide them can be created to meet cultural, political, and legal demands. Intensive research would be needed to find out what kind of business could continually operate successfully, what kind of resources that locals will need to carry out the decided business, and the extent of training needed to get started.

Economic globalization has provided a means for vast improvement in technology and movement, and has also maximized quality and cost efficiency of products and services. However, the state of the global market has created the same opportunities for easy movement and cost efficiency for those willing to exploit. The qualities and results of microfinance projects have the power to shut down these opportunities in the regions where implemented. Creating jobs and steady income for individuals and families living under the poverty line in turn creates less desperateness for income. This proactive approach of lessening the depth of poverty in targeted regions will narrow the window of opportunity for traffickers.

Sex trafficking is an international machine that is energized by a consuming desire for profit and sustained by the willingness to strip others of their basic rights to life and liberty. Current efforts to fight it, which focus on victim aid and increased punishment for perpetrators,

are like efforts to reverse the processes of the machine. While these efforts are commendable, they would not be needed if the machine were to be turned off. The most effective method to shut down sex trafficking involves eliminating the conditions that allow for its occurrence.

Sex trafficking is the third leading underground market in both size and growth, closely trailing illegal weapons and drug dealing. The atrocity of the sex trafficking market far exceeds that of any other, in that millions of women are forced to give up their freedom and bodies to profit the very ones that rob them of these things. The patterns of slavery have paralleled the morphing of economic environments since the beginning of time. Sex trafficking has epitomized on the downfalls of globalization and has capitalized on the traces of greed and lust inherent in human nature. The door of opportunity to fight for justice and pursue compassionate action is wide open, and a solution that is understanding of the problem is ready. Are you?

### **Appendix A: The Love and Justice of Christ**

The book of Exodus begins with a new ruler coming into power in Egypt that had no concern for God's people. The new authorities in Egypt put slave masters over all of the Israelites in the land, and they were ruthlessly forced to daily perform physically demanding labor. God was troubled by the desperation of His people, and He responded to their cries by sending Moses to liberate them. God first called out to Moses while he was tending to his sheep by setting a bush on fire and not letting the bush burn up. Moses was perplexed by the strangeness of this phenomenon, so he approached the bush and then heard God calling out to Him. In Exodus 3:7-10, God says to Moses, "I have indeed seen the misery of my people in Egypt. I have heard them crying out because of their slave drivers, and I am concerned about their suffering. So I have come down to rescue them from the hand of the Egyptians and bring them up out of that land into a good and spacious land, a land flowing with milk and honey... So now, go. I am sending you to Pharaoh to bring my people the Israelites out of Egypt."

Though the process was full of hardship and tragedy, and Moses did not initially believe that God could use a man like him to fulfill this mission, the Israelites were eventually delivered from the hand of their oppressors. Sex trafficking is a breed of slavery much different from that of the Israelites under the Egyptian rule. Women are taken from their homelands and forced to provide sexual services, where the profits derived end up in the dirty hands of their persecutors. Each woman that is ensnared in this modern system of slavery is a child of God, and He hears their cries for deliverance today just as He did the Israelites. There are many people and organizations dedicated to putting an end to sex trafficking, a reaction to God's call for us to fight for justice. However, the intensity and reach of sex trafficking is growing, and efforts against it are not growing accordingly.

Just as God spoke to Moses about fighting for the justice of His people through a burning bush, He speaks to us today through His holy word and through world situations. Moses took the time to notice and respond to the burning bush. As a result of his obedience to God, an entire population was released from the snare of slavery. Christians in developed nations are hindered by their busyness and are distracted by society's definition of success and achievement. Society is screaming loud about the promises of money, power, and fame, and it is easy to be diverted from God's call to love and to fight for justice. There are bushes burning everywhere, but few notice them. Injustice is reigning on an international scale, and Christians are busy checking items off their to-do list.

There is only one place in the Bible where God is actually astonished by human behavior. Isaiah 59 speaks about the pattern of God's people choosing to walk in darkness and ignore the call to fight for those unable to fight for themselves. Isaiah 59:15-16 says, "Truth is nowhere to be found, and whoever shuns evil becomes a prey. The Lord looked and was displeased that there was no justice. He saw that there was no one, He was appalled that there was no one to intervene." God could feel the same way about the indifference that exists today towards injustice.

Galatians 6:2 says that those who follow Christ are to carry the burdens of their brothers and sisters beside. The world says to fight for yourself and to follow your dreams, but Christ says to fight for others and to follow His heart. Millions of women have been brought into the darkness and are beaten and abused there daily. Millions of people with the resources and power to stop this brutality hear the horror stories and do nothing. The reality of the evil that exists in our world is overwhelming and disheartening, but this is no excuse to ignore it. The absence of action against evil implies a sense of acceptance, and acceptance only sustains the continuance of

the evil. Each woman that is trafficked for the sale of sex and each individual stuck under the poverty line is a bush burning with opportunity to fight for justice, a reminder of God's love that we have been given to share. Moses was rewarded for his obedience when God stood with him and fought with him. God has proven that He will stand with those that follow Him. He will fight with those who pray for His Kingdom and its values to rule on Earth and dedicate their lives to see it followed through.

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