

# Iranian Fuel Crisis: The Impact of Manufacturing on Modern Slavery

## Introduction to the Iranian Fuel Crisis

The ongoing conflict involving Iran has significantly impacted the global energy market, with knock-on effects felt across Asia. As highlighted by the [Council on Foreign Relations](#), the war has contributed to heightened volatility in oil supply and pricing, creating 'energy chaos' in the region.

A key issue is the disruption to energy supplies, particularly through the Strait of Hormuz – a critical transit route for global oil flows. While many Asian economies do not rely directly on Iranian oil, they depend heavily on imported energy from the wider Middle East. When oil supplies are disrupted, fuel prices rise, contributing to inflation and making everyday expenses more costly, straining household budgets. Higher transport costs also increase food prices, disrupt daily commutes, and reduce access to essential services, particularly in urban areas. As businesses struggle with increasing operational costs, this can slow economic growth and even lead to job losses.

## Overview of Manufacturing in Asia

The surge in fuel prices has severely disrupted supply chains for manufacturers across Asia, increasing energy and raw material costs. Many businesses depend on stable and affordable energy for their operations, and the surge in prices is placing significant pressure on their profit margins, forcing reassessment of production, sourcing, and supplier relationships. Industries such as textiles, electronics, and automotive are particularly at risk. Furthermore, petroleum products are crucial for the production of plastics and other essential components, making their availability increasingly vital. The costs of transporting finished goods have also risen for both truck and ship deliveries to markets.

To offset these higher expenses, companies may raise prices, delay investment, or shift sourcing to lower-cost suppliers, decisions that can introduce operational and supply chain risks and contribute to economic growth. At the same time, inflation also erodes consumer purchasing power, thereby adversely impacting overall economic activity. As businesses grapple with the necessity to hike prices to manage these additional burdens, they face the dual risks of slower demand and an economic slowdown.

## Examples of the Impact of the Fuel Crisis on Manufacturing:

Early signals across Asia highlight how rising energy costs are affecting manufacturing:

- In Bangladesh, the textile industry is facing production constraints due to rising fuel prices. According to [The Business Standard](#), factories have been impacted by load shedding, while energy-related costs have risen by around 20%. These pressures are affecting the production timeline and exports.
- India's automotive sector faces headwinds as rising fuel prices and supply chain pressures create a cautious outlook, as reported by [The Economic Times](#) and [Investment Guru India](#). Rising fuel costs are also dampening consumers' demand.
- Vietnam's electronics manufacturers are facing increased operational costs. [Reuters](#) and [S&P Global](#) report fuel-driven inflation at multi-year highs, affecting their competitiveness.
- The rising fuel costs have increased transportation fees in Indonesia. [The Jakarta Post](#) and [ITC Asia](#) report surcharges rising significantly, with some airfares up 38%, affecting the delivery of essential goods.

- In Taiwan, high energy costs are driving production cost increases and bottlenecks in the semiconductor sector, according to [S&P Global](#), with implications for global supply chains for the electronics and automotive industries

### Increased Risk of Modern Slavery

As the cost of manufacturing increases, some manufacturers may face rising operational pressure that can unintentionally compromise labour standards. Major indicators of modern slavery relevant to the context of this fuel crisis include forced labour, deceptive recruitment practices, poor working conditions, unpaid wages, excessive working hours, and vulnerability of workers. Migrant workers are especially vulnerable. They might accept low-paying jobs with poor working conditions just to survive, making them susceptible to exploitation.

Economic pressure can also reduce consumer demand, leading to unstable employment for workers. In struggling economies, individuals may be forced into exploitative work to make ends meet. The combination of economic pressure and vulnerability creates conditions where modern slavery can thrive in the manufacturing sector.

### Recommendations for Mitigating Disruptions

During the period when the Iranian Fuel Crisis persists, manufacturers should consider the following actions:

- **Maintain Fair Labour Practices Under Cost Pressure:** Adopt the [International Labour Organization Indicators of Forced Labour](#) framework and link wage floors to local inflation indices to prevent real wage erosion, while ensuring fair wages, reasonable working hours, and safe working conditions across the supply chain.
- **Enhance Supply Chain Transparency:** Conduct regular third-party audits of their supply chains to identify and address any risks of exploitation, especially among vulnerable populations. Transparency in the supply chain allows consumers and employees to hold companies accountable for labour practices.
- **Reform purchasing practices and engage in Ethical Sourcing:** Prioritise sourcing from suppliers who adhere to ethical labour practices and avoid those that have expanded operations without proportional wage increases – a red flag for potential exploitation.
- **Support Worker Education and Training:** Invest in training programs that educate workers about their rights and provide skills development. Ensure training is accessible to migrant and contract workers who may be at higher risk of exploitation. Empowering workers can help them recognize exploitation and improve their employment prospects, reducing their vulnerability.
- **Collaborate with NGOs and Local Communities:** Partner with non-governmental organizations and local community groups that specialize in labour rights and support for migrant workers. These organizations can provide valuable insights and assistance in creating safer working environments.
- **Establish Grievance Mechanisms:** In line with the UN Guiding Principles on Human Rights ([Pillar III on access to remedy](#)), create accessible, trusted, and anonymous channels for workers to voice concerns without fear of retaliation, and ensure prompt investigation and remediation

As energy volatility reshapes the operating environment, manufacturers must balance cost, resilience, and responsibility. Those that integrate labour risk into decision-making will be better positioned to navigate disruption, maintain supply chain stability, and meet growing regulatory and stakeholder expectations.