



**EU CSDDD POSTPONEMENT: IMPLICATIONS FOR SOUTHEAST ASIAN
WORKERS' HUMAN SECURITY**

Celine Reyna Wuisan, Surya Tjandra
Atma Jaya Catholic University of Indonesia
Corresponding Author : celinewuisan.work@gmail.com

ABSTRACT

The EU Corporate Sustainability Due Diligence Directive (CSDDD) was first adopted in 2024. By imposing legal obligations on companies operating in the EU market, the CSDD aims to improve working conditions and safeguard human security beyond the EU borders, particularly in high-risk supply chains such as those in Southeast Asia. While the primary responsibility for human rights and security are with the respective Southeast Asian governments, many of these countries face enforcement challenges that limit effective protections for workers. The CSDDD's extraterritorial scope complements state obligations by legally requiring multinational corporations to undertake due diligence on their global supply chains. However, its recent postponement to 2027-2029 raises concerns about regulatory gaps and enforcement challenges. This paper analyzes the impact of the CSDDD delay on human security in Southeast Asian supply chains, including how it impacts the leverage of local workers, trade unions, and NGOs in holding multinational corporations accountable. This paper uses a comparative and descriptive legal analysis of the CSDDD's drafts and amendments, case studies from Indonesia and Vietnam, and stakeholder perspectives from NGO reports and trade union statements. The regulatory postponement poses a threat to human security in critical Southeast Asian industries. In conclusion, the delay in the CSDDD's implementation risks stalling critical progress towards a sustainable and ethical global supply chain. To address this regulatory gap, interim solutions including bilateral cooperation, enforceable contractual protections, and stakeholder engagement mechanisms are needed to protect vulnerable workers and enforce corporate accountability.

Keywords: Corporate Sustainability Due Diligence Directive (CSDDD), Human Security, Southeast Asian Supply Chains, Corporate Accountability



A. INTRODUCTION

The concept of human security emerged after the Cold War as a framework to reconceptualize security beyond the traditional state-centric and military-focused paradigms (Kadarudin, 2018). The modern concept of human security places individuals at the center of security concerns, emphasizing protection from both direct physical violence and systemic threats. Unlike traditional security which mostly focuses on territorial integrity and national sovereignty, human security addresses threats to individuals' fundamental rights including economic, food, health, environmental, personal, community, and political security and rights (Alexander Gilder, 2021). This multidimensional understanding has been linked with international human rights law and labor standards, recognizing that ensuring safe working conditions is fundamental to secure human dignity and preventing exploitation in the global supply chains.

Global supply chains are important drivers of global economic growth and connectivity. They also significantly affect labor markets in both developed and developing countries, driven by the widespread and consistent demand globally which requires a massive amount of labor to be involved. In Southeast Asia, sectors such as apparel and palm oil have experienced significant growth due to increasing international demand and the integration of the Southeast Asian market into the global production network. However, the rapid growth of the global supply chains also brought several issues, including labor, human rights and security.

Research consistently highlights that human rights violations, including forced labor, child labor, excessive working hours, and unsafe working conditions, are prevalent in supply chains across Southeast Asia. Workers in developing nations are particularly vulnerable since their economy largely relies on labor-intensive industries that depend on low-cost labor to minimize company's expenses (Vallabh Verma, et.al., 2025). These regions, including Southeast Asia, frequently have weak legal systems to safeguard labor's rights, even when adequate labor laws exist, limited enforcement capacity allows exploitative practices to persist (Vallabh Verma, et.al., 2025).

For example, studies on the apparel manufacturing industry have linked poor labor conditions and safety risks to major supply chain incidents, such as the Rana Plaza disaster (Anne Trebilcock, 2020), with similar structural issues persisting in Southeast Asia's



garment sector. On the other hand, the palm oil sector in Southeast Asia, primarily in Indonesia and Malaysia, is one of the largest global agricultural supply chains, but has been consistently linked to labor rights violations (Hans Nicholas Jong, 2020). Recent research highlights widespread exploitation, including forced labor, hazardous working conditions, unrealistic high production quotas, health and safety risks and lack of freedom of association within plantation facilities (Fair Labor Association, 2022).

International labor law plays an important role in the implementation of the human security concept by setting minimum standards to protect workers from exploitation, unsafe working conditions, forced labor, discrimination, and denial of collective rights. These protective norms are also regulated under International Labour Organization (ILO) conventions, such as those on forced labor (No. 29 and No. 105), freedom of association (No. 87 and No. 98), and occupational safety and health (No. 155). These labor rights also co-exist with human rights obligations regulated under the Universal Declaration of Human Rights (UDHR) and the International Covenant on Economic, Social and Cultural Rights (ICESCR).

Although supply chains in Southeast Asia face labor and human rights challenges, recent regulatory efforts at the international level seek to address these systemic issues. The European Union's Corporate Sustainability Due Diligence Directive (CSDDD) was first adopted in 2024 and it establishes mandatory due diligence obligations which were designed to prevent, mitigate, and account for human rights and environmental impacts in companies' operations and value chains (European Commission, 2024). The Directive specifically targets EU companies and large non-EU companies active in the European market, which will require them to implement due diligence processes across their subsidiaries and business partner's operations.

The Directive outlines due diligence process, aligned with the OECD Due Diligence Guidance for Responsible Business Conduct, which include six steps: integrating due diligence into corporate policies and management systems, identifying and assessing human rights impacts, preventing, ceasing or mitigating such impacts, monitoring effectiveness, communicating publicly on due diligence actions, and providing remediation where harm occurs (Directive (EU) 2024/1760 of the European Parliament and of the Council, 2024). Member States are required to adopt the Directive into their national



legislation by 26 July 2027, with staggered deadlines applying due to company size and economic thresholds. The compliance phase-in begins in 2028, with a final full application expected by 2029. Larger companies with more than 5.000 employees and turnover exceeding €1.5 billion in the EU must comply from 2028, followed by other categories with phased timelines (Cyber Risk GmbH, 2024).

However, there were legislative amendments and official “stop-the-clock” postponement decisions were taken in early 2025 to simplify reporting requirements and extend preparation timelines. On 3 April 2025, the European Parliament endorsed a one-year postponement for the transposition deadline and delayed the start of mandatory due diligence for the largest companies to 2028, pushing some compliance timelines further through 2029 and beyond (John Verwey, et. al., 2025). This delay aims to reduce administrative burdens and allow companies more time to adapt to the new regulatory landscape (Simon Toms, et. al., 2025). Despite its pragmatic intent, several stakeholders have expressed concern that the postponement risks prolonging a regulatory gap during which exploitative labor practices can continue to occur without adequate international oversight (Global South Joint Statement on the EU Omnibus, 2025).

Given the persistence of labor rights violations within Southeast Asia’s critical supply chain sectors and the international community’s efforts to address these challenges, this paper aims to analyze the specific impacts of the EU CSDDD delay on human security and labor rights protections in the region’s apparel and palm oil industries. The paper intends to evaluate how the postponement may extend regulatory gaps that risk enabling ongoing exploitative labor practices, with a particular focus on the leverage local workers, trade unions, and civil society organizations have in holding multinational corporations accountable.

B. METHOD

This research uses a comparative and descriptive legal analysis to understand the implications of postponing the CSDDD for labor’s human security in the Southeast Asian supply chains. This paper uses a normative legal approach supported by qualitative documents from reports and policy documents. Through this approach, this paper seeks to identify how the delay in implementing the CSDDD affects existing legal protections for



workers and the mechanisms for corporate accountability in the high-risk industries, including palm oil and apparel.

The analysis in this paper will use a doctrinal analysis of the CSDDD's substantive provisions by examining the texts, amendments, and postponement decisions as issued between 2022 and 2024. Additionally, this paper will also use a comparative legal analysis of Indonesia and Vietnam, as two key EU trading partners. These countries were chosen for their economic significance, high labor dependence, and commitments to labor and sustainability standards through trade and investment frameworks, such as the EU-Vietnam Free Trade Agreement and voluntary initiatives in Indonesia.

This paper uses both primary and secondary data. Primary sources include the CSDDD draft texts, legislative reports from the European Parliament and Council, and relevant labor regulations from Indonesia and Vietnam. These data are also complemented by secondary materials including academic papers, NGO and trade union position papers, policy reports, and other online reports, as well as case studies concerning corporate conduct in Southeast Asia.

This study is limited by its reliance on documentary sources and secondary data, as no empirical fieldwork or direct interviews are undertaken. Additionally, given the ongoing legislative evolution of the CSDDD and its future transpositions, the analysis reflects conditions up to 2025 and may require future updating.

C. DISCUSSION

C.1. Corporate Sustainability Due Diligence (CSDD): Evolution, Objectives, and Normative Scope

The CSDDD represents a milestone in the European Union's regulatory effort to integrate human rights and environmental responsibility into companies' corporate governance. The Directive reflects a progressive transformation in international business and human rights regulation, which previously was in the form of voluntary Corporate Social Responsibility (CSR) models. The CSDDD mandates that companies within the EU and large companies operating within the EU market conduct assessment of human rights and environmental risks throughout their global value chains (Nicolas Bueno, et. al., 2024).



The origin of the CSDDD can be traced to ongoing global efforts to strengthen the accountability of multinational corporations for crossborder human rights and environmental harms. National precedents like the 2017 Duty of Vigilance Law in France and the 2023 Supply Chain Due Diligence Act (Lieferkettengesetz) in Germany, set the stage for the Directive by imposing mandatory obligations on large companies to prevent violations and mitigate risks along their supply chains (Sabela Gonzalez Garcia, 2023). However, fragmented national regulations created inconsistencies across Member States, pushing the European Commission to propose a harmonized framework in February 2022. After several negotiations

between the Council, Parliament, and Member States, the Directive was formally adopted on May 24th, 2024 (Sabela Gonzalez Garcia, 2023).

Substantively, the CSDDD requires companies to integrate due diligence across their system following the OECD Guidance for Responsible Business Conduct. The Directive also establishes a dual enforcement mechanism, including administrative supervision by national authorities with the power to impose fines up to 5% of global turnover, and civil liability for damages when companies fail to take appropriate preventive measures (Selin Parlak de Oliveira Serra, 2025).

At the normative level, the CSDDD aligns with and operationalizes the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises by converting voluntary due diligence expectations into enforceable legal duties. By doing so, the “soft law” compliance model is moving towards a “command-and-control” approach to corporate accountability. The “hardening” of international business and human rights norms into formal legislation ensures that companies have direct legal obligation to identify and address impacts that occur anywhere in their supply chains (Parveen Morris, 2025).

There are several objectives of the CSDDD. First, the CSDDD is designed to ensure that business activities contribute to the EU's transition towards a climate-neutral and sustainable economy. Secondly, the Directive is also adopted to create legal certainty and uniformity for companies operating within the EU market. Thirdly, the Directive also strengthens the protection of human rights and the environment by addressing the root causes of systemic abuses in global commerce (Nicolas Bueno, 2024).



At its core, the CSDDD's regulatory framework addresses the need for improved human security protections within the global supply chain. By establishing a mandatory due diligence obligation, the Directive bridges legal gaps that exist due to fragmented national labor standards and regulations. Thus, the CSDDD is an important regulatory response to labor and human security challenges in Southeast Asian supply chains. The Directive's evolution and delayed enforcement period are therefore intrinsically linked to the future prospects for human security, making it imperative to consider interim protections until the new legal framework is fully operational.

C.2. EU's Extraterritorial Regulatory Reach and Its Implications under Public International Law

The CSDDD exemplifies the growing trend of extraterritorial regulation, where domestic legal measures extend beyond a state's border and then impact the conduct of multinational companies worldwide. By imposing a mandatory due diligence obligation on companies operating within the EU market irrespective of the company's country of origin or incorporation, the CSDDD asserts regulatory jurisdiction over the global supply chain (Parveen Morris, 2025). This extraterritorial reach is justified by the principle that companies benefiting from access and demand of the EU market should uphold minimum human rights and environmental standards.

From the public international law perspective, extraterritorial regulation raises important questions about sovereignty, non-intervention, and the jurisdictional limits of states. Traditionally, international law respects the territorial sovereignty of states and limits the reach of one state's laws to its own territory. However, the principle of extraterritoriality has evolved to accommodate current global economic trends and activities (Adrian Hemler, 2025). The EU's application of due diligence obligations to non-EU companies operating in its market is aligned with accepted jurisdictional bases recognized under the international law.

Furthermore, the extraterritorial scope of the CSDDD complements countries' human rights obligations under international law, particularly where host countries in supply chains may lack sufficient enforcement capacity. The CSDDD does not supplant the primary responsibility of states to protect human rights within the territory but acts as a secondary



measure to prevent and redress abuses linked to business activities (Gabrielle Holly, 2024). This layered responsibility framework reflects emerging norms under the United Nations Guiding Principles on Business and Human Rights.

This extraterritorial application of the CSDDD has a huge implication for the Southeast Asian supply chain, which is integral to the EU's import-dependent industries such as apparel and palm oil. These sectors employ millions of workers across ASEAN countries and face challenges around labor rights, human security and environmental sustainability.

However, the extraterritorial application of the CSDDD also poses challenges and potential friction with other countries. Concerns have been raised by certain trade partners about regulatory overreach and the risk of conflicting legal obligations. The Directive's enforcement mechanisms must navigate these diplomatic considerations, ensuring that its extraterritorial application respects principles of international comity and promotes regulatory coherence (U.S. Chamber of Commerce, 2025).

Additionally, the postponement of the CSDDD's implementation creates a critical temporal gap during which the regulatory leverage intended to protect vulnerable workers is weakened. This delay risks perpetuating regulatory uncertainty and enforcement challenges in Southeast Asia, limiting the capacity of local labor groups, NGOs, and governments to utilize the CSDDD as a tool to advance human security and labor rights.

C.3. The CSDDD and Its Postponement

As mentioned before, the CSDDD was first formally proposed by the European Commission in February 2022 and subsequently adopted by the European Parliament and Council in May 2024. Following the Directive's adoption, the implementation of the CSDDD was originally scheduled for a transposition deadline of July 26, 2027, with phased compliance starting thereafter, culminating in full application by 2029 (European Commission, 2024).

However, a series of political debates and negotiations within EU institutions, member states, and industry groups led to amendments and official postponement decisions enacted in early 2025 (John Verwey, 2025). The delays, described by some as "stop-the-clock" measures, were introduced primarily to reduce perceived administrative burdens on



companies and to allow extended transition timelines for aligning complex international supply chains with the Directive's requirements (GEP, 2025).

The scope of the postponement affects enforcement and reporting timelines differently according to company size and sector risk profiles. The largest companies, defined as those with more than 5,000 employees and significant EU turnover, see the first compliance deadline move to 2028, while medium-sized firms receive a later deadline, which is through 2029 and beyond (Ecobio Manager, 2024). Key sectors such as apparel and palm oil remain subject to the Directive's full scope but face delayed mandatory due diligence enforcement. Moreover, transitional arrangements include extended grace periods for integrating due diligence into corporate management processes and adjusted reporting standards aimed at easing the initial compliance burdens (Kinstellar, 2025).

This postponement primarily impacts sectors most tightly bound to the global supply chain and recognized for higher risks of human rights or environmental abuses, such as textiles, agriculture, minerals, and electronics. These sectors often feature complex networks of suppliers across Southeast Asia, Africa, and Latin America. Both EU-based and non-EU multinationals operating in these industries who meet the size and turnover thresholds set by the Directive fall under the new timelines (Harald Strahberger & Florian Sesztak, 2025).

The postponement has sparked mixed responses from various stakeholders. EU institutions and some industry representatives defend the delay as a pragmatic step to ensure regulatory clarity and avoid overwhelming businesses during a period of rapid economic and geopolitical uncertainty. On the other hand, other stakeholders including NGOs, labor unions, and human rights advocates warn that the postponement risks undermining critical progress toward global supply chain accountability (Business & Human Rights Resources Centre, 2023). They highlight that the delay perpetuates regulatory gaps that allow ongoing human rights abuses, environmental harm, and exploitation in vulnerable regions to continue unaddressed. These stakeholders argue that the delay weakens the EU's potential leverage to induce systemic change in high-risk sectors and diminishes worker protections at a time when human security challenges remain acute in supply chains stretching into Southeast Asia and beyond (Business & Human Rights Resources Centre, 2023).



C.4. Human Security Risks in Southeast Asian Supply Chains

Southeast Asia's regional labor landscape is characterized by significant economic dynamics and a rapidly expanding workforce, but also faces vulnerabilities in high-risk sectors that are entwined in the global supply chain. Among the most prominent sectors are apparel, footwear, electronics, palm oil, fisheries, and mining (Jess Middleton, 2025). These are industries that attract substantial foreign investment due to their competitive labor costs and capacity for mass production. Countries such as Indonesia, Vietnam, Cambodia, Thailand, and the Philippines have emerged as production hubs, with Indonesia and Vietnam particularly notable for recent growth in wage and investment activity (APRIL International, 2025).

However, the attraction of Southeast Asia as a major destination for global supply chains is met by the region's exposure to systemic labor risks. Despite economic growth, enforcement capacity gaps persist across much of the region. Many governments face challenges in providing adequate oversight of labor standards, particularly in sectors where informal employment dominates and labor law enforcement is inconsistent (OECD, 2024). Regulatory oversight is frequently undermined by resource constraints, political pressures, and the complexity of transnational production networks that make it difficult to monitor working conditions along the entire supply chain.

These high-risk industries often rely on informal labor arrangements, subcontracting, and outsourced production, which collectively drive cost efficiencies but can contribute to the prevalence of labor abuses such as wage theft, excessive working hours, unsafe working environments, and restricted freedom of association (Luisa Lupo & Anil Verma, 2020). Labor inspection regimes are typically under-resourced, and in some countries, official labor inspections remain infrequent or focused only on larger export-oriented factories, leaving smaller suppliers and informal workplaces unchecked. For example, Indonesia exemplifies these challenges, with only 1,470 labor inspectors responsible for nearly 60 million formal workers as of 2024, far below the ILO-recommended ratio of one inspector per 20,000 workers (Faizal Air P Nasution, et. al., 2024). This shortage means many companies escape routine inspection, especially in major industrial provinces and remote areas. Furthermore, inspectors often lack specialized training, and intergovernmental coordination between central and regional authorities suffers



from policy misalignment, compounded by inadequate operational budgets and political interference at the local level (Faizal Air P Nasution, et. al., 2024).

Furthermore, a sizable portion of the workforce is not protected by written contracts, social security, or collective bargaining agreements, further exacerbating vulnerability, especially among migrant workers and women (Arisman & Ratnawati Kusuma Jaya, 2018). Weak union capacity is compounded by fragmented industrial relations, political interference, and the lack of institutional support for collective bargaining. The result is a workforce that struggles to advocate for improvements, access grievance mechanisms, or mount effective resistance against abuse, perpetuating power imbalances and undermining labor security.

Transnational production networks and accountability barriers further complicate effective protection. Global supply chains involve multiple tiers of suppliers operating across jurisdictions with divergent regulatory requirements. Complex subcontracting arrangements dilute employer responsibility, making it difficult to trace abuses and enforce meaningful accountability (Barnabas Ishaya, et. al., 2025). Reliable oversight and remedy mechanisms are hampered by limited integration of small and medium enterprises (SMEs) and information silos between companies, suppliers, and governments.

The enforcement capacity gaps in Southeast Asia contribute to the risks for workers in these globalized sectors, maintaining an environment where human security concerns remain acute (Asian Development Bank Institute, 2024). Without robust oversight and effective grievance mechanisms, the continued expansion of high-risk industries in the region perpetuates labor exploitation, making the implementation, timing, and rigor of international regulatory interventions such as the CSDDD all the more vital for advancing worker protection and human security in Southeast Asian supply chains.

These structural and regulatory challenges fundamentally interact with the core dimensions of human security, including economic, personal, and labor security. First, human security embodies a framework that includes economic, personal, and labor security, each of which plays a critical role in safeguarding the well-being of workers (United Nations, 2016). Within the context of Southeast Asian supply chains, corporate practices significantly influence these dimensions, often exacerbating vulnerabilities faced by workers, particularly as regulatory enforcement lags. Understanding the nuanced ways in



which economic, personal, and labor security are impacted by corporate behavior is essential to comprehending the broader human security implications of delaying the enforcement of the EU CSDDD.

Secondly, economic security is a fundamental aspect of human security, which entails the assurance of stable income and access to vital resources necessary for an adequate standard of living. In industries such as apparel manufacturing and palm oil production, the prevalence of low wages, irregular payments, and precarious work conditions limits the workers' ability to sustain themselves and their families (Fernando T. Aldaba & Dino Carlo A. Saplala, 2016). Corporate policies that prioritize cost minimization frequently lead to employment terms devoid of social protections, contributing to persistent poverty and economic fragility among workforces already situated at the margins of formal economic structures (Fernando T. Aldaba & Dino Carlo A. Saplala, 2016). The postponement of the CSDDD's legal framework effectively delays the imposition of binding obligations for companies to implement fair wage practices and transparent remuneration policies throughout their supply chains, perpetuating economic insecurity within these labor markets.

Thirdly, personal security is also compromised by entrenched unsafe working environments and exploitative labor practices among suppliers to multinational corporations. Workers in Southeast Asia regularly confront occupational hazards, excessive work hours, and workplace violence or harassment, conditions sustained by inadequate monitoring and fragmented accountability across multinational value chains (The Directorate General of Labour Inspection and Occupational Safety and Health, 2022). Corporate negligence or insufficient due diligence processes exacerbate these risks, denying workers fundamental protections of safety and dignity. The deferred enforcement of the CSDDD postpones the introduction of robust, legally binding corporate responsibilities to prevent these violations, limiting progress toward safer workplaces and meaningful psychosocial protections.

Fourth, labor security still remains fragile in many Southeast Asian contexts. Structural and institutional barriers, including restrictive legal frameworks, employer resistance, and limited union capacity, curtail agencies of workers and undermine collective action (Michele Ford & Michael Gillan, 2017). Moreover, the fragmented nature of supply



chains and the reliance on subcontracting arrangements dilute workers' bargaining power and obscure employer responsibility. The CSDDD's due diligence requirements aim to reinforce labor security by compelling companies to actively identify and address violations of labor rights and to engage constructively with affected stakeholders, including trade unions. The Directive's postponement consequently extends periods during which workers remain vulnerable to rights infringements without enforceable corporate accountability or effective remedial channels.

Taken together, these related dimensions of human security illustrate the challenge Southeast Asian workers face as corporate practices, unmitigated by due diligence enforcement, cycles of economic deprivation, physical risk, and limited labor empowerment. The delay in implementing the CSDDD thus represents not only a regulatory postponement but a tangible postponement of enhanced protections essential for advancing human security in global supply chains. This complex interplay underscores the urgency of timely regulatory action complemented by interim protective measures to redress entrenched vulnerabilities and uphold workers' fundamental rights and dignity.

C.4.1. Case Studies: Indonesia and Vietnam

C.4.1.1. Indonesia

Indonesia's position in global supply chains is both prominent and problematic for worker human security, with the country serving as one of the world's largest producers in sectors such as palm oil, apparel, and electronics. These industries have been repeatedly flagged for labor rights deficits and structural weaknesses that pose significant risks to the well-being of millions of Indonesian workers.

Employing over 16 million workers directly and indirectly (Anton Santoso, 2025), Indonesia stands as the world's largest palm oil producer, supplying roughly 60% of global demand. Yet, its labor market is highly informal and fragmented, with an estimated 70% of plantation workers employed on casual or temporary contracts without social security or formal employment protections (Amnesty International, 2016). These workers often face substandard wages, hazardous working conditions, and restricted freedoms, including documented cases of forced labor and child labor.

A 2021 study by ELSAM reported that over 80% of palm oil workers lacked written



contracts, while many were exposed to unsafe chemical handling and insufficient occupational health and safety training. Additionally, access to judicial remedies remains minimal due to geographic and bureaucratic barriers, perpetuating cycles of unaddressed labor violations (Rully Sandra, et. al., 2021). Furthermore, women constitute a sizable percentage of the labor force, particularly in harvesting and processing. However, they disproportionately face gender-based discrimination, low wages, and limited access to union representation.

Secondly, Indonesia's garment sector employs approximately 3 million workers, with a workforce heavily skewed toward female labor. Despite government initiatives such as the Better Work Indonesia program, which aims to improve workplace compliance, non-compliance in labor standards remains widespread (BetterWork, 2022). In 2024, over 35% of inspection visits highlighted poor occupational safety, excessive overtime, and inadequate contract clarity (The Directorate General of Labour Inspection and Occupational Safety and Health, 2022).

The sector also features widespread use of subcontracting and informal job arrangements, it is estimated that up to 50% of garment workers do not have formal contracts, amplifying their job insecurity. Women garment workers face additional vulnerabilities, including sexual harassment and wage disparities (Nabiyla Risfa Izzati, 2021). Despite some union presence, union density remains under 5% in many manufacturing zones, reflecting limited worker voice and collective bargaining power (Trade Union Advisory Committee to the OECD, 2025). This weak unionization undermines workers' capacity to negotiate better wages and conditions, while weak enforcement of minimum wage laws leads to persistent wage suppression.

Indonesia's labor inspection system is markedly understaffed, with just 1,470 labor inspectors responsible for a workforce exceeding 60 million formal employees (Faizal Amir P Nasution, et. al., 2024). The high caseload and uneven distribution result in infrequent and often superficial compliance checks. Moreover, labor laws permitting extensive use of outsourced and contract workers, combined with political ambivalence towards unionization, further dilute labor protections. Research indicates informal employment may account for over 80% of total employment, exacerbating workers' marginalization and lack of social protections.

The postponement of the EU's CSDDD enforcement critically affects Indonesian workers' human security. Without the Directive's extraterritorial legal pressure, Indonesian labor law reforms risk failing to meet international standards, allowing multinational corporations to delay implementing robust due diligence and accountability mechanisms. This regulatory gap prolongs entrenched worker vulnerabilities, including wage insecurity, unsafe working conditions, and limited collective bargaining capacity. As transnational corporate responsibility remains voluntary or partial, informal workers, migrant laborers, and subcontracted employees are left unprotected, perpetuating cycles of exploitation.

C.4.1.2. Vietnam

Vietnam has rapidly ascended as a critical hub within global supply chains, driven by a labor-intensive manufacturing sector characterized by relatively low costs, strategic geographic positioning, and expanding export infrastructure. By 2025, manufacturing and construction sectors employed approximately 17.5 million people (Vu Nguyen Hanh, 2025), constituting 33.4% of the national workforce, with Vietnam ranking among the top ASEAN countries for industrial competitiveness and labor productivity growth.

The garment and textile industry remains a cornerstone of Vietnam's export economy, employing over 2.5 million predominantly female workers in centralized industrial zones (Embode, 2018). Despite regulatory enhancements, including strengthened labor laws aligned with ILO standards, issues persist related to occupational safety, wage adequacy, and workers' rights to unionize. Recent labor inspection reports reveal that factories continue to face violations such as unpaid overtime, inadequate health and safety measures, and restrictions on collective worker participation.

Wage growth in the garment sector has been modest, with the Ministry of Labor and Vocational Training increasing the minimum wage to approximately \$380 per month for full-time regular workers in 2025 (Asia Floor Wage, 2024). However, many production-based wage systems mean that some workers earn less than this minimum, facing economic insecurity despite formal employment contracts. Additionally, high turnover rates due to modest pay and challenging working conditions contribute to workforce instability.

Vietnamese workers encounter multiple structural obstacles limiting the realization of their labor rights and human security. Although the legal framework seeks to ensure fair



wages, safe conditions, and freedom of association, enforcement remains inconsistent, especially in subcontracted and informal workplaces. The informal economy encompasses an estimated 60-70% of employment, complicating coverage by labor protections and reducing access to grievance mechanisms (Weixin Hu, 2025).

Moreover, the capacity for organized labor remains constrained. While the Vietnam General Confederation of Labor leads union representation, union density outside state-owned enterprises and large factories is low, limiting worker voice in shaping workplace policies. Barriers include limited union autonomy, hierarchical labor relations, and employer resistance, particularly in private export sectors (Dong Xuan Hieu, et. al., 2017).

Although Vietnam's palm oil industry is smaller compared to Indonesia and Malaysia, it has grown rapidly and faces comparable labor challenges, including precarious employment, exposure to health risks, and limited access to protective social benefits (Fair Labor Association, 2018). Migrant laborers and women in particular remain vulnerable to exploitation within fragmented supply chains.

The delay in implementing the CSDDD is acutely consequential for Vietnamese workers. The Directive's requirements for comprehensive supply chain due diligence and corporate accountability offer a critical avenue to address regulatory gaps and promote better labor standards in high-risk sectors. Postponement risks perpetuating systemic weaknesses by delaying harmonized enforcement and the empowerment of workers through legally backed due diligence processes. Multinationals sourcing from Vietnam may lack incentives or legal requirements to rigorously monitor and remediate labor rights abuses in the interim, thus sustaining worker vulnerabilities across economic, personal, and labor security dimensions.

C.4.2. Impact on Workers, Unions, and Civil Society

The delay in the full implementation of the EU CSDDD has significant repercussions for workers, trade unions, and civil society organizations, particularly in Southeast Asia's labor-intensive export sectors such as garment manufacturing and palm oil production (Industrial Union, 2025). These stakeholders are crucial actors in driving corporate accountability and advancing human security, but the postponement of the Directive undermines their leverage and protective mechanisms in multiple ways.



Workers, foremost, remain vulnerable to exploitative labor practices. For instance, in Indonesia's garment sector, where approximately 3 million workers are employed, ongoing risks include low wages, excessive overtime, unsafe working conditions, and precarious contract arrangements. The uncertainty created by the CSDDD's delay weakens corporate incentives to enhance labor protections and deepen compliance with international standards. Such postponement risks perpetuating insecure employment and unsafe workplaces, as the Directive's enforcement would have created binding obligations compelling companies to identify, prevent, and remediate such risks across complex supply chains. Vietnam's garment industry, which employs over 2.5 million workers, faces similar challenges: delays hinder the development of transparent wage systems, labor rights enforcement, and meaningful participation by workers in workplace governance, directly affecting human security outcomes.

Trade unions and worker organizations also bear the burden of regulatory delay. Although unions in Southeast Asia encounter persistent structural barriers, including legal restrictions, employer resistance, and limited capacities, the CSDDD was expected to strengthen their position by requiring companies to engage with workers and their representatives as part of mandatory due diligence processes. Through mandated dialogue and grievance mechanisms, unions may have gained increased bargaining power and the ability to hold corporations accountable for labor abuses. The postponement constrains these opportunities, potentially diminishing the influence of trade unions in pressing for improved working conditions and delaying formalization of grievance and remedy systems.

Civil society organizations, encompassing NGOs and human rights advocacy groups, act as essential watchdogs and intermediaries. These organizations support awareness-raising, capacity building, and exposing violations in supply chains, particularly in high-risk sectors where state enforcement is weak. The CSDDD's full enforcement was anticipated to bolster these efforts by increasing transparency requirements and mandating stakeholder engagement, providing NGOs with stronger legal grounding to challenge corporate impunity. The regulatory gap created by the delay reduces this leverage, allowing harmful practices to continue without sufficient public scrutiny or legal consequence (Global South Joint Statement on the EU Omnibus, 2025). Moreover, it delays the maturation of multi-stakeholder initiatives and collaborative frameworks necessary for

sustainable supply chain governance.

C.4.3. Transnational Measures and Policy Recommendations

The postponement of the EU CSDDD leaves a critical regulatory gap in protecting the human security of workers embedded in Southeast Asian supply chains. Despite this delay, there are viable transnational measures and policy recommendations that can mitigate adverse impacts and sustain progress toward ethical and human-rights-respecting global value chains.

A robust framework of bilateral and multilateral cooperation between the EU and Southeast Asian countries could enable more effective labor rights enforcement and regulatory alignment. Enhanced dialogue on labor standards, capacity building for labor inspectors, and exchange of best practices would support governance improvements. Leveraging existing trade agreements like the EU-Vietnam Free Trade Agreement (EVFTA) and dialogue mechanisms within ASEAN can facilitate harmonization of due diligence standards and improve cross-border enforcement cooperation. Multilateral forums such as the ILO's Decent Work Agenda and OECD initiatives for responsible business conduct should be actively engaged to promote shared commitments and technical assistance.

Given the prolonged delay in mandatory due diligence legislation, companies, especially lead firms in supply chains, should implement enforceable contractual clauses embedding sustainability and human rights standards. These contracts must extend obligations to direct and indirect suppliers, incorporating monitoring, reporting, and remediation requirements as integral conditions of business relationships. Such voluntary but legally binding agreements can serve to fill regulatory enforcement gaps and incentivize suppliers to maintain minimum labor standards. Industry-wide codes of conduct, supported by verification mechanisms like third-party audits, can amplify these effects.

To bolster worker protections, strengthening stakeholder engagement platforms that include workers, unions, employers, civil society, and governments is essential. Participatory approaches enable affected workers to voice concerns and contribute to due diligence processes, ensuring interventions are contextually relevant and more effective. The development and scaling of accessible, transparent grievance mechanisms can provide critical redress for labor rights violations and empower marginalized workers. These

mechanisms should be supported by capacity-building initiatives for unions and NGOs to enhance outreach and advocacy.

International donors, development banks, and private investors can play a pivotal role by channeling financial and technical assistance to strengthen labor standards in high-risk sectors. This support includes funding regulatory reforms, institutional capacity building, awareness campaigns, and social dialogue facilitation. The EU and member states could explore grant programs or preferential financing conditioned on compliance with sustainability benchmarks, fostering sustained improvements even before full CSDDD enforcement. Encouraging corporate uptake of environment, social, and governance (ESG) metrics aligned with due diligence expectations can attract sustainable investment flows, further reinforcing labor protections.

Civil society organizations should intensify monitoring of corporate conduct in supply chains and advocate for the timely implementation of the CSDDD. Building coalitions between international and local NGOs enhances the capacity to document violations, mobilize global pressure, and engage constructively with stakeholders for lasting reforms. Transparency initiatives, public reporting platforms, and media campaigns amplify awareness and incentivize corporate accountability, complementing formal regulatory regimes.

D. CONCLUSION

The postponement of the EU CSDDD presents a significant regulatory setback for advancing human security within Southeast Asian supply chains. The Directive was poised to be a transformative instrument mandating stringent due diligence obligations on multinational corporations, particularly in sectors like apparel and palm oil, which employ millions of workers under highly vulnerable conditions. The delay in its implementation not only prolongs regulatory uncertainty but also risks perpetuating the structural deficiencies that expose workers to persistent economic, personal, and labor insecurities.

The case studies of Indonesia and Vietnam vividly illustrate the entrenched challenges facing supply chain workers. Indonesia's palm oil and garment sectors remain plagued by widely informal labor arrangements, hazardous working conditions, pervasive wage insecurity, and limited collective representation—factors compounded by insufficient labor inspection

capacity and weak enforcement. Similarly, Vietnam's rapidly growing manufacturing and textile industries continue to face inadequate protections for workers due to inconsistent enforcement, subcontracting practices, and constrained union autonomy. Both countries exemplify the critical need for robust transnational regulatory frameworks that can complement and reinforce national labor laws.

Delaying the CSDDD deprives local workers, labor unions, and civil society organizations of a potent tool that could enhance their leverage in securing corporate accountability and improving labor standards. The Directive's extraterritorial scope represents a novel mechanism to bridge enforcement gaps arising from fragmented national systems and complex transnational supply chains. Its postponement risks re-entrenching power imbalances that render workers invisible and unprotected within global production networks.

In light of these findings, interim and complementary measures become imperative. These include enhancing bilateral and multilateral cooperation between the EU and Southeast Asian countries, promoting enforceable contractual protections within supply chains, strengthening participatory stakeholder engagement and grievance mechanisms, and mobilizing financial and technical assistance to build institutional capacity. Civil society's role in advocacy and monitoring remains indispensable to sustaining momentum toward ethical and sustainable supply chain governance.

Ultimately, timely and full implementation of the CSDDD is essential to holistically safeguarding the human security of workers in Southeast Asian supply chains. It manifests an urgent commitment to embedding human rights and environmental considerations into global corporate conduct, ensuring that economic growth does not come at the expense of human dignity and well-being. This paper underscores that the delay risks stalling critical progress toward sustainable and accountable global supply chains, with tangible adverse impacts on some of the most vulnerable labor populations worldwide.



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