
DUBIOUS TRADE & CORPORATE CONNECTIONS:

MORAL IMPERATIVE VERSUS ACADEMIC SILENCE

INTRODUCTION

Advocacy against the dark side of trade comes to us via investigative journalism by the mainstream news media, rather than the business media. Formal research on these dubious trades is lacking and what little is done is primarily by non-government organisations (NGOs) and intergovernmental organisations (IGOs), not academic institutions. Within academia, research on the phenomenon is published primarily by researchers from the humanities and social sciences, even the physical sciences, rather than those in business and management disciplines, with the possible exception of economists who have done some amoral research on the arms trade. Utilising limited secondary data on the extent of the trade and its consequences, this paper aims to make the case for why corporations cannot ignore such matters of global socio-economic justice.

TRADE FACTS & FIGURES

It is useful for us to be reminded that the Atlantic slave trade of the 17th to 19th century was just one leg of a triangular trade in cotton and other legitimate goods. Likewise the British exported opium from India to China in exchange for tea and silk, among other products desired in Europe. Hence a dark-side has always existed side-by-side with legitimate international trade in goods and services. Yet the current deficit in business research would seem to imply that such illicit trades do not exist or are insignificant today. Despite the extant laws against them worldwide, there is mounting evidence that the situation is patently otherwise.

Human Trafficking & Forced Labour

There is much controversy and ambiguity about the definition of slavery. If slavery is seen as an intrinsic part of complex social system of forced labour, the statistics are compelling, however crudely estimated. The International Labour Organisation (2005) estimates that there were 12.3 million global victims of forced labour in the mid-2000s, of which 2.5 million were trafficked. A minimum of 8.4 million of these victims are children destined for child labour. A non-government organization, Free the Slaves (1999), placed the number of slaves globally much higher at 27 million, with between 15-20 million of these being those in debt bondage on the Indian subcontinent. The US State Department (2007) claims conservatively that around 800,000 persons are trafficked across borders annually. However the International Organisation for Migration puts the number trafficked across borders at 4 million and the total revenues of this trade as US\$7 billion (IOM, 2005). Quite evidently there is considerable diversity of definition, of research methodology, even of political agenda in compiling the statistics (Table 1), not to mention difficulty of access to this highly sensitive dubious trade.

Table 2: Estimates of human trafficking by regions

<i>Regions</i>	<i>Numbers Trafficked</i>
Asia-Pacific	9,490,000
Latin America/Caribbean	1,320,000
Sub-Saharan Africa	660,000
Mid-East & North Africa	260,000
Industrialised Countries	360,000
Transition Countries	210,000

Source: Quirk (2008)

Money Laundering

The much-hyped deregulation of the global financial markets has given the kleptocracy of failed or dysfunctional states in the developing world and transitional economies as well as drug barons, war lords, terrorist organisations, among other criminals, greater facility to launder their misbegotten wealth. The UN has estimated that global money laundering reaches US\$800 billion or about 2-5 percent of global GDP (UNODC, 2008). The collusion of the banking sector, corrupt local politicians, corporate embezzlers and organised crime in money laundering is detrimental to the economic growth of the countries utilised through legitimate investment. Money laundering is said to cause monetary volatility, market confidence, tarnishing of reputation by association, shifts to high-risk investments and a host of other distortions to the economies involved (Quirk, 1996).

Table 3 Blacklist of leading financial centres for money laundering

Ranking	Jurisdiction	OECD score	FATF score	FSF Score	Points Total
1 st	Nauru	18	18	12	48
2 nd	Marshall Islands	18	12	12	42
3 rd	Cook Islands	6	18	12	36
3 rd	St Vincents & the Grenadines	6	18	12	36
5 th	Liechtenstein	18	3	12	33
6 th	Niue	6	12	12	30
8 th	St Kitts and Nevis	6	9	12	27

Source: Gilligan (2004) Key: OECD – Organisation for Economic Cooperation and Development; FATF – Financial Action Task Force; FSF - Financial Stability Forum -

Toxic Waste Dumping

Most published research on this trade seems to be in the biological, health and chemical sciences and in environmental engineering, rather than in management and the social sciences. For this trade involves shipping toxic wastes from developed countries to developing countries with adverse consequences for the environment of the latter and the health of its people. Research focus is on the consequences and remedies, not on pre-emption or penalisation of the culpable organizations, business and government which profit from this dubious trade. Clapp (1994) had documented the role of NGOs in working with governments to keep toxic wastes out of Africa, but was rightly skeptical of the long-term success. The Basel Convention of 1992 which resulted from such a coalition of Greenpeace and developing countries as well as others from Eastern and Western Europe is admittedly weak. In the Asian context, Ray (2008) argues that the purported benefits of the waste trade are outweighed by

the environmental costs, and advocates instead economic cooperation as a means of developing countries achieving environmentally-sound waste management.

Table 4: Selected major toxic-waste destinations, ports and types

Regions	Proven Illegal Dumping Sites	Likely Transit Ports	Key Types of Wastes
North America	Mexico, USA	Houston, New York, Long Beach	
Europe	UK, Spain, Italy, Poland	Bergen, Hamburg, Rotterdam, Antwerp, Le Havre, Marseille	
South America		Sao Paulo, Tubarao, Sao Sebastao	
Africa	Senegal, Ivory Coast, Nigeria, S. Africa, Tanzania, Somalia	Richards Bay	Scrapped Cars, CFC Products, Refrigerators
South East Asia	Thailand, Cambodia, Malaysia, Indonesia, Philippines, Vietnam	Singapore	Cable, Plastic, Electronic Waste

Sources: Adapted from Baker *et al* (2004)

CONTROVERSY & DEBATE

By no means do the dubious trades cited above comprise an exhaustive list. Other notable examples that have come to our attention through the media include blood diamonds, though there are many other forms of resources mining in conflict-zones often to fund civil wars, such as in West and Central Africa. Yet another dubious trade is the growing and smuggling of hard drugs such as cocaine from Bolivia and Columbia via other South and Central American states into North America, or heroin from Afghanistan and Myanmar into Europe. Likewise, some of this goes to fund war-lords, insurgencies and ethnic strife to the detriment of the people's lives and the country's economy.

North-South directionality:

Invariably the exploitation of people involved in most of the dubious trades takes place in poorer countries as seen directly in the trade in body-parts, toxic waste dumping and human trafficking, for instance. Indirectly this is seen in the arms trade and money-laundering which is mostly from industrialised countries as well as some emergent economies. Lack of access of legitimate agriculture or horticultural products in developing countries to developed countries due to high tariffs barriers, does leave farmers in the former no recourse except to grow other crops such as coca and poppy plants to create hard drugs to smuggle into the latter countries. Unless the economic push factors of their home-countries and / or the economic pull factors of their destination countries are addressed, bilateral agreements between the countries and stricter laws within each will remain plainly ineffective at combating human trafficking, money laundering, contraband and the like.

Corporate complicity and government collusion

Supply chains involving child labour or forced labour, minerals from war-zones, dumping waste from manufacturing process, pollutants left in the country of production often result in products that are marketed legitimately in both developed and developing countries. In many countries where government officials are underpaid and law enforcement weak, they are actively involved in dubious trades, including diamond mining in West Africa and timber harvesting in Indo-China. Magasin and Gehlen (1999) provide a case-study of an ordnance manufacturer in the US that chose to keep its polluting activities secret from the suburban community that grew around it. Yet this rare article in an academic business journal concentrates rather on providing a theoretical framework to understand the poor decision-making of the firm's managers that led to costly corrective measures and legal fines. It also offers tips to would-be executives on sidestepping the 'moral minefields' (to quote the authors) of business, rather than expressing moral outrage at the consequences for the community.

DEFICIENCIES OF DISCOURSE

Recent articles in journals with significant interest in business ethics reveal a rather conservative list of topics covered. Human resource related issues include electronic surveillance of employees, ethical decision-making, and work values. Yet nothing was published about human trafficking, child labour, indentured workers, etc. Marketing concerns were also touched on such as green consumption, product placement in children's films, disadvantaged consumers, online auction fraud, fair-trade buying, etc. However little is said about the marketing of blood diamonds, military arms, human body parts, even prostitutes. Finance-related articles have covered financial reporting, performance of socially-responsible investments, tax evasion, insider trading, etc. Little is said though about money laundering or toxic waste. Strategy matters have included codes of ethics, social responsibility, bribery, corporate philanthropy. But there is virtual silence on the involvement - deliberate or accidental - by legitimate business in various dubious trades. There is scant attempt to count the socio-economic cost of these dubious trades, let alone uncover the business models that sustain them.

REFERENCES:

- Baker, E., Bournay, E., Harayama, A. and Rekacewicz, P. (2004), *Vital Waste Graphics*, UNEP / GRID-Arendal, Nairobi.
- Gilligan, G. P. (2004), "Overview: Markets, offshore sovereignty and onshore legitimacy", D. Masciandaro (Ed.), *Global Financial Crime: Terrorism, Money Laundering and Offshore Centres*, Ashgate Publishing, Aldershot, UK.
- International Labour Organisation (2005). *A Global Alliance against Forced Labour*. Geneva: International Labour Office.
- IOM (2005). *Data and Research on Human Trafficking: A Global Survey*. Geneva: International Organisation for Migration.
- Koslowski, Rey (2001). 'Economic globalization, human smuggling and global governance' in Kyle, David and Rey Koslowski, eds. *Global Human Smuggling*. Baltimore: John Hopkins University Press.
- Michalos, Alex C. (1997). 'Issues for business ethics in the nineties and beyond'. *Journal of Business Ethics*, Vol.16 No.3, pp.219-230.

- Quirk, Joel (2008). 'Slavery and human rights' in David Forsythe, ed. *Encyclopaedia of Human Rights*. Oxford: Oxford University Press.
- Quirk, Peter J. (1996). 'Macroeconomic implications of money laundering'. IMF Working Paper 96/66. Washington: International Monetary Fund.
- Ray, Amit (2008). 'Waste management in developing Asia'. *The Journal of Environment and Development*, Vol.17, no.1, pp.3-25.
- Roby, Jini L. (2005). 'Women and children in the global sex trade'. *International Social Work*, Vol.48, No.2, pp.136-147.
- Tenbrunsel, Ann E. (2008). 'Ethics in today's business world: Reflections for business scholars'. *Journal of Business Ethics*, Vol.80 Issue 1, pp.1-4.
- UNODC (2008). 'Money laundering and globalisation'. United Nations Office on Drugs and Crime. [www.unodc.org/unodc/en/money-laundering/globalization.html – accessed 04 March 2008]
- World Trade Organisation (2005) 'World Trade in 2004 – Overview'. [www.wto.org/english/res_e/statis_e/its2005_e/its05_overview_e.pdf – accessed 04 March 2008].
-

Paper presented at the 9th Annual Colloquium of EABIS, the European Academy of Business in Society, 21-22 Sept 2010, St.Petersburg, Russia. [DbsTrd CorpCnct ppr05]

Dr Amos Owen Thomas is a professor at the Polytechnic of Namibia, teaching international business, and researching trade ethics, media globalisation and inter-cultural management.

Correspondence: Harold Pupkewitz Graduate School of Business, Polytechnic of Namibia, Lower Campus - Wagner Street, Windhoek PB 13388, Namibia. Tel: [264-61] 207-2809. Email: aothomas@polytechnic.edu.na.
