The Improbable Alliance

BY J. FREDERICK TRUITT

The strident first-round offensive in the Carter administration's human rights crusade is over. In retrospect the first phase of the human rights movement had a noble purpose, yet failed to capture and hold the high ground of national policy and public support. It failed as national policy because it did not comprehend the fundamental relationship between human rights, prosperity, international trade, and investment. Public support declined because asymmetric, therefore hypocritical, publicity of human rights violations concentrated on minor blemishes on the record of U.S. business abroad while ignoring more terrible disfigurements of human rights. The current lull in the once billowing media coverage of international human rights provides a good opportunity to examine the most important—and most overlooked—connections between human rights, multinational corporations (MNCs), direct private foreign investment (DPFI), and foreign trade.

One starts with a polite question: Why is the state of the art of explaining the connections between MNC, DPFI, and human rights so relatively underdeveloped? Or less politely: Why do so many corporate statements on the topic of international human rights look so pale and squirmy, sounding at best lame and defensive, at worst downright soulless and mercenary?

The answer is deeply lodged in the fact that most MNC managements really had not given the topic of international human rights a lot of thought until forced to it by organizations as diverse as American Friends Service Committee, Resist, Interfaith Center for Corporate Responsibility, and the Institute for Sport and Social Analysis. Not much thought was given the topic because most U.S. international business is simply not in places that violate human rights, and most U.S. business abroad has quite sensibly followed the age-old advice to stay in the business of business. Wherever possible, business has stayed out of activities that are primarily political in nature. That is, the great majority of U.S. MNC managers put overwhelming emphasis on their *economic* activity in host countries that did not and do not violate human rights. MNCs are concerned about and involved in politics only to the extent necessary to protect and enhance their economic involvement.

First consider the proposition that most multinational business is not located where most human rights are most frequently and severely violated. A quick look at the yearly Freedom House surveys of political and civil rights around the world—directed by Raymond D. Gastil and published in the January-February number of *Freedom at Issue*—reveals two basic patterns of human rights violations. First, there is the systematic deprivation inherent in the political Communist states. Under systematic deprivation we can also include the Republic of South Africa, although its legalized and institutionalized racial separation and discrimination might put it in a class by itself.* The second pattern is the ad hoc deprivation of human rights in various Third World, less-developed countries (LDCs).

FIGURE A

Patterns of Human Rights Violations	U.S. Business Involvement: Share of U.S. Foreign Trade 1977	Share of U.S. DPFI 1977	Share of New Capital Expenditures by Majority-Owned Foreign Affiliates of U.S. Companies 1978
Deprivation inherent in political system			
USSR & other Communist states	1%	0%	0%
Republic of South Africa	1		1
Ad hoc violations (not inherent in the political system)			
All Third World states	46	23	21

Source: IMF, *Direction of Trade, Survey of Current Business.*

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*Yet in spite of all the noise about South Africa, the 1978 Freedom House survey of South Africa categorized that country as *partly free.*

There is very little U.S. trade and even less U.S. direct private investment in countries where human rights deprivation is inherently imbedded in the system. In 1977 South Africa and all Communist states together accounted for only 2 per cent of U.S. foreign trade and 1 per cent of U.S. DPFI. The trade with *all* Third World states, whatever their record on human rights (and, of course, many do not violate them), accounts for less than half of all U.S. trade, while Third World states were host to about a quarter of U.S. DPFI (see Figure A). As we shall see in a moment, a huge chunk of this trade is directly related to one single commodity—petroleum.

Since 1972 Freedom House has been scoring nations on a scale of 1 to 7 for both "political" (participation in the determination of who rules by what law) and "civil" (rights of the individual against the state, such as free expression, fair trial, and so forth) rights. Nations receiving a score of 1 or 2 are "free," 3, 4, or 5 are "partly free," and 6 or 7 are "not free." How do the direction of U.S. trade and the location of U.S. DPFI measure up when viewed through the criterion of degree of political freedom in our international business partners?

Figure B suggests that two-thirds of our trade is with "free" states, while Figure C suggests that by far the greatest share of U.S. DPFI is in free states and only 4 per cent is in "not free" states.

Lurking beneath the surface of Figures B and C is a disturbing revelation. Of the $40 billion of U.S. trade with nations that average below 5½ on scales of political and civil rights, trade with oil-exporting countries accounts for a large and growing share. In 1972, 15 per cent of our trade with "not free" states was carried out with oil-exporting countries. By 1977 that share had risen to almost 70 per cent. Thus it is quite clear that the human rights protest movement might have taken aim at the wrong target. Because trade—especially trade with oil exporters—makes as much sense as a connecting link in the protest, one might wonder why the splinter in the investment eye takes priority over the timber in the trade eye. In fact, the human rights quotient of U.S. trade relations actually has deteriorated slightly since 1972, when only 11 per cent of trade was with "not free" states, while the human rights quotient of U.S. investment relations has improved rather dramatically since 1972, when 8 per cent of investment was located in "not free" states. In 1977 only 4 per cent of U.S. DPFI was located in "not free" states, but 14 per cent of our trade was with "not free" states.*

A PAINFUL LESSON

There is a painful lesson in this data for international human rights advocates, whether they be in the Carter administration, on a picket line at a university regents meeting, or in a corporate board room. If commitment to human rights is to be believable, it must be persistent and across the board, it must be principled and wise and ready for "long distance" action. Otherwise it is not a commitment to human rights but, rather, a commitment to something else. That something else—the ouster of a fascist dictator in country A, overthrow of the mad military tyrant in country B, restoration of legitimate property rights in country C, provision of an adequate and nutritious diet in country D—may be a good and noble cause, but it is not truly the cause of human rights. It is commitment to something else in human rights clothing. Dedication to human rights must be persistent and impartial because, if we condemn political prisoners in Cuba while excusing them in Brazil, or deplore torture in South Africa and Chile while ignor-

FIGURE C

Pattern of U.S. DPFI: Share of Investment Located In States That Deprive Human Rights 1977

	Value $ bn	Share
Free*	112.6	76%
Part Free*	23.6	16
Not Free*	5.6	4
International and Unallocated	7.0	5
Total	148.8	100

*From Freedom House survey for 1977.
Source: *Survey of Current Business.*

*It should be added that this improved human rights quotient was given a substantial boost by widespread nationalizations in the oil industry since 1972, thus reducing substantially U.S. ownership in countries that have a tendency to violate human rights.

FIGURE B

Pattern of U.S. Foreign Trade: Share of Trade Done With States That Deprive Human Rights

	1972				1977			
	Exports to $ bn	Imports from $ bn	Exports plus Imports	Share of Total Trade	Exports to $ bn	Imports from $ bn	Exports plus Imports	Share of Total Trade
Free*	40	44	84	79%	82	95	177	64%
Part Free*	3	7	10	10	22	38	60	22
Not Free*	7	5	12	11	16	24	40	14
Total	50	56	106	100	120	157	277	100

*From Freedom House surveys for 1972 and 1977, respectively.
Source: *Freedom at Issue*, IMF, *Direction of Trade, Statistical Abstract of the U.S.*

FIGURE D

		1972	1977
TRADE			
1.	U.S. foreign trade with NOT FREE states ($ bn)	12.1	40.3
2.	Trade with NOT FREE states that are oil exporters ($ bn)	1.8	27.6
3.	Trade with NOT FREE states that are under Communist rule ($ bn)	1.2	3.4
4.	Trade with oil exporters as share of U.S. trade with NOT FREE states (row 2 ÷ row 1)	15%	69%
5.	Trade with Communist states as share of U.S. trade with NOT FREE states (row 3 ÷ row 1)	10%	8%
INVESTMENT			
6.	U.S. direct private foreign investment position in NOT FREE states ($ bn)	7.6	5.6
7.	Investment in NOT FREE states that are oil exporters ($ bn)	2.8	(2.3)[a]
8.	Investment in NOT FREE states that are under Communist rule ($ bn)	—[b]	—[b]
9.	Investment in oil exporters as share of U.S. investment in NOT FREE states (row 7 ÷ row 6)	37%	—[a]
10.	Investment in Communist states as share of U.S. investment in NOT FREE states (row 8 ÷ row 6)	—[b]	—[b]

[a] Because of the widespread nationalization of foreign ownership in the petroleum industry since 1972, the net U.S. direct investment abroad in NOT FREE states that are oil producers is actually negative.

[b] Except for a small amount in Yugoslavia, no U.S. investment in Commerce Department data is allocated to Communist states.

Source: IMF, *Direction of Trade, Statistical Abstract of the U.S.* and U.S. Department of Commerce, Bureau of Economic Analysis.

FIGURE E

Ranking Nations by Political Rights and GNP Per Capita

Free		Part Free			Not Free	
1	2	3	4	5	6	7
AUSTRALIA	Colombia	El Salvador	Bhutan	China (ROC)	Algeria	Afghanistan
AUSTRÍA	FINLAND	Guyana	Brazil	Egypt	Argentina	Albania
BELGIUM	GREECE	Malaysia	Dominican Republic	Indonesia	BAHRAIN	Angola
CANADA	India		Guatemala	Kenya	Bangladesh	Benin
Costa Rica	ISRAEL		Lebanon	Korea (S)	Bolivia	BULGARIA
DENMARK	ITALY		Mexico	Lesotho	Cameroon	Burma
FRANCE	Jamaica		Morocco	Madagascar	China (PRC)	Burundi
GERMANY (W)	JAPAN			Nicaragua	Ecuador	Central African Empire
ICELAND	Papua New Guinea			Nigeria	GABON	Chad
IRELAND	Portugal			Paraguay	Ghana	Chile
LUXEMBOURG	SPAIN			Philippines	Guinea-Bissau	Congo Republic
NETHERLANDS	Sri Lanka			Qatar	Honduras	Cuba
NEW ZEALAND	TRINDAD & TOBAGO			Senegal	HUNGARY	CZECHO-SLOVAKIA
NORWAY	Turkey			Sierra Leone	IRAN	Equatorial Guinea
SWEDEN				SINGAPORE	Ivory Coast	Ethiopia
SWITZERLAND				South Africa	Jordan	GERMANY (E)
UNITED KINGDOM				Syria	KUWAIT	Guinea
UNITED STATES				UAE	Liberia	Haiti
VENEZUELA				Upper Volta	Mauritania	Iraq
				Zambia	Nepal	Kampuchea
					OMAN	Korea (N)
					Pakistan	Laos
					Panama	LIBYA
					Peru	Malawi
					POLAND	Mali
					Rhodesia	Mongolia
					SAUDI ARABIA	Mozambique
					Sudan	Niger
					Tanzania	Rumania
					Thailand	Rwanda
					Transkei	Somalia
					Tunisia	Togo
					Uruguay	Uganda
					Yemen (N)	USSR
					Yugoslavia	Vietnam
						Yemen (S)
						Zaire

Source: *Freedom at Issue* and IBRD, *World Bank Atlas.*

ing it in the USSR and Cambodia, our lopsided advocacy lacks credibility and in the end is not credible or effective in the cause of human rights. We must also be principled and wise because absolute consistency is very difficult to achieve in a complex world, where a blind, across-the-board advocacy could help replace a bad regime with a horrible regime (the formulation is Robert Pickus's, in his remarks at the October, 1978, International Human Rights Conference in Seattle).

It is sobering to realize that while the loudest decibels of human rights protest in the U.S. have centered on South Africa, Chile, South Korea, and the Philippines—often singling out the role of U.S. corporate and financial involvement in these countries—two much more comprehensive and systematic blows for human rights could be struck by focusing on oil and trade with Communist nations.

Fully 70 per cent of our trade with "not free" states is with oil-exporting countries, which do not tend to have very good records on human rights. In his book *The Story of Sugar* W.R.K. Akroyd writes that eighteenth and nineteenth-century European appetites for slave-cultivated cane sugar brought to the New World human suffering incomparable in the whole gloomy history of mankind. Will human rights bibliographers in the twenty-first century judge our dependence on the automobile and our inability to bridle our consumption of energy as aid and abetment of a vast and tragic human rights deprivation? The next condemnation of IBM in South Africa (a company with an excellent record of progress on human rights in a difficult environment) might stir at least the counterproposition, "Yes, but while we're at it, for symmetry's sake, let's also tell Algeria, Ecuador, Gabon, Iran, Iraq, Kuwait, Libya, and Saudi Arabia to keep their bloody oil. We'll do without that $30 billion per year trade, build a nuclear reactor in every fault-free valley, walk, take the bus more often, and turn our thermostats down to forty-five degrees Farenheit."

Trade with Communist countries, small but growing rapidly, seems to excite little concern among traditional human rights advocates. Yet all Communist states—1.3 billion people—are "not free." The next condemnation of bank loans to Argentina or Indonesia might for consistency's sake carry an addendum on financing trade with the USSR and the People's Republic of China, two countries with a fuller and longer record of human rights abuses than Argentina and Indonesia.

The "which" and "what" of human rights remain immensely complex and controversial. The ultimate "why" of human rights activity may need a point of transcendent accountability that is most securely grounded, not in the Trade Reform Act of 1973, or even in the Bill of Rights or Declaration of Independence, but in the religious belief of the American people (see Richard John Neuhaus's "What We Mean by Human Rights and Why," *Christian Century*, December 22, 1978).

A SYMBIOTIC RELATIONSHIP?

A thought-provoking experiment is to superimpose an income per capita map on the Freedom House survey. Such a superimposition sheds helpful light on the broader and underlying connections in the international human rights, MNC, and DPFI forest. Figure E is based on the Freedom House survey conducted in 1977 and appearing in the January-February, 1978, issue of *Freedom at Issue* and the World Bank's 1977 *Atlas of Population, Per Capita Product and Growth Rates* for 1976, the most recent available at the time of writing.

First, in order to simplify the table, countries with a population of less than a million have been eliminated. Second, "rich" countries with a GNP per capita of more than $2,000 (i.e., 25 per cent of U.S. GNP per capita) have been listed in block letters. In a world in which a billion people have a GNP per capita of less than $200, $2,000 per capita is rich.

After studying Figure E, one is tempted to conclude, at least tentatively, that by and large:

1. *Free countries are rich*;
2. *Rich countries* (with the exception of certain sparsely populated freaks of nature that have been generously endowed with hydrocarbon deposits) *are free*;
3. *Communist countries are not particularly rich* (the weighted average GNP per capita in all Communist states is only $1,115; even in the USSR and other European Communist states the weighted average GNP per capita is less than $2,800) *and never free.*

These observations should not be misinterpreted as a call to a simple-minded or dogmatic assertion that "you never had it so good and human rights will take care of themselves." As an academic, I have a vested career interest in keeping problems complicated and issues unresolved. It would be foolish to conclude simply that freedom causes wealth (what about India?) or that wealth causes freedom (what about Singapore and the OPEC countries?). Every important human rights violation is an affront to the American understanding of what it means to be human and how men and women should treat each other. Each offending country's pattern of human rights deprivation has its own complex history, problems, causes, and solutions. But as we enter the next phase of the continuing struggle for human rights, we should not lose sight of the symbiotic relationship between wealth and political and civil rights. We should not forget the fundamentally positive relationship between prosperity and freedom. WV