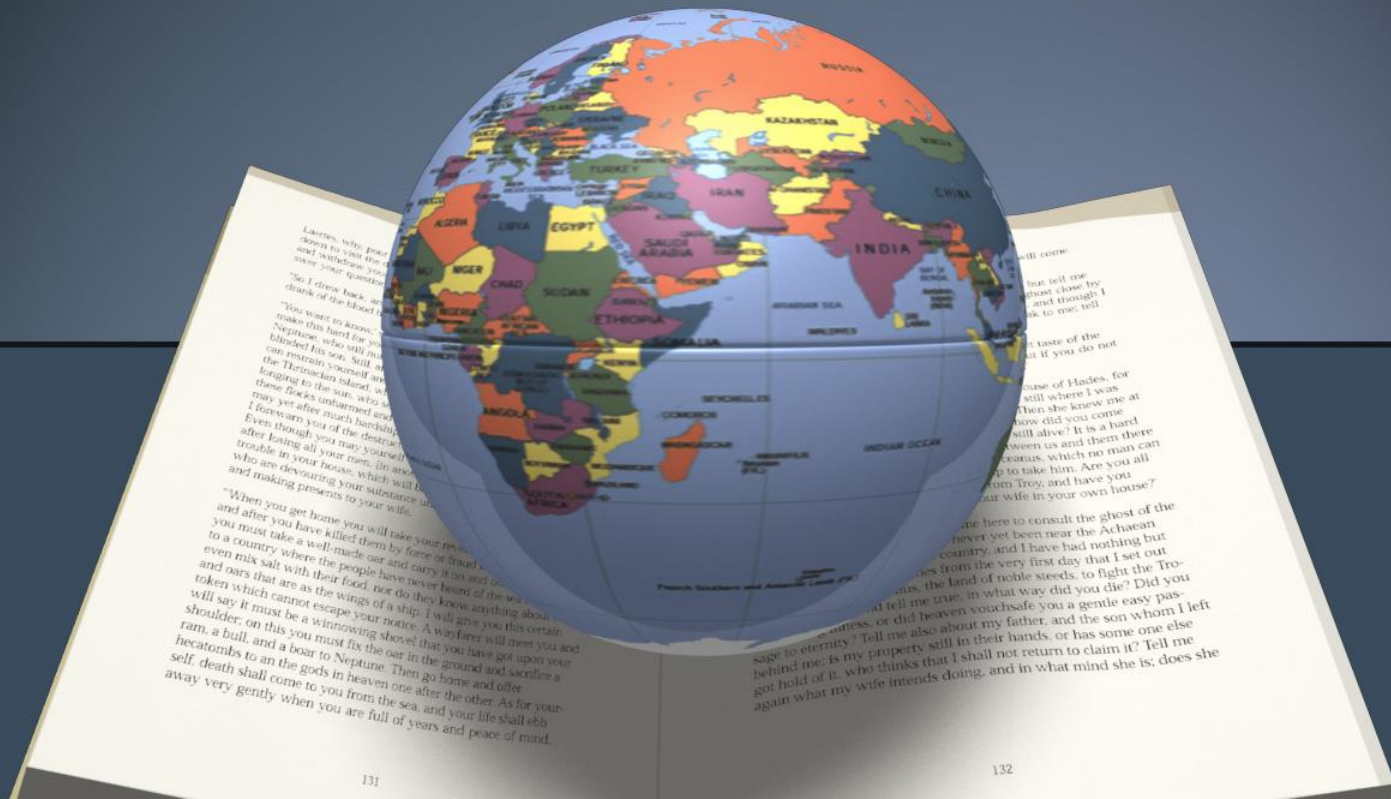


# IT1218/IT1769

# LAW & ETHICS OF IT

## Lecture 04 : Ethics & Globalization



# 4. ETHICS & GLOBALIZATION

## Overview

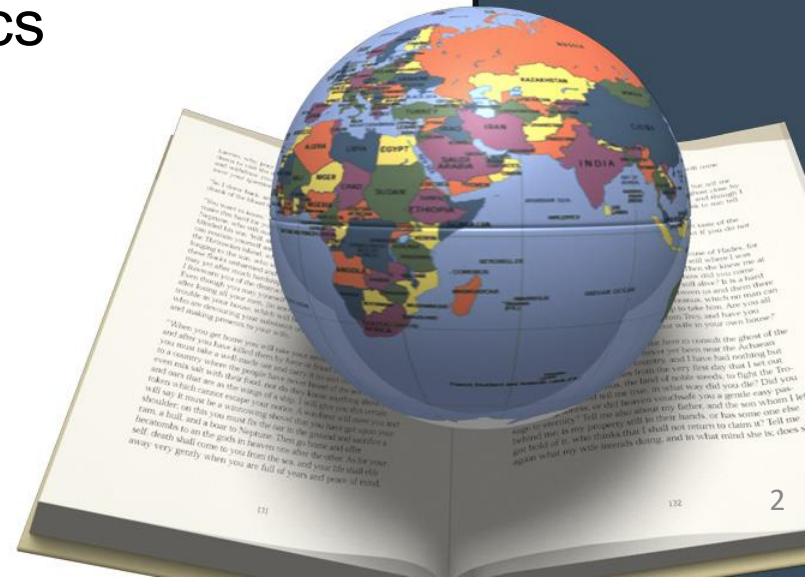
- An understanding of ethical issues relating to **globalization**

## Outline

4.1 Ethics and Globalization

4.2 The Pursuit of Global Ethics

4.3 Enforcing Global Ethics



# Ethical issues at different Levels

## Global Ethical Issues

- sexual & racial discrimination
- human rights
- price discrimination
- bribery
- harmful products
- pollution
- telecommunications



## Globalization

**Developed Nations**  
(Culture/ Ethics)

**Less-developed Nations**  
(Culture/ Ethics)

(Multi-National Enterprises  
- Global Code of Ethics)

## Organization

**Stakeholder**  
(Departments)

**Stakeholder**  
(Suppliers)

**Stakeholder**  
(Community)

## Business

**Employee**  
(Manager)

**Employee**  
(Secretary)

## Personal

## Ethical Issues in Global Business

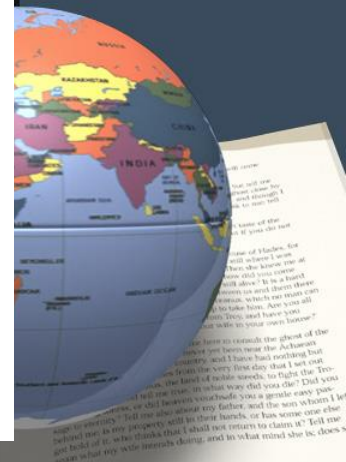
- Marketing and safety practices
  - Nestle: the Baby Killers; Union Carbide: Bhopal
- Sweatshop and labour abuse
  - Wal-Mart's Kathy Lee collection (20 hrs/day @ \$0.20/hr)
- Corruption and bribery
  - Gulf Oil: political contributions to Korea (\$4.2 million)
  - Lockheed: bribes to Middle East (\$22 million) and Japan (\$12.5 million)

# 4. ETHICS & GLOBALIZATION

## Objectives

At the end of this chapter, you should be able to:

- Understand the ethical issues arising in global business.
- Explain the issue of **ethical relativism in a global environment**.
- Understand the **ethical challenges** in **developed** economies.
- Understand the **ethical challenges** in **developing** economies.
- Explain the challenges in developing a **global code of ethics**.
- Understand the ramifications of the **Foreign Corrupt Practices Act**.



# 4. ETHICS & GLOBALIZATION

## 4.1 Ethics and Globalization

- Business transactions in different countries in different languages and different cultures inevitably force companies to revisit ethical principles

<http://www.youtube.com/watch?v=uirgGrMHETU>

### International Business and Ethical Issues:

- Human rights- Long-working hour vs Low-pay
- Human rights- Discrimination against races
- Environmental pollution & global warming
- Corruption of governing officers

>> Social responsibility of enterprises



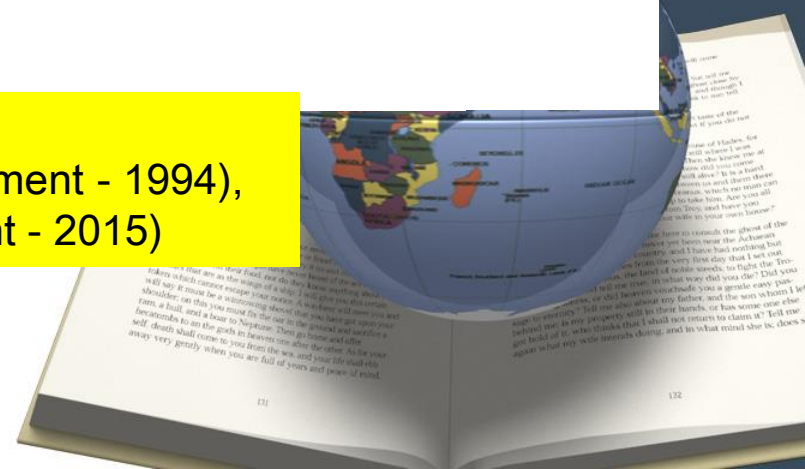
# 4. ETHICS & GLOBALIZATION

## 4.1 What is 'Globalization'?

- The expansion of international trade to a point where national markets have been overtaken by regional trade blocs, leading eventually to a global marketplace.
- The term globalization has applications in commercial, economic, social, and political environments.

Free trading blocs - examples:

- NAFTA (North American Free Trade Agreement - 1994),
- TPPA (Trans-Pacific Partnership Agreement - 2015)



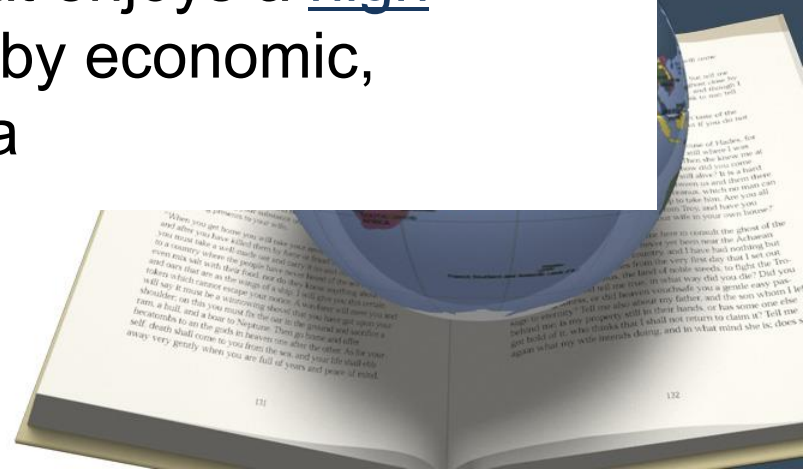


# 4. ETHICS & GLOBALIZATION

## 4.1 Ethics and Globalization

(Developed versus Under-developed Countries)

- **Less-Developed Nation** – Country that lacks the economic, social, and technological infrastructure of a developed nation  
( Sources for raw materials, cheap labor, ‘dumping ground’)
- **Developed Nation** – Country that enjoys a high standard of living as measured by economic, social, and technological criteria

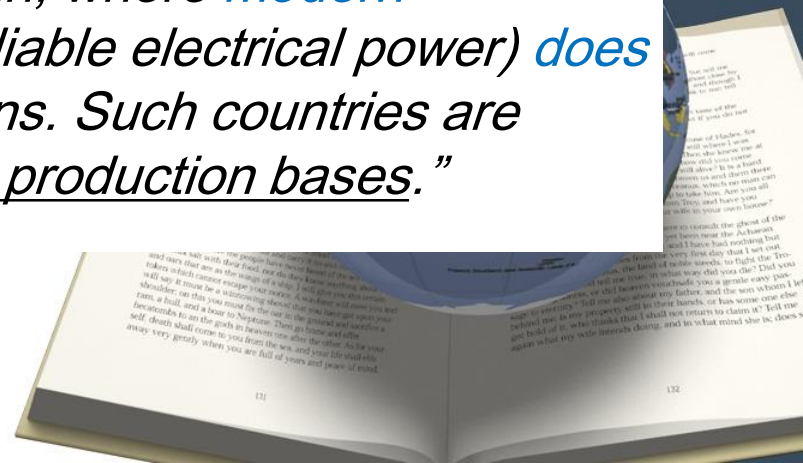


# 4. ETHICS & GLOBALIZATION

## 4.1 'Globalization' in 'less-developed' nation

For the 'less-developed' nations, the concept of globalization has a different meaning:

*“Among countries, the big losers are in Africa, south of the Sahara. They are not losing, however, because they are **being crushed by globalization**.... [T]hey are losing because they are **being ignored by globalization**. They are **not in the global economy**. No one in the business community wants anything to do with countries where **illiteracy** is high, where **modern infrastructure** (telecommunications, reliable electrical power) **does not exist**, and where **social chaos** reigns. Such countries are **neither potential markets nor potential production bases**.”*





# 4. ETHICS & GLOBALIZATION



# Videos on International Business and Ethical Issues:

Human Rights Video:

<https://www.youtube.com/watch?v=JpY9s1Agbsw>

Labor Standard Video:

<https://www.youtube.com/watch?v=nNY2Vl8jUjU>

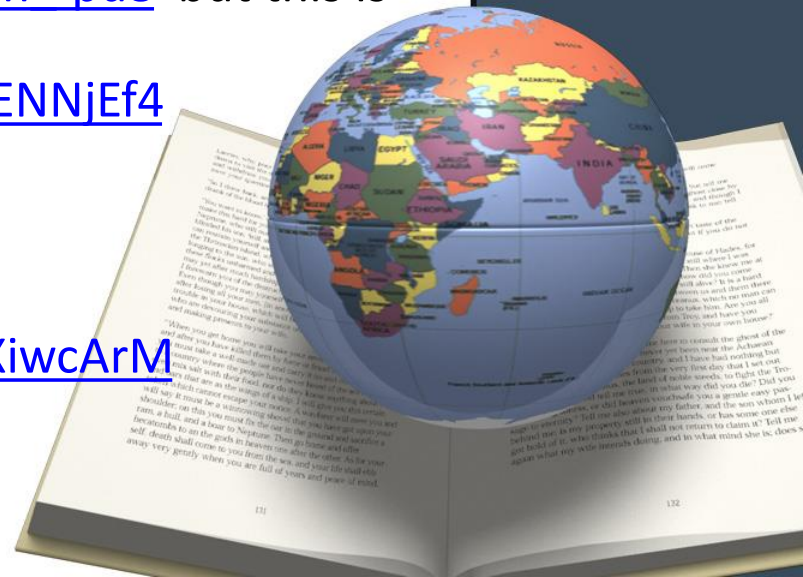
Environment Video:

[https://www.youtube.com/watch?v=vP3pbh\\_-pu8](https://www.youtube.com/watch?v=vP3pbh_-pu8) but this is  
7 mins... too long?

<https://www.youtube.com/watch?v=mt5NENNjEf4>  
<https://www.youtube.com/watch?v=tmhiglxa-4>

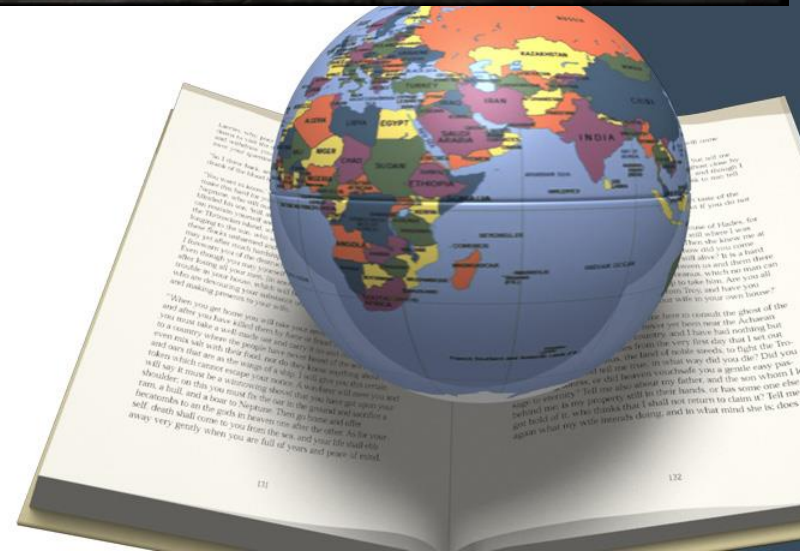
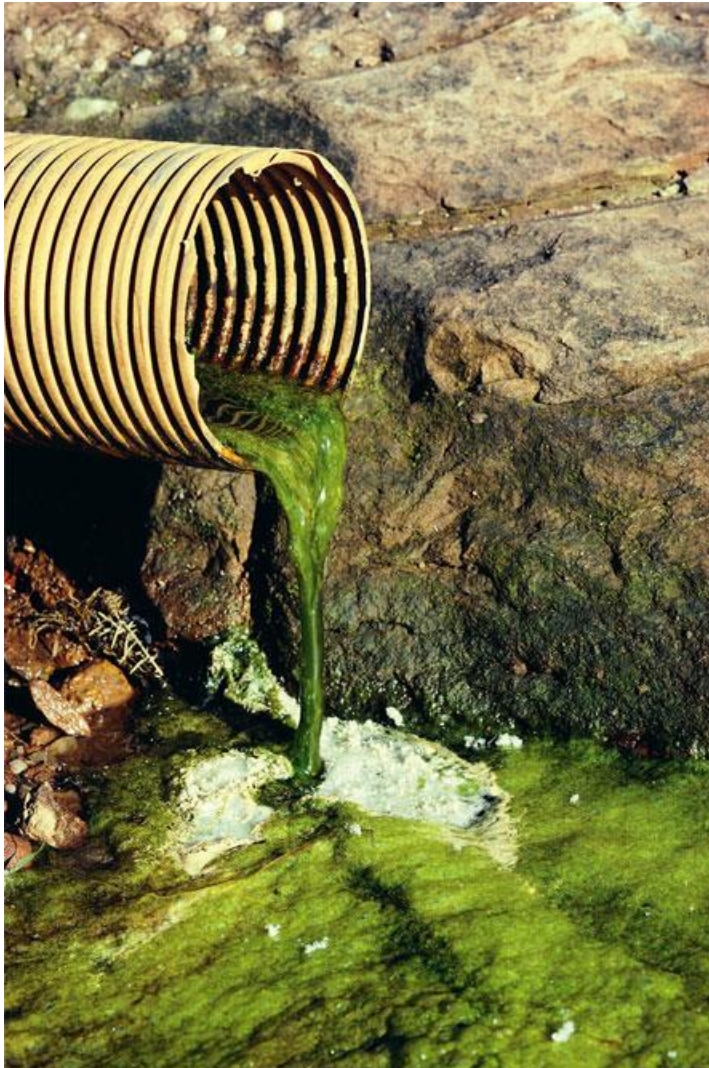
Anti-corruption Video:

<https://www.youtube.com/watch?v=cXHBXiwcArM>





# 4. ETHICS & GLOBALIZATION



# 4. ETHICS & GLOBALIZATION

## 4.2 The Pursuit of Global Ethics - I

(For Multinational Companies (MNCs) ....invested in the host country ....)

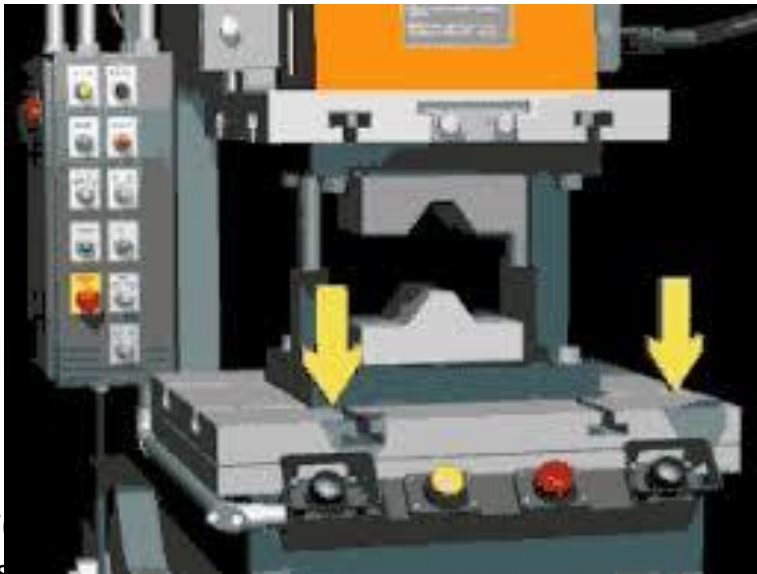
### Guidelines for organizations doing business:

1. **Do no intentional harm.** (e.g. environment, labor abuse)
2. Produce more good than harm for the host country. (Development)
3. Contribute to the host country's development. (Health & safety, Education, technology transfer, improved standard of living)
4. Respect the human rights of their employees. (forced labor, child labor, working hours compensation)
5. Respect the local culture; work with it, not against it.
6. **Pay** their fair share of taxes.
7. Cooperate with the local government to develop and enforce just background institutions. (education and skill training)
8. Majority control of a firm includes the ethical responsibility of attending to the actions and failures of the firm. (ethical standards)

# 4. ETHICS & GLOBALIZATION

## 4.2 The Pursuit of Global Ethics - II

9. Multinationals (MNCs) that build hazardous plants are obliged to ensure that the plants are safe and operated safely.
10. Multinationals are responsible for redesigning the transfer of hazardous technologies so that such technologies can be safely administered in host countries.





# 4. ETHICS & GLOBALIZATION

## 4.3 Enforcing Global Ethics

- Organizations such as the **United Nations** (UN) and the **Organization for Economic Cooperation and Development** (OECD) approached the issue of standardizing global ethical conduct.
- MNCs can publicly support and endorse to **ethical corporate conduct** wherever they do business in the world.

(UN – UN Global Compact, 4 areas of concern with 10 key principles)

(OECD – Set out the principles underlining guidelines on Employment & Industrial relations, Environment, Bribery, Consumer interests, Science & Technology, Competition, Taxation)



# 4. ETHICS & GLOBALIZATION

## 4.3 Enforcing Global Ethics

(Non-Governmental approach – a volunteer corporate citizenship initiative).

### THE UN GLOBAL COMPACT:

*“The Global Compact is not a regulatory instrument – it does not “police”, enforce or measure the behavior or actions of companies. Rather, the Global Compact relies on public accountability, transparency and the enlightened self-interest of companies, labor and civil society to initiate and share substantive action in pursuing the principles upon which the Global Compact is based.”*

Link : The 10 Principles of UN Global Compact

Other example: Paris Climate Agreement (Greenhouse gas emission mitigation)



# 4. ETHICS & GLOBALIZATION

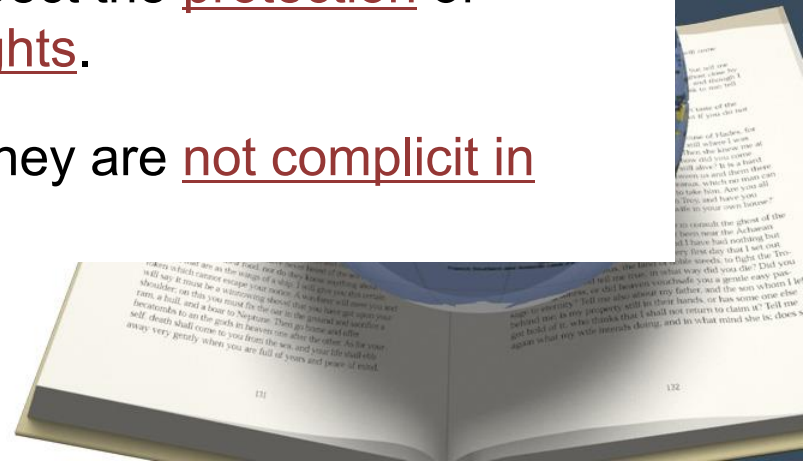
## 4.3 The U.N. Global Compact - I

*The message of Global Compact is **for companies to make public commitments to a set of core values that are captured in 10 key principles that address the four areas of concern:***

*(A voluntary corporate citizenship initiative **endorsing 10 key principles focus on 4 key areas** )*

### **1. Human Rights:**

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.

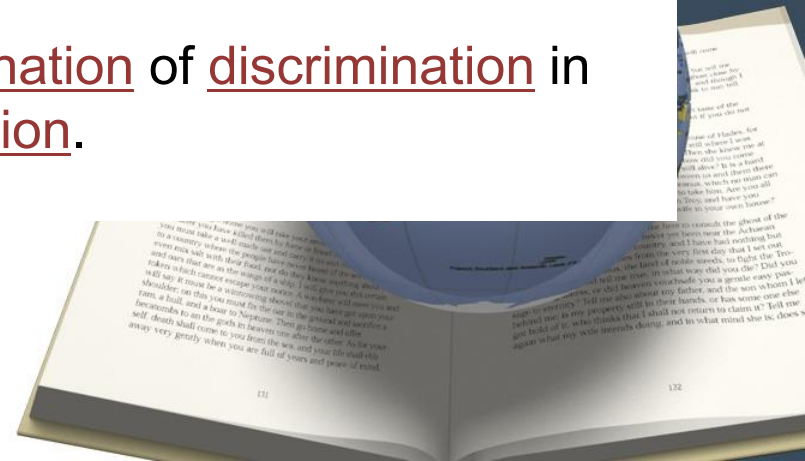


# 4. ETHICS & GLOBALIZATION

## 4.3 The U.N. Global Compact - I

### 2. Labor Standards:

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labor.
5. Businesses should uphold the effective abolition of child labor.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.



# 4. ETHICS & GLOBALIZATION

## 4.3 The U.N. Global Compact - II

### 3. Environment:

7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.

### 4. Anti-corruption:

10. Businesses should work against all forms of corruption, including extortion and bribery.

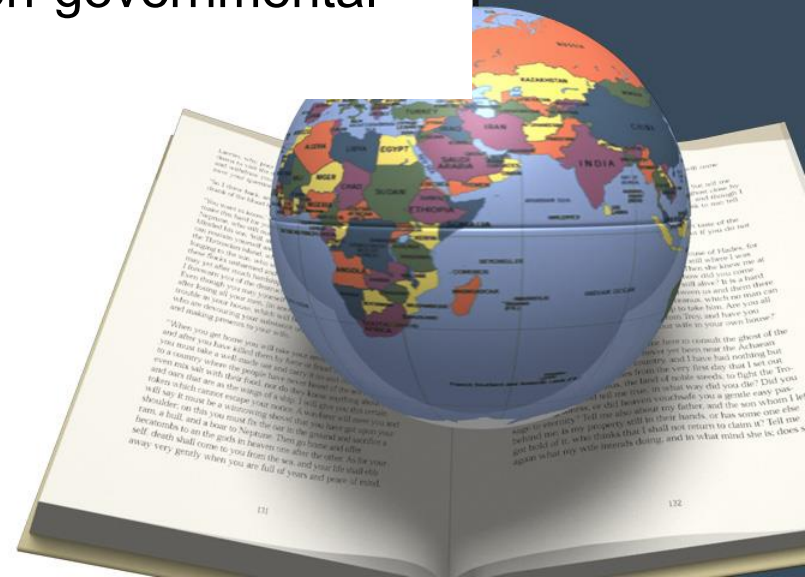


# 4. ETHICS & GLOBALIZATION

## 4.3 Enforcing Global Ethics

### THE OECD GUIDELINES FOR MULTINATIONAL ENTERPRISES:

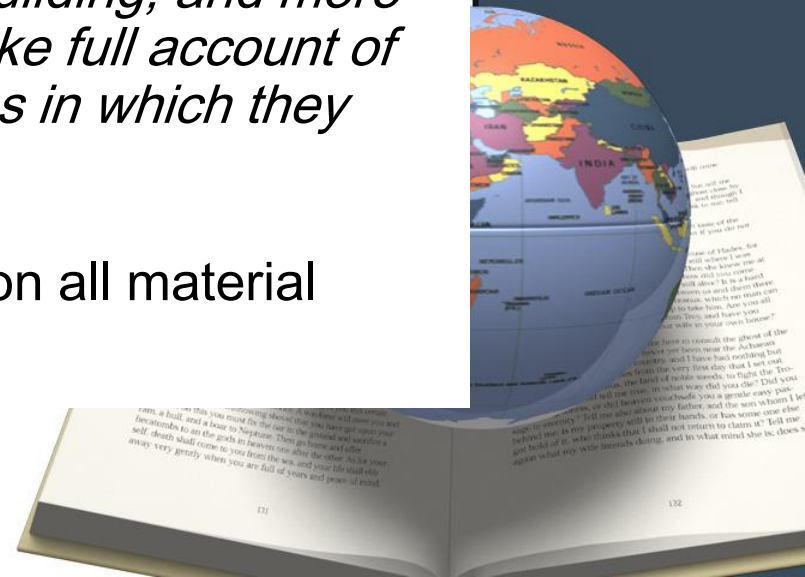
The Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises represent a **more governmental approach to the same issues** featured in the UN's non-governmental Global Compact.



# 4. ETHICS & GLOBALIZATION

## 4.3 OECD Guidelines - I

- I. **Concepts and Principles:** *sets out the principles which underlie the Guidelines, such as their voluntary character, their application world-wide and the fact that they **reflect good practice for all enterprises**.*
- II. **General Policies:** *contains the first specific recommendations, including provisions on human rights, sustainable development, supply chain responsibility, and local capacity building, and more generally calls on enterprises to take full account of established policies in the countries in which they operate.*
- III. **Disclosure:** *recommends disclosure on all material matters regarding the enterprise*





# 4. ETHICS & GLOBALIZATION

## 4.3 OECD Guidelines - II

IV. *Employment and Industrial Relations*: addresses major aspects of *corporate behavior* in this area including *child and forced labor*, non-discrimination and the right to bona fide employee representation and constructive negotiations.

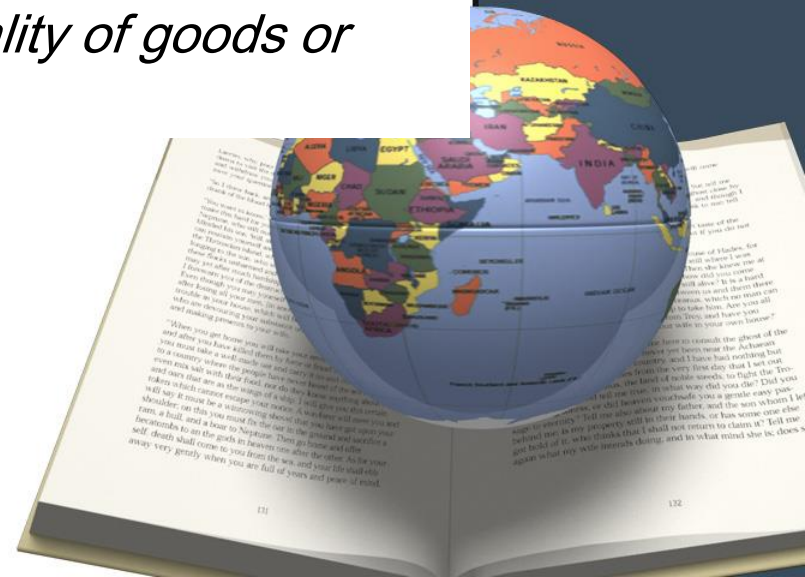
V. *Environment*: encourages enterprises to raise their performance in protecting the environment, including performance with respect to *health and safety impacts*. Features of this chapter include recommendations concerning *environmental management systems* and the desirability of *precaution* where there are *threats of serious damage to the environment*.



# 4. ETHICS & GLOBALIZATION

## 4.3 OECD Guidelines - III

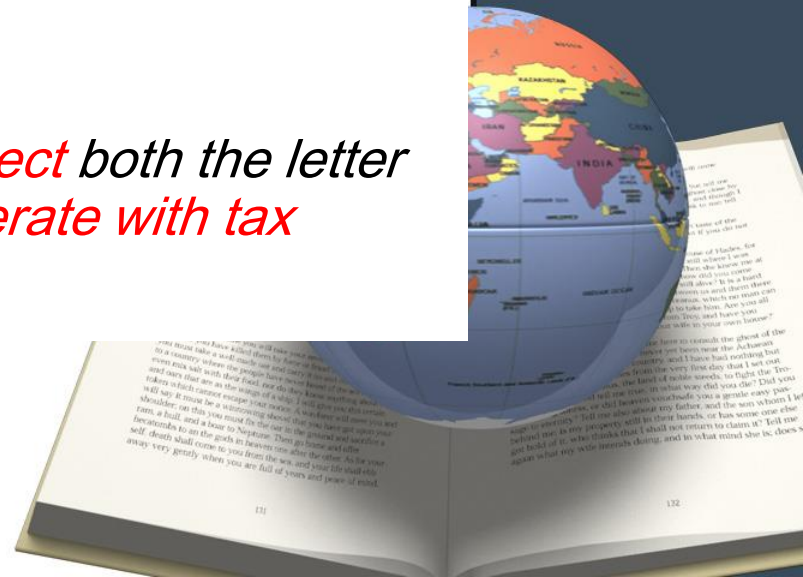
- VI. *Combating Bribery*: covers both **public and private bribery** and addresses passive and active corruption.
- VII. *Consumer Interests*: recommends that enterprises, when dealing with consumers, act in accordance with **fair business, marketing and advertising practices, respect consumer privacy**, and take all reasonable steps to ensure the safety and quality of goods or services provided.



# 4. ETHICS & GLOBALIZATION

## 4.3 OECD Guidelines - IV

- VIII. *Science and Technology*: aims to **promote the diffusion** by multinational enterprises of the **fruits of research and development activities** among the countries where they operate, thereby contributing to the innovative capacities of host countries.
- IX. *Competition*: emphasizes the importance of an **open and competitive business climate**.
- X. *Taxation*: calls on enterprises to **respect** both the letter and spirit of **tax laws** and to **co-operate with tax authorities**.



## End of Lecture 04

# Q&A

- Ethical relativism in Global environment.
- Globalization with regional trading bloc
- Challenges in Global Code of Ethics.
- Enforcing Global Ethics:
  - UN Global Compact : 4 key areas endorsing 10 key principles.
  - OECD : 7 principle guidelines for multinational enterprises.

