

Chapter : 11

International Business Ethics

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MNC stands for Multi-national Company/Corporation. David W Ewing defined MNC, "...a company having production and marketing facilities in many countries, enjoying world wide access to capital, depending on foreign income, and being managed with a worldwide point of view." Multinationals are corporations that operate extensively in more than one country, usually through branches or subsidiaries engaged in production, marketing, or both. They pose special moral problems. Because their activities are not confined to a single nation, no one national can effectively control them. The dimensions to the story of the ethics of international business are varied. The western business system and the international business system are inextricably intertwined. This means that ethics in international business involves ethics in the western business, and vice-versa.

A multinational corporation is one that carries on operations in a number of different countries. Its international operations contribute significantly to overall revenues and size. In recent years many of the differences have been negotiated and shared. IBM, General Motors Corporations, General Electric Co, Exxon, Chrysler Corp., Deere, ITT, Johnson & Johnson, General Foods Corp, FMC Corp, Amerada Hess Corp, and Scores of other giant companies are true MNCs.

Ways of Engaging in International Business

Companies have been observed to be engaged in international business usually in six principle ways:

- i. Casual exporting
- ii. Active participation in export trade on regular basis
- iii. Foreign licensing to make products for sale.
- iv. Marketing abroad thorough subsidiary or affiliate abroad.
- v. Decentralized production and sale of MNCs good outside the home territory, and
- vi. Joint ownership large ventures.

Management of foreign business has been becoming more decentralized and actual ownership of such companies is becoming more and more international. Some multinationals are so large and powerful that they exert an uncontrolled influence some of the nations in which they operate.

Ethics in international business is complex. The problems are pressing and require careful analysis and discussion. Ethics for international business¹ constitutes one more layer of analysis that business must

consider in any business activity. Ethics by itself will not tell a business how to act, but it can tell a business how not to act. In this sense it is a sieve through which business decisions must pass. The moral level achieved in international business. Yet ultimately fairness and global justice will require not only honest businesspersons, but also just background institutions that enable all to compete on the same terms and that provide for those whom the international business system fails to benefit.

11.1 Rationales for International Business

Multinational corporations operate in less developed countries for a variety of reasons. They seek cheap labor, they seek available resources, they seek tax shelters and relief, and they seek markets in order to make better profit. In many situations, multinationals pay the same rate as the local employers. If the other employers fail to pay a living wage, they are as guilty as the MNCs. But in other cases, local businesses criticize the MNCs for paying more than the going wage. The businesses complain that the multinationals force up the wages that workers in general expect, in some instances to more than local firms can afford. The MNCs are thus caught between contradictory demands. Some critics demand that they pay more, others demand that they pay less than they do.

The exploitation of resources raises a different problem. Mineral resources represent one of the assets of a country. The resources, however, do little good unless they are removed from the earth and sold or used. The complaints were often justified, and various remedies have been suggested or tried. Import taxes on some of these goods have forced up the price and reduced the profit; export taxes imposed by the LDCs have helped the LDCs share in some of the profits of the multinationals. Competition has developed among the MNCs themselves, so that the profit margin has been driven down – to the benefit of the consumer.

11.2 Misunderstandings about MNCs

Multinational corporations are not immoral in themselves. The following are three general, major charges: (1) MNCs operate immorally in the less developed countries by exploiting workers, by exploiting natural resources, and by reaping exorbitant profits; (2) MNCs compete unfairly in the LDCs, to the detriment of the host countries; and (3) MNCs are a major cause of the impoverishment of the LDCs, and of the unrest found there. Each of the charges has some basis in fact and history.

MNCs leave their own country to start ventures in another or in more than one countries. In the process MNCs earned profit and the host countries also get a touch of the development. Yet MNCs are, often, misunderstood in their own country as well as in the countries they operate. Some of such allegations may be seen as under:

Allegations by the Home Country	Allegations by the Host Country or Countries
1. Investible funds are transferred for higher profits ignoring the need for national investment.	1. MNCs are giant companies. They make contracts with the govt. of the host country almost in equal status which affects sovereignty of the host country.
2. Brain drainage to host countries.	2. MNCs dictates terms of contract with the Govt. of the host country as if they are donor agencies/agent of a sovereign country.
3. Technology transfer made secretly for personal gains over national benefits.	3. MNCs often involve themselves directly or indirectly to overthrow a popular govt. if that appears to be not obedient to them.

Allegations by the Home Country	Allegations by the Host Country or Countries
4. Creation of jobs in other countries while there is already unemployment problem in the country of origin.	4. MNCs reduces the ability of the host country in controlling the movement of foreign currency to and from the host country.
5. Persuading undemocratic governments of the host country for MNCs own interest.	5. Inferior jobs are given to the people of the host country while the superior ones/expert positions are given to the people of the country of origin.
6. MNCs, often, bribe to secure, their personal interest which, in turn, earn bad name for the country of origin.	6. The rate of pay/salary structure and fringe benefits are, often, found to be discriminating against the people of the host country.
7. MNCs to maximize their profit, reportedly engage themselves in many of the social/cultural activities of the host countries which are not acceptable to the people of country of origin.	7. The tools and raw materials normally are procured from the parent country at a higher price even though these are available at a very low price in the host countries.
8. MNCs reportedly do not submit actual profit and wealth position at the end of each financial year, in order to evade taxes payable to the country of origin.	8. MNCs, often, in neglect of local demand export goods elsewhere outside the country of production.
9. Many influential executive, key personnel get themselves married in the host countries and bring those wives to the country of origin. This they complain have ill effects on the social custom of the country of origin.	9. MNCs eliminate local firms to minimize competition through setting up their own subsidiary companies.
10. People in the country of origin, often, complained about the cultural aggression caused by large number trainees of the host countries taking training in the country of origin.	10. MNCs through the expatriate executives make cultural aggression on the host countries.
	11. MNCs charge higher prices for the goods produced and sold in the host country while for foreign exchange benefits, these are sold at a lower prices out side the host country.
	12. MNCs, often, found dishonest in making financial disclosure. In the process, they avoid payment of taxes and duties payable to the host country.
	13. MNCs imports duty free raw materials to be used for production purposes but reportedly they sell those at a higher price through open market for earning higher profits.
	14. MNCs for higher profits make rapaid use of local raw materials and thus exhausting the local resources much earlier than postulated.
	15. MNCs reportedly influence the govt. of the host country to invest in the preferred sectors leaving the unprofitable sectors for entrepreneurs of the host country.

Some other common abuses of MNCs are:

1. Restrict or allocate markets among subsidiaries,
2. Extract excessive profits and fees,

3. Entry mainly through local debt,
4. Divert local savings away from productive investment,
5. Hire away the most talented personnel,
6. Exhausted resources,
7. Restrict access to modern technology,
8. Licensing subsidiaries to use only existing,
9. Fail to do enough in the way of training and development of personnel,
10. Affront the country's social customs or frustrate the objective of the national plan,

11.3 Intergovernmental Understandings

The four decades between 1984 and 1988 have been remarkable for the proliferation of intergovernmental agreements, compacts, accords, and declarations that have been intended to put on the public record various sets of principles regulating the activities of governments, groups, and individuals. Collectively they proclaim the basic outlines of a transcultural corporate ethic. This ethic effectively lays down specific guidelines for the formulation of multinational corporate policies and practices. These six compacts and their respective dates of promulgation are:

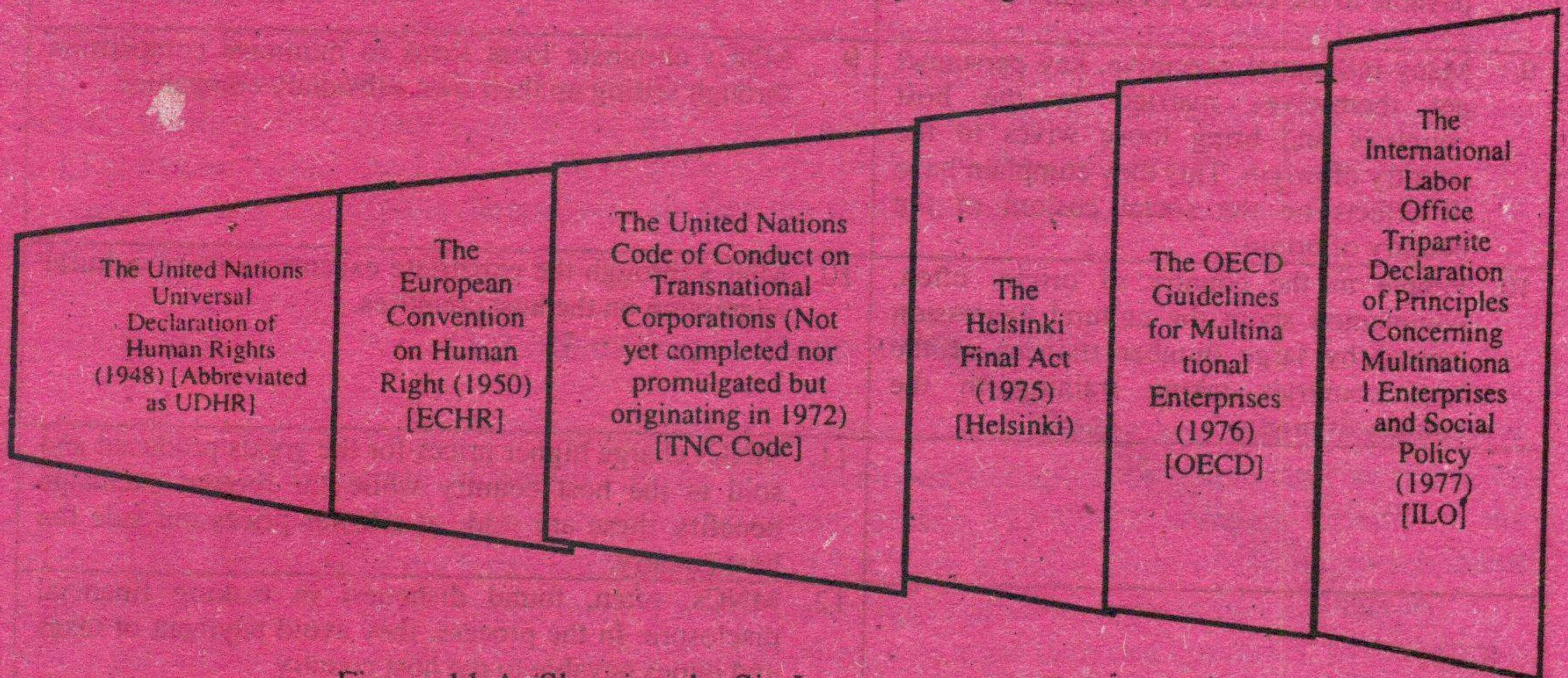


Figure-11.A: Showing the Six Intergovernmental Compacts

The first two compacts are clearly normative in focus and intention, emphasizing human rights, but they are not addressed specifically to multinational enterprises. The principle emphasis of the Helsinki Final Act is the national and political security of the signatory governments, although this accord and its successor protocols carry strong messages concerning human rights and environmental protections, which do concern business operations. The last three compacts are aimed primarily and explicitly at the practices of multinational enterprises across a wide range of issues and problems. While three of the six accords issue primarily from European-North American governments, the other three represent the view of a much wider, even global, range of governments.

Guidelines for Operations of MNCs.

By careful reading of these six intergovernmental compacts, one can derive a set of explicitly normative guides for the policies, decisions, and operations of multinational corporations. These guidelines refer to normal business operations, as well as more fundamental responsibilities regarding basic human rights.

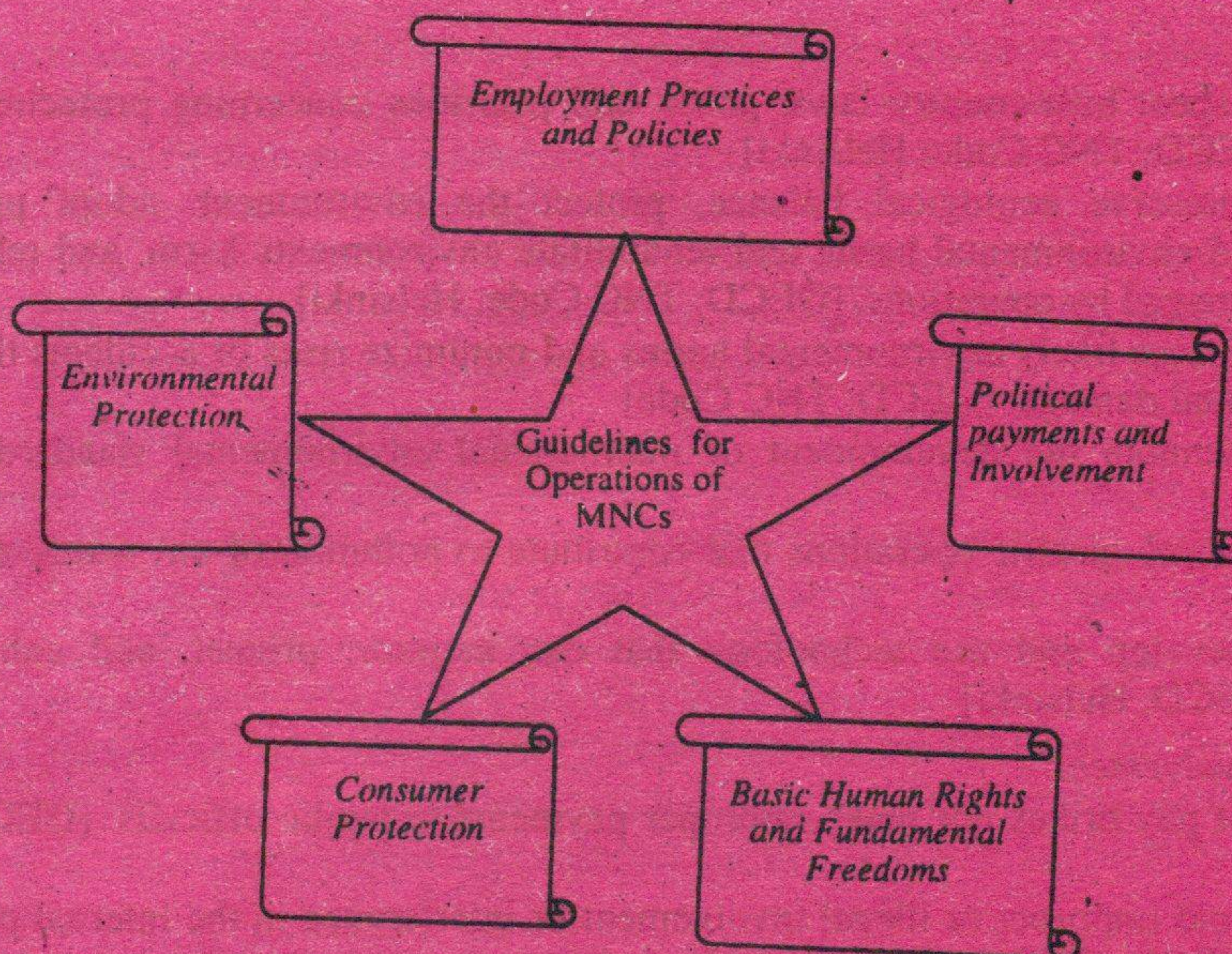


Figure-11.B: Guidelines for Operations of MNCs

Employment Practices and Policies

- MNCs should not contravene the manpower policies of host nations. [ILO]
- MNCs should respect the right of employees to join trade unions and to bargain collectively. [ILO; OECD; UDHR]
- MNCs should develop nondiscriminatory employment policies and promote equal job opportunities. [ILO; OECD; UDHR]
- MNCs should provide equal pay for equal work. [ILO; UDHR]
- MNCs should give advance notice of changes in operations, especially plant closings, and mitigate the adverse effects of these changes. [ILO; OECD]
- MNCs should provide favorable work conditions, limited working hours, holidays with pay, and protection against unemployment. [UDHR]
- MNCs should promote job stability and job security, avoiding arbitrary dismissals and providing severance pay for those unemployed. [ILO; UDHR]
- MNCs should respect local host-country job standards and upgrade the local labor force through training. [ILO; OECD]
- MNCs should adopt adequate health and safety standards for employees and grant them the right to know about job-related health hazards. [ILO]
- MNCs should, minimally, pay basic living wages to employees. [ILO; UDHR]
- MNCs operations should benefit lower-income groups of the host nation. [ILO]
- MNCs should balance job opportunities, work conditions, job training, and living conditions among migrant workers and host-country nationals. [Helsinki]

Consumer Protection

- MNCs should respect host-country laws and policies regarding the protection and consumer. [OECD; TNC Code]
- MNCs should safeguard the health and safety of consumers by various disclosures, safe packaging, proper labeling, an accurate advertising. [TNC Code]

Environmental Protection

- MNCs should respect host-country laws, goals, and priorities concerning protection of the environment. [OECD; TNC Code; Helsinki]
- MNCs should preserve ecological balance, protect the environment, adopt preventive measures to avoid environmental harm, and rehabilitate environments damaged by operations. [OECD; TNC Code; Helsinki]
- MNCs should disclose likely environmental harms and minimize risks of accidents that could cause environmental damage. [OECD; TNC Code]
- MNCs should promote the development of international environmental standards. [TNC Code; Helsinki]
- MNCs should control specific operations that contribute to pollution of air, water, and soils. [Helsinki]
- MNCs should develop and use technology that can monitor, protect, and enhance the environment. [OECD; Helsinki]

Political payments and Involvement

- MNCs should not pay bribes nor make improper payments to public officials. [OECD; TNC Code]
- MNCs should avoid improper or illegal involvement or interference in the internal politics of host countries. [OECD; TNC Code]
- MNCs should not interfere in intergovernmental relations. [TNC Code]

Basic Human Rights and Fundamental Freedoms

- MNCs should respect the rights of all persons to life, liberty, security of person, and privacy. [UDHR; ECHR; Helsinki; ILO; TNC Code]
- MNCs should respect the rights of all persons to equal protection of the law, work, choice of job, just and favorable work conditions, and protection against unemployment and discrimination. [UDHR; Helsinki; ILO; TNC Code]
- MNCs should respect all persons' freedom of thought, conscience, religion, opinion and expression, and movement and residence within each state. [UDHR; ECHR; Helsinki; ILO; TNC Code]
- MNCs should promote a standard of living to support the health and well-being of workers and their families. [UDHR; Helsinki; ILO; TNC Code]
- MNCs should promote special care and assistance to motherhood and childhood. [UDHR; Helsinki; ILO; TNC Code]

11.4 Impact of Operations of the Multinationals

Colonialization was a mixed blessing for most nations. The charge that MNCs are the cause of the impoverishment of the Third World and of the unrest found there is partly correct. To some extent the substructure of the countries was developed. Roads were built where none exist before, water was made safe to drink, schools and hospitals were built, as were airports and railroads. Their cultures were disrupted; western ways were imposed on the people, and if not imposed them- imported and made attractive, so as to seduce many of the local population.

Second, people of the less developed countries were impoverished in a comparative sense. Poverty is not only an absolute condition; it is also relative. There is a third sense in which the developed countries are partly responsible for the impoverishment of the LDCs; paradoxically, this is related to

the gains made by the LDCs. Fourth, several MNCs have directly helped produce starvation in some countries. The typical scenario is this: An MNC goes into a country and buys up large portions of the productive land. It then grows cash crops for export, whereas before, local farmers grew food for local consumption. The abuses of multinational corporations in Third World countries need not, and should not, be denied, ignored, or excused. But even taken at their worst, and as a whole, they do not establish the case that the American free-enterprise system rests on the exploitation of Third World countries. That the Third World offers potential markets cannot be denied.

Transacting with unequal Partners

The charge that MNCs compete unfairly in the LDCs has two major components. One is that the MNCs are able to operate on especially favorable and uncompetitive terms. The second charge is that MNCs do not carry their fair share of the cost of social development, which imposes greater burdens on local industries. MNCs frequently utilize advanced technologies, which local companies do not have or cannot afford. The MNCs are thus able to be more productive. The charges that MNCs use advanced technology, are more productive, and undercut local firms are in part true. Some people urge MNCs to utilize more labor-intensive productive processes and thus equalize competition with local firms and increase employment opportunities for the local population. However, competition in itself is not unjust.

The less developed countries give multinationals tax advantages in order to attract them. But this makes sense only if the multinational in other ways contributes to the wealth, development, and good of the country. The attacks on MNCs have not been misplaced. But the age of the multinational robber baron is slowly drawing to a close. The financial crisis in many countries makes them unattractive places in which to invest, and in other countries governments are learning from one another how to use MNCs to their own advantage.

Shifting Dangerous Industries to Poor Countries

Multinational incorporated in the industrialized countries because of continuous public pressure & government control take away their industrial establishments having negative effects on the health & hygiene to other countries where resistance are absent or feeble. Governments in the poor countries in the name of encouraging foreign investments or in exchange of substantial kickback benefits allow these MNCs to operate with their known harmful or injurious products. For example, Asbestos Germany [fictitious] produces asbestos products for the local market. It competes with asbestos products made in Mexico. It is able to compete, despite the fact that Mexican labor is so much cheaper than labor in the Germany, because it operates more efficiently and with more advanced equipment than do the Mexican companies. Recently, German government determined that asbestos causes cancer. Those exposed to it for long periods had a significantly higher rate of cancer than others. The rate was especially high for people who worked in asbestos plants.

There are also some conditions that are immoral for an employer to impose on this workers, even if the latter agree to work under those conditions. Consent is not enough, because people who desperately need money may agree to pay workers as little as possible, and to spend as little as possible on a safe work environment. Ideally, there should be international agreements on minimally acceptable standards of safety in industry. In the absence of such standards moral sense and pressure must function until law can equalize the position of the worker vis-a-vis the employer. But moral sense and pressure seem to play little role in the policies of many international corporations.

The desirability of international minimal wage standards is obvious. But there is no visible movement in this direction, and multinational corporations on the whole have not attempted to promote such

standards. Finally, is it immoral for Asbestos Germany to produce products in Mexico for sale in the Germany? Suppose an US company made cars in the Germany exclusively for export to the USA. If a government itself exploits its people and encourages foreign exploitation of its people by foreign firms that pay taxes to the government, or pays government officials directly, the government acts immorally. If a firm knowingly and willingly exploits its workers, even if it is legal to do so, it also acts immorally. The temptations to act immorally are great in the international arena, and it would be surprising if many companies did not succumb. If moral restraints. The abuses of multinationals on such activity must be international restraints. The abuses of multinationals underscore the need for effective international controls – controls, however, that the present international climate has not strongly fostered.

11.5 Desired Operations to Ensure Mutuality

The striking structural difference between the parent country system and the system of international business is the paucity on the international level of background institutions – which include laws and accepted practices, more norms, and social demands – to control or guide international business. The situation is doubly bad with respect to underdeveloped countries, which tend to have inadequate background institutions internally as well. This situation makes possible many great abuses. One can list a number of moral norms that apply to multinationals operating in less developed countries.

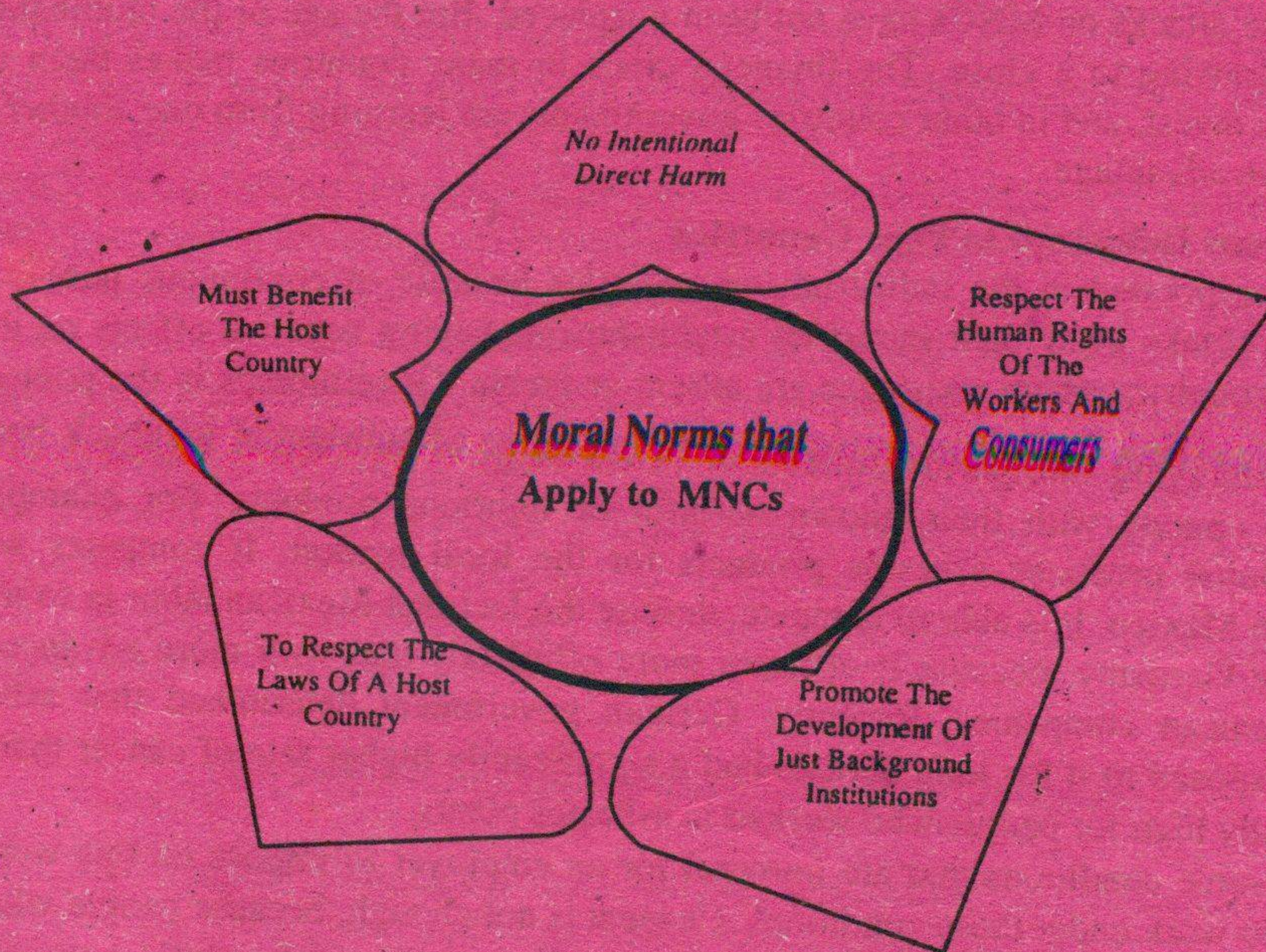


Figure-11.C: Showing Moral Norms for MNCs

- [i] The first norm, which has been called "the moral minimum," is the norm to *do no intentional direct harm*. This moral minimum applies to all actions of all people, corporations and countries. To do intentional direct harm is to willfully harm another, and unless done in self-defense or with some similar overriding reason, it is generally immoral and widely recognized as such.

- [ii] The second norm builds on the first. Not only should the multinational do no direct international harm, but if its activity must benefit the host country. This means that good to the multinational cannot be traded off against harm – even unintentional, indirect harm – to the host country.
- [iii] The third norm is to respect the human rights of the workers and consumers in the host country. Like the first norm, this applies to all companies operating in all countries.
- [iv] The fourth norm is to promote the development of just background institutions internally within the country as well as on the international.
- [v] The fifth norm requires as multinational to respect the laws of a host country and to respect as well its culture and local values, providing these do not violate human rights or impose immoral laws. If apartheid is immoral, then even if it is legal, a multinational has no more right to engage in the practice than do the local firms.

These five rules are examples of the kind of rules that can be generated and defended with respect to the actions of multinationals in less developed countries. Following these rules will precede many of the unjust practices with which multinationals are so often charged. We should put to rest two questions. First, in dealing with multinational activities the question is often raised: Can we really apply our morality in evaluating a firm's activities abroad? This is a pseudo-question. The second question, although in some respects similar to the first, is independently valid: If corporations in the United States are required to live up to social demands, must they live up to the same social demands when they operate in foreign countries?

11.6 Internet Business

Business are developing new marketing channels that will help them access online customers. In order to communicate with these individuals via the Internet, companies have several options:

- ❖ **Send e-mail:** Sending and receiving electronic message remains the most frequently performed Internet activity.
- ❖ **Create a newsgroup or discussion list:** These Internet services allow people to participate in online discussions about specific topics or Internet.
- ❖ **Launch a home page:** Companies can establish a presence on the Internet in the form of World Wide Web sites.
- ❖ **Sponsors an established group, list, or site:** Providing sponsorship for established Internet communication groups, discussion lists, and Web sites instantly gives business a targeted audience.

Each of these options can provide excellence marketing opportunities; however, traditional promotion techniques may not always work in the 'cyberspace realm' of the Internet.

Electronic Mail

E-mail communication is the most frequently cited reason for using the Internet. As the most widely used Internet service, e-mail is predicted to maintain its usage lead over the WWW so that by the year 2000, 200 million people will regularly send and receive electronic mail. Despite the fact that the graphics-intensive Web has become the focus of interactive marketing activity, when comparing the potential of e-mail to the Web, industry observer Robert Seidman commented, "E-mail is easy-it's like newspaper home delivery, while the Web is like running down to a news-stand to buy a paper."

However, not all electronic communications are welcome. Broadcasting unsolicited commercial e-mail across the Internet is scornfully referred to as spamming. Although the Internet makes it very simple to send messages to large groups of e-mail addresses, spamming is considered more than a simple invasion of privacy because many people who get e-mail must pay for every message they receive

whether requested or not. Even those who do not have to pay for each message may still have to pay for the time they spend online reading their e-mail. The situation is similar to a post office forcing people to pay for every piece of junk mail they receive. Therefore, companies that blindly broadcast unrequested e-mail commercials often become the targets of vicious responses called flames.

To restrict spamming opportunities, some Internet Service Providers (ISPs) refuse to broadcast e-mail having distribution lists in excess to some maximum level typically 10 addresses.

Privacy and security issues for online commerce

Among the practical problem-facing companies that seek to do business via the Internet are concerns about the safety of conducting commerce online. Other problems – such as the speed of data communication and the quality of the visual images—will be solved or minimized as the technology advances. In contrast, privacy and security issues seem to become more complex as technology provides unscrupulous individuals with new and better tools for breaking the law, causing chaos, and intruding into personal affairs.

A host of traditional legal and moral issues such as copyright infringement, pornography, and fraud will continue to plague all businesses, regardless of where and how they handle transactions.

Electronic Cash

The most basic problem facing online commerce involves methods of payment. Although traditional business is easily transacted using cash, checks, and credit cards, online vendors have encountered with various types of problems. The difficulty of credit cards is the concern that electronic eavesdroppers could intercept the credit card number and use that information to go on a shopping spree at the card holder's expenses. Internet browser software uses data scrambling techniques called encryption algorithms to prevent unauthorized access to sensitive information. Each of the dangers indicated, whether real or imagined, can keep people from participating in new activities like shopping via the Internet.

11.7 Caux Round Table Conference Codes for MNCs¹

In its language and form, the document owes a substantial debt to *The Minnesota Principles*, a statement of business behavior developed by the Minnesota Center for Corporate Responsibility. The Center hosted and chaired the drafting committee, which included Japanese, European, and U.S. representatives.

Business behavior can affect relationships among nations and the prosperity and well being of us all. Business is often the first contact between nations, and, by the way in which it causes social and economic changes, has a significant impact on the level of fear or confidence felt by people worldwide.

Members of the Caux Round Table place their first emphasis on putting one's own house in order, and on seeing to establish what is right rather than who is right.

1. Preamble

The mobility of employment, capital, products and technology is making business increasingly global in its transactions and its effects.

Laws and market forces are necessary but insufficient guides for conduct.

Responsibility for the policies and actions of business and respect for the dignity and interests of its stakeholders are fundamental.

Shared values, including a commitment to shared prosperity, are as important for a global community as for communities of smaller scale.

For these reasons, and because business can be a powerful agent of positive social change, we offer the following principles as a foundation for dialogue and action by business leaders in search of business

¹ Caux Round Table Conference, Center on Corporate Responsibility, Minnesota, U.S.A 1994

responsibility. In so doing, we affirm the necessity for moral values in business decision making. Without them, stable business relationships and a sustainable world community are impossible.

2. General Principles

Principle 1. The Responsibilities of Businesses: Beyond Shareholders Toward Stakeholders

The value of a business to society is the wealth and employment it creates and the marketable products and services it provides to consumers at a reasonable price commensurate with quality. To create such value, a business must maintain its own economic health and viability, but survival is not a sufficient goal.

Businesses have a role to play in improving the lives of all their customers, employees, and shareholders by sharing with them the wealth they have created. Suppliers and competitors as well should expect businesses to honor their obligations in a spirit of honesty and fairness. As responsible citizens of the local, national, regional and global communities in which they operate, businesses share a part in shaping the future of those communities.

Principle 2. The Economic and Social Impact of Business: Toward Innovation, Justice, and World Community

Businesses established in foreign countries to develop, produce or sell should also contribute to the social advancement of those countries by creating productive employment and helping to raise the purchasing power of their citizens. Businesses also should contribute to human rights, education, welfare, and vitalization of the countries in which they operate.

Businesses should contribute to economic and social development not only in the countries in which they operate, but also in the world community at large, through effective and prudent use of resources, free and fair competition, and emphasis upon innovation in technology, production methods, marketing and communications.

Principle 3. Business Behavior: Beyond the Letter of Law Toward a Spirit of Trust

While accepting the legitimacy of trade secrets, businesses should recognize that sincerity, candor, truthfulness, the keeping of promises, and transparency contribute not only to their own credibility and stability but also to the smoothness and efficiency of business transactions, particularly on the international level.

Principle 4. Respect for Rules

To avoid trade frictions and to promote freer trade, equal conditions for competition, and fair and equitable treatment for all participants, businesses should respect international and domestic rules. In addition, they should recognize that some behavior, although legal, may still have adverse consequences.

Principle 5. Support for Multilateral Trade

Businesses should support the multilateral trade systems of the GATT/World Trade Organization and similar international agreements. They should cooperate in efforts to promote the progressive and judicious liberalization of trade and to relax those domestic measures that unreasonably hinder global commerce, while giving due respect to national policy objectives.

Principle 6. Respect for the Environment

A business should protect and, where possible, improve the environment, promote sustainable development, and prevent the wasteful use of natural resources.

Principle 7. Avoidance of Illicit Operations

A business should not participate in or condone bribery, money laundering, or other corrupt practices; indeed, it should seek cooperation with others to eliminate them. It should not trade in arms or other materials used for terrorist activities, drug traffic or other organized crime.

3. Stakeholder Principles

Customers

We believe in treating all customers with dignity, irrespective of whether they purchase our products and services directly from us or otherwise acquire them in the market. We therefore have a responsibility to:

- provide our customers with the highest quality products and services consistent with their requirements;
- treat our customers fairly in all aspects of our business transactions, including a high level of service and remedies for their dissatisfaction;
- make every effort to ensure that the health and safety of our customers, as well as the quality of their environment, will be sustained or enhanced by our products and services;
- assure respect for human dignity in products offered, marketing, and advertising; and
- respect the integrity of the culture of our customers.

Employees

We believe in the dignity of every employee and in taking employee interests seriously. We therefore have a responsibility to:

- engage in good faith negotiations when conflict arises;
- avoid discriminatory practices and guarantee equal treatment and opportunity in areas such as gender, age, race and religion;
- promote in the business itself the employment of differently abled people in places of work where they can be genuinely useful;
- protect employees from avoidable injury and illness in the workplace;
- encourage and assist employees in developing relevant and transferable skills and knowledge; and
- be sensitive to the serious unemployment problems frequently associated with business decisions, and work with governments, employee groups other agencies and each other in addressing these dislocations.
- provide jobs and compensation that improve workers' living conditions;
- provide working conditions that respect each employee's health and dignity;
- be honest in communications with employees and open in sharing information, limited only by legal and competitive constraints;
- listen to and, where possible, act on employee suggestions, ideas, requests and complaints;

Owners/Investors

We believe in honoring the trust our investors place in us. We therefore have a responsibility to:

- conserve, protect and increase the owners/investors' assets; and
- respect owners/investors' requests, suggestions, complaints, and formal resolutions.
- apply professional and diligent management in order to secure a fair and competitive return on our owners' investment;
- disclose relevant information to owners/investors subject only to legal requirements and competitive constraints;

Suppliers

Our relationship with suppliers and subcontractors must be based on mutual respect. We therefore have a responsibility to:

- seek fairness and truthfulness in all our activities, including pricing, licensing, and rights to sell;

- ensure that our business activities are free from coercion and unnecessary litigation;
- foster long-term stability in the supplier relationship in return for value, quality, competitiveness and reliability;
- share information with suppliers and integrate them into our planning processes;
- pay suppliers on time and in accordance with agreed terms of trade; and
- seek, encourage and prefer suppliers and subcontractors whose employment practices respect human dignity.

Competitors

We believe that fair economic competition is one of the basic requirements for increasing the wealth of nations and ultimately for making possible the just distribution of goods and services. We therefore have a responsibility to:

- foster open markets for trade and investment;
- promote competitive behavior that is socially and environmentally beneficial and demonstrates mutual respect among competitors;
- refrain from either seeking or participating in questionable payments or favors to secure competitive advantages;
- respect both tangible and intellectual property rights; and
- refuse to acquire commercial information by dishonest or unethical means, such as industrial espionage.

Communities

We believe that as global corporate citizens we can contribute to such forces of reform and human rights as are at work in the communities in which we operate. We therefore have a responsibility in those communities to:

- respect human rights and democratic institutions, and promote them wherever practicable;
- recognize government's legitimate obligation to the society at large and support public policies and practices that promote human development through harmonious relations between business and other segments of society;
- collaborate with those forces in the community dedicated to raising standards of health, education, workplace safety and economic well-being;
- promote and stimulate sustainable development and play a leading role in preserving and enhancing the physical environment and conserving the earth's resources;
- support peace, security, diversity and social integration;
- respect the integrity of local cultures; and
- be a good corporate citizen through charitable donations, educational and cultural contributions, and employee participation in community and civic affairs.

11.8 Islamic Guidelines in Performing International Business

The whole mankind is from one ummah and hence a just feeling and sympathy is due for each and everybody wherever he/ she is staying or trading.

Quranic Guidelines

Thus have we made of you an ummah justly balanced that you might be witnesses over the nations and the Apostle a witness over yourself. *Al-baqarah 2 (143)*

O mankind! Lo! We have created you male and female, and have made you nations and tribes, that you may know one another. *Al-Hujurat 49(13)*

Those who hearken to their Lord; and establish regular prayer; who [conduct] their affairs by mutual consultation, who spend out of what we bestow on them for sustenance,

[importance of consultation] *Ash- Sh'ura 42 (38)*

Quranic Guidelines

"And remember with gratitude Allah's favor on you; for ye were enemies and he graced your hearts in love, so that by His grace, ye become brethren." (3:103)

*O" Believers, do not consume your property amongst yourselves in deceit, but trade and traffic together by mutual goodwill, and do not kill yourselves, for truly Allah has been most merciful to you. (4:29)

"And do not withhold from people the things that are their due and commit not evil in land with intent to spread disorder. (11:85)

"Let there be a Community among you who will invite (others) to do good deeds, promote what is good, and forbid what is evil; those will be prosperous. Do not be like those who split up in disagreement after explanations had come to them; those will have awful torment..... You are the best community which has been brought forth for mankind. You promote what is good and forbid what is evil and you believe in God (Alone. " (3:104-110)

But seek, with the (wealth) which Allah has bestowed on you, the home of the hereafter. Nor forget thy position in this world, but do good as Allah has been good to you and seek not occasions for mischief in the land, for Allah loves not those who do mischief. (28:77)

"And whose doth good and atom's weight will see it then, And whose doth ill an atom's weight will see it them." (99:7-8)

"We have apportioned among them their livelihood in the life of the world, and raised some of them above others in rank that some of them may take labour from others' and the mercy of the Lord is better than (the wealth) that they amass." (43:32)

Guidelines from Hadith

You are not better than people with red or black skins unless you excel them in piety. [Mishkat]

The excellent sadakah consists in your satisfying a hungry stomach. [Miskhat]

Allah's Messenger (peace be upon him) forbade (the animals to be beaten) on the face or cauterization on the face. [Muslim]

Truly, Allah has cursed khamr and has cursed the one who produces it, the one for whom it is produced, the one who drinks it, the one who serves it, the one who carriage it, the one for whom it is carried, the one who sells it, the one who earns from the sale of it, the one who buys it, and the one for whom it is bought

[Ibn Majah].

The necessities of life, and food for cattle, in a city where such monopoly is likely to prove detrimental.

[Al Hidayah, 5857]

*Don't harbor envy toward on another, don't outbid one another in order to raise the price, don't sever relations of kinship, don't enter into a transaction when others have already entered into that transaction and be as brother of a Muslim, he neither oppresses him, nor forsakes him, so, he pointed toward his chest thrice.

"He who fulfilled his brother's need is like the one who worshipped Allah and Almighty, the Exalted, all his life."

"one who interferes in the market of the Muslims for increasing the prices, it becomes obligatory for Allah to throw him in the intense fire on the day of judgement.

"Whoever tells lies in order to get more money, his fortune will certainly be diminished" (Sahih Al-Bukhari and Sahih Moslem)

"Wealth, properly employed is a blessing, and a man should lawfully endeavor to increase it by honest means" (Sahih Al-Bukhari and Sahih Moslem)

While engaged in international business, the MNCs should:

- [i] Consider the people of the host country with the same attitude as that of their own; hence the quality, price and the related terms must not be very different than justified;

- [ii] MNCs should always keep in mind that their actions are all the time under observation unmistakably by Allah and they are answerable to Him;
- [iii] Islam does not approve of any willful discrimination in making business transactions on the basis of guest or host country except for the cost of transportation for place utility;
- [iv] MNCs through mutual consultation with the people & their legal representatives may trade in the host country for benefits of the parties;
- [v] MNCs must ensure distributive justice, claims of the poor & workers in the host country need be taken care of the laws, values and cultures must not be distorted;
- [vi] Islam emphasizes on rightful kind punishment even on the animals. It is therefore imperative that no MNC be cruel in dealing with the employees and customers in the host country;
- [vii] MNCs must not be engaged in producing, distributing or acting as intermediaries of the goods and services those are expressly forbidden & restricted by Islamic Shariah;
- [viii] MNCs must not pursue a policy of promoting monopoly by wholesale merger, consolidation, amalgamation and the like because in doing so people in the host country as customers & employees are likely to be seriously affected by unilateral profiteering decisions on the part of the MNCs.

11.9 Summing Up

- [i] International business organisations popularly known as Multinational Corporations (MNCs) are those involved in areas beyond their country of origin in which these businesses are registered.
- [ii] Important abuses of MNCs include: restrict or allocate markets among subsidiaries, extract excessive profits and fees, divert local savings away from productive investment, licensing subsidiaries, staffing key technical and managerial positions with expatriates, dominate key industrial sectors; exhausting local resources unjustifiably and the like.
- [iii] Major impacts of MNCs abuses are: increasing rate of poverty and impoverishment in the developing countries, impairment of local cultures, to some extent the substructure of the countries was developed, some MNCs buy up large portions of the productive land previously used for food crops now forced to use for cash crop cultivation for export and the like.
- [iv] MNCs operate immorally in the third world countries by exploiting workers, by exploiting natural resources, and by reaping exorbitant profits and compete unfairly in the LDCs to the detriment of the host countries.
- [v] Multinational corporations operate in less developed countries for a variety of reasons i.e. cheap labor, available resources, tax shelters and relief, and ready markets.
- [vi] Ethics in international business is complex. The problems are pressing and require careful analysis and discussion. Ethics by itself will not tell a business how to act, but it can tell a business how not to act. in this sense it is a sieve through which business decisions must pass. Yet, ultimately fairness and global justice will require not only honest businesspersons, but also just background institutions that enable all to compete on the same terms and that provide some good to those whom the international business system fails to benefit.
- [vii] A number of moral norms that may be followed in order to minimise the MNCs abuses include: [a] do no intentional/ willful direct harm to the host country; [b] MNCs activity must benefit the host country; [c] respect the human rights of the workers and consumers in the host country; [d] promote the development of just background institutions internally within the country as well as on the international and [e] respect the laws, culture, and local values of the host country not to violate human rights or impose immoral laws in the host country in the course of the operation of the MNCs.
- [viii] MNCs must not exploit the people in the host country, they must be given their due share of fair price, opportunity of employment with just wage and make no willful attempt to distort the religio- cultural values of the host country as we are all from the same source – created by Allah.

Model Questions

Board Questions

1. What is meant by International Business? Explain the impact of the operation of MNCs. Give a list of the common abuses that are committed usually by the MNCs while operating in the third world countries.
2. Explain the operational mechanisms and the rationale of operations of the MNCs. How do MNCs perform their operation with unequal partners? Give some illustration.
3. How do the MNCs shift the dangers of industrialization of third world countries? How to ensure mutuality in the under national business.
4. Can International business be done following Islamic Sharriah? How to ensure mutual benefits when is International business seen by Islamic Sharriah.
5. A multinational corporation should strive to be a "good citizen" of all the operates.
 - a. What is meant by 'good citizen'?
 - b. What possible advantage can acquire to the world from multinationals? What disadvantages?
 - c. Do you think MNCs will prove beneficial or harmful in the long run?
6. Name the six intergovernmental compacts and their respective dates of promulgations. Present the guide lines for MNCs indicated by the six intergovernmental compacts.
7. Indicate why and when Caux Round Table Conference was held. Present the codes adopted for international business in the Caux Round Table Conference.

Short Questions

1. What is meant by MNCs?
2. Meaning of Globalization?
3. Staffing by expatriates - Explain.
4. Allocating markets among subsidiaries.
5. Over exploitation of natural resources.
6. Cultural aggression.
7. Six intergovernmental compacts
8. Caux Round Table Conference
9. Guide lines for MNCs indicated by the six intergovernmental compacts.
10. Codes adopted for international business in the Caux Round Table Conference