

International Business Ethics Review

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Volume 1, Issue 1

The Role of Business in Promoting Respect for Human Rights in China

By John Kamm

The time has come to recognize a simple truth: While it might not always be the case that trade and business are good for human rights, it most certainly is the case that a good human rights environment is always good for business. Businesses are acting in their own self-interest when they actively promote respect for human rights in the countries where they operate.

Why is promoting respect for human rights good for business? There are a number of reasons, four of which are listed below:

1. *Respecting human rights enhances worker productivity and management creativity. In short, it raises enterprise profitability.*

Workers produce more and higher quality products when they work in enterprises which respect their dignity and their rights. Companies which encourage free and

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Temple of Heaven, Beijing

Corruption Issues: A View from Shanghai

By Sarah Jay

Navigating a path through the rocky terrain of doing business in China is never a simple endeavor. For one thing, there are few maps, and those that exist are constantly being redrawn. For another, business deals in China can turn into an ethical minefield, with illegal demands for bribes, kickbacks or special fees standing in the way of a successful operation.

But business managers and consultants here suggest that there has been significant progress in the last few years, thanks to both national imperatives and polite but firm pressure from the American business community. And while there are rarely easy answers to compromising situations, their recent experience suggests that the business ethics landscape in Shanghai is only getting better.

Nevertheless, the cultural divide is far from breached. One of the stickiest issues facing American businesses today is how to compete effectively in the China market while still abiding by the 1977 Foreign Corrupt Practices Act, which prohibits U.S. companies from making bribes or kickbacks to influence foreign officials.

"It's difficult for U.S. companies because they are not on the same level playing field,"

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SPECIAL FOCUS: CHINA

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FROM THE PRESIDENT

By Lori Tansey

It is my great pleasure to welcome you to the inaugural issue of the *International Business Ethics Review*. The objective of the *Review* is to keep the global business community and the public apprised of current events, innovative solutions and unique perspectives on the challenging ethics issues which arise in international commerce.

The Institute created the *Review* to fill a void in the current dialogue on global business ethics issues. It is unfortunate that much of the debate on these issues often lacks thoughtful analysis or a clear understanding of the unique issues which exist within differing cultural contexts. Too often, issues turn into debates between the business community and activist groups with little recognition of the vast possibility for creativity and innovation in addressing legitimate issues, such as human rights, environment or labor practices, which are of concern to all.

In many respects, therefore, it is appropriate that our first issue focusses on China. Given China's demographics and rapid push to modernize in all sectors, it is truly the critical market for business in the 21st century. However, as more and more multinational companies rush into China, they often find themselves ill-equipped to deal with ethics issues arising from a society and culture that is unique and challenging. And debate continues within developed nations as to the best ways to address pressing concerns in China, such as human rights.

This issue of the *Review* seeks to inform our readers on the issues in China, and more importantly, provide ideas on how to operate within China while maintaining corporate values and standards. Our feature article, by the highly respected John Kamm, gives practical advice to companies on how they can be a positive force for human rights in China --- without sacrificing legitimate business objectives. This issue also includes a report on the U.S.-China Business Council's *U.S. Corporate Practices in China: a Resource Guide*, which provides valuable information on innovative programs undertaken by corporations to ensure they play a positive role in China -- with their employees, customers and Chinese society. A third article, from special correspondent Sarah Jay in Shanghai, takes a look at the current business landscape in China, particularly with respect to corruption issues in this important economic center of China.

Our focus on China is also appropriate because Kristen Day, a specialist on Asia and Greater China, has joined the Institute. In fact, Kristen has used her considerable contacts and expertise to assemble this first issue. For more information on her background and experiences, please see the article on page 11.

As this is our first issue, we look forward to hearing from you, the reader, with regard to whether the *Review* is accomplishing its objective of providing up-to-date information and important perspectives on the critical issues of international business ethics. We warmly welcome any and all suggestions on format and content, and look forward to your comments on how we can do a better job in our next issue.

On a personal note, I would like to dedicate this first issue of the *Review* to Robert Henderson (1930 - 1997). For when it comes to matters of ethics and integrity, a life well-lived is perhaps the best inspiration to us all.



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Chinese Perceptions of Business Ethics

By Kristen Day

In China, the study of ethics in relation to business has emerged only in recent years. Before 1978, dialogue on the subject of free market economics or business in general was taboo. Following the dramatic changes in Chinese society resulting from the 1978 economic reforms, China's door has swung wide open to both foreign investment and private business activities. China in the 1990's is trying to come to grips with the consequences of the monumental changes which have taken place within the past 20 years, including the emergence of such ethical developments as corruption, intellectual property rights concerns, environmental abuses, labor unrest, and equality issues, among others. The recent economic changes and pressures from within China's business community are demanding a new understanding and assessment of the relationship between business and ethics.

This assessment can be viewed from two levels. Externally, China is seeking to promote its role as a fair and legitimate international leader in its own right through acceptance to such global forums as the World Trade Organization. To assume this role, it must suitably address the concerns of the international community. Internally, and perhaps more pressing, the Chinese government has a vested interest in demonstrating to its citizens that ethical concerns are being actively and creditably addressed, and that it is working to mitigate the negative consequences of rapid economic development. Failure in attaining this goal carries the risk of social, economic and political destabilization.

In this sense, the emergence and study of ethics issues in relation to business in the Peoples Republic of China has fundamentally different origins relative to the field in the U.S. The modern approach to business ethics in the U.S. has been driven largely in response to legal considerations, such as the Foreign Corrupt Practices Act in 1977 and the Federal Sentencing Guidelines in 1992. In China, however, centuries of Confucian-based ethical heritage have evolved from a less formal foundation rooted in interpersonal relationships and bonds of loyalty and trust. Legal obligations often have been viewed with cynicism, due to lack of effective enforcement. Commitments are more likely to be cemented by a nod or handshake than by a signature on a contract. Saving or giving 'face,' which underlies this relationship-based orientation, is of primary importance.

Perceptions of Business Ethics in East China: An Empirical Study

In the fall of 1995, a survey was undertaken of business people in Eastern China concerning their perceptions of ethics in the work place. The survey, believed to be the first of its kind conducted in China, was undertaken by Wu Xinwen, an ethics lecturer at Fudan University in Shanghai.

Methodology

The survey covered 59 companies in the cities of Shanghai, Qingdao, Jinan, Changzhou, Hangzhou, and Tianjin. The enterprises, from manufacturing and service sectors, ranged across a variety of ownership structures, and included state owned enterprises, collectives, private companies and firms with foreign investment. A total of 800 questionnaires were circulated and 700 useable responses were received. Further, interviews on perspectives of ethics in the workplace were conducted with 42 senior executives at the surveyed companies.

Ethical Standards of Colleagues and the Firm

The survey revealed a high level of dissatisfaction with the ethical status quo in Chinese business. Twenty seven percent of those surveyed in China were dissatisfied with the ethical standards of their peers, and 47% felt that their supervisors were not sufficiently committed to ethical practices.

These results suggest greater dissatisfaction with ethical conduct in China than has been found in similar studies conducted among business people in the U.S. Although it is impossible to directly equate the results of the studies due to differing methodologies and questionnaires, it is interesting that in a similar large-scale survey of U.S. attitudes towards corporate ethics undertaken in 1993 by the Ethics Resource Center (*Ethics in American Business: Policies, Programs and Perceptions*, 1994), only 19% of U.S. employees felt their peers did not demonstrate sufficient commitment to ethics and 18% felt that such a commitment was lacking among their supervisors.

***39% of surveyed
employees in
China were
dissatisfied with
the ethical
climate in their
place of work***

(Continued on page 4)

Chinese Perceptions of Ethics (Continued)

(Continued from page 3)

In the China study, 39% also were dissatisfied with the ethical climate of their enterprises - respondents with higher education levels and those over the age of 40 were the most likely to be dissatisfied. Dissatisfaction and cynicism was also shown by survey results which revealed that 58% believed that advertising *always* contained false or misleading factors and 34% believed the relationship between the company and the customer was characterized *purely* by the self-interest of the firm.

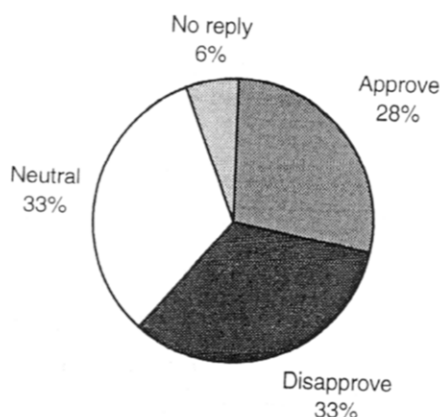
Responsibilities to Stakeholders

Almost one-third of respondents (30%) believed the primary responsibility of the firm was to consumers and 26% believed it was to the employees. Only 18% of respondents believed stockholders warranted primary consideration. Fourteen percent identified the government and 12% considered society and the environment as meriting the firm's primary focus of responsibility. Concerning the relationship between government and business, 71% thought that firms should get rid of government control.

Ethics and Profits

Respondents in China nearly unanimously opposed business activities which completely ignored ethical considerations. When given a choice between maximizing profits and taking the ethical stance, however, the Chinese priorities were not as consistent, as is depicted in the chart below.

"It is acceptable to increase profits at the cost of business ethics."



View of Codes and Ethics Programs

Particularly encouraging for multinational companies with ethics programs were Chinese attitudes towards formalized ethics standards. Eighty-seven percent of respondents approved institutionalized ethical codes or norms for business activities. Additionally, 76% approved application of business ethics instead of business law as the main instrument for addressing the conflicts of interests inside and outside the organization.

In interviews with business leaders, the study found that 16 of the 42 leaders interviewed reported that their firms had formal and written codes of ethics or similar standards for proper behavior; an additional 11 leaders stated that they were currently planning to develop such a code. Thirty-six of the business leaders stated that they often took ethical aspects into consideration in decision-making.

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Sexual Harassment in China

The Chinese survey included ten business ethics cases concerning product quality, employee rights, unemployment and environmental pollution. The following case was also included on sexual harassment:

A manager expressed sexual desire to a subordinate with the promise of promotion and higher salary.

Do you think the subordinate should:

- (A) accept it; (0%)
- (B) reject it tactfully; (49%)
- (C) charge the manager; (23%)
- (D) resign from the company. (26%)

None of the respondents said the subordinate should accept the offer. Interestingly, however, more employees would resign from the company rather than pursue charges against the manager. This may reflect a reluctance to pursue "legalistic" measures to address ethical issues in the workplace. Not unexpectedly, the most popular response was to attempt to discreetly reject the offer through informal "face-saving" means.

Socially Responsible Practices in China

By Lori Tansey

Foreign investment in China has skyrocketed over the last decade. With its 1.3 billion consumers and its rapid push to modernize all sectors and industries, China is perhaps the most important business market for the twenty-first century.

As increasing numbers of multinational corporations (MNCs) enter China, they face a myriad of challenging ethical situations. Many MNCs grapple with how to do business in an unfamiliar society with its own indigenous ethical rules and unique culture. Additionally, MNCs are facing increased public pressure and scrutiny from critics of China's human rights record and labor practices. This represents a particular challenge for companies with long-standing commitments to corporate values and business ethics.

An excellent resource for companies seeking to make positive contributions through their Chinese operations is *U.S. Corporate Practices in China: a Resource Guide*, published by the U.S.-China Business Council in July, 1996. The U.S.-China Business Council, the principal organization of American companies engaged in trade and investment with China, developed the *Guide* to bring together information regarding the socially responsible activities of companies working with and in China. The *Guide* illustrates a number of ways in which companies can make a positive contribution through innovative programs and practices which support employees and the local community. For example, Merck & Co has made available the technology for its hepatitis B vaccine and sponsored a visit by Chinese scientists to its U.S. facilities to be trained in the manufacture of the vaccine. Merck's goal is to help China vaccinate newborns against the deadly disease. E.I. du Pont de Nemours & Company built a temporary wastewater-treatment facility for its new Guangdong factory, despite urging by government authorities not to bother with treating waste until the plant was fully operational.

While some companies may ultimately decide that doing business in China conflicts with their corporate values, the *Guide* provides excellent examples of corporations who seek to make positive contributions to Chinese society while continuing and expanding their operations.

Copies of *U.S. Corporate Practices in China: A Resource Guide* may be obtained from The U.S.-China Business Council at 1818 N Street, NW, Suite 200, Washington, DC 20036. For more information, contact the Council by phone (202) 429-0340 or fax: (202) 775-2476.

Chinese Perceptions of Ethics (Continued)

(Continued from page 4)

The Future of Business Ethics in China

In China, the linkage of business and ethics is a recent development stemming from the consequences of rapid economic development. Internal and external pressures make the study of business ethics in China a particularly sensitive topic. As such, the survey results may to some extent be interpreted as a barometer of discontent within Chinese society as a whole.

China is working aggressively to address business ethics issues, as is evidenced by the evolving laws on corruption, increased enforcement of intellectual property infractions, and high profile trials and punishment of corrupt officials. Evidence of widespread discontent with the status quo has attracted the attention of the Chinese government. This portends a heightened interest in the promotion and implementation of corporate ethics programs and standards of conduct in China in the twenty-first century.

ORGANIZATION

SPOTLIGHT :

The Hong Kong Ethics Development Centre

An excellent resource for companies operating in South East Asia is the Hong Kong Ethics Development Centre. Established in May 1995 under the auspices of the Community Relations Department of the Independent Commission Against Corruption (ICAC) in Hong Kong, it operates under the guidance of an advisory committee comprising members from leading chambers of commerce. The Centre provides the following services to businesses:

- ◇ Resource center with over 1,000 local and international publications on business ethics;
- ◇ Consultancy services for firms developing codes of conduct;
- ◇ Seminars and training for staff. The Centre has produced a series of training videos in Cantonese with Chinese and English subtitles, including *Corporate Ethics and Success* and *Think Before You Leap: How to Make the Right, Ethical Decisions in Business*; and
- ◇ Seminars on the subject of ethics in the workplace.

The Centre publishes a quarterly newsletter entitled "Ethics in Practice."

For further information, the Hong Kong Ethics Development Centre may be contacted at:
1/F, Tung Wah Mansion
199-203 Hennessy Road
Wanchai, Hong Kong, China
Telephone: (852) 2587 9812
Fax: (852) 2824 9766

Business Practices and Human Rights (*Continued*)

(Continued from page 1)

critical thinking and which are able to send their workers and managers abroad to learn from the experiences of their colleagues overseas are companies which can innovate the most quickly. In addition, businesses which respect rights attract the best job applicants.

2. *Promoting rights opens markets.*

Pushing China to respect intellectual property -- a human right recognized in international law -- is of critical importance to the future success of American business in China. Without respect for patents and copyrights, China's market for some of America's best products and services will remain closed, adding to the ever-spiraling trade deficit.

An examination of the history of China's economic growth since 1979 clearly shows that the Chinese government's acknowledgment of a human right has always preceded the opening of specific markets. It was the Chinese government's decision, for instance, to loosen restrictions on the travel of its citizens that opened the market for aircraft in China. Just as granting permission to Chinese citizens to own their own telephones and television sets — devices that have aided in the development of free expression and thought — opened the markets for these consumer goods, so would the granting of permission to own fax machines in homes open up a potentially huge new market for these devices.

3. *Promoting respect for human rights goes hand in hand with development of rule of law.*

More and more businesses are realizing that their investments and even their persons are not safe in a country where there is no rule of law. Contracts mean nothing if they can be canceled at the whim of local officials. Corruption — the handmaiden of human rights abuses at the local level in China — thrives in a country where there is no rule of law, and corruption is without a doubt one of the greatest enemies of successful business in China. Many deals have been lost by American businesses because they did not pay bribes to corrupt officials.

4. *Promoting respect for human rights is good for a company's image, both at home and in the host country.*

Companies which demonstrate a commitment to respecting human rights in the workplace and to improving human rights in the community at large enjoy better images than those that do not. Indeed, companies which associate with regimes of the most brutal and repressive kind are more and more the targets of shareholder resolutions and investment community boycotts. The silent forces for democracy and human rights in the host countries observe and take careful note of who is helping them and who is not, and when these forces have their day, rewards and punishments will be meted out accordingly.

***“Businesspeople
can become
effective human
rights lobbyists
and monitors.”***



View of Tiananmen Square, Beijing

What things can businesses do to promote human rights in the countries where they operate? We can classify initiatives into those which take place in the workplace and those which take place in the host country at large.

Steps which can be taken in the workplace:

- At the investment negotiation stage, demonstrate the gains in productivity from eliminating or reducing mandatory party and propaganda sessions.
- Enforce codes of conduct which ban the purchase of goods made with child or forced labor, and which put the highest value on

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health and safety.

- Enforce minimum wage and hours of work rules, and provide workers with health insurance, maternity leave and workmen's compensation.
- Create conditions in the workplace where free and critical discussions can take root. Encourage the establishment of free associations of workers which concern themselves with health, safety, the environment and quality issues. Collect the opinions of workers and take public notice of instances where an unconventional opinion expressed by a Chinese employee led to greater efficiency and higher profits.
- Devise systems to reward creativity and free expression. Libraries and reading rooms can be established where publications not normally read by workers are made available.
- Provide travel opportunities to Chinese citizens. If the government denies the employee a passport, seek to clarify the reasons. If the denial is not due to criminal or civil charges, raise the issue with the authorities.
- Protect employees to the maximum extent possible from the arbitrary abuse of power by government and security officials.
- Lay down strict rules against the payment of bribes and empower local managers to enforce them. Identify and build ties with honest officials.
- Ensure strict compliance with sanctions against the transfer of technology and equipment that could be used to suppress dissent and guard against transferring technology which enables the government to censor communications. Educate your sales force as to which products are proper or improper to sell.

In the host country community:

- Lobby for legal reform by impressing upon the government the importance of behaving in accordance with international standards, whether the behavior concerns trade or human rights. Carefully choose when and where this is appropriate.
- Encourage trade associations and chambers of commerce to raise human rights issues in discussions with senior Chinese officials and to convey in a nonthreatening way how reports of abuses undermine China's attractiveness as an investment market.
- Encourage business associations to establish human rights committees, which can better inform members about human rights conditions and interface with the human rights community.
- Monitor human rights conditions and collect information on local regulations governing human rights issues in the areas where the company operates. Much of this information is freely and publicly available, albeit in difficult-to-find places.

Businesspeople can become effective human rights lobbyists and monitors. In doing so, they can create a formidable alliance of activists in the business and non-business communities, all working together for a common goal: the realization of better human rights environments in China and other countries where multinational companies do business, to the mutual benefit of all.

Mr. Kamm is President of Asia Pacific Resources, Inc. and a former President of the American Chamber of Commerce in Hong Kong. In 1996 he was awarded the Best Global Practices Award from the U.S. Department of Commerce for his work in promoting human rights and the rule of law in China.

RESOURCES ON CHINA

- ◇ The U.S.-China Business Council in Beijing, Shanghai, Hong Kong and Washington DC
- ◇ The American Chamber of Commerce in Beijing, Shanghai, Guangzhou and Hong Kong
- ◇ U.S. Foreign Commercial Service at the U.S. embassy & consulates in Beijing, Chengdu, Guangzhou, Shanghai and Shenyang
- ◇ The U.S. Department of Commerce maintains country commercial guides through its National Trade Databank (Accessible on the internet at: <http://www.stat-usa.gov> or www.state.gov.)
- ◇ The Department of Business Ethics, Center for Applied Ethics, Fudan University, Shanghai
- ◇ Hong Kong Ethics Development Centre

For more information, please contact Kristen Day at (202) 296-9416

"Good ethics and good business are synonymous ... American business plays an important role as a catalyst for positive social change by promoting human welfare and the principles of free enterprises"

— The American Chamber of Commerce in Hong Kong, Members Directory 1996/97

Shanghai (Continued)

(Continued from page 1)

said Kevin Tan, the Shanghai director of Frank, Small & Associates, a market research firm. "In some European countries, it's standard to provide bribes and kickbacks. They consider it normal." Mr. Tan's sentiment has been echoed by many other American managers doing business in China, people who feel that they are at a distinct disadvantage as they compete not only with Chinese companies, but other multinationals who are not bound by U.S. laws.

Paul Jensen, a consultant working for U.S., European and Japanese interests in China, dismisses the notion of a level playing field as a naïve fantasy. "In any case, even if a level playing field did exist, it's irrelevant if you've shot yourself in the foot first," he said. "All you can do is limp on a level playing field. And that's what the U.S. has done to American companies."

Although no U.S. business operating in China has ever been prosecuted for violating the Foreign Corrupt Practices Act, it is understood by many in the business community here that violations do occur. The question is often one of degree.

***"No one is going
to be prosecuted
for giving
mooncakes."***

For example, just after the mad cow scare occurred in England, a shipment of perishable food arrived at a port in China. It was held up in customs by authorities overreacting to the news from Europe. So what happened?

"Somebody got paid," said a consultant, who requested anonymity. "In this case, we knew the product was good. It had no more to do with mad cow disease than with oranges. So we did what we had to. We basically had 48 hours to figure out what to do. I didn't personally handle the money transfer, but I might have. It wasn't a huge amount, and it was a relatively minor official. Money is certainly going to improve his lifestyle and it got the stuff that was stuck out."

But there also seems to be growing support in Shanghai for the notion that the Foreign Corrupt Practices Act provides a reasonable working framework for those who do business here. Some companies have said the law actually helps them steer clear of ethical pitfalls, because if they are pressured to do something illegal like offer a kickback, they can cite the law.

"My impression of U.S. companies is that they do work within it," said Sheila Melvin, Director of the Shanghai office of the United States-China Business Council. "It is there as a reminder and companies do try to abide by it."

On the other hand, Ms. Melvin said, "no one is going to be prosecuted for giving mooncakes," referring to a popular local pastry which is also used as currency in petty bribes. And she also noted that in the case of two multinational companies selling products of equal quality and value, the one that is not confined to strict anti-corruption laws will have the edge.

"It's extremely difficult to eradicate bribery completely," Mr. Tan said. "Even in the States, which has the best model in world, there is still bribery from time to time. But U.S. companies have been instrumental in showing how, if you play by the rules, you'll be able to function here. That has been a very positive role model."

More and more companies seem to be focusing on trying to convince the local vendors on the benefits of playing by the rules. "Purchasing agents need to be educated that in the long run their companies will do better if they buy superior products," said Irv Beiman, general manager for Hewitt Eastgate, a management consulting firm that has been in China for four years. Mr. Beiman believes that offering quality and value win out over the purchasing agent's desire for money.

Others say that trying to educate the Chinese on business ethics is a lost cause. "It's easy enough to stand in the background and be righteous, and say, never mind, we simply don't do bribes," Mr. Jensen said, but the reality of doing business in China makes such black-and-white statements impractical. He added: "What every internal manager has to do is find what he's personally comfortable with. That's a combination of the company's standards and his personal standards. There are certainly instances, many instances, where one both should and can say no. And there are many other instances where things can be handled without really breaking the law."

He mentioned one large Western business which was employing the not uncommon strategy of offering travel junkets to a number of relevant Chinese officials. "They are ostensibly visiting factories, and they may actually visit one or two, but in the course of a ten day trip, they spend most of their time doing other things."

According to many in the business community here, Shanghai is leading the way in terms of more respectable

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business practices. Its unfathomable pollution and hostile traffic notwithstanding, it is China's largest and most sophisticated city. Unlike the southern cities like Guangzhou, which is notorious for corruption, Shanghai's economic growth spurt occurred alongside a national impetus to cut down on corruption and bribery. "Shanghai is taking almost an American tack in saying, 'These are the rules we have to play by,'" said Mr. Tan, who said that everything from petty corruption to opening up bidding contracts was better here than in other provinces. "In the last three to five years, there have been fewer big deals signed here than later fell through."

Mr. Beiman agreed. "I think the Shanghai government is doing a surprisingly good job," he said. "I was here four years ago and it was a disaster. Brownouts, no highways. I think the city is being run surprisingly well. I'm amazed. I don't hear about corruption in the government in Shanghai. I don't hear people complaining." Of course, he said, there are fees, some more tolerable than others, to get everything done, but in the end, everybody has to pay them.

"I've never run into anything that couldn't be handled with a cigarette or talk."

"Sales people are becoming more educated," Mr. Beiman said, and their business decisions are based on more than just kickbacks and *ganbei* (wining and dining). Four years ago, that was the way people sold. It still is a fair amount, but I think that's shifted. Sales people are becoming a bit more professional. I've heard less complaints about that now than I did three years ago." Multinational businesses here tend to see a bright future not only for Shanghai but for all of China, as the local businesses here have more experience dealing with foreign companies, especially American, and learning practices and standards.

"Practices are slowly changing," said Vincent Gauthier, a consultant at Hewitt Eastgate. One contributing factor, he suggested, was the rising standard of living. "People are no longer as reliant on kickbacks to make ends meet."

Indeed, there are numerous businesses who insist that the closest they have come to kickback requests were second-hand accounts from other companies. One manager at a telecommunications company in Shanghai who asked for anonymity said that he had "never been approached with under the table payments or anything out of the ordinary."

That manager's personal code of ethics was to insist that any transaction is worthy of being published in the newspaper. "I want to be able to read about it in the South China Morning Post and not worry about it," he said. "I want it to be transparent so I can sleep at night. I'm frank and open. I will tell you what I think. The Chinese in Shanghai appear to have no problem with that."

"I've never run into anything that couldn't be handled with a cigarette or talk," he added. "Now in the U.S., it's black and white. A plus B equals C. Here, it's not that way."

Undoubtedly, there are many businesses which are stymied by certain ethical dilemmas, and they are reluctant to talk about their creative solutions, wanting neither to draw attention to whatever strategies they may be employing nor endanger what may be a tenuous business relationship. Indeed, Mr. Jensen, who has been doing business in China since 1979, said the ethical landscape in China sometimes feels less workable than it did many years ago. "In some ways the situation now is almost more difficult," he said, noting that decentralization has given many more low-level officials a role in foreign business ventures. "There are more opportunities for bribes now than there used to be in the past."

"Under the old system, there was at least this pretense of benefitting the common people. One of the slogans was *wei ren min fu wu*, meaning basically serve the people. There was at least the intent to have that as part of the national ethic. Now as a result of the market economy, a lot of that seems to have been replaced. Nobody even pretends anymore."

"The national government has realized that it is a problem and has at least tried to force local officials into curtailing some of their demands. They realize that it has not only created a barrier to investment but it's giving China a bad reputation."

Ms. Jay is a free lance writer based in Shanghai.

GLOBAL ROUNDUP

Recent activities and efforts in the field of business ethics from around the world.

OECD Agreement: In May, the 29 countries of the Organization for Economic Cooperation and Development (OECD) agreed to implement a ban on the bribery of foreign officials. An international convention to criminalize bribery should be signed by December and national legislation should be in place by the end of 1998.

European Union: In a report published in late May, the Economic and Social Committee of the E.U. encouraged all member states to accept the OECD agreement on bribery. The paper further states that E.U. funding should be reviewed when no action has been taken against corrupt officials, and that contracts should be canceled if it is determined that they were based on corrupt practices. (*Transparency International*)

OAS: On March 6, 1997 the Inter-American Convention Against Corruption entered into force. To date, the convention has been ratified by Bolivia, Costa Rica, Ecuador, Mexico, Paraguay, Peru and Venezuela. (*Organization of American States*)

IMF and World Bank: The International Monetary Fund and World Bank received support for their anti-corruption initiatives at the 8th International Anti-Corruption Conference in Lima, Peru. The Lima Declaration, supported by over 1,000 delegates from 93 countries, called on the IMF and World Bank to accelerate their anti-corruption policies, particularly the suspension of funds to countries which do not adequately address corruption issues. (*Transparency International, 16 September, 1997*)

Transparency International recently released its 1997 Corruption Perception Index. For more information on the index calculations and methodology, please see the Transparency International web site at www.transparency.de.

1997 CORRUPTION PERCEPTION INDEX TOP CORRUPT COUNTRIES:

1. Nigeria	7. Indonesia	13. Philippines	19. South Korea
2. Bolivia	8. India	14. Thailand	20. South Africa
3. Colombia	9. Venezuela	15. Turkey	21. Malaysia
4. Russia	10. Vietnam	16. Romania	22. Taiwan
5. Pakistan	11. Argentina	17. Brazil	23. Italy
6. Mexico	12. China	18. Uruguay	24. Poland

(*Transparency International, July 1997*)

Canada: In September, a coalition of Canadian businesses announced an international code of ethical business practices for firms operating abroad. The guidelines are intended to provide a standard of conduct for companies doing business in a wide variety of systems and cultures. For further information contact Professor Errol Mendes, Human Rights Research and Education Centre, University of Ottawa; telephone (613) 562-5775.

Thailand: Corruption is widely blamed for the recent financial crisis in Thailand. In September, a reformist constitution was passed with strong anti-corruption elements. Among them, elected officials will be required to disclose their assets when taking and leaving office. Thousands of business people rallied in Bangkok to support the measures. Supporting legislation must be completed over the next 240 days.

INSTITUTE NEWS

Asia Specialist Joins the Institute

Kristen Day has joined the Institute's staff as Director of U.S. and Asia Operations. Ms. Day is responsible for overseeing the Institute's activities in the United States and Asia, where she will manage the Institute's educational and corporate advisory programs.

A former resident of Taiwan, Hong Kong and Nanjing, China. Ms. Day brings to the Institute extensive experience in Asian and international business. She has worked for both U.S. and Asian multinationals throughout Greater China and Southeast Asia and is a fluent speaker of Mandarin Chinese.

Prior to joining the Institute, Ms. Day worked as a Project Development Associate with San Miguel Corporation of the Philippines, based in Hong Kong. She also served as Marketing and Sales Manager, South China for Concord Resources Limited in Hong Kong. She began her professional career at the U.S.-China People's Friendship Association where she edited the quarterly *U.S.-China Review*. She holds an MBA degree from Columbia University and graduated Phi Beta Kappa from Wellesley College.

Ms. Day may be contacted at (202) 296-9416.

Institute Marks 3rd Anniversary

In September, the Institute successfully marked its third year of operations. Founded in 1994, the Institute's mission is to foster global business practices which promote equitable economic development, resource sustainability and democratic forms of government.

The goals and objectives central to pursuit of the Institute's mission are: (1) to establish international industry standards of conduct which further economic progress through global citizenship and ethical conduct; (2) to develop and implement strategies to successfully integrate such standards into business operations; and (3) to increase worldwide accountability of global business practices through public education.

These goals and objectives are concentrated in four program areas:

- ◇ assisting individual corporations, trade and industry groups in implementing appropriate worldwide standards of business conduct;
- ◇ disseminating information via presentations, publications and resource collections;
- ◇ sponsoring educational events where government and business leaders and concerned members of the public may meet to exchange ideas, generate solutions and implement strategies to further the responsible conduct of business worldwide; and,
- ◇ conducting research to further international understanding of business ethics issues.

We would like to take this opportunity to thank our board of directors, advisory board, clients and contributors for all of their help, assistance and support. We look forward to another successful year of continued progress toward our mission, goals and objectives.

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