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Note on Corruption in International Business (B)

Corruption, while identified centuries ago as a problem, has for the most part been viewed as an unfortunate fact of life. Historically, corruption in the developing world has been tolerated because of fear of giving offense, not wishing to impose “western values,” or simply deference to cultural differences in which gift-giving or kinship ties warrant preferential treatment. In recent years, this deference has declined as multinational firms have expanded and engaged more closely with local governments. As this happens, the risks of being involved with corrupt activities increases, and there has been a broad-based movement to address corruption.

Public reaction to high-profile events such as the Salt Lake City Olympic scandal and the U.N. Oil for Food Program has led to a variety of movements and policies aimed at reducing corruption. These include internal firm codes of conduct, private efforts by non-governmental organizations (NGOs), national laws, international agreements, and policy changes by international development agencies. This note gives an overview of these efforts to prevent and combat corruption in international business.

Internal Controls: How Firms are Addressing Corruption

Internal corporate controls and governance initiatives, manifested primarily by corporate codes of conduct, have become an important part of the fight against corruption. The adoption of codes of conduct has been encouraged by the U.S. Sentencing Guidelines which, under sentencing for corruption or bribery, specify heavier penalties to companies without established codes.¹

Transparency International researchers, considered among the most knowledgeable on corruption issues, have said that “the most effective anti-corruption compliance programs are integrated into an overall business risk management and control framework.”² Most corporate guidelines for corruption are housed within codes of business conduct. Take the case of Motorola, which outlines its commitment to anti-corruption with the following:

Motorola complies with the anti-corruption treaties and laws of the countries in which it does business, including the U.S. Foreign Corrupt Practices Act (FCPA), which applies to its global business. Motorolans will not directly or indirectly offer or make a corrupt payment to government officials, including employees of state-owned enterprises. These