



Corruption in China

MARK 5940

Week 6 : Assessing Cultural/Corporate Environments

Group Members:

- Irene Chan (2154259)
- Yuli Yanti Tjia (3071213)
- Joy Chu-Wui Teh (3047513)
- Yu-ning Kuo (3048357)
- Alisa Khosanunte (3081698)
- Tzyy Jiann Soong (3038271)

Outline of Presentation

- Introduction
- Different types and classifications of bribes, payments, or favors
- Illegal bribes, payments, or favors under FCPA
- Ethical response based on three ethical principles
- China in the future
- Alternatives to paying bribes in international market
- References

Definition

- **Bribery**: voluntarily offered payment by someone seeking unlawful advantage.
- **Extortion**: payments which are extracted under duress by someone in authority from a person seeking only what they are lawfully entitled to.
- **Lubrication**: a relatively small sum of cash, a gift, or a service given to a low-ranking official in a country where such offerings are not prohibited by law.
- **Subornation**: large sums of money, frequently not properly accounted for, designed to entice an official to commit an illegal act on behalf of the one offering the bribe.
(Cateora and Graham, 2002)

Definition...cont'd

- **Foreign Corrupt Practices Act (FCPA):** Act enacted by Congress in 1977 and amended in 1988, which forbids individuals as well as businesses and their respective officers, directors, employees, or any stockholders acting on their behalf, from paying money or anything of value to a foreign official in order to influence any act or decision of such official in violation of his lawful duty.

(*Klubes and Iraola, 1996*)

Types & Classifications

Types	Bribery/ Extortion	Subornation/ Lubrication
1. Trips abroad	B/E	S/L
2. Sponsoring overseas education	B/E	S
3. Bribing officials to push goods through customs/CIB and other types of collusions to beat the system	B/E	S

Types & Classifications...cont'd

Types	Bribery/ Extortion	Subornation/ Lubrication
4. Direct requests for cash payments	E	S
5. Payments to customs officials in a southern province to reduce the dutiable value of imports	B	S
6. Engaging in black-market trade of export-import licenses	B	S

Foreign Corrupt Practices Act (FCPA)

- Illegal for companies to pay bribes to officials, candidates or political parties
- Penalties can arise
- Issue of cultural acceptance
- Country's definition of term “illegal”

Ethical Response

- **Utilitarian ethics**

“Does the action optimize the common good or benefits of all constituencies?”

- **Rights of the parties**

“ Does the action respect the rights of the individuals involved?”

- **Justice or fairness**

“ Does the action respect the canons of justice or fairness to all parties involved?”

(Cateora & Graham, 2002)

China in the future: will bribery become less prevalent in China?

No:

- Developing country (NIC)
- Standard of living
- Collectivism – Guanxi

Yes:

- Transformation from planned economy to market economy
- Pressure from other countries

Alternatives to Bribery

Alternatives	Pros	Cons
Establishing a good relationships with the right people	Problem (especially bribery related) would be resolved quickly	Require an investment of time and energy
Using government lobbying and high-level visits	Promoting fair trading	Company would rely more on government effort

References

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