

## CASE 5.1 Bribery: A Matter of National Perspective

### Instructor Notes

As often the case, bribery is as much economic as cultural. It is also as much political as economic. For Tony Blair, the United Kingdom's economic interests overshadow the high ground of ethics. Dropping the bribe inquiry to placate Saudi Arabia is deemed to be the lesser of two evils. While he cited national security as a reason, it appeared that the most critical consideration was domestic jobs. The rule of law was deemed to be secondary to "wider public interest."

As cited by *The Economist*, those who condone corruption for the sake of the greater good offer three arguments. "First, everyone does it. Second, defence deals, in particular, help to secure influence and alliances. Third, valuable jobs at home depend on selling abroad." The magazine, however, does not find any of these arguments to be compelling. First, it is no longer true that everyone does it. Even France brought 11 prosecutions in a period of 18 months. Second, it is in the best interest of Saudi Arabia itself to fight terrorism. Finally, although jobs are valuable, it is foolish to get jobs at all costs. One has to wonder whether the United Kingdom should have Saudi Arabia as a friend since Saudi Arabia's threat to not cooperate in fighting terrorism is certainly not a friendly act.

It is an irony that developed countries have always chastised developing nations for tolerating corruption and bribery, not unlike a pot calling a kettle black. While the United States and the United Kingdom have given the appearance of bragging about their high level of ethics, the governments of both have engaged in very questionable practices. As an example, the U.S. Department of Education paid \$240,000 to Armstrong Williams, an American columnist and TV host, to comment "regularly" on "No child Left Behind," an education-reform bill favored by the Bush Administration.

Corporate executives and members of the board of directors need to take measures to show that they are serious about prevention of corrupt practices. Their strategies should include having corporate codes of ethics, sensitization of ethics in managers through training and education, and conducting ethics audits.

Coca-Cola has Code of Business Conduct for its employees and suppliers. The company's Web site provides access to the Code. Instructors and students should review, evaluate, and discuss the various examples that are used by Coca-Cola to show the kinds of payment that are allowed and those that are violations of the Code.

*The Economist* has explicit rules for its journalists regarding what they can or cannot accept. An envelope stuffed with cash is certainly inappropriate. (In Nigeria, it is not uncommon for journalists who attend press conferences to receive hundreds of dollars in brown envelopes "for expenses.") It is fine to accept any gift that must be consumable in a single day. While a bottle of wine is acceptable, a case of wine is not.

It is a good idea to consider the "donation strategy," with a suggestion to the home office to donate equivalent sums towards the economic or social development of a specific group. The instructor may want to use an example involving political donation in the United States as a basis for discussion. In 1996, just before the presidential election, there was an uproar concerning a large donation made by an Indonesian firm to President Clinton. From the legal standpoint, whether this kind of donation is legal or not depends in part on whether the donor is a U.S. citizen. Assuming that such a donation is legal, the ethical dimension is another issue altogether. One may want to ask whether this legal payment is still an unethical bribe.

**The teaching note shown below was prepared by Professor Jeffrey A. Fadiman of San Jose State University.**

For Americans, one of the more satisfying ways to meet requests for monetary gifts might be to transform private payoffs into public donations. Ideally, this could be done in such a way as to provide foreign colleagues with indigenous prestige. Assume, for example, that such a colleague requests a "gift" from your firm in the form of private funds. One strategy might be to inform him that private payments are illegal under U.S. law, while simultaneously donating the same amount--in that colleague's name--towards the education (health, etc.) of local children, asking *him* to decide which groups should be involved. Many third-world businesspeople, faced with this option, would favor children to whom they are (however distantly) related. By selecting them, they can "become big men" (gain prestige, authority, and power) within their own communities on local terms.

Other variants should come quickly to mind, particularly within the developing nations. Each should meet a communal (rather than individual) need, while providing foreign counterparts with local status instead of U.S. wealth. Colleagues dealt with in this fashion might be far more inclined to deal with firms providing such donations, than with those whose U.S. representatives evade, grow angry, or simply walk away. Similarly, home offices may prove more responsive to requests for social services than private funds in violation of U.S. law. Finally, host governments may look most favorably on firms who seek to serve as well as profit, especially through "gifts" that show respect for local ways.