

**DR. Ashok Kumar Srivastava****Ethics: International business**

Professor-Faculty of Commerce, SMMPG College, Ballia (U.P.) India

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E-mail : draksrivastava100@gmail.com

**Abstract:** *Ethical standards establish trust between parties doing business together, including both partners and customers. Organizations earn this trust by demonstrating a pattern of ethical behavior over time, gaining a reputation for fair dealing and respect for human rights and social responsibility.*

*First and foremost, ethics are their own reward, in business and in our private lives. Living ethically reflects good character and concern for the well-being of others. This leads to a sense of goodwill toward others that nurtures self-respect and inner strength.*

**Key words:** Ethics, International business, partners and customers, human rights, social responsibility

The goal of a code of ethics is to ensure that an organization's employees abide by the law and always conduct business in a forthright manner for the benefit of all stakeholders. These are three examples of how codes of ethics can be framed. Compliance-based codes contain clear-cut rules, often enforced by government; set specific penalties for failure to comply; and are intended to promote moral responsibility. Value-based codes emphasize responsible conduct, focus on public good and the environment, and emphasize self-regulation over outside governance. Professional codes outline ethical standards of professional groups; emphasize fiduciary duty, or acting in the client's interest; and focus on duties of integrity, objectivity, and truthfulness.

Beyond presenting a code of ethical conduct for employees, an international business ethics policy must consider such practices as corporate governance, bribery, discrimination, social responsibility, and fiduciary duties. A definition of international business ethics begins with a moral code of right and wrong, but modern business ethics has expanded to encompass supporting social and environmental causes, and being a responsible member of the communities where the company operates.

Examples of ethical business practices include mandating truthful advertising, instituting internal quality control checks, and never profiting from insider information:

- A cereal manufacturer's ethical standards prevent it from making unsubstantiated health claims about its products, even if its competitors make such unproven assertions in their marketing.
- An electronics manufacturer must halt production after defects are found during quality control checks of several batches even though the delay will cause it to miss the shipping date.
- An employee who learns of a financial shortfall at a confidential internal meeting is prevented by law and by the company's ethics policy from profiting from the information in any way.

Two approaches to enforcing ethical business practices overseas. When extending their ethics policies to their overseas operations, international organizations can either adopt a single set of ethical guidelines that apply to business dealings at home and overseas, or create separate sets of ethical guidelines for its domestic and international divisions.

1. The argument in favor of applying a single code of ethics throughout an international organization emphasizes the company's responsibility to abide by a high ethical standard regardless of where it does business, asserting that adopting a host country's ethical practices is a mistake because ethics should transcend cultural differences.
2. Organizations that take a "when in Rome" approach to ethical standards argue that in certain situations bending ethical rules is necessary to accommodate cultural differences in business practices, as long as activity is legal in both the company's home country and in the host country.

**International business laws and regulations-** The term "international business" applies to all commercial transactions that involve the transfer of goods, services, or resources between parties in two or more nations. The parties may be corporations, private companies, or governments:

- Public and private firms pursue international business deals for profit, while governments do so for political reasons.
- Transactions may involve the transfer of capital, skills, assets, or employees required to produce goods and services for domestic and foreign markets.
- International corporations are also called multinational enterprises; they take a worldwide approach to marketing and sales.



The international business laws and regulations that apply to these transactions include both those of the company's home country and those of the nations in which they operate. Businesses are also subject to international regulations relating to fair trade, worker safety, and environmental protections.

**International Labour Organization standards-** The International Labour Organization (ILO) is made up of 187 member states who have agreed to a set of standards, policies, and programs designed to ensure that workers are safe and fairly compensated.

- The ILO's Decent Work Agenda is designed to reduce poverty by creating jobs that are productive, pay a fair wage, and provide employees with a secure workplace. Other goals include protecting families' social fabric, promoting personal development and social integration, and ensuring workers are free to organize and express their concerns about decisions and policies that affect their lives.
- The organization's international labor standards includes eight fundamental conventions and four governance (priority) conventions, which include the following:
  - o Freedom of association and the right to organize
  - o Right to collective bargaining
  - o Abolition of forced labor
  - o Minimum age requirements and abolition of child labor
  - o Equal remuneration
  - o Elimination of discrimination in employment and occupations
  - o Labor inspection of industrial workplaces
  - o Promotion of full, productive, and freely chosen employment
  - o A tripartite approach to enforcement of the conventions that includes representatives of member governments, employers, and workers

To enforce ILO standards, the organization relies on a supervisory system that examines reports submitted by member states describing their efforts to implement ILO conventions' provisions. In addition, a representation procedure allows employers or workers to make a case for a member state's failure to meet its requirements, while the ILO's complaint procedure allows a member state to file a claim asserting that another member state has failed to comply with an ILO regulation.

**World Trade Organization standards-** At present, the World Trade Organization (WTO) rules and disciplines do not apply to labor standards, although several WTO member states in Europe and North America insist that the organization must do so to gain public confidence. These WTO members state that freedom of association; the right to collective bargaining; and the elimination of discrimination and abuse in the workplace, forced labor, and child labor are matters the WTO must consider. Opposing the broadening of the WTO's purview to labor standards are most developing countries and some developed nations that consider trade and labor regulations a means by which large developed nations protect their international markets. These countries believe that the most effective way to promote labor standards and improve working conditions is by growing their local economies. They fear that imposing labor standards would perpetuate poverty in their countries and delay enhanced working conditions. In response to the debate, the WTO declared its support for the ILO's internationally recognized core labour standards. The WTO also stated its belief that "economic growth and development fostered by increased trade and further trade liberalization contribute to the promotion of these standards" while rejecting "the use of labour standards for protectionist purposes."

**Customs requirements-**International businesses must comply with the import and export regulations imposed by their own country and by the countries in which they conduct operations. The U.S. Customs and Border Protection (CBP) Office of Trade explains the laws and regulations in place to protect consumers from dangerous and counterfeit products manufactured overseas.

- Section 321 of the Tariff Act of 1930 applies a duty and tax on shipments of qualified imports with a fair retail value greater than \$800.
- Foreign Trade Zones (FTZ) located in or near CBP ports of entry serve as free-trade zones where the normal entry procedures and payment of duties are not enforced.
- The CBP enforces export regulations for various other U.S. government agencies via export licenses issued as part of the Automated Export System that exporters use to file information with the CBP and the Census Bureau.





- The Enforce and Protect Act of 2015 empowers the CBP to investigate attempts by companies to evade anti-dumping and countervailing duties, which are fees added to goods that exporters have underpriced in an attempt to gain an unfair competitive advantage (a practice known as dumping).

**Global ethics standards-**Among the organizations that have developed a code of ethics intended to be applied to all business and nongovernmental organizations are the Global Alliance and the International Management Association (IMA).

The Global Alliance Code of Ethics is a set of principles and statements regarding ethics in international business communication and public relations. Among its guiding principles and principles of professional practice are the following:

- Obey laws and respect local customs.
- Work in the public interest.
- Engage in honest, truthful, and fact-based communication.
- Practice transparency and disclosure.
- Honor privacy.
- Act with integrity.
- Recognize freedom of speech, assembly, and media.
- Avoid conflicts of interest.

The IMA's Statement of Ethical Professional Practice was initially created in 2005 in the wake of a series of global financial scandals that shook public confidence in corporate practices. It describes standards in four areas.

- Competence includes maintaining a level of professional leadership and expertise.
- Confidentiality extends beyond legally required confidentiality to cover informing partners of their duty of confidentiality.
- Integrity encompasses avoiding conflicts of interest, acting in ways that promote the profession, and contributing to a positive ethical culture.
- Credibility requires that information is communicated fairly and objectively, and that all relevant information is communicated to partners and stakeholders in a timely manner.

In addition, the United Nations Universal Declaration of Human Rights, first proclaimed in 1948, promotes inherent dignity and the "equal and inalienable rights of all members of the human family" as the foundation for freedom, justice, and peace in all nations of the world. The 30 articles in the declaration include the "right to work, to free choice of employment, to just and favorable conditions of work ... [and] to equal pay for equal work."

**Intellectual property regulations-** The WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) is the foundation of efforts by the U.S. government to protect and enforce laws governing the use of intellectual property (IP) by trading partners. The primary instruments for enforcing IP protections are regional and bilateral free trade agreements (FTA).

IP takes many forms, including patents, trademarks, copyrights, and trade secrets. Violations of IP rights include infringement, such as the unauthorized use, sale, or importation of a patented invention; piracy caused by the illegal duplication or dissemination of copyrighted material; and counterfeiting by manufacturing, marketing, or distributing fake versions of trademarked products.

#### **Resources on international business laws and regulations-**

- Business & Human Rights Resource Centre, UNGPs Guidance & Implementation — The U.N.'s Guiding Principles on Business and Human Rights for ensuring companies act responsibly and respect human rights, explained using an interpretive guide and other resources
- S. International Trade Administration, Foreign Import Regulations — The regulations, testing, labeling, and licensing requirements imposed on U.S. exporters by foreign countries, presented along with information on U.S. export regulations and trade agreements

**International communication and cultural barriers in business-** Many of the communication problems companies encounter when conducting business overseas are due to a failure to appreciate the different traditions, thought processes, and communication methods of other cultures. Ethnocentrism is defined as the belief that a person's own cultural group is innately superior to others. Overcoming cultural barriers in business and the miscommunication that can result begins by realizing that each culture has a unique worldview that is as genuine and worthy of respect as one's own.



Companies should examine the following elements of international business communication to understand cultural and ethical differences and avoid misunderstandings when communicating with overseas partners: the goal of each party, the parties' communication styles (formal or informal), their negotiation styles (direct or indirect), time-sensitivity factors, emotional engagement levels, the amount of detail needed in communications, the necessary stakeholders, and the parties' mutual understanding of importance.

What are cultural barriers in business?

An otherwise mutually beneficial international business arrangement can be sabotaged by a company's failure to value the culture of its potential business partners. While individuals within a given culture respond differently to business situations, the following examples are among the cultural barriers in business that often arise during international dealings:

- **Forms of address:** In the U.S. and the United Kingdom, business associates commonly address each other by their first names even if they have just met. However, in Germany, Japan, China, and many other countries, addressing a business colleague by their first name is perceived as a sign of disrespect. In such nations, it is more common to address a colleague by their title and surname.
- **Public criticisms:** In most business organizations in Europe and North America, employees are encouraged to respectfully express their business-related opinions, even if they contradict those of their managers. Doing so in many Asian countries and other parts of the world would be seen as a challenge to the senior manager's authority.
- **Indirect communication:** Voicing a contrary viewpoint is common in the U.S., but other cultures prefer an indirect approach that hints at the response through gestures or figures of speech. Simple actions such as loosening a tie, rolling up one's sleeves, or taking the wrong seat in a meeting can be perceived as offensive in some business settings.

**How culture affects establishing trust in business dealings-** Trust is a prerequisite for all types of healthy professional relationships, whether between people or organizations. Across cultures are starting with an open mind, learning about the other party's background, and demonstrating results and character in all dealings with the other party.

- **Patience is key to staying open to the various ways other cultures build a trusting relationship.** In some countries, such as the U.S., people tend to trust one another more readily than they do in others, including Argentina and Brazil, for example.
- **For some, the best approach to earning another person's trust is to ask them questions about their background, beliefs, and culture.** However, some cultures discourage people from opening up to their superiors, so such conversations should take place in casual, one-to-one settings.

**Ethical international outsourcing-** The ethical implications of international outsourcing include the impact of the practice on workers in the company's home country and on the economies of all countries involved. Ethical outsourcing is intended to ensure companies operate in a responsible and sustainable way from environmental, social, and economic perspectives. Modern multinational companies realize that consumers care about their ethical standards, and many have adapted their operations in response.

- **Patagonia recreated its entire global supply chain to make it eco-friendly and safe for workers.** The company offers health insurance and other benefits to all of its employees.
- **Starbucks sells 100% sustainably sourced coffee and pays fair prices for all of the coffee it buys to ensure all parts of the coffee-growing process are performed ethically.**
- **Clothing retailer H&M's dedication to transparency is shown in its list of nearly all suppliers' names and addresses, which it updates quarterly.** The company plans to use only recycled or sustainably sourced materials in its products by 2030.
- **The Pepper Snapple Group publishes its ethical policies on its website, including the code of conduct the company expects all suppliers to adopt.** It is working to reduce its use of water and its packaging waste.

**Vetting the values and ethics of potential international business partners-** The important task of confirming that a business's overseas partners are complying with standards of international business ethics has been complicated by restrictions imposed as a result of the COVID-19 pandemic. Assessing the level of risk that a potential supplier poses includes the economic and social climate of the supplier's home country, the importance of the supplier's product to the company, and the regulatory requirements the supplier must meet.



- The Foreign Corrupt Practices Act applies to a company's suppliers, which means the company is liable for any violation of the act by suppliers, such as a bribe to local government officials.
- Shell companies sometimes operate as legitimate businesses that redirect business to firms the U.S. government forbids U.S. companies to contract with.
- Remote assessment tools and mobile cameras allow virtual visits to supplier sites and interviews with a diverse group of the suppliers' employees.
- Resources on outsourcing and offshoring for business
- The Balance Careers, "Offshoring: The Pros and Cons" — An examination of trends in offshoring since the 1980s and the benefits and costs of the practice
- Smart Asset, "The Pros and Cons of Outsourcing" — A look at the economic gains from outsourcing contrasted with the social and environmental costs and the potential risks to companies.

At the same time, companies conducting their international business ethically realize higher profits by attracting business partners who share the organization's commitment to ethics in international business. Clothing maker Patagonia is one example of a company that has earned a reputation for ethical practices by reducing its environmental impact and protecting workers' rights in the countries where it operates.

On the other end of the spectrum are companies whose ethical lapses have cost them. Among the businesses that the public has turned against are Nikola, a trucking company that recently admitted to staging a video demonstration of its technology, and European finance technology firm Wirecard, which collapsed in 2020 after two separate ethical scandals.

Formulating and enforcing an ethics policy within an international organization and among its business partners overseas presents companies with complex challenges. Ensuring that employees and partners meet company standards for worker safety, human rights, and fair wages begins with creating a work culture of openness and caring.

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