

International business: corruption and totalitarianism

Business



International Business

1. One of the continuing problems encountered in globalization is corruption. What do you understand by the term and what does it include? Do all nations define corruption in the same way and legislate against it? Are some nations more corrupt than others? Are there any measures of corruption? Are some sectors of the economy more prone to corruption than others and, if so, why?

What is the stance in the US with

regards to corrupt business practices? Be sure to include reference to class material.

Prior to globalization corruption was thought of as a problem restricted to the pockets of the developing world, with the developed world considered clean from the stain of corruption. Since the advent of globalization, corruption has spread, and is now considered “ entrenched in the global market place” (Cragg, 123). Growing awareness of the spread of corruption comes from awareness of corrupt practices in Africa, where corporate houses sought to extend their global activities and willing governments worked with them to their own ends (Cragg, 123).

There is no universally accepted definition of corruption. Quite often the terms “ corrupt” and “ illicit” are used in an interchangeable manner. This implies that corrupt acts have to violate legality. Yet, not all corrupt actions are illegal. For example, in some places the payment or receipt of bribe money may not constitute an illegal act (Eicher, 2). A simple understanding of corruption is that corruption constitutes the abuse of power with the objective normally being self-gain or benefit for a group of individuals that one is aligned with (Fitzsimmons, 1). A broader perspective of corruption is to differentiate it into public corruption and private corruption. An example of <https://assignbuster.com/internation-business-corruption-and-totalitarianism/>

public corruption is the experience of the general public being forced to pay a bribe for services that are required of public servants, like civil servants, policemen, or judicial officials. When company officials, who are vested with the responsibility of looking after the interests of shareholders, neglect this responsibility for their own personal gain, it is an example of private corruption (Eicher, 2).

The concept of corruption is culture-specific and varies across countries. In the developed world there is a greater consciousness of corruption. Let us take the example of nepotism. In Western countries there is greater effort to avoid nepotism in all spheres of human activity, through same treatment of kith and kin as of strangers, which is not the same in many of the developing nations, as kith and kin are seen differently from strangers. Though the Holy Qur'an does emphasize the requirement of equal treatment of strangers and kith and kin, over time this has been eroded in Muslim countries. Thus, corruption is not defined in a similar manner across countries and legislated in the same manner, and even if legislation is present, judicial action is restrained, based on the prevalent culture being more permissive to it (Iqbal & Lewis, 305).

Corruption is more to be found in poor countries, though it is aided and abetted by individuals or groups of individuals from the developed world. For example, a poor country may have received a grant from a donor organization towards alleviation of some distress in the nation. Let us take that starvation in a poor country is the issue, and aid is for food for children. A developed world food company influences the health minister and the health ministry officials to supply date expired food products for the children, to make a handsome profit for both. Thus, poor countries provide more

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opportunities for corruption, and quite often the culture supports it (Myint, 43).

There are Indices, like the 'Corruption in Government' from the International Country Risk Guide (ICRG), from Political Risk Services (PRS), as a measure of corruption across countries. However, these measures are deficient, as they measure political risk in corruption, and not the level of corruption in the country. A possible means to identifying corruption in a country is to look at the democratic accountability in the country. In countries where there is a low level of democratic accountability, there is a high level of corruption (Lambsdorff, 83).

The United States of America was the first country to introduce legislation against companies indulging in corrupt practices abroad, through the US Foreign Corrupt Practices Act of 1977. This Act targets companies involved in corrupt practices abroad, and was the first legislation to have an impact on corruption globally, as it forced business organizations to comply with its regulations. However, the Act is deficient in that it has an impact only on American business organizations, and allows business organizations outside of the U. S. to compete against American companies using corrupt practices (Fussler, Cramer & Van der Vegt, 36).

2. What is totalitarianism and what are its features? Does it represent a form of political risk? (Your answer should include an explanation of what political risk is.)

Shepard, p. 396, defines totalitarianism as "the type of political system in which a ruler with absolute power attempts to control all aspects of social life". In totalitarian states there is the absence of freedom of society.

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Characteristics of a totalitarian state are the presence of an ideology that covers all aspects of social life; a sole political party controlled by a single individual; a well-coordinated terror system; full control of all the communication systems; sole control of the military might; and a planned economy under the control of the state bureaucracy. The best possible examples of totalitarian states that have had a strong influence in the modern world are Nazi Germany and the erstwhile Soviet Union (Shepard, 396).

Due to the absence of free society and severe restriction of free expression, society in totalitarian states is likely to be in turmoil. Thus, in totalitarian states there is a high risk for wars, riots, protests, chaos, and breakdown of rules. In other words, the risk of turbulence towards political change in totalitarian is high, with poor stability in the political system of the state (Peng, 40). In the African countries of Tanzania, Uganda, Rwanda, and Nigeria, tribal totalitarianism is the rule of the day, with a dominant tribe attempting to control the powers of the state, leading to high risk for wars, riots, protests, and chaos (Misra & Yadav, 48).

Another political risk associated with totalitarianism is the rise of radical ideologies. The rise in radical ideologies is in the pursuit of power through the destruction of status quo that in their view is wrong. The Nazi ideology developed as a counter to the decay of the Aryan race. The rise of communism was against private ownership (Caplan, 514).

There are four key factors that can be attributed to failure of planned economies. They are the failure of coordination; failure in quality control, misplaced incentives, and environmental degradation. Efficiency in planning coordination is badly effected, as can be seen from the bottlenecks in <https://assignbuster.com/internation-business-corruption-and-totalitarianism/>

production, shortages of some products, and glut in some other products that plagued the Soviet Union. The lack of quality control, led to the Soviet Union facing issues in quality of its products. High level of job security was an employee benefit that all employees enjoyed in the Soviet Union. However, the high level of job security made it difficult to use other incentives to enhance efficiency and performance in the employees. Achieving production targets were the main objective in Eastern European planned economies that caused scant attention paid to the environment and large scale degradation of the environment (Lipsey & Crystal, 3).

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