

THE ETHICS OF GLOBALIZATION

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Introduction & Objectives

Why look at ethics in an international setting?

Ever since the eruption of the Enron and Worldcom scandals, it has become common practice to scrutinize the business practices of corporations. Unfortunately, as business has become more global this task has become more and more difficult. There were several goals of this project:

- First, to identify several, by no means all, of the key ethical issues companies are facing in the international market.
- Second, to expand upon these issues by providing statistics and other pieces of information that illustrate the problems that are occurring.

Protectionism and Favoritism

Is it ethical in a global market to place higher taxes on imports and subsidize exports?

What the role of the government should be in the global marketplace is a difficult question. Businesses do not always compete on a level playing field. Governments can assist domestic businesses by applying tariffs to imported goods or subsidizing domestic goods. Organizations, principally the World Trade Organization (who's regulations apply to 97% of internationally traded goods), work to ensure that these tariffs comply with international law and watchdog groups watch government policies for signs of protectionism. Even with these safeguards, many examples still occur:

- Cotton is China's second-most important cash crop and is China's most intensive labor product. About 46 million people are employed by China's cotton industry. Since joining the WTO, the amount of cotton imported from the US jumped 21 times and Chinese farmers have been crowded out of the market. Industry analysts argue that U.S. cotton subsidies (\$3 billion per year) enable the lower prices on American products and call for these subsidies to be abolished.
- Japan, facing pressure from other nations, recently offered to pay \$13.3 billion to 50 of the least developed nations in the world rather than eliminate its subsidies for Japanese farmers.
- As the next generation of DVD players emerge in the coming years, China is establishing national standards that are favorable to its own industries. By creating its own standards favorable to its own manufacturers, China will attempt to block foreign DVD players using different standards.
- In March 2002, the Bush administration imposed a tariff on steel imported into the United States. Though these tariffs benefited American steel manufacturers, the American industries who depended on steel imports were impacted dramatically. Shipments on the Delaware River dropped 29% which led to a \$3.4 million loss in wages and benefits to those shipping workers. The international community also condemned the tariffs as protectionist. The tariffs were removed in December 2003.
- As China's Geely automobile prepares for its American debut in 2008, the manufacturer is seeking assistance from the government for a broad, anti-protectionism public relations campaign. The car is a \$10,000 compact car manufactured in China by the Chinese company. Geely and the manufacturer is concerned that anti-protectionist sentiment could impact sales.
- Microport, a Chinese medical technology developer, develops stints and minimally invasive devices. They cannot ship these devices to America, however, because the company cannot afford the extensive trial process involved in obtaining FDA approval. FDA standards effectively prevent this foreign competitor from entering American markets.



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Employees in the Global Marketplace

What kind of protections can employees expect in a global economy?

One of the driving forces behind globalization is the potential for cheap, skilled labor in countries like China. However, many ethical considerations surround these opportunities.

- Is it ethical to pay someone in China a poverty wage for work that would be compensated at a far higher salary in other countries?
- Should businesses who value treating their employees with respect conduct business with corporations from countries who do not share the same values?
- Finally, what are the consequences for the failure to do so? What will workers do when they feel they have been treated wrongly?

Safety Issues

- Mining in China is the most dangerous occupation in China and the most dangerous mining operation in the world: three miners die for every million tons of coal produced.
- Industrial accidents in Shenzhen claim 30,000 fingers each year.
- China has one recognized labor union for workers that has limited access to employees. In Guangzhou province, for example, only 30% of the manufacturing plants have a union representative.

Economic Disparity

- Chinese businesses employ 100 million migrant worker, these workers live on 75 cents per day, work six twelve-hour days each week and, according to government estimates, are currently owed \$1.2 billion in back-pay.
- City jobs are 6 times more profitable than agricultural jobs, leading many workers to migrate towards the cities. In addition, twenty million farmers lost their land to the government for governmental projects.

Homelessness

- Japan is dealing homelessness for the first time in recent history. Thirteen years of economic stagnation has caused the number of homeless to increase from virtually none to 25,000. There are currently few social services for these individuals.
- China's immigrant population is an important source of cheap labor which encourages foreign investment.
- Shanghai is relocating many poorer individuals to build more skyscrapers. Though these individuals are given new accommodations, they may not remain in their current homes.

Consequence: Social Unrest

- Protests and marches have been increasing in recent years by as much as 10% per year.
- In 2003, there were 58,000 mass protests in China, ten times the number of protests in 1993.
- Without a mechanism for redressing grievances, it is difficult to imagine the number of protests declining anytime soon.

Intellectual Property

How are corporate leaders to deal with theft of IP and counterfeiting?

China has long been known as the world leader in counterfeit goods. But as we enter in to a new millennium, one in which China will likely serve as the world's factory, how will companies deal with this threat to their ability to produce marketable goods? How will China react to keep these companies in China? And what pressures will the World Trade Organization use to hold China to its international expectations.

- It is estimated that the US loses between \$20 billion and \$24 billion annually as a result of counterfeiting and piracy. For the US, Japan, and the European Union, it is estimated that the combined total is some where near \$80 billion.
- According to the Chinese Government thousands of people have died from taking fake drugs that are either toxic or do not contain active ingredients. In some case, according to Pfizer, fake drugs are even mixed into bottles of good drugs.
- China's National Copyright Administration announced with a great deal of pleasure 52 raids on video shops in 2003. The average penalty for the offenders? A \$132 fine.
- The Xiang Yang Market, also known as the "fake" market, in Shanghai is set to close June 30th of this year. Is this a possible step in the right direction?
- China has recently created its first intellectual property court. Business leaders are hopeful of the possibilities, but skeptical of the effectiveness.

Conclusions

Where do we go from here?

There is no quick and easy solution to these problems. They are all going to take dedicated effort from all involved. Steps are being taken in the right direction, however. Quality of life is slowly improving in many countries, especially China. Also, the World Trade Organization is taking significant measures to cut down on favoritism as well as theft of intellectual property. But as for what companies are to do until these problems are eliminated? That too is a difficult problem. There is no reason a company should move into a company to take advantage of cheap labor or move out a company for fear of intellectual property loss. Or is there? The problem is that these are ethical decisions and have no correct answer. Companies should therefore follow a path inline with that of their companies values and at least considers the stockholders interests. Following such a procedure will at least ensure that their actions were just in the eyes of the company.

