CHAPTER 5.

CULTURAL RELATIVISM.

I have mentioned earlier that business is embedded in society and that for it and society to flourish, good interdependent relations are necessary. But societies are different, they have distinct cultures – each society has its own way of life, attitudes, beliefs and habits. For business to be embedded in a society it has to adopt at least the major traits of that society's culture and beliefs. This raises the question for a firm that operates in various countries, whether it must accept and act in different moral ways in accordance with the cultures of the relevant host country. Does it mean that a company entering a new market must give up its own code of ethics which it has developed over many years and which is based on the culture of its home country in order to operate successfully in the new market? This is clearly an important question for multinationals and is best dealt with by considering the theory of cultural relativism.

Relativists believe that true moral standards vary from place to place or from community to community. Morality, they think, is contingent on cultural beliefs. What ever a culture thinks is right or wrong is really right or wrong for the members of that culture. Cultural relativism questions our general belief in the objectivity and universality of moral truths.

Cultural relativists make the following claims, some of them may be false and others not (21. Rachels, 1999: 22/3). (Comments on these claims are stated in brackets behind each claim).

1. Different societies have different moral codes**.** (I do not believe that there are differences in fundamental moral codes although there can be differences in the implementation of codes – see chapter 5 for further elaboration).
2. There is no objective standard that can be used to judge one societal code better than another. (Normative ethical theory is the objective standard. Kant's categorical imperative (see page 11) is the best independent, neutral guide and has been the foundation of the world wide accepted UN Declaration of Human Rights).
3. The moral code of our own society has no special status; it is merely one among many. (See my comments to the other 5 claims stated here).
4. There is no "universal truth" in ethics; that is, there are no moral truths that hold for all people at all times. (The universal truth is that no society can lead a normal, reasonably secure life if basic ethics such as injunctions against killing or violating people, against raping, lying and not keeping promises are not substantially observed).
5. The moral code of a society determines what is right within that society; that is, if the moral code of a society says that a certain action is right, then that action is right, at least within that society. (If this were right we would have to accept that if the Brazilian culture were to support bribery as an acceptable business practice in contracting with their government, and the Japanese culture was totally opposed to such practices, then it would be merely a question of opinion – of the culture one claims to adhere to – as to whether bribing (which has been made illegal by both the US and the EU) is ethical or not.
6. It is mere arrogance for us to try to judge the conduct of other peoples. We should adopt an attitude of tolerance toward the practices of other cultures. (I agree that tolerance is required and that one should try to understand a country's peculiar habits, customs and laws and work within them, but that does not mean one should subscribe to cultural relativism, ignore the fundamental ethical commands referred to in 4. above, or abandon Kantian ethics).

If the relativists are correct in their thinking, there is no criterion independent of one's culture to determine whether an action is right or wrong. For instance, some years ago South Africa's culture supported discrimination against black people (apartheid) but such cultural belief did not make apartheid moral. Some cultures supported slavery and anti-Semitism but not to condemn such practices seems totally wrong. Some activities are wrong no matter where they take place. But some practices that are unethical in one setting may be acceptable in another. For instance, the chemical EDB, a soil fungicide, is banned for use in the United States. In hot climates, however, it quickly becomes harmless through exposure to intense solar radiation and high soil temperatures. As long as the chemical is monitored, companies may be able to use EDB ethically in certain parts of the world (46. Donaldson, 2003: 120).

James Rachels, former professor of philosophy at the University of Alabama in Birmingham, makes the point that cultural relativism not only forbids us criticizing the ethics of other societies but it would also deny us the rights to criticize our own and that would have the additional effect of undermining moral progress (21. Rachels, 1999: 26).

There have been many attempts by governments, international organizations and the private sector to design a code of conduct that would have international application in business and that would override relativism. These attempts have given rise to the question as to whether there really are fundamental moral disagreements. Some philosophers have come to the conclusion that basic moral principles seldom differ but that the practice of implementing moral principles may differ widely. Just because there may be differences in customs does not mean that there is disagreement about basic moral principles. Here is an example from the business world provided by Beauchamp and Bowie (30. Beauchamp, 2001: 8): the US and Germany have laws to protect consumers from the adverse affects of new drugs and to bring new drugs to the market as quickly as possible, yet they have different standards for making the trade off between protection from side effects and saving lives as soon as possible. This shows that both cultures agree about basic principles of morality but disagree about how to live by those

principles in practical situations. It is therefore important to differentiate between principles and implementation.

If, however, thinkers are wrong and there are in fact fundamental moral disagreements – relativism of moral principles – it still does not follow that there is no ultimate norm or set of norms in which everyone *ought* to believe. An example of such an issue is the earlier referred to apartheid policy of South Africa. Some philosophers believe that deep down there is always a single correct ethical norm and that nothing more than skepticism would be justified if fundamental conflict were discovered.

Should one accept ethical relativism, serious thought about and the resolution of moral problems would be impossible – in fact, a discussion of ethical differences between varying cultures would be superfluous and morality in the international or inter-communitarian sense would to a large extent become irrelevant.

People generally believe that some fair and justified compromise can be reached through negotiations and that there is a set of basic moral principles that every culture *ought* to accept. Imagine what life would be like for a society which did not value truth telling, which would not condemn murder, rape, fraud and corruption or which did not care at all for the environment and the mental and physical health of its people.

In some instances in international business one finds that what is right or acceptable in one country is considered wrong in another. In this context bribery, extortion and the issue of facilitating payments remain common problems. Both the US and the EU have passed laws outlawing bribery in international trade. The criticism that such laws disadvantage multinationals that have to comply has been proven incorrect, and complaints by foreign countries of western moral imperialism are misplaced because such laws do not prescribe to foreign business, only to those who have their home in the EU or the US. International firms should respect the moral norms of the country in which they operate but the law against bribery should be seen as a universal norm and thus business is morally obliged not to bribe.

When firms try to take advantage of a lower cost structure, whether it is lower wages or lower taxes, they are often accused of exploitation. It has been suggested that capitalism benefits the rich and powerful industrial nations at the expense of the poor countries, e.g., multinationals using sweatshop operations as their suppliers. Public pressure against such practices has produced an international code of conduct in this regard which is monitored by companies, NGOs and the Fair Labour Association. Economists have pointed out that low wages paid to workers in poor countries are contributing to an increase in the standard of living in those countries. By thinking this issue through carefully, applying moral standards and imagination, multinationals can do a great deal to improve the lives of those who work for them in underdeveloped countries, e.g., countering child labour through education grants and keeping them out of the sweatshop environment. As more fully discussed in chapter 12 "Underwriting", credit insurers can also influence the outcome of such projects, if they are involved, by providing credit insurance facilities subject to appropriate conditions.

Should a company behave as the Romans do if it is in Rome? Beauchamp and Bowie in their book *Ethical Theory and Business* (30. Beauchamp, 2001: 528) suggest that if the norms of the home country (the country where the business is incorporated or has its headquarters) and those of the host country are in conflict, a multinational corporation has four options:

- Follow the norms of the home country because that is the patriotic thing to do;
- Follow the norm of the host country to show proper respect for the host country's culture;
- Follow whichever norm is most profitable;
- Follow whichever norm is morally best, i.e. follow international moral norms for business practices.

These four alternatives are not mutually exclusive, yet the forth option seems the best.

This discussion highlights the importance of establishing international business ethics norms. Beauchamp and Bowie in their book point out that:

- Widespread agreement already exists, as illustrated by the large number of signatories to the UN Declaration of Human Rights and a number of international treaties, e.g. the "Guidelines for Multinational Enterprises" adopted by the OECD or the "Caux Round Table Principles of Business" (30. Beauchamp, 2001: 623) and the Global Compact (36. Holliday, 2002: 167).
- Corporations ought to accept the moral norms that make society and hence business itself possible.
- Business practice presupposes certain moral norms, e.g., adhere to agreements as shown in Kantian arguments (see pages 10 to 17) and
- Without relevant institutions (see chapter 6 "The Importance of Institutions") business is seriously hampered.

The claim that international business should follow an international code of ethics does not demand inflexibility. As for all ethical questions, a code can only be a guide and where situations require it variations in conduct are in order.

What is important is that the multinational corporation thoroughly familiarizes itself with the general culture and the way in which business is conducted in the host country. Our view of ethics and the world is strongly influenced by the culture in which we live and we should not rigidly impose our views on others. But at the same time we need to guard against relativism. As Rachels points out, many (but not all) of our practices are merely peculiar to our society, the result of cultural conditioning. We need to keep an open mind and not be dogmatic and arrogant. While there are differences of customs there may not necessarily be disagreements about basic moral principles.

Finally, the legal implications of a multinational's actions in foreign countries need to be carefully considered. Clearly, companies should not act unlawfully, no matter where they operate. If a business finds local laws grossly unjust it should refrain from operating in such a country – as quite a number of foreign companies did during the latter part of the apartheid era in South Africa.