

Globalization of markets, marketing ethics and social responsibility

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Abstract

In recent years, owing to the globalization of markets and production processes, an ever increasing number of marketers and entrepreneur and business manager have to deal with ethics and social responsibility issues in cross-cultural settings. In this article, main approaches in marketing ethics and social responsibility have been reviewed for ethical analysis and business manager in international settings. The main purpose of the study is to present some guidelines that can serve as a guide for global marketers in the important areas for markets ethics and social responsibility. It is supposed to assist marketers in their efforts to behave in an ethical fashion. It is assumed that local conditions of markets may be different, but some global markets, ethics and social responsibility principles should be applicable to all markets. It is proposed that a uniform code of ethics and social responsibility should be created by WTO and UN organizations to solve diverse cultural differences to arrive at cooperative strategies in markets.

Keywords: Globalization, Ethics, Marketing Ethics, Corporate Social Responsibility.

1. Introduction

International marketing ethics, globalization and social responsibility affected each other. Increased globalization gave rise to a lot of problems, including ethical and social responsibility at home and abroad. Within the last 50 years, world commerce and trade enlarged nearly 20-fold, surpassed world industrial production, which expanded by six and

a half times (WTO, 2001). In this expansion, both exports and foreign direct investments acted an important role in the global economy and trade.

In addition to large-scaled corporations, small businesses are also increasing their cross border investments. Generally, the average yearly outflow of Foreign Direct Investment(FDI) enlarged from almost \$25 billion in 1975 to the peak of \$1.3 trillion in 2000 (UN, 2001). These mean that millions of business people work abroad in various geographical, political, legal, social, technological and cultural environments. It is easy to estimate that various environments have created many problems, involving ethical problems, for international marketing personnel at home and abroad.

Notably, during the past 55 years, technological improvements in transportation, communication and information processing and the Internet have made big contributions to the development of globalization. If this trend continues, the prophesies of Levitt, about globalization, in 1960`s, will become reality in 2020`s. To manage this trend fairly, it is recommendable to create universal ethical norms, rules and regulations. To prevent unethical marketing applications, universal code of ethics is necessary. At the same time, this practice would facilitate world wide fair competition in every fields of the world economy.

2. What is globalization?

A. History of Globalization

Globalization is a process that has been going on for the past 5000 years (Tehrani, 2005), but it has significantly accelerated since the demolishing of the Soviet Union in 1991.

The many meanings of the word "globalization" have accumulated very rapidly and recently, the verb "globalize" was first attested by the Merriam Webster Dictionary in 1944. In considering the history of globalization, some authors focus on the events since the discovery of America in 1492, but most scholars and theorists concentrate on the much more recent past (www.globalpolicy.org).

But long before 1492, people began to link together disparate locations in the world into extensive systems of communication, migration, and interconnections. This formation of interaction between the global and the local has been a central driving force in world history. Roughly, Economic Globalization means that world trade and financial markets are becoming more integrated.

According to Friedman (1999), globalization is: "The inexorable integration of markets, nation states, and technologies to a degree never witnessed before- in a way that is enabling individuals, corporations and nation-states to reach around the world farther, faster, deeper and cheaper than before, the spread of free-market capitalism to virtually every country in the world. On the other hand, a great number of economists assert that globalization is an on-going historical process that reached its apex toward the end of the 20th century. This process leads to the increasing integration of the production of goods, services, ideas, culture, communication, and environmental pollution on a world-wide scale, imparting locality of populations and labor.

B. Dimensions of Globalization

Globalization is an umbrella term and has some dimensions. It can be related to every fields of daily life. For instance, a marketing staff versus an engineer could interpret globalization in different ways. Dimensions are as follows (www.globalpolicy.org):

- **Economics** – related to globalization in trade, money, corporations, banking, capital,
- **Political** – science, governance, wars, peace, IGOS, NGOS, and regimes,
- **Sociology**-communities, conflict, classes, nations, agreements,
- **Psychology**-individuals as subjects and objects of global action,
- **Anthropology**- cultures overlapping, adapting, clashing, merging,
- **Communications**- information as knowledge and tools-internet,
- **Geography**- Everything, provided it can be anchored in space.

Each of these social sciences looks at a special aspect of the whole system of interdependent parts that constitutes our world system. Each discipline constructs a concept of globalization that reflects its special point of view: Consider how it relates its focal concerns to the contemporary world system (www2.hawaii.edu).

According to Kongar, globalization has three dimensions. These are political, economic, and cultural aspects of globalism (www.kongar.org).

Political dimension denotes that after the collapse of the Soviet Union, the USA has become the superpower and the single authority in the new world order and security. On the other hand, the economic dimension of the globalization denotes the economic sovereignty and domination of international capital globally. As the third dimension of globalization, cultural aspect denotes two unrelated results of this phenomenon: One of them is globalism of the consumer behaviors, such as consuming similar food, clothes, entertainment and similar products in any aspects of daily life. The second dimension is the micro-nationalism; too much freedom for citizens results in destruction of the unitary structures of independent states, such as Yugoslavia and Iraq.

C. The Emergence of Global Institutions

In international business, globalization has several facets, including the globalization of markets and globalization of production (Hill, 2004: 7-8). The globalization of markets refers to the merging of historically distinct and separate national markets into one huge global markets. On the other hand, the globalization of production refers to the sourcing of goods and services from locations around the globe to take advantage of national differences in cost and quality factors of production (such as labor, energy, raw materials, land, and capital).

As markets globalize and an increasing proportion of business activity transcends national borders, institutions need to help manage, regulate, and police the global marketplace, and to promote the establishment of multinational treaties to govern the global business system. During the past 55 years, a number of important global institutions have been created to help perform these functions.

These institutions include the “General Agreement on Tariffs and Trade”(GATT) and its successor, the “World Trade Organization” (WTO); the “International Monetary Fund”

(IMF) and its twin sister, the “World Bank”; and the “United Nations” (UN). All these institutions were created by voluntary agreement between individual nation-states, and their functions are enshrined in international treaties (Hill, *ibid*: 9). These organizations have many important roles in creating international business ethical rules and regulations. Especially, The World Trade Organization is primarily responsible for policing the world trading system and making sure nation states adhere to the rules laid down in trade treaties signed by WTO member states. Now it has over 145 nations, and the last member is the Republic of China. The WTO is also responsible for facilitating the establishment of additional multinational agreements between WTO member states (www.imf.org).

D. Driving Forces of Globalization

From the economical point of view, two macro factors seem to underlie the trend toward globalization (Frankel, 2000). The first is the decline in barriers to flow of goods, services and capital that has occurred since the end of World War II. The second factor is technological change, particularly the dramatic developments in recent years in communication, information processing, and transportation technologies.

Everybody knows the importance of the role technological innovations and developments in globalization, on the other hand, “declining trade and investment barriers” with the help of GATT and WTO is as important as the first one.

During the 1920s and 30s, many nations erected formidable barriers to international trade and foreign direct investment. International trade occurs when a firm exports goods or services to consumers in another country. Foreign direct investment occurs when a firm invests resources in business activities outside its home country. Many of the barriers to international trade took the form of high tariffs on imports of manufactured goods. The typical aim of such tariffs was to protect domestic industries from foreign competition. Ultimately, this practice depressed world demand and contributed to the Great Depression of the 1930s (Hill, *ibid*: 11).

Having learned from this experience, the advanced industrial nations of the West committed themselves after World War II to removing barriers to the free flow of goods, services, and capital between nations (Bhagwati, 1989). This goal was protected and realized in the General Agreement on Tariffs and Trade. Under the umbrella of GATT, nine rounds of negotiations among member states have worked to lower barriers to the flow of goods and services. The impacts of GATT agreements on average tariff rates for manufactured goods were formidable. If we give a figure, average tariff rates have been fallen significantly since 1950, from average 30-40 percent to 3.9 percent in 2000 (The United Nations, 2001). In order to nullify this tariff rate, Regional economic integrations have been created. Such as, European (EU), North American Free Trade Area (NAFTA), Free Trade Area of the America (FTAA), Association of Southeast Asian Nations (ASEAN), and Asia-Pacific Economic Cooperation (APEC) are important attempts to achieve economic gains from the free flow of trade & investment between neighboring countries.

The most successful regional economic cooperation is the EU. The Single European Act sought to create a true single market by abolishing administrative barriers to the free flow of trade and investment between EU countries. In the near future, it is expected that the EU will become a political union like the USA (Swann, 1990).

E. Universal Marketing Strategies of a Global Company

Theodore Levitt (1983: 92-102) has argued that, due to the advent of modern communications and transport technologies, consumer tastes and preferences are becoming global, which is creating global markets for standardized consumer products. However, this position is regarded as extreme by many commentators, who argue that substantial differences still exist between countries (Douglas and Wind, 1987).

As local companies increasingly engage in cross-border trade and investment, managers need to recognize that the task of managing an international business differs from that of managing a purely domestic business in many ways. First of all, the differences come from the simple fact that countries are different. Countries differ in their cultures, socio-economic and political systems, legal systems and levels of economic development. Despite widespread globalization, still there are many big and enduring differences between the countries (Hill, *ibid.*: 19-37).

Differences between countries require different marketing approaches. For example, marketing a product in Brazil may require a different approach than marketing the product in Australia or Malasia. Managing U.S. Workers might require different skills than managing Japanese workers; maintaining close relations with a particular level of government may be very important in The Republic of China and irrelevant in Germany.

As a global firm, sometimes, it is impossible to advertise a standardized advertising message in different countries. Because of differences in cultural and legal environments, for instance, it is illegal to use any comparative advertising in Germany (Cateora & Graham, 2005: 483). Advertising on television is strictly controlled in many countries, e.g., in Kuwait, the government controlled TV network allows only 32 minutes of advertising per day, in the evening (Sunil Erevelles and his colleagues, 2002).

In order to compete in the international environment, firms can use four basic entry strategies: an international strategy, a multi-domestic strategy, a global strategy, and a transnational strategy (Bartlett and Ghoshal, 1989).

Firms pursuing an international strategy transfer the skills and products derived from distinctive competencies to foreign markets, while undertaking some limited local customization. Firms pursuing a multi-domestic strategy customize their product offering, marketing strategy, and business strategy to national conditions. Firms pursuing a global strategy focus on reaping the cost reductions that come from experience curve effects and location economies. Finally, firms pursuing a transnational strategy involves a simultaneous focus on reducing costs, transferring skills and products, and boosting local responsiveness. Implementing this strategy is very difficult because of simultaneous pressures coming from cost reductions and local responsiveness (Hill, *ibid.*: 376).

F. Is Globalization Suitable for Everyone?

International Monetary Fund (IMF) asserts that as globalization has progressed, living conditions have improved significantly in virtually all countries. However, the strongest gains have been made by the advanced countries and only some of developing countries.

That the income gap between high-income and low-income countries has grown wider is a matter for concern. And the number of the world's citizens in abject poverty is deeply disturbing. But it is wrong to jump to the conclusion that globalization has caused the divergence, or that nothing can be done to improve the situation. In contrast: low-income

countries have not been able to integrate with the global economy as quickly as others, partly because of their chosen policies and partly because of factors outside their control. No country, least of all the poorest, can afford to remain isolated from the world economy. Every country should seek to reduce poverty. The International community should endeavor-by strengthening the international financial system, through trade, and through aid-to help the poorest countries integrate into the world economy, grow more rapidly, and reduce poverty. That is the way to ensure all people in all countries have access to the benefits of globalization.

In order to manage globalization process fairly, international reform efforts and democratic transnational institutions should be created and empowered. To reach such an objective UN-supported commission of 28 leaders produced influential 1995 report " Our Global Neighborhood" and 1999 report " The Millennium Year and the Reform Process" proposes to strengthen global governance without creating world government, while respecting the "rights of people and the role of civil society (www.globalpolicy.org).

3. Ethical issues in international marketing

A. Social Responsibility and Marketing

Business firms produce goods and services by utilizing scarce resources to satisfy customer needs. In their activities, companies should be innovative, cost effective, productive and effective. If they become successful, in the long run, they should contribute positively to the societies' welfare objectives. It requires that companies should be sensitive for the expectations of customers with respect to the social issues and to the environment(Kotler, 2003: 8).

For organizations to have social responsibility means an organization should concern for the people and environment in which it transacts business. (<http://www.knowthis.com/principles-of-marketing-tutorials/>, July 05, 2010). It is expected that socially responsible firms will somehow financially outperform other less responsible firms in the long run. This might result from customer loyalty, better employee morale and motivation, or public policy favoring ethical conduct (http://www.consumerpsychologist.com/intro_Social_Responsibility.html, June 08, 2010).

To be competitive in the long run, companies should adopt strategic plans to optimize the objectives of all partners as stakeholders, management, workers, customers, society and all the humanity.

According to the article of Lichtenstein and et al., "both theory and recent research evidence suggest that a corporation's socially responsible behavior can positively affect consumers' attitudes toward the corporation (Lichtenstein and et al, 2004: 16). Today, international companies donate millions of dollars to various nonprofit organizations through various initiatives including philanthropy, cause-related marketing, employee voluntarism, and other innovative and creative marketing programs. If we want to give an example, Avon, cosmetics company, has raised more than \$200 million for breast cancer education and early detection services through the Breast Cancer Awareness Crusade (Ibid).

A study made by Maignan and Ferrell presents us a managerial guide by using a stakeholder model for implementing social responsibility in marketing(Maignan &et al, 2005:956). We need more studies to approach this issue from the different partners' points of views to create an integrative model to social responsibility approach.

In an organization, marketing function often operates as the “public face” of it, when issues arise between the public and the organization, marketing is often at the center (http://www.consumerpsychologist.com/intro_Social_Responsibility.html, June 08, 2010). At the same time, social responsibility requires that firms should produce new products at high quality and services at reasonable prices. Additionally, these firms could be customer-oriented.

Lichtenstein and et al assert that Corporate Social Responsibility (CSR) actually reduces customer satisfaction levels and, through the lowered satisfaction, harms market value (Xueming & Bhattacharya, 2006:1).

B. History of Ethics

Ethics is a branch of philosophy that studies morals and values. Interest in ethics and ethical codes has been around for a long time. Centuries ago, Aristotle referred to character, which he called “ethos”, as the most potent means of persuasion (Lane Cooper, 1960). He also identified elements of virtue as “justice, courage, temperance, magnificence, magnanimity, liberality, gentleness, prudence, and wisdom”. In Roman times, the emperor Justinian was the first to incorporate ethics into the legal system and to establish schools to educate lawyers concerning ethics morality, and law. Napoleon established a code of thirty-six statutes based on the concept that all citizens, regardless of circumstances of birth or social stature, should be treated fairly and equally. Indeed, every civilization has recognized the need for establishing laws and codes to guide human relationship and behavior (Metcalf, 2003: 74).

Ethics studies the differences between right and wrong, and through these studies philosophers have developed several theories. Some major ethical theories are egoism, intuitionism, emotivism, rationalism, and utilitarianism. Egoism is the belief that people should only look at how the consequences of an action affect them. Intuitionism is the belief in an immediate awareness of moral value. Emotivism is the belief that ethical decisions are expressions of emotion. Rationalism focuses on the metaphysical aspects of ethics. Utilitarianism in ethics considers how moral actions produce the greatest overall good for everyone (www.questia.com).

C. Ethical Universals and National Cultures

1. What is Culture ?

Academics and researchers have never been to agree on a simple definition of culture. In the 1870s, the anthropologist Edward Taylor defined culture as “that complex whole which includes knowledge, belief, art, morals, law, custom, and other capabilities acquired by man as a member of society (Taylor, 1871). As other capabilities, we can include economic and political philosophy, religion, language and education systems.

Especially, religion is very important in shaping ethical systems refer to a set of moral principles, values, that are used to guide and shape behavior. Most of the world’s ethical systems are the product of religions (Hill, *ibid*:105).

Dutch Management Professor Geert Hofstede refers to culture as the “software of the mind” and argues that it provides a guide for humans on how to think and behave; it is a problem-solving tool (Hofstede, 1984: 21). Business consultant E. Hall gives a better definition for

international marketers : “The people we were advising kept bumping their heads against an invisible barrier. We knew that what they were up against was a completely different way of organizing life, of thinking and of conceiving the underlying assumptions about the family and the state, the economic system, and the man himself” (Hofstede, *ibid*: 21).

Most traditional definitions of culture center around the notion that culture is the sum of the values, rituals, symbols, beliefs and thought processes that are learned, shared by a group of people, and transmitted from generation to generation (Herskovitz,1952: 634). Values mean abstract ideas about what a group believes to be good, right, and desirable. If we put it differently, values are shared assumptions about how things ought to be (Mead, 1994: 7). On the other hand, values are rules and guidelines that prescribe appropriate behavior in particular situations.

2. Ethical Perceptions and Culture

A research conducted by Armstrong reveals that there is a relationship between the cultural environment (Australia, Singapore and Malaysia) and the perceived ethical problems. In another study , Armstrong finds out the most frequently cited problem of Australian International Business Managers is gifts/favours/entertainment and that this problem may be related to the culture where the international business is being conducted. And the most important ethical problem to Australian international managers is large-scale bribery (Armstrong, 1992).

Although, different cultural environments result in different ethical perceptions in international marketing, for the sake of ethical consistency, it is necessary to generate internationally applicable ethical rules and regulations. As a matter of fact, a finding of an empirical research conducted by Armstrong proposes that “The Australian general managers disagreed that it is necessary to compromise one’s ethics to succeed in international marketing”(Armstrong, *ibid*: 161).

D. Ethical Approaches in International Marketing

Due to the globalization of markets and production, ever increasing number of international marketing personnel have to deal with ethical issues in cross-cultural settings. Murphy and Lacznik (1981: 58) asserted two decades ago that “as more firms move into multinational marketing, ethical issues tend to increase”.Actually, international marketers are often criticized for ethical misconduct (Armstrong et al., 1990: 6-15). In a cross-cultural environment, marketers are exposed to different values and ethical norms (Nill, 2003: 90-104). Which ethical position should marketers take when acting in a foreign culture? In other words, whose ethics do we use in international marketing? is very important to be answered. DeGeorge answers this question as “our ethics”; our ethical values are not like a coat that we put on in certain seasons and places throw off elsewhere. We cannot leave our ethics behind as we venture around globe. If we think we can, or if we have no ethics, then, of course, the question is beside the point (DeGeorge, Business Credit, 2000: 50).

In International Marketing, ethical decision- making process can be influenced by many ethical approaches. These approaches can be classified “descriptive-prescriptive and communicative approach” (Nill, 2003: 90), and “normative (prescriptive), and descriptive(positive)” theory of marketing ethics approach (Hunt and Vitel.1986: 5-15).

1. Descriptive Ethics Approach

Descriptive ethics describe the values and moral reasoning of individuals and groups and attempt to provide an understanding of the ethical decision-making process (Schopenhauer, 1979). It is assumed that the ethical decision-making process affected by a variety of individual, situational, and contextual factors such as personal experiences, opportunity, the organizational environment and the cultural environment (Nill, *ibid*: 91).

2. Normative Ethics Approach

Normative ethics suggest an answer to the general moral question of what ought to do (Schlegelmilch, 1998; Murphy and Lacznia, 1981, Chonko, 1995). These researchers are concerned with the justification of moral norms and ethical values. It has been debated for many years whether moral responsibility can be attributed to business organizations. Some years ago, ethics have nothing to do with international business; then, normative ethics cannot be a concern for business corporations. Some scholars discuss that business organizations cannot assume moral responsibility. Only individuals acting on behalf of the corporation are morally motivated, have intentions, and can be held accountable (Ranken, 1987: 633-37).

On the other hand, some scholars argue that some aspects of the organization are not reconcilable with moral responsibility. Organizations serve a purpose and in that sense are not entirely autonomous. Organizations can never ends in themselves; they have been created for a specific purpose. The organization cannot be held responsible for actions that go beyond or against that purpose (Wilmot, 2001: 161-169).

Normative approaches can be classified as “deontological theories” and “teleological theories”. One of the purposes of these theories is to develop guidelines or rules to assist international marketers in their efforts to behave in an ethical fashion (Hunt and Vitell, 1986: 5-15). Fundamental difference between these theories is that deontological theories focus on the specific actions or behaviors of an individual, whereas teleological theories focus on the consequences of the actions or behaviors.

a. Deontological Evaluations:Deontologists believe that “certain features of the act itself other than the value it brings into existence” make an action or rule right (Frankena, 1963). Deontological views have a rich intellectual history dating back at least as far as Socrates. For them the problem has been to determine the “best” set of rules to live by. Examples proposed have been the “golden rule” of “doing unto others as you would have them do unto you” (Sidgwick, 1907). According to Lacznia; international marketers have certain duties, under most circumstances, constitute moral obligations that include the duties of fidelity, gratitude, justice, beneficence, self-improvement and noninjury.

b.Teleological Evaluation:Teleologists suggest that people ought to determine the results of various behaviors in a situation and evaluate the goodness or badness of all the consequences. A behavior is then ethical if it produces a greater balance of good over evil than any available alternative (Nill, *Ibid*). Teleology can be divided into two subcategories as egoism and utilitarianism (Ferrel et al., 1989: 55-64).

(1) Egoism: Egoism defines rightness in terms of the consequences for the individual (Mengüç, 1998: 333-352). It postulates that one should choose actions that result in the maximum of good for oneself (Rosen, 1978).

(2) Utilitarianism: In contrast to the egoist, the utilitarian does not minimize “bad” or maximize his/her own “good” in general. Ethical universalism (utilitarianism) holds that an act is right only if it creates the greatest good for the greatest number. Hobbes and Nietzsche were ethical egoists but such philosophers as G.E. Moore and John Stuart Mill were ethical universalists. If we explain these theories with an example; deontologists do not tell a lie and they do not consider the results of the action, on the other hand, teleologists could tell a lie if they save a life, or when telling the truth hurts another person.

(3) Dialogic Ethics Approach

As a third approach proposed by Nill and Shultz (1997: 4) is communicative approach as an alternative ethical framework for macro marketers. Dialogic idealism combines moral universalism with moral relativism by suggesting universally valid rules that prescribe how an ideal dialogue is to be conducted without imposing moral core values or hyper norms. Thus, the actual outcome of the dialogue will depend on its participants. Only the way in which the dialogue should be conducted can be seen as a universal obligation for everyone who is truly motivated in participating in the dialogue.

Depending on the nature of the ethical problem and specific situational requirements a dialogic approach could be a helpful tool for marketers. Nill (2003: 92-97) argues that “ more work is needed to find out how a communicative approach can be implemented as a real-world corporate ethical responsibility approach”.

E. Ethical and Social Responsibility Problems in International Marketing

The moral question of what is right or appropriate poses many dilemmas for domestic marketers. Even within a country, ethical standards are frequently not defined or always clear (Cateora and Graham: 142). The problem of business ethics is infinitely more complex in international marketplace, because value judgments differ widely among culturally diverse groups. That which is commonly accepted as right on one country may be completely unacceptable in another. Giving business gifts of high value, for example, is generally condemned in the United States, but in many countries of the world gifts are not only accepted but also expected (www.business-ethics.org).

Upon examination of existing ethical frameworks in the field of international marketing from a macro marketing perspective, it is argued that marketers cannot always rely on universally accepted ethical norms, such as hyper norms or core values that have been suggested by a deluge of marketing literature (Dunfee, 1995; Dunfee, Smith, and Ross, 1999: 14; DeGeorge, 2000). Some basic moral values could be used in evaluating international marketing ethical issues. Violations of basic moral values in international marketing settings should be accepted as ethical problems.

After studying the literature related to international marketing, it is easily seen that most of the marketing ethics studies involve the use of scenarios as research instruments and relate to the following marketing sub-disciplines (Armstrong, 1992: 167): market research, retail management, purchasing management, advertising management, marketing management, industrial marketing, and marketing education. Few studies relate to International Marketing Ethics have been most prominent (Armstrong and Everett, 1991:61-71;

Armstrong, Stening, Ryands, Marks, and Mayo, 1990: 6-15; Armstrong, 1992). Major International Marketing Ethical Problems derived from applied researches by Armstrong (Ibid) are presented with their short definitions as follows:

- **Traditional Small Scale Bribery**- involves the payment of small sums of money, typically to a foreign official in exchange for him/her violating some official duty or responsibility or to speed routine government actions (grease payments, kickbacks).
- **Large Scale Bribery**- a relatively large payment intended to allow a violation of the law or designed to influence policy directly or indirectly (eg, political contribution).
- **Gifts/Favours/Entertainment**- includes a range of items such as: lavish physical gifts, call girls, opportunities for personal travel at the company's expense, gifts received after the completion of transaction and other extravagant expensive entertainment.
- **Pricing** - includes unfair differential pricing, questionable invoicing - where the buyer requests a written invoice showing a price other than the actual price paid, pricing to force out local competition, dumping products at prices well below that in the home country, pricing practices that are illegal in the home country but legal in host country (eg, price fixing agreements).
- **Products/Technology** - includes products and technology that are banned for use in the home country but permitted in the host country and/or appear unsuitable or inappropriate for use by the people of the host country.
- **Tax Evasion Practices** - used specifically to evade tax such as transfer pricing (i.e., where prices paid between affiliates and/or parent company adjusted to affect profit allocation) including the use of tax havens, where any profit made is in low tax jurisdiction, adjusted interest payments on intra-firm loans, questionable management and service fees charged between affiliates and /or the parent company.
- **Illegal/Immoral Activities in the Host Country** - practices such as: polluting the environment, maintaining unsafe working conditions; product/technology copying where protection of patents, trademarks or copyrights has not been enforced and shortweighting overseas shipments so as to charge a country a phantom weight.
- **Questionable Commissions to Channel Members** - unreasonably large commissions of fees paid to channel members, such as sales agents, middlemen, consultants, dealers and importers.
- **Cultural Differences** - between cultures involving potential misunderstandings related to the traditional requirements of the exchange process (e.g., transactions) may be regarded by one culture as bribes but be acceptable business practices in another culture. These practices include: gifts, monetary payments, favours, entertainment and political contributions.
- **Involvement in Political Affairs**- related to the combination of marketing activities and politics including the following: the exertion of political influence by multinationals, engaging in marketing activities when either home or host countries are at war and illegal technology transfers (Armstrong, Ibid).

4. Conclusions and recommendations

It is accepted that globalization is an unavoidable process and will progress forever. All business that firms desire to compete successfully in international environment, should obey to legal and ethical rules and regulations. To behave in an ethically and socially responsible

way should be a hallmark of every marketer's behavior, domestic or international. It requires little thought for most of us to know the socially responsible or ethically correct response to questions about breaking the law, destroying the environment, denying someone his or her rights, taking unfair advantage, or behaving in a manner that would bring bodily harm or damage (Cateora and Graham, Ibid).

Because of unethical deals and transactions of large-scaled corporations such as Enron Company of USA and many others from America, Europe, Asia and Australia gave rise to global financial crises and as a result of these crises stockholders, investors, company workers, suppliers and the whole public faced serious financial losses. For this reason, companies should deal with their all partners ethically and behave in socially responsible (Cacioppe and et al, 2008:681).

Actually, the difficult international marketing issues are not the obvious and simple right-or-wrong ones. In many countries the international marketer faces the dilemma of responding to many situations where there is no local law, where local practices forgive a certain behavior, or the company willing to "do what is necessary" is favored over the company that refuses to engage in practices that are not ethical.

In many countries, laws may help define the borders of minimal ethical or social responsibility, but the law is only the basis above which one's social and personal morality is tested. In the U.S.A., in general, legal sanctions prevent marketers from doing unethical transactions. The problems related to international marketing ethics are not important problems in U.S. domestic market; but in international settings, especially differences in culture creates some ethical dilemmas.

Perhaps the best guide to good international marketing ethics are the examples set by ethical business leaders (J. Byrne, 2003). DeGeorge (Ibid) proposes to solve international business ethics problems in five guidelines:

- a. Do not direct intentional harm.
- b. Produce more good than harm for the host country.
- c. Respect the rights of employees and of all others affected by one's actions or policies.
- d. To the extent consistent with ethical norms, respect the local culture and work with and not against it.
- e. Multinationals should pay their fair share of taxes and cooperate with the local governments in developing equitable laws and other back ground institutions.

On the other hand, Cateora and Graham (Ibid) propose to be used some guidelines in international business: such as, Utilitarian ethics-**Does the action optimize the "common good" or benefits of all constituencies?** And who are the constituencies?. Rights of the parties- **Does the action respect the rights of the individuals involved?** Justice or fairness- **Does the action respect the canons of justice or fairness to all parties involved?**

Answers to these questions can help the international marketer ascertain the degree to which decisions are beneficial or harmful, right or wrong, or whether the consequences of actions are ethically or socially responsible. Perhaps the best framework to work within is defined by asking: Is it legal? Is it right? Can it withstand disclosure to stockholders, to company officials, and to the public? (Dunfee, et al., 1999: 14).

Though the U.S.A. has clearly led the campaign against international bribery, European firms and institutions are apparently putting more effort and money into the promotion of what they call "corporate social responsibility (Maignan and Ralston,2002: 497-514). For example, the watch dog group Corporate Social Responsibility (CSR) Europe, in cooperation with the INSEAD business school outside Paris, is studying the relationship between investment attractiveness and positive corporate behaviors on several dimensions. Their studies find a strong link between firms` social responsibility and European institutional investors` choices for equity investments (Stock, 2003:1, and www.csreurope.org).

All this is not to say that European firms do not still have their corporate misbehaviors (C. Matlack, 2003: 48-50). However, it is expected that more efforts in the future to focus on measuring and monitoring corporate social responsibility around the world.

In a global economy, to solve international marketing ethics problems, self regulation by companies and industries is important, but that additional background institutions with having authority to direct globalization is very important. Under these circumstances international sanctions can be applied for ethical violations.

DeGeorge(2000:50) asserts that " for purposes of international business, there are certain basic claims and norms that are necessary for business, and these throw some light on claims to universality in ethics". For example, the Universal Declaration of Human Rights is an important norm which has been ratified by almost every country and lays down basic principles that should always be adhered to irrespective of the culture in which one is doing business. For instance, Article 23 of this declaration states that :

- Everyone has the right to work, to free choice of employment, to just and favorable conditions of work, and to protection against employment.
- Everyone without any discrimination, has the right to equal pay for equal work.
- Everyone who works has the right to just and favorable remuneration ensuring for himself and his family and existence worthy of human dignity and supplemented, if necessary, by other means of social protection.
- Everyone has the right to form and to join trade unions for the protection of his interests (www.un.org/Overview/rights.html).

There are many articles like article 23, they can be accepted as building blocks of universal ethical norms and rules. In addition to such international organizations as UN, IMF, World Bank, World Trade Organization, the International Chamber of Commerce; "International Court of Justice for Business and Commerce" should be established to solve international marketing ethics problems legally. Then ethical will become legal. If we want to do business honest and fair in international marketing area, we can find many universal ethical rules and regulations to obey. Cultural differences should not result in violations of universal ethics. If UN is reorganized as a more powerful institution, it can enforce global business agents to conform to the universal ethics norms.

Today, it is generally believed that, the U.S. of America as a superpower has been taking advantage of official political power of UN and related institutions, such as IMF, WTO, and World Bank in order to realize his political and economic benefits to sustain global domination. These institutions could not function effectively and freely to their predefined objectives. A reorganization and reform is necessary to empower UN and other international institutions to meet the common needs of all humanity, instead of only U.S.

and other developed countries. Otherwise, instead of peace and stabilization, chaos and terror could dominate the whole world. Adapted to the contemporary world conditions, well-organized, reformed, empowered and equitable working UN and related institutions could really contribute to the global peace, security and, social and economic wealth of nations. All nations could obey the rules and regulations of independent global institutions in regulating and reorganizing world trade and global economy.

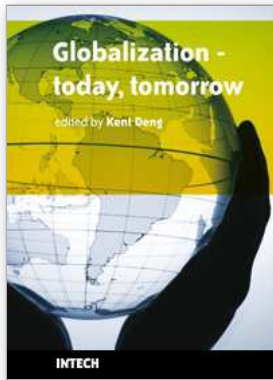
Under these conditions, to solve international marketing ethics problems: international institutions should manage, regulate, and police the global marketplace, and to promote the establishment of multinational treaties to govern the global business system.

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