

GSK In China: A Game Changer in Compliance

The entry of the Chinese government into the international fight against corruption and bribery is truly a game-changer. While there may be many reasons for this very public move by the Chinese government, it is clear that foreign companies are now on notice. Doing business the old fashioned way will no longer be tolerated. I agree with Volkov, that the GSK bribery and corruption investigation will be the Number 1 development for the year in anti-corruption compliance. This means that international (read: western) companies operating in China have a fresh and important risk to consider; that being that they could well be subject to prosecution under domestic Chinese law.

The international component of this investigation may well increase anti-corruption enforcement across the globe. First of all, when other countries notorious for their endemic corruptions, for example India, see that they can attack their domestic corruption by blaming it on international businesses operating in their company; what lesson do you think they will draw? Most probably that all politics are local and when the localities can blame the outsiders for their own problems they will do so. But when that blame is coupled with violations of local law, whether that is anti-bribery or anti-price fixing, there is a potent opportunity for prosecutions.

Just as importantly is the individual perspective. For many western ex-pats who are considering working in China, this may cause them to rethink whether or not they are willing be stationed in the country for fear of being caught up in the Chinese judicial system, which is a system not known for protecting individual due process rights and this factor cannot be overstated because wherever you do not want to be, imprisoned in China is near the top of the list.

Just as the Wal-Mart FCPA investigation has reverberated throughout the US, I think that the GSK matter will be with us for some time. As bad as it seems about now, and it certainly appears bad, there are many lessons which the compliance practitioner can not only draw from but use for teaching moments within your company. The prior premonition “if you are subjected to a FCPA sweep” may now have changed to “when” so one of those lessons should be expanded to include investigations by local or national officials regarding violations of their own domestic laws against bribery and corruption.

The full eBook *GSK in China: Game Changer in Compliance* is available for Kindle on Amazon.com. You can order it at ht.ly/o4Nka.