

The Caux Round Table
GLOBAL DIALOGUE 2001/London
SUMMARY OF PROCEEDINGS

Introduction

Meeting the World's Needs – the Responsibilities of Business was the theme of the 16th Global Dialogue of the Caux Round Table (“CRT”) held in London on Sept 10 and 11, 2001. Participants concluded that devising better means of economic development in poor nations was of vital importance to the world community, an important, if novel, responsibility of business leaders, and a worthy objective for the CRT to address.

This conclusion was shared strongly by the Rt. Hon. Michael Portillo, MP and former Secretary of State for Defense in the UK, and a participant in the Dialogue on Monday the 10th. The Rt. Hon. Clare Short, currently UK Secretary of State for International Development, pointedly, crisply and colorfully made the case for addressing poverty in the world through private sector initiatives.

The former Foreign Minister and Deputy Prime Minister, Lord Howe, and his wife, Baroness Howe, graciously hosted a reception at the Houses of Parliament, attended by, among others, Prince Michael of Kent, to meet members of the CRT and exchange views on business ethics and corporate social responsibility. Following this, on Monday evening, the Institute of Directors hosted a dinner for Dialogue participants. Institute Director General George Cox strongly supported the new vision of the CRT to put its Principles for Business to work in the discipline of improving economic outcomes for poor people in developing nations.

Day 1: Monday September 10

Welcome

The Rt. Hon. Michael Portillo, MP, welcoming the participants said:

First Session

Charles M. Denny, former CEO ADC Telecommunications, reviewed the origins and purposes of the 1994 CRT Principles for Business, in the drafting of which he had played an important role in 1992. Denny observed that the CRT Principles arose from an intentional blending of moral perspectives from different cultures, specifically the Kyosei concept of personal responsibility brought to the CRT by the late Mr. Ruyabuzu Kaku, former Chairman and CEO of Canon.

Denny urged that while the Principles still had great merit as a guide to corporate action and activities, they set forth for business leaders a call for action on the global level as well. Implementation of the Principles by looking at what business can do to improve outcomes of globalization for the world's poor would be a worthy objective for the CRT and its friends at this time Mr. Denny suggested.

CRT Chairman and Chairman Emeritus of Medtronic, Inc., Winston R. Wallin, followed with a presentation of how poverty is a challenge, not only to wealthy nations, but to business leaders in particular. He pointed out how investment of private equity capital, when all else is said and done, is the only way for poor nations to improve their living standards permanently. And, he observed, there has never been so much equity capital available in private hands for investment in poor countries as there is now. During the 1990's economic growth in the world added some 23 trillion US\$ to the market value of the world's stock markets.

However, Wallin noted that such liquidity resides in only a few countries. It is not now currently invested where it is most needed by poor people. Wallin did not fault the owners of such wealth on moral grounds for he recognized that capital flows to where it can best contribute to new economic growth and earn higher returns. Capital cannot perform its role in development where conditions are unfavorable. Wallin therefore spoke to the responsibilities of governments and political systems in poor countries to put in place the requirements for consistent, systematic, long-term investment of private capital. He, in effect, proposed a contract between owners of private capital and governments: where governments would create the right environment for investment, investors would put their capital to work.

The details of implementing such a partnership would require dialogue and consultation among private sector business leaders, who have the capital and who know what is needed, national governments, which have authority over legal institutions in developing countries, and international organizations with their expertise and programs in trade and development.

Second Session

CRT Chairman Wallin then presented to participants for their consideration an action program for the Caux Round Table to undertake in coming years. The basic purpose of the action program suggested by Wallin was “to create awareness in developing countries and in the global community as to what needs to happen in order to get increased equity investments in the developing world and to offer assistance to these nations to accomplish this.”

Wallin outlined 8 steps to accomplish this: 1) sponsor dialogues in the developing nations among global and local business, government, academic, and NGO leaders; 2) sponsor global seminars to highlight CRT proposals; 3) promote the Principles for Business and the new CRT paper on world poverty; 4) raise the profile of the CRT through publicity;

5) bring CRT members together in an annual conference; 6) recruit senior business leaders – including just retired chairmen and CEO's - who are willing to commit time and resources to help achieve the goals of the CRT; 7) raise funds to support increased levels of CRT activity, perhaps one million US\$ per annum; and 8) evaluate each country's readiness for investment, assess the economic progress of countries, publish results annually.

Ron Baukol, Executive Vice President of 3M International, then commented on Wallin's proposal that it made sense but should not be understood to relieve governments of their obligations to foster economic development through partnership with the private sector, both foreign and domestic.

Third Session

Facilitated by John Whitehead, former Deputy Secretary of State for the United States and former co-chair of Goldman Sachs, two presentations were made on the subject of corruption as it inhibits investment. Raymond Baker, a former businessman and now Senior Fellow with the Center for International Policy in Washington, DC, put the issue sharply: money flows out of poor countries as a result of corruption, other illegal activities, and transfers seeking to avoid taxation. He estimated that for every 1 \$US contributed to a poor nation's economy from abroad, 10\$US leaves that country for investment elsewhere. The outward flow of capital condemns poor nations to low growth economies and makes irrelevant efforts by others to bring new investment into such countries.

Baker sought support for a proposal in the United States that would criminalize the knowing acceptance of money obtained through corrupt activities.

Marek Markus, Executive Director of Integra, an NGO in Bratislava, shared the results of a survey made by his organization on attitudes about corruption among small businesses in Slovakia. According to the survey, most businesses experienced corruption; corruption

imposed a cost of about 5% of annual turnover, or the difference between success or failure in a small business; few businesses were willing to speak out in public about corruption or otherwise confront corrupt officials.

Fourth Session

Add from transcript of Clare Short's remarks

Fifth Session

After lunch, Mr. Jeroen van der Veer, President, Royal Dutch Petroleum Company and vice-chairman, Committee of Managing Directors, Royal Dutch/Shell Group of Companies, reviewed for participants how his company puts principles into practice. His important observation was that "Principled leadership is important in setting clear and consistent corporate agendas, but ultimately, principles need to be fully integrated into every employee's day-to-day work if they are to be effective."

He reported that, after four years of effort, Shell's framework of seeking sustainable development is informing investment decisions and ensuring that economic, environmental and social commitments are translated into the daily conduct of Shell's business. To do this, Shell has set up a Sustainable Development Management Framework to manage, report and improve its performance across the economic, environmental and social dimensions of sustainable development. This focuses Shell's management on environmental and social activities critical to Shell's long-term success. And, the framework is helping Shell develop new metrics and indicators relevant to internal and external stakeholders which will then help Shell set new targets and provide a catalyst for further improvement across its operations. Van der Veer emphasized that, in his belief, companies needed a license from society giving them authority and autonomy if they are to be successful over time for stockholders.

Regarding its foreign operations, van der Veer confirmed that Shell had ended relationships with unethical suppliers and joint venture partners and would not invest where participation in corrupt arrangements would be necessary.

Reception in the Houses of Parliament

Dinner at the IOD

Day 2 Tuesday September 11

Sixth Session

The experience of senior business leaders from the UK, Canada, and the United States was drawn upon to support a new emphasis in corporate governance. Tom Holloran, a board member of several large and small companies, and his colleague John Stout, a former director of the National Association of Corporate Directors, presented a paper arguing for the empowerment of boards of directors. Boards must own the values of the corporation; they alone have the legal duty to manage the corporation; corporate social responsibility lies at their door. But, recommended Holloran and Stout, to be empowered boards must be informed.

Guylaine Saucier from Canada presented the draft interim report of her commission on corporate governance. Her report moved from concern with corporate law to emphasis on a culture of corporate governance, habits and practices which would more fully involve the board of directors in the decision-making life of the company.

Seventh Session

The relationship between fluctuation in currency values and efforts to stimulate economic development were starkly presented by Prof. G. Edward Schuh, a distinguished Regents Professor at the University of Minnesota. Schuh pointed out that as a matter of cold economic reality – though rarely discussed in the media and among the public – matters of currency and exchange rates were the life and death of economies. Get the rate wrong, and the economy will not develop; get the rate right, and growth will be facilitated.

Exchange rates have as great an impact on economic growth as terms of trade and tariffs.

To stabilize exchange rates and permit steady economic growth in the poor nations of the world, Schuh proposed converting the IMF into a central bank for the world and having it issue at a steady rate SDR's as the basis for bank liquidity in various nations. Then there would be slow and steady – and predictable - monetary expansion where exchange rates would reflect interest rate differentials in different national economies.

Bernard Lietaer proposed creation of a private sector unit of account to permit investments to be made without fear of fluctuations in currency exchange rates. Private companies would issue warehouse receipts for commodities they had in storage, such as oil or iron ore – anything around which a futures market could be constructed – and those receipts would be traded as units of value. Already a growing part of international trade is accomplished by barter without use of currencies. The zone of barter activity would be the haven for initial use of an alternative, commodity-based unit of account.

Eighth Session

Sir Sigmund Sternberg, Chairman, Martin Slove Estates and life president of the Sternberg Center, challenged the CRT to help bring the great religions of the world into better dialogue with one another and with business and government as a pre-condition for improving the lives of the poor and the climate for peace and prosperity. Without such efforts, Sir Sigmund thought, religious intolerance would present the world community with severe problems.

Add Spencer and Maresca

At the conclusion of this session, participants learned of the terrorist attacks on New York City's World Trade Center to realize that the warnings of Sir Sigmund had not been in vain and that his recommendations were very much at the center of any effort to heal the sores of the world.

Ninth Session

Prof. Kenneth Goodpaster, holder of the Koch Endowed Chair in Business Ethics, University of St Thomas, reported on a CRT project to develop for global business a self assessment and improvement process. Under development, this management tool would provide senior corporate managers with the kind of metrics and indicators used by Shell in its sustainable development management framework. The tool draws upon the CRT Principles for Business for its categories of measurement, making it possible for users of the proposed tool to bring their companies more and more in line with the CRT Principles. The tool would accomplish further the recommendation of van der Veer that principles need to be brought down to the operational level of each employee in every nook and cranny of the enterprise. The tool would happily in addition facilitate boards of directors becoming more informed about corporate undertakings.

Concluding Session