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The Caux Round Table

**Proposed
PRINCIPLES FOR RESPONSIBLE GLOBALIZATION**

INTRODUCTION

Persuaded by experience that a person's moral sense contributes to success in business endeavors, in 1994 the Caux Round Table published certain *Principles for Business* as a world standard against which business behavior could be measured.

After a decade of remarkable economic growth in many parts of the global economy, the Caux Round Table notes that sufficient investment capital has been accumulated that, should it be invested wisely in poor and developing countries, a dramatic reduction in levels of poverty could be achieved for most of humanity. In the stock markets of the world some thirty trillion US dollars are available for equity investment. Trillions more of US dollars are available in short term money markets, in currency markets, and in possible debt financing. There is more liquid capital available to the owners of private business than poor countries could presently absorb into their economies.

Yet in most instances such capital is not invested where people are poor. In the minds of many, therefore, globalization remains vulnerable to a moral critique that it does not, and, some would say that it can never, achieve social justice. The Caux Round Table believes that, while private business can improve standards of living through the creation of wealth, business only responds to opportunities for profitable exchange. The investment of capital waits upon favorable conditions; such investment is reactive and selective, always searching for well-founded expectations of return as well as for security that those expectations will come to fruition.

It is the work of others, not primarily that of business, to create the fundamental conditions under which capital can be invested. Bluntly, it is in the first place the task of responsible government to provide for sustained wealth-creation. Business can be called upon to invest responsibly within the framework of the Caux Round Table's *Principles for Business* once governments erect and sustain the requisite infrastructure of laws, regulations, and physical improvements to transportation and communication.

Bad government is a short cut to endemic poverty.

Poverty ends when governments and businesses both act responsibly to stimulate wealth creation and the fair distribution of such wealth, each playing their proper part in the development process. As the creators of wealth for society, business, however, has great influence with government. That influence can be used to promote – or to subvert – principles of responsible globalization.

Therefore, the Caux Round Table offers the following *Principles for Globalization* in the expectation that better government supporting the entrepreneurial endeavors of socially responsible businesses around the world will generate greater investment of private capital to create more wealth for poor people.

The CRT *Principles for Globalization* include new *Principles for Governments*, in addition to the existing *Principles for Business*. Just as the *Principles for Business*, these *Principles for Government* derive from two ethical ideals: “Kyosei” and “Human Dignity”. The Japanese concept of “Kyosei” looks to living and working together for the common good while the moral vision of “Human Dignity” refers to the sacredness or value of each person as an end, not simply as a means to the fulfillment of others’ purposes or even of majority demands.

PART I: THE OBLIGATIONS OF GOVERNMENT

FUNDAMENTAL PRINCIPLE

1. Public power is held in trust for the community

Power brings responsibility; power is a necessary moral circumstance in that it binds the actions of one to the welfare of others.

Therefore, the power given by public office is held in trust for the benefit of the community and its citizens. Officials are custodians only of the powers they hold; they have no personal entitlement to office or the prerogatives thereof.

Holders of public office are accountable for their conduct while in office; they are subject to removal for malfeasance, misfeasance or abuse of office. The burden of proof that no malfeasance, misfeasance or abuse of office has occurred lies with the office holder.

The state is the servant and agent of higher ends; it is subordinate to society. Public power is to be exercised within a framework of moral responsibility for the welfare of others. Governments that abuse their trust shall lose their authority and may be removed from office.

GENERAL PRINCIPLES FOR GOVERNMENTS

1. Discourse ethics should guide application of public power.

Public power, however allocated by constitutions, referendums or laws, shall rest its legitimacy in processes of communication and discourse among autonomous moral agents who constitute the community to be served by the government. Free and open discourse, embracing independent media, shall not be curtailed except to protect

legitimate expectations of personal privacy, sustain the confidentiality needed for the proper separation of powers, or for the most dire of reasons relating to national security.

2. The Civic Order shall serve all those who accept the responsibilities of citizenship.

Public power constitutes a civic order for the safety and common good of its members. The civic order, as a moral order, protects and promotes the integrity, dignity, and self-respect of its members in their capacity as citizens and, therefore, avoid all measures, oppressive and other, whose tendency is to transform the citizen into a subject. The state shall protect, give legitimacy to, or restore all those principles and institutions which sustain the moral integrity, self-respect, and civic identity of the individual citizen, and which also serve to inhibit processes of civic estrangement, dissolution of the civic bond, and civic disaggregation. This effort by the civic order itself protects the citizen's capacity to contribute to the well-being of the civic order.

3. Public Servants shall refrain from abuse of office, corruption and shall demonstrate high levels of personal integrity.

Public office is not to be used for personal advantage, financial gain or as a prerogative manipulated by arbitrary personal desire. Corruption – financial, political and moral – is inconsistent with stewardship of public interests. Only the Rule of Law is consistent with a principled approach to use of public power.

4. Security of persons, individual liberty and ownership of property are the foundation for individual justice.

The civic order, through its instrumentalities, shall provide for the security of life, liberty and property for its citizens in order to insure domestic tranquility.

The civic order shall defend its sovereign integrity, its territory, and its capacity to pursue its own ends to the maximum degree of its own choice and discretion, within the framework of international law and principles of natural justice.

5. Justice shall be provided.

The civic order and its instrumentalities shall be impartial among citizens without regard to condition, origin, sex or other fundamental, inherent attributes. Yet the civic order shall distinguish among citizens according to merit and desert where rights, benefits or privileges are best allocated according to effort and achievement, rather than as birth-rights.

The civic order shall provide speedy, impartial and fair redress of grievances against the state, its instruments, other citizens and aliens.

The Rule of Law shall be honored and sustained, supported by honest and impartial tribunals and legislative checks and balances.

6. General welfare contemplates improving the well-being of individual citizens.

The state shall nurture and support all those social institutions, most conducive to the free self-development and self-regard of the individual citizen. Public authority shall seek to avoid, or to ameliorate, conditions of life and work which deprive the individual citizen of dignity and self-regard or which permit powerful citizens to exploit the weak.

The state has a custodial responsibility to manage and conserve the material and other resources that sustain the present and future well-being of the community.

7. Transparency of government ensures accountability.

The civic order shall not act with excessive secrecy or provide its citizens with inadequate information as to the acts and intentions of the civic order and its instruments, which secrecy or withholding of information would prevent its citizens from participating in the discourse that provides the civic order with its legitimate authority.

8. Global cooperation advances national welfare.

Governments should establish both domestic and international conditions under which justice and respect for the obligations arising from treaties and other sources of international law can be maintained; live together in peace as good neighbors; and employ international machinery and systems for the promotion of economic and social advancement.

IMPLEMENTATION FRAMEWORK

The CRT recommends to governments as a framework for the implementation of these Principles for Globalization adoption of a Declaration of Intent and the 12 core best practice standards for national fiscal and economic management monitored by eStandards Forum. A form for such a declaration is suggested as follows:

AFFIRMATION OF INTENT BY RESPONSIBLE GOVERNMENTS:

The following Declaration of Intent is suggested for Heads of Governments as a statement of their intent to pursue these Principles of Globalization:

“The government of _____ declares that improving the prosperity and welfare of our citizens in peaceful conditions is a matter of highest national priority.

This government embraces the opportunities and responsibilities of participation in the global economic and financial system and believes that such participation is indispensable to the promotion of sustainable development in _____.

We believe that an open international trading system, a market economy and responsible private domestic and foreign equity investment in income and employment generating activities are the only realistic, effective paths to achieve stable growth. We wish all friends of _____ to know that this government and its loyal opposition are committed to observing the Caux Round Table Principles for Globalization, including especially the Principles for Governments, sound general policies, best international practices, and a moral/ethical climate to facilitate higher standards of living and better lives for the people of _____.

We urge those who would invest in _____ to be guided by the Caux Round Table Principles of Globalization, including especially the Principles for Business, and other, similar standards and principles. This government will do its utmost to assure a positive experience for investors who respect these values in the conduct of their affairs in our country.”

PART II: THE OBLIGATIONS OF BUSINESS

FUNDAMENTAL PRINCIPLES

- 1. Business has a social value in the wealth and employment it creates and in the products and services it provides to customers at a reasonable price commensurate with quality.**

Businesses have a role to play in improving the lives of all their customers, employees and shareholders by sharing with them the wealth they have created.

As responsible citizens contributing wealth to the local, national, regional and global communities in which they operate, businesses share a part with government in shaping better futures for all the citizens of those communities.

- 2. The social value of business is global.**

Businesses should contribute productive employment and raise living standards not only in the countries in which they operate, but also for the world community at large. Where appropriate, business should invest or provide goods and services so that the

benefits of business can improve the lives of more and more people, especially those in poor, developing and emerging market nations.

GENERAL PRINCIPLES FOR BUSINESS

Principle 1. The Responsibilities Of Businesses: *Beyond Shareholders toward Stakeholders*

The value of a business to society is the wealth and employment it creates and the marketable products and services it provides to consumers at a reasonable price commensurate with quality. To create such value, a business must maintain its own economic health and viability, but survival is not a sufficient goal.

Businesses have a role to play in improving the lives of all their customers, employees, and shareholders by sharing with them the wealth they have created. Suppliers and competitors as well should expect businesses to honor their obligations in a spirit of honesty and fairness. As responsible citizens of the local, national, regional and global communities in which they operate, businesses share a part in shaping the future of those communities.

Principle 2. The Economic and Social Impact of Business: *Toward Innovation, Justice and World Community*

Businesses established in foreign countries to develop, produce or sell should also contribute to the social advancement of those countries by creating productive employment and helping to raise the purchasing power of their citizens. Businesses also should contribute to human rights, education, welfare, and vitalization of the countries in which they operate.

Businesses should contribute to economic and social development not only in the countries in which they operate, but also in the world community at large, through effective and prudent use of resources, free and fair competition, and emphasis upon innovation in technology, production methods, marketing and communications.

Principle 3. Business Behavior: *Beyond the Letter of Law Toward a Spirit of Trust*

While accepting the legitimacy of trade secrets, businesses should recognize that sincerity, candor, truthfulness, the keeping of promises, and transparency contribute not only to their own credibility and stability but also to the smoothness and efficiency of business transactions, particularly on the international level.

Principle 4. Respect for Rules

To avoid trade frictions and to promote freer trade, equal conditions for competition, and fair and equitable treatment for all participants, businesses should respect international and domestic rules. In addition, they should recognize that some behavior, although legal, may still have adverse consequences.

Principle 5. Support for Multilateral Trade

Businesses should support the multilateral trade systems of the GATT/World Trade Organization and similar international agreements. They should cooperate in efforts to promote the progressive and judicious liberalization of trade and to relax those domestic measures that unreasonably hinder global commerce, while giving due respect to national policy objectives.

Principle 6. Respect for the Environment

A business should protect and, where possible, improve the environment, promote sustainable development, and prevent the wasteful use of natural resources.

Principle 7. Avoidance of Illicit Operations

A business should not participate in or condone bribery, money laundering, or other corrupt practices: indeed, it should seek cooperation with others to eliminate them. It should not trade in arms or other materials used for terrorist activities, drug traffic or other organized crime.

Stakeholder Principles

Customers

We believe in treating all customers with dignity, irrespective of whether they purchase our products and services directly from us or otherwise acquire them in the market. We therefore have a responsibility to:

- provide our customers with the highest quality products and services consistent with their requirements;
- treat our customers fairly in all aspects of our business transactions, including a high level of service and remedies for their dissatisfaction;
- make every effort to ensure that the health and safety of our customers, as well as the quality of their environment, will be sustained or enhanced by our products and services;
- assure respect for human dignity in products offered, marketing, and advertising; and respect the integrity of the culture of our customers.

Employees

We believe in the dignity of every employee and in taking employee interests seriously. We therefore have a responsibility to:

- provide jobs and compensation that improve workers' living conditions;
- provide working conditions that respect each employee's health and dignity;
- be honest in communications with employees and open in sharing information, limited only by legal and competitive constraints;
- listen to and, where possible, act on employee suggestions, ideas, requests and complaints;
- engage in good faith negotiations when conflict arises;
- avoid discriminatory practices and guarantee equal treatment and opportunity in areas such as gender, age, race, and religion;
- promote in the business itself the employment of differently abled people in places of work where they can be genuinely useful;
- protect employees from avoidable injury and illness in the workplace;
- encourage and assist employees in developing relevant and transferable skills and knowledge; and
- be sensitive to the serious unemployment problems frequently associated with business decisions, and work with governments, employee groups, other agencies and each other in addressing these dislocations.

Owners / Investors

We believe in honoring the trust our investors place in us. We therefore have a responsibility to:

- apply professional and diligent management in order to secure a fair and competitive return on our owners' investment;
- disclose relevant information to owners/investors subject to legal requirements and competitive constraints;
- conserve, protect, and increase the owners/investors' assets; and
- respect owners/investors' requests, suggestions, complaints, and formal resolutions.

Suppliers

Our relationship with suppliers and subcontractors must be based on mutual respect. We therefore have a responsibility to :

- seek fairness and truthfulness in all our activities, including pricing, licensing, and rights to sell;
- ensure that our business activities are free from coercion and unnecessary litigation;
- foster long-term stability in the supplier relationship in return for value, quality, competitiveness and reliability;
- share information with suppliers and integrate them into our planning processes;
- pay suppliers on time and in accordance with agreed terms of trade; and
- seek, encourage and prefer suppliers and subcontractors whose employment practices respect human dignity.

Competitors

We believe that fair economic competition is one of the basic requirements for increasing the wealth of nations and ultimately for making possible the just distribution of goods and services. We therefore have a responsibility to:

- foster open markets for trade and investment;
- promote competitive behavior that is socially and environmentally beneficial and demonstrates mutual respect among competitors;
- refrain from either seeking or participating in questionable payments or favors to secure competitive advantages;
- respect both tangible and intellectual property rights; and
- refuse to acquire commercial information by dishonest or unethical means, such as industrial espionage.

Communities

We believe that as global corporate citizens we can contribute to such forces of reform and human rights as are at work in the communities in which we operate. We therefore have a responsibility in those communities to:

- respect human rights and democratic institutions, and promote them wherever practicable;
- recognize government's legitimate obligation to the society at large and support public policies and practices that promote human development through harmonious relations between business and other segments of society;
- collaborate with those forces in the community dedicated to raising standards of health, education, workplace safety and economic well-being;

- promote and stimulate sustainable development and play a leading role in preserving and enhancing the physical environment and conserving the earth's resources;
- support peace, security, diversity and social integration;
- respect the integrity of local cultures; and
- be a good corporate citizen through charitable donations, educational and cultural contributions, and employee participation in community and civic affairs.

IMPLEMENTATION FRAMEWORK

The CRT recommends to corporations and companies as a framework for implementation of these Principles for Globalization adoption of a Declaration of Intent and completion of a self-assessment and improvement process using the CRT's strategic management tool ARCTURUS. A form for such a declaration follows:

AFFIRMATION OF INTENT BY RESPONSIBLE BUSINESSES

The following Declaration of Intent is suggested for corporations and companies as a statement of their intent to follow these Principles for Globalization in the conduct of their business:

“The _____ Corporation/Company recognizes its obligation under the Caux Round Table Principles of Globalization to conduct its business with a view towards expanding markets, investment opportunities, and employment in a global context.

Further, the _____ Corporation/Company also recognizes that since, from time to time, it may have opportunities to make positive contributions to the economic development of poor, developing and emerging market nations, it will respond in good faith to such opportunities and seek, where conditions are favorable for commercial success, to invest in such opportunities.

The _____ Corporation will in good faith, to an extent reasonable and consistent with its fiduciary obligations, make every effort to comply with the Caux Round Table Principles for Business.”