



SPECIAL REPORT
The Caux Round Table
GLOBAL DIALOGUE 2002/ Queretaro, Mexico

Introduction:

The 17th annual Global Dialogue of the Caux Round Table was held in Queretaro, Mexico, on September 6 - 7, 2002 and was cosponsored by the Global Compact Office of the United Nations. The general framework for the discussion sessions was “Responsible Globalization”.

Session 1:

Promoting Global Economic Growth: the CRT Action Plan

George J. Vojta, newly elected CRT Chairman, presented an action plan by which the CRT can implement its vision of principled business leadership addressing world poverty and development. Central to the plan is an association with eStandards Forum which produces assessments of the degree to which some 85 nations implement 12 core best practice standards for management of national economic development dynamics. The CRT promotes standards for the private sector and eStandards Forum promotes corresponding standards for the public sector.

Vojta set forth two fundamental dynamics – economic inequity and the aging of populations in wealthy countries – that demand remedial responses from governments and business leaders. He then noted that investment of private equity capital is critical to such remediation. Private investment creates the wealth that, on the one hand, can reduce economic inequalities and can earn returns to support the retirement and health care needs of aging populations in developed economies such as the United States, the European Union and Japan.

Vojta concluded that there is too much poverty, too much inequality and that too many countries are performing poorly, failing and even dropping out of the global economy. Principled activity by the public and private sectors is required now as a response to this condition. Both sectors need a renewed commitment to fiduciary responsibility. The people’s welfare must be the highest priority. Governments must be transparent and private enterprise must refocus its strategic concerns.

Vojta proposed that the CRT convene and facilitate an effective global movement to support progress along the path of principles private-sector lead development, especially for poor countries, with the role of government respected but properly focused on results.

The core principles of the development movement would be:

- Voluntary participation: support for the vision
- Respect for participant identity and priorities
- Degree and type of participation by choice of participants
- Network of participants infinitely expandable
- Initial core coalitions possible for each major initiative

The objectives of action would be:

- Advocacy of principled private equity investment in poor, developing and emerging market countries
- Adoption of CRT *Principles for Business* and new Principles for Governments, and implementations tools thereunder
- Cement working partnership among CRT, Global Compact, International Chamber of Commerce, US Committee for International Business, Rotary International, Transparency International, International Bar Association, Executive Service Corps, etc.
- For international financial issues, work with Financial Services Forum and European Financial Services Roundtable

For selected countries, the CRT action plan would begin with a country profile; the head of government would be invited to make a declaration of intent to support principled development; a country team would be formed to advocate needed steps to implement the CRT *Principles for Business* and the proposed new Principles for Governments; an annual development workshop would be organized to foster workable country development action plans that embrace private sector equity investments.

Vojta's presentation suggested formats for a country profile and an official declaration of government intent to pursue responsible stewardship of a national economy for the benefit of the people.

The proposed CRT action plan offers a vision of principled globalization. It builds on the challenge for business leaders outlined last September at the CRT's Global Dialogue in London.

Session 2:

The Global Compact

Frederick Dube, of the Global Compact Office of the United Nations, described the intent of the Global Compact and activities underway to support its call to action.

The Global Compact is a voluntary undertaking of private business, labor and NGO's to affirm the value and relevance for globalization of nine principles. These principles are taken from three sets of norms established by international treaties among sovereign states. The first set affirms human rights norms; the second set of principles upholds norms of fair employment practices; and the third set norms protect the environment. According to Dube, the Global Compact turned to international treaties in these three areas in order to rest itself on the legitimacy provided by near universal acceptance of these certain norms throughout the world community.

Within the United Nations family, the Global Compact serves an additional function of fostering inter-agency cooperation among the International Labor Organization, the UN Environment Program, the Office of the UN High Commissioner for Human Rights and the UN Development Program.

Dube described the Global Compact as a platform on which certain preferred private sector activities could stand. It is a non-coercive, open-ended arrangement by which private actors can align their values and undertakings with a common good. Given this orientation, Dube pointed out, the Global Compact welcomes cooperative activities with private sector groups such as the

CRT. Policy dialogues are proving to be a dynamic mode of engagement within the Global Compact framework of norms. To engage the Global Compact, companies submit a formal letter of intent to the UN Secretary General and thereafter report annually on their efforts to uphold and implement one or more of the nine principles.

Session 3:

Is Corporate Responsibility a Realistic Management Objective?

In this session, Sherron Watkins, Vice-President, Enron Corporation, addressed her experiences and observations over the last several years at Enron. Asked to evaluate the potential sale price of certain Enron assets, Watkins came across circumstances of high risk, poor disclosure and conflicts of interests, all of which in her judgment could combine to severely impact Enron's prospects. When Board Chair Kenneth Lay resumed active leadership as CEO in the summer of 2001, Watkins sent him a letter setting forth her concerns. To her surprise, there was little support from her peers for her effort. She was also taken aback by the tepid response provided by Enron's law firm, Vinson & Elkins, to her perception of danger to the corporation. The law firm minimized her letter, noting that it contained no "new" facts worthy of exploration by independent counsel and auditors. Yet, in the same opinion letter, Vinson & Elkins noted the presence of very "bad cosmetics" in the situation, worthy of corporate concern.

In reflecting on her experiences, Watkins asked, "Where was the Board of Directors? What had happened to the professional standards of Enron's lawyers and auditors? Where were the owners and Wall Street analysts asking tough questions seeking clarity about Enron's business practices?"

At the end of this session, CRT Associate Director in Europe, Maarten de Pous, introduced on behalf of Jean-Loup Dherse, former Chief Executive of Eurotunnel and former Vice-President of the World Bank, a draft statement calling on American business leaders to focus their attention on the lapses in ethics and corporate responsibility which were acting as a drag on the vitality of American capitalism. A copy of the proposed draft can be found on the CRT website.

Session 4:

The CRT's *Self-Assessment and Improvement Process* and ISO CSR Standard

Charles M. Denny, former CEO, ADC Telecommunications and Vice Chair of the CRT, moderated a discussion highlighting new developments in the Caux Round Table's *Self-Assessment and Improvement Process* (SAIP), as well as the emerging ISO standard for corporate responsibility. Harry Halloran, Chairman and CEO, American Refining Group and member of the CRT Global Governing Board, Ken Goodpaster, holder of the Koch Chair in Business Ethics at the University of St. Thomas, and Dean Maines, Project Director for the SAIP, updated participants on the progress that had been made on the tool since the 2001 Global Dialogue in London.

Goodpaster reminded participants that the SAIP is designed to help executives systematically and confidentially assess a company's conduct in light of the CRT *Principles for Business*, utilizing a methodology adapted from the United States' Malcolm Baldrige National Quality Program. This assessment, which is based upon a matrix of 49 criteria derived from the Caux *Principles*, then enables executives to launch initiatives aimed at improving the corporation's ethical and social performance.

Halloran described his experience beta-testing the SAIP within his company. He noted that one result of the process was that he, as owner and CEO, had come to learn much more about company realities and challenges. The SAIP enhanced transparency, opening the door for better communications and decision-making. Halloran also noted that this enhanced transparency could lead to greater trust between management and employees, and a greater sense of mutual commitment to the company's success.

Maines highlighted critical SAIP development activities now in progress. He emphasized that the SAIP is quite adaptable, and it could be readily tailored to support implementation of other global codes of conduct. Maines illustrated this by describing the significant overlap between the SAIP and United Nations Global Compact. He closed by emphasizing that the SAIP could serve as a point of collaboration between the CRT and other like-minded organizations, including the United Nations.

Denny pointed out that, after Enron, WorldCom and the Sarbanes legislation in the United States, the risks attached to service on corporate boards had substantially increased. Denny wondered where companies would now find highly qualified and prestigious people to serve on their boards of directors. He commented that companies which had submitted to the discipline of the SAIP could demonstrate to prospective directors that company affairs were in good order – or at least that current challenges were clearly understood.

Then, Dr. Kernaghan Webb, member of the ISO Consumer Policy Committee, described this Committee's recent recommendation that a new ISO standard for corporate social responsibility be formulated. Dr. Webb complimented the CRT for pioneering work with the SAIP. He noted that the viability of the SAIP was important evidence supporting the likely success of a new ISO standard for corporate social responsibility.

Dr. Webb noted that an ISO CSR standard would not prescribe substantive norms for ethical conduct, leaving that to individual companies. However, the ISO standard would draw attention to management's responsibility for selecting such norms and for implementing them. This underscored the essential compatibility between the proposed ISO standard and tools like the SAIP.

Session 5:

A Vision for Mexico

This session provided an opportunity for participants to reflect on the accomplishments and challenges of economic development in Mexico. After a severe financial crisis in the early 1990's, and the election of a new political party for the first time in 71 years, Mexico stands at the doorway of opportunity. Much however needs to be done to remove barriers to development thrown up by corruption and lack of transparency. Ing. Francisco Xavier Salazak Saenz, Subsecretario de Prevision Social; Carlos Acedo, Secretario General, INFONAVIT; and Sergio Peralta, Vicepresidente, COPARMEX Nacional spoke to the Dialogue.

Session 6:Leadership from the Inside Out: Principled Business Leadership

Kevin Cashman, President and CEO of Leadersource, and author of *Leadership from the Inside Out*, Frank Straub, member of the CRT Global Governing Board from Germany, and Michael Olson, former CRT Executive Director, spoke to the need for principled leadership in business.

Cashman said that leaders remind people what is important. Leadership and values are two peas from the same pod. Building upon the personal example of Sherron Watkins, Cashman noted that in his practice in recent years he has been effective in building leadership when clients first become aware. Awareness begins the journey to effectiveness. Awareness then facilitates the emergence of more openness and openness makes possible actions of service.

Cashman asked participants to reflect and state which CRT Principles are most important or are most difficult to live up to.

Olson spoke to the presence of a quality of principled business leadership among those who had organized the CRT and who had supported its *Principles for Business*, and now its efforts to remedy conditions of inequity in the world's economy. Both Olson and Cashman noted that little of importance to values comes to fruition unless individuals make those values part of their commitments to action.

Session 7:Dirty Money and the Reduction of Corruption

Raymond Baker, Senior Fellow, Center for International Policy, Washington, D.C., presented participants with a challenge to address the nefarious effects of what he defines as “dirty money,” which is money that is illegally acquired, illegally transferred or illegally utilized. CRT Global Executive Director Stephen B. Young reported on the highlights of a conference on dirty money hosted by the CRT and the Brookings Institution in Washington, DC in June 2002. Baker then noted the invidious effects of “dirty money” as capital flight from poor nations and its consequent vital role in frustrating economic growth among the world's poor. Baker estimated the annual traffic in “dirty money” is at least \$500 billion.

Also, some \$5 trillion are held in off shore tax havens and effectively beyond the reach of governments and regulatory authorities. “Dirty Money” ends up in these tax havens and easily passes in and out of the world's financial centers to earn safe and valuable returns.

Baker asked that the CRT to adopt a position paper advocating steps to frustrate the movement and management of “dirty money.” A draft copy of the position paper on “dirty money” can be found on the CRT website.

Session 8:Accepting Responsibility: Principles for Governments

Herman Wijffels, Chair, Economic and Social Council, The Netherlands, former CEO, The Rabobank and member of the CRT's World Advisory Council, opened the session with remarks looking at the role of government in a just world. Governments should not evade moral and

ethical guidance, Wijffels argued, just as the CRT has long proposed that private corporations act with a view to social responsibilities. In Wijffel's view, a globalized world involves three sectors: public power, private business and civil society. In the interaction of these three is found the chemistry of progress, such as it is. Wijffels believes that global society is moving beyond the structures of industrialization and nation-state competition towards a set of fluid institutions requiring new modes of thinking, from physical analogies, if you will, to biological ways of thinking about life and the world around us. Reciprocity and responsibility in a web of creation that will be the important values he suggested.

CRT Global Executive Director, Stephen B. Young, then presented a set of proposed Principles for Governments. The CRT should suggest such Principles, he argued, in order to arrive at better conditions around the world for successful economic development. The private sector can't do the job alone; private capital may have the resources with which to create growth, but, if governments fall down on their responsibilities, then private capital can't step in and clean up the mess. Consider Rwanda, Afghanistan, Sierra Leone, etc.

If private capital is to be responsible, then public power should be equally accountable.

The fundamental principle for government is to hold power in stewardship for the people, as a public trust. From this principle flow the others: the rule of law, no corruption, security of liberty, life and property, free discourse in society over basic norms and values.

Young then noted norms and concerns in the Old and New Testaments of the Christian Bible, in the Koran, and in Chinese thought, both Confucian and Legalist as a example of the moral basis to be found in the great religious traditions looking to government as a public trust of stewardship, and not as powers of oppression and exploitation.

A copy of the proposed CRT Principles for Governments can be found on the CRT website.

January 20, 2003