

*New Business Leadership for a New World*  
*Proceedings of the 17<sup>th</sup> Annual Caux Round Table*  
*Global Dialogue*  
*“Responsible Globalization”*  
*Queretaro, Mexico, September 5-7, 2002*

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**Thursday Evening, September 5, 2002**

**Opening Dinner, *Hotel Misión Jurquilla***

The 17<sup>th</sup> annual Global Dialogue of the Caux Round Table (“CRT”) was opened with an extraordinary banquet hosted by the Mayor of Queretaro at the *Hotel Misión Jurquilla* in Queretaro on September 5, 2002. The general framework for the discussion sessions would be “Responsible Globalization.” Co-sponsor of the Global Dialogue was the Global Compact Office of the United Nations. Welcoming speeches were offered by Rolando García Ortiz, Mayor of Queretaro; Ari Kahan, representing AVAL; Win Wallin, CRT Chair; George Vojta; and Steve Young, CRT Global Executive Director.

**Friday Morning, September 6, 2002**

*Theme for the Day: **From Global to Multinational: Changing the Culture of Companies after Enron and WorldCom***

*Opening Remarks – “The Caux Round Table and Global Corporate Social Responsibility: A Vision for Action” -- **Win Wallin, Chair, Caux Round Table***

Win Wallin opened the first day of the conference, welcoming everyone and inviting introductions from the participants around the table. He shared a brief history of the Caux Round Table from its origins in 1986, mentioning the names of some of its well-known founders: Dr. Fritz Phillips of Holland, Ryuzaburo Kaku of Canon Corporation of Japan, and Olivier Giscard d’Estaing from France. The regular location of the Global Dialogue had for many years been Mountain House in Caux-sur-Montreux, Switzerland. Departing from that tradition in 2000, the Dialogue was held in Singapore, and in 2001, in London. His own involvement, he said, began in 1992, and he became Chairman in 1995. He also mentioned the serious illness of Neville Cooper, host for the 2001 Global Dialogue in London. (Sadly, Neville Cooper passed away only two days after the Mexico meeting, September 9, 2002. – KG)

Wallin reminded the group of the theme of the previous Global Dialogue – the dramatic economic gap between “haves” and “have nots” and the importance of involving the business community in addressing the poverty of developing nations. He also reminded everyone that the tragedy of “9/11” took place just before the closing of the last CRT Global Dialogue, reminding us all of the volatile forces at work in our world.

“Government aid to poor countries is not the solution,” he said, “direct foreign investment and jobs are the ultimate solution – and this calls for initiatives from the business community, with help from host country governments and others.”

As he concluded his remarks, Wallin reported that the Global Governing Board had that morning endorsed as the new leader of the Caux Round Table Mr. George Vojta, who in addition to his new duties was also founder and president of the (for-profit) *eStandards Forum*. Wallin then turned the floor over to Vojta as the new chair.

*Session I – “Promoting Global Economic Growth: The Action Plan of the Caux Round Table and its Associates” – George J. Vojta, Chair, Caux Round Table*

Vojta thanked Wallin for his years of service to the Caux Round Table and thanked the Global Governing Board for its confidence in him. He said his comments would all be about “getting things done” and proceeded to use a PowerPoint presentation to guide his remarks.

In his introductory comments, Vojta pointed out that “times have changed from the positives of the fall of the Soviet Union, the opening up of China, and new faith in the market system. The climate is less favorable today. Developing country poverty, economic inequity, and global aging are now dominant forces. And private equity investment has become critical to addressing these issues. His main aspiration for the CRT?

*The Caux Round Table must convene and facilitate an effective global movement to support progress along the path of development, especially for poor countries.*

The realities, he said, were these:

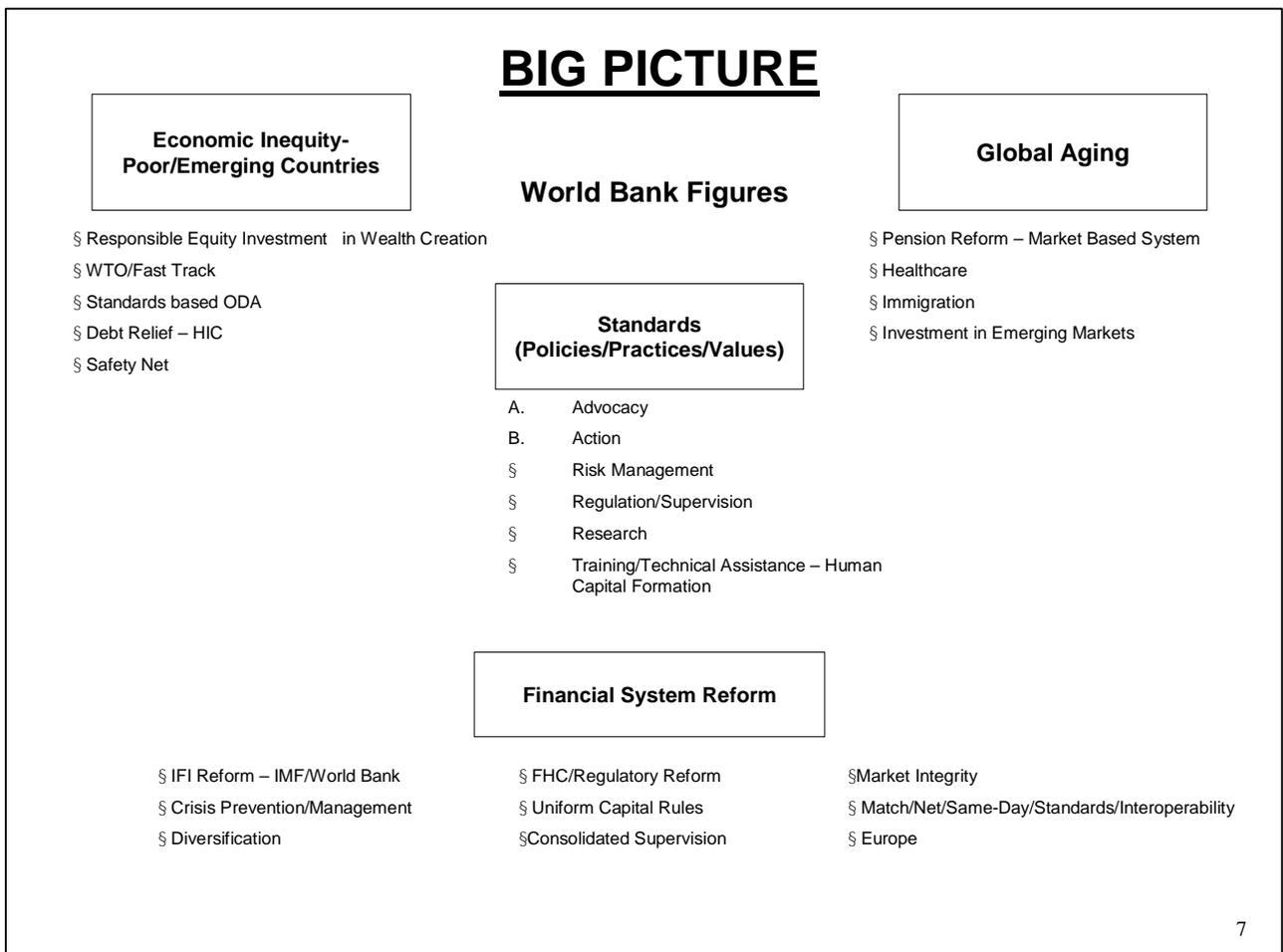
- q Too much poverty
- q Too much inequity
- q Too many countries performing poorly or failing or dropping out
- q Principled private equity investment is the only option
- q Principled global interaction is indispensable
- q The private sector market economy model has won out
- q Government is to be respected, but government solutions are limited

And the path ahead called for:

- q Principled private sector/public sector activity (e.g., CRT *Principles for Business* and for Government, the SAIP)
- q The people’s welfare as the highest priority
- q The refocusing of private enterprise
- q Transparency in financial reporting, and
- q Renewed commitment to fiduciary responsibility

Central to Vojta’s plan is an association with *eStandards Forum*. *EStandards Forum* produces assessments of the degree to which some 85 five nations implement certain 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 then presented a slide to the group that he titled “The Big Picture,” indicating the dominant forces (economic inequity and global aging) at the top left and top right, respectively -- forces that must be addressed through understanding and action. The central area of the picture listed policies, practices, and values needed for this understanding and action. At the bottom were financial system reforms that would support these values and help achieve these policies and practices.



- § IFI Reform – IMF/World Bank
- § Crisis Prevention/Management
- § Diversification

- § FHC/Regulatory Reform
- § Uniform Capital Rules
- § Consolidated Supervision

- §Market Integrity
- § Match/Net/Same-Day/Standards/Interoperability
- § Europe

Vojda discussed in some detail each of the items under the dominant forces headings in the “Big Picture.” He then focused on each of the central headings in this picture: poverty, global aging, the importance of equity investment and financial system reforms. “Getting something done,” was critical, not simply “having nice conferences.”

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 Government*, 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, 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, embracing private sector equity investments.

Vojta presented 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 2001 in London.

**Discussion.** **John Stout** thanked Vojta for his excellent presentation, adding that it would be helpful to avoid the language of “growth” in favor of the language of “development” that is sustainable not only environmentally, but in every other way. **Bill Ogden** also expressed enthusiasm for Vojta's remarks, saying that their intellectual content was superb, reflecting the *Lexus and the Olive Tree* idea that real foreign policy is being written by business these days, more than government. “But the CRT will need financial resources to accomplish its goals, and where will those resources come from? In the past, individual donors have been the main source. But this is unlikely to be sufficient for the future. Perhaps the Vojta plan will get buy-in from corporations. A second point: I'm an environmentalist not in the tree-hugging sense, but in the broadest sense – the business *environment* must include free markets and democracy.” **George Vojta** replied to Ogden that the funding issues depend upon the desired focus of the CRT actions. Some of the required actions by organizations are already in place and CRT can build on them or coordinate them. **Steven Greisdorf** asked whether it was possible for a country to adhere to the e-Standards and still have Enrons and WorldComs? “Do the standards ‘trickle down’ to the individuals who ultimately need to take responsibility?” **George Vojta** remarked that **Sherron Watkins** would no doubt have some things to say about this later in the morning. He added that any set of standards could be violated, and that human nature was not likely to change. We can hope for systems that are able to catch the worst of the problems. As to the complexity of the poverty issue, Vojta said, “There is one thing that everyone agrees on: that poor countries should grow. We have to start with that and work up.”

**Brief Reflection on Session I.** The dialogue was off to a good start. Our first session centered on a bold vision for the Caux Round Table, a direction not entertained before in its history. More than avoiding trade friction, more even than promotion of principled business leadership, we were being invited to contribute to a new world vision, one in which global business seeks not only wealth creation, but also equitable wealth distribution. How? By fostering the conditions for economic growth among the least advantaged nations of the world.

*Session II – “The End and Intent of the Global Compact: Good Global Corporate Citizens”* – **Fred Dubee, Senior Officer, The Global Compact Office, The United Nations**

After the morning break, **Dom Tarantino** introduced the speaker for the second session, **Fred Dubee** of the United Nations, who would speak about the promulgation of the UN Global Compact since its introduction about two years ago.

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 two principles affirm human rights norms; the second set of principles upholds norms of fair employment practices; and the third set norms protecting the environment. According to Dubee, 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.

Dubee said that he had had the opportunity to discuss the Global Compact with business leaders, academics, and government people in about 40 countries over the past two years, but that this was the most challenging, partly because of George Vojta’s excellent presentation. A “compact” is a shared understanding and an acceptance of a set of core values. The “global” part is about anchoring it in universal principles which are part of the cultures, traditions, and realities of each nation of the world. In 1999, Kofi Annan had expressed concern at Davos about wealth distribution and the role of business. This led to a work group of business and labor leaders on how to address such a concern. In the year 2000, the UN Global Compact was launched with 44 CEOs, NGOs, and labor groups. Governments were not the focus because the compact was about self-regulation, integrating ethical values with business strategy. The key idea was simply that companies, like responsible individuals, could *add value* in the places where they did business – and not economic value alone. CEOs needed to commit themselves to *all* stakeholders without favoritism, not just stockholders. Their mission statements would provide a focus around which this commitment could be articulated. “The Global Compact is *not* an organization, but an *affirmation* of values in four principal arenas: (1)

Outreach to country structures; (2) Learning Forums (seeking inspiration, using business case studies); (3) Policy Dialogues (such as a recent one on sustainable development in Johannesburg); and (4) Projects (for development in emerging economies).” Both the UN Global Compact group and the Caux Round Table are focused on a reality and an opportunity. The reality is that we live in a 6 billion person world, not a one billion person affluent world. And in this 6 billion person world, economies are often trapped in “primitive energy” – gathering for hours a day by women and girl children of sticks and leaves and other combustibles. There is a business opportunity for energy companies to bring these economies into the modern world, with access to electricity, refrigeration, medicine, and information processing. “I hope this information about the Global Compact can help to enrich the dialogue today and tomorrow. I am a bit of a zealot, I realize, but I think this is something I share with the members of the Caux Round Table. There must be zeal and dedication if we are to help business make a positive difference in the global economy.”

**Discussion.** Michael Bates thanked Dubee for his message, noting synergies between the Global Compact’s aspirations on the subject of financial reforms and George Vojta’s big picture vision for the CRT on similar themes. Dubee agreed wholeheartedly. **Bob McGregor** asked how the two organizations (the Global Compact and the CRT) could work together and further develop their relationship since they have common aspirations. Dubee agreed that there should be some common ground, but noted that the two sets of principles each represented a “brand” of sorts, so it was unlikely that they could be merged into one. Collaboration would likely take other forms. **Tom Dunfee** followed up on McGregor’s question, noting that there are quite a few organizations with shared aspirations along the lines of the Global Compact. Besides the CRT, there is the OECD, the Global Sullivan Principles, the World Economic Forum statement earlier this year, etc. “What activities do you have or do you contemplate in relationship to those initiatives, if any? And is there any effort going in to verifying that companies who claim to subscribe to the Global Compact actually do?” **Dubee** replied that the Global Compact philosophy is to be in partnership with all organizations that share the goals. As to the issue of audits or follow through on the principles, “Remember that the Global Compact is not really an organization, it is a kind of aspirational platform. Companies don’t *join* the Global Compact. The challenge is for the Caux Round Table, for example, to make the best use it can of the platform the Secretary General is offering with the Global Compact. We might discuss later whether the CRT, with its SAIP audit, can add value in a special way.” Dubee suggested that those who would like to contact him could do so by email to [dubee@UN.org](mailto:dubee@UN.org).

**Brief Reflection on Session II.** The second session centered on the special role that the United Nations is trying to play in urging the principles of its Global Compact on corporations and business leaders around the world. There appears to be enough congruence between the aspirations of the CRT and the follow-through that the CRT is contemplating, that a close relationship between the Global Compact office and the CRT makes good sense.

*Session III – “Is Corporate Responsibility a Realistic Management Objective?”* –  
**Sherron Watkins, Vice President, Enron Corporation**

**Bob Sherman** chaired this session and introduced **Sherron Watkins**. At the beginning of her remarks, Watkins said that she was excited at the prospect of speaking to the CRT Global Dialogue. “Your principles and what you stand for and what you’re striving to accomplish in the world are really quite commendable. It is very difficult to make those principles turn into actions and the movement that you want to start is going to take a lot of hard work. But it is quite commendable.”

After describing her background in accounting and auditing with Arthur Andersen before she joined Enron in 1993, Watkins commented that she thought the accounting profession needed reform, perhaps along the lines of the international accounting standards common in the the UK, Europe, and elsewhere (and by contrast to GAAP in the United States). She then indicated her assignment in 2001 to Andrew Fastow’s commercial operations, where her task was to sell assets that were hedged by an Enron partnership called *Raptor*. “The business unit people predicted huge losses because the basis in the partnership was Enron stock. There was almost no third party risk! My first reaction, after seeing this and after Skilling left, was to get my resumé out and leave as well. Then I did an anonymous letter to Ken Lay as Chairman of the Board, which was naïve. So I wrote a second, 6-page letter as ‘talking points’ to Ken Lay as CEO and signed it.”

The result was no action. The issues raised in the letter went to the normal legal counsel, not an independent counsel, as Watkins had recommended. On October 16, 2001, a write-off of \$2B was announced publicly. Enron continued to stonewall the business press on the underlying problems, and the underlying problems went deep. “The emperor (Ken Lay) had no clothes.”

Ken Lay had relied on his advisors. Jeff Skilling had given his blessing to the partnerships. There should have been many safeguards in place to prevent these events, including Arthur Andersen’s involvement, but there weren’t – or the ones that were there, didn’t work. The culture was different in the UK, where Andersen auditors refused to play by the misleading accounting rules used in Enron USA. And they got their way. “That is what we need to see in the US. It would prevent scandals like Enron, WorldCom, Adelphia, Tyco, Global Crossing, and Qwest.”

It should have alarmed people that Enron was making its goals from unreliable earnings (trading) rather than reliable ones (energy pipelines, etc.). In a way, it did alarm people, but not the ones on Wall Street so much as the ones in Internet chatrooms. Ninety-nine percent of the analysts said to buy, while Internet sources consistently said to sell. “The culture of Enron was a culture of spoiled rock stars. Read ‘The Talent Myth’ in the *New Yorker* magazine. The dark side of innovation in these financial areas is fraud, and we have clearly got some problems there. The *Powers Report* of the Board of Directors concluded that the practices at Enron were ‘shocking and appalling.’ The thing about Enron hiring the best and the brightest is that when we set out to defraud investors, we didn’t do it simply. There are, at the moment, 25 indictments pending, with plenty of pressure on the Justice Department for more.”

As to how it played out, “the executives involved paid themselves retention bonuses before the announcement of bankruptcy, while rank and file employees were laid off

three weeks before Christmas. It was the most cruel treatment I have ever seen. It was pathetic.”

“The lesson to me – and to us all – is that the vision and values of a company are not just words on paper. You have to make sure the people in the company are living and breathing those words. Enron’s great sounding values statement, mentioning respect, integrity, honesty, openness, and sincerity – was a crock. You ought to leave a company when the vision and values are bogus.”

On the subject of reforms, FASB was asked to expense stock options back in 1994. Nothing was done because of heavy lobbying. Arthur Levitt in 2000 warned of serious conflicts of interest within auditing firms because of consulting. Campaign contributions seem to have undermined these initiatives. Now the climate seems to be changing. We have a clear distrust of accounting numbers, and concern is peaking about executive compensation and conflicts of interest. It is interesting how over the last two decades young people have had their consciousness raised about environmental pollution, right down to questioning the use of Styrofoam cups! It would be nice if consciousness could now be raised about misleading financial information – a form of theft as important as environmental matters. We need a principle-based accounting system, not the rule-based system of GAAP. We have to stress that just because something is legal, that doesn’t mean it is ethical. In the words of the *Washington Post* columnist E.J. Dionne, paraphrasing the Federalist Papers, “If capitalists were angels, we could deregulate everything.” Capitalists are not angels!

Finally, regarding Vincent & Elkins, the Enron outside law firm, their review of my letter to Ken Lay, and their advice to Enron generally, was so questionable (as indicated in the Powers Report) that Enron may have a malpractice suit against them. Why? For not fulfilling their duty to operate in the best interests of the company.

**Discussion.** Before opening for questions, **Bob Sherman** shared some May 2002 survey information about the Enron scandal compiled by the Conference Board. Most companies surveyed thought that Sherron Watkins’ report to the CEO would have received attention from their legal departments and the audit committees of their boards. “On the other hand, when asked whether if Enron managers had received ethics training the scandal would not have happened, 54% said it would have made little or no difference. I found that shocking – and I wonder what it means.” He then opened the floor to questions.

**Chuck Denny** said to Watkins that he thought her presentation was extraordinary, and asked what its implications were for holding Boards of Directors accountable. Enron’s board appeared to be prestigious, but it did not prevent scandalous behavior. Watkins replied that boards can be passive and accommodating or active and involved. The latter will surely be the norm in the wake of the Enron scandal. In the case of Enron, Andersen and Vincent & Elkins both assumed the partnerships were going to be vetoed by the Board, and the Board said “well, if Andersen and V&E didn’t object, then neither will we.” One needs a board – no matter who the prestigious members are – that is willing to confront the senior leadership with tough questions, raise red flags, and not be yes-men or yes-women. **John Stout** commented that Jack Welch was mentioned in the morning

paper as having received some pretty surprising compensation after leaving GE. The Board of Directors had to approve this. Stout then asked Watkins what led her to surface her concerns rather than to just depart without surfacing them. Watkins replied that “ethics is about knowing right from wrong and then having the fortitude to act on it.” In her case, she said, she was naïve and optimistic enough to think that Ken Lay would act on what I had found, do a restatement, and the company would have survived it. A lot of others developed a “no opinion” attitude when confronted with the facts. In hindsight, I should have looked for others who would help make some change happen. **Frank Straub** asked whether using stock options for executive compensation was a problem. Watkins replied that the key lay in putting something like a 6-month minimum period before options could be exercised. **Bill Ogden** asked how the cash flow figures as they developed in Enron didn’t set off alarms about fraud. Watkins shared Ogden’s concern but pointed out that cash flow was achieved by complex transactions with Citibank and Chase that were legal at the margin. The attitude was “if you can’t show me it’s bad, I’m going to do it!” **Roger Conant** asked whether the conventional focus in corporate deliberations on these matters was too much on the penalties associated with the rules involved, ignoring the principles behind the rules? Watkins agreed. “We need to change the incentive system,” she said. **Morihisa Kaneko** pointed out that Japanese companies often took the American system to be a clean system, and suggested that disillusion was a natural result of the scandals. The lessons to be learned from these events would be lessons for America and Japan as well.

At the end of this session, CRT Associate Director in Europe, Maarten de Pous, introduced on behalf of Jean-Loup Dherse, 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.

**Brief Reflection on Session III.** Our third session addressed the dynamics of corporate culture and individual character as they played out in the Enron scandal. The lessons to be learned were many, including a new look at corporate governance, new norms for stock option compensation, and a more principle-based approach to accounting standards. Sherron Watkins had helped the Global Dialogue immensely with her timely personal experience and her courageous values.

### **Friday Afternoon, September 6, 2002**

*Session IV – “The CRT’s Self-Assessment Process: A Management Tool for the Global Compact”* **Charles M. Denny, former CEO, ADC Telecommunications**

**Charles M. Denny**, Vice-Chair of the CRT, introduced a panel including **Kenneth Goodpaster**, Professor of Business Ethics at the University of St. Thomas in Minnesota, **Harry Halloran**, member of the CRT’s Global Governing Board, and **T. Dean Maines**, Research Associate at the University of St. Thomas and Project Director for the SAIP. The panel presented an up-date on the CRT’s development of a management process and tool (the SAIP) to assist companies wishing to improve their levels of ethical and socially responsible behaviors. As reported to last year’s Global Dialogue in London, the CRT has a working group developing a management process for enterprise self-assessment and improvement modeled on the successful Malcolm Baldrige Quality Award in the United

States, aimed at improving quality in manufacturing. The self-assessment and improvement process (SAIP) uses a matrix of 49 variables drawn from the CRT *Principles for Business* as the basis for evaluating a company's ethics and social responsibility.

**Goodpaster** reminded the group of George Vojta's interest in "getting something done," indicating that the SAIP is an instrument for issue identification and self-awareness aimed at positive change. It is a confidential, systematic self-appraisal that can take "corporate aspiration into action." It is also a continuing, progressive articulation of (1) *Kyosei* and Human Dignity which led to (2) the CRT *Principles for Business*. As part of a management process, the SAIP offers performance feedback and identifies improvement opportunities, both of which influence business behavior. It is a cultural discipline, not a decision making program. And it is currently being beta-tested in two American corporations.

**Halloran** described his experience using the SAIP in a beta test in his company, American Refining Group. He noted that one result of the process was that even he, as owner and CEO, had come to learn much more about company realities and challenges. The process enhanced transparency, leading to better management decisions and employee productivity.

**T. Dean Maines** commented on the "generalizability" of the SAIP as a tool for supporting other sets of principles besides the CRT principles. Specifically, he referred to the principles of the UN Global Compact, the proposed ISO standards on corporate social responsibility, the Global Reporting Initiative (GRI), the OECD guidelines, and the Global Sullivan Principles. Under the nine principles of the Global Compact, for example, there are 76 identified actions for companies to undertake, either in the workplace, the local community, or in the broader society. No less than seventy-five percent (75%) of these actions are addressed by the criteria/benchmarks of the SAIP. Maines concluded with a quotation from a recent paper in the *Journal of Corporate Citizenship*:

"The SAIP is a transformative activity. It fosters greater self-awareness and self-knowledge through dialogue, and catalyzes actions that strengthen and invigorate the conscience of the corporation. Using the SAIP, senior leaders and employees embark on a reflective journey that offers the possibility of changing not just how they view their own company, but how they understand the nature of business..."

Denny pointed out that, after Enron, WorldCom and the Sarbanes-Oxley legislation in the United States, the risks attached to service on corporate boards had substantially increased. He wondered where companies would now find highly qualified and prestigious people to serve on their boards of directors. He added that a company which had completed an SAIP could provide confidence and trust to prospective directors as well as to prospective investors.

Denny then introduced Dr. **Kernaghan Webb**, a member of the ISO Consumer Policy Committee Working Group, who described the recent report of the Consumer Policy

Committee to ISO recommending the creation of a new ISO standard for corporate social responsibility. Dr. Webb complimented the CRT for its 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.

ISO has two management system standards – ISO 9000 and ISO 14000. An ISO standard does not prescribe substantive norms, leaving that to individual companies, but it does demand attention to management responsibility for selecting such substantive norms and implementing them.

The virtues of ISO are that it is:

- q An *international* rule infrastructure;
- q WTO compatible;
- q A proven approach;
- q Able to be validated through 3<sup>rd</sup> party auditing when appropriate;

A next step with the ISO standard is a multistakeholder advisory group. It is not a panacea, of course. Like any system of rules, corporations can subvert it if they wish.

**Discussion.** In the brief discussion that followed, **Ray Baker** asked how the SAIP worked. “Is it an essay assessment or a multiple choice test?” The panel replied that it is an essay assessment, but with a methodology for scoring the essay responses that leads to a quantifiable result. **Frank Straub** asked whether the SAIP could be used to rate banks, to which the panel replied that if the banks themselves were open to self-assessment, the answer was “yes.” **Bob McGregor** said he felt “like a skunk in the basement” as he asked “How do you sell the SAIP to the senior leadership of companies? What is the marketing piece – the business case to get their attention?” **Halloran** replied that a marketing program for the SAIP was actually under preparation. One aspect of that program involves recognizing the generalizability of the tool to other sets of principles that companies are already motivated to embrace. What the SAIP offers is a way of making such principles operational.

**Chuck Denny** concluded the session by recalling the failures of the Enron board of directors as described by Sherron Watkins before lunch. “As a former CEO and as a board chairman and member of public companies, I have often wondered whether the organizations in question were really living up to their professed values. The only source of information for the board is typically the CEO, who may or may not know what is happening in the organization.” The key appears to be involving the whole organization in a top-to-bottom self-examination on *ethics*, just as many organizations went through top-to-bottom self-examinations on *quality*. Denny then thanked the panel and adjourned the session.

**Brief Reflection on Session V.** Our fifth session followed naturally upon the fourth session, highlighting processes for corporate self-assessment that justify hope in the wake of corporate corruption and scandal. Companies that wish to distinguish themselves from the Enrons and WorldComs of the world – and we hope they are the vast majority – have management and board-level resources for doing so.

*Session V – “A Vision for Mexico” – Ing. Francisco Xavier Salazak Saenz, Subsecretario de Prevision Social; Carlos Acedo, Secretario General, INFONAVIT; Sergio Peralta, Vicepresidente, COPARMEX Nacional.*

The final session of the first day of the Global Dialogue was 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's opportunities are many. But much needs to be done to remove barriers to development thrown up by corruption and lack of transparency.

The session was chaired by **Eduardo Garza** and addressed the theme of a vision for Mexico. **Francisco Xavier Salazak Saenz**, a current minister of social welfare in the work ministry, spoke first. He said that Mexico needed to promote sustainable development upon a foundation of businesses with human hearts and faces and that this required 5 distinct lines of action.

“First, promoting a new labor and business culture in order to place human persons in the center of economic activity, always. Second, adapting labor laws with the consensus of productive sectors and the legislative branch, in order to promote investment, productive employment, competitive businesses and elevate the standard of living for workers in full respect of their social rights. Third, modernizing federal public administration in order to regain the pride of public servants and achieve the satisfaction of the community. Fourth, promoting union freedom and union democratization so that unions may strengthen their contributions to development. And fifth, strengthening the international labor relations of Mexico by fully complying with existing commitments to external interests. The objective of the secretary of labor is to generate conditions that foster productive employment and self employment for all.”

Participants then heard from **Carlos Acedo Valenzuela**, Secretary General of INFONAVIT, who spoke in Spanish with simultaneous translation. Finally, **Sergio Peralta**, Vice President of COPARMEX Nacional, an enterprise confederation in Mexico, spoke on the subject of Mexico's future. “It lies in the competitiveness of the country as a whole rather than its ability to provide cheap labor,” he said. “At this stage of development and within the context of the world global economy, cheap labor is not an asset but a liability. Mexico's competitiveness has been lagging behind that of countries like South Korea that 20 years ago had similar economic conditions. Higher levels of competitiveness are needed to attract investment and create more and better paid jobs. For Mexico to play a stronger role in the global economy, it has to develop a modern legal framework where constitutional changes should be adopted when needed. We have to reduce regulatory and bureaucratic impediments as well as the corruption in the judicial system which deter investors from doing business in Mexico. Strengthening the domestic market is a must if we want to reduce our dependence on foreign markets and extend benefits of growth to all Mexicans. Finally, the private sector has a lot to do both in enhancing competitiveness and in promoting the modernization of the legal system.

Companies should set an example by the adoption of ethical business codes and the exercise of social responsibility.”

In the discussion that followed, the theme of globalization, specifically the effects of NAFTA, was central. Not enough technology transfer was being encouraged to allow Mexico to grow both in agriculture and in manufacturing, so the Mexican government is investing in research and development education. On the question of Cuba, sentiments for more open trade were expressed. Critical needs for Mexico in the future are energy investment, biotechnology investment, and housing.

### **Friday Evening, September 6, 2002 -- Dinner with the Mayor of Queretaro City.**

### **Saturday Morning, September 7, 2002**

*Theme for the Day:* **Companies Can Change the World: Creating the Wealth and Employment Needed to Reduce Poverty**

*Session VI – “Leadership From the Inside Out: Principled Business Leadership” – Kevin Cashman, CEO, LeaderSource.*

**Michael Olson**, former CRT Executive Director, chaired the sixth session on Saturday morning. **Kevin Cashman** was the principal presenter and **Frank Straub**, member of the CRT Global Governing Board from Germany, contributed as part of the panel.

Before turning introducing Kevin Cashman, Olson offered a summary of the preceding first day of the dialogue which many found very helpful. He then spoke of the history of the Caux Round Table and its commitment to *principled business leadership*. Here are some selections from his remarks:

- “The CRT has always stood for principled leadership. Before we had the *Principles for Business*, before we coined the phrase principled business leadership and built our strategy and vision around it, the very reason for being of this organization was to take personal responsibility and to show that highest ethical and moral standards are relevant to decision making.”
- “Even though the Caux Round Table has remained small, its principles have been widely respected and as a result, its reputation as a moral leader, ethical leader, has emerged and grown. But, until recently, the CRT as a group has seldom been asked to make actionable commitments, nor has it reflected very much on the origins, meaning or implications of the leadership that it can offer. Now, when the US and global business face a crisis of ethics and character and trust, perhaps unequalled before, it is a time of opportunity for the Caux Round Table. A time to view the potential of the Caux Round Table as a cup that is half full even to overflowing rather than that half empty cup. And, although some may question whether we can really make a difference, remember that lasting changes have begun with a few committed people in many situations.”

- “I don’t know if Sharon Watkins, whose example we so much admire would see it this way, but to me, although character and moral courage are not easily defined, you can tell them when you see them. Character may simply be personal authenticity, the integration of one’s core values and beliefs into all dimensions of life -- so that they become second nature and you act ethically out of habit.”
- “I suggest that the CRT has the history, the reputation, the tools and the authenticity to bring this kind of leadership to the business community and the world if you will but claim that role.”

Olson then turned the floor over to **Kevin Cashman**, CEO of *LeaderSource* and author of the book *Leading from Within*.

Cashman observed to the group that we were living, from a coach’s point of view, “in a wonderful time because it is a time where real openness and real listening is present. . . . It is a huge opportunity in my profession and I think it is a huge opportunity for this organization.” It is not often that one has a message and the receptivity to hear it coming together at the same time. (As George Vojta pointed out, *this is the time. This is the time to take action.*)

Cashman then focused on the implications “splitting off character and principles from profit and results.” He emphasized the difference between *thinking* about leadership and *being* a leader. “Mahatma Gandhi used to always remind everyone around him. . . . *be* the change you wish to see in the world. . . . don’t just *talk* about it . . . . Even a few people who are really *being it* can create a lot of transformation.”

The quality of leadership that is vital today is *transcendence*. Every effective leader goes *beyond what is*, bridges the unknown -- to *what could be*. “Managers improve what is, enhance what is. But leaders, go beyond what is. And at that moment of true leadership where we are about to go beyond what is, we don’t know for sure if we are going to make it because if we knew for sure, we would be managing our way and incrementally moving ourselves forward.”

What makes some people more principled than others?

1. *Authenticity* -- courageously walking the talk. Awareness of one’s gifts and one’s limitations breeds trust.
2. *Self-expression* -- the ability to remind people of what is important (Warren Bennis) – and especially communication of one’s vision through stories.

“So, what I would like you to do is look at the Caux Principles and ask yourself, acknowledging that they are all important, but for you, personally, one or two of these is more important to you in your life experience.” Cashman then led an interactive discussion with the group, eliciting personal engagement with specific CRT principles (e.g., balancing stakeholder interests and rights, sustainable development, environmental concerns). His message was that unless one engaged experientially and passionately with these principles, they remained abstract, and could not provide the basis for authentic and principled business *leadership*.

**Frank Straub** then thanked Cashman for being such an effective communicator of the need to put principled leadership into practice. He especially appreciated the emphasis on trust, courage, vision, and discipline. “Leadership is, in my opinion, example, example and example again.” He asked Sherron Watkins for any further examples she might share of effective, principled leadership.

She spoke of a female CEO of an energy company in Atlanta who was concerned about different groups of performers in her company, but no group more than those who are “producing the financial results for you but they not living the vision and values. She said you have to have zero tolerance for that. There is no second chance. You have to let them go right away. And, she said she has to fight very hard to make that happen every year because people look at the results and don’t want to let those people go. But you are not going to change their basic core being.” Watkins went on: “If they can’t live your basic vision and values then you have to make the hard decision to let them go. And, that is the way principles and visions and values within a company grow and prosper -- and the leaders have to have a commitment to really sacrifice major results in the short run by getting rid of the bad apples in an organization.”

**Discussion.** During the discussion, examples of principled business leaders were mentioned, including Paul Kenworthy’s mention of Warren Buffett of Berkshire Hathaway, and Tom Dunfee’s mention of Larry Sigland, Chairman of Newburger & Berman Investments. Morihisa Kaniko mentioned Panasonic leadership in Sweden and Isao Uchida mentioned his own company, Yokogawa Electric Corporation, in its use of pay reductions instead of layoffs. “We cannot hide from the sun,” he added.

**Brief Reflection on Session VI.** The sixth session was a thoughtful exploration of the bridge between leadership ideals and leadership in practice, with examples and concrete applications of the Caux Round Table *Principles for Business*. As the session wound down, Ricardo Ricardez of Mexico summarized the sentiments of many when he said:

“Kevin mentioned the need for an emotional and psychological and spiritual transformation to really achieve a high level of leadership. I would like to share with you my spiritual concept of trust. You can trust when you have faith and you can trust and have faith when you have hope. And you can trust, have faith and hope when you love. And no one can guide someone else if he is not capable of loving himself.”

*Session VII – Enabling Companies to Grow and Prosper: Reduction of Corruption; Conclusions of CRT/Brookings Institution Conference on Corruption, June 5, 2002* – **Raymond Baker, Senior Fellow, Center for International Policy, Washington, D.C.**

**William Ogden** chaired this session and introduced Raymond Baker as the primary presenter, commenting that “we are going to talk about money. We are going to talk about *dirty* money. This is a complicated subject, so my suggestion is that you turn on your brain cells because it is not only complicated, it is *very* complicated.”

Baker mentioned the initial presentation that he made at the London Global Dialogue a year earlier – on the occasion of September 11, 2001 – and the Caux-Brookings conference that resulted in June 2002 at the Brookings Institution in Washington, DC: “Dirty Money and Nourishing Poverty and Terrorism.” He then asked Steve Young, CRT Global Executive Director, to offer some highlights from that conference. Young said he would restrict himself to just two points.

- (1) “Two sets of statistics have stuck in my mind from the conference: (a) That every business day through the banks in Manhattan, \$2.7 trillion clears and if anybody thinks that regulators can follow this money and find the terrorists, the cheats, whoever might be abusing the system, they are wrong. Too much money is flowing through these channels for anybody to really figure out what kind of money it is, where it is coming from, and where it is going. And (b) the number of bank accounts and companies called shell accounts and shell companies, in the tax havens. 400,000 companies are registered in Bermuda, for example. The number is staggering. And all of this is taking place with the active assistance and engagement of the major law firms, multi-national banks and accounting firms. In other words, this system of trillions and trillions of dollars flowing beyond our control is made possible by the most prestigious institutions we have in international finance.”
- (2) “Everyone at the conference seemed to agree that if there could be more transparency and sunlight, ‘dark creatures’ would disappear. So, how in this area can we get more exposure, transparency, sunlight? How can we assure that legitimate and honest and good value-adding transactions move forward and those transactions which are not tend to disappear? There seemed to be an emerging sense that private arrangements voluntarily entered into between banks and depositors might be more effective in the long run than government regulations. Because where government regulations are concerned, many have felt, government intrusiveness and privacy violation becomes an issue. A number of private sector banks meeting Wolfburg, Germany have adopted their own set of principles which might well be a subset of the Caux Round Table principles. They relate to what financial institutions should be doing to find out where their money is coming from when people show up to make deposits.”

Baker then challenged participants to address the nefarious effects of what he called “dirty money” -- money which is illegally acquired, illegally transferred or illegally utilized. He noted that one of the invidious effects of “dirty money” was capital flight from poor nations and the frustration of economic growth among the world’s poor. “It is the greatest contributor to poverty in the developing world.” Nothing hurts the developing world more than an outflow of this kind of magnitude. “It drains foreign exchange reserves, it accelerates inflation. It reduces tax collection, widens income gaps, curtails or reverses growth, cancels investment and undermines trade.”

In 1997, he traveled to 23 countries and conducted 335 interviews with central bankers, commercial bankers, economists, lawyers, sociologists, government officials, tax collectors, police and security personnel. He estimated that the annual traffic in “dirty

money” was on the order of \$500 billion. Some \$5 trillion are held in off-shore tax-havens, effectively beyond the reach of governments and regulatory authorities. “Dirty money” ends up there, and from these havens easily passes in and out of the world’s financial centers to earn valuable returns. “Dealing effectively with this issue has to begin with the private sector,” Baker said.

Baker asked that the CRT adopt a position paper advocating steps to frustrate the movement and management of “dirty money.”

**Discussion.** **George Vojta** pointed out that the Financial Action Task Force, operating through the OECD, monitors dirty money flows as part of the standards process. “We have that standard on the website for 85 countries and we monitor their adoption and implementation of the standard to the extent that it is possible to do so from public sources of information. So, in some ways, we are already into this issue by virtue of working the standards question into the Caux Round Table principles.”

**Frank Straub** wondered whether there was any possibility of a global “police” function for this huge problem – either a US role or through the UN. **Fred Dubee** had doubts because so much of the questionable behavior was technically within the laws of nations. Police can deal with enforcing laws, but not with enforcing principled behavior beyond the technicalities of laws. **Bill Ogden** agreed. “We now live in a global neighborhood and in order to eliminate these problems, we need to have norms of behavior that are congruent in all parts of the neighborhood.”

**Ray Baker** addressed the legal situation. “We have in the United States, an anti-money laundering law that lists 76 classes of offenses which if those offenses are committed in the United States and you knowingly handle the proceeds of those offenses, then you have committed a money laundering offense. Only 10 of those offenses are applicable if the offense is committed outside of the United States. Not covered under our anti-money laundering legislation is handling the proceeds of racketeering, stolen property, securities fraud, forgery, embezzlement, burglary, counterfeiting, trafficking in counterfeit in contraband goods, alien smuggling, prostitution, pornography, sexual exploitation, slave trading, credit fraud, mail fraud, wire fraud and virtually all forms of tax evasion. That is not covered under US anti-money laundering legislation.” His point was that “until we put all forms of dirty money on the table, we don’t have a chance of succeeding and curtailing any part of the problem.”

**Alberto Espino** said he confronted these problems frequently in his money transfer business, and that some companies got competitive advantages over the honest ones by closing their eyes to dirty money. “This is a very difficult problem to solve, but it is essential in the long term.” **Baker** agreed, noting that “We are not trying to *stop* dirty money – only to *curtail* it.”

**Chuck Denny** asked whether this wasn’t a subject “where an alliance between Caux and Transparency International would be most effective. Because, corruption is their business and they do have their indices. They have their publication formats. It would seem a natural.” **Baker** agreed, adding that there had been a Transparency International officer participating in the Caux-Brookings conference. “I have known of their work. I

admire what they have done. I told George (Vojta) yesterday that I thought his proposed ratings of key aspects of countries' economic and legal attractiveness could become as important as TI's corruption and bribe payers index."

**Sherron Watkins** wondered how the corruption could happen with foreign leaders without financial institutions questioning them. How can this behavior go undetected? If it happened with our own leaders, it would raise all kinds of flags. **Baker** replied that the Foreign Corrupt Practices Act (1977) made it illegal for Americans to bribe foreign government officials, but it didn't say anything about handling the proceeds of bribery. "It remained perfectly legal to go to a foreign government official and make the kind of pitch that I talked about and take his money and handle it. That was finally made illegal under U.S. anti-money laundering legislation in the Patriot Act that was passed right after September 11<sup>th</sup>." Moreover "it is illegal under U.S. law for us to knowingly participate in the mispricing of an import into the United States because that involves filing a false customs declaration. The same is *not* true in connection with exports out of the United States."

**Toru Hashimoto** commented on a case in Japan and noted that dirty money can really only be captured at the entry point of a system. "Once it is in the banking system, it flows around the world through bank transfers. So, it is essential that all countries of the world institute this same money laundering regulation. I think the e-Standard will be very instrumental in giving incentives to every country that adopts money laundering regulations."

**Brief Reflection on Session VII.** The seventh session represented a practical discussion of a serious global problem, money laundering or "dirty money," which directly impacts the Caux Round Table's efforts to advance principled business leadership and to reduce poverty. It became apparent in the dialogue following Raymond Baker's remarks that the challenges in this arena called for more than unilateral efforts by individual countries or trading groups. Since "dirty money" follows the path of least resistance, it can only be reduced by significant cooperation among both private sector and public sector institutions.

### **Saturday Afternoon, September 7, 2002**

*Session VIII – "Accepting Responsibility: Proposed CRT Principles for Governments"*  
– **Herman Wijffels, Chair, Economic and Social Council, The Netherlands; former CEO, The Rabobank.** [This session began before lunch and continued after lunch.]

Herman Wijffels, member of the CRT's World Advisory Council, opened the session reflecting on the role of government in a just world. Governments should not evade moral and ethical guidance, he argued, just as the CRT has long proposed that private corporations act with a view to social responsibilities. In Wijffels view, a globalized world involves three sectors: public power, private business and civil society. In the interaction of these three is found the possibility of progress. Wijffels believes that global society is moving beyond the structures of industrialization and nation-state competition toward a set of fluid institutions requiring new models of thinking (beyond physical analogies to biological analogies about life and the world around us).

Steve Young, then proposed a set of “*Principles for Governments.*” The CRT should adopt 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 must be responsible, then public power must be equally accountable.

“The fundamental principle for government is to hold power in stewardship for the people,” said Young, “as a public trust.” From this principle flow others calling for the rule of law, elimination of corruption, security of liberty, life and property, and 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 sample 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, [www.cauxroundtable.org](http://www.cauxroundtable.org).

**Herman Wijffels** then commented favorably on Young’s proposals. “I would like to go back also to last year’s meeting,” he said. “Win Wallin at that point asked about the role of business is in bringing poor nations out of poverty. George Vojta followed up on this yesterday. In Wallin’s view, there is a moral imperative to take action in this arena, as well as an imperative based on self-interest. More direct private investment in developing countries is one of the ways if not the most important way to improve the standards of living in these countries.” Wallin asked about the conditions necessary to encourage investments in poor countries and he noted that jobs and wealth will not be created without:

- (1) Political stability
- (2) Human safety
- (3) No corruption
- (4) Contracts and laws
- (5) Transportation and communication infrastructure
- (6) Education, and
- (7) Financial systems.

The bottom line, suggested **Wijffels**, is that governments are responsible for creating the right conditions for business. Growth is a joint responsibility of government and business. “We live in an interdependent system. Globalization is moving forward and cooperation is essential.”

There is an “emerging triangle of global governance,” he added, including governments, businesses, and NGOs. All are concerned with mapping out the future course of globalization. This course includes economic progress with social justice and a sustainable use of natural resources.

A number of sets of business principles have been issued over the last decade or so, **Wijffels** pointed out, reflecting a desire for sustainable development. “But as far as I know, until now there has not been a coherent set of principles for the behavior of government. If the Caux Round Table decides to move in such a direction, it would certainly be adding value. Principled *government* is a necessary condition to enable private companies to make their optimal contribution to the pursuit of the common good at the global level.”

He then opened the floor for discussion, saying that we had to answer two questions: (1) Do we go forward with the development of the *Principles for Governments*? And (2) If so, how – and how quickly?

**Discussion.** **Chuck Denny** responded first. “We should do it, he said. It involves a risk, but we must take it. To achieve our overall goal of alleviating world poverty, we have reason to make clear what we expect from governments, even though governments are not represented in our group. And to be credible, we must represent as much geographic breadth and diversity as possible. It is difficult to know how long this will take.” **Bob MacGregor** agreed with Denny. This is an *action* that the CRT ought to take. “The *Principles for Government* would have application in Lebanon, where I am currently working. They would complement the CRT *Principles for Business*.” **John Stout** also favored the idea. “We won’t get changes from the private sector,” he said, “without changes in governments, and *vice versa*.”

**Roger Conant** wondered how governments would “agree” to such a set of principles? And what recourse would there be if violations occurred? **Steve Young** suggested that if the *Principles for Government* were distributed and discussed widely, governments might focus on the 12 core standards.

**Michael Bates** congratulated the group on taking on this challenge. He said that there should be (1) coherence and consistency between the CRT *Principles for Government* and the *Principles for Business*; (2) provisions for governments’ responsibilities regarding diplomacy, dispute resolution, and foreign relations; and (3) recognition that there are many other responsibilities as well, including judges, regulators, and even the people who put them in office.

**Paul Kenworthy** asked whether principles could be developed which could apply to all organizations, including NGOs? “Some of these organizations think that their only responsibility is their own bottom line. These are all groups with which CRT needs to work to achieve our overall goals.” **Steve Young** agreed, noting that two multinational companies in Minnesota had approached him suggesting that CRT do a set of principles for NGOs. “Perhaps the time is right for this idea as well.”

**Ray Baker** added his endorsement of the idea of a set of *Principles for Government*. He suggested that some of the principles be restated as positive rather than negative prohibitions. **Harry Halloran** also endorsed the idea as consistent with Win Wallin’s “grand plan.” Business cannot alleviate poverty on its own, he said. But he wondered how the project would be managed, and whether it would come under the CRT Oversight

Committee for the *Principles for Business*. **Farah Jordan** seconded Halloran's note of caution. "The CRT needs to be thoughtful about how it prescribes for other entities, especially governments and NGOs. Otherwise these efforts could be undermined by perceptions of Western arrogance or ignorance of the full international context." **Steve Young** replied that Transparency International's rankings of bribe payers and bribe receivers often occasions anger among the governments that do not do well in those rankings. "But the international community has concluded that the TI rankings have value and provide incentives for change."

**William Ogden** added his endorsement of the *Principles for Government* idea. He thought the effort should go forward. This idea is at least as old as the American colonies' observations about government in the Declaration of Independence and the US Constitution. He added that there should be one more principle: "Governments should make every effort to promote and enforce these principles in their dealings and transactions with other governments."

**Jacqueline Cambata** also seconded Harry Halloran's cautions expressed earlier because she was concerned about the CRT staying focused. "Perhaps if we go ahead with *Principles for Government*, we should treat them as guidelines and go to the countries we'd like to assess and ask for their input."

**Dom Tarantino** added his concern to that of Harry Halloran. "The CRT does not have unlimited resources," he said. "We should go ahead, hoping that management can find the resources. The *process* is terribly important. We might consider a panel of former world leaders to be a sounding board for airing the government principles. Linkage to the *eStandards Forum* may amount to the SAIP of the *Principles for Government*."

**Bob MacGregor**, also sympathetic with the cautious voices in the conversation, nevertheless urged the importance of a message to governments because "business cannot function well in countries that do not follow certain principles." If the CRT is really serious about addressing poverty, he said, it must address government issues. "A lot of people in government would welcome these principles," he added. "And we should get endorsements of the principles from business groups in developing countries."

**Ricardo Ricardez**, speaking with President Fox in mind, agreed with Farah Jordan. "The wealthy West can be seen as a source of corruption in Mexico. We shouldn't be seen as preaching to developing country governments. We should go forward with the principles, but we must be very sensitive to the specific responses of each country and culture."

**Harry Halloran** spoke of the positive responses he received when he first suggested the SAIP, especially from Neville Cooper, who focused on the "purpose and function" of the CRT. "The Oversight Committee has followed Cooper's advice," he said. "Our mission is not to endorse principles of others but simply to comment upon them. We need to be cautious as we link the *eStandards* to the *Principles for Government*. The CRT has a wonderful opportunity in Mexico – but must be mindful of its role and function."

**Theresa Szeliga** remarked that in Boeing the saying is “The data sets you free.” The country profiles of the *eStandards* provide the data. “Others might challenge the data, but once past that, there’s an opportunity for helping them understand a different way of doing things, e.g., using the *Principles for Government*. But selling ethics is like selling ice to the Eskimos. We all think that we’re good, ethical people.”

**Morihisa Kaneko** referred back to the CRT’s history with the *Principles for Business*. “They are of value because business people made them,” he said. “But principles for others are different. Let’s not be so clever as to think that we can do anything because of one success.”

**Victor Huacuja** said he thought the CRT should go forward with the *Principles for Governments*, but should also validate that the principles stand on their own. “By definition, principles are good across time. One should not have to push governments to accept them. Just state the principles and say that if governments abide by them, the end results will be good.”

**Roger Conant** commented on the proposed text of the principles. He thought it should include something like “Governments should promote the general welfare, remove burdens on the poor, and promote economic growth.” **Steve Young** was not so sure: “There is a 200-year tradition of emphasizing the ‘general welfare,’ but it has often led to tyranny. The *Principles for Governments* need to emphasize giving benefits to individuals.” He added that we were committed to advocating honest, responsible, principled behavior by governments, “either through the *Principles for Governments* or through the statement which is part of the *eStandards*.” **Ray Baker** suggested presenting the principles to President Fox of Mexico as a draft and asking him for comment. **Sergio Peralta** agreed.

At this point, **Win Wallin** asked to make a few observations without taking a position on the matter at hand. “We want to encourage investment in the poor nations,” he said. “And we’ve thought about what needs to happen for this objective to be met – including things by governments, by international organizations, and by the private sector. There is no reference in the *Principles for Governments* that the private sector ought to be encouraged to invest in and help poor nations. That subject wasn’t even discussed when the *Principles for Governments* were framed. Maybe we should *change* the *Principles for Governments* – but why do we have to publish *Principles for Governments*? Instead, we should have the *CRT Principles for International Development*, which would require national governments, international organizations, and the private sector to do certain things. Make it an all encompassing thing.”

Time had run out for this session, so **Herman Wijffels** offered some conclusions:

- (1) There is a lot of support for the idea of *Principles for Governments*.
- (2) There is also significant concern about (a) our capacity to do it; (b) perception in developing nations; and (c) a few other matters.

The Global Governing Board would have to take the proposal under advisement and make a decision. Since the issue is sensitive, it would be wise to bring it back to the 2003

Global Dialogue before going to the outside world with it. He invited the members of the group to keep thinking about the issue and let the GGB know their thoughts. Almost everyone at the table spoke out on this issue, so it clearly touched people's concerns.

**George Vojta** spoke at this point, winding up the session. "We need to remind ourselves," he said, "that our efforts are directed toward alleviating poverty through principled private investment. The way we present these things to others is important. We 'offer' them – as ways that governments can do the most wealth creation for the benefit of their citizens. The relation between host country governments and their investors is vital. Investors have a fiduciary obligation to invest their funds prudently. Host country governments need to be mindful of this fact. So the better the input we can give them, the better their chances of attracting the beneficial investment. But it's their choice in the end whether or not to adopt the *Principles for Governments*. If they do, we can then advise people to invest there." We have a great opportunity, he added, to augment our resources working on our vision. It's better for everyone if things operate in a transparent manner. "We'll bring things to fruition at the appropriate time – when we're comfortable enough with them."

**Brief Reflection on Session VIII.** We continued in the eighth session to explore as we had in previous sessions, the factors that might contribute to successfully "making it possible for poor nations to share in global prosperity." In Sessions I to V, the emphasis was on a vision for the CRT, the role of the UN Global Compact, corporate responsibility and ways to measure it through the SAIP, and a vision for Mexico. Sessions VI through VIII had focused on leadership qualities, avoiding corruption, and principles for governments. The dialogue had been stimulating and insightful throughout, and the participation had been intense.

*Concluding Session – "Where Do We Go From Here?" – George J. Vojta, President, Caux Round Table, founder, eStandards Forum*

At the beginning of the Concluding Session on Saturday afternoon, George Vojta shared some slides from his opening presentation under the heading "The Way Forward" and asked for input. He envisions an ongoing sustainable development conference or process. He seeks to get countries moving along the paths they need to be on to attract direct foreign investment and to keep constant communication lines open with these countries. He and Steve Young will be communicating monthly with the Global Governing Board about the development of this system. Mention was also made of having the Advisory Council involved once it is activated. Vojta welcomed communication at any time from anyone. He expressed a desire for open, free, multiple lines of communication: "That's the spirit of the thing."

**Toru Hashimoto** chaired this session and after Vojta's opening remarks, he invited discussion and questions directed toward Vojta.

From George Vojta's PowerPoint slides:

*THE WAY FORWARD FOR THE CAUX ROUNDTABLE*

Assign Responsibilities, Solicit Volunteers, Suggestions

- Agree On Country Declaration, Country Profile Formats; Self Assessment Tools
- Form Advocacy Alliance – Agree On Formation Of Country Teams, Select Countries
- Agree On Country Team - Process
- Agree On Global Development Conference Process – Arrange Funding
- Establish And Manage Website For Country Profile Reporting, And To Support Development Conferences – Arrange Funding
- Implement 5-10 Country Pilot Program
- Establish Relationships With NEPAD, APEC, Euro 50, NAFTA, Mercusur, G20
- Implement All Coalition Led Programs; Appoint Project Managers
- Develop Activation Program For Financial Standards Foundation
- Strategic Plan For CAUX Roundtable

**Discussion.** Fred Dubee spoke first. He referred to discussions he had had with Deng Xiaoping's disabled son, Deng Koo Fong, who now works for the benefit of 60 million disabled Chinese. Deng Koo Fong had offered an analogy:

“If a cart has one wheel, with a lot of effort, it can go a little way and then it will stop. If a cart has one big wheel and one small wheel, the best it can do is go around in circles. It is only if both wheels are in balance that the cart can progress. And what everyone understood was that, unless business looks both at the economic and social dimensions it really cannot progress.”

There have now been “healthy and powerful” dialogues between the UN Global Compact group and the Caux Round Table, dialogues that are continuing the idea of “partnership.” The UN has put together a book on partnerships between the UN and the private sector. (He gave copies to George Vojta, Win Wallin, and Hashimoto-san.)

**Bob Sherman** offered his compliments on a tremendous meeting, and asked what the CRT will do to address the needs of small and medium-sized businesses around the world? **George Vojta** replied that he and **Steve Young** would work with the Global Governing Board and in due course expand the focus to include these businesses. “It’s not necessary,” he added, “to convince me of the importance of small and medium-sized

businesses to this effort. The issues are all ‘how to’ issues, probably including relationships with host countries, ICC, and Rotary International.”

**Toru Hashimoto** mentioned the recent merger of the Keidanren and the Nikkeiren. Chairman Okuda (of Toyota and the Nikkeiren) became Chairman of the merged group, and his point of view is very similar to the CRT point of view: to respond to the interests of all stakeholders, advocating “a market economy with a human face.” It is a good consolidation, he added.

**Bob Sherman** spoke of the TEC organization (The Executive Committee) since their principles are quite congruent with the CRT. **Harry Halloran** agreed. He has been a member of TEC for many years and approached them already about working together in support of the CRT’s SAIP. **Ricardo Ricardez** also agreed, noting that he belongs to the team promoting TEC in Mexico.

**Steven Greisdorf** said he was representing Cornelio Sommaruga, Chairman of the International Foundation of IC and co-author of the report on sovereignty included in the conference materials. Greisdorf directs the work of Caux Initiatives for Business (CIB) now operating in six countries. Next year’s CRT Global Dialogue would be in early July, immediately followed by the 30<sup>th</sup> annual Caux Conference on Business and Industry. He invited CRT members to stay on for the CCBI if they could. He also mentioned that in January of 2003, the Asian Pacific African group of CIB would be meeting in Panchgani, India where senior Indian business leaders would be addressing the same issues with which the CRT is concerned. He welcomed any input from those at the table.

**Sergio Peralta** invited CRT members to the upcoming National Convention of COPARMEX in October 2002 (Tijuana), where globalization is the focus of discussion. **Harry Halloran** indicated that he would make an effort to attend.

**Herman Wijffels** said he fully agreed with the proposals made by George Vojta. He thought that the CRT could make a major contribution to the functioning of the world economy by bringing the financial sector into alignment with the CRT Principles. He further suggested (1) focusing efforts more squarely on the idea of “sustainable development,” including its implied ecological element; (2) focusing also on the subject of micro-credit in what we’re trying to achieve, something with which he had a lot of experience at Rabobank. “If we want poor people to start taking initiatives,” he said, “they need micro-credit.” **Jacqueline Cambata** agreed wholeheartedly on the subject of “micro-finance” as a way of addressing poverty globally. She is quite involved with this in her own work.

**Francis Braun** drew the group’s attention to the International Executives Service Corps ([www.IESC.org](http://www.IESC.org)) since it does valuable work in developing countries.

**Tom Dunfee** said he thought the group had outdone itself at this meeting on “actions going forward.” He cautioned that to have the credibility that the CRT has with its *Principles for Business*, the actions taken must be connected with what makes CRT unique. Win Wallin’s observations about the *Principles for Governments* really applies to all of the action-oriented goals of the CRT: they need to be tied more narrowly to

private investment. CRT needs to prioritize. It can't move simultaneously in many directions at once.

**Raymond Baker** asked whether there was a plan in place to deal with the long-term expenses of the *eStandards* initiative? **Steve Young** indicated that *Oxford Analytica* is in a business partnership with the *eStandards Forum*, and that the financial base is already in place.

**Chuck Denny** then pointed out that the CRT has always faced three problems: (1) Lack of a powerful agenda; (2) Lack of funding; and (3) Need for additional members. He thought that the organization now had a powerful agenda – and that it might well help to attract significant funding. He referred to a major foundation that offered to convene a meeting with other foundations if CRT had such an agenda. “Now we’re in a position to request that meeting,” he said, “but it takes all three – agenda, funding, members.”

**Isao Uchida** agreed with Denny. He added that this was his first opportunity to attend a CRT meeting – and that he was quite impressed! The Caux Round Table is discussing with depth and intensity problems that have to be solved. “But we need to act more aggressively to let others know about the CRT and its agenda. I will try to run my business following the CRT *Principles for Business*.” He also expressed some concern about referring to “wealthy and mature nations” in contrast to “poor and developing nations.” Perhaps some better language could be found.

In closing, **George Vojta** said that a press release would be issued about the Global Dialogue, and he invited input on that front. He also mentioned that Dom Tarantino would be the CRT spokesperson in the upcoming meeting with President Vincente Fox. The goal of this meeting is to establish an ongoing connection with the Mexican government. Vojta also expressed his personal appreciation to Win Wallin for his years of leadership – leadership that enabled the Caux Round Table to have a very promising future.

**Win Wallin** had the last word and commented to the group on how things looked to him as he stepped down from his leadership role. “I didn’t want to be Chairman of a group that would only talk,” he said. “I wanted the CRT to be an advocacy group, despite some early disagreements with CRT founders.” But earlier on, the group did not know what to advocate and it did not really have an agenda. “Two years ago, we decided to try to organize the business community to help solve the most important issue on earth – poverty. It has been difficult to know how to approach this, but we shed some light on it in our 2001 London meeting. Turning the CRT leadership over to just anyone was unacceptable. George Vojta’s commitment to move the CRT forward, and his connections with the financial sector and with the East Coast, mean that it is now possible to get a firm mission established.”

**Brief Reflection on Concluding Session.** In the closing session, the focus was on the future actions and influence of the CRT under new leadership. There was enthusiasm and confidence in the air. Win Wallin said it best in his closing remarks: “There is a lot to do, and it won’t be easy. But if we succeed in getting the business community involved, a lot of people on earth will benefit.”

*Saturday Evening*

**Saturday Evening, September 7, 2002** – *Spanish Theater – Adiós Dinner and Theatrical Performance*

*General Reflection and Conclusion: Responsible Globalization*

**The 2002 Global Dialogue had been successful by many measures: the quality of the participants, the hospitality of the Mexico venue, and the energy and intelligence of the participants.**

**The conference exhibited four fundamental sentiments throughout: gratitude, inspiration, humility, and courage. *Gratitude* for the extraordinary leadership of Win Wallin during his tenure as Chairman; *inspiration* from George Vojta's vision for the future of the Caux Round Table; *humility* as the group began to appreciate in session after session the magnitude of the challenges that lay ahead; and *courage* in moving forward when others might easily shrink from too large an undertaking.**

*Respectfully,*

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**-- Ken Goodpaster**