

CAUX ROUND TABLE

YEAR END REPORT – 2002

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For the Caux Round Table (“CRT”) the year 2002 was a year of transition, beginning with a vision for a better global future and ending with implementation of a plan designed with business insight by CRT participants to move from high aspiration to practical action.

Sadly, one of the CRT’s most dedicated and articulate founders, Neville Cooper of Scarsdale Villas, Kensington, London, passed away. Neville’s powers of trenchant judgment and his commitment to a “proper” order of things will leave the CRT worse for his passing. Lord Dan Brennan has succeeded Neville on the CRT’s Global Governing Board.

In Japan, Mr. Toru Hashimoto, former Chair of Fuji Bank, graciously accepted a leadership position with CRT-Japan and joined the CRT’s Global Governing Board. At the request of Mr. Hashimoto, Mr. Okuda, Chair of Toyota, and currently chair of the Keidanren, became Senior Counselor to CRT-Japan. New corporate supporters in Japan during the year were Shiseido and Yokogawa Electric.

Dr. E. von Kuenheim, former CEO and Chair of BMW, joined the CRT’s World Advisory Council.

An Academic Advisory Council was formed to assist the CRT in its efforts encouraging more private sector investment in poor, developing and emerging market countries in direct relief of global poverty. Professor G. Edward Schuh, Director of the Freeman Center for Trade and International Development at the University of Minnesota is the Council’s chair. Initial members are: Professor W.W. Rostow of the University of Texas, Professor Samuel P. Huntington of Harvard University and Professor David Landes of Harvard University.

In September at the annual Global Dialogue in Queretaro, Mexico, Winston Wallin transferred chairmanship of the CRT to George Vojta. Having spent his career in international banking, Mr. Vojta was Vice-Chair of Bankers Trust and founder and director of the Financial Services Forum in New York City.

Strategic Planning

At the CRT 2001 Global Dialogue in London, where the second day brought news of the terrorist attacks on New York's World Trade Center, then Chair Win Wallin proposed that the CRT demonstrate its calling for Principled Business Leadership by seeking to create better conditions for the investment of private capital in poor, developing and emerging market nations. Dialogue participants accepted the challenge with advice that such a high aspiration needed translation into a practical program of action.

Discussions began in December 2001 with George Vojta, founder of eStandards Forum, on the common concerns of eStandards Forum and the CRT. EStandards Forum was launching a website with information on 85 countries, collectively producing 98% of the world's GDP, on the degree to which such nations were implementing certain 12 core best practice standards of financial and economic management.

EStandards Forum sought to bring principles and standards to bear on the administration of public power in developing countries. The CRT sought to bring principles and standards to bear on private sector decision-making. Bringing the CRT together with eStandards Forum would form a complete package of standards for just and ethical economic development under the rule of law, creating an interface between public and private efforts for the immediate benefit of more prosperous global development.

With standards available, benchmarking of results becomes possible and, so, practical business-like plans can become feasible. The principles and standards of the CRT and eStandards Forum, combined, made possible execution of an action plan in response to Win Wallin's challenge of September 2001. An agreement of association was entered into between the CRT and eStandards Forum.

Under this association, eStandards Forum will maintain and update its website with information on country performance. The CRT will seek to engage countries in a process of formulating and executing actions plans for better implementation of the 12 core best practice standards and the CRT Principles for Business.

To provide moral principles to support adoption of the 12 core best practice standards, the CRT drafted new Principles for Governments. And, to bring its Principles for Business closer to managerial levels of business decision-making, the CRT also continued to refine its self-assessment and improvement process. A patent application for the process was filed in the United States. One beta test of the process was successfully completed and a second begun.

Under the evolving strategic plan, the CRT envisions itself somewhat as a creator and refiner of principles, standards, management tools and other intellectual property for the use of the global community, rather like a small think-tank of experienced and insightful international business leaders. The role of the CRT is to show leadership in the creation of ways to implement through business concerns for improving the human condition on an ongoing basis.

Under the CRT's strategic concept, an infinitely expandable network of partners, associates, friends, colleagues and supporters will be sought to implement relevant principles, standards, and management guidelines. Initial participants in such a network were approached towards the end of 2002. Their response to the CRT's initiative was positive.

The two current challenges for the CRT are 1) global poverty and 2) the crisis of trust after Enron and WorldCom in American corporate probity. CRT-Japan is engaging the business leaders of Japan in efforts to re-think the role of corporate stewardship for Japan after a decade of economic stagnation and failed public policies.

Responding to the crisis of trust in the United States, the CRT has engaged associates to provide a new conceptual framework, based upon the CRT Principles for Business and the self-assessment process, for moral imperatives in business education and MBA programs.

Implementation Activities

The CRT's Oversight Committee has reviewed a number of codes and standards offered by various organizations for use by business in an effort to keep up to date in the area of business ethics and corporate social responsibility. Results of the reviews are posted on the CRT's website, www.cauxroundtable.org

The CRT entered into affiliations with the Institute of Business Ethics in London, the International Society of Business Ethics and Economics, and the Canadian Center for Ethics and Public Policy in Toronto. Cooperative relations were set in place with the International Executive Service Corps, the Financial Services Volunteer Corps, and the Keidanren in Tokyo. Close relations were maintained with Social Accountability International and cooperative initiatives were set in motion with the International Committee of Free Trade Unions and CSR Europe, both in Brussels. And, the CRT provided input to the ISO in its efforts to consider formation of a management standard for corporate social responsibility.

At the Global Dialogue 2001 London, Raymond Baker challenged CRT participants with the facts surrounding the movement and investment of "dirty money" in the global economy. In particular, Mr. Baker noted, the massive flow of funds illegally or unethically acquired out of poor and developing countries for investment in wealthy countries deprives the developing world of much needed capital. In fact, Mr. Baker reported, such outflows of "dirty money" dwarf in scale inflows of official development aid. In July 2002 under the leadership of Mr. Baker the CRT hosted a conference with the Brookings Institution to discuss the various dimensions of this cancerous ulcer in the global economy and what remedies for it might be.

Pilot projects looking to better implementation of the 12 core best practice standards were organized for Mexico and Thailand. President Vincente Fox of Mexico appointed a liaison with the CRT and the Thai Securities and Exchange Commission agreed to host a planning meeting in Bangkok.

The office of UN Secretary General Kofi Annan asked the CRT, now in concert with eStandards Forum, to become engaged with securing the peace process in Sri Lanka through promotion of private sector investment. The CRT responded with interest in advising the

government of Sri Lanka with regard to the 12 core standards and rule of law improvements and, for shorter-term impact, in promoting new mechanisms of rural credit.

The firm of Fallon was engaged to advise on upgrading the CRT's website and ability to use the Internet for ease of worldwide engagement of participants.

A book was written under the title "Moral Capitalism" to explain the CRT's Principles for Business. The publisher is Berrett-Koehler of San Francisco and the book will be released in Sept/Oct 2003.

A successful Global Dialogue for 2002 was held in Queretaro, Mexico, through the superb assistance of Gustavo de la Torre and his AVAL organization, the CRT affiliate in Mexico. New CRT Chair George Vojta presented his action plan which was warmly endorsed by participants. Sherron Watkins of Enron described her experience in seeking to correct abuses in that company. New Principles for Governments were presented for consideration, as were statements on the implications of Enron for American corporate leadership and on the iniquitous flight of "dirty money" from poor nations to safe havens in the money centers of the developed world.

Ron Baukol, Senior Vice President of 3M for international operations, and later George Vojta visited Japan for presentations at the Keidanren, the Tokyo Stock Exchange, and other forums on corporate governance ideals and methods.

Steve Young visited Melbourne and Sydney, Australia, to seek Australian participation in CRT activities. Young made other presentations in Canada to the Conference Board Annual Meeting and in London.