

## **Building integrity into the global economy**

*by Michael Smith*

Zimbabwean graduate George Katito is taking part in a business conference in Caux. Two questions are on his mind. How do the values of trust and integrity—the conference focus—play out at the workplace? And is it possible to meet development goals in emerging markets, such as the one he now lives in, through ethical means? Katito, who graduated in International Relations from Pretoria University, works as a researcher in Johannesburg. He hopes the answers can be found at the conference, on ‘Trust and integrity in the global economy’.

Irena Mushkina, a 23-year-old graduate in economic cybernetics—the study of complex systems in economic forecasting—from Ukraine, says she is in Caux because ‘I am searching for the direction for my life’—her personal forecast, as it were. Could Caux help her to find it? And Seline, a young Swiss woman working for an international business services company, says, in a workshop discussion, that she is ready to challenge her seniors if she thinks they are not acting ethically. She hopes the conference will give her the courage and wisdom to do so.

They are just three of the young professionals who took part in the Caux business conference, from 11 to 16 July—individuals who are searching for their role in the context of the world’s looming economic and environmental challenges. The conference brought together business executives grappling with a global economic downturn and their response to the UN’s Millennium Development Goals, economists, environmental campaigners and farmers from Africa, Australia, Europe and the USA.

Katito is particularly impressed, he says, by the keynote speaker, Raymond Baker, the US anti-corruption campaigner and author of *Capitalism's Achilles Heel*. Baker's book exposes the corrupt forces at work in the 'underbelly' of macro-finance and governance, where gateways are left open by mainstream financial institutions, allowing the flow of what he calls 'dirty money'. Baker urges governments to shut down these gateways used by corrupt individuals to bleed the wealth of poor countries, causing further poverty and human insecurity.

Baker, who worked for 15 years in Nigeria, tells the conference how another form of corruption is also robbing the poor to pay the rich. Over 60 per cent of global illicit money transfers are through commercial tax evasion and false invoicing known as 'transfer pricing'. Goods that are sold in developing countries are invoiced at a higher price than their worth, with the excess funds transferred to offshore bank accounts in places such as the Cayman Islands. The world's 91 tax havens, he says, constitute 'the biggest loophole in the global economic system'. The entire structure of moving money from the poor world to the rich world was 'cutting the heart out of foreign aid'. The \$50 billion to \$80 billion a year in official foreign aid was outweighed 10-fold by some \$500 billion to \$800 billion flowing in the other direction. The priority, says Baker, is to restore economic justice through legislation. 'It's not rocket science but it's largely a question of political will.'

Baker's robust analysis gives Katito 'a bit more understanding on why things aren't working as they should'—to put it mildly. But he is encouraged by a statement issued by a Corporate Leaders Workshop in Caux. The eight senior executives, from Europe, India and Japan, state that 'trustworthiness and a commitment to be truthful' are essential ingredients in restoring trust in the global economy. Bankers caught out by the corporate gambling of the sub-prime mortgage market are absent from the workshop. But Toru Hashimoto, Chairman of Deutsche Securities in Japan, puts his signature to the statement, as does Dr

Jamshed Irani, board member of Tata Sons, the parent company of the giant Tata conglomerate of India. They call for ‘full transparency in accounting’; ‘honesty in business transactions’; and ‘the refusal of any corruption’. They appeal for executives to serve longer than three to five years terms; for their remuneration to be in a healthy relation to the lowest paid person in their organisations; and to use broader social competence criteria for their recruitment.

It’s statements like these, and Dr Irani’s emphasis that ethical decisions need to be constant day-to-day ones, which encourages Katito to think that the values of trust and integrity are dynamic and not archaic, he says. And Tata is an example of how a corporation in a developing country has ‘managed to achieve material, tangible results’ through its commitment to corporate social responsibility. Whether or not such values are transferable to the African continent is a moot point, Katito observes, especially when governments give foreign companies too much leeway, without demanding any commitment to social responsibility, in order to attract their investment.

But Klaus Leisinger, President and CEO of the Novartis Foundation for Sustainable Development, insists that businesses ‘cannot have a first class economic performance and be perceived to have a second class responsibility record.’ Big pharmaceutical companies such as Novartis needed to meet the health needs of the world’s poorest. This should including ‘differential’ drugs pricing, such as for HIV/AIDS, between rich and poor countries.

It is left to the farmers at the conference to make virtue of their role in feeding the world at the time of growing food shortages.

The world will need to double its food output to feed a global population of nine billion people by 2050, points out Nithi Nesadurai, President of Malaysia’s Environmental Protection Society. A sustainable world demands that each of us reduce our ‘ecological footprint’—the amount of land, water and food we each

survive on, measured in hectares. The rich use 30 times the poor and at present rates of growth we would require four Earth planets by 2050. If this is alarming enough, it will be the poorest and weakest who will ‘bear the worst brunt’ of shortages, he says.

Drought in Australia has left empty silos and driven up world grain prices, points out Australian farmer Phil Jeffreys. Farmers must be the initiators of change, rather than the consumers of political initiatives, insists Kenyan farmer Francis Wabuke from Nairobi, while Tanzanian livestock tutor Martin Simtenda points out that agriculture accounts for half his country’s national income. His institute has trained 7,000 farmers in animal husbandry, conservation and tree planting.

Jim Wigan, leaders of an international Farmers’ Dialogue programme, says that genetically modified crops may be a luxury in the North but a necessity in the South, especially in making crops resistant to blight and pests. The stem borer beetle, for instance, costs Zimbabwe US\$250 million each year in lost maize.

It’s a controversial issue tackled head on by Troy Roush, Vice-President of the American Corn Growers Association. His family fought and won a two-year legal battle against the multinational GM food company Monsanto, after they were falsely accused of breach of contract. It cost them \$400,000 in attorney expenses. Yet Roush insists that ‘one of the best hopes for humanity may be biotech’—including GM crops such as the wheat, maize and soybeans he grows on his 2,200 hectare farm in Indiana. ‘Somehow the world must find a balance between corporate interest—profit—and the public good.’

It is such global issues, facing today’s generation, which engage the minds of the young at the conference. So has Irena from Ukraine found any pointers for the direction her life should take, I ask her on the last day? ‘Oh yes,’ she replies. ‘I’m thinking of studying International Relations in a West European university.’ Meanwhile from September she will join a Foundations for Freedom programme,

run by *Initiatives of Change*, as an intern for six months. She adds that in the opportunity for silence reflection, offered by the peace of the Swiss mountains, she is discovering her true self.

A final focus of the conference is to ‘generate action’. These key initiatives emerge:

- Introduce young entrepreneurs to the process of building trust and integrity in the global economy;
- Engage in dialogue between *Initiatives of Change* and universities;
- Expand dialogue between farmers and business;
- Commit to personal trustworthiness and the refusal to any corruption