

Business, Government and Civil Society— Working Together for a Better World

LOUISE BARRINGTON, International Chamber of Commerce, Asia Branch
People's Republic of China

THE ASIAN financial crisis seems to have bottomed out and have reached a plateau. The challenge now will be to continue the reform process that the Asian crisis began. But, this is no time to sit back bask in congratulations for having begun the reform process. There is still so much to be done. And there is, unfortunately, still much suffering to come. In Hong Kong some shops are closed, and unemployment is at 6.3 percent—a record high. China's lines of unemployed are growing daily. Indonesia's political situation is frightening. The list, all too familiar, goes on.

With suffering comes the temptation to “circle the tents”—to close off to the outside world. In these difficult times, it is difficult to argue for open markets and free movement of goods, services and capital. Protectionism is an almost primordial reaction in the face of danger or stress. But the International Chamber of Commerce (ICC) is dedicated first and foremost to opposing Protectionism and its twin, Globophobia. Business has gone global, and no one is going to reverse that. It is the belief of the ICC that liberalization of the international economy to cross border flows of capital, goods, services and technology is the best way to use our resources most efficiently, to raise the quality of life of every person on this planet. And, that business, whose very *raison d'être* is the creation of wealth, has a major responsibility to see that that happens.

At the recent World Economic Forum in Davos, UN Secretary-General Kofi Annan called for a closer and mutually supportive partnership between the UN and the private sector to defend humanitarian values. He called for a “global compact of shared values and principles” in three specific areas: human rights, labor standards and environmental practice. To this we add a fourth value: economic responsibility of corporate directors to customers, to employees and to shareholders. We need to remember—profit is the driving force behind business and it will always be so. Fulfilling corporate responsibility to society at large depends on staying in business.

Kofi Annan's challenge was no vague call to business to take on unlimited and undefined responsibility, but rather an appeal to focus on the private sector's own sphere of influence. It is a plea to international business to promote sane and solid values in these areas, by enshrining them and executing them in their own business.

The positive reaction of world business leaders to Kofi Annan's speech is a sign of the times. For a UN Secretary-General to take such an initiative a decade or two ago would have been unthinkable. In the 70s and 80s it seemed that the United Nations and multinational companies were engaged in an endless struggle over investment and perceived exploitation in the developing world. Sophisticated business realizes that sacrificing long-term good in the

selfish interest of unbridled profit will eventually prove unsustainable and self-defeating in the borderless world of global business. Mutual hostility has been replaced by the realization that capitalism, although not a perfect system, is at least better than everything else that have been tried up to now!

So Kofi Annan's appeal has become a basis for continued dialogue between the UN and the International Chamber of Commerce, as the ICC works to define exactly where the responsibilities of business lie, and how business can best cooperate with government and with private interest groups in civil society.

One ICC initiative gives an indication of what business can do. The Asian economic crisis exposed the weakness of the financial structures in these countries. A hidden weakness that surfaced to cause enormous suffering to millions in the region. The ICC is currently working on guidelines for firms to promote financial stability, a document that was presented for discussion at a recent international forum on "Financial Architecture, Liberalization and Regulatory Reform." The goal is to make the world financial system more resistant to crisis, by creating a checklist to enable individual companies to assess and to correct their own business practices. The guiding principle is one of transparency, and it applies to all the guidelines. Briefly then, the guidelines deal with risk management (from a human and technological viewpoint); improved credit procedures; clear and honest sales practices; credit information management; effective documentation policy (who can sign?); better internal audit practices, financial and accounting standards; good corporate governance, and anti-corruption measures.

The ICC is also participating in the drafting of the Organization for Economic Cooperation and Development (OECD) guidelines on Corporate Governance which—again briefly—emphasize shareholder right protection, corporate responsibility to society at large, and equitable treatment of all shareholders.

But business does not operate in a vacuum. It is a stakeholder in the society in which it operates. It is up to the governments of those societies to foster an environment where the economy will grow, the environment will be protected, and the people will enjoy health and security.

For example, the private sector cannot ensure that the rule of law reigns in any given country, that its citizens have access to education and enjoy freedom of speech, that wealth is fairly distributed, and that there is an adequate social safety net for the sick, the unemployed and the aged. The private sector can encourage, argue, or make a difference. But it cannot meet the demands and expectations that government is better equipped to shoulder.

It is, for example, up to governments, with the help and advice of business, to build the legal structures—to foster investment, protect intellectual property, suppress corruption and ensure a competitive marketplace; in short, to create an environment where enterprise can thrive and do what it does best: create wealth.

Business frequently takes the initiative to educate its workforce. But it is mainly the role of government to ensure that all its citizens have access to education, and moreover, to an education in subjects that will adequately prepare them for the future.

It is up to governments as well, to realize that it cannot wait until its savers save up enough money to fund improvements in living standards. Foreign investment is a necessity in today's world. Their people, exposed by satellite TV and the Internet to the baubles of progress, will not be satisfied to wait. And, since the workers of the future will be able to choose their city or town or even country of residence, it is up to governments to ensure that their citizens enjoy a level and quality of life that will keep them at home. Government needs to foster an environment that supports the originality, the pragmatism, the initiatives of business, and recognizes the dignity and human rights of all its citizens. Societies that fail to provide these basics are doomed.

Yet, governments, hampered by their territorial limitations, are sometimes at a loss to deal with global issues—whether economics, environment, justice or peacekeeping. What is needed is a global reach that individual governments just do not have.

That is why intergovernmental organizations are going to be more important in the future; there is a pressing need for a global system of rules to keep the world economy functioning efficiently. With economic integration comes the need for global governance. Some even argue for a structured global government. Whether one agrees or not, it is clear that we are far from it at present. However, the many international conventions which govern such diverse areas of life as human rights, foreign direct investment, enforcement of judicial and arbitration awards, and fair trade, do create a network—web of internationally recognized and enforceable standards. Added to this are the many voluntary codes of conduct that have been developed by international businesses and non-government organizations (NGOs).

Back in 1977, the ICC recognized that corruption was a major threat to development, and issued its pioneering Rules of Conduct to Combat Extortion and Bribery in International Business Transactions. As a voluntary code, they were a first step in raising consciousness. They have since been twice revised and serve as a model for international business. In recent years, several organizations, among them ICC and Transparency International, have stressed the economic and social wastage of corruption, and have been working in the context of the OECD to counteract corruption. The resulting international Convention on Combating Bribery of Foreign Public Officials, signed in December 1997 and in force since February of this year, makes it illegal for the citizens of signatory countries to bribe officials in foreign countries and removes any tax incentive to do so. These corrupt practices have not stopped overnight, but as more countries sign on to this international agreement, its influence will become more pervasive. It will become harder to use improper influence, and easier to play on a level playing field.

In the global economy transborder business has more freedom than before. It is up to business therefore, to practice what John Bond, Chairman of HSBC Group, at the recent PBEC meeting in Hong Kong, called "capitalism with a conscience." Business now acknowledges the increased responsibility of that freedom.

Often in its attempts to be a good corporate citizen in its host country, a corporation is frustrated by an environment that makes it nearly impossible. It is hard to operate ethically in a vacuum, where there is no incentive to respect the concepts of fairness, equality and justice. We can blame governments, but very often they themselves are powerless to effect meaningful change. The growth of international NGOs has added a third dimension, to create what Peter Eigen recently called the “magic triangle”—of government, business and civil society.

The rising influence of advocacy groups, civic associations, charitable organizations, and think tanks—loosely labeled as “civil society”—has been a cause for concern among both government and business groups. A couple of months ago, an International Herald Tribune columnist described the nightmare of the world’s top trade diplomats: their jealously guarded privacy is about to be invaded by a horde of sandal-clad hippies accusing them of exploiting child labor, destroying the jobs of honest blue-collar workers, encouraging the slaughter of endangered sea turtles and other unspeakable horrors.

A caricature perhaps, but non-governmental organizations have gained an enormous influence over the past decade. They have realized that it is in the international arena that they can most readily make their influence felt and produce results for their chosen causes. The Earth Summit in Rio de Janeiro in 1992 saw an amazing gathering of hundreds of diverse interest groups—who for the first time felt the power of their organizations. Since then, these groups have been an increasingly assertive presence at successive international conferences—the climate change conferences in Kyoto and Buenos Aires, the Social Summit in Copenhagen, the Food Summit in Rome, to name a few.

The Clinton administration has called for greater openness in trade negotiations and for a prominent role for all members of civil society in trade matters generally. The former Director General of World Trade Organization (WTO), Renato Ruggiero, took a similar line and the European Union called for a “genuine dialogue” with members of civil society.

So, it is true that the WTO can no longer count on conducting its negotiations in the tranquil quiet that characterized the GATT. It is clear that NGOs are going to have an impact on the way future trade negotiations are carried on. The trade diplomats are going to have to satisfy the NGOs that their opinions are being taken into account.

And is also clear that, with its new-found power, civil society has the duty to exercise its influence with vision and responsibility. A very basic issue is that of transparency. Frequently, it is difficult, if not impossible, to know just what the constituency of a given NGO really is. For those of us committed to democracy as the best available political system, it is worrying to think that a group elected by one may have a major voice in the direction of our future. But even leaving that reservation aside, a real danger is that a special interest group may lose sight of the forest by looking only at one tree. Or in the words of Chris Fay of Shell: “Populist sound bytes versus our reasoned arguments—how were we supposed to counter that?”

The ICC has recently formed a new Group on Business in Society, to assess the influence of activist groups, to spot trends, to look at the effect of the Internet on relationships in civil

society and to consider an appropriate framework for discussions between the ICC and these groups to create synergy with them.

Globalization is with us to stay. It is driven by the aspirations of millions of people who are looking for a better life. In fact, it has already become a powerful force for spreading higher standards and best business practices throughout the world. Global companies, with their own standards for training, employee relations, technology transfer and environmental management, can and often do lead the way in demonstrating their good citizenship in their local communities.

Governments in almost every nation welcome international business and the investment it brings. Suspicion and mistrust have given way to warm hospitality for foreign investors. Because with them, sooner or later, inevitably, will come the payoff—in the form of a higher standard of living for all citizens: better wages, education, technology, health care, social security, political stability and material comforts. The interaction of government, civil society and the private sector is going to be a powerful combination to bring these benefits.

Mark Moody Stuart, Chairman of Shell, said recently: Markets and companies alone will not alleviate poverty or deliver full social justice. This is the responsibility of all society's stakeholders—including governments, business, NGOs, multilateral agencies, labor organizations and religious bodies.

In the global world, it is not only desirable to cooperate; it is imperative. Business has brought about incredible technological advances—and with them exposure to ideas from around the globe. The UN goals of promoting peace and develop and human dignity are mirrored by business goal of creating prosperity to raise the standard of living for all. Civil society—without profit-oriented constraints, and acting with a broad vision—can be an effective element in maintaining a healthy tension to ensure we don't fall into the trap of complacency. It is the shared responsibility of all to ensure that globalization is indeed a blessing for all mankind.