

**Welcoming Remarks by Robert Ley,  
Deputy Director for Financial and Enterprise Affairs, OECD**  
Seoul, 2-3 November 2004

Professor Chung, Ladies and Gentlemen,

I am delighted to be here today and honoured to welcome you all on behalf of the OECD to this 6<sup>th</sup> Asian Roundtable on Corporate Governance. It is gratifying to see such a strong team of policy makers, regulators, private sector representatives and academics from Asia as well as experts from elsewhere in the OECD area.

It was here in Seoul that the first Roundtable meeting was held in 1999 so it is fitting that we should gather here again at a time when the Roundtable will be moving forward from the drafting of White Paper commitments on what needs to be done to the design of strategies for implementation and enforcement.

I am also very pleased to acknowledge our ongoing partnership with the World Bank Group, the support of the Global Corporate Governance Forum and the generosity of the Government of Japan. I would also like to thank our hosts here in Seoul, the Korea Development Institute (KDI), as well as the Asian Institute of Corporate Governance and the Korea Corporate Governance Service and particularly Professors Hasung Jang (AICG) and Kwan S. Chung (KCGS) for their intellectual contributions.

The importance of good corporate governance can hardly be exaggerated. It is not easily defined and the institutions needed to develop policy and oversee the law and regulations are still taking shape in many countries. Neither is there a mathematical measure to tell us when we have got it just right. But we do know the key ingredients of corporate governance and what it's for: to provide the essential underpinning of confidence and trust on which the modern market economy relies to generate wealth and support ongoing economic growth and development.

Much has been happening in Asia to strengthen the legal and regulatory environment for corporate governance, but in these brief opening remarks, I would like to say a few words about the recent revision of the OECD principles of Corporate Governance, and to put before you a few thoughts on how the Roundtable might take its work forward in the period ahead.

### **Revised OECD Principles of Corporate Governance**

As you know, of course, the original 1999 Version of the OECD Principles of Corporate Governance provided the framework for developing the White Paper on Corporate Governance in Asia. The OECD Principles have now been recently been the subject of an intensive and comprehensive review and amended in a number of important ways. The experience of the Asian Roundtable provided an important input into the review in several ways, including the overview report on "Experiences with the Regional Roundtables" and the face-to-face consultations held in Paris and attended by several members of this group.

I am pleased to report that the review was a full success. The Revised Principles were warmly welcomed by OECD countries, formally adopted by the OECD Council and endorsed by Ministers at their Annual Meeting in May of this year.

The results of the Review combined continuity with innovation.

- Continuity because the review confirmed the approach of the original text of the Principles, providing broad guidance without detailed prescriptions on how objectives should be achieved, thereby allowing scope for implementation to take account of the different and evolving institutional and historical settings in which reform takes place.

-Innovation because the Revised Principles call for a stronger role for shareholders and place greater emphasis on preventing conflicts of interest, on controlling abuse of related companies and on promoting transparency and effective enforcement.

-Innovation in particular by introducing a new introductory chapter focusing on the need for an effective corporate governance framework that promotes transparent and efficient markets consistent with the rule of law and clearly articulates the division of responsibilities among different regulators, supervisory bodies and enforcement authorities. Mats Isaksson will have more to say about this shortly when he kicks off the substantive agenda.

But I would like to stress three points here. First, the impetus for the Review came from OECD governments as they found themselves confronted by serious failures of corporate governance in their own countries. Second, now that the Principles have been revised, OECD Ministers have called on members to continue to promote the broad dissemination and active use of the Principles. Third, there is full agreement on the need for ongoing policy dialogue on the basis of the revised Principles — to share experiences as governments and regulators tackle the reform agenda and implement change, to discuss key issues of practical interest to many countries and to organise country reviews on a voluntary, pilot basis.

#### **The Next Phase of the Asian Roundtable: Effective Implementation and Enforcement.**

The Asian Roundtable will contribute to this broader objective by promoting the more specific recommendations of the Asian White Paper. As a result of continuing reform efforts, the necessary laws and regulations of a sound corporate governance regime are now in place in many countries, but that may prove to be the easy part. Clearly, the right legal regime will have little real impact unless there are adequate incentives for compliance, realistic means for redress and effective mechanisms for enforcement. Self-regulation by securities exchanges and professional associations will certainly have a major role to play. But governments need to act as well to ensure that legislative and regulatory reform is backed up by strong regulatory bodies and an informed and independent judiciary.

The Roundtable can help support the difficult transition from principles to implementation and enforcement by providing a forum for policy dialogue in much the same way as among OECD countries. Indeed, we could look upon the Roundtables as part of a “global dialogue” in which countries provide mutual support for each other, exchanging experiences and identifying what works, what does not and why. Lessons from the OECD dialogue — which will take place in the Steering Group but also through consultations with the private sector and other stakeholders — will be made available to the Roundtables which could in turn enrich the quality of the dialogue in other Roundtables and in the dialogue among OECD countries, a two way street.

If we see this new phase of the Roundtable as a vehicle for supporting implementation of the White Paper recommendations, how could this be done? Here are some possibilities:

-First, there is the need to complete the “stocktaking” exercise — a report on “developments and progress” due in 2005 — as called for in the White Paper itself.

-Second, as further actions are taken, the Roundtable could perform a “monitoring” function and offer some form of “benchmarking” as a reality check on continuing progress in different countries.

-Third, the continuing policy dialogue could take up key thematic issues one or two at a time, drawing on the list of recommendations in the White Paper. Without setting up a hierarchy of priorities, it would be important to establish in what order these issues should be further explored.

-Fourth, while maintaining the regional character of the Roundtable, a more intense country-specific component could be introduced which could be beneficial to all. Our Korean hosts have shown us a possible model for this approach by organising their own corporate governance event yesterday back to back with this Roundtable.

You may also consider adopting new working methods so your work could advance more quickly while remaining open to contributions from all participants.

- Task forces should be one possibility where a group of 4-5 motivated people could work more intensely on a set of issues and report back to the Roundtable.

- An email forum or electronic discussion groups would be another way of moving your agenda forward between Roundtable meetings.

- You might also reflect on the product you want at the end of the day. Not another White Paper, of course, but perhaps a “Policy Brief” as suggested by Professor Chung.

I invite everyone to reflect on these ideas as the Roundtable progresses so they can be fully discussed in the more operational part of the Roundtable scheduled for tomorrow afternoon.

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So with these remarks, I would like to hand back the proceedings to Louis Bouchez, your master of ceremonies, and add my best wishes and good luck to you all – not just in the two days ahead but in the longer term task of carrying forward the agenda for corporate governance reform which is a challenging and noble task.

Thank you for your attention.