



Organisation for Economic Co-operation and Development

In co-operation with the World Bank Group

***The Third Meeting of the
Latin American Corporate Governance Roundtable***

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Bolsa Mexicana de Valores, Mexico City, Mexico

Opening Remarks

by

**Mr. Richard Hecklinger,
Deputy Secretary General,
Organisation for Economic Co-operation & Development**

Ladies and Gentlemen;

It is a great honour for me to provide a few opening remarks to this third meeting of the Latin America Roundtable on Corporate Governance.

I am pleased to see that - once again - this Roundtable has brought together so many distinguished policy makers, private sector representatives and other experts from across the region; as well as from OECD countries, and from various international organisations. Your presence confirms that improving corporate governance remains a priority in Latin America.

Let me first of all thank our co-organisers, the World Bank, and the International Finance Corporation, who have contributed so much in developing and supporting this Roundtable. A special thanks to our co-hosts, Bolsa Mexicana de Valores, for their kind hospitality and assistance in preparing for this meeting.

I would also like to thank our many generous sponsors for their support: the Hacienda, the Comision Nacional Bancaria y de Valores, the Global Corporate Governance Forum the Consejo Coordinador Empresarial, the Asociación de Banqueros de México, the Asociación Mexicana de Intermediarios Bursátiles, and the Asociación de Instituciones Financieras Internacionales.

The Roundtable Process

As you are all aware, this meeting of the Roundtable is one step in an ongoing process that began in San Paulo, Brazil, two years ago, continued in Buenos Aires last year, and will have a future also after this meeting.

It is a process where the countries of Latin America have shown a commitment to the ongoing reform of their corporate governance structures and have taken leadership in developing those reforms.

The Latin American Roundtable is also part of a global process. It forms part of a family of Regional Roundtables around the world.

Similar roundtables have been established in Asia, Russia, Southeast Europe and Eurasia.

While they all have their focus on aspects of particular importance to their regions, they also have two important things in common. First, they all use the OECD Principles of Corporate Governance as the framework for discussion. Second, they have all decided to issue a Regional Corporate Governance White Paper that will set out common policy objectives and concrete reform proposals.

In the last couple of years, the Roundtables have proved to be a critically important forum for policy-dialogue and exchange of experiences between policy makers and other experts. In this process they have identified the specific challenges of the different regions.

The Russian Roundtable was the first to complete its White Paper. It will be officially presented in Moscow next week at a high level event that will be attended by the Minister of Economy and other prominent Russian officials, regulators, and business personalities.

Our ongoing work in Asia and Eurasia is also reaching advanced stages. The Asian roundtable will be meeting this June in Mumbai, India, to discuss the rights and equitable treatment of shareholders and is tentatively planning to release its final White Paper next year or early in 2004.

As the White Papers are completed, the coalitions formed through the Roundtable process will continue to work together to make the recommendations of the White Papers a reality.

I believe the strength of this exercise lies in the continuity and commitment to follow through on our good intentions and to provide the expertise that is necessary to implement and enforce what we all agree needs to be done. The OECD experience is that this will not be done over night and will require constant attention.

The Importance of Corporate Governance in Latin America Today

Recent events confirm the importance of good and reliable corporate governance practices. Reinforcing the confidence of domestic and international investors has never been more important in order to ensure a positive investment climate.

We have seen that even the world's seemingly most successful companies, in the world's most advanced economies, can suffer from severe corporate governance failures that can destroy substantial wealth for investors and employees alike.

Such failures naturally breed a certain scepticism towards corporations as a whole. The best way to address this scepticism is to take direct, substantive action to hold managers and board members

accountable, protect the rights of stakeholders, and of course greatly improve corporate transparency and disclosure. Recent economic problems in Latin America have led some commentators to question the wisdom of relying on the private sector as a country's main engine of growth and prosperity.

Yet it is the overall success of structural reforms during the last decade that has done much to increase stability and reduce vulnerability to internal as well as external shocks.

The combination of the recent global slowdown in economic activity and some specific events of the region have in fact shown little of the "contagion" that in the past has tended to spread crisis from country to country.

Overall, the reform process has brought a measure of stability to the region. It is therefore essential that this process of reform continuous. Improved market integrity through better corporate governance is an indispensable element of this process.

The Third Meeting of the Latin America Roundtable

The three subjects that we will discuss over the coming days could not be more topical. And they are also three of the most fundamental issues in terms of the functioning of an economy's corporate sector.

Boards

A competent board of directors, free of conflicts of interest, can help protect shareholders, ensure compliance with laws and regulations, and provide useful guidance to management on areas of strategic concern. They can create substantial value for companies, their shareholders, and their stakeholders.

Our three sessions on the board of directors should provide insight into a range of issues, some more conceptual, such as the place of the board in relation to other company organs, some much more practical, for example whether or not boards should make greater use of audit committees.

But in any case, we will certainly gain a better understanding of the functioning of boards in Latin America, and what steps can be taken to improve their effectiveness.

Stakeholders

Stakeholders and their role is another important subject. Our discussions of stakeholders can only touch on those issues that are most directly relevant to corporate governance in Latin America.

Our main concerns will be how the rights of stakeholders can be effectively respected and how employees and other key resource providers to corporations can remain active participants in the process of wealth creation.

Creditors will not lend, and employees will not be motivated to perform, if they feel that their rights are not being respected. We hope our sessions will provide a better idea of how to strengthen relations with these important stakeholders.

Transparency and Disclosure

This brings me to the third topic of this meeting: transparency and disclosure.

Over the last ten years two very important lessons have been learned, and then often learned again. First, nothing is more important for the effective functioning of a market economy than the free flow of relevant information to investors, regulators, and society as a whole. Second, in spite of its critical importance, achieving adequate transparency can be extremely difficult, even for the most advanced economies.

Effective transparency and disclosure requires the proper combination of accounting standards; professionalism in the accounting and auditing professions; integrity, competence and accountability on the part of executives and board members; and an effective regulatory framework that includes the proper balance of self regulation, civil liability, and government oversight.

Achieving such a mix is not easy, and is normally an ongoing task where market developments sometimes call for adjustments. However, our three sessions on transparency and disclosure should help us take a major step forward towards achieving the most effective approach for Latin America.

Conclusion

I would like to conclude by expressing my belief that we will make real progress on all of these three critical issues over the next few days.

I am convinced that your active participation in the Roundtable will allow for productive discussions and lay the groundwork for continued improvements in corporate governance in Latin America over the years to come.

While the OECD, the World Bank and the IFC assist in the organisation of these Roundtable meetings, the real work lies with you. We at the OECD are very impressed with your achievements so far and can assure you of our continuing support in this important exercise.