

**Discussion by Christine Loh<sup>1</sup>**  
**“A View on the Role of Stakeholders in Corporate Governance in Asian  
Companies”**  
**by Juan Miguel Luz**  
**4 April 2001, Singapore**

Juan Miguel Luz pointed out an important aspect of corporate governance (CG) in Asian companies – that we could not ignore culture and “the sociology of the Asian firm”. Based on his excellent paper, I wish to make 5 points:

1. In Asia, there is tradition of respect for power. Many of the most influential people in society are the founding fathers of family corporations. Members of the business elite may also be members of the political elite. Business and politics often sit too comfortably together. Non-family company directors are appointed because of patronage, not independence or ability. They are unlikely to be critical. As for transparency, there is no tradition in Asia for giving out information except on a *need to know* basis. This tradition is reflected in politics and society. Governments that are not in the habit of operating in a transparent manner are unlikely to press companies too hard to do so. Likewise, the local media and citizens are on the whole less inquisitive and demanding.
2. However, the Asian public is cynical and disillusioned about corporate practices. The 1997-1998 Asian financial crisis showed the lack of transparency in markets and poor corporate governance throughout the region. People are also disillusioned with banks as many pulled credit facilities from solid companies when they should have known better. The crisis was followed by the dot.com fever in 1999-2000 first to see companies that have nothing more than “ideas” soak up a large amount of capital and then fall off their pedestals.
3. Despite the foregoing, the confluence of events at Asia’s doorstep provides a base for developing better CG. Other speakers have already talked about Asian companies need for international capital so I won’t repeat it. There is also a generational change. The founding fathers of the family companies are handing the baton over to the next generation, many of whom are educated in the West and more familiar with CG concepts. Many of them also want to be part of the international business elite and thus buy-in to CG. Furthermore, the best of Asian companies are also starting to build their brands, which require them to take note of CG and SRI issues. The rise of NGOs playing a monitoring role cannot be ignored. Asia is better educated than it was. New ideas, like CG and SRI, can take root relatively quickly.

---

<sup>1</sup> Christine Loh is the CEO of Civic Exchange, a HK-based independent non-profit public policy think tank. Contact: [cloh@civic-exchange.org](mailto:cloh@civic-exchange.org)

4. Fourthly, however, government policy and priorities are different in different parts of Asia. Singapore and Hong Kong are further along the way to push for CG, but even in Hong Kong, government policies can still lag behind. For example, it has refused to legislate for freedom of information and it does not favor a comprehensive competition policy, thus problems like predatory pricing is not outlawed. This tends to favor the “old boys” and make it hard for new entrants. Perhaps the most important thing for moving the CG debate forward is to ensure that it is location specific. For example in Hong Kong, where the common law does not provide for class action, one way to produce a similar result is HAMS (HK Association of Minority Shareholders) as proposed by David Webb.<sup>2</sup>

A key problem in promoting CG is that we are often talking to the converted, such as at this conference. Governments, public institutions officials and regulators are often not very good at popularizing these issues. They need to get a lot better at it if they are to get the public interested so as to raise awareness and get things moving faster.

---

<sup>2</sup> David Webb is a CG activist in Hong Kong.