

THIRD ASIAN ROUNDTABLE ON CORPORATE GOVERNANCE
Singapore, 4th – 6th April 2001

Welcoming Remarks by

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Your Excellency, Minister Hu, Ladies and Gentlemen,

1. It is a great honour for me to address this Third meeting of the Asian Roundtable on Corporate Governance today.
2. I first of all wish to thank our co-organisers and partners, the World Bank and the Asian Development Bank, who have contributed so much in developing the Roundtable, and our co-hosts, the Monetary Authority of Singapore, the Singapore Institute of Directors and the Singapore Exchange, for their kind hospitality and efficient assistance in preparing this meeting.
3. I am pleased to see that our Roundtable has become once again **a rallying point** for Asian leaders from public and private sectors, as well as experts, anxious **to improve corporate governance** across the region, just like the two previous Asian Roundtable meetings in Seoul in 1999 and in Hong Kong in 2000.
4. The current US economic slowdown has raised understandable concerns in Asia about the impact this could have on its own economy. The severity of the US slowdown remains to be seen, but the arguments for reform in Asia remain strong regardless of its duration: money finds its way to investments that bring the highest return, irrespective of the world economic situation. In a market economy, transparency and accountability help to ensure this smooth flow of capital. In a less favourable economic climate, one could say that good corporate governance becomes more important than ever, not only to attract foreign investment, but to ensure that it stays.
5. Given our common objective of improving corporate governance, I would like to speak to you today about how this Roundtable may help us to move in this direction. I then will talk about some of the specific issues we will be focusing on in this Roundtable -- The Role of Boards and Stakeholders in Corporate Governance; and a draft first chapter of the White Paper on Corporate Governance Reform in Asia on transparency and disclosure.
6. Since the crisis of 1997, numerous initiatives and reforms have been undertaken in Asia to review current approaches to corporate governance issues and to enhance companies' performance and profitability through restructuring, to protect investors and strengthen confidence in the markets. While laws and regulations can be changed relatively easily, **changing the mind-set of companies and regulators takes a sustained effort** of dialogue and interaction. **Companies need to shift their view of corporate governance as a nuisance; they need to perceive corporate governance as a tool for increasing their value. Regulators too need to change:** they need to see themselves as facilitators of transparency in the investment

process; not as gatekeepers to businesses, with an ever-expanding set of laws and regulations, that may sometimes stifle the very process it is meant to protect.

7. The Roundtables are essential in cultivating this longer-term attention span. Using the OECD Principles of Corporate Governance as a reference, they bring you around the table to discuss different aspects of corporate governance in depth, over a period of time, to compare notes on reforms and their implementation. Most importantly, they provide a means to develop together **a White Paper with an agenda for action:** action to improve corporate governance at the policy level, action at the regulatory and enforcement level and, last but not least, action at the private sector level.

8. Turning to the specifics of this meeting, our discussion during the next two days will **focus on “The Roles of Boards and Stakeholders in Corporate Governance”.**

9. Boards of directors exercise three key functions for corporations: monitoring management, ensuring accountability, and shaping company strategies. Monitoring management and ensuring accountability are essential to minimise the risk of expropriation of cash flows and assets by management or controlling shareholders. The board’s role in strategy formation is a broader one, to provide, one might say, a “fresher” view of possible directions for a particular corporation, a view that might elude managers or the members of a controlling family.

10. The problem in Asia is that, very often, the board is little more than a formality. By treating boards in this way, Asian corporations may be foregoing some key benefits. **Their -- and our -- goal should be to turn Asian boards into dynamic drivers of corporate performance and guarantors of investor confidence.** The presence here of some leaders of the corporate sector from Singapore and elsewhere gives me a lot of hope in this respect.

11. The second topic of our discussion -- on **the role of stakeholders in corporate governance** -- is also quite fascinating. In fact, in many Asian countries, the “stakeholder” corporation is far from being a novelty. On the contrary, the way it has developed into an all-encompassing, paternalistic institution may be a key factor in some of the current problems, such as the lack of flexibility and adaptability, over-investment, and disregard of shareholder value.

12. Corporations need to view stakeholder concerns as an opportunity to enhance their companies’ long-term value. By addressing these concerns, Asian companies may encourage active employee participation in their companies’ affairs, enhance consumer loyalty, improve their access to capital, particularly among some key institutional capital providers such as public pension funds. By being sensitive to community and broader social issues in a systematic, consistent way, companies may encourage long-term stability for their investments, and cement their leadership role in the eyes of policy-makers and citizens.

13. On the concluding day of the Roundtable you will have the opportunity to discuss the first chapter of the **White Paper**, on the topic of Disclosure and Transparency. The remaining chapters will be the subject of discussions in the two upcoming meetings of the Asian Roundtable.

14. Once completed and approved at the conclusion of this Roundtable series in early 2003, the White Paper will be widely disseminated to policy-makers, regulators and private standard-setting bodies to assist them in implementing high standards of corporate governance. Stock exchanges, director institutes as well as individual companies and investor may use the White Paper as a tool to assess and articulate their own strategies. Finally, the White Paper will be a key road map for international institutions assisting countries in their effort to fully integrate into the global trade and investment system.

15. Let me conclude by reiterating my hope that we may make real progress here in considering the role of boards and stakeholders in corporate governance, and on the issues of disclosure and transparency raised in the draft White Paper. I am convinced that your active participation in this Roundtable meeting will give rise to fruitful exchanges, and will lead to concrete responses to new challenges in corporate governance reform, making this event a great success.