



Organisation for Economic Co-operation and Development
In co-operation with the World Bank Group

Welcome and Opening remarks

by

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*The Second Meeting of the
Latin American Corporate Governance Roundtable
Shareholder Rights and Equitable Treatment
28-30 March, 2001, The Buenos Aires Stock Exchange,
Buenos Aires, Argentina*

**Co-hosted by:
The Argentinean Ministry of Economy**

**With the support of:
The Buenos Aires Stock Exchange
The Securities and Exchange Commission of Argentina
The Global Corporate Governance Forum**

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Ladies and Gentlemen;

It is a great honour for me to be here in Buenos Aires and participate in the opening of this second meeting of the Latin American Corporate Governance Roundtable. The presence of so many key players from across the Latin American region, from OECD countries and various international organisations attests to the importance of the issues that we are here to discuss. It is also an indication of how the corporate governance dialogue is making rapid progress.

As you all know, the OECD is an inter-governmental organisation with 30 Member countries, sharing the common values of pluralistic democracy and the market economy. In the past the OECD was sometimes pictured as an inward-looking club of rich developed countries. This perception was always wrong and it has now changed.

While full membership is presently restricted to 30 countries, our policy dialogue with non-member economies is a central element of our activities and part of OECD's original "raison d'être". A large number of non-member countries, including emerging and transition economies, participate in our work on a regular basis. The Regional Corporate Governance Roundtables that are now organised around the globe are good examples of this.

Regional Corporate Governance Roundtables like this one have also been established in Russia, Asia, and Eurasia. And we are presently requested to launch a fifth Roundtable for Southeast Europe.

While they all exhibit their own characteristics, reflecting their regional circumstances, the Roundtables also follow a similar pattern. First of all, they are all using the OECD Principles of Corporate Governance as a conceptual framework. This doesn't only help to structure the discussions. It also means that all Roundtables form part of a larger, global, dialogue together with peers from other regions. Second, all Roundtables have decided to develop so called Regional Corporate Governance White Papers. The prime use of the White Papers will be of course in a regional context, but again they will also provide very valuable input to a much broader international exchange of practices and reform efforts. As much as the Roundtables will try to identify a concrete reform agenda, they can also be seen as a medium for informing the international community about ongoing initiatives and progress that has already been made.

Directly following this Roundtable meeting I will go to Singapore to attend the third meeting of the Asian Corporate Governance Roundtable. Their meeting will focus on the role of stakeholders and the responsibilities of the board of directors, a theme that I understand that you may examine in your next meeting. The Asian Roundtable meeting is co-hosted by the Singaporean Stock Exchange. Following Singapore, the Russian Corporate Governance Roundtable will meet in June for its fourth meeting.

The Roundtables are all at slightly different stages of their work, but it can already be concluded that all of them have been very successful. They have all become the natural reference point in their regions for advancing corporate governance - an inclusive platform for policy-dialogue - where senior policy-makers, regulators, corporations, investors, labour organisations and others can raise concerns, exchange experiences and find solutions.

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Since the common denominator among the Roundtables is the OECD Principles of Corporate Governance, I should perhaps say a word or two about their history and present use.

The OECD Principles were developed through an inclusive process with input not only from the OECD countries but also from emerging and transition economies, from other international organisations (notably, the World Bank), and from corporations, investors, trade unions and non-governmental organisations. Following their adoption by OECD Ministers in 1999, the Principles has now been adopted also by the International Financial Stability Forum as one of its 12 sets of core international standards for sound financial systems. And at their meeting in Mexico last year, the Finance Ministers of the Western Hemisphere agreed to assess corporate governance practices in their countries against the OECD principles.

But more important than drafting or adopting any Principles is actually using them. The Principles would have remained a dead letter if all of those that helped develop them did not take steps for their implementation. This is why I am extremely pleased to note that so soon after they were issued (less than two years), the OECD Principles of Corporate Governance are widely used in both the private and public sector - in OECD Member countries and in non-member countries alike. They are used by international organisations, governments and investor groups, by individual companies, business associations and stock-exchanges.

At the national level, voluntary corporate governance codes have been modelled on the OECD Principles in both Greece and Portugal. Similar initiatives have been launched in the Czech Republic and in Germany. In the Netherlands, the Principles are also used as a reference in ongoing reform work. Also, numerous private sector bodies have come to use the OECD Principles. The European Stock Exchange and the International Corporate Governance Network are only two examples of organisations that already have modelled their own corporate governance initiatives on the OECD Principles.

So, looking back over the last 18 months I believe it is fair to say that the OECD Principles have now become a truly global reference point for the ongoing international corporate governance dialogue. As a framework for dialogue and a common language for discussion, I believe the OECD Principles are serving their purpose very well.

I want to underline however, that the OECD as an organisation does not - and can not - drive this process itself. It is driven by governments, regulators, investors, corporations, business associations, stock exchanges and others that share an interest in developing a domestic capital market and a competitive business sector. Together with the World Bank Group, we are seeking to facilitate this process by providing our expertise and sharing our experiences. But as I expect this meeting will demonstrate, the Roundtable process is fuelled primarily by regional interest and momentum.

Concerning the theme of this Roundtable, I recall that participants at last years meeting in São Paulo agreed that shareholder rights, and particularly equitable treatment of shareholders, is the issue that has attracted most attention in the recent Latin American corporate governance debate. This issue will be at the centre of our discussions.

One reason for this is that many publicly traded companies are dominated by a single controlling owner or by a group that may be acting in concert. The existence of strong, visible and informed

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owners is certainly not wrong in itself. This is actually what many other countries lack - strong agents for active ownership. But there have been several high profile cases in Latin America where the lack of clear rules facilitated the abuse of minority shareholders in corporate control transactions. Both regional and international commentators have been critical. And I believe, these developments been detrimental to the capital markets.

Indeed, proper protection of shareholder rights serves not only as a safeguard for individual shareholders, it is also of critical importance in the process of building strong and credible capital markets. To assure the protection and enforcement of shareholder rights is an important element in the process of developing a capital market that serve the needs, not only of existing businesses, but also of tomorrow's new enterprises and industries that are in need of risk capital.

I am convinced that our dialogue during the next two days will play an important role in understanding present corporate governance practices and guiding future reform efforts. For the latter purpose, the Roundtable agreed last April to develop a Latin American Corporate Governance White Paper. The White Paper will identify concrete actions that can be taken throughout the region to improve corporate governance and thereby increase investment, capital market efficiency, corporate competitiveness and social welfare.

Building on our discussion during the next two days, a core group of Roundtable participants will initiate the drafting of this White Paper. We all realise that this work is still at an early stage, but from comments that I have had so far I am quite convinced that this work will be of a high quality.

Finally, on behalf of the OECD, I would like to express our sincere gratitude to our co-hosts, the Argentinean Ministry of Economy, to the Buenos Aires Stock Exchange, and to the Securities and Exchange Commission of Argentina. They have all showed impeccable leadership in this effort and organised what I am sure will be a very successful event. I know that many people have been involved in this work but I would still like to mention Bonnie Santiago and Analia Cuervo, whose good spirit and very professional approach has been essential, and the dedicated staff of the Buenos Aires Stock Exchange. I would also like to thank our partners the World Bank and the International Finance Corporation for their efforts in putting this Roundtable meeting together.

Last but not least, I would like to thank you all in the room for coming. You are the Roundtable and I very much look forward to your discussions.