



Corporate Governance in APEC:
Rebuilding Asian Growth

SYMPOSIUM REPORT

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FOREWORD

The Asian economic crisis was the central topic of discussion at the May 1998 APEC Finance Ministers Meeting in Kananaskis, Canada. In addition to analysing causes and effects of the crisis, Ministers explored ways of restoring financial stability and growth. They outlined possible programs which could be mounted cooperatively throughout APEC. Among the reform measures proposed was a program aimed at improving corporate governance practices in the Asian region and encouraging greater accountability and transparency in corporate structures.

The APEC corporate governance program is multi-dimensional. On a broad level, activities are being coordinated by Malaysia in conjunction with the World Bank and the Asian Development Bank.

As an initial step in the broader program, the Australian Commonwealth Treasury hosted an international symposium to give regional business people the opportunity to discuss the most pressing corporate governance problems they face.

The Symposium – *Corporate Governance in APEC: Rebuilding Asian Growth* – was held on November 1-3, 1998, in Sydney, Australia. It was funded by the Australian Agency for International Development APEC Support Fund (AusAID) and managed by the Australian APEC Study Centre.

This report contains the outcomes and recommendations of the Symposium proceedings. It highlights principal issues of discussion from the Symposium and aims to support ongoing work in the area of corporate governance reform in the Asia Pacific region.

A copy of the agenda and key speeches from the Symposium can be found on the Australian APEC Study Centre website on www.apec.org.au.



ACKNOWLEDGMENTS

The Corporate Governance in APEC Symposium was oriented to the needs of regional business people. The program examined the extent to which certain business practices contributed to the economic fallout from the crisis. In particular, the program explored the processes by which new business practices, those which promote improved accountability and transparency, can be established and enforced.

The Symposium agenda was developed by an Australian Steering Committee. Committee members included: Terry O'Brien and Veronique Ingram from the Australian Commonwealth Treasury; Don Mercer from the Australian APEC Study Centre; David Holthouse from the Australian Stock Exchange (ASX); and Alan Cameron from the Australian Securities and Investment Commission (ASIC). The Committee was also assisted in its early work by Stephen Grenville from the Reserve Bank of Australia (RBA).

Joe Hockey MP, Minister for Financial Services and Regulation of the Australian Commonwealth Treasury delivered the opening address for the Symposium.

The key speakers in the Corporate Governance in APEC Symposium included: Sec Lt Phairoch Rattakul, Managing Director, Haad Thip Public Co. Ltd.; Andrew Procter, Commission Member, Intermediaries and Investment Products, Hong Kong Securities and Futures Commission; Ira Millstein, Chairman, OECD Business Sector Advisory Group on Corporate Governance; and Ambassador Linda Tsao Yang, US Executive Director, Asian Development Bank.

Rapporteurs were Alan Oxley, Australian APEC Study Centre (Session I), Jim Murphy, Australian Commonwealth Treasury (Session II), and Jillian Segal, ASIC (Session III).

This report is based on an edited compilation of speeches and rapporteurs' notes. The report has been written and edited by Jo Bosben, Assistant Director of the Australian APEC Study Centre.

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EXECUTIVE SUMMARY

While the corporation as an entity and corporate governance practices in general have been matters of domestic policy interest for many decades, the broader concept of corporate governance and its relationship to a wide range of private sector activities has moved to the forefront of international thinking in only the past few years.

The corporation today is responsible for generating the majority of world economic activity. It is prominent player in all markets ranging from goods and services to capital and human resources. The ability of a corporation to attract investments, generate profits and create employment has direct bearing on the economic prosperity of the country wherein it is located.

The Asian economic crisis and the collapse of regional capital markets have focused attention on fundamental regulatory weaknesses in Asia's financial and corporate sectors. Concerns relating to unsound investment practices, poor standards of disclosure and accountability of large corporations, and the degree to which these contributed to the recent economic destabilisation of the Asia Pacific region, are now being aired. To revive investor confidence and help restore economic stability, government officials and business people are in the process of reforming corporate governance structures in Asian businesses.

Sound corporate governance is the assurance that assets are managed in the best interests of owners and stakeholders.

Participants in the Corporate Governance in APEC Symposium agreed to the following basic principles of sound corporate governance:

- Timely and accurate disclosure of financial, and in some instances non-financial, performance records;
- Equitable treatment of all shareholders;
- Establishment of clear rights and responsibilities of shareholders, directors and managers; and
- Establishment of effective and enforceable accountability standards to help uphold sound management and decision-making processes.

The objective of the Corporate Governance in APEC Symposium was to emphasise cooperative efforts which could support financial system and corporate reform strategies. In this vein, Symposium participants discussed the corporate governance challenges which face the region as a whole. While acknowledging unique and individual problems which face each economy, they focused on outlining governance difficulties which are common across the region. Immediate issues of concern among participants included:

- Allocating reduced flows of investment more efficiently;
- Creating more stable corporate financing structures that are less prone to future external shocks;
- Re-capitalising viable companies and financial institutions;
- Regaining international private sector investor and lender confidence in the region;
- Deepening domestic equity markets; and
- Improving management and risk assessment practices among financial and corporate institutions.

Regional governments have important roles to play in developing good corporate governance policies and helping to implement appropriate reform measures. Symposium participants examined ways in which Asian governments could actively promote this process.

Governments have a fundamental role to play in achieving corporate governance reforms, particularly in fostering leadership in business and professional communities with respect to this objective.

In recent years, as Asian companies expanded and increased their borrowings, not enough attention was given to adjustment of governance practices. While corporate collapses have forced banks and lending institutions to consider corporate governance arrangements more fully before investments are made, there remains some resistance among businesses to alter their management practices.

Participants in the Corporate Governance in APEC Symposium discussed the need for all businesses to uphold certain standards of transparency and accountability. In recognition of the closed nature of many Asian business operations, participants recommended that governments take a lead role among business and professional groups in ensuring that companies meet appropriate reporting and disclosure standards.

Governments should give high priority to the establishment of laws governing the sale of property, the design of contracts, and bankruptcies procedures. Governments should also legislate for good corporate accounting, auditing, and reporting standards.

Good corporate governance requires both a flexible market environment and clear and enforceable rules to guide sound business practices. Symposium participants underscored the need for policy makers and regulators to play a lead role in enacting regulatory frameworks to ensure effective and efficient regulation of private sector operations.

Ownership structures of businesses, be they private, public, state or family owned, are key determinants of governance arrangements. In some instances, ownership is held by active and directly involved partners while in other instances, owners are more dispersed and less involved.

Similar to predominant business structures which existed in the United States and Europe earlier this century, many Asian businesses today are owned, operated and managed primarily by individual families. As a result, decisions relating to employment, management, investment and accountability practices tend to be made in-house.

Participants in the Corporate Governance in APEC Symposium outlined the following legal issues which need to be addressed to effectively implement reform and safeguard against future financial turmoil:

- The establishment of internationally acceptable accountancy and auditing standards for companies;
- Development of reporting and disclosure regimes both at national and company levels;
- The establishment of laws regulating the duties of directors;
- The establishment of laws regulating related party transactions;
- Clear definition of shareholder and creditor rights and management responsibility;
- The creation of laws to govern property dealings, development of contracts, and bankruptcy procedures;
- The development of necessary infrastructure to effectively enforce new corporate laws;
- The creation of reliable and accessible court systems or other dispute settlement mechanisms; and
- The establishment of strong and reliable regulatory authorities.



Governments should create public infrastructure necessary to assist in the effective application of corporate and commercial laws, including independent legal systems, prominent, well-resourced regulatory agencies, and professionally trained court officers.

As governments in Asia begin the task of addressing problems in the area of corporate governance, legal and regulatory frameworks are demanding immediate attention. Regulatory bodies are being established in the most affected countries to protect shareholder and creditor rights and to promote management accountability. However, symposium participants stressed that the effective operation of regulatory and judicial authorities entrusted with administering and enforcing laws will depend on each authority being properly resourced, employed by high quality staff and operated in a fair and open manner. Governments with must take responsibility for supporting this process.

Governments should improve the competitiveness of goods and capital markets.

An open and dynamic private sector is fundamental to the economic stability of both industrialised and developing economies. Competitiveness is a key factor in maintaining the sector's energy and growth.

Several symposium participants noted that for the best performing companies to attract financing, the overall framework of goods and capital markets must be competitive. An open, transparent and competitive market environment will help ensure that well-managed companies receive funding with lower risk premia than poorly managed and higher risk companies.

Symposium participants urged APEC Leaders and Finance Ministers to support to the development of the APEC collaborative initiative to improve corporate governance practices throughout the Asia Pacific region.

Participants indicated that the broad APEC initiative, led by Malaysia and aimed at improving corporate governance in the Asia Pacific region, should build on the outcomes of the Sydney Symposium. With additional research being undertaken by the World Bank and the Asian Development Bank (ADB), participants recommended that APEC Finance Ministers:

- Commit to high priority domestic reform measures in the area of corporate governance;
- Examine the types of international assistance available to further their efforts; and
- Utilise the political support offered through APEC to assist in achieving reforms.

Specific proposals for improvements in the area of corporate governance were outlined by symposium participants and are detailed in Session III of this report.



SESSION I

Challenges and Opportunities Posed by the Asian Economic Crisis for Improving Corporate Governance.

Participants in Corporate Governance in APEC Symposium agreed that the Asian economic crisis had many causes. Among the factors contributing to the vulnerability of Asia's corporate and financial sectors was the lack of sound corporate governance. The perception in international equity and debt markets that weak corporate governance practices were common across the region also contributed to the spread of the crisis by contagion.

The causes of the Asian crisis are clearly different from those which impacted in Latin America in the 1970's and 1980's and in Mexico in 1994.

A unique factor distinguishing the Asian economic crisis from other crises is that the region's debt was principally contracted by the private sector. As noted by participants in the Corporate Governance in APEC Symposium, the Asian crisis has not been driven by public sector debt problems or the lack of sound fiscal policy. Asian governments did not run up public debt unlike governments of Latin America in the 1970's and 1980's. Sec Lt Phairoch Rattakul, Managing Director, Haad Thip Public Co. Ltd., emphasised that in Asia excessive borrowing took place among businesses and corporations with little or no attention paid to corporate governance practices which could have prevented the extent of economic fallout and corporate failures.

Wherever there had been a corporate disaster, bad corporate governance had invariably been a key factor.

Corporate governance problems are not specific to certain economies or cultures. A review of issues by the symposium participants demonstrated how the corporate governance problems experienced by economies hit by the Asian economic crisis are similar to problems experienced by developed economies in the 1980's and early 1990's. This was highlighted by Don Mercer, Chairman of the Australian APEC Study Centre Advisory Committee.

Financial and regulatory system weaknesses are problems related to the lack of disclosure and accountability standards in banks and corporations. Corrina Arnold, Director of Global Shareholder Services of the Investor Responsibility Research Centre (IRRC), outlined the contributing factors which are applicable to the region. They include: the lack of open competition in financial systems; poor corporate management and disclosure practices; poor accounting and auditing standards; absence of legal and regulatory infrastructure to enforce protection of shareholders; and weak prudential regulation and risk assessment practices.

Asian governments and business people have begun to examine how flaws in their corporate governance systems contributed to the economic crisis. Long-standing patterns of behaviour are now being questioned.

Asian economies did not expect and were unprepared for the Asian economic crisis. With hindsight, Dr Aziz Mohd. Yaacob, Deputy Secretary General of the Malaysian Ministry of Finance, pointed out

that the crisis was preceded by complacency. Most business people and investors did not think that the high growth rates of Asian countries would end any time soon. Indeed, large scale borrowing and spending continued up until, and in some instances well beyond 1996, when the first signs of a crisis appeared.

Business representatives among symposium participants indicated that while many companies in the region did not expect and were unprepared for the crisis, they are now more aware of what the problems. Many companies are now in the process of addressing their structural and governance weaknesses. Nevertheless, business participants also noted several obstacles inhibiting owners and managers of Asian firms from making necessary changes and adjustments.

Corporate governance frameworks must ensure that management is held accountable for a corporation's performance and that owners are able to monitor and intervene in the operations of management.

First, business participants observed that issues of corporate governance did not generally have a high profile in many domestic business communities. Accordingly, the need for corporate governance reform did not receive widespread support. Participants outlined a need for government and business leaders to improve general business community understanding of the relationship between corporate governance practices, corporate profitability and domestic economic stability.

Second, there is uncertainty as to how new policies are best implemented and enforced. Business people are questioning the guidelines by which new corporate governance rules and regulations are being outlined. Information is needed which details not only how transparency and accountability are achieved, but what the consequences are for failing to meet set standards.

Third, participants noted that corporate governance reforms throughout the world have tended to stem from local crises. The challenge for Asia will be to maintain the momentum for reform once the immediate pressures of the crisis begin to recede. The long term stability of the region will depend on the effective enforcement of corporate governance practices by laws and legal structures. Business participants indicated that authorities responsible for creating and implementing corporate reform measures will need to ensure that policy changes are fully understood throughout Asia's corporate sector and that support mechanisms are in place.

While there is no detailed best-practice framework for corporate governance that can be applied in all national circumstance, general principles derived from comparative studies of well-functioning systems are emerging.

As US Executive Director to the ADB, Ambassador Linda Tsao Yang stated, there is no one size fits all approach to corporate governance – nor should there be. Nevertheless, symposium participants agreed that while flexibility and adaptability are vital to the survival of a corporation, a base regulatory framework is also necessary.

A broad definition of good corporate governance was outlined by Shamshad Akhtar, Manager of the Financial Sector and Industry Division of the ADB. It is the assurance by a corporation that its assets will be managed in the best interests of owners and stakeholders. A system must be devised to align interests and assets and to allow those bearing the risk to exercise some control.

Participants identified a guiding set of necessary internal and external mechanisms which would promote sound corporate governance. These principles are being outlined in other international fora,



especially the OECD, as noted by Ira Millstein, Chairman of the OECD Business Sector Advisory Group on Corporate Governance. They include:

- Timely and accurate disclosure of information regarding the financial performance of a company and the structure of its board;
- Clearly defined roles and duties for owners, shareholders, directors and managers;
- An enforceable internal system of checks and balances to protect against insider wrong-doings;
- Fair and equitable treatment of all shareholders;
- Clear structures to govern strategic decision-making processes of the corporation;
- Promotion of an open and competitive market system; and
- Establishment of external regulatory mechanisms, legal institutions and regulatory bodies, that will help protect the integrity of regional capital markets.

Good corporate governance practice must continue to evolve to meet new business needs.

Achieving good corporate governance is an on-going process. It is not an end in itself. This point was emphasised by Alan Cameron, Chairman of the Australian Securities and Investment Commission. Like the market environment in which the corporation operates, factors which influence corporate governance are constantly changing. The long term success of a corporation will depend on two things: 1) its ability to effectively and continually adjust; and 2) the soundness of the regulatory frameworks which support it.



SESSION II

Accountability and Transparency: The Importance of Reliable Financial Reporting and Disclosure Regimes

The quality of regulation in the region varies from exceptionally high to poor. Sometimes the poor quality of regulation results from a lack of power, sometimes from a lack of skill, sometimes from too much government interference in the day to day work of the regulator, sometimes from the regulator's own lack of transparency and accountability to the market, parliament and the courts.

Some of the work of enforcing high standards of corporate governance can be left to self-regulatory organisations – in particular the Exchanges through their listing rules. But there is a limit to what can be achieved by an Exchange relying upon powers and remedies set out in the contract that governs listing or the rules applicable to intermediaries. Some of the work of enforcing standards can be left to the market – in particular through the pricing of risk. Some, however, must be left to the regulator with statutory backing and stronger powers. In serious cases, there must also be recourse to properly functioning and accessible criminal or civil courts.

(Andrew Procter, Commission Member, Intermediaries and Investment Products,
Hong Kong Securities and Futures Commission)

As noted by many participants in the Corporate Governance in APEC Symposium, good corporate governance is a tool for achieving long term economic growth. So long as governments and businesses can agree on the objectives to be achieved, no single method to accomplish those objectives is required.

Two critical areas of effective corporate governance practices were outlined by symposium participants. They included issues of accountability and transparency.

In general terms, accountability in a corporate context is based on a system of checks and balances and sound auditing practices. Depending on the type of corporate governance practiced, participants stressed that lines of accountability can be and should be drawn differently. However, a central expectation of all corporate structures is that the board of directors is responsible for company management and reporting back to owners.

Transparency in the corporate world refers to the process of disclosing information on a company's performance over a certain period of time. Information is expected to be accurate and delivered in a timely manner. Reporting is also expected to contain information on the financial performance of the company and may contain other information on non-financial indicators such as company strategies and objectives that would be of importance to shareholders and public interest.

APEC symposium participants noted that a corporation's effectiveness is dependent on its ability to define and enforce roles, rights and responsibilities of its principle players, namely; owners, shareholders, managers and directors.

A practical challenge is to define appropriate national reform programs which would uphold general global principles of sound corporate governance.

Business practices and standards in Asia vary from economy to economy. Rughvir Khemani, Manager of the Business Environment Private Sector Development Department of the World Bank, attributed some of these variations to different levels of economic development in the region.

Participants addressed the challenge of enforcing universal principles of sound corporate governance in economies at different levels of development with different political, economic and legal structures. It was noted that each Asian economy will need to implement effective corporate governance reform measures in the context of overall financial and legal system restructuring.

Under any moral or religious system, managers have a ethical duty not to defraud those, such as lenders and minority shareholders, who have placed their trust in management.

Notwithstanding the differences between Asian economies, fundamental good commercial ethics must be present to guide the operations of business communities. Symposium participants agreed that there is considerable goodwill and appreciation of the need for change in Asia's corporate sector. This point was emphasised by Dr Il-Chong Nam, Chief of the Economics Team at the Korean Development Institute.

Sound accounting and auditing practices and continuous disclosure by corporations of any material developments improves corporate performance and investor confidence.

The Asian economic crisis was enlarged by the fact that the management practices and business strategies of many companies were too opaque to allow for an adequate assessment of the risk of investment.

Participants noted that adherence to international accounting standards and timely and accurate disclosure of material matters to the market place would contribute to restoring confidence in the corporate sector. Implementation of appropriate accounting principles and auditing standards would ensure that relevant information on financial performance is available to domestic and international investors.

In developing a regulatory framework for Asia, existing frameworks should be examined and then adapted.

Elizabeth Johnstone, National Director of Blake Dawson and Waldron Consulting, and Ira Millstein, Chairman of the OECD Business Sector Advisory Group on Corporate Governance, outlined some key OECD considerations for the implementation of effective disclosure and accountability standards.

- Company information should be disclosed regularly and accurately on issues of importance to investors, including company performance and elements of risk. Enforcement mechanisms should also be present.
- A set of international minimum standards for reporting to help ensure consistency, clarity and comparability of corporate financial performance should be encouraged by regulators.
- Companies and regulators should be encouraged to accept international accountancy standards and independent audits to help better regulate corporate structures and protect shareholders. Sound and regular audit practices should also be encouraged.
- Existing avenues of regulation should be strengthened to provide sound and prudent enforcement

of certain governance practices, however governments should avoid regulation that unduly inhibits competition (from: Corporate Governance, Report to the OECD by the Business Sector Advisory Group on Corporate Governance, April, 1998).

While the ideas and themes underlying the OECD principles were acknowledged as a good starting point, some participants indicated that certain principles would need to be adapted over time.

Asia's private sector must take responsibility for continuous corporate governance self-improvement.

The private sector in the end, must itself take responsibility for its efficient and effective operation. Symposium participants noted that if companies want to rebuild economic growth, they must begin by setting voluntary standards for self improvement.

There needs to be a commitment from the private sector throughout Asia to:

- Clarify the rights and responsibilities of shareholders;
- Ensure equitable treatment of shareholders and to protect against fraud, managerial self-dealing and other insider wrong-doing;
- Ensure timely and accurate information is disclosed on all relevant matters regarding the financial situation, performance, ownership and governance of the company; and
- Ensure the effective oversight of management by the board and the accountability of the board to shareholders.

In finding a way forward, we should support and encourage efforts which are being undertaken on regional and domestic levels.

Corporate sector reform is complex and will involve review of legal and accounting frameworks, financial constraints in banking systems and the competitiveness of domestic markets. Useful and reliable outcomes will depend on the cooperative efforts of regulators, business people and governments on both domestic and regional fronts.

In preparing for Session III, which aims to outline practical and achievable corporate governance reform measures, participants reviewed related work programs in progress.

On the domestic level, there have been calls for each affected economy to adopt a program for reviewing its regulatory and institutional frameworks governing corporations. Strategies have been put forth by the World Bank and the Asian Development Bank and were outlined by representatives from these institutions, Rughvir Khemani and Ambassador Linda Tsao Yang.

On a regional level, a broad APEC project to review corporate governance issues, which relates directly to this Symposium, is being chaired by Malaysia. The project has the support of APEC Ministers and Leaders and aims to create a fuller understanding of existing practices and effective reform procedures.



SESSION III

Ownership and Control: How to Inspire Investor Confidence and Optimal Corporate Performance

Participants encouraged further clarification of priorities in national corporate governance reform through the APEC Finance Ministers collaborative initiative being coordinated by Malaysia in conjunction with the World Bank and the Asian Development Bank.

To effect a significant turnaround in investor confidence, and thus assist re-capitalisation of the region, Asian economies must adopt, implement and enforce new corporate governance principles. In many instances this is already happening. However, as outlined by symposium participants, further work remains to be done.

Participants in the Corporate Governance in APEC Symposium recommended that Asian economies examine at how progress in the area of corporate governance reform can be achieved on 1) an individual basis, each country adopting short, medium and long term strategies, and 2) as a regional group, such as through APEC fora.

IMMEDIATE MEASURES RECOMMENDED FOR INDIVIDUAL ECONOMIES

- Internal securities authorities should adopt clear legal guidelines to govern shareholder, director and manager rights and accountability. For example, Singh Tangtatswas, President of the Thai Stock Exchange, outlined the specific measures concerning their listing rules which have been imposed to encourage improved disclosure practices, recognition of shareholders' rights and development of internal controls.
- Regulatory agencies should ensure that listing rules and other disclosure requirements are observed. Business representatives in the Symposium recommended that countries enact immediate effective enforcement measures. Legal and corporate governance provisions must be enforced to give them credibility.
- Short term educational initiatives should be established to convey the importance of corporate governance to domestic and global economic stability and people's economic well-being. Initiatives could include seminars, training programs and workshop series. Such programs could be designed to meet the needs of directors, managers, regulators, policy makers, and the general community.
- Internationally accepted accounting standards should be adopted by developing APEC economies. Many participants recommended enforcing the application of internationally accepted accounting standards through regulatory agencies, which, in many cases, are already accepted in legal frameworks. To educate investors and avoid misleading practices in the area, participants recommended use of seminars on the issues raised by creative accounting.



- Professional associations, regulators or institutes of directors should help to identify suitable people for audit committees.
- Regions governments, professional associations, regulators and business people should provide leadership in the process of establishing an open and competitive private sector. This could be supported by discussion groups and other fora to ensure private sector participation.
- The salaries of civil servants and regulators should be increased to ensure independent and high quality people are attracted to these jobs. This suggestion was made by Danilo Concepcion, Associate Commissioner of the Philippines Securities and Exchange Commission, and supported by other participants.
- Credit rating procedures of banks and funds managers should be made more transparent. Dr Il-Chong Nam of the Korean Development Institute emphasised that those parties responsible for extending credit should be required to disclose relevant information on companies financial viability and debt/equity ratios.

MEDIUM TERM MEASURES RECOMMENDED FOR INDIVIDUAL ECONOMIES

Many governments in the region are already acting to reform their legal frameworks and introduce necessary changes. Participants in the Symposium agreed that legal frameworks must not be prescriptive, rather reflective of general principles of sound corporate governance. Frameworks must ensure that management is held responsible for their decisions and that auditors disclose company information accurately and in a timely fashion. Frameworks should also protect and enforce shareholders' rights.

Despite the progress which has been made in the area of corporate law, there remain some fundamental issues which must be addressed to provide the necessary checks and balances within a corporation.

Symposium participants, including Shamshad Akhtar from the ADB and Rughvir Khemani from the World Bank, outlined the necessary interplay between internal corporate operations and external market conditions and legal frameworks which affect the productivity and profitability of a corporation.

In the medium term, governments should examine processes by which the external functioning of legal frameworks can be made more effective. Symposium participants recommended that governments encourage:

- Reduction of state intervention in the financial system;
- Greater market place competition;
- Increased investor activism; and
- Improved disclosure practices among banks and underwriters.

Symposium participants agreed that the both governments and business communities need to be more fully informed about the operations of a competitive market environment and the impact it has on the corporate sector.

LONG TERM MEASURES RECOMMENDED FOR INDIVIDUAL ECONOMIES

The long term success of developing a strong and competitive corporate sector in Asia will depend on the extent to which open disclosure practices and enforced accountability standards are established. Participants agreed, to do so may require changing attitudes of some people in the region of what are, and are not, acceptable business practices.

Assistance from APEC, the World Bank and Asian Development Bank in explaining the relationship between corporate governance and international investor or lender confidence would be helpful in this process.

COOPERATIVE INTERNATIONAL MEASURES

Symposium participants examined possible cooperative projects which could further improve regional corporate governance.

The key principles of corporate governance, as outlined in OECD work described earlier in this paper, could be further refined and adapted to the region through a meeting of regulators from the relevant APEC economies. The meeting could set out to benchmark existing standards and practices against this framework. This initially could be done in the form of self assessments. At a later date, an outside accreditation or peer review could take place. Later still, a corporate governance index could be established.

Within this context, workshops could be held regionally with funding and support from the World Bank, ADB and APEC.



CONCLUDING COMMENTS

There is no single regulating structure that will best serve the interests and needs of the many corporations in existence today. Corporations need a flexible regulatory environment to successfully overcome the challenges of this technological and information age. At the same time, a company's corporate governance practices must meet certain standards that are deemed necessary to safe-guard stakeholder interests.

Effective reform of regional corporate governance practices will require that the many interested groups work together. Participants in the Corporate Governance Symposium outlined the requirements as follows:

- Governments must create laws within a flexible framework to guide reform;
- Stakeholders and creditors need to fully understand the relationship between corporate governance and increased international shareholder and creditor confidence;
- Banks should play a key role in insisting on the use of internationally acceptable accounting standards and adequate disclosure practices;
- The business community and individual directors need to understand how corporate governance can improve the performance of the company and the economy;
- The World Bank, ADB and APEC should assist with funding seminars and training sessions; and
- Regulators should play a key role in leading the acceptance of corporate governance principles, both in confirming the guiding principles of best practice and in enforcing it.

Now is the time for Asian economies to turn adversity into opportunity.

While much is happening to improve corporate governance standards and practices throughout the Asian Pacific region, additional support and encouragement are needed. Symposium participants recommended that a positive message, outlining the consensus and commitment among APEC members, be carried forward to the APEC Ministers. APEC Ministers should be informed of the immediate steps for action that have been identified by participants in the November, 1998 Corporate Governance in APEC Symposium.