



**UNITED NATIONS  
Economic Commission for Europe**

**Round Table**

**CORPORATE GOVERNANCE TRENDS AND ISSUES  
IN THE UNECE REGION**

**Wednesday, 9 February 2005, Salle VII**

Ladies and Gentlemen, Distinguished Colleagues,

On behalf of Ms Brigita Schmognerova, the Executive Secretary of the UN Economic Commission for Europe, it is my pleasure to welcome you to this Round Table on Corporate Governance Trends and Issues in the UNECE Region and to convey to you her best wishes for a successful outcome to your deliberations.

I am particularly encouraged by the large number and diversity of participants, including countries, that are taking part in the Round Table. This demonstrates that corporate governance remains a very topical and perhaps even contentious issue.

There are many of you that have not participated in an UNECE meeting before. Therefore, let me start by saying a few words about the ECE but I will be very brief.

The UNECE is one of the five United Nations Regional Commissions. We are, so to speak, the regional arms of the United Nations.

The UNECE covers 55 member States, encompassing North America and Europe, including Western, Central and Eastern Europe, as well as Central Asia. It also includes Israel. In essence, the ECE embraces most but not all industrialized countries.

The ECE mandate is to strengthen and promote economic relations and multilateral cooperation among its member States. It provides its member countries with a unique Forum to exchange experiences on a wide range of topics; to formulate recommendations on issues of common interest; to develop conventions, regulations and standards; to provide technical assistance to the less economically developed countries in the region; and to promote the fuller integration of the economies of its member countries within the region and with the rest of the world.

Among the many areas of activity carried on under the auspices of the ECE is the Programme on Industry and Enterprise Development. It is under this programme that this Round Table is being held.

In delivering on its core mission – which is promoting economic cooperation and development - the ECE and its member governments are frequently confronted by a range of governance issues. In the past, these tended to be largely public governance issues, that is, issues related to the proper running and functioning of the governmental sector.

However, over the last ten to fifteen years the term “corporate governance” has come into the lexicon of the ECE and has been used extensively in at least two different but related contexts.

The first use is linked to the market transformation and transition of the former centrally planned economies where economic agents have had to learn the meaning and application of corporate governance principles. Since 1989, significant progress has been made in this area but considerable efforts are still required in adopting and implementing modern corporate governance practices. It is imperative for many of these countries to continue to do if they aspire to create a more friendly business investment climate and thereby foster the growth of the private sector and their own economies.

The second, more recent and more profound focus on corporate governance, concerns the UNECE region as a whole. It stems from the wave of corporate scandals in market economies and the consequent widespread perception that there might be serious problems with corporate governance threatening the efficient functioning of product and financial markets and endangering economic growth and employment.

These recent corporate scandals have undermined investor confidence; contributed to the insolvency of major public companies; undoubtedly contributed to financial market corrections; brought into question the relationships between Boards of Directors, senior executives and shareholders; and more generally cast a long shadow on the integrity of the financial and business sectors and the frailty and deficiencies of the legal and regulatory measures in this area.

Today, with the accelerating process of globalization underway and the recent wave of corporate scandals, the issue of corporate governance has moved up the policy making agenda of our member countries. Likewise, the issue of social corporate responsibility has become a topic of discussion among our member States.

The ECE because of its unique features offers certain advantages in addressing some of these corporate governance issues. The ECE provides a neutral forum or platform for both governments and the corporate sector to engage in open and constructive dialogue and exchange of views. We are well recognized for our convening capacity. We do not legislate or regulate as such and, hence, are not threatening or intimidating. All of this can contribute to freer discussion and debate.

Finally, the ECE is an intergovernmental body. By its very nature it focuses on transboundary or cross boundary issues.

We all know that large corporate entities today tend to operate on a global scale. Hence, international compatibility and applicability of corporate governance principles and rules is of particular relevance. While it would be foolish to think in terms of uniform worldwide rules, some degree of convergence and harmonization of practices and legal measures

would indeed be helpful, including greater transparency. It is in this area that an organization such as the UNECE could be helpful.

In the aftermath of the governance scandals involving Enron, WorldCom, Global Crossing, Vivendi, Ahold, Parmalat and others, significant progress has been made both in North America and Europe in addressing the overall issue of corporate governance. But it would appear that problems continue.

There are various definitions, approaches and prescriptions being advocated by institutions and individuals to advance good corporate governance. In some respects, the prescriptions reflect the perceived problems and interests of the various stakeholders or parties involved, such as corporate managers, investors, governments, regulators, financial intermediaries and insurance companies. Furthermore, the issue of corporate governance has spun a new service industry to advocate, provide advice and monitor performance in this area.

Today's programme has been elaborated to give air time, or exposure, to as many different points of view as possible. However, I must add that the programme is very ambitious and, therefore, discipline will be required to execute it. I am looking for your cooperation in this regard. I hope that all of you that speak and take the floor will be brief and succinct as possible.

In closing, I would like to take this opportunity to thank Mr Bruce Kogut, from INSEAD, in particular, for all the assistance he gave us in putting this programme together. Without his help, this Round Table would not have been possible. I would also like to thank Mr Erik Berglof and Mr Ron Freeman for their contribution. All of your efforts are very much appreciated.

I am looking forward to your deliberations and conclusions.

Thank you for your kind attention.