

Corporate Governance and Competitiveness

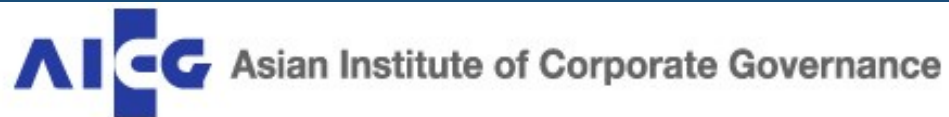
Europe Asia Young Leaders Forum

Beijing

September 11, 2004

Hasung Jang

Korea University, Business School



Why Corporate Governance?

- Corporation
 - Enhancing firm value
 - Protecting interests of stakeholders including shareholders
 - Create trust and integrity
- Economy
 - Development of capital markets for sustainable growth
 - Creating righteous and respectable wealth
 - Maintaining fair and orderly market economy
- Socio-Economic Impact
 - Enhancing country competitiveness
 - Lowering corruptions

Reforms on Corporate Governance in Asian Countries

McKinsey Quarterly, 2004

EXHIBIT I

Asia steps up

Independent director and audit committee requirements

	1997		2003	
	Independent directors?	Audit committees?	Independent directors?	Audit committees?
China			✓	✓
Hong Kong	✓		✓	✓
India			✓	✓
Indonesia			✓	✓
Malaysia	✓	✓	✓	✓
Philippines			✓	✓
Singapore	✓	✓	✓	✓
South Korea			✓	✓
Taiwan			✓	✓
Thailand			✓	✓

Source: Asian Corporate Governance Association

Opacity Index by PWC Jan.2001

Country	O-Factor	Opacity Risk Premium(Basis Points)						
Singapore	29	0*	Lithuania	58	584	Ecuador	68	826
USA	36	0*	South Africa	60	612	Kenya	69	848
Chile	36	3	Japan	60	629	Czech Rep	71	899
UK	38	63	Colombia	60	632	Romania	71	915
Hong Kong	45	233	Argentina	61	639	Korea	73	967
Italy	48	312	Taiwan	61	640	Turkey	74	982
Mexico	48	308	Brazil	61	645	Indonesia	75	1,010
Hungary	50	370	Pakistan	62	674	Russia	84	1,225
Israel	53	438	Venezuela	63	712	China	87	1,316
Uruguay	53	452	India	64	719			
Greece	57	557	Poland	64	724			
Peru	58	563	Guatemala	65	749			
Egypt	58	572	Thailand	67	801			

Corporate Governance Ranking

IMD 2004, 60 economies surveyed

	Average Rank	Corporate Board	Shareholder Value	Insider Trading	Shareholder Right
Singapore	7.5	5	13	3	9
Hong Kong	16.0	9	8	22	25
Malaysia	16.3	10	12	25	18
UK	22.5	22	30	16	22
Germany	23.5	44	31	7	12
USA	23.5	35	17	29	13
Taiwan	23.8	12	21	34	28
India	37.0	29	35	49	35
Thailand	37.3	27	28	55	39
China	41.5	25	40	57	44
Japan	45.3	50	59	13	59
Philippines	45.8	37	42	54	50
Korea	50.5	53	53	41	55
Indonesia	55.3	56	52	59	54

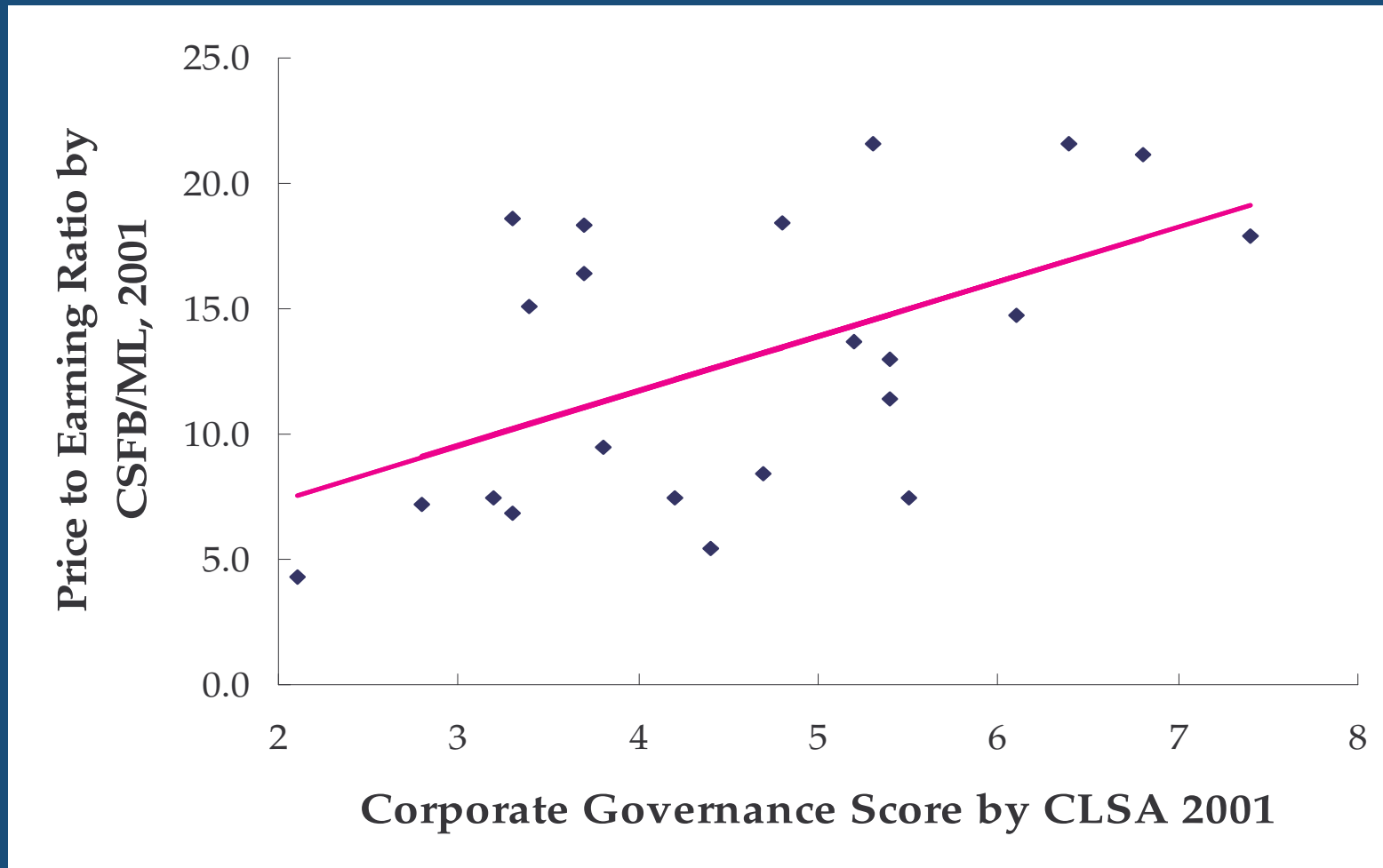
Corporate Governance Index

World Economic Forum 2003, 49 countries surveyed

Rank		Score
1	United Kingdom	6.34
7	USA	5.94
8	Singapore	5.91
9	Germany	5.78
13	Hong Kong	5.59
21	Malaysia	5.27
23	Taiwan	4.96
28	Thailand	4.72
31	Japan	4.59
32	India	4.59
33	Korea	4.59
43	Philippines	3.89
44	China	3.80
46	Indonesia	3.62

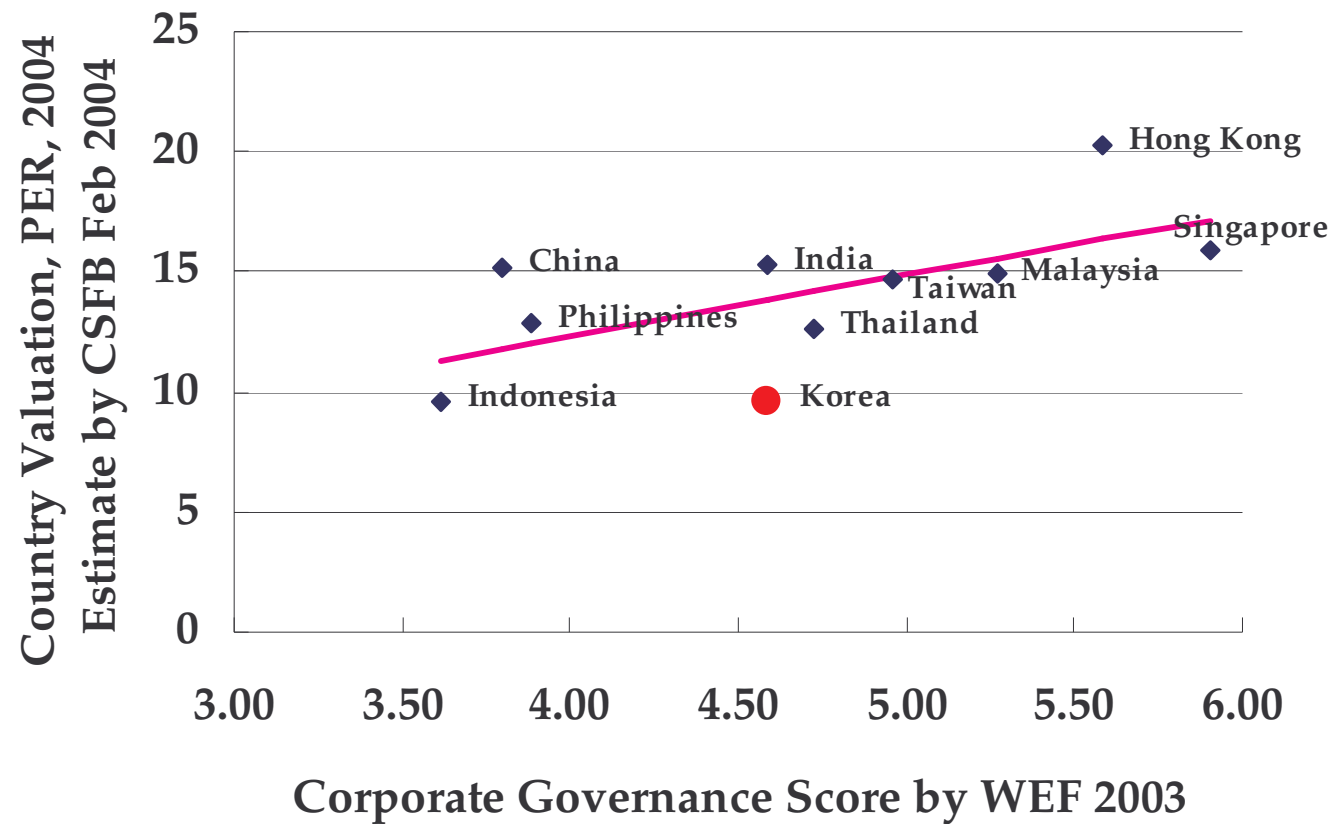
Corporate Governance and Corporate Valuation

22 countries in 2001



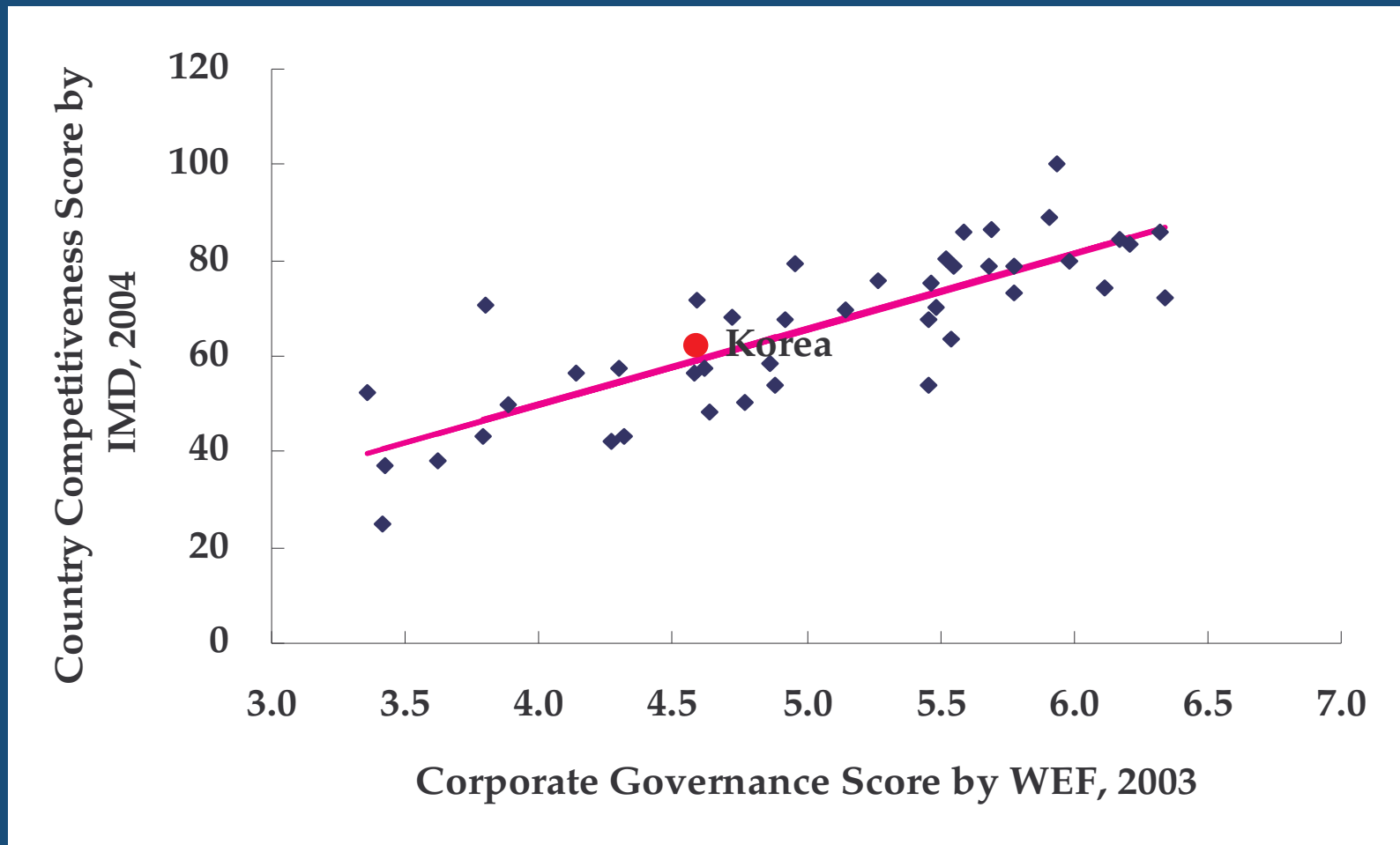
Corporate Governance and Corporate Valuation

Asian Emerging Markets



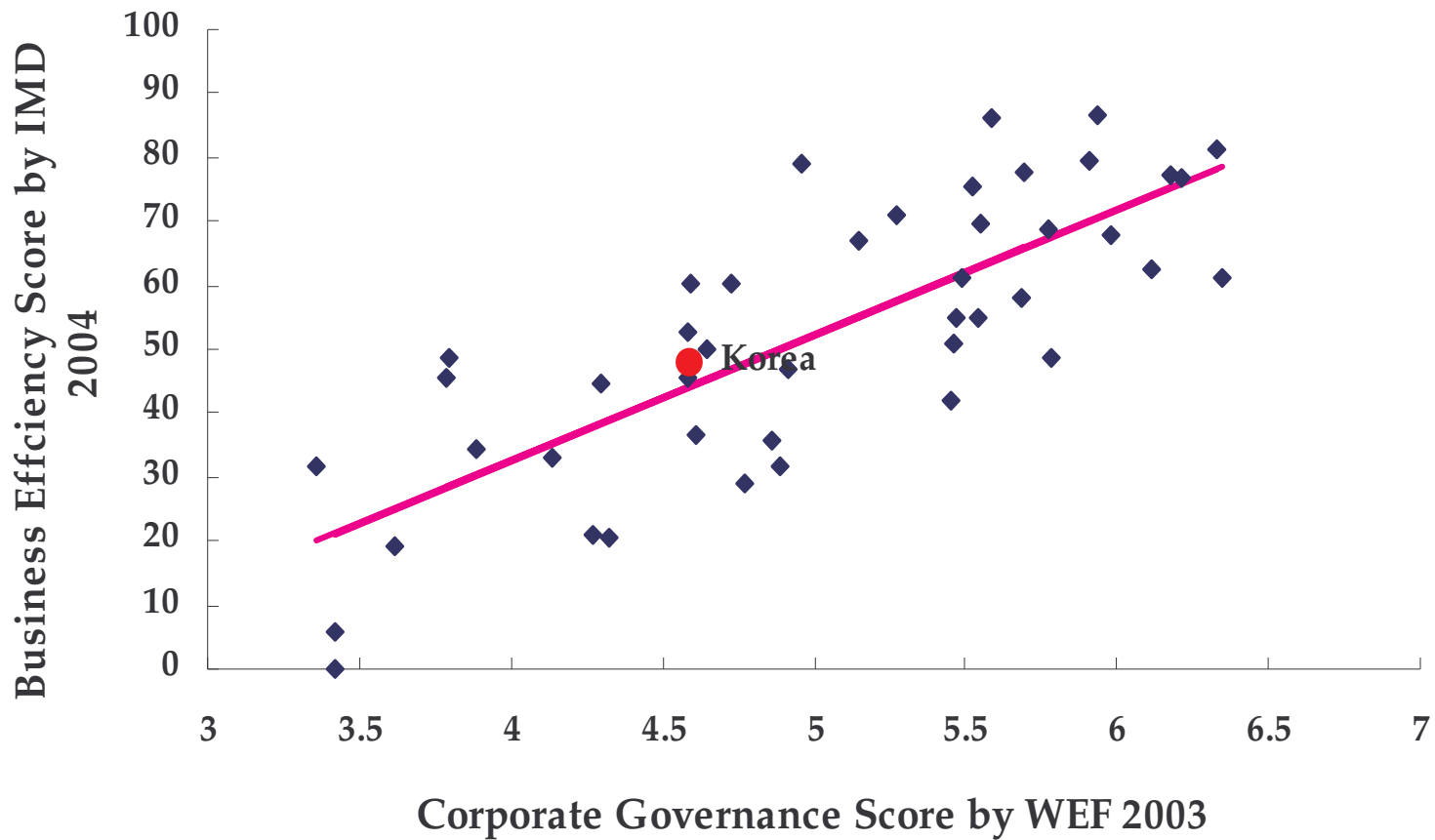
Corporate Governance vs. Country Competitiveness

45 countries



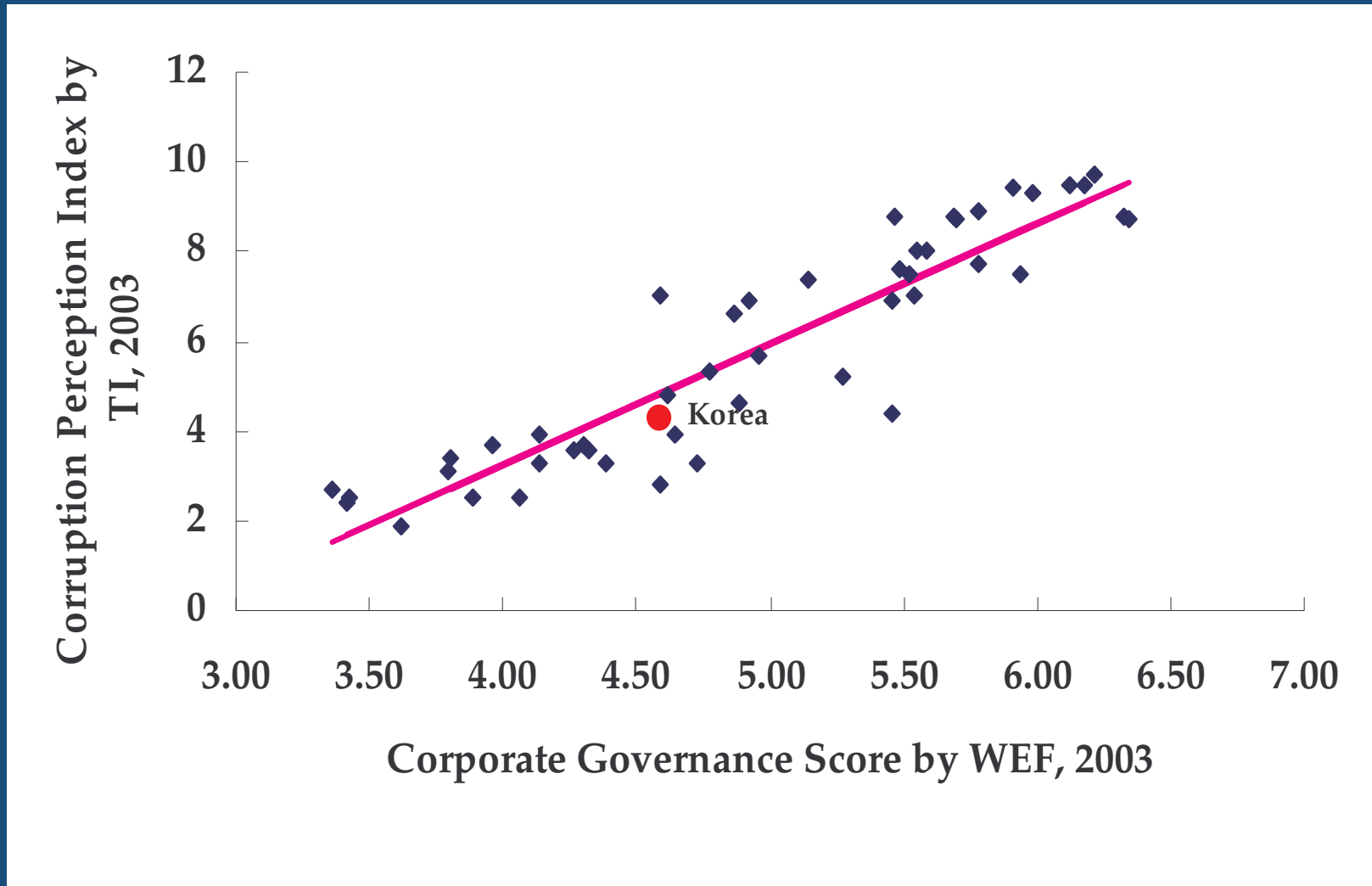
Corporate Governance vs. Business Efficiency

45 countries



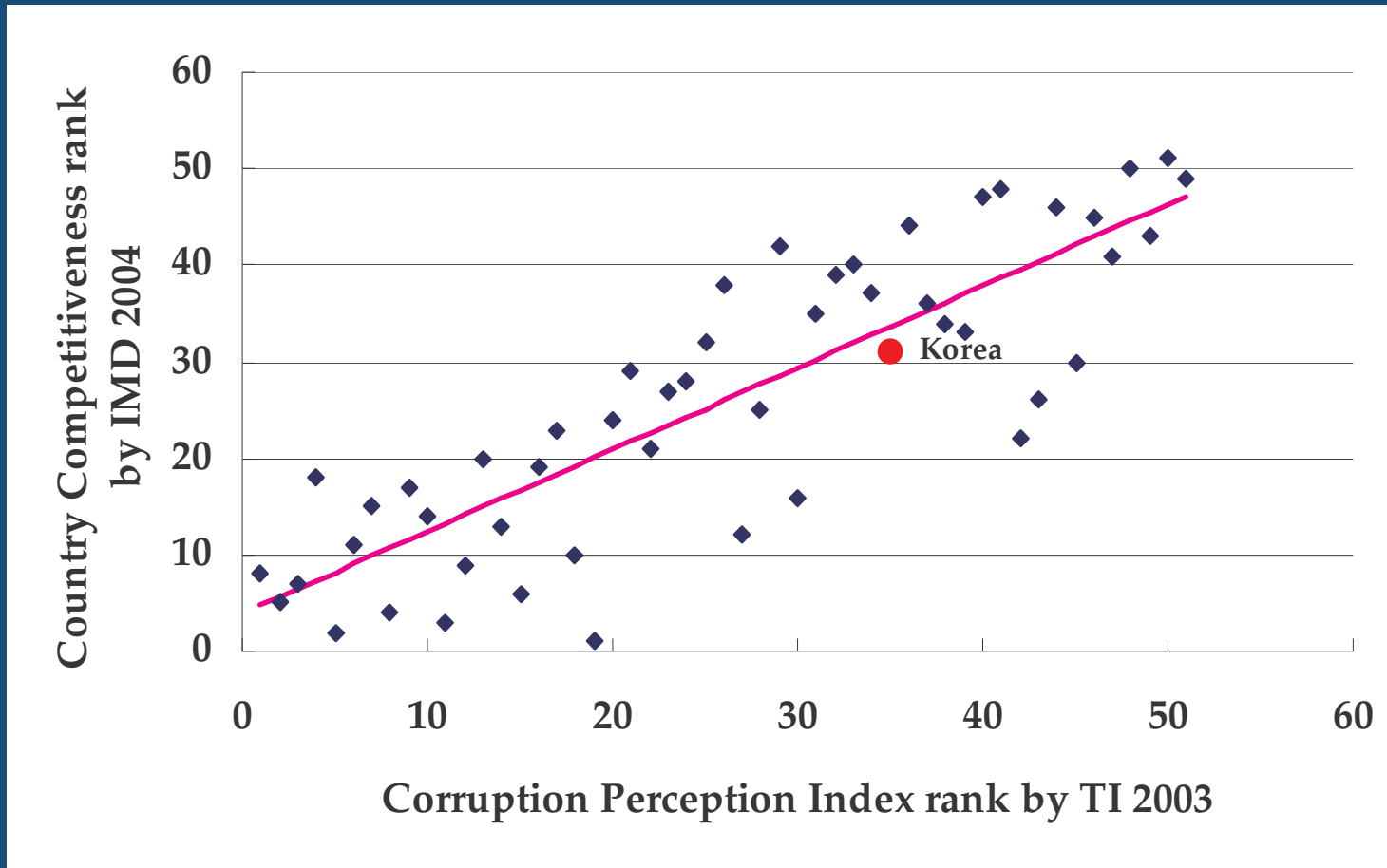
Corporate Governance vs. Corruption

49 countries



Corruption and Country Competitiveness

51 countries

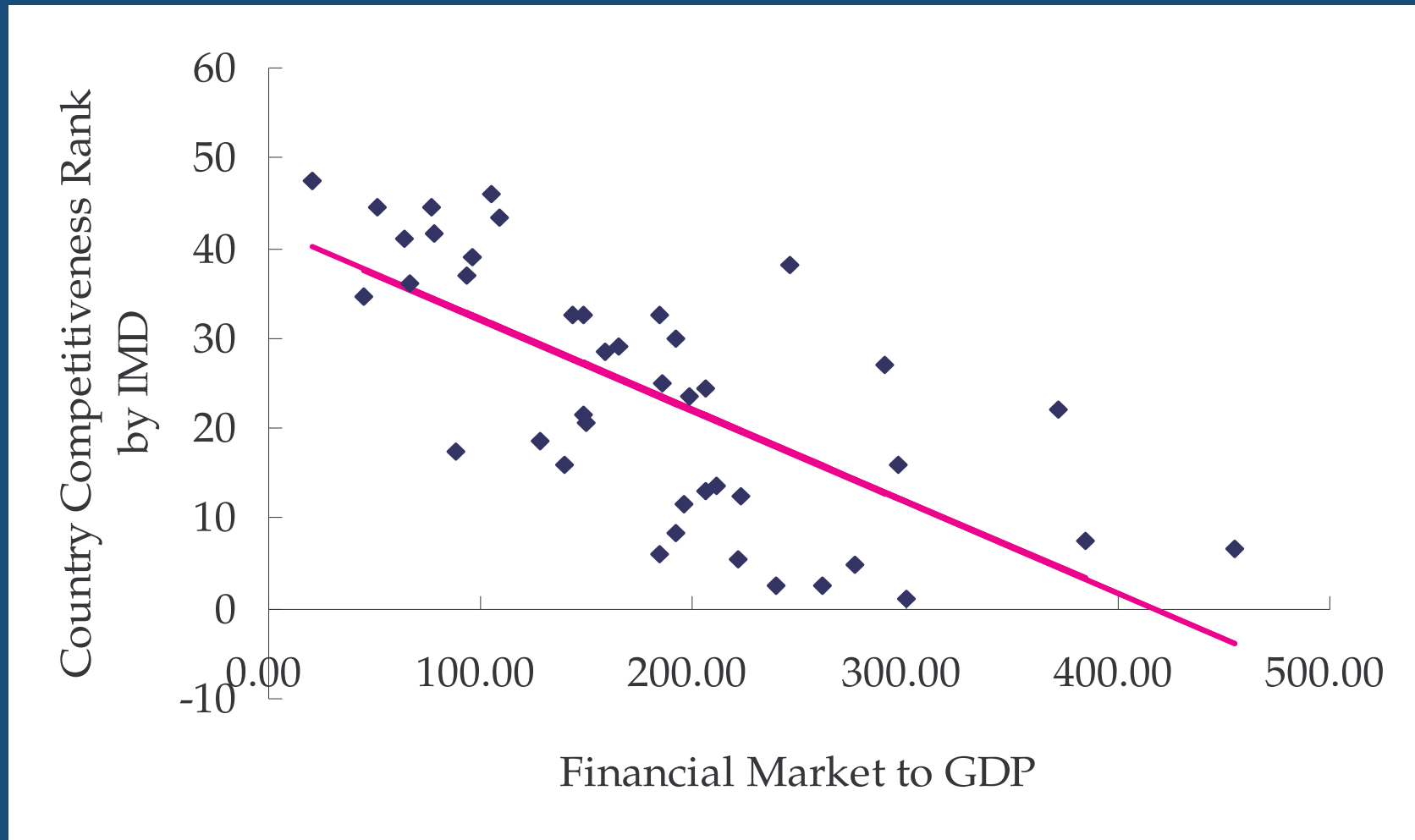


Under-development of Financial Markets

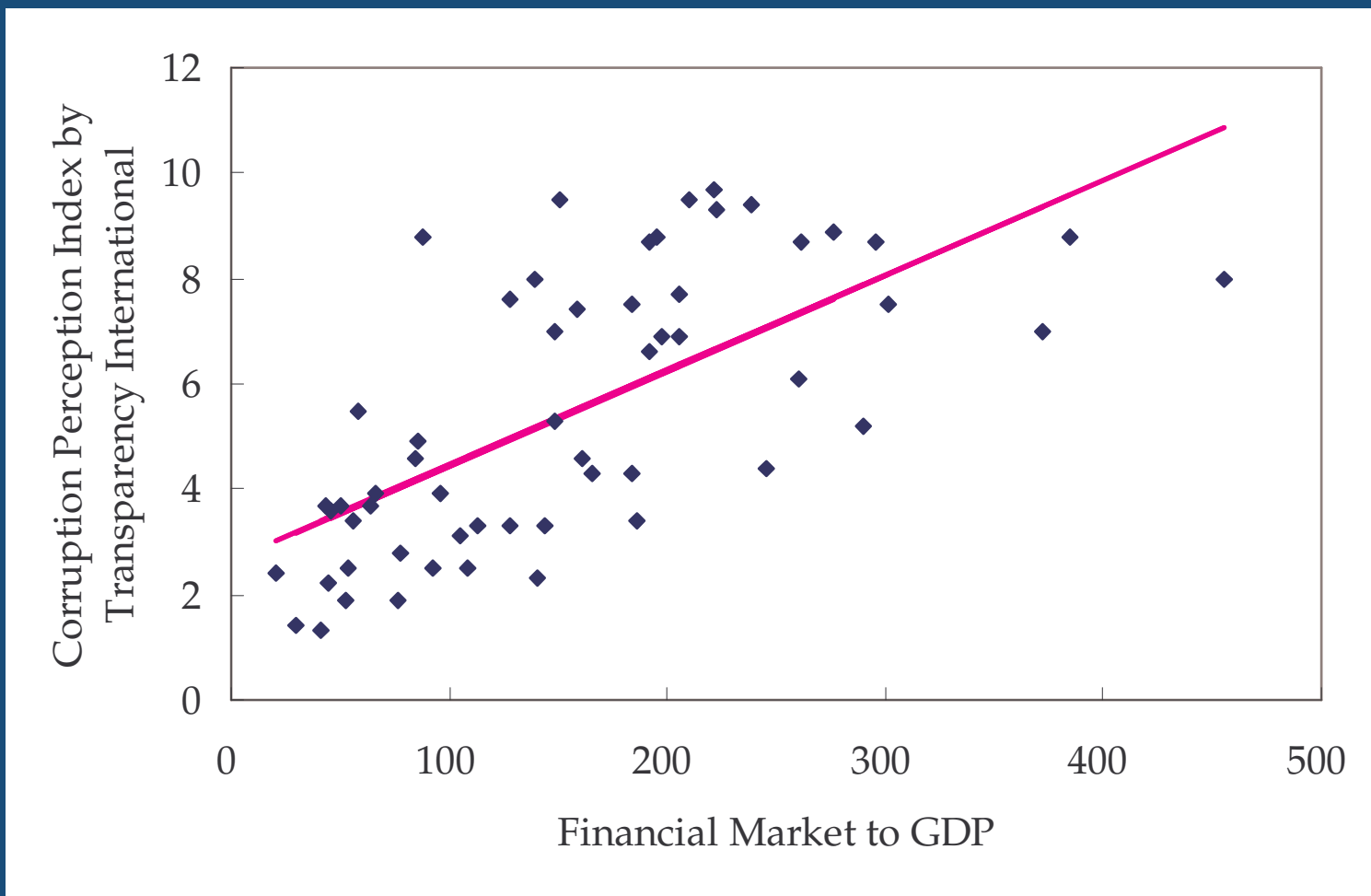
A=Stock Market Cap to GDP(%) B=Domestic Bank Credit to GDP(%)

Rank	Country	A	B	A+B
1	Hong Kong	312.6	142.5	455.1
3	Japan	54.4	317.5	371.9
4	US	137.2	163.9	301.1
5	UK	155.7	140.5	296.2
6	Malaysia	135.1	155.3	290.5
11	Singapore	137.0	102.0	239.0
16	Germany	58.1	147.5	205.5
21	China	45.2	140.6	185.8
24	Korea	55.0	110.4	165.4
30	Thailand	31.7	112.0	143.7
39	Philippines	29.9	63.1	93.0
43	India	23.1	54.7	77.8
44	Indonesia	15.8	60.6	76.4

Financial Market Development and Country Competitiveness



Financial Market Development and Corruption



What Will Expedite Corporate Governance Reform?

- Corporation
 - Voluntary adaptation of global standard
- Market
 - Pro-active role of institutional investors
- Government
 - Direct regulations on corporate governance
 - Enforcement of regulations
- Civil Society
 - Participation and monitoring
 - Activist watch dog