

THE NEED FOR PROFESSIONALISM IN GOOD PUBLIC & CORPORATE GOVERNANCE IN THE ASIA-PACIFIC REGION

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Good public and corporate governance have begun to command considerable attention today in the world, as well as across the Asia-Pacific, not only from civil society, NGOs and the public itself, but also from the business community and the markets. Despite the heavy emphasis on international terror and the war against it, human rights and democracy are far from being irrelevant in good governance; in fact, the people could now become an even more effective “bridge” and “check” between good public and corporate governance than earlier envisaged. A new mentality seems to be sprouting up across Asia in terms of governance.

Three examples of late in the three most developed Asian countries, South Korea, Japan and Singapore, would well illustrate this vital point.

Three Spectacular Scandals Hit Developed Asia

In South Korea, a recent scandal broke out around the controversial disgraced scientist Hwang Woo Suk over his admittance that his “ground breaking stem cell research was indeed fraud. In apologizing to the nation for having been a “disgrace”, following his confession that his 2004 published paper in the prestigious Science journal (claiming a world first in deriving a stem cell from a cloned human embryo), as well as a subsequent 2005 paper (that he had “speeded up” the process by deriving eleven stem cell lines using fewer eggs), Hwang also blamed his researchers, whom he alleged had misled him. This incident was symbolic of a spectacular fall from grace (as he had been recognized as a “national hero” officially by the

Government and nation) for a country known for its excellence and Confucianist meritocracy. In fact, till today many of his supporters still believe in his innocence, despite his heart-wrenching confessions of disgrace, as South Korea slowly came to grips with reality that such a national hero (stripped of the honour since) could have resorted to cheating and “outright fraud”, just to gain prominence and honour for himself and the country. Moreover, thanks to public governance exigencies in South Korea, Hwang could also be charged for “misusing public funds” (which he had used to fund his research), in a country that has now stringently and severely “tightened” public accountability.

Many Koreans have also begun to ask themselves the reasons for this “national disgrace”, as social analysts blame it on a specific cultural trait that has been emphasizing Seoul’s need to push for greater meritocracy in a “no-time-to-lose rush for success”. In fact, this scandal may have pushed the nation to query its own meritocratic practices, at a time when Korean nationalism is also rising fast, amidst a strategic distancing of Seoul from Washington under the Roh Moon Hyun Administration. Young South Koreans would no doubt push for greater “independence” from America as they grope for some form of rapprochement with the North in a national feeling of asserting Korean pre-eminence and pride (from the US, Japan and China) after a hundred years of passive submission to greater powers surrounding the Peninsula. Moreover, Korean society may be changing faster than had been envisaged as this latest Hwang scandal may indeed exemplify “a phenomenon of society” in a real soul-searching attempt within South Korean society (like in Chinese and Japanese societies too) over its own future, amidst the throes of globalization and an extremely fast-developing economy.

Meanwhile, in Japan, the “Livedoor scandal” broke out in a spectacular fraud scenario. The now-disgraced IT entrepreneur, Takafumi Horie, is alleged (by a close aide, who was the former chief financial officer of Livedoor) to have “cooked the books” of his Livedoor firm, so as to be able to buy a baseball team and propel him to celebrity; this scandal hit the political raw nerve as

well, as Japanese Prime Minister had to answer to Parliament how and why he and the ruling LDP could have even been “mised” into “sponsoring” Horie as a LDP candidate during the last 11 Sep 05 legislative elections. In fact, it is now being investigated and exposed how Livedoor had indeed covered up a loss of 1 billion yen by “massaging the books” so as to reflect a “false profit” of 1.4 billion yen.

At 33, Horie had become a “national hero” and a symbol of both Japan’s re-emergence as an economic power, as well as its new class of “techno-entrepreneurs”, who reputedly symbolize Koizumi’s “new” Japan. This “Livedoor scandal” would certainly have greater political, economic and financial implications in the months ahead, as the Tokyo Stock Exchange had already suffered a huge drop on the day the “Livedoor scandal” erupted, thus causing the Exchange to be halted in the last minutes of the trading day, owing to its surprising inability to cope with large volumes of sell-offs; the Exchange’s top man has since taken on the onus of a resignation to “pay the price”. Koizumi, in his last eight months as Prime Minister, may also face increasing pressure to explain how he and his LDP could have had such a “lapse of judgment” (although Horie did not eventually win the seat he had contested for the LDP) on the prominent upstart, without clearing his moral credentials properly; the opposition could indeed take further advantage of this “lapse of judgment” and attack Koizumi and his Administration at a time when the Japanese society seems to be in increasing *angst* over a host of social and political issues that now affect Japanese society, ranging from constitutional reforms and Japan’s future role of engaging the world to tax cuts, domestic reforms and its crucial relations with the rest of Asia, notably China and the Koreas.

Earlier, towards the end of last year, Singapore also hit a



scandal in its charities, the National Kidney Foundation (NKF) and Visually Handicapped Association. The more potent and spectacular scandal, the "NKF saga", was one involving its former CEO, TT Durai; exposed by a Straits Times' (the nation's top English paper) journalist, the controversy was Durai's extravagant lifestyle at the NKF, a national charity to help kidney patients receive affordable dialysis treatment. This saga soon became a national issue for a man so well-respected for his fund-raising prowess and "entrepreneurship", especially when he went to court to sue the Straits Times but ended up paying the price politically, when he dramatically lost the case and then got investigated instead by the Corrupt Practices Investigation Bureau (CPIB). The whole NKF Board was forced to resign, as investigations were launched and a new Board was appointed; the Minister of Health was however firm and fast in tackling potential political fall-outs, as general elections were *a priori* scheduled for 2006, most probably in the early part of the year. The court drama hit head lines, as prominent people in Singaporean society were hauled to court to answer for the "irregularities" within the NKF, ranging from the gold taps in Durai's office, the "more-than-luxurious" NKF premises (for a charity), the latter's "extravagant" salary and his "questionable" fund-raising antics to his first class trips abroad, NKF's alleged reserves and the "very modest amount" of subsidies that were effectively given to dialysis patients (despite NKF's reported huge reserves).

It is believed that the saga may not have hit the end of the road yet, as CPIB investigations have now in fact gone into full swing and more revelations would soon be made, with possible criminal charges in toll for Durai, some senior administrators and even possibly, some members of the Board. In the aftermath of the spectacular court case, the NKF's patron, Mrs Goh Chok Tong (the wife of Senior Minister and ex-Prime Minister Goh) resigned as Patron together with the whole Board. This "crisis of confidence" that shook NKF then rippled through all charities in Singapore (after incensed Singaporeans withdrew *en masse* their monthly financial contributions to the NKF); in fact, all charities in Singapore have since reported at the end of 2005 a drop in

contributions and sponsorship since this saga. The Government has taken the tough road to rebuild confidence in national charities amongst the Singaporean public, which may eventually take another year or so to truly accomplish. The Durai scandal and the NKF saga could also be interpreted to have resulted in a serious rethink of Singapore's drive for entrepreneurship, as Durai clearly embodied a very successful fund-raiser (and entrepreneur) perhaps with some questionable moral ethics, that have yet to be fully proven by the CPIB and courts; but the fact that this investigation is proceeding extremely seriously in Singapore shows the strong will of the Government to leave "no stones unturned" in a country prided for its moral integrity and non-corrupt ethics. Future entrepreneurs would surely be assessed not only by meritocratic and entrepreneurial success alone, but also by ethical and moral yardsticks as well. The central issue that will preoccupy seriously the authorities would be now to "balance" entrepreneurship with moral ethics in a society driven by intense "meritocratic pressure" to succeed (perhaps at any or even too high a cost).

But in reality, in all the three above cases (a public governance scandal in Seoul, a corporate governance scandal in Tokyo and a semi-corporate-cum-public governance scandal in Singapore), we could begin to also wonder if "meritocratic pressure" is too high and intense in Singapore, South Korea and Japan, in order to produce such unfortunate scandals? Would this likely happen too in the rest of Asia, especially in China, Indonesia and India, where corruption charges fly regularly?

Interrogations & Lessons from these Three Scandals on Governance in Asia

Arising from these three scandals, which have shaken up Asia's three most developed countries, there could at least be four

interrogations or even conclusions to draw, which Asian societies (in full transition) should really ponder through, as their economies develop frantically.

Firstly, these three developed economies may be leading Asia in developing a real sense of professionalism in public and corporate governance, which is the real positive aspect here. This "whilst-blowing" tendency appears to be gaining ground regionally, as the general public now places greater emphasis on public and corporate governance, amidst the rise of people's and small shareholders' power in Asia.

Secondly, there is now a fundamental question posed on whether Asian societies have truly come to terms with the increasing "meritocratic pressure" that is mounting, amidst a more competitive society, whereas its social mores and cohesiveness still smack of Asian conservatism and hierarchisation. This is indeed a challenging "phenomenon of society" for transitional societies in general, but perhaps more so in "confucianist" Asia in particular.

Thirdly, there is also a need to address the issue of ethics in Asian societies, as too much emphasis may have been placed on success and meritocracy "at all costs", without investing much in the moral side of society, a part from the strict enforcement of law, as in Singapore. Perhaps, a religious safeguard and moral ethics should usefully complement the rule of law in Asian societies, as they develop further.

Lastly, Asian societies in transition must address the fundamental issue of the kind of society they really want, either the liberal, competitive American model or a more social and cohesive Asian society, perhaps less subjected to intense "meritocratic pressure". Or could there be a healthy and balanced mix of both, in order to achieve a sort of "enlightened" Asian society?

In fact, from these three "irregularities" in "developed Asia", spectacular as they were, could certainly be a sound occasion for Asians to revisit fundamental issues of meritocracy, competition,

moral ethics and governance. Will this result in the "professionalization" of both corporate and public governance, which could in fact then change the face of a fast-developing Asia amidst a spectacular rise?

The Rise of Corporate & Public Governance in Asia

In fact, on the issue of good corporate governance in the Asia-Pacific region, a conference, co-organized by the World Bank, Transparency International and Singapore's Institute for Policy Studies in July 2002, had highlighted, amongst others, the good corporate governance practices and the anti-corruption ethos of Singapore. Singapore's success in implementing good corporate governance, thanks to its anti-corruption ethos, is based on the clear determination of Singapore's political masters to weed out corruption. It had involved right from the start in the later 1960s the creation of a group of young highly-motivated technocrats in the bureaucracy, who are imbued with a strong belief that corruption must not be allowed to fester in Singapore.

With rising standards of education and wages, this belief became sufficiently anchored in the Singaporean psyche to become its fundamental policy and a benchmark for the Republic, not only in government but also in the private and social sectors of life. Furthermore, corruption is severely punished by law in Singapore, which acts as a real deterrent to corrupt practices in the Republic, both applicable to its nationals as well as to foreigners living and working here. The law courts and judiciary of the Republic are firmly behind this political will, and are clean and impartial.

It is commonly believed that the Southeast Asian region could perhaps emulate Singapore. In the recent words of Malaysian Prime Minister Abdullah Badawi, ASEAN should perhaps evolve its own corporate and public ethics, so that it need not always be on the defensive vis-à-vis Western countries. Abdullah is leading a battle against corruption in his Administration as well as within the ruling parties and coalition, just as Thai Prime Minister Thaksin Shinawatra is now increasingly under pressure on corporate and public governance issues even though he is politically at his zenith

of power in Bangkok. Philippine President Gloria Macapagal-Arroyo is fighting attempts to unseat her, as electoral fraud charges continue to wreck the Filipino political establishment against the President since her re-election in 2004, just as Indonesian President Susilo Bambang Yudhono has promised to tackle corruption, thanks to pressure from his supporting PKS coalition partner, but though without much noticeable success till date.

On the other hand, China is in the throes of implementing a new moral code, as its present-day leaders seek more social justice and greater social re-distribution, in order to keep Chinese society intact (from untoward social explosion) and safeguard the political future of the Communist Party in Chinese politics. Elsewhere in Japan and South Korea, spectacular scandals (before the two recent ones highlighted above) have in fact underscored certain advances in the areas of corporate governance as well. Good corporate and public sector governance have therefore come to the fore in Asian politics, not only in Southeast Asian, but also in Northeast Asian politics.

But there may be some difficulties and hurdles in implementing good corporate governance and the anti-corruption ethos in the region. A good corporate governance code and this ethos would be the ideal, which we must indeed all strive for; but we would also need to adopt a more realistic approach to this issue. In fact, for good corporate governance and especially the anti-corruption ethos to take root in a country in the region, there should, according to studies done for the World Bank (based on interviews of Singaporean business leaders), be at least three major factors or conditions to fulfill first in the socio-economic development of Asian economies.

Conditions for Implementing Good Corporate (& Public) Governance

One is a fairly good, healthy economic growth (which will help alleviate poverty and reduce massive unemployment) and thus, increases in the wage level to an "acceptable" level, ie a so-called "hygiene" level, which is above the basic subsistence level.

At the same time, the general education level should be improved upon, so that the anti-corruption ethos could be instilled in the general public and third, a clear determination of the authorities (especially, the local authorities) to weed out corruption as “a way of life” in that society.

Once these three conditions are met, there would be a strong possibility that good corporate governance and the anti-corruption ethos could take root in the country. The general public would then see the futility of corruption in their way of life, as they would then perceive moral hazard as a form of “wastage” in the society’s development. It is equally important for the authorities to show that there are benefits in reducing corruption (as a form of “wastage”), especially to the common people, who must be fully brought on board to support this philosophy and policy. As an example, Shanghai, as compared to other cities in coastal China (including Beijing, Nanjing and Guangzhou), has made the most progress in containing corruption, probably because the sheer determination of the local authorities to arrest this trend was the greatest.

There must therefore be adequate socio-economic conditions first, created in a country before good governance could effectively take root and be sustained, but it is the political will and determination of the political authorities, which would constitute the decisive factor of corporate governance’s triumph. It is thus not possible just to impose rules or codes, without “accompanying” them with the right and conducive socio-economic and political conditions. This is probably the best realistic approach to introducing good governance and the anti-corruption ethos to the Asia-Pacific region.

However, conducive socio-economic conditions must not on the other hand constitute an excuse not to begin working on better corporate governance in the country; the third factor of political will must therefore be meticulously and unscrupulously implemented so as to build up the other two factors. In fact, it is probably good public governance, which must be the precursor to good

corporate governance in the Asia-Pacific. There is hence an utmost need to “professionalize” the building up of good public and corporate governance as mutually sustaining approaches.

People’s Power and the Markets – the Ultimate Factor in Good Governance

In fact, people’s power could therefore be expected ultimately to scrutinize and check both the public and corporate sectors’ integrity and governance practices more closely. The Monterrey Consensus (2002) has hence helped focus on the corporate sector’s crucial role in international developmental strategies, but only if this corporate sector would fully embrace good corporate governance in the country where it is operating. An essential part of this “check” would be through civil society, NGOs and consumer groups; but most critically for the corporate world has been the rise of small shareholders in the stock market as their rights are being increasingly strengthened. Good governance has therefore become both a public and corporate exigency by the rising civil society and emerging public opinion. In fact, both the governments and the corporate world will now have to measure up to popular expectations in a very clear way.

The market and the investor community (and especially individual investors and small shareholders) are beginning to view both public and corporate governance seriously. This fact remains that because of this renewed importance accorded to both public and corporate governance, companies would now find it progressively harder to bribe their way through corrupt governments and systems. Otherwise, they would be punished by the market and abandoned by their shareholders (as the cases in corporate America and its stock market has amply shown!), who are having a commanding say, thanks to the spread of good corporate governance ethics and shareholders’ rights.

One of the results of the 1997-98 Asian Crisis has been the progressive shift away from a duopole nexus of the Asian political economy (based on big government and big business) to a more tripolar nexus, based on governments, civil society and the private

sector (an not necessarily big business anymore). The rise of civil society as a check and balance against governments and the private sector is definitely an *acquis* now in the international ethics of governance. This civil society can now check good public governance, through active NGO activities, as well as good corporate governance, through the stock market, as private individual shareholders.

Democracy and human rights have thus triumphed, as they are now amply translated into concepts of good public and corporate governance, and especially, as the recent Monterrey Consensus has partially “re-written” the “liberal” Washington Consensus, when the Cold War ended and the Wall came down. As people’s power rise in Asia, the end-result for all of us, within the context of globalization, should hence be the clear triumph and “professionalization” of both good corporate and public governance, which the Asia-Pacific region must now fully embrace as a fundamental facet of its vital socio-economic and political development. Only then could rising Asian economies become truly matured and stable societies as well.

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CHOOSING A CONSULTANT
 WHEN CHOOSING A CONSULTANT, BE AWARE THAT THERE ARE DIFFERENT CONSULTING STYLES. REMEMBER - NOT ALL "WORDS" MUST "CORRECT!"

CLIENT CENTERED CONSULTING	CONSULTANT CENTERED CONSULTING	UNCENTERED CONSULTING
<p>HOW CAN I HELP YOUR ORGANIZATION?</p> <p>WE'D LIKE YOU TO KEEP US CURRENT ON ALL NEW IDEAS, POLITICAL, ECONOMIC, AND FINANCIAL TRENDS, AND A FEW OTHERS...</p>	<p>WHEN YOU DIDN'T TAKE MY ADVICE, I FEEL HURT AND ANGRY!</p> <p>I'M SO SORRY! HOW CAN WE HELP YOU DEAL BETTER?</p>	<p>SO FATTY!</p> <p>WE HATE LETHY!</p> <p>LET'S GET THE COMPANY BACK TO OUR FINANCIALS! WE WANT TO GET BACK TO OUR FINANCIALS!</p>

What are you doing?

Wake up! But you need to do the same thing. After graduation from your job, you need to be fully prepared for your profession.