

**GOOD CORPORATE GOVERNANCE**  
**by Mr. Anand Panyarachunn**  
**The Role of a Director in Thailand in the New Millennium**  
**June 30, 1999**

Ladies & Gentlemen,

First of all, allow me to congratulate the Stock Exchange of Thailand and AIG for gathering such a distinguished group of people to talk about this important topic. Good governance, transparency, accountability, minority shareholders rights have become the new “buzz words” as Thailand and indeed Asia, throws off the shackles of the economic woes that have plagued us since 1997.

Central to the equitable balanced and sustainable development of our Nation, is the need to counter corruption, both in the corporate sector as well as government. Corruption, at every level, must be challenged, curtailed and in the long run, hopefully eradicated, if we do not wish to deplete our limited budget and resources. Corruption demobilizes the spirit of our nation and its people. If allowed to persist, we would inhibit and dwarf the moral integrity of our society. I would venture to suggest to you all, that at the core of Thailand’s economic problems of, hopefully the past, lies the ugly truth that there was an absence of transparency, accountability, and a complete disregard for accepted business ethics, and the rule of law. Traditional Thai Values and the way business was invariably conducted, speak of loyalty first and foremost to family and kin folk. Business dealing were based on trust and personal relationships. More often than not families decided business strategy over lunch on Sunday at the senior family house. Little or no thought was given to other minority investors, be they Thai or foreign. Self-interest, protection of personal wealth and family holdings overrode the basic business requirements of honor and to be responsible for obligations both corporately and socially. Many Thais have wondered aloud, that if the first signs of financial mismanagement were taken seriously and were immediately and properly dealt with, perhaps our economic plight might have lessened. Others ask that the fact that our economic ills were allowed to escalate and worsen indicate suspected acts of “cover up” and favoritism in return for a later “special favour” by the powers that be. Social-cultural values which propagated consumerism, conspicuous consumption fertilized by the practices of cronyism and patronage have invariable combined to badly harm the Thai economy and society in general.

Because socio-economic and political factors are so inextricably intertwined, a holistic all encompassing approach which focuses on their interrelationship will serve us well in the future. Make no mistake, the captains of industry and commerce and our nation’s business leaders have a major social role to play in shaping society as a whole. Government should be an active partner in this process, but a strong civil society where everyone from business leaders to average citizens cohere to energetically pursue openness, transparency and accountability, will prove to be the most enduring deterrence against corruption.

Very clearly as we approach the new millennium, the decisions taken by C.E.O's, directors and corporate officers, and the way they make them, no longer simply affect the success of their company or their own careers. Recent regulatory changes adopted by the government, SEC & SET, which I applaud, have strengthened, the rule of law and more explicitly defined the legal obligation of corporate directors. Throughout Asia, the voice of the minority shareholder and small investor is being heard. Gone will be the days of "rubberstamp" self-interest in decision-making.

I also contend that our business leaders have a moral obligation to society in general. Protection of our environment that will be inherited by the next generation is but one example. We are going to need business leaders that provide real leadership with good moral character and high integrity – role models that have a real commitment to foster transparency, accountability in corporate governance and a willingness to welcome public engagement and involvement in solving both business and social issues. In tandem, government must be the provider of a legal framework which assures that people's voices are not only heard but are nurtured. We will require a set of values that are congruent with engagement and participation by all private individuals. We can no longer accept a situation where the average citizen is made to feel not only his/her insignificance and vulnerability vis-à-vis government and powerful business organizations, where he/she is also conditioned to submit with silence and to endure, however onerous, with patience and tolerance.

We must translate and expand our natural commitment to family and kin into a far longer commitment that embraces society in general. I believe our business leaders have an obligation to society that requires active participation and involvement and even vigilance to fend off the corrosive effects of corruption wherever and whenever it occurs. The ethics and integrity necessary in business should easily translate and in fact should be examples for an integrity system that benefits society as a whole.

As our nation moves out of recession and as we embrace the new challenges and opportunities that the new millennium will bring, I believe it is incumbent upon us all to realize that there is a finite amount of capital in the world. That much needed funding will flow to countries and companies where investors believe, apart from business opportunities, that their interests, however small, will be protected, where business practices are conducted in an open and transparent manner and where C.E.O's and directors are directly accountable for their actions. I do not presume to know all the answers, especially in the face of divergent social-cultural economic-political contexts. I do, however, believe that our business leaders have the responsibility and ownership for driving good corporate governance within their corporations. Overtime and with diligence, social good governance will follow for the wider and longer-term benefit of our nation.