

FROM THE PRESIDENT'S DESK

Let Collective Brilliance Shine

The year 2004 has witnessed the fastest pace of the world economic growth for more than 20 years. Stock markets have had a dream run and bourses have spurted in most developing economies. GDP growth rates in emerging markets have notched up unimaginable heights. This, however, has had little impact on the lot of the common man. Despite UN resolve to halve the world poverty by 2015, poverty has actually climbed up in 2004. Hunger, the severest form of poverty, stalks 10 million more people across the world having risen from 842 million to 852 million. Poverty is not limited to Africa or the Sub Saharan desert or developing countries. It has risen by 1.3 million in the US, the world's richest economy. 12.5 percent of the Americans are classified as poor compared to 12.1 percent in the previous year. After 3 years of dirt-cheap money, thanks to the financing of the US deficit by Asian economies, US firms will have to work a lot harder to generate profits. Central Banks, which financed 83% of the US deficit, are shunning American assets. Alan Greenspan will have to dig deeper for more tricks to sustain the dollar.

The Asian tsunami marked a grisly end of a grim year that divided the world and saw the debasement of human values in the capture, imprisonment and abuse of Iraqis. It showed us once again the futility of human institutions to solve the endemic problems of peace, poverty and pollution. Global security has never been threatened more. It may seem paradoxical but international terrorism will increase as long as the war on terrorism remains on the top of the US agenda. Violence begets violence. Even democracy cannot be forced down people's throats. While fewer people are dying as a result of wars in Africa - Angola, Congo, Sudan and Rwanda, the death toll has scaled up by the continued bombing of insurgents or freedom fighters by Anglo-US forces in Iraq. Global warming is causing havoc with calls for carbon tax to curb greenhouse gases and make polluters pay. The latest toll of global warming is on the world's highest mountain as Everest shrinks by 4ft.

Disasters have silver linings. Tsunami brought the world closer. We became conscious of the silent tsunamis destroying lives every day. Each month 150,000 African children die of malaria. An equal number perishes through the water borne diseases. The chronically hungry are also the worst victims of AIDS. The world's AIDS graph shows a steady increase in the number of deaths on account of AIDS, the figure passed 3 million last year.

Although, wanting in standards of national governance - the Congress found that the Iraq war was waged on misinformation - the US led the way in corporate governance. In a landmark judgement the Delaware Court upheld the right of shareholders to sue the management of Disney over the pay of its President Michael Ovitz, for outrageous compensation. In another case ten former directors of scandal-ridden WorldCom and Enron have agreed to pay a collective of \$18 and \$13 m respectively. The excessive costs of compliance with Sarbanes-Oxley continued to worry US corporations with some of the European companies threatening to delist themselves. This has led us to select the theme - Making Corporate Governance Decisions that Work - for our next conference, the 6th International Conference on Corporate Governance on 12-13 May 2005 in London.

Peace, poverty and pollution are the most crucial governance challenges of our times. They call for holistic solutions. Shocking, though, it may seem it is only through market forces that we can find an effective solution to all these three problems.

Ever since its inception the World Council for Corporate Governance has claimed that corporate governance is not just about disclosures and compliance but a powerful engine for social and economic transformation. We believe that its five pillars such as transparency, equity, accountability, participation and corporate social responsibility, on which the edifice of corporate governance stands, are the key to sustainable wealth creation because they allow the markets to function effectively. Markets are also reshaping the social agenda for business. Business has been the greatest beneficiary of globalisation. For the first time in human history business has the power and the technology to make a difference in human lives. It is in the vested interest of business to ensure that the poor are included in the market economy and income disparities are abridged.

In an interdependent world that we live in, where change is transfiguring our lives hour by hour, where fresh challenges constantly dwarf the previous ones, we need to forget our differences and disagreements, even on Iraq, and move on. We owe it to our children to make this world safer, humane, equitable and pollution free so that the human enterprise can blossom. This requires co-creation of solutions through proactive partnership and constructive engagements among all stakeholders. Learning to think collectively and holistically is the key to success. So let us do what the scriptures say: "Let us come together, let us think together, let us combine our intellectual strength, let our collective brilliance shine, let there be no malice, let there be no ill will". This is what governance is all about.

Wishing you all a happy new year.