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The health and nutrition dichotomy between the developed and developing worlds is growing. The developed world is dealing with the consequences of excess dietary fat, high sugar and high salt diets, while the developing world struggles with the long-term effects of malnutrition, a lack of vaccines and fortified foods. This article explores how companies are partnering and developing creative products to solve both dilemmas.

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At the 2002 World Economic Forum (WEF), participants of the Food and Beverage Industries Governors' meeting had reason to be optimistic about the future round of trade negotiations. After the Doha Development Agenda, however, little progress has been made. In fact, the situation may have worsened. This article examines how the elimination of trade barriers may produce significant gains for developing as well as developed countries, and ultimately lead to fewer people living in poverty.

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Corporate governance is essential to protect the integrity of global markets. What needs to happen to restore investor confidence and ensure that companies are using their financial and human capital more efficiently than in the past? This article provides a look at how governments are moving to mandate new rules and companies are adopting new practices to ensure a better future for their stakeholders.

The Widening Gap Between Obesity and Malnutrition

The health and nutrition dichotomy between the developed and developing worlds is growing. On one end of the spectrum, people in developed countries, are eating more, are consuming more processed foods—high in salt, fat and sugar—and are leading less physically active lives. These habits are contributing to a startling rise in obesity. On the other end of the spectrum, people in developing countries continue to suffer from a lack of nutritious foods, resulting in widespread malnutrition.

World population will grow from 6 billion people today to 8.3 billion people in 2030. The world population will be increasingly well fed by then, with 3,050 kilocalories (kcal) available per person, compared with 2,360 kcal per person per day in the mid-1960s and 2,800 kcal today. While developed countries will see a dramatic increase in caloric consumption, many of the developing countries will continue to struggle to feed their populations, which today survive on less than 2,200 kcal per day.

Consumer goods companies will play an increasingly important role in improving the world's health bill. By increasing the nutritional value of the foods they produce, manufacturers will help control and potentially reverse the trends towards obesity and malnutrition.

ADVERSE HEALTH CONDITIONS IN THE DEVELOPED WORLD

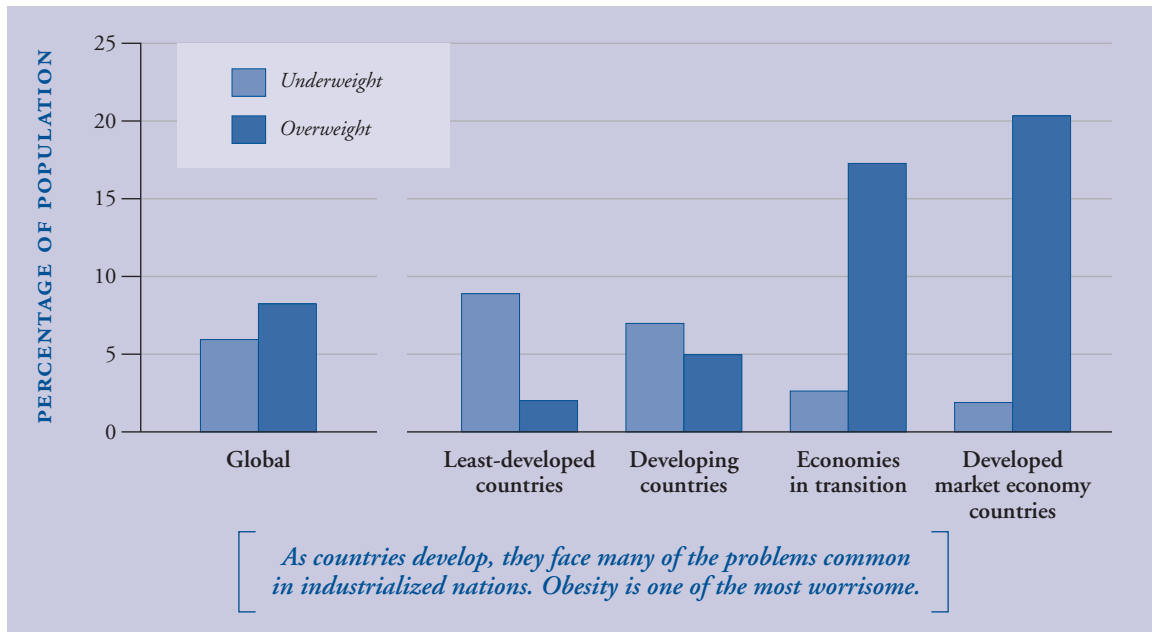
Changing consumption patterns are leading to a frightening rise in adverse health conditions. In the developed world, rising income levels

have led to an increase in meat and fat intake. As incomes increase, the percentage of calories from fat increases. In the two most industrialized regions of the world, the percentage of energy contributed by dietary fat exceeds the maximum recommended level of 30 percent.

In addition, an increase in cheap, processed foods has led to high-sugar and high-salt diets. Global trade of processed food products has nearly doubled since 1980. Although United Nations Food and Agriculture Organization (FAO) researchers have confirmed that consumption of sucrose or other sugars does not directly cause obesity, diabetes and heart disease, the nutritional value of sugar and salt is low. Increasing consumption of sugar generally leads to increased caloric consumption, which can lead to obesity.

Growing portions, and the resulting rise in calorie consumption, is another contributor to health problems. For food companies, the monetary costs of offering larger portions are low, because the cost of the food itself is small relative to labor, packaging, overhead, transportation, marketing and other expenses. Although portion sizes started to increase in the 1970s in many developed countries, they grew sharply in the 1980s and have continued to rise since then. This trend has paralleled increases in overall calorie intake, available calories in the food supply and the prevalence of obesity.

People are also living longer. Average life expectancy in developed countries is increasing, and as a result, more diet-related illnesses

FIGURE: From least to most developed countries: overweight is on the rise

Source: WHO, 2000

that strike late in life are occurring (*see sidebar: Living Longer: How Should Food Manufacturers Respond?*).

Finally, populations are leading less active lives. According to the World Health Organization (WHO), 60 to 85 percent of people in the world lead sedentary lifestyles. It is estimated that nearly two-thirds of children are also insufficiently active, which will have serious implications for their future health.

These patterns have led to some unsettling results:

High blood pressure. Many studies show that more than 30 percent of people over 40 in developed countries suffer from high blood pressure. Diets high in sodium, which is common in processed foods, have been linked with high blood pressure.

Heart disease. Three-fourths of the 12 million heart disease deaths every year result from known risks, including high cholesterol, high blood pressure, smoking, lack of exercise

and a high-fat, high-salt diet.

High cholesterol. One-third of the world's deaths every year results from high cholesterol. Many causes of high cholesterol are diet-related, such as consumption of high-fat and high-cholesterol foods.

Cancer. Cancer causes more than three million deaths in developed countries every year. Certain nutrients are necessary for a body to protect itself against carcinogens. Similarly, excess nutrients or calories can increase the carcinogenic process.

Diabetes. About 177 million people worldwide have diabetes. Estimates suggest that 80 to 90 percent of diabetes cases are type II, which many say is triggered by obesity, high blood pressure, high cholesterol, inactivity and smoking.

Obesity. Obesity is increasing in the world at an alarming rate. In some developed countries, close to half of the population is overweight (*see figure*).

ADVERSE HEALTH CONDITIONS IN THE DEVELOPING WORLD

Meanwhile, the developing world struggles with its own causes of diet-related health problems. For instance, as urbanization increases in the developing world, the preference for grains declines as the desire for and affordability of meat products increases. Among the influences that will affect the drop in the consumption of rice and similar foods are the wider selection of available foods, exposure to foods of other cultures and greater emphasis on prepared foods.

In addition, a lack of clean water sources makes it difficult to grow fruits and vegetables and maintain a healthy diet. Malnutrition affects all age groups, but it is especially common among the poor and those with inadequate access to clean water and good sanitation.

Limited access to vaccinations and appro-

priate medicine is another major problem. Four million of the more than 11 million children under age five who die each year from infectious diseases do so due to a lack of access to vaccines that are readily available in developed countries.

In addition, few people in the developing world get enough vitamins and other essential nutrients. People who live at subsistence levels in rural areas often have no choice but to eat monotonous diets that are poor in nutrients.

Finally, impoverished people who live in cities often subsist on cheap fatty and sugary foods. There are 1.2 billion poor people in developing countries who live on US\$1 a day or less, and many simply lack money for nutritious food.

These patterns have led to the following results:

Heart disease. Soon, China and India will have the highest number of heart disease cases in

Living Longer: How Should Food Manufacturers Respond?

An unprecedented proportion of the human population is elderly, and this proportion will increase rapidly over the next two decades, particularly in developing countries. Food manufacturers must be cognizant of the growing demand for food for the elderly. The World Health Organization categorizes as elderly all persons over age 60. In 1980, 8.5 percent of the world's population was older than 60, rising to 9.4 percent in 1990 and 11 percent in 2000. By 2020, this age group is expected to represent 1 billion individuals—13.3 percent of the projected world population of 7.5 billion.

Almost three-quarters of those 1 billion elderly will live in developing countries. In fact, seven of the 10 nations with the largest elderly populations in 2020 will be developing nations: Bangladesh (with a projected 14 million elderly), Brazil (30 million), China (231 million), India (145 million), Indonesia (29 million); Mexico (15 million) and Pakistan (18 million).

The most common nutrition-related problems in the elderly are obesity, diabetes, cardiovascular disease, cancer, cataracts and sarcopenia. Many of these problems can be addressed with the following diet-related adjust-

ments: high intake of dietary fiber, such as coarse seeds or legumes; low intake of fat and cholesterol; high intake of herbs, fruits and vegetables rich in carotenoids and phytochemicals; and modest consumption of red meat. Food manufacturers will play a critical role in reducing the spread of chronic illnesses associated with poor nutrition in the elderly by producing and promoting products that are low in fat, salt, cholesterol and sugar.

Sources: International Food Policy Research Institute, *Health and Aging*, 2001; WHO, 2001.

the world due to their burgeoning populations. Already, 40 percent of the deaths in China result from heart disease or strokes. With its rapidly aging population (90 million Chinese are over 60, which is half the total in all Asia), China is ripe for a national heart attack.

Starvation. The FAO estimates that 13 percent of the world's population lacks access to adequate amounts of food. There are 780 million people who suffer from chronic hunger, which means that their daily intake of calories is insufficient for them to lead active and healthy lives.

Micronutrient deficiencies. The lack of micronutrients (so named because they are needed in only miniscule amounts) represents a major threat to the health and development of populations the world over, particularly to preschool children and pregnant women in low-income countries. These substances, including iodine, vitamin A and iron, enable the body to produce enzymes, hormones and other substances essential for proper growth and development.

RESPONDING IN THE DEVELOPED WORLD

Food manufacturers can produce healthier food that appeals to consumers in the developed world by doing the following:

Decrease the quantities of fat, salt and sugar used in foods. Simply providing low-fat, low-salt and low-sugar foods, however, is not the entire solution—the key is to maintain taste while packaging and promoting the product effectively. Smucker's, for instance, has produced a successful reduced sugar preserve that has 50 percent of the sugar of the regular preserves but maintains the taste of the original. Unilever Bestfoods' Skippy® brand launched a successful reduced-fat peanut butter with 25 percent less fat than the original peanut butter.



"I try to eat right, but huge chunks of raw meat are all you can find these days."

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Skippy Reduced Fat peanut butter spread uses maltodextrin (a type of corn starch) to replace some of the fat in peanuts. Another way to improve the content of foods is to reduce transfatty acids by reducing hydrogenated oils.

The butter substitutes category shows the importance of product name, packaging and price to the success of a "healthier" brand. Benecol®, made by McNeil Nutritionals, a member of the Johnson & Johnson family of companies, was launched as a light margarine that can help lower cholesterol. Unfortunately, the product fared poorly due to the lackluster name, understated packaging, and high price. Unilever's Take Control®, with a lower price point and a catchy name, has been a more successful margarine product.

Partner with pharmaceutical and nutrition supplement companies. Major food manufacturers have taken advantage of the growing market for meat alternatives by forming partnerships. In 2000 Kraft acquired Boca Burger, which produces soy-based meat alternatives. In 1999

Kellogg bought Worthington Foods, which produces the Morningstar line of meat alternatives. The most successful products have been those that can combine an appealing taste with a competitive price.

Several major food manufacturers have acquired energy and nutrition bar companies and have worked to improve the taste of the bars, which historically lacked flavor and texture. Kraft Foods acquired the Balance Bar Company and Nestlé acquired PowerBar in recent years. Energy bars have become very popular in many developed countries, and sales top more than US\$500 million annually.

Food companies have successfully paired with nutrition supplement companies to leverage complementary skills. In November 1999, Galaxy Foods Company entered into a licensing agreement with Tropicana to launch Tropicana Ultimate Smoothie, which combines Galaxy's soy, rice and oats Veggie Milk® base with Tropicana's fruit juices. This product leverages Tropicana's expertise in flavorful

juices and Galaxy's specialization in health-promoting products.

Fortify foods with nutrients. Foods and beverages that are distinctly marketed as fortified with nutrients have been extremely popular in recent years. Global sales of the total fortified foods market reached almost US\$18 billion in 2001, tripling the sales figure posted in 1997. Projections for coming years demonstrate continued optimism for the future of the market, with retail sales forecast to reach US\$28.6 billion by 2006. Success within the fortified foods market stems from the industry's extremely high rate of product development and consumers' quick acceptance of enhanced foods as they are introduced to the market.

Sustained success in the functional food and beverage category rests upon five common denominators. First, the top performing entrants are all new brands rather than existing ones. For example, Nabisco's Snackwell's® and ConAgra's Healthy Choice® brands are entirely new names. Second, the leaders all

Pick the Tick—A Healthier New Zealand

The Pick the Tick program was established by the National Heart Foundation of Australia and New Zealand to help consumers choose healthier foods. The Foundation encouraged food manufacturers to exclude salt from breads, breakfast cereals, and margarine; 33 tons of salt were eliminated from July of 1998 through June of 1999 in New Zealand. The lower-salt products featured a "tick" or check mark on the packaging.

In breakfast cereals, sodium was reduced by an average of 61 percent; in bread, the average reduction was 26 percent, and in margarine, 11 percent. These reductions have not affected product taste or quality.

According to consumer research in 2002, 59 percent of shoppers use the tick logo to make healthy food choices when they shop, and 81 percent trust the logo as an indicator of a healthy food choice. Says Leanne

Young of the National Heart Foundation of New Zealand, "The findings clearly show the impact the Pick the Tick program has had on the food industry and the benefits this has had for consumers." As of 2002, 80 companies and 750 products attained "tick" status. The popularity of the program has created an incentive for food manufacturers to improve the nutritional content of foods.

Source: National Heart Foundation of New Zealand, 2002.

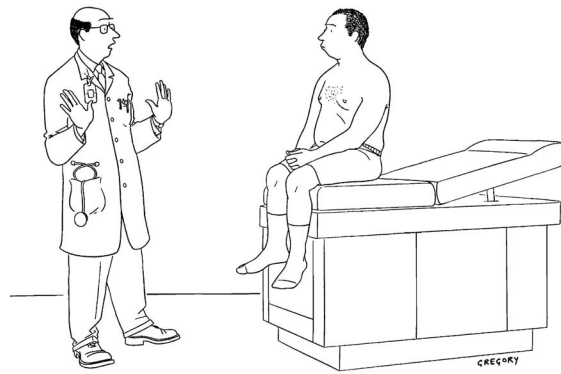
built new categories or subsegments in the market. Third, marketing for nearly all of the products is based on wellness benefits rather than on clinical data. Fourth, they often offer the consumer a portable and convenient alternative. Finally, they all have an experiential quality, whether through taste or physiological effect.

Maintain or lower costs and prices of nutritious foods. One problem with “healthier” foods is they generally cost more than their traditional counterparts. A paper published in the *British Medical Journal* estimates a tax on fatty foods could prevent hundreds of premature deaths annually and reduce the incidence of heart disease by 10 percent globally. The report also called for taxes to be lifted from healthier, more nutritious food. While an added tax on “unhealthy” foods is likely an unrealistic option globally, lifting taxes on agreed-upon “healthy” foods that are low in sugar, salt and fat is a possibility. Ottawa, Canada, along with seven provinces, are leaders in this approach: They apply a sales tax to soft drinks, candy and snack foods, but not to “healthy” foods.

Food manufacturers can also take steps to lessen food-related health conditions, including the following:

Label foods with clear nutritional information. When food manufacturers use clear and effective food labels, consumers can exercise informed choices with respect to the quantity of fat, salt, and sugar content (*see sidebar: Pick the Tick—A Healthier New Zealand*). Transfatty acids should be clearly indicated on packaging. Appropriate and consistent portion sizes should also be clearly listed.

Two major lawsuits were filed in the United States in 2002 for “making people fat.” In November 2002, a class action suit against McDonald’s was filed on behalf of New York children who have suffered health problems,



“Whoa — way too much information.”

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including diabetes, high blood pressure, and obesity, allegedly due to eating McDonald’s food. In July 2002, a group of overweight Americans sued several U.S. fast food giants, accusing them of knowingly serving meals that cause obesity and disease. The lawsuit—filed in the New York State Supreme Court—said that McDonald’s, Burger King, Wendy’s and Kentucky Fried Chicken misled customers by enticing them with greasy, salty and sugary food. These lawsuits will not likely stand up in court because of strong nutrition labeling efforts on the part of food manufacturers. Continued easy access to content labels will help prevent such suits from winning in court.

Partner with key players to support nutrition education and physical activity. Food manufacturers can work with governments and urban planners to encourage increased physical activity by building recreational facilities, such as parks and playgrounds. They should also support nutrition education. The General Mills Foundation, the American Dietetic Association Foundation and the President’s Challenge have partnered to improve youth nutrition and fitness across the United States. The joint initiative, General Mills Champions, will award 50

grants of up to US\$10,000 each to community-based groups that develop creative ways to help youth maintain a balanced diet and physically active lifestyle.

Kraft Foods has long recognized the important roles that a balanced diet and physical activity play in long and healthy lives. As part of that commitment, Kraft funds ACTIVATE, a partnership of six organizations working to encourage healthy family lifestyles that can prevent kids from becoming significantly overweight and developing obesity-related chronic diseases as adults.

Inform the public about the insurance costs of obesity. Life insurance companies often take build (one's weight relative to one's height) into consideration on life insurance applications, although many people are unaware of it. Higher premiums are charged if one's weight is high in relation to one's height. In some cases,

people can be denied life insurance if they are grossly overweight or dramatically obese, even if they do not have any other health problems. Educating people on the extra costs of obesity will help them understand the benefits of leading healthier lives.

FIGHTING MALNUTRITION IN THE DEVELOPING WORLD

Consumer goods manufacturers can help reduce malnutrition and other problems in several ways, including the following:

Develop edible vaccines in foods. Vaccines are primary tools in programs for health intervention for both humans and animals. Such vaccines would be more widely used, especially in developing countries, if the cost of production could be reduced and if they could be distributed without refrigeration. Research is underway to reduce these limitations by finding

A New Vaccination Strategy

Researchers are working on an edible measles vaccine for developing countries that would not require refrigeration or skilled medical personnel to administer. One of the most contagious human viruses, measles kills nearly 1 million people a year, predominantly African infants. Researchers are expressing the measles protein in lettuce and in rice, which could be ground into cereal for infants. Next they will test their vaccination strategy in macaques or baboons. Researchers have also developed a potato vaccine booster for use in conjunction with injected

hepatitis B vaccine. The vaccine is currently in phase I and II of clinical trials for patients who have previously been vaccinated.

Edible vaccines may also prove useful against diseases that require lifelong boosting. Adults are much more likely to eat food than receive the multiple injections expected for HIV or malaria vaccinations to be effective.

Edible vaccine research is currently directed at human diseases, with emphasis on the developing world. The technology will also have immediate value for the production of inexpensive vaccines as feed additives

for agricultural animals. Since various plant tissues are fed to animals, other plants such as alfalfa, maize and wheat could be valuable vehicles to deliver vaccines (and perhaps other pharmaceuticals) for the betterment of animal health. But even if edible vaccines prove successful in humans, getting approval for modified crops and establishing rules for farming and dosing will slow international efforts.

Sources: *Journal of Virology*, 2002; Proceedings of the National Academy of Sciences, 2002.

ways to produce oral vaccines in transgenic plants (*see sidebar: A New Vaccination Strategy*).

Produce fortified foods, with the support of government subsidies, to combat malnutrition. It is relatively cheap to fortify foods with vitamin A, iron, and iodine, which are essential to the human diet and are lacking in the diets of many people in developing countries. The government of the Philippines found the total cost of fortification is less than nutrient pills, so governments could benefit by subsidizing the fortification of foods. Protecting a child from vitamin A deficiency through flour fortification is considerably more economical than through the large-scale procurement of vitamin A capsules, for example. Food manufacturers should encourage governments to subsidize the fortification of foods so that malnutrition as a result of micronutrient deficiencies can be lessened.

Test production using new strains of crops. Food manufacturers must continue to research how to produce more and better crops to help feed the malnourished in developing countries. In December 2002, two high school seniors from the United States helped identify a crucial segment of the rice genome and were among the winners of the Siemens Westinghouse Competition in Math, Science and Technology. The project addressed increasing the production of rice, the world's most important source of nutrition. It identified the genes that determine the early flowering of rice—a discovery that could increase its cultivation around the world and reduce the need for irrigation.

Reduce the salt in processed foods, including cereals and breads, by 5 percent a year. There is a direct relationship between salt consumption and high blood pressure, which leads to heart disease.

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Agricultural Trade Reform: Another Decade of Reading Politicians' Lips?

If the European Union decided to charge every man, woman and child €20 for the right to buy toilet paper to subsidize the paper companies, there would be a public outcry. So where is the outcry as the EU imposes sugar subsidies? In effect, €7 billion is being picked from European consumers' pockets and used to subsidize sugar beet growers and processors. The price for sugar in the EU is about three times higher than the world price—the economically rational price without trade-distorting subsidies—which, of course, not only short changes consumers, but also puts food processing in the EU at a competitive disadvantage. In short, 325 million consumers and 1.5 million food processing workers are paying more and working harder so that 52,000 employees in the sugar processing sector can have an easier life. A sweet deal.

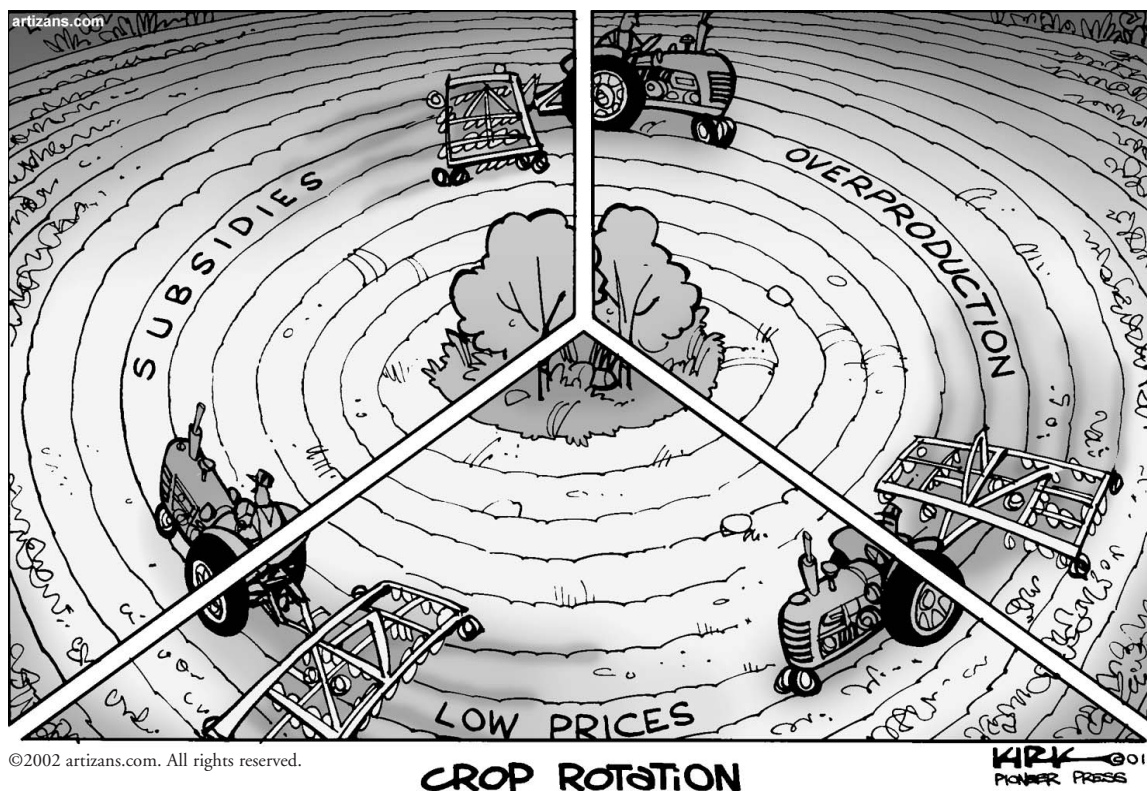
The EU sugar regime is only one of many trade-distorting systems devised by national politicians to fatten their campaign coffers and pervert the operation of competitive markets. And it isn't just the Europeans. The United States and Japan are similarly guilty. Recently, the mayor of a major U.S. city lamented over "the thousands of jobs being lost to Canada" blaming the high cost of sugar—in the U.S. sugar is about US\$0.46 per kilo versus US\$0.17 per kilo in Canada—for ruining the confectionery processing industry, an important part of his city's economy. Clearly, trade distortion is no longer a theoretical problem.

Indeed, the Governors of the Food and Beverage Industries dealt with trade-distorting policies in the agricultural sector last year at the

World Economic Forum's annual meeting. In 2001, the Governors launched the Agricultural Trade Task Force. Driven by the Governors' overall goal of reducing poverty in developing markets, the task force was charged with forging a common public/private understanding of the extent and nature of trade-distorting agricultural policy. Working hand-in-hand with representatives from social aid and care organizations, publicly traded corporations, and international financial research organizations, the task force sought to forge a common approach to the disgraceful situation in agricultural trade policy. At the end of its work, the task force issued a communiqué that laid out the principles of equitable agricultural trade reform, focusing on reducing poverty by building capacity and capabilities in developing markets.

By 2002, at the World Economic Forum annual meeting in New York, the Governors of the Food and Beverage Industries, joined by the Consumer Goods and Retail sectors, had good reason to be optimistic about the future round of trade negotiations. The ministerial meeting at Doha had just taken place—against many people's expectations—and the Doha Development Agenda promised to focus on the development needs of the most impoverished countries, stressing the need for market access and improving production capacity.

Since then, however, little progress has been made. In fact, by all accounts the situation has worsened. For example, in the United States, President Bush signed into law the Farm Security and Rural Investment Act, which essentially



takes US\$180 billion out of U.S. consumers' pockets over the next 10 years, and "invests" it in overproduction, over-intensification, and export dumping. As Mr. Bush commented in May, 2002, "Let me put it as plainly as I can: We want to be selling our beef and our corn and our beans to people around the world." Given the obvious loss of a level playing field, Mr. Bush's words might be perceived as disingenuous, at best.

Meanwhile, in Europe, France and Germany are busily trying to figure out ways to protect their sugar-babies, without giving the same benefits to countries scheduled to enter into the EU—countries such as Poland and Hungary, which are both big (and relatively unsubsidized) sugar producers. It seems that what the EU could not accomplish with trade-distorting policies, it will seek to accomplish with quotas—another method to prevent economics from determining competitive prices.

Therefore, Poland, with significantly greater capacity, cannot produce sugar in excess of its EU-imposed quota. The outcome is largely predictable—Polish processing plants close and people lose jobs while French and German consumers pay too much for their sugar.

In 2003, the Governors of the Food and Beverage Industries will have an opportunity to revisit last year's trends in agricultural trade policy. It is a chance to evaluate what was accomplished in 2002 and to determine whether or not there is a point at which their collective efforts can be leveraged. Before establishing a context for action, however, it is essential to gain a clear understanding of the developments in the international trading environment. Many of the most important developments are summarized in the annual report of the Director General of the WTO, as follows:

During 2001, the world economy experienced a sharp slowdown, with output growing

by only 1%. Concurrently, the volume of world merchandise trade shrank by 1.5%, after growth of 12% in 2000 and average growth of 7% in the 1990s. In addition, world-wide foreign direct investment (FDI) inflows slumped to US\$735 billion in 2001, less than half the 2000 figures¹; this decline in FDI was most pronounced in developed countries (–59%), with developing countries experiencing a more moderate decline (–14%). Neither the decline in trade nor FDI can be attributed to a resurgence in protectionism. The drop in FDI inflows is due to the global economic slowdown as well as to the weakening of business confidence, both of which contributed to a sharp fall in cross-border mergers and acquisitions that take place predominantly between developed countries.

THE DOHA DEVELOPMENT AGENDA

It is against this backdrop that WTO members agreed in November 2001, in Doha, to establish a comprehensive agenda for negotiation and future work. Named the Doha Development Agenda (DDA), it aims to further strengthen and liberalize the multilateral trading system, including dealing with unfinished business on market access.² The success of Doha boosted confidence in the commitment of WTO members to cooperate within the multilateral trading system, particularly in supporting the further participation of developing countries in the system. In this context it is worth noting that developing countries that increase their integration into the world economy do better in growth and income-per-capita terms than those whose integration has lagged³; it is realized

by many, including those in least-developed countries, that openness and participation in the rules-based system stimulates competition and more efficient resource allocation, while furthering growth and development objectives.

Success in the DDA will further support these objectives. For example, the elimination of barriers to merchandise trade in both industrialized and developing countries, in which the DDA will be vital, could result in welfare gains ranging from US\$250 billion to US\$620 billion annually, of which about one third to one half would accrue to developing countries.⁴ Furthermore, removal of agricultural supports would raise global economic welfare by another US\$128 billion annually, with some US\$30 billion to developing countries.⁵ Also, the rapid growth associated with a global reduction in protection could reduce the number of people living in poverty by as much as 13 percent by 2015.⁶ Clearly, trade liberalization and reducing poverty go hand in hand.

Under the DDA, work will continue in several areas of interest to all WTO members, especially to developing and least-developed countries. One key area is agriculture. Despite its small and diminishing contribution to GDP in most developed economies, agriculture receives a disproportionate amount of assistance in the form of subsidies and border protection. Such assistance distorts markets at home and around the world. OECD countries' total support of US\$311 billion to domestic agriculture in 2001 dwarfs the US\$50 billion these countries spend annually on development assistance. The need to reduce support for agriculture is

¹UNCTAD. *World Investment Report 2002*.

²This unfinished business was the subject of a study by the WTO Secretariat (WTO, 2001, *Market Access: Unfinished Business*, Special Study 6, WTO Secretariat, Geneva).

³World Bank, 2001, *Globalization, Growth and Poverty: Building an Inclusive World Economy*.

⁴IMF and World Bank, *Market Access for Developing Country Exports—Selected Issues*, September 27, 2002, page 5.

⁵This amount relates only to static gains; dynamic gains (from higher investment and faster productivity growth) may be several times larger. IMF, *2002 World Economic Outlook*, p. 85.

⁶IMF and World Bank, *Market Access for Developing Country Exports—Selected Issues*, September 27, 2002, page 5.



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being addressed in ongoing WTO negotiations.

Numerous tariff issues are identified as matters for negotiation in the Doha Declaration. For example, market access remains a serious obstacle to trade. While average bound and applied MFN tariffs are low in developed countries, tariff “peaks” and escalation can constitute major impediments to poorer countries’ development and industrialization, for example, through exports; they tend to be concentrated in agricultural products, textiles and clothing, and other manufactures in which developing countries have a potential comparative advantage. Because agricultural products and textiles and clothing account for more than 70 percent of poor countries’ exports, the potential benefits gained by reducing or eliminating peaks and escalation are large.

Furthermore, average tariffs tend to be significantly higher for trade between developing countries compared to exports to developed

countries. In many developing countries, high tariffs increase the cost of doing business and thereby hamper exports. Also, in a number of WTO member countries, the low level of tariff bindings and significant gaps between bound and applied rates create unpredictability and commercial risk.

TARIFFS ARE STILL IMPORTANT

Today, tariffs continue to be a major impediment to international trade. Particular attention is paid to the so-called “Quad” group of major traders (i.e., Canada, the European Union, Japan, and the United States). Tariffs used by these countries can have serious repercussions for their trading partners, especially for developing and least-developed countries. They can lead to welfare losses not just domestically, but on a global scale—such impediments may slow developing countries’ growth, especially by constraining exports.

The impediments to market access faced by developing and least-developed countries in major export markets are compounded by their own barriers to imports. High tariffs protect domestic firms from foreign competition, which makes selling in the domestic market more profitable than exporting. Thus, along with other trade barriers, high tariffs impart an anti-export bias, hampering the ability to generate growth through exports. Exports from some developing and least-developed countries are also impeded by domestic supply constraints, especially inefficient basic infrastructure services, which add to the costs of doing business and thereby impair the competitiveness of firms operating in these countries.

SUBSIDIZATION STILL DISTORTS TRADE, ESPECIALLY IN AGRICULTURE

Although there is no global accounting available on the use of subsidies (including tax relief), a number of factors, ranging from fiscal consolidation in major economies to private-sector-oriented structural reforms in developing countries, have contributed to restraining the use of subsidies in the manufacturing and services sectors.⁷ The disciplines on trade-distorting subsidies, which are contained in the WTO Agreement on Agriculture (AA), have also capped support to this sector. Nonetheless, support for agriculture subsidies remains high, particularly in many of the major industrialized countries, and continues to have a considerable impact on agricultural markets.⁸

Total support to agriculture by OECD countries is estimated to have decreased slightly in 2001 to US\$311 billion from US\$321 billion in the previous year.⁹ Such support was the equivalent of 1.3 percent of GDP in the OECD area, compared with an annual average of 2.3 percent in the peak period from 1986 to 1988, when the Uruguay Round negotiations were underway. In the Republic of Korea, Norway, and Switzerland, total support to agriculture is close to, or exceeds, the sector's contribution to GDP. On the other hand, some countries are not waiting for multilateral negotiations at the WTO but are moving unilaterally to further reform agricultural policies. In the EU, for example, the Commission recently proposed a plan to continue overhauling the Common Agricultural Policy (CAP).¹⁰ Although the total EU farm budget would remain at €40 billion,¹¹ the plan would, *inter alia*, reduce the extent to which support is linked to production and instead peg support to environmental and food safety standards. In addition to preparing the way for negotiations at the WTO, this plan may be driven in part by the need to lower the cost of integrating new members into the EU. Yet, the extent to which member states will adopt the Commission's plan remains to be seen.

In contrast, in the United States, where the sector is more market-oriented than in many other OECD countries, the Farm Security and Rural Investment Act of 2002 raised agricultural subsidies substantially¹²; it is the most

⁷All WTO members are required to notify their subsidy programs to trading partners. For notifications on subsidies under Article XVI:1 of GATT 1994 and Article 25 of the Subsidies Agreement, see document series WT/G/SCM/N/; and for notifications on agricultural support measures under the Agreement on Agriculture, see document series WT/G/AG/N. Comparisons are difficult to make regarding the actual amounts of subsidy involved.

⁸OECD (2002), *OECD Agricultural Outlook, 2002-2007—Highlights*, Paris, p. 5.

⁹OECD (2002), *Agricultural Policies in OECD Countries—Monitoring and Evaluation*, Paris, p. 9.

¹⁰Although the CAP is often defended on the ground that it protects small farms and traditional rural life, 80% of its subsidies are reportedly allocated to the largest 20% of the EU's farms.

¹¹This figure does not take into account indirect subsidies, such as price support and tax breaks for farmers; according to the OECD, total support to producers in 2001 was €104 billion.

¹²Under this new legislation, which replaced the FAIR Act of 1996, federal spending on farm programs will increase by US\$82.6 billion over the next 10 years, on top of some US\$100 billion Congress was already set to give farmers, thus exacerbating the rising fiscal deficit.

generous farm subsidy package in U.S. history. For the time being, the Act deviates from a six-year experiment with more market-oriented agricultural policies; several of the subsidies contained in the bill would provide incentives to boost production. This is particularly true of “counter-cyclical payments” under which growers of wheat, corn, rice, soybeans, and cotton will be guaranteed a certain price irrespective of market conditions, thereby distorting both production and trade. In the event that prices fall further, such subsidies will rise accordingly, although a “circuit breaker” built into the legislation is designed to keep spending within the WTO ceiling.

TRUE REFORM REQUIRES COMMITMENT

The agreement reached in Doha in late 2001 provided a fresh impetus to the negotiations on agriculture that began more than two years ago in accordance with Article 20 of the WTO Agreement on Agriculture. The DDA provides the opportunity to deepen agricultural reform and further liberalize trade. The success of these negotiations depends heavily on the willingness of major OECD countries to undertake such reforms and trade liberalization. Under the Agreement on Agriculture, WTO members are committed to limit and reduce the volume and value of export subsidies; the use of new export subsidies is prohibited.¹³ These commitments primarily constrain developed countries, and notably the EU, which accounts for about 90 percent of export subsidies granted by OECD countries. According to the OECD, the total value of export subsidies on agricultural products decreased in

2000, mainly due to a fall in the value of subsidies granted by the EU (owing to the lower gap between domestic and international prices). Still, the levels of export subsidies at the end of the Uruguay Round implementation period will be close to US\$13 billion, allowing WTO members significant use of these subsidies, if they so wish.¹⁴

According to the IMF, removal of agricultural support (tariffs and subsidies) as part of a comprehensive effort to lower trade barriers would raise global economic welfare by US\$128 billion annually, the bulk of which appears to be due to the removal of tariffs.¹⁵ While nearly US\$98 billion of this welfare gain would accrue to industrial countries, through more efficient production and lower food prices for many consumers, the benefits to developing countries would also be substantial, at some US\$30 billion. These gains are particularly large for food-exporting regions, including sub-Saharan Africa, where many of the world’s poorest live. Although a few poor countries that are significant food importers may be harmed by such liberalization, their losses, as well as those of a small number of richer countries are dwarfed by the welfare gains to industrial countries. This suggests that it will be important to consider providing assistance to poor countries that may endure losses.

In 2000, mandated negotiations on agriculture commenced. In accordance with the timelines set in the DDA, the Committee on Agriculture adopted (in special session, March 2002) a program of work designed to establish modalities for further commitments in the areas of market access, export competition and

¹³Commitments include the reduction of subsidized exports by 21% over six years from the entry into force of the WTO (14% over 10 years for developing countries) and the reduction of the value of export subsidies by 36% (24% over 10 years for developing countries).

¹⁴70% to the European Union. See WTO (2001), *Market Access: Unfinished Business*, Geneva, Table III.10, p. 61.

¹⁵This US\$128 billion relates only to static gains; dynamic gains (from higher investment and faster productivity growth) may be several times larger. IMF, *2002 World Economic Outlook*, p. 85.

domestic support by the end of March 2003.¹⁶ On the basis of these modalities, participants are to submit their comprehensive draft schedules of concessions and commitments by no later than the Fifth Ministerial Conference, in September 2003.

THE TIME TO ACT IS NOW

The current thinking is that these timelines

will be stretched to accommodate the difficult issues involved (or to accommodate certain national political elections). In fact, with the recent changes that have taken place in the United States and the European Union, real change is not likely to occur until 2006. Therefore, for those interested in having an impact on agricultural trade negotiations, the time to act is now.

¹⁶ WTO document TN/AG/1, April 9, 2002.

Transatlantic Convergence in Corporate Governance

Just as business leaders in the United States wanted to cling to the euphoria of the late 1990s, they could not dispense with 2002 quickly enough. The Enron fiasco continued to unfold, Arthur Andersen went from being a leader in the accounting industry to a defunct company and WorldCom declared bankruptcy. But across the Atlantic, the mood was decidedly different: The rejoicing among European business leaders was almost palpable. After years of watching the Wall Street index rise faster than any European stock exchange, the winds of fortune had shifted. The incredible heights reached by the American market were not the result of “irrational exuberance,” but rather the result of a group of unethical business leaders who were supported by poor accounting practices. The European markets, in contrast, seemed remarkably unscathed by the series of scandals.

But the celebration was short lived as business leaders in Europe—and around the world—realized that corporate governance is essential to protect the integrity of global markets. Without clearly defined rules and practices, markets become chaotic and investors look elsewhere for safe harbors. The consequences of corporate governance failures became evident when stocks lost millions in value, and trillions were pulled from the global market and invested into cash. Companies that needed capital could not get it, and lacking needed investment funds, the world economy stalled.

NEW RULES FOR A NEW ERA

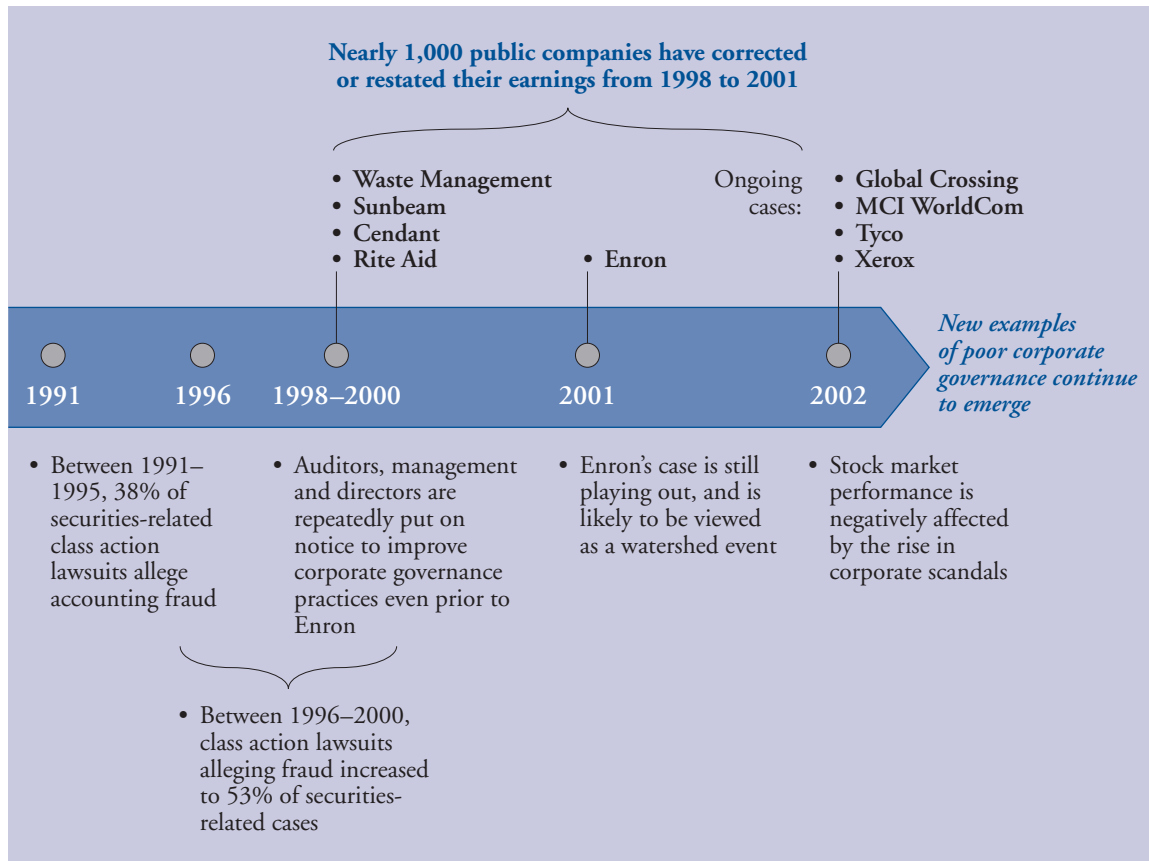
Signs of impending trouble were raised even

before the headline-grabbing stories of 2002. One of the first indications of trouble, for example, was the rise in the number of class action lawsuits in the United States alleging accounting fraud. During the first half of the 1990s, 38 percent of securities-related lawsuits pointed to accounting fraud; that figure soared to 53 percent in the latter half of the decade. Moreover, corporate scandals at Waste Management, Sunbeam and Rite Aid all served as precursors to Enron (*see figure 1*).

But these warnings went unheeded, giving even greater leeway to those who abused the system. The result is a renewed, if somewhat overdue, emphasis on the importance of corporate governance. A good corporate governance regime helps to assure investors that companies are efficiently using the capital (both monetary and human) entrusted to them by the various stakeholders. However, when companies are unwilling or unable to govern themselves, governments step in and do it for them. And in the wake of the recent scandals, regulators and organizations from around the world have begun to address the perceived shortcomings of current practices and legislation.

In Europe, for example, assessments of corporate governance standards are underway in a number of countries, with reviews led by Derek Higgs in the United Kingdom and Dr. Gerhard Cromme in Germany. Across the European Union, regulators are seeking to standardize the prospectus required to issue new shares, and to develop a central supervisory body similar to the United States’

FIGURE 1: Corporate scandals in the United States



Sources: Wall Street Journal, *Fortune.com*, Corporate Board Member

Securities and Exchange Commission.

The Sarbanes-Oxley Act is an example of U.S. government intervention to attempt to restore investor confidence. The act is meant to reform corporate governance through legal monitoring and compliance, as opposed to corporate self-regulation (see figure 2 on page 18). It includes mandates for boards and key committees to have independent directors, regulations on auditor independence and on auditors’ conflict of interest, limits and tighter reporting on trading by insiders, and rules requiring certification about internal controls.

However, the act has been criticized as being hastily written legislation, leaving room for unintended consequences to emerge. Frits Bolkestein,

the European Union commissioner, spoke against it saying that the “[Act] has been drafted in a rush and it shows. There is such a thing as overreacting and overshooting the mark.” Other critics argue that the act has an overly strict definition of independence that companies fear may further limit the pool of experienced and capable directors, and that its demands for clarifying the limitations for approving even business-related loans to directors are too severe (see sidebar: *A Shrinking Pool of Directors*).

While governance reforms are clearly needed, it is also evident that regulators in the United States have an arduous task ahead of them before new regulations such as the Sarbanes-Oxley

FIGURE 2: Corporate governance around the world

LEGISLATED COMPLIANCE	“COMPLY OR EXPLAIN”	SELF-REGULATED COMPLIANCE
<ul style="list-style-type: none"> • United States: the Sarbanes-Oxley Act (2002) 	<ul style="list-style-type: none"> • Spain: the Manuel Olivencia Report (1998) • Germany: the Cromme Report (2002) 	<ul style="list-style-type: none"> • United Kingdom: the Cadbury Commission (1992), the Greenbury Commission (1995) and the Hampel Report (1998) • France: the Vienot Report (1999) • South Africa: the first King Report (1994) and the second King Report (2002) • Australia: the Bosch Report (1995) • Japan: Corporate Governance Forum Principles (1998, revised 2001)

Source: *Andreas van Wyk, “Corporate Governance: The Issues” from the Afrikaanse Handelsinstituut, 2002*

Act can be fully clarified, accepted and enacted by public companies.

LOOK TO BRITAIN

Regulators worldwide may benefit by taking a closer look at what the United Kingdom has done to achieve better corporate governance over the past decade. It is worthwhile to remember that Europe has had its share of scandals, too, giving it a head start over the United States in terms of reform. In the United Kingdom the problems began at the end of the 1980s with the collapse of Polly Peck and the Guinness insider trading case, and the robbing of the Mirror Group pensioners by its unscrupulous chairman and CEO. These scandals prompted the U.K. government to order reviews of the nation’s corporate governance practices. Commissions chaired by highly respected businessmen handled a series of reviews: the Cadbury Commission in 1992, the Greenbury Commission in 1995, and the Hampel Report in 1998. The “Combined Code,” based on

these three reports, was appended to the listing rules of the London Stock Exchange in 1999, and compliance became mandatory for all listed companies. All in all, it took the British regulators nearly a decade to develop a set of governance codes that became accepted as mandatory requirements for companies listed in the London Stock Exchange.

The scandals also prompted the London stock market to maintain tighter control to ensure that shareholders are protected from unscrupulous corporate management. In taking a balanced approach on governance practices, the United Kingdom has developed some key lessons that other regulators would do well to consider.

The first lesson is that corporate governance requires the accountability of the whole board, not just the chief executive officer and chief financial officer. In the United Kingdom, the entire board is responsible for the accuracy of the company’s financial statements and the public commentaries they must release twice a year.

Note that the U.K. requirement for semiannual earnings reports, compared to the quarterly earnings reports required in the United States, ensures a more stable pattern of earnings and requires less “creative” accounting to smooth the earnings progression that stock analysts praise.

This personal accountability of each independent director also makes each a key guardian who ensures the integrity of the company’s public reporting. Not only are the directors responsible for accurate corporate reports, they are also charged with managing risk and monitoring the company’s internal controls. This practice of risk and internal control manage-

ment was enacted after a rogue trader operating in the Singapore office of Baring, one of the oldest private banks in Britain, sent the company into bankruptcy through a series of uncontrolled trades.

The second lesson is that in Britain, the independent director is given a clear and distinct key role in maintaining healthy corporate governance. The qualifications of an independent director are strictly managed: No conflict of interest is allowed, no previous executives of the company are considered independent, and no board member can serve for more than nine years and still be considered independent. The

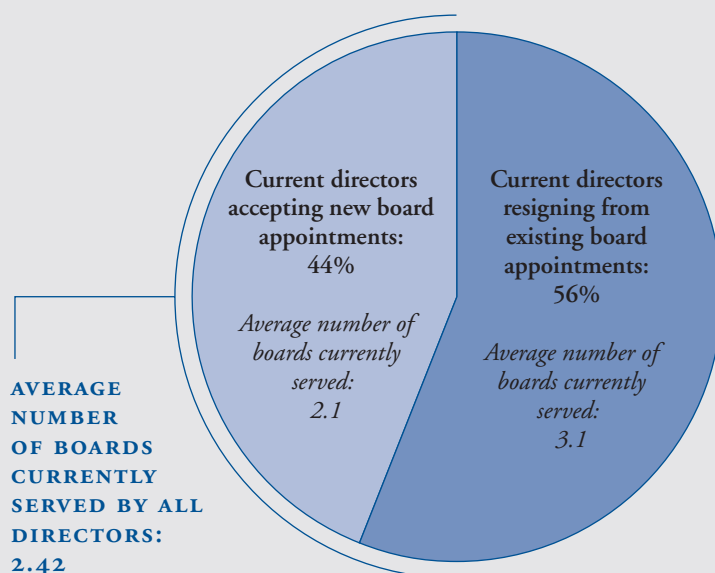
A Shrinking Pool of Directors

As public companies in the United States face tightened regulations on corporate governance, recruiting capable directors who meet the new definitions of independence is increasingly difficult. Under the new legislation, directors face greater risk to their personal wealth and reputation, prompting many to rethink their ability—or desire—to spend the time and effort required to sit on today’s boards.

A recent A.T. Kearney survey finds that U.S. directors serve on an average of 2.4 boards and are mostly unwilling to increase their board commitments. Directors who serve on more than three boards state they have resigned or plan to resign from some of their board commitments.

Regulators in the United States may need to consider the impact of new regulations on the director pool, given the significant financial and time

costs they will impose. These regulations may be particularly burdensome for smaller companies, which can least afford the higher costs.



Source: A.T. Kearney Corporate Governance Survey, 2002



"It's an amazing coincidence, isn't it, that we all served on the same board of directors?"

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majority of the members of the board committees (audit, remuneration, nomination) must be independent. The board members also have "closed" periods (typically weeks before the announcement of earnings) during which they cannot buy or sell company shares. The same tightly controlled insider trading rules bind board members' families and associates. And the United Kingdom is not afraid to enforce these policies. A few years ago, one of Her Majesty's Lords (currently spending time in a British prison for an unrelated offense) was nearly sent to jail for having bought shares in a TV company during a "closed period," when his wife was serving on that company's board.

Third, developing a high-performing board is not an easy task. Attracting good independent directors is becoming increasingly difficult as the pool of experienced directors continues to shrink. Similarly, overseeing a board of qualified

directors is becoming more time consuming and complex. As a result, most U.K. listed companies are now run by a chairman (often part-time in the smaller companies) and a separate CEO, which is a practice that is not yet common among U.S. companies. Traditionally in Britain, the role of chairman is often given to the previous CEO, but that trend is changing as boards improve their governance practices by not promoting the previous CEO, but by nominating an outsider for the role of chairman to ensure fresh ideas and greater independence.

ACCOUNTING STANDARDS CONVERGE

In the past, one of the difficulties of operating across borders stemmed from the different accounting treatment between the United States and other countries. There is a crucial difference between the United States' GAAP (Generally Accepted Accounting Principles) approach to accounting and the International Accounting Standard (IAS). Because of concerns over litigation, accountants in the United States have asked the Financial Accounting Standards Board (FASB) for detailed rules on what can and cannot be done within GAAP. What was originally a series of principles is now a thick manual of rules, which can be followed to the letter while still not giving a fair and accurate report of the financial state of the business—as proven by Enron.

On the other hand, the IAS board sets broader rules, and lets management and their accountants bear the brunt of litigation to prove they were reasonable in their application of the principle. IAS rules are emerging as the global standard: In fact, EU countries and Australia have already agreed to adopt them by 2005.

In the past, U.S. auditors have strongly resisted the pressure to integrate GAAP into IAS. "Why change a system that has served us well?" was the common response. Of

course, after Enron, WorldCom and Tyco that defense has faltered. A positive consequence of these scandals is that IAS and FASB have now agreed to work together to identify and address the differences between IAS and GAAP. Their recommendations are due by the end of this year.

GOVERNANCE STANDARDS TO FOLLOW SUIT

It is unlikely that a single corporate governance system will be implemented soon on both sides of the Atlantic, but there are signs that suggest the different regulatory systems might converge. And the convergence of accounting standards

To Separate or Not to Separate

In some respects, U.K. companies have been able to mandate stricter corporate governance requirements than U.S. companies. For example, the separation of roles between a CEO and chairman, while not mandated as a de jure requirement, is still recommended for U.K. companies to distinguish between the two distinct responsibilities. By contrast, U.S. companies have been reluctant to mandate a separation of roles, or to impose the requirement for a lead director position. The proposed New York Stock Exchange listing requirement only states that a non-executive director should preside over executive sessions (these are sessions attended only by non-executives), without explicitly requiring that boards have a lead director to perform that responsibility.

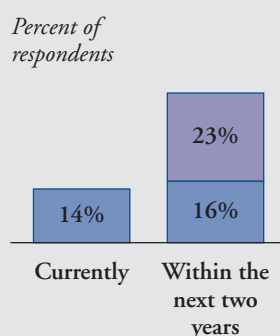
The number of U.S. and European companies that are currently separating the roles tells the story: About 90 percent of U.K. companies separate the roles, and almost all public companies in Australia and Germany do the same, while only about

14 percent of U.S. companies currently follow this practice.

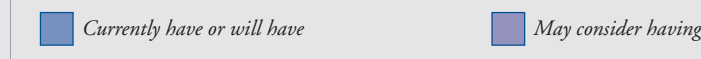
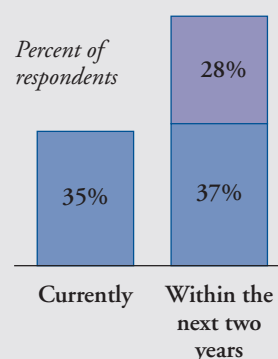
However, there is evidence that differences between U.S. and U.K. companies may be diminishing. A growing number of U.S. companies are considering a separation or designating a lead director role: Nearly 40 percent of U.S. companies indicate that they will or may have a separation of roles within the next two years, and 65 percent say that they will or may have

a lead director position. There is also increasing support from corporate governance experts, such as Ira Millstein of Weil, Gotshal & Manges LLP, who stated to the U.S. Senate Banking Committee, "Leading the board and leading the company are two very distinct and important jobs." Paul Volcker, former chairman of the U.S. Federal Reserve, believes that "Every public company should separate the job of chairman."

**S&P500 BOARDS WITH
SEPARATED CEO AND
NON-EXECUTIVE CHAIRMAN**



**S&P500 BOARDS WITH
A LEAD DIRECTOR**



Source: A.T. Kearney Corporate Governance Survey, 2002

FIGURE 3: Range of definitions of director “independence”¹

<div style="display: flex; justify-content: space-between; width: 100%;"> NON-INDEPENDENT DIRECTOR INDEPENDENT DIRECTOR </div>		
<ul style="list-style-type: none"> Is an employee of the company 	<ul style="list-style-type: none"> Used to be employed by the company (within a certain time period) 	<ul style="list-style-type: none"> Has never been employed by the company in any capacity
	<ul style="list-style-type: none"> Employed by a foundation or organization that receives significant grants or endowments from the company 	<ul style="list-style-type: none"> Is not employed by a foundation or organization that receives significant grants or endowments from the company
<ul style="list-style-type: none"> Has family ties with one or more executives of the company 	<ul style="list-style-type: none"> Used to have family ties with one or more executives of the company (within a certain time period) 	<ul style="list-style-type: none"> Has never had any family ties with any executives of the company
<ul style="list-style-type: none"> Is involved in a contractual relationship with the company (a supplier or buyer relationship, for example) 	<ul style="list-style-type: none"> Had significant contractual relationships in the past, or currently has contractual relationship with the company 	<ul style="list-style-type: none"> Has never had any contractual relationship with the company
<ul style="list-style-type: none"> Is a member of the executive management or board of directors of a major shareholder 	<ul style="list-style-type: none"> Used to be a member of executive management or board of directors of a major shareholder (within a certain time period) 	<ul style="list-style-type: none"> Has never been a member of the executive management or board of directors of a major shareholder
<ul style="list-style-type: none"> Has an “interlocking” relationship by serving on the board of another company that has an employee who serves as a member of the company’s board 		<ul style="list-style-type: none"> Has no “interlocking” relationship with members of boards of different companies
<ul style="list-style-type: none"> Receives compensation or dividends for services other than board services from the company 	<ul style="list-style-type: none"> Receives no compensation and dividends other than those for board services if the director holds an audit committee membership 	<ul style="list-style-type: none"> Receives no compensation and dividends other than those for board services regardless of director’s position

Sources: Egon Zehnder, Cardon Report (Belgium), Bosch Report (Australia), IBCG Code of Best Practices (Brazil), NASD, NYSE, NACD, The Conference Board, Robert Monks

Note: ¹Definition of “company” here includes any associated companies and subsidiaries

between IAS and GAAP will facilitate common governance practices, particularly if this puts the burden of responsibility on the boards and auditors for accuracy and fairness in reporting company results and prospects.

There are already calls for regulators from both sides of the Atlantic to work together on corporate governance standards. Unilever, for

example, has argued strongly that the Higgs review in the United Kingdom should take into account changes or potential changes to corporate governance rules in continental Europe and the United States.

Other signs of convergence are also emerging. In the United States there is much talk about the separating the chairman and CEO

roles, as is common practice in Britain and Germany (*see sidebar: To Separate or Not To Separate*). At the very least, U.S. directors are advocating an independent lead director on boards that do not separate the chairman and CEO roles. European leaders, meanwhile, are discussing how much consulting work an audit firm can perform for a client company, which is a clear conflict of interest that has already been explicitly addressed in the United States by the Sarbanes-Oxley Act.

Regulators in both the United States and Europe are looking forward to the emergence of more independent boards, populated not by friends or colleagues of the CEO, but by professionals recruited through a thorough selection process. As companies assess what this new definition of director independence means, one thing is certain: The tighter rule of independence will increase the cost of the board, not only for the extra recruiters' cost, but also by the higher compensation that more professional independent directors will demand (*see figure 3*). However, better supervision of the CEO and of the executive team, in addition to improved oversight of internal controls and risk management, will improve shareholder value. General Electric recently moved toward a more independent board: The com-

pany redefined the test of director independence and required its outside directors to meet the new standards or resign their posts. Two-thirds of GE's board will now be made up of independent outsiders.

CALLS — AND ANSWERS — TO REFORM

It may be that governance practices should no longer be self-regulated by companies, and that governments need to step in and mandate more formal legal requirements on governance standards. What the United Kingdom's experience demonstrates, however, is that any new governance regulations will take time to clarify and be implemented, and that these regulations will still need to be reviewed and updated frequently to ensure that they evolve as needed.

With calls for reform growing louder on both sides of the Atlantic, converging accounting standards, and similar governance practices emerging across the globe, there is no better time for regulators to work together to align and integrate governance standards. What should eventually emerge is a common approach to corporate governance that will preclude the mistakes of the past. After that, it will be up to the individual directors to ensure that the new governance rules are carried out in a meaningful and thoughtful manner.

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