Chapter 44
Summary and Analysis of Country Studies

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Introduction

This chapter summarizes and analyzes the results of the various country studies. Rather than merely combining the data for all 17 countries included in the country studies, it was thought that subdividing them into various groups on the basis of recent history might be more meaningful. However, there is a certain amount of arbitrariness involved in doing so.

The most obvious subdivision would be to list and analyze the former Soviet republics separately, since they have a common recent history. Countries in this group include Armenia, Azerbaijan, Georgia, Latvia, Lithuania, Moldova and Ukraine.

However, once one gets beyond the former Soviet republics, the decision of how to classify the remaining countries requires some subjective judgment. One possibility would be to split the remaining countries into a Balkan group and a Central and East European group. Such a categorization makes some sense, since the Central and East European group were in the Soviet bloc until 1989, whereas the Balkan countries followed a different path. Or at least what is the case superficially.

But problems result when one tries to make a list of the Balkan countries that everyone can agree on. I went to Wikipedia (the source of all truth) to see if it had a list of Balkan countries [http://en.wikipedia.org/wiki/Balkans] (8 June 2008).

The generally accepted list included Albania, Bosnia & Herzegovina, Bulgaria, Greece, Montenegro, Macedonia, Serbia and Kosovo. Additional countries that some people consider to be Balkan countries include Croatia, Moldova, Romania, Slovenia and Turkey.

There is a certain degree of inconsistency involved in such a classification. Before the breakup of Yugoslavia, all of Yugoslavia was considered to be in the Balkan group. But the Wikipedia list excluded Croatia and Slovenia, two of the six former Yugoslav republics. Furthermore, Moldova used to be part of Romania before the Soviets annexed it.
Given this inconsistency, I decided to segregate the 17 countries on the basis of recent political history. One group would consist of the seven former Soviet republics the World Bank had studied. The second group would be the four former Soviet bloc countries the World Bank had examined – the Czech Republic, Hungary, Poland and Slovakia. The third group would consist of the Yugoslav republics the World Bank had examined – Bosnia & Herzegovina, Croatia, Macedonia and Slovenia – plus Bulgaria and Romania, two countries that did not quite constitute Soviet bloc countries, although there was a certain amount of Soviet influence.

Well, that is not quite true, either. A Wikipedia search of Soviet bloc countries [http://en.wikipedia.org/wiki/Eastern_bloc] (8 June 2008) found that Bulgaria and Romania were included in the list, along with Czechoslovakia (now the Czech Republic and Slovakia), East Germany, Hungary, Poland and Albania (until the 1960s). But Romania is not really a good fit because the Romanian dictator followed an independent line. Which leaves the problem of how to classify Bulgaria, since it seemingly fits the definition of both a Balkan and a Soviet bloc country. I decided to classify it as a Balkan country, mostly for geographic reasons. It is surrounded by Balkan countries and does not have a common border with any of the other Soviet bloc countries.

The 17 transition countries chosen for the present study were chosen because those were the 17 transition countries the World Bank examined. Some countries that may be properly classified as transition countries were not examined by the World Bank. Perhaps the most notable omission is Russia, the largest of the 15 former Soviet republics. Other missing Soviet republics include Belarus, Estonia and the five Central Asian republics of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

China might also be considered a transition country, since it is moving from a centrally planned economy to a market economy. However, the World Bank did not do a study of Chinese corporate governance. Thus, China was omitted from the present study.

Methodology

The Organisation for Economic Co-operation and Development (OECD) has issued several papers on corporate governance. The *OECD Principles of Corporate Governance* (2004) is one of the more important documents. This document outlines the major principles of good corporate governance. It was published with the intention that its principles would be used as benchmarks. It divided corporate governance principles into a few major categories, including the rights of shareholders and key ownership functions, the equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency and the responsibilities of the board. Each category includes several principles.

The World Bank conducted more than 40 studies of corporate governance in various countries using the OECD principles as a guide. Seventeen of those studies