

Corporate Governance in Asia

Corporate governance in Asia continues to attract global interest due to its critical importance to the world's fastest-growing region. The study of governance systems remains complicated by Asia's mix of legal traditions, market systems, and social history. This comprehensive textbook provides a comparative overview of the corporate governance framework, theory, and practice in major Asian countries. Readers at all levels will gain an understanding of corporate governance systems in Asia and how they compare with models attributed to the US, the UK, and Europe. Featuring six foundational chapters focusing on general theory and corporate governance systems and eight country-specific chapters, this book can be used as the basic textbook for a general course on comparative corporate governance or as an essential reference on corporate governance in Asia for a wide variety of professionals, including academics, jurists, students, practitioners, investors, creditors, policymakers, and analysts.

Bruce Aronson is an Affiliated Scholar in the US–Asia Law Institute at New York University School of Law, New York, United States.

Joongi Kim is Professor of Law at Yonsei University, Seoul, Korea.

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CORPORATE GOVERNANCE IN ASIA

A COMPARATIVE APPROACH

Edited by

Bruce Aronson
New York University

Joongi Kim
Yonsei University



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For Daphne, Sasha, and Duncan

B. A.

For C. Y. K. and B. Y. K.

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CONTRIBUTORS

Bruce Aronson is an Affiliated Scholar at the US–Asia Law Institute, New York University School of Law, a research associate at the Japan Research Centre, School of Oriental and African Studies, University of London and a research associate at the Musashino Institute for Global Affairs, Musashino University, Tokyo. He was a professor of law at Hitotsubashi University’s Graduate School of International Corporate Strategy, where he was co-director of the Global Business Law Program, where his research was undertaken. He received his undergraduate degree from Boston University and his JD from Harvard Law School. Professor Aronson was previously a corporate partner at law firm Hughes Hubbard & Reed LLP in New York, and a professor of law at Creighton University in the US. His main area of research is comparative corporate governance with a focus on Japan, and he has published in journals including *Cornell International Law Journal*, *NYU Journal of Law and Business*, and the leading law journals in Japan. He also serves as an outside director at Eisai Co., Ltd, a listed Japanese pharmaceutical company.

Christopher Chen is an associate professor of law at the Singapore Management University. He received a PhD from University College London. Dr. Chen’s main research interests include financial regulation, derivatives, corporate governance, and transplantation of law in Asia in corporate, banking, insurance, and financial law, all of which he teaches. He has published articles and book chapters both in English and Mandarin Chinese in *Texas International Law Journal*, *Columbia Journal of Asian Law*, *Northwestern Journal of International Law and Business*, *Journal of Corporate Law Studies*.

Say H. Goo is Professor of Law at the University of Hong Kong (HKU), Deputy Director of Ronald Coase Centre for Property Rights Research, Director of Japan and Korea Programme, and former Director of Asian Institute of International Financial Law. He joined HKU in 1995 after over five years of teaching at University of East Anglia and the University of Exeter. A Fellow of the Institute of Chartered Secretaries

& Administrators in England and the Hong Kong Institute of Chartered Secretaries, he also sat on the Board of Directors of the Hong Kong Insurance Law Association and the Executive Committee of the Asia-Pacific Structured Finance Association. He is Visiting Professor at Columbia University, Distinguished Visiting Professor at the East China University of Political Science and Law, Honorary Visiting Professor at University of Exeter, Co-Principal Investigator of a major RGC research grant project on enhancing Hong Kong as an international financial center, member of the Hong Kong Government's Advisory Group on Corporate Insolvency Law Reform, member of the International Advisory Board of the Centre for Corporate Law and Securities Regulation at the University of Melbourne, editorial member of leading international journals, and reviewer for well-known publishers and journals. He was also a member of the Hong Kong Government's Standing Committee on Company Law Reform. He has published widely in corporate law, corporate governance, and land law, including *Corporate Governance: The Hong Kong Debate* (2003); *Hicks & Goo's Cases and Materials on Company Law* (1st–7th edns); *Minority Shareholders' Protection* (1994); plus many book chapters and journal articles. His work has been cited by the English Law Commission and the English and Hong Kong courts. He has visited many universities including Yale, Harvard, Oxford, and Cambridge and has spoken at UN, UNCITRAL, APEC, and INSOL conferences.

Jennifer G. Hill is Professor of Corporate Law at the University of Sydney Law School. She has held visiting teaching and research positions at various international law schools, including those at Cambridge University, Cornell University, Duke University, NYU Law School, University of Virginia, University of Texas, and Vanderbilt University. She is a Research Member of the European Corporate Governance Institute, where she sits on the Research Committee and chairs the Research Member Engagement Committee. She is a Fellow of the Australian Academy of Law and a member of the External Advisory Panel of the Australian Securities and Investments Commission. She is also a Research Fellow of the British Academy's recent Future of the Corporation Programme.

Joongi Kim is Professor of Law at Yonsei University, Korea. His research focuses on corporate governance, international arbitration, international trade, and good governance. A former attorney in private practice in Washington, DC and Scholar-in-Residence at WilmerHale in London, he served as the Founding Executive Director of the Hills Governance Center in Korea, which was established under the joint auspices of the World Bank, CSIS, and Yonsei University. He is an editor on the *Asian Journal of Comparative Law* and *International Investment Law and Arbitration* and served as an Academic Council Member for the Center for Strategic and International Studies' Hills Program on Governance. He sits on the Panel of Arbitrators of the World Bank's International Centre for Settlement of Investment

Disputes and the Korea–US and Korea–EU Free Trade Agreements. A former chair of the Executive Board of the Center for Good Corporate Governance in Korea, he was a visiting professor at Georgetown Law, University of Florida, National University of Singapore, and the University of Hong Kong. He holds degrees from Columbia, Yonsei, and Georgetown.

Yu-Hsin Lin is an assistant professor of law at City University of Hong Kong. Her research interests focus on empirical and economic analysis of corporate law and capital markets regulation. She has published in leading academic journals, including *International Review of Law and Economics*, *Columbia Business Law Review*, and *New York University Journal of Law & Business*. Dr. Lin holds a JSD degree from Stanford Law School, where she was appointed as the John M. Olin Fellow in Law and Economics. She had also been a visiting professor at Radzyner Law School, IDC Herzliya, Israel; and visiting scholar at Harvard Law School. Prior to joining City University of Hong Kong, she taught at National Chengchi University in Taiwan and has engaged in consulting projects for the Securities and Futures Investors Protection Center and Taiwan Stock Exchange. Before her academic career, she was a practicing lawyer specializing in international business and capital market transactions.

Dan Puchniak is the Director of the National University of Singapore (NUS) Centre for Asian Legal Studies (CALS), the editor-in-chief of the *Asian Journal of Comparative Law* and an associate professor at NUS Law. Dan has received numerous domestic and international awards for his academic research and teaching. He specializes in corporate law with an emphasis on comparative corporate law in Asia. He has published widely on comparative, Asian, Singapore, and Japanese corporate law and governance, and is regularly invited to present his scholarship and teach at leading law schools around the world. Over the past few years, Dan has been a visiting fellow in the Commercial Law Centre at Harris Manchester College (Oxford University), visiting professor and Global Challenge visiting scholar at Seoul National University School of Law, visiting associate professor at Vanderbilt Law School, and a visiting scholar of law at the University of Chicago Law School. In 2017, Dan was a visiting professor and taught intensive courses on comparative corporate law and governance with a focus on Asia at Chulalongkorn University and the University of Tokyo. He has been listed on the NUS Annual Teaching Excellence Award Honour Roll as recognition for receiving the university-wide NUS Annual Teaching Excellence Award three times. Prior to entering academia, Dan worked as a corporate commercial litigator at one of Canada's leading corporate law firms.

Umakanth Varottil is an associate professor of law at the National University of Singapore, where he specializes in corporate law and governance, M&A, and

corporate finance. He holds an LLB (hons.) from the National Law School of India University, an LLM from New York University, and a PhD from the National University of Singapore. Previously he was a partner in a pre-eminent Indian law firm, and was ranked as a leading corporate/M&A lawyer in India. Professor Varottil has written widely on corporate governance issues pertaining to both India and Singapore, including *Comparative Takeover Regulations* (2017; co-edited with Wai Yee Wan) and chapters in books published by Cambridge University Press and articles in *American Journal of Comparative Law* and the *Berkeley Business Law Journal*.

Jiangyu Wang is a tenured associate professor at the Faculty of Law of the National University of Singapore. He is the co-executive editor of the *Asian Journal of Comparative Law* and deputy chief editor of the *Chinese Journal of Comparative Law*. His teaching and research interests include international economic law, international law and international relations, Chinese corporate and securities law, law and development, and the Chinese legal system. He practiced law in the Legal Department of the Bank of China and at Chinese and US law firms. He served as a member of the Chinese delegation at the annual conference of the UNCITRAL in 1999. He is a member of the Governing Council of the WTO Institute of the China Law Society, a senior fellow at the Law and Development Institute, and a fellow of the Asian Institute of International Financial Law. He has been an invited expert/speaker for the WTO, International Trade Centre, UNCITRAL, and UNESCAP. He has published extensively in Chinese and international journals on a variety of law- and politics-related topics, and is a regular contributor to leading newspapers and magazines in Singapore, Hong Kong, and mainland China. He has served as an external reviewer for dozens of international journals and publishers and research funds. He was seconded as an associate professor and director for the MPhil/PhD program at the Faculty of Law of the Chinese University of Hong Kong (2006–9), where he received the 2007 Young Researcher Award of the Chinese University of Hong Kong in recognition of his 2007–8 research.

PREFACE

The original impetus behind this book came from the lack of readily available classroom materials we each experienced while teaching a course on comparative corporate governance. After over a decade of piecemeal copying of materials from a variety of sources and different disciplines, accompanied by student complaints, we decided to create our own book that would also be suitable as a textbook for this course.

We were concerned about the lack of comprehensive materials on corporate governance in rising Asia. Much of the “Asian” comparative literature has focused narrowly on a comparison between one country in Asia and the United States or some other Western country. Little effort had been made to compare how various jurisdictions in Asia responded to broadly similar pressures to incorporate some aspects of “Western” corporate governance theory into local practice, for example the role of independent directors in Asian systems which typically had controlling shareholders. Students, academics, policymakers, legislators, judges, investors, analysts, employees, creditors, and other stakeholders deserved a single source from which they could learn both general theory and Western systems of corporate governance, together with an in-depth comparison of how the important jurisdictions in Asia are working to respond to pressures for reform.

Finally, we had the ambition to attempt to utilize Asian context and experience to make a contribution to the general theory of comparative corporate governance. In our minds this represents perhaps the ultimate test of the importance of comparative research that focuses on Asia.

Accomplishing these goals requires extensive knowledge of a number of Asian corporate governance systems and integrating best practices with general theory. This naturally led to an extensive effort to obtain close collaboration from a number of our colleagues in Asia who are working in the field of corporate governance. In assembling a team of leading corporate governance experts to contribute to this volume, we emphasized hands-on teaching experience and research expertise – we wanted the authority in each jurisdiction who actually taught the leading course on corporate governance, and we wanted them to create a book that each of them would be happy to use in the classroom and that could ideally be adapted for a wider audience at the same time. In countries which did not yet have such a course, we included leading scholars who taught overseas or who were willing to initiate such a course.

Our approach in this book is to begin with a traditional classification of corporate governance systems based on purpose, ownership structure, and monitoring. Such traditional classification usually contrasts the two models of a shareholder-oriented system (US/UK) and a stakeholder-oriented system (Japan/Germany); however, we have utilized Asian practice to add a new, third model of a “controlling shareholder system.” Six out of fourteen chapters are foundational chapters focusing on general theory and widely known corporate governance systems in the US/UK and Germany, while the majority of chapters provide an in-depth analysis of individual countries in Asia. These eight country-specific chapters both follow a common template to provide a ready basis for comparison and highlight governance innovations and recent developments in each jurisdiction. The chapter authors generally emphasize the function of corporate governance systems rather than their form.

As corporate governance is a multidisciplinary field, this book is intended to be used as an introductory text in a number of fields, such as law, business, finance, and public policy. In the classroom it is intended as a full semester course. The book can be used as a textbook for a basic survey course on comparative corporate governance (the course we normally teach) through emphasis on the foundational chapters. In such case, teachers are free to rearrange the order of the chapters (for example, by moving up Chapter 13) and, depending on the allotted time for each class, devote more than one class to some early chapters (particularly Chapters 1, 2, and 4). They can also pick and choose which single-country chapters are of particular interest. Interest in specific Asian jurisdictions could be based on a number of perspectives, such as developed versus developing countries, model of development, political systems, legal system origin (UK or Germany), share ownership structure (state controlling shareholders, family-controlling shareholders, or no controlling shareholder), board structure and function, or enforcement.

The book can also be used to focus specifically on corporate governance in Asia. Although it is recommended that some foundational chapters be included (particularly Chapters 1–3), relative emphasis may be placed on country-specific chapters and comparisons among Asian jurisdictions. Priority among the Asian chapters could again be based on a number of perspectives as noted above, including geographic location.

This book is also designed to play an important role outside the classroom, as the first comprehensive textbook that makes it easy to compare and contrast corporate governance approaches in major Asian jurisdictions in light of both general corporate governance theory and local context and developments. As such, it is a useful reference book for investors, legal practitioners, businesspersons, policymakers, and researchers – anyone who wants both a general overview and specific introduction to corporate governance systems in the major jurisdictions in Asia.

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