

Index

Footnotes are indicated by n. after the page number, and figures by fig. For the titles of the figures, see the List of Figures in the book's preliminary pages. The index uses the abbreviations CCP for Chinese Community Party and SOEs for state-owned enterprises.

absentee principal/absent owner (suoyouzhe quewei) problem, 138–139, 146 accountants, corporate governance role, 191-192 Administrative Litigation Law (1989), 46, 88 agency costs of state capitalism. See state capitalism, critiques of Alford, William P., 18, 50 Allen, Franklin, 190 alternative dispute resolution, 201, 203 Ang, Yuenyuen, 203 anti-corruption enforcement. See corruption enforcement by CCP Anti-Unfair Competition Law (1993), 89-90 Asian Financial Crisis (1997-99), 59-60, 130 asset management companies, 173 Audit Commission, 97

audit committees, 169-170

banking and finance regulation, 71–72, 105.

See also securities regulation
bankruptcy of SOEs, 42, 64 n.120, 173–174, 185
banks, corporate governance role. See creditors,
corporate governance role
Belt and Road Initiative, 75, 76 n.160, 143 n.148
black letter law/law in practice divergence, 20,
76, 127–128
Bo Xilai, 193 n.370
boards of directors
China, two-tiered board system, 168–169, 175–176
corporate governance role, 162–163
Germany, two-tiered board system, 168, 171–172
Bradshaw, Mark T., 147
Budget Law (1994), 57, 89

business groups (qiye jituan), 118-120, 181, 222.

See also national champion firms

195 n.381 cadre evaluation system, 207, 213 cadre evaluation system (ganbu kaohe zhidu), capital markets development, introduction to study, 107 development, political determinants, 120-121, 125 generally, 1-2, 120 growth in. See economic growth and development investors. See institutional investors; shareholders listed companies. See listed companies quota system for SOE shares (1993-2000), 123-125 regulation of. See corporate governance; CSRC (China Securities Regulatory Commission); market regulation; securities regulation share issuance and ownership. See share issuance and ownership stock exchanges, 121-122, 197-199 transitional economies, paradigm view, 126-127 Western markets and rights hypothesis, 2, 5 capitalism, Chinese-style. See state capitalism CBRC (China Banking Regulatory Commission), CCDI (Central Commission for Disciplinary Inspection), 98, 218-219, 221, 222 CCP (Chinese Communist Party). See also

Party-state system

Charter. See CCP Charter

Committee

Central Committee. See CCP Central

CAC (Cyberspace Administration of China), 98,



242 Index

CCP (Chinese Communist Party) (cont.) corporate governance role. See CCP's corporate governance role entrepreneurship by officials and members, law employed to stabilize, 66-68, 78 leading small groups (zhongyang lingdao xiaozu), 30, 96-97 legitimacy linked to economic growth, 77-78, 101, 219-220 as market actor. See CCP as market actor Party building (dangjian) initiatives, 67 n.130, 212, 214–215, 235–236 Party Congresses. See Party Congresses CCP as market actor corporate governance role. See CCP's corporate governance role generally, 93, 98-99 institutionalized Party mechanisms, 96-98 market participant, 95-96 market regulator, 93, 95, fig. 5.4, fig. 5.5, 102, fig. 5.6 CCP Central Committee Central Committees of Party Congresses. See Party Congresses economic policy-making role, 30-31 membership and role, 30 n.3 Politburo Standing Committee, 30 n.4, 32 CCP Charter. See also Constitution of the

early reform era amendments, 39–40 legal modernization era amendments, 54, 58, 67 legalized politicization era amendments, 96, 210–212 CCP's corporate governance role

People's Republic of China 1982

corruption enforcement. See corruption enforcement by CCP cost–benefit tradeoff, 230–233 firm value, motivation to promote, 229–230 generally, 206, 226 intra-firm Party committees (gongsi dangwei), 95–96, 98, 210–214, 216–217, 220–222 personnel management mechanisms, 188, 190–191, 207–210, 212–213 in private firms, 215–216 SOE Reform Guiding Opinions formalizing,

212–214, 219 n.486, 222 n.501 Central Commission for Disciplinary Inspection (CCDI), 97–98, 218–219, 221, 222

(CCDI), 97–98, 218–219, 221, 222 Central Committee of the CCP. See CCP Central Committee

Central Cyberspace Affairs Commission, 97 Central Huijin Investment Ltd, 71–72 Charter of the CCP. See CCP Charter Chen, Zhiwu, 130 China Banking Regulatory Commission (CBRC), 71, 225

China Standards 2035 (research program), 75 n.157 China's development trajectory, 34–36

Chinese Communist Party. See CCP (Chinese Communist Party)

Civil Code, 90-91

civil society, corporate governance role, 159–162 Clarke, Donald, 42, 43, 46–47, 70, 138, 142, 161,

class actions, 161–162, 199–200

Coase, Ronald, 12-14

Code for Listed Companies (CSRC, 2001),

130-131, 193, 214-215

co-determination, 168-169, 175-176

Commission for Comprehensive Law-based Governance, 97

Commission for Comprehensively Deepening Reforms, 30, 97, 98

Commission for Restructuring the Economic Systems (CRES), 57, 70, 113, 118

common ownership theory, 148

Communist Party of China. See CCP (Chinese Communist Party)

company law. *See also* corporate governance corporatization law reforms, 57, 62–63, 113–116 legal personality of enterprises, 41 n.46, 42, 113, 115–117

share issuance and ownership. See share issuance and ownership

takeovers and mergers. See market for corporate control

company limited by shares form (gufen youxian gongsi), 115

comparative corporate governance. see
Western-style corporate governance

compensation committees, 169–170

Competition Law (1993), 89–90

Comprehensively Deepening Reforms

Commission for, 30, 97, 98

Decisions on (18th Central Committee), 79–80, 83, 86

Constitution of the People's Republic of China

1982. See also CCP Charter early reform era amendments, 40, 45

legal modernization era amendments, 55, 58–59, 63, 66

legalized politicization era amendments, 88–89

non-justiciability, 31, 64 n.121

Party-state system enshrined in, 33

consumers, corporate governance role, 176–178 convergence theories

corporate law, 14-15, 103-104

Chinese divergence, 15, 22–23, 132, 206, 228



Index 243

rule of law, 46, 66 Chinese divergence. See law-based governance (yifa zhiguo) corporate bond holders, corporate governance role. See creditors, corporate governance role corporate capitalism Chinese-style. See state capitalism Western-style. See Western-style corporate governance corporate control market. See market for corporate control corporate governance audit committees' role, 169-170 board of directors' role, 162-163 CCP's role. See CCP's corporate governance role civil society's role, 159-162 common ownership theory, 148 consumers' role, 176-178 corporate purpose. See corporate purpose courts' role. See People's Courts system creditors' and debt market's role. See creditors, corporate governance role CSRC's role. See CSRC (China Securities Regulatory Commission) employees' role, 175-176 equity market's role, 185-189 experimentation as reform strategy, 107-111, 113-116, 121, 126, 156-157 gatekeepers' role (lawyers, accountants and underwriters), 191-192 independent directors' role, 163-169, 194 law & political economy analysis (introductions to studies), 103-106, 151-152, 205-206, 227-230, 234-235 legal personality of enterprises, 41 n.46, 42, 113, M&A and takeovers market's role. See market for corporate control managers' role, 178-179, 188, 190-191, 207-210 media's role, 177-178, 192-193 Party-state as controlling shareholder, 96, 117, 134-135, 137-138 critiques of. See state capitalism, critiques of product market's role, 189–190 reforms. See corporate governance reforms of legal modernization era shareholders' role. See institutional investors; shareholders SOEs, ownership diversification. See ownership diversification of SOEs stock exchanges' role, 121-122, 197-199 supervisory boards' role, 168-169 Western models and theories. See

corporate governance reforms of legal modernization era CSRC measures. See CSRC (China Securities Regulatory Commission) economic and political determinants, 129-130 generally, 126-129, fig. 7.1, 131-132, 204 shareholder empowerment framework, 132-134 critiqued, 134-137 SOE corporatization. See large (public) firms, emergence of corporate purpose Party building (dangjian), 67 n.130, 212, 214-215, 235-236 politicized corporate governance, 205-206, 227-230 shareholder empowerment regulatory framework, 132-137 socialist market economy goal. See socialist market economy goal Western models and theories. See Westernstyle corporate governance corporatization law reforms, 57, 62-63, 113-116 corruption and cronvism CCDI (Central Commission for Disciplinary Inspection), 98, 218-219, 221, 222 CCP's enforcement role. See corruption enforcement by CCP 'corruption' definition, 217-218 criminal law reforms, 90, 132 data on, 220 n.492 local protectionism, 49, 62-63, 111, 122, 125 public discourse on, 77–78, 193, 219–220 SOE management, cronyism affecting, 111–113, 190-191, 208-209 corruption enforcement by CCP. See also CCP's corporate governance role business groups harnessed, 222 examples, 223-226, fig. 8.1 generally, 217, 219-220, 226 intra-firm Party committees' role, 98, 220-222 National Supervision Commission, 98, 218-219, 225-226 sanctions, 222-223 court system. See People's Courts system COVID-19 pandemic, 143, 232 n.525 creditors, corporate governance role in Japan and Germany, 171-172 potential future role, 172-175, 185 rationale, 170-171, 185 CRES (Commission for Restructuring the Economic Systems), 57, 70, 113, 118 criminal law reforms, 90, 132 cronyism. See corruption and cronyism cross-listing of shares, 197

Western-style corporate governance



244 Index

CSRC (China Securities Regulatory Commission) Code for Listed Companies (2001), 130-131, 193, 214-215 corruption enforcement role, 218, 225-226 enforcement powers, weaknesses of, 194-197 establishment, 70-71, 123 Independent Directors Guidance for Listed Firms (2001), 163-168, 194 institutional investors, supervision of, 157-158 IPOs, guidance on, 125 M&A and takeovers regulation by, 181 n.318, 184 Provisions (2004), negative veto to public shareholders, 193-194 stock exchanges, oversight of, 198, 199 cybersecurity reforms, 91, 97 Cyberspace Administration of China (CAC), 97, 195 n.381 dangjian (Party building) initiatives, 67, 212, 214-215, 235-236 danwei (local working units, Mao era), 38 n.31, 108-100 data security laws, 91 dataset of study, 24–25, 237–240 debt market corporate governance role. See creditors, corporate governance role debt-for-equity swaps, 173-174 Party-state control, 149-151 decentralization. See also local government constitutional basis, 39-40 fiscal contracting, 38, 39, 56 fiscal decentralization, 38-39, 47, 71 n.152, 100 negative consequences, 49, 52, 62-63, 111-113 operational autonomy of SOEs, law reforms, 41-43, 109-111 Decisions on Advancing the Rule of Law, 86–87, 89 Decisions on Comprehensive Deepening the Reforms, 18th Central Committee, 79-80, 83, 86 'democratic centrism,' Mao era, 40 Deng Xiaoping, 37, 53, 122 Dickinson, Bruce, 59 directors' boards. See boards of directors Disciplinary Inspection, Central Commission for (CCDI), 98, 218-219, 221, 222 dual board system, 168-169, 175-176 dual functions of law generally. See law-based governance (yifa zhiguo) in early reform era, 42–43, 45–48 in legal modernization era. See legal modernization era, role of law in legalized politicization era. See legalized politicization era, role of law

dual-track pricing by SOEs, 39, 41-42 duikangxing maodun (antagonistic contradictions, Mao era), 22 early reform era (1979–91) decentralization policies. See decentralization defined, 34 experimentation as reform strategy, 34, 38, 39, 41, 47, 48 foreign investment rules, 43-44 initiated, 37-38 judicial review, limited reform, 46 market reforms. See market reforms of early reform era public sector, as main component, 40-41, 43, 46 role of law, 42-43, 45-48 Economic Contract Law (1981), 41, 43, 57, 117 n.48 Economic Contract Law (1999), 41 n.45, 56 n.88 economic growth and development CCP's legitimacy linked to, 77–78, 101, 219–220 China's development trajectory, 34-36 eras. See early reform era; legalized politicization era; legal modernization era China's growth puzzle (growth without rights) law on books/in practice divergence, 20, 76, 127-128 law-based governance paradox. See law-based governance (yifa zhiguo) skepticism about, 5-6, 16-18 Western rights hypothesis. See rights hypothesis consumer base change and growth, 177 corruption, effect on, 219 growth data, 2-5, fig. 0.1, fig. 0.2, 74 n.155 growth, rule-making activism correlated to, 18-20, fig. 2.1, fig. 2.2, 127, fig. 7.1 legalized politicization era, economic determinants, 73-77 employees, corporate governance role, 175-176 enforcement of laws, 27, 77, 86. See also People's Courts system Enriques, Luca, 135-136 Enterprise Bankruptcy Law (1986), 42 Enterprise Bankruptcy Law (2006), 64 n.120 equity market, corporate governance role, 185-189 experimentation as reform strategy corporate governance experiments, 107-111, 113-116, 121, 126, 156-157 generally, 26-27, 50 n.72, 81, 109 market regulation experiments, early reform era, 34, 38, 39, 41, 47, 48

expropriation of property, 62-63



Index 245

Fama, Eugene F., 190
financial press, corporate governance role,
192–193
financial regulation, 71–72, 105. *See also* securities
regulation
fiscal contracting, 38, 39, 56
fiscal decentralization, 38–39, 47, 71 n.152, 100
Five-Year Plans, development process, 29–34
foreign investment
foreign institutional investors, initiatives for,
156–157
local politics and, 104
policies to attract, 39 n.33, 43–44, 122 n.71
France, shareholders' associations, 160
Fu Hualing, 22

ganbu kaohe zhidu (cadre evaluation system),

General Principles of Civil Law (1986), 42

207, 213 corporate governance, 191–192

Germany, two-tiered board system, 168, 171–172 Global Financial Crisis, 15, 104–105 gongsi dangwei (intra-firm Party committees), 95–96, 98, 210–214, 216–217, 220–222 grasping the big, releasing the small (zhua da fang xiao) strategy, 58, 62, 81 Groswald Ozery, Tamar, 17–18, 180–181, 230–231 group litigation, 161–162, 199–200 Groves, Theodore, 190 growth (and China's growth puzzle). See economic growth and development gufen youxian gongsi (company limited by shares form), 115

guoyou duzi gongsi (Wholly State-Owned

Heilmann, Sebastian, 53
Horsley, Jamie P., 95
hostile takeovers. See market for corporate control
Howie, Fraser J.T., 122
Howson, Nicholas C., 151
Hu Jintao, 60, 64–65, 82
Huang, (Robin) Hui, 196, 201
hunhe suoyouzhi (mixed ownership reform),
81–84, fig. 5.1, 145

Limited Liability Company form), 115

independent directors, 163–169, 194 Industrial Enterprises Law (1988), 42 informal economy, 44 informal exchange mechanisms, 26–27, 106 initial public offerings (IPOs), 4–5, 80, 124, 125, 178 insider control (neibu ren kongzhi), 139. See also

corruption and cronvism

insolvency of SOEs, 42, 64 n.120, 173–174, 185 institutional investors
enhanced future role, scope for, 157–159 foreign investors, initiatives for, 156, 157 n.215 weak governance role explained, 153–156 institutional reforms, legal modernization era, 68–72 intellectual property regime, 90 intra-firm Party committees (gongsi dangwei), 95–96, 98, 210–214, 216–217, 220–222 IPOs (initial public offerings), 4–5, 80, 124, 125, 178 Israel, corporate governance in, 134 n.114, 144 n.153, 154 n.196, 158 n.220, 159, 169–170

Japan, banks' corporate governance role, 171
Jia, Nan, 203
Jiang Jiemin, 223–224
Jiang Shigong, 33
Jiang Zemin
14th Party Congress speech (October 1992),
54–55
15th Party Congress report (1997), 66
16th Party Congress report (2002), 60–61
on private entrepreneurship of CCP members
(speech of 2001), 58–59, 115 n.40
Jiang, Fuxiu, 178, 189
Joint Ventures, 43–44
judicial review. See People's Courts system

Kim, Kenneth A., 178, 189

large (public) firms, emergence of background (operational autonomy law reforms), 41-43, 109-111 negative consequences, 111-113 business groups (qive jituan), formation of, 118-120 corporatization law reforms, 57, 62-63, 113-116 CRES Normative Opinions (1992), 57, 113 de facto state ownership, present era, 117-118, 121 introduction to study, 107-108 national champions, 100-101, 118, 120 SOE corporatization, early-stage, 116–117 law & political economy framework corporate governance, application to (introductions to studies), 103-106, 151-152, 205-206, 227-230, 234-235 early reform era, application to, 42-43, 45-48 introduction to, 5-6, 16 n.22, 21 law and politics interaction, 21-23, 27, 103-105 legal modernization era, application to. See legal modernization era, role of law legalized politicization era, application to. See legalized politicization era, role of law



246 Index

law and development studies, 11 law and economics theories, 11-14 law and finance theories, 14-15 law enforcement, 27, 77, 86. See also People's Courts system law-based governance (yifa zhiguo) analytical framework. See law & political economy framework conclusions on, 7-8, 25-26, 102, 235-236 constitutionally enshrined, 67 Decisions on Advancing the Rule of Law, 86-87, 89 'law' and 'legal institutions' defined, 23-24, 51 n.73 law on books/in practice divergence, 20, 76, 127-128 paradox of, 20, 26 political dimension, 21-23, 27, 103-105 private law enforcement. See People's Courts system socialist rule of law country (shihuizhuyi fazhi guojia), 67, 73, 79, 86-89 window dressing theory, 5-6, 20-21 yifa zhiguo translated as 'rule of law', 50 n.71 lawyers, corporate governance role, 191-192 leading small groups (zhongyang lingdao xiaozu), 30, 96-97 'legal institutions' defined, 23-24 legal modernization era (c.1992-2009) capital market development. See under capital markets corporate governance reforms. See corporate governance reforms of legal modernization era defined, 34-35, 49 initiated, 49 judicial reforms, 66, 201-202 market reforms. See market reforms of legal modernization era private sector, significance acknowledged, 57-59, 63-65 role of law. See legal modernization era, role socialist market economy goal. See socialist market economy goal SOE corporatization. See large (public) firms, emergence of state-assets management reform, 69-70, 118-119 legal modernization era, role of law economic function, 51-52, 59 generally, 49-52, 65, 72 Party-state capacity building, 65-66 institutional reforms, 68-72 Party governance, 66-68, 78

legal origin hypothesis, 14-15 legal personality of enterprises, 41 n.46, 42, 113, 115-117 legalized politicization era (2010-present) Civil Code, 90-91 corporate governance in. See CCP's corporate governance role criminal law reforms, 90, 132 defined, 35 economic determinants, 73-77 judicial reforms, 88 market reforms. See market reforms of legalized politicization era New Era rhetoric/national rejuvenation agenda, 20, 78 n.166, 87 political determinants, 77-79, 101 role of law. See legalized politicization era, role of law legalized politicization era, role of law economic function, 75-77, 100-101 generally, 73, 81, 92-93 political function, 75, 87-88, 93, 100-101 CCP as market actor. See CCP as market socialist rule of law country (shihuizhuyi fazhi guojia), 67, 73, 79, 86–89 legitimacy of CCP, link to economic growth, 77-78, 101, 219-220 Li Ji, 105 Li Keqiang, 33 Lieberthal, Kenneth G., 39 Liebman, Benjamin L., 190, 192-193, 199, 235 limited liability company form (youxian zeren gongsi), 115 Lin, Lauren Yu-Hsin, 215 Lin, Li-Wen, 119, 140-141, 149-150, 154 listed companies boards, requirements for, 162 cross-listing by, 197 data on, 3, fig. 0.2, 115 n.41 emergence of. See large (public) firms, emergence of IPOs (initial public offerings), 4-5, 80, 124, 125, 178 national champions, 100-101, 118, 120 regulation of. See corporate governance; CSRC (China Securities Regulatory Commission); securities regulation local government debt crisis, 74, 117 n.51 decentralization policies, early reform era. See decentralization experimentation by. See experimentation as reform strategy

political function, 52-53, 59-60



Index 247

fiscal contracting, 38, 39, 56 foreign investment, political dimension, 104 institutional reforms, legal modernization era, locally controlled SOEs, 38-39, 41 n.41, 110, 120, 181–182 protectionism concern, 49, 62-63, 111, 122, 125 tax revenue allocation, 56 Local People's Congresses, 32, 77 Made in China 2025 (industrial strategic plan), 75 n.157 management contract responsibility system in SOEs, 39 n.33, 110 managers' performance incentives, 178-179, 188, 190-191, 207-210 Mao era danwei (local working units), 38 n.31, 108-109 'democratic centrism', 40 duikangxing maodun (antagonistic contradictions), 22 economy in, 37 market for corporate control corporate governance role, 180, 183-185 M&A and takeovers regulation, 82, fig. 5.1, 91, 150, 181, 184 partial market development, evidence of, 180-183 'Wall-Street Walk' (shareholders' exit), 186 market reforms of early reform era decentralization policies. See decentralization private sector, regulatory approach towards, 43-46, 62-63 SOEs, operational autonomy reforms, 41-43, 109-111 negative consequences, 111-113 market reforms of legal modernization era banking and finance regulation, 71-72 business groups (qiye jituan), 118–120, 181, 222 company law, 57, 62-63 Economic Contract Law (1981) amendment, 56-57, 117 n.48 goal of. See socialist market economy goal listed, fig. 4.1 introduction to, 50-51, 55-56 political motivation, 53, 59-60, 101-102 private property rights, 62-63, 114-115 securities regulation, 57-58, 62-63, 70-71, 121-123, 132 SOEs, ownership diversification, 58, 60-62, 64-65, 81 Tax Reform (1994), 56 market reforms of legalized politicization era

mixed ownership reform (hunhe suoyouzhi), 81-84, fig. 5.1, 145 regulatory approach, shifts in, 79-81, 92 regulatory state, intensified market presence, 84-86, fig. 5.2, 89, fig. 5.3, 91-93, 149-151, 158 securities regulation, 80, 90-92, 196-197, 199-200 SMEs, significance acknowledged, 80, 81 summary of, 89-92 market regulation CCP as market regulator, 93-95, fig. 5.4, fig. 5.5, fig. 5.6, 102 corporate governance. See corporate governance early reform era, fig. 3.1 eras of, overview, 34-36, fig. 5.6, 101-102 experimentation strategy. See experimentation as reform strategy Five-Year Plans, development process, 29-34 growth correlated to, 18-20, fig. 2.1, fig. 2.2, 127, fig. 7.1 legal modernization era. See market reforms of legal modernization era legalized politicization era. See market reforms of legalized politicization era political dimension, 21-23, 27, 103-105 securities markets. See securities regulation media, corporate governance role, 177-178, 102-103 mergers and acquisitions. See market for corporate control methodology of study, 23-25, 237-240 middle-income trap, 74, 235 Milhaupt, Curtis J., 104, 119, 140–141, 149–150, 190, 199, 215 military-civil fusion policy, 75 n.157, 81 mixed ownership reform (hunhe suoyouzhi), 81-84, fig. 5.1, 145 mobilization policies, 7-8, 106, 236 CPP, law employed to stablize, 66-68, 78 legal system mobilization for, 25, 26, 42, 65, 75-76 'modern enterprise reform', 62-63, 113-116 modern enterprise system, 42 n.49, 113-118 modernization movement (social sciences), 11 municipal government. See local government Murrell, Peter, 42, 43, 46-47 national champion firms, 100-101, 118, 120.

national champion firms, 100–101, 118, 120.

See also business groups (qiye jituan)

National Development and Reform Commission
(NDRC), 30, 32, 34, 71, 98

National People's Congress. See NPC (National People's Congress)

CCP, intensified market presence. See CCP as

market actor



248 Index

national rejuvenation agenda/New Era rhetoric, 20, 78 n.166, 87 National Security Commission, 97 National Social Security Fund, 155 National Supervision Commission, 98, 218-219, Naughton, Barry, 37, 46, 62 NDRC (National Development and Reform Commission), 30, 32, 34, 70, 98 negative veto rights of public shareholders, 135 n.115, 158 n.220, 169, 194 Negotiable Instruments Law (1995), 57 neibu ren kongzhi (insider control), 139. See also corruption and cronvism neoclassical economics, 11-12 neoliberalism, 12 neutrality presumption of economic law, 22-23 New Era rhetoric/national rejuvenation agenda, 20, 78 n.166, 87 New Institutional Economics (NIE), 11-14 New York Stock Exchange, 197 NIE (New Institutional Economics), 11-14 nomenklatura system, 188, 207–208, 213 Normative Opinions (CRES, 1992), 57, 113 North, Douglass, 12-13 NPC (National People's Congress) economic policy-making role, 31-32, 34 as market regulatory actor, 84-86, 131 'rubber stamping' claim, 32-33, 77

OECD Principles of Corporate Governance, 130, 198
Ohnesorge, John K.M., 12
One Belt One Road Initiative, 75, 76 n.160, 143
ownership diversification of SOEs

de facto state ownership, present era, 117–118, 121
legal modernization era, 58, 60–62, 64–65, 81
mixed ownership reform (hunhe suoyouzhi), 81–84, fig. 5.1, 145

Partnership Enterprise Law (2006), 64
Party building (dangjian) initiatives, 67 n.130, 212, 214–215, 235–236
Party Charter. see CCP Charter
Party committees in firms (gongsi dangwei), 95–96, 98, 210–214, 216–217, 220–222
Party Congresses
11th (1977), 39–40
11th Central Committee, Third Plenum, 34, 37–38

13th (1987), 45, 55 13th Central Committee, Seventh Plenum, 31 n.7

14th (1992), 34, 54–55, 114

15th (1997), 50, 59-60, 66, 129 16th (2002), 60-62, 68-69 16th Central Committee, Third Plenum, 16th Central Committee, Fourth Plenum, 67 17th (2007), 62–65, 82 17th Central Committee, Second Plenum, 17th Central Committee, Fourth Plenum, 67 18th (2012), 92, 93-94, 194-195 18th Central Committee, Decisions on Comprehensive Deepening the Reforms, 79–80, 83, 86 18th Central Committee, Third Plenum, 79-80, 82-83, 86, 196 18th Central Committee, Fourth Plenum, 86 19th (2017), 87, 93-94 19th Central Committee, Fifth Plenum, 32 n.14, 78-79 Party-state as controlling shareholder, 96, 117, 134-135, 137-138 critiques of. See state capitalism, critiques of

Party-state system. See also CCP (Chinese Communist Party) capacity building, role of law. See under legal modernization era, role of law combined roles of Party officials, 30, 32–33 conflicts within, 181 dual constitutions. See CCP Charter; Constitution of the People's Republic of China 1982

economic policy-making, institutional responsibilities, 29–34 informal exchange mechanisms, 26–27, 106 law-based governance. See law-based governance (yifa zhiguo) state capitalism. See state capitalism
Pearson, Margaret, 93

People's Courts system civil society actors, lack of standing, 160–162 consumer litigation, 177–178 judicial review introduction, 46

People's Bank of China, 71-72, 121-122

lack of independence, 111 n.21, 160, 202–204 legal modernization era, judicial reforms, 66,

legalized politicization era, judicial reforms, 88 local economic disputes, 41 private securities litigation, 199–204 Pistor, Katharina, 104, 124 policy experimentation. See experimentation as reform strategy

political legitimacy of CCP, link to economic growth, 77–78, 101, 219–220



Index 249

political-economic turning point. See legalized politicization era (2010-present) political-legal system (zhengfa xitong) notion, politics and law interaction, 21-23, 27, 103-105 Price Law (1997), 57-58 'princelings' (taizi dang), 191. See also corruption and cronyism private property rights, 62-63, 114-115 private sector CCP's corporate governance role in, 215-216 de facto state ownership, present era, 117-118, early reform era, regulatory approach towards, 43-46, 62-63 legal modernization era, significance acknowledged, 57-59, 63-65 mixed ownership reform (hunhe suoyouzhi), 81-84, fig. 5.1, 145 private property rights, 62-63, 114-115 product market, corporate governance role, property rights protection, 62-63, 114-115 protectionism, local, 49, 62-63, 111, 122, 125 provincial government. See local government public law, political dimension, 22 public ownership constitutionally enshrined, 40 public shareholders. See shareholders socialist market economy goal. See socialist market economy goal SOEs. See SOEs (state-owned enterprises) public sector. See also Party-state system de facto state ownership, present era, 117-118, early reform era, as main component, 40-41, 43, 46 mixed ownership reform (hunhe suoyouzhi), 81-84, 145 state-assets management reform, legal modernization era, 69-70, 118-119 public shareholders. See also shareholders corporate governance role, 152-153, 188-189, 193-194 exploitation as 'structured predicament', 137-139, 142, 151. See also state capitalism, critiques of negative veto rights, 135 n.115, 158 n.220, 169, 194 Puchniak, Dan W., 154 qiye jituan (business groups), 118-120, 181, 222 Qualified Foreign Institutional Investors (QFII) initiative, 156-157 n.215 quota system for SOE shares (1993-2000), 123-125

'red-hat' enterprises, 41 n.41 Reform and Opening economic policy, 34, 37–38. See also early reform era (1979-91) related-party transactions, 145-146, 165, 169, 170, 198, 209 representative actions, 161-162, 199-200 research and development investments, 105 research methodology, 23–25, 237–240 rights hypothesis capital market development and, 2, 5 China's adoption of (anticipated), 22-23 evolution, 11-15 outlined, 1, 14-15 rule by law. See law-based governance (yifa zhiguo) rule of law Chinese notion postulated, 46, 50 n.71, 66 Western notion. See rights hypothesis SAIC (State Administration for Industry and Commerce), 41, 56-57 SAMS (State Administration for Market Supervision), 30 Sao Paulo Stock Exchange, 197 SASAC (State Asset Supervision and Administration Commission) corruption enforcement role, 218, 221, 225-226 establishment, 69-70, 139 mixed ownership guidance, 82 oversight and enforcement capacity, weaknesses of, 98, 139-142, 221 Science & Technology Innovation Board, Shanghai Stock Exchange, 80 science and technology policies, 75, 80, 89-90 securities regulation CSRC. See CSRC (China Securities Regulatory Commission) legal modernization era, 57-58, 62-63, 70-71, 121-123, 132 legalized politicization era, 80, 91-92, 196-197, 100-200 self-dealing, 138-142, 209, 227. See also state capitalism, critiques of SERC (State Economic Reform Commission), 56 Shanghai Stock Exchange, 121-122, 197-199 share issuance and ownership corporate control by acquisitions. See market for corporate control de facto state ownership, present era, 117-118, 121 foreign ownership, 122 n.71 IPOs (initial public offerings), 4-5, 80, 124, 125, 178 property rights protection for, 114-115 quota system (1993-2000), 123-125



250 Index

share issuance and ownership (cont.) SOE share units scheme, early reform era, untradeable shares in newly corporatized SOEs, 116-117 shareholders boards, relations with, 162-163 coalition-building with civil society, scope for, independent directors, appointment by, 166-167 institutional investors. See institutional investors iudicial remedies for, 199-204 Party-state as controlling shareholder, 96, 117, 134-135, 137-138 critiques of. See state capitalism, critiques of public shareholders. See public shareholders shareholder empowerment framework, 132-134 critiqued, 134-137 Shen Wei, 105 Shenzhen Stock Exchange, 121-122, 197-199 shihuizhuyi fazhi guojia (socialist rule of law country), 67, 73, 79, 86-89 Shirk, Susan, 38 shuanggui (disciplinary inspection type), 218. See also CCDI (Central Commission for Disciplinary Inspection) SMEs (small and medium-sized enterprises), 58, 80.81 social costs problem (Coase), 13-14 social organizations, scope for corporate governance role, 159-162 socialist market economy goal China as 'transitional economy,' claim disputed, 35-36 constitutionally enshrined, 55 declarations of, 50, 53-55 market reforms towards. See market regulation Party-state capacity building for. See under legal modernization era, role of law socialist rule of law country (shihuizhuyi fazhi guojia), 67, 73, 79, 86-89 SOE Assets Law, 139-142, 207, 213-214, 219 n.486 SOE Reform Guiding Opinions, 212-214, 219 n.486, 222 n.501 SOEs (state-owned enterprises) CCP's role in. See CCP's corporate governance role corporatization of. See large (public) firms, emergence of corruption and cronvism involving. See corruption and cronvism danwei (local working units, Mao era), 38 n.31,

dual-track pricing by, 39, 41-42 on Fortune Global 500 list, 2 insolvency of, 42, 64, 173-174, 185 Joint Ventures with foreign partners, 43-44 locally controlled, 38-39, 41 n.41, 110, 120, managers' performance incentives, 178-179, 188, 190-191, 207-210 operational autonomy reforms, early reform era, 41-43, 109-111 negative consequences, 111-113 ownership diversification. See ownership diversification of SOEs production redeployed to social tasks, 143 SASAC oversight of. See SASAC (State Asset Supervision and Administration Commission) share issues by. See share issuance and ownership takeovers and mergers. See market for corporate control Special Economic Zones, 43-44 split-share structure reform, 117 ST Meiya takeover, 182-183 State Administration for Industry and Commerce (SAIC), 41, 56-57 State Administration for Market Supervision (SAMS), 30 State Asset Supervision and Administration Commission. See SASAC (State Asset Supervision and Administration Commission) state capitalism CCP as market actor. See CCP as market actor CCP's corporate governance role. See CCP's corporate governance role critiques of. See state capitalism, critiques of emergence. See corporate governance reforms of legal modernization era; large (public) firms, emergence of goal of. See socialist market economy goal Party-state as controlling shareholder, 96, 117, 134-135, 137-138 Party-state as market regulator, 84-86, fig. 5.2, fig. 5.3, 89, 91–93, 149–151, 158 terminology, 93, 129 n.88 state capitalism, critiques of corruption and cronyism. See corruption and cronyism CSRC regulatory enforcement, weaknesses of, debt market role of Party-state, implications, 149-151 fear governance, 232-233

108-109



Index 251

investment strategies, non-optimal, 147–148 misaligned interests generally, 142–145, 148–149, 229–230 profit maximization de-emphasized, 146–147, 209–210 publicly expressed, 77 related-party transactions, 145–146, 165, 169,	underwriters, corporate governance role, 191–192 United Front Work, 215 n.468 United States, corporate governance in, 134 n.112, 146 n.168, 162, 163 n.240, 197 'Wall-Street Walk' (shareholders' exit), 186
170, 198, 209	Walter, Carl E., 122
SASAC oversight and enforcement, weaknesses	Wang Yuhua 104
of, 98, 139–142, 221 'structured predicament' of public shareholder	Wang Yuhua, 104 Washington Consensus, 12
exploitation, 137–139, 142, 151	Wen Jiabao, 60, 77 n.161
'tunneling' of firm resources, 145–146, 173	Western view of law and economic development.
State Commission for Restructuring the Economic	See rights hypothesis
Systems (CRES), 57, 70, 113, 118	Western-style corporate governance
State Council	audit committees' role, 169–170
generally, 29, 101	characteristics listed, 114
as market regulatory actor, 84–86, 131	corporate social responsibility, 146 n.168,
SOE Reform Guiding Opinions, 212–214,	159–160
219, 222	creditors' role, Japan and Germany, 171–172
State Development Planning Commission, 71	directors' roles, 134 n.112, 162, 163
State Economic Reform Commission (SERC), 56	external monitoring institutions, 180, 185–187,
state-owned enterprises. See SOEs (state-owned	189
enterprises)	shareholder coalition-building, 159–160
Stock Connect initiatives, 156–157	shareholder primacy, 132
stock exchanges, 121–122, 197–199	stock exchanges' role, 197
stock market, corporate governance role, 185–189 suoyouzhe quewei (absentee principal/absent	third-party gatekeepers, 191, 192 transaction costs theory, 13–14
owner) problem, 138–139, 146	Whiting, Susan, 42, 43, 46–47
super-ministries, 97–98	Wholly State-Owned Limited Liability Company
supervisory boards, 168–169, 175–176	form (guoyou duzi gongsi), 115
Supreme People's Court, 200–201	World Trade Organization (WTO) accession,
	60, 130
taizi dang ('princelings'), 191. See also corruption	
and cronyism	Xi Jinping
akeovers market. See market for corporate	on corruption risk, 220
control	CCP Commissions leadership, 30
akings of property, 62–63 ax regulations	leading small groups (<i>zhongyang lingdao</i> <i>xiaozu</i>) headed by, 30, 96–97
Budget Law (1994), 57, 89	New Era rhetoric/national rejuvenation
early reform era, 41–42	agenda, 20, 78, 87
legal modernization era, 55–56	personal power augmentation, 98, 223–224
echnology industries, policies for, 75, 80, 89–90	on SOE development, 210
heory of the firm (Coase), 13–14	Xiao Gang, 196 n.382
Гiananmen Square suppression, 49, 51, 55	xitong (systems), 181
otal market capitalization data, fig. 0.2, 3	Xu, Chenggang, 124
ownship and village enterprises (TVEs), 38,	Xu, Wenming, 198–199
41 n.41	
ransaction cost theory, 13–14	Yang Jingyu, 43
ransitional economies, 35–36	Yao Gang, 196 n.382
tunneling' of firm resources, 145–146, 173	yifa zhiguo. See law-based governance (yifa
IVEs (township and village enterprises), 38,	zhiguo)
41 n.41 wo-tiered board system, 168–169, 175–176	youxian zeren gongsi (limited liability company form), 115
0 10104 00114 0,000111, 100 109, 1/3 1/0	101111/, 117



Index

252

Zhang Wei, 105 Zhang Xianchu, 104–105 Zhang Yujun, 106 n.382 Zhao Ziyang, 45, 55 zhengfa xitong (political–legal system) notion, zhongyang lingdao xiaozu (leading small groups), 30, 96–97 Zhou Yongkang, 223–224 Zhu Rongji, 62 n.113 zhua da fang xiao (grasping the big, releasing the small) strategy, 58, 62, 81