

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.

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CORPORATE GOVERNANCE IN ASIA

A COMPARATIVE APPROACH

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For Daphne, Sasha, and Duncan

B. A.

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

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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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