

Comments on  
Prof. Hu Angang and  
Dr. Tong Daochi's works

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# 1. The evolution of Chinese Enterprise (and C/G) mechanism

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- The key element : Who provide enough money ?
- 1980s~mid 1990s : Bank provided loans
  - too small capital/too much debt
  - financial situation of SOEs much worse
- mid 1990s~ : how to provide sufficient capital?
  - let private companies grow further
  - invite more foreign funded enterprises
  - let SOEs pull public money from the market

## 2. Compromise between traditional socialist ideology and the pressing need for capital

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- While continuous declining of public ownership has been ideologically justified by the “Party”, some categories of SOEs are dealt as “exemption” depending on the the sectors and the company itself.
- For important sectors and companies : State needs to keep majority shareholding to keep them under the rule of “public ownership”
  - “Party” still plays important role in C/G
- For sectors and companies that don’t fall in the above: more autonomy was acquired by the management
  - Some ex-SOEs and their managers are alike POEs
    - Who is the governor of those companies?
  - Is there need for bigger supervisory role for banks?

# 3. Private Owned Enterprises

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- Family control
  - Family control is better than vacuum of control, so long as it has nothing to do with public money.
- For POEs that need more money :
  - When and how to let them make use of stock markets?

## 4. Challenges of China's C/G: How to overcome past customary

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- Past listed companies or managers thereof have viewed the stock markets as “money drain”
- One striking aspect of China's listed companies : Most listed companies are mere a subsidiaries of holding companies over them(集团公司), which fact substantially undermines the functions of the market.

## 4. Challenges of China's C/G (cont.): How to solve various chicken and egg problems

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- It is more than clear that China's capital (stock) market will be more and more important for good cooperate governance.
- In this conjunction, China needs to grow more sound stock markets(introduce more institutional investors, reduce too much highly risky nature , establish the second board).
- In the coarse, however, China still needs to pay enough attention to the supervisory role of banks or other existing resources of C/G.