Business, Economic, and Legal Developments since 1979

Linda Yueh

UNIVERSITAT LIECHTENSTEIN Bibliothek



B CONTENTS

List of Figures List of Tables List of Abbreviations	xi xii xiii
1. Introduction 1.1 Structure of the book	1 3
1.2 Case studies	4
1.3 Business in China	7
2 Legal and Economic Reforms and the Development of a Corporate Sector	9
2.1 Introduction	9
2.2 Overview of corporate sector development	14
2.2.1 State-owned and collectively-owned enterprises 2.2.2 Private firms	14 16
2.2.2 Fridae films 2.2.3 Foreign firms	18
2.2.4 The court system	21
2.3 Rural and urban reforms in the 1980s	22
2.4 'Open door'policy (1978/1992-)	26
2.5 Early 1990s'liberalization policies	32
2.6 Mid to late 1990s' focused marketization	36
2.6.1 Innovative capacity	37
2.6.2 Privatizing state-owned enterprises and improving the	
corporate legal foundation	39
2.7 Rapid market development in the 2000s	45
2 7.1 The banking system	47
2.7.2 Capital markets	51
2.8 Conclusion	55
Appendix 2.1 Key Chinese commercial and civil laws	56
Appendix 2.2 Securities and banking regulations in China	57
3. Law and Markets	59
3.1 Introduction	59
3.2 Law and markets	61
3.2.1 Theoretical and empirical relationships between laws	
and markets	61
3.2.2 The China paradox	63
3.2.3' A complementary view of legal and economic development	68
3.2.4 Structure of the chapter	68

	3.3	A comparative perspective of legal development and markets	69
		3.3.1 Chinese law	69 71
		3.3.2 Laws and markets in China and the USA	
		3.3-2.1 Patent laws and economic growth	74
		3.3.2.2 Corporate law and economic necessity	76
		3.3.2.3 Regulatory reform supporting markets: China's CSRC	70
	~ .	(China Securities Regulatory Commision) and the US SEC	78
	3.4	Complementarities between law and markets	81
		3.4.1 A test of Granger non-causality	82
	0 F	3.4.2 The empirical results	84
		Institutions and transition in China	87
	3.6	Enforcement of laws	90
		3.6.1 Foreign firms	90
	o 7	3.6.2 Informal institutions	91
	3.7	Conclusion: China's legal and economic reforms in an era of global	00
		integration	93
4.	Stat	e-Owned Enterprises: Law as Instrument of Economic Policy	97
	4.1	Introduction	97
	4.2	Early reforms: Incentivizing state-owned enterprises in the 1980s	101
		4.2.1 SOE Law	101
		4.2.2 Bankruptcy Law	103
		4.2.3 Contract Responsibility System (CR5)	104
		4.2.4 Problems with the CRS	106
	4.3	Gongsihua and ownership reform in the 1990s	109
		4.3.1 Corporatization	109
		4.3.2 'Grasping the large, releasing the small'	111
	4.4	Dispersed ownership and the enactment of securities laws	114
	4.5	Governance by corporate laws in the 2000s	118
	4.6	Conclusion	120
	Cas	e study 1: Three decades of state-owned enterprise reform-Haier	121
	Cas	e study 2: State ownership and consolidation—national oil	
		companies (by Kun-Chin Lin, King's College, London)	130
	Cas	e study 3: High-tech goods/R&D sector—the aviation industry	136
	Cas	e study 4: Corporatization of state-owned banks: ICBC	144
5.	Coll	lectively-Owned Enterprises: Hybrid Ownership Form and the	
		tial Reform Strategy	158
	5.1	Introduction	158
	5.2	Origins of township and village enterprises (TVEs)	161
		The rise and fall of TVEs	165
	5.4	The multi-tasking role of TVEs	168
		5.4.1 Why publicly-owned enterprises multi-task	169

	5 4.2 Theoretical basis of TVEs	171
	5.4.3 Shifting policy base	173
	5.4.4 TVEs in transition	175
	5.5 Urban collectives and the performance of the collective sector	177
	5.6 Conclusion	182
	Case study 5: Evolution of TVEs-the toy industry	184
6.	Private Firms: Law Ex Post and as Obstacle	187
	6.1 Introduction	187
	6.2 The laws and policies governing an evolving private sector	189
	6.3 Constrained entrepreneurship	191
	6.3.1 Social networks	191
	6.3.2 Institutional impediments	193
	6.4 Entrepreneurial determinants	194
	6.5 The traits of entrepreneurs	195
	6.5.1 Socio-economic factors influencing urban residents	203
	6.5.2 Socio-economic factors influencing migrant entrepreneurs	207
	6.5.3 Legal development influencing both sets of entrepreneurs	210
	6.5.4 Robustness of legal development and the entrepreneurship	
	decision	212
	6.5 5 Provincial rates of self-employment	215
	6.6 Conclusion	218
	Case study 6: Going global—Lenovo and the PC industry	219
7.	Foreign Firms: Law Leading the Market	225
	7.1 Introduction	225
	7.1.1 Law leading the market	227
	7.1.2 Structure of the chapter	228
	7.2 Foreign direct investment and Special Economic Zones	229
	7.2.1 FDI in China	229
	7.2.2 Special Economic Zones	232
	7.3 FDI policies and laws	235
	7.4 Laws leading market development	238
	7.5 Post-WTO accession and international economic laws	243
	7.5.1 FDI laws and policies continuing to circumscribe the market	243
	7.5.2 The influence of international economic law	245
	7.6 Conclusion	248
	Case study 7: Specializing in low-tech exports: textiles and clothing	249
	Case study 8: Developing a medium-tech sector: automobile industry	259
	Case study 9: Early FDI policy—joint ventures and the mobile phone	070
	industry	270
	Case study 10: Wholly foreign-owned enterprises—Carrefour and	070
	the retail sector (by Jonathan Story, INSEAD)	279
	Appendix'7.1 Special Economic Zones (SEZs)	283

8. Conclusions: Business in China-The Evolution of Laws and the Market	285	
8.1 Introduction	285	
8.2 Do corporate laws matter in China?	288	
8.3 Ongoing corporate sector reforms	297	
8.3.1 Transformation of siate-owned enterprises	297	
8.3.2 'Going out' policy	300	
8.3.3 Private firms	301	
8.4 The Chinese business environment in the twenty-first century	303	
8.4.1 The second thirty years of reform	303	
8.4.2 The evolving market	306	
8.5 Assessing the future contour of China's market	309	
Case study 11: Post-WTO financial market development	'	
(by Sanzhu Zhu, SOAS, University of London)	311	
Case study 12: Effectiveness of laws-evaluating the patent laws	322	
Appendix 8.1 Company registration in China	328	
Dibliography	335	
Bibliography		
Index		