

East Asian Corporate Governance and East Asian Community: From Economic System Competition to Corporate System Competition

SHIMPO Hirohiko

Table of Contents

Introduction

1 East Asian Securities Market

2 Chinese Corporate Governance

3 Corporate Governance in Russia, Singapore, Korea and Taiwan

4 East Asian Corporate Governance and East Asian Community

Keywords: State Monopoly Enterprise, State-Owned Enterprise, Sovereign Wealth Fund, Corporate System Competition, East Asian Community

Abstract

The U.S. financial crisis, which stemmed from the breakdown of the subprime loan, is expanding further and developing into a global financial crisis. This crisis is greatly influencing East Asian countries that have experienced rapid growth.

This paper examines East Asian corporate governance just before the crisis. In this paper, East Asia means China, Hong Kong, Russia, Korea, Taiwan and Singapore. That is, East Asia is China, Russia and the previous NIES.

As I discusses in detail, in both China and Russia, large state monopoly enterprises are born one after another as they move toward a market economy. Older state-owned enterprises are converting to large state monopoly enterprises, and the latter have a marked influence not only on the country, but also on the entire world economy.

The following are features of state monopoly enterprises:

1. Although a state-owned enterprise is privatized, it maintains approximately two thirds ownership ratio to its public company as a holding company, and as a result substantially continues to control its management.
2. The most efficient part of all state-owned enterprise resources are transferred to a public company, and state monopoly enterprises continue to maintain monopolistic status in each market.
3. Such a monopolistic position brought about the adhesion and unification with politics, and, in certain cases, corruption.

In East Asia, the market-centered corporate governance in Japan and some other countries, along with the large state monopoly enterprises in China and Russia, is developing a new form of competition. The previous economic system competition is changing into the corporate system competition. In such conditions, I would like to examine whether or not the East Asian community can be established.

Section 1 summarizes East Asian business activity and its financial markets. Section 2 discusses

Chinese corporate governance, Section 3 discusses corporate governance in Russia, Singapore, Korea and Taiwan. Finally, Section 4 summarizes the relationship between East Asian corporate governance and the East Asian community, and the role of Japanese companies.

Introduction

On September 15, 2008, Lehman Brothers, the fourth-ranked securities firm in the U.S., announced they were applying for Article 11 of the Federal Bankruptcy Act. The U.S. financial crisis, which stemmed from the frozen subprime loan, is expanding further and developing into a global financial crisis.

This crisis is greatly influencing East Asian countries that have experienced rapid growth. This paper examines East Asian corporate governance just before this crisis. For purposes of this paper, East Asia means China, Hong Kong, Russia, Korea, Taiwan and Singapore. That is, East Asia is China, Russia and the previous NIES.

I would like to especially note China and Russia. After the Soviet Union socialist system collapsed, Russia was born. China is rapidly advancing toward a market economy while maintaining the old system. This paper's most important objective is to show the actual conditions of corporate governance in these countries. Russia is a big power in Europe. However, Russia is also a major country in East Asia, bordering Japan and China.

As this paper will discuss in detail, in both China and Russia, large state monopoly enterprises are born one after another as they move toward a market economy. Older, state-owned enterprises will convert to large state monopoly enterprises, and the latter have a marked influence not only on the country, but also on the world economy.

In East Asia, the market-centered corporate governance in Japan and other countries, along with the large state monopoly enterprises in China and Russia, is developing a new form of competition. The previous economic system competition is changing into the corporate system competition. In such conditions, I would like to examine whether or not the East Asian community can be established.

Section 1 summarizes East Asian business activity and its financial markets. **Section 2** discusses Chinese corporate governance; **Section 3** discusses corporate governance in Russia, Singapore, Korea and Taiwan. Finally, **Section 4** summarizes East Asian corporate governance and the East Asian community.

1 Securities Markets in East Asia

First, I would like to survey the securities market in the world and East Asia. **Figure 1** summarizes the aggregate market value of the major securities markets in the world and Asia from 1990 to 2007 based on a report from the World Federation of Exchanges.

The increase in the NYSE is remarkable, while the stagnation of Tokyo is conspicuous among major world markets. However, the huge expansion of the Shanghai and Shenzhen market, which have supported rapid economic growth in China, warrants attention. Both markets were founded in 1990*1. These market's first data in this report were published in 2002.

Although the Shanghai general index had reached 5,000 at the end of 2007, it fell below 2,000 on September 16, 2008. Even if we subtract the negative influence of the U.S. financial crisis, we still see that the bubble was included in the Chinese stock market.

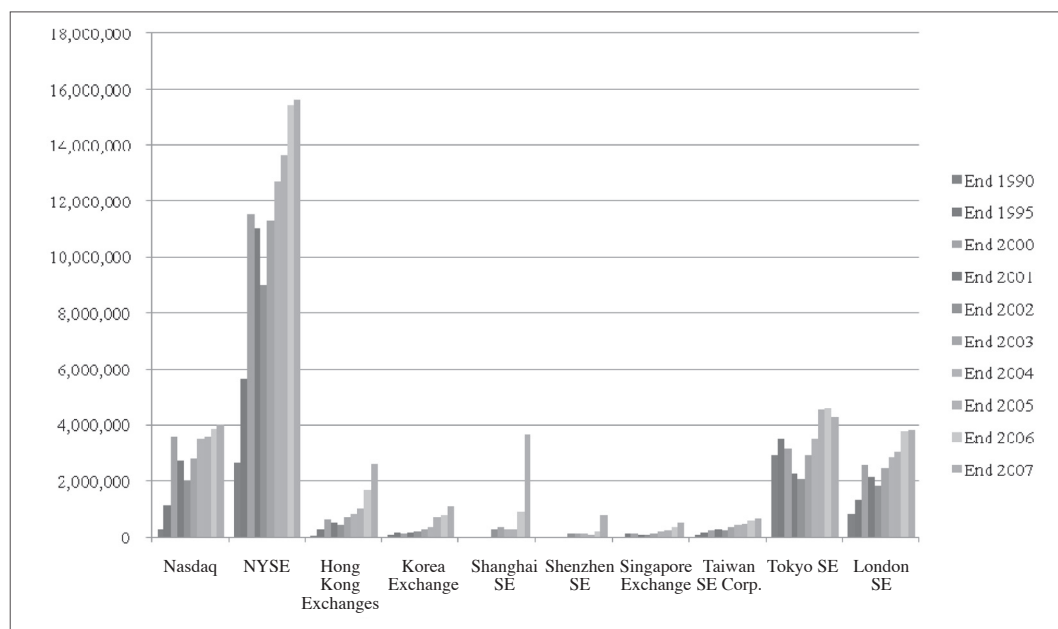


Figure 1 Domestic Market Capitalization (Main & Parallel Markets) (in USD millions)

Source: World Federation of Exchanges

*1 The examination of the history of the Shanghai market, its development before World War II, the abolition by the People's Republic of China and its comparison with the current market will become an important subject.

The study on Shanghai market is closely related to the research on the historical development of Chinese companies as well.

I will examine how companies in each East Asian country have developed, supporting a growth of such a financial market. Before examining the latest trends, I will survey the features of companies in each East Asian country on January 4, 2000, via the FT Global 500 2000 by The Financial Times Ltd. Its financial data are mainly from the end of 1998. Since these data are based on the aggregate stock market value from early on, we can make the comparative examination for a longer period.

A noteworthy feature of **Table 1** is that Chinese and Russian companies are not included in Global 500 companies. In terms of the industrial composition, the fixed-line telecommunication services company occupies the higher rank, and there is no cellular phone services company. Both of the above dramatic changes have been brought about in only eight years. Alternatively, when you exclude fixed-line telecommunication service companies, the companies in the other four countries and region do not experience much of a change.

2 Chinese Corporate Governance

In **Sections 2 and 3**, I will survey East Asian business activity through FT Global 500 2008. This investigation is based on the stock price on March 31, 2008. Its financial data come mainly from the end of 2007. Although the stock price in each country is already falling, it is still high.

Since shareholder capitalism is now developing, the aggregate stock market value standard is the most suitable method to evaluate a company. However, since FT's data are based on the stock price at one specific point in time, some problems may arise in the comparison among companies and the comparison among different periods.

For all listed companies or most of them the corporate governance in each country can be examined. However, I think the better method is to make representative companies' detailed data transparent, thereby making their real image understandable to more people. Because the representative companies make up such a high ratio, this is a successful means of disseminating critical information. Conversely, summing up all listed companies can be often misleading, as the importance of major players will be overlooked.

The sales standard's ranking is often used in China and other developing countries. It shows that the scale of an economy and a company is the valuation standard in these countries.

The U.S. has the most companies in the FT Global 500 2008 at 169 (9,617 billion dollars). Japan follows with 39 companies (1,601 billion dollars). There are 25 Chinese companies, worth

Table 1 Asian Companies in 2000

Rank 2000	Rank 1998	Company	Country	Market Capital \$m	Sector	Turnover \$m	Pre tax Profit \$m	Net Profit \$m	ROCE	Capital Employed \$m	Yearend
51	198	China Telecom (Hong Kong)	HK	92,082.50	Fixed-Line Telecommunication Services	3,182.0	1,133.7	833.4	10.6	6,513.5	31/12/1998
90	179	Hutchison Whampoa	HK	57,309.80	Diversified Industrials	6,606.8	1,435.6	1,119.4	10.9	22,702.2	31/12/1998
168	151	Cable & Wireless HKT	HK	34,905.4	Fixed-Line Telecommunication Services	4,167.4	1,689.8	1,479.6	26.1	5,283.2	31/03/1999
205	353	Cheung Kong (Holdings) Ltd	HK	29,024.8	Real Estate Holding & Development	N/R	941.5	785.9	3.8	13,588.5	31/12/1998
231	448	Sun Hung Kai Properties	HK	25,931.4	Real Estate Holding & Development	N/R	1,305.0	1,193.0	8.3	18,642.6	30/06/1999
257	307	Hang Seng Bank	HK	22,217.5	Banks	N/R	1,025.5	872.8	16.0	5,539.5	31/12/1998
261		Pacific Century Cyberworks	HK	22,034.2	Internet	36.5	-7.9	-8.0		30.5	31/12/1998
		Total		283,505.6							
115		Korea Telecom	S Korea	47,003.8	Fixed-Line Telecommunication Services	9,083.4	218.5	174.1	2.9	15,654.3	31/12/1998
146		Samsung Electronics	S Korea	40,780.2	Semiconductors	17,892.4	366.0	279.0	11.7	15,736.0	31/12/1998
217		SK Telecom	S Korea	28,219.9	Fixed-Line Telecommunication Services	3,158.3	252.2	134.8	17.5	3,247.6	31/12/1998
270	430	Korea Electric Power	S Korea	20,522.1	Electricity	12,675.4	1,505.1	1,086.8	7.6	42,153.6	31/12/1998
461		POSCO	S Korea	12,205.2	Steel	12,127.5	1,148.7	848.9	11.2	16,327.7	31/12/1998
		Total		148,731.2							
176	139	Singapore Telecom	Sin	33,077.3	Fixed-Line Telecommunication Services	2,949.0	1,571.4	1,233.3	22.3	6,053.9	31/03/1999
299		Development Bank of Singapore	Sin	18,699.0	Banks	N/R	93.8	122.7	2.2	5,512.6	31/12/1998
355		Singapore Airlines	Sin	15,739.2	Airlines & Airports	4,707.7	674.4	623.9	8.3	8,349.7	31/03/1999
480		Oversea-Chinese Banking	Sin	11,786.4	Banks	N/R	329.7	256.6	8.5	4,049.5	31/12/1998
		Total		79,301.9							
125	325	Taiwan Semiconductor	Taiwan	44,731.1	Semiconductors	1,651.9	414.9	502.7	12.3	4,333.4	31/12/1998
166		United Micro Electronics	Taiwan	35,022.8	Semiconductors	566.9	129.6	144.4	1.3	3,248.7	31/12/1998
433		Asustek Computer	Taiwan	12,994.4	Electronic Equipment	1,153.2	375.3	379.2	41.1	1,067.7	31/12/1998
473	321	Cathay Life Insurance	Taiwan	11,922.2	Life Assurance	N/R	583.0	491.4		27,167.6	31/12/1998
		Total		104,670.5							

Source: FT Global 500 2000.

1,962 billion dollars, exceeding Japanese companies. Thirteen Russian companies are worth 820 billion dollars. In this way, China and Russia have come to hold major companies in the world in a short period of time.

2.1 Chinese Companies in FT Global 500 2008

Table 2 is a list of 25 Chinese companies and ten Hong Kong companies in the FT Global 500 2008. When we examine Chinese companies by industry, we find many finance-related businesses: eight banks, two life insurance companies and one financial institution. Seven are oil and mining companies: two oil and gas producers, three industrial metals and mining and two mining companies. The concentration of the finance and mining sectors is remarkable. Top ten companies are especially likely to fall into these two industries.

In China, where the financial market is behind, a large amount of funds is concentrated within the banks, especially since so many people deposit funds into them*2. It is no surprise that the banking sector becomes a representative industry. We often see that state-owned oil and natural resources enterprises are big businesses in many developing countries.

The aggregate market value of China's top company, PetroChina, is 424 billion dollars. Second-ranked Indl & Coml Bank of China is valued at 277 billion dollars. They are overwhelming other companies within their respective industries.

Of Hong Kong companies, the aggregate market value of China Mobile is 298 billion dollars, and it makes up approximately one half of the total market value of ten companies. China Mobile is a big business with 69.3% share in mainland China. Subsequently, the composition ratio of General industrials, such as Hutchison Whampoa, and Real estate investment & services such as Sun Hung Kai Properties, is high, and it differs considerably from mainland business composition.

The PE ratio and Dividend Yield of all Chinese and Hong Kong companies in Table 2 are 16.0 and 17.8, and 2.6 and 2.3, respectively. The Dividend Yield is high, following Singapore. As I will examine later, this may mean that these companies give profits to their main stockholders, the government and state-owned enterprises. We must note this result from now on.

*2 Regarding the money flow in China, refer to the Ministry of Economy, Trade and Industry (2005), Chapter 2, Section 4 "The money flow in East Asia, and the financial environment." Through this data, we reconfirm the importance of financial institutions.

Table 2 FT's Chinese and Hong Kong Companies

Global rank 2008	Global rank 2007	Company	Country	Market value \$m	Sector	Turnover \$m	Net income \$m	Price \$	PE ratio	Dividend Yield (%)
2		PetroChina	China	423,996.2	Oil & gas producers	118,999.6	20,752.8	1.2	10.8	4.1
6	9	Indl & Coml Bank of China	China	277,235.5	Banks	N/R	11,617.3	0.7	20.3	
20	35	China Construction Bank	China	176,473.5	Banks	N/R	6,601.3	0.7	25.0	0.3
26	23	Bank of China	China	159,478.1	Banks	N/R	8,015.8	0.4	13.6	3.3
37	53	Sinopec	China	135,316.6	Oil & gas producers	148,871.4	7,682.9	0.9	9.7	2.5
50	41	China Life Insurance	China	109,528.7	Life insurance	N/R	5,540.6	3.4	17.5	1.7
52		China Shenhua Energy	China	107,653.7	Mining	11,352.6	2,933.0	4.0	25.3	
103	264	China Merchants Bank	China	64,469.5	Banks	N/R	2,172.3	3.5	23.4	
105	166	Bank of Communications	China	63,880.4	Banks	N/R	2,889.2	1.2	19.5	
140	196	Ping An Insurance	China	54,247.2	Life insurance	N/R		7.1	19.1	1.4
242		China COSCO	China	35,247.8	Industrial transportation	7,267.1	289.4	2.4	51.6	1.4
260		China CITIC Bank	China	33,552.9	Banks	N/R	549.8	0.5		
273		Aluminum Corp. of China	China	32,340.7	Industrial metals & mining	10,856.3	1,459.9	1.6	13.8	1.7
288		Baoshan Iron & Steel	China	30,993.1	Industrial metals & mining	22,419.8	1,854.1	1.8	16.8	2.8
311		China Coal Energy	China	28,873.3	Mining	4,307.5	452.1	1.7	31.3	0.1
337		China United Telecom	China	26,782.9	Mobile telecommunications	11,157.7	519.4	1.3	51.4	0.8
363		Kweichow Moutai	China	25,265.3	Beverages	1,031.4	429.8	26.8	61.6	
369		CITIC Securities	China	24,821.7	Financial services	N/R	1,766.9	7.5	52.7	0.4
387		China Vanke	China	23,915.2	Real estate investment & services	N/R	690.3	2.2	21.3	0.6
414		Air China	China	22,270.3	Travel & leisure	6,800.1	602.7	0.8	16.6	11.5
419		China Minsheng Banking	China	22,115.3	Banks	N/R	902.8	1.2	17.1	0.6
422		Shanghai Pudong Development Bank	China	21,985.5	Banks	N/R	783.2	5.1	28.1	0.8
433		China Railway Group	China	21,339.7	Construction & materials	21,884.7	291.6	1.0		
452		Shanghai International Port	China	20,775.1	Industrial transportation	N/R		1.0		
490		Angang Steel	China	19,490.1	Industrial metals & mining	7,727.6	1,011.0	2.3	13.4	3.6
		Total		1,962,048.3					16.0	2.6
5	16	China Mobile	Hong Kong	298,093.2	Mobile telecommunications	50,869.6	12,407.1	14.9	24.0	2.0
101	220	CNOOC	Hong Kong	65,495.7	Oil & gas producers	12,675.7	4,407.3	1.5	14.2	2.5
208	202	Hutchison Whampoa	Hong Kong	40,344.6	General industrials	23,620.5	2,573.9	9.5	15.7	2.3
211	309	Sun Hung Kai Properties	Hong Kong	39,999.4	Real estate investment & services	N/R	2,727.6	15.6	14.2	1.9
249	326	Hang Seng Bank	Hong Kong	34,611.7	Banks	N/R	2,344.2	18.1	14.8	4.5
269	301	Cheung Kong	Hong Kong	32,884.5	Real estate investment & services	N/R	2,322.7	14.2	14.2	2.0
314		China Unicom	Hong Kong	28,702.6	Mobile telecommunications	13,437.7	531.8	2.1	49.9	1.2
359	348	BOC Hong Kong	Hong Kong	25,457.7	Banks	N/R	1,799.9	2.4	14.1	4.5
480		CLP Holdings	Hong Kong	19,818.9	Electricity	6,526.6	1,363.2	8.2	14.6	3.9
487		Jardine Matheson	Hong Kong	19,601.7	General industrials	19,445.0	1,828.0	31.6	6.1	2.1
		Total		605,010.0					17.8	2.3

Note: PE Ratio and Dividend Yield in each total column are calculated only in companies with relevant data.

Source: FT Global 500 2008.

Next I will unify these 35 companies and examine the primary stockholders of the top 20 companies. Of these, mainland Chinese companies hold 14 positions and Hong Kong companies make up six.

In order to examine the corporate governance in each country, we have to first determine the stockholders. Until recently there were numerous studies on the decision-making systems of Chinese companies, such as the boards of directors. I would like to emphasize that an examination of the stockholders' conditions is preferential. This is especially preferred since stockholder capitalism is dominant throughout the world, and the rule of state-owned enterprises lasted so long in China and Russia. And then, it will be necessary to show how the decision-making process inside a company functions and how a unique political system, such as the Communist Party, is participating in decision-making in China.

In **Table 3**, based on data disclosed by ET Net Limited and the Hong Kong securities exchange and supplemented partly by each company's annual report, I list the two major stockholders of 20 companies. It is excellent that these data are easily attainable regarding those Chinese and Hong Kong companies. We may conclude that the special existence of Hong Kong, with its long history and open financial market, especially the Hong Kong securities exchange, aided the privatization and development of Chinese companies.

The first feature to note in Table 3 is that the state-owned enterprises are the largest stockholders and have an overwhelming status in almost all companies. The highest ownership ratio is 86.3% of CNPC, the stockholder of PetroChina. The same may be said regarding CHINA MOBILE (HK), with 74.3% stake in the Hong Kong company, China Mobile.

When Chinese companies advanced privatization, the entirety of state-owned enterprises were not privatized, but the most competitive sections were. The state-owned enterprises became holding companies of privatized companies. This is the easiest and quickest method of privatization*3.

However, this form may also leave an unprofitable sector and an inefficient section simultaneously, and in some cases, it is possible to affect a public corporation's business activity. Therefore, it becomes important to clarify the interdependent relations between a holding company and a public corporation.

The second feature is that a bank is controlled by the government (MOF OF THE PRC), the

*3 In detail, refer to Imai (2008).

Table 3 Top 20 Chinese and Hong Kong Companies' Stockholder

	Company	Country	Industry	Stockholder 1	%	Stockholder 2	%	Total	
1	2 PetroChina	China	Oil & Gas	CNPC - NON-H SHS#	86.3	DEUTSCHE BANK AG - H SHS*	6.2	92.5	6/30/08
2	5 China Mobile	Hong Kong	Telecommunications	CHINA MOBILE (HK)	74.3			74.3	12/31/07
3	6 Indl & Coml Bank of China	China	Banks	MOF OF THE PRC - NON-H SHS#	35.3	CENTRAL SAFE INV - NON-H SHS#	35.3	70.6	6/30/08
4	20 China Construction Bank	China	Banks	CENTRAL SAFE INV - H SHS*	68.0	BANK OF AMERICA - H SHS*	11.2	79.2	7/21/08
5	26 Bank of China	China	Banks	CENTRAL SAFE INV - NON-H SHS#	67.5	RBS GROUP - H SHS*	28.4	95.9	6/30/08
6	37 Sinopec	China	Oil & Gas	CHINA PETROCHEMICAL-NON-H SHS#	75.8	ALLIANCEBERNSTEIN L.P-H SHS*	9.0	84.8	6/30/08
7	50 China Life Insurance	China	Insurance	CHINA LIFE INSUR - NON-H SHS#	68.4	J.P. MORGAN CHASE & CO.-H SHS*	7.5	75.9	6/30/08
8	52 China Shenhua Energy	China	Coal	SHENHUA GROUP CORP-NON-H SHS#	73.9	J.P. MORGAN CHASE & CO.-H SHS*	7.3	81.2	12/31/07
9	101 CNOOC	Hong Kong	Oil & Gas	CNOOC	65.0			65.0	12/31/07
10	103 China Merchants Bank	China	Banks	CHINA MERCHANTS GP-NON-H SHS#	17.6	COSCO GROUP - NON-H SHS#	6.4	24.1	6/30/08
11	105 Bank of Communications	China	Banks	HSBC HOLDINGS(00005) - H SHS*	40.7	MOF OF THE PRC - NON-H SHS#	20.4	61.0	6/30/08
12	140 Ping An Insurance	China	Insurance	HSBC HOLDINGS(00005) - H SHS*	48.2	SHENZHEN INV - NON-H SHS#	7.4	55.6	12/31/07
13	208 Hutchison Whampoa	Hong Kong	Conglomerates	CHEUNG KONG(00001)	50.0			50.0	12/31/07
14	211 Sun Hung Kai Properties	Hong Kong	Properties	DIRECTOR WALTER KWOK & FAMILY	42.5			42.5	8/5/08
15	242 China COSCO	China	Transportation	COSCO GROUP - NON-H SHS#	53.6	J.P. MORGAN CHASE & CO.-H SHS*	8.4	62.0	12/27/07
16	249 Hang Seng Bank	Hong Kong	Banks	HSBC HOLDINGS(00005)	62.1			62.1	12/31/07
17	260 China CITIC Bank	China	Banks	CITIC GROUP - NON-H SHS#	62.3	CIFH(00183) - H SHS*	n.a.	62.3	3/31/08
18	269 Cheung Kong	Hong Kong	Properties	DIRECTOR LI KA SHING	40.2			40.2	7/16/08
19	273 Aluminum Corp. of China	China	Metals	ALUM. CORP OF CHINA-NON-H SHS#	41.8	TEMPLETON ASSET MGT - H SHS*	14.8	56.6	12/31/07
20	288 Baoshan Iron & Steel	China		Baosteel Group Corp.	74.0	Bank of Communications - E Fund 50 Index Fund	0.6	74.6	

Source 1: FT Global 500 2008.
2: ET Net Limited and company's Annual Report.

government financial institutions and a sovereign wealth fund (CENTRAL SAFE INV*4) directly. The latter will be examined later. The same can be said of three large banks, Indl & Coml Bank of China, China Construction Bank and Bank of China.

The form of privatization in China is very uniform, and will be found in almost all Chinese companies. The only exception in the top 20 companies is the case of China Merchants Bank. The two major stockholders' ownership ratio is just 24.1%. However, according to the company's annual report, the total of the state-owned stock is 45.15%.

Next I will examine the world representative banks, and the position Chinese banks hold within them. **Table 4** lists the world representative banks according to The Banker. The current global financial crisis has resulted in the purchase of two banks. The HBOS was acquired by the British bank, Lloyds TSB Group (the 32nd rank of The Banker), and Wachovia Corporation was bought by the U.S. bank, Wells Fargo & Co (the 23rd rank of The Banker).

Notice the high status of Chinese banks. The Chinese banks shown in Table 3, ICBC, Bank of China and China Construction Bank Corporation, are ranked highly. The Bank of China stands first of the 20 banks as ranked by soundness, and China Construction Bank Corporation is first in performance.

However, I would like to call attention to the fact that Chinese banks were not entirely privatized from a former national commercial bank. As a preventive measure against bad loans, in the old national commercial banks public funds were injected and bad loans were partially transferred to assets management companies (AMC). As a result, national commercial banks improved, while the government amassed the problem. In that sense, the Chinese financial system makes transparency difficult.

The third feature is that ownership of financial institutions in developed countries is progressing steadily. When the Chinese government wants to privatize within a short time, it cannot help depending upon financial institutions in developed countries with a large amount of funds.

The Chinese companies of which the Hong Kong-based British HSBC is the largest stockholder are the Bank of Communications and Ping An Insurance. In addition to these

*4 This company is the subsidiary of China Investment Corporation (CIC). Incidentally, in each bank's English annual report, this company is indicated as Huijin.

Table 4 World Representative Banks

	Strength		Size		Sound-ness		Profits		Performance		BIS		Non-Performing			
	Tier 1 Capital		Assets		Capital as-sets ratio		Pre-tax profit		Return on assets		Cost/Income ratio		Capital Ratio		Loans to total loans	
	\$m	% latest	\$m	% latest	\$m	%	\$m	%	%	%	%	%	%	%	%	%
1	HSBC Holdings	United Kingdom	104,967	2,354,266	4.46	24,212	1.03	49.42	13.60	1.83						
2	Citi group	USA	89,226	2,187,631	4.08	1,704	0.08	75.26	10.70	1.02						
3	Royal Bank of Scotland	United Kingdom	88,888	3,807,892	2.33	19,836	0.52	54.55	11.20	1.28						
4	JP Morgan Chase & Co	USA	88,746	1,562,147	5.68	22,805	1.46	58.43	12.60	0.16						
5	Bank of America Corp	USA	83,372	1,715,746	4.86	20,924	1.22	55.81	11.02	0.64						
6	Mitsubishi UFJ Financial Group	Japan	82,859	1,817,571	4.56	10,199	0.56	74.76	11.26	1.44						
7	Crédit Agricole Group	France	68,724	2,263,310	3.03	12,110	0.53	68.50	9.60	2.70						
8	ICBC	China	66,271	1,188,800	5.57	15,795	1.33	34.66	13.09	2.74						
9	Santander Central Hispano	Spain	58,479	1,343,905	4.35	16,061	1.20	46.60	12.66	1.08						
10	Bank of China	China	56,210	820,198	6.85	12,416	1.51	46.54	13.34	3.12						
11	BNP Paribas	France	55,353	2,494,412	2.22	16,279	0.65	74.94	na	na						
12	Barclays Bank	United Kingdom	54,915	2,459,148	2.23	14,178	0.58	57.39	12.10	2.76						
13	China Construction Bank Corporation	China	52,300	903,291	5.79	13,802	1.53	41.79	12.58	2.60						
14	HBOS	United Kingdom	48,864	1,336,299	3.66	10,968	0.82	46.93	11.10	2.07						
15	Mizuho Financial Group	Japan	48,752	1,494,960	3.26	4,956	0.33	83.64	11.69	1.78						
16	UniCredit	Italy	47,854	1,504,134	3.18	13,772	0.92	54.40	10.11	na						
17	ING Bank	Netherlands	43,827	1,463,437	2.99	6,557	0.45	68.65	10.32	0.99						
18	Sumitomo Mitsui Financial Group	Japan	43,771	1,072,562	4.08	9,280	0.87	68.30	12.19	1.80						
19	Wachovia Corporation	USA	43,528	782,896	5.56	8,773	1.12	63.07	11.82	1.21						
20	Rabobank Group	Netherlands	41,931	839,840	4.99	4,487	0.53	67.04	10.90	na						
	Total				3.80		0.78									

Source: The Banker (2008)

institutions, we have the following cases: DEUTSCHE BANK AG (6.25%) in PetroChina, BANK OF AMERICA (11.2%) in China Construction Bank, J.P.MORGAN CHASE & CO. (7.5%) in China Life Insurance and others. They are the second largest stockholders, following a state-owned parent company, and they are very important stockholders of Chinese companies.

In addition, the stockholding by these banks can be conjectured to be the stockholding by the substitute of institutional investors in each country. Since these institutional investors are predicted to take the position of stockholder activism, Chinese companies will be strongly influenced.

Finally, I would like to summarize Hong Kong-based companies. The representative Hong Kong companies are Sun Hung Kai Properties (controlled by DIRECTOR WALTER KWOK & FAMILY) and Cheung Kong (controlled by DIRECTOR LI KA SHING). The latter controls Hutchison Whampoa. Such large, family-run conglomerates are already exceptional in the world.

What is important is that the situation has not changed since I examined in Shimpo (1998, 227-31). In a 1995 investigation by Nihon Keizai Shimbun, Hutchison Whampoa was the third largest Hong Kong company. The ownership ratio of Cheung Kong by LI KA SHING was 33.4% and the ownership ratio of Hutchison Whampoa by Cheung Kong was 44.1%. Sun Hung Kai Properties was the sixth largest company, and the ownership ratio by DIRECTOR WALTER KWOK & FAMILY was 45.6%. For the former company, two ownership ratios are rising.

2.2 Chinese Companies based on Investigation of China

The examination in Section 2.1 was based on the investigation of the aggregate stock market value by FT. Next, I will consider the investigation of China Enterprise Confederation/ China Enterprise Directors Association, "Top 500 Chinese companies in 2007." This investigation is based on sales in the 2006 fiscal year, and is mainly an examination of the parent company. I would like to call attention to what is different from the FT rankings. This ranking does not include Hong Kong companies.

Table 5 lists the top 30 companies based upon this examination. Each representative listed company is shown in the right column of each company.

Table 5 shows representative Chinese state-owned enterprises. The three largest state-owned enterprises are China Petrochemical Corporation, China National Petroleum Corporation (CNPC) and State Grid Corporation of China. The State Grid Corporation of China is said to go public under preparation along with China Southern Power Grid Co., Ltd., Agricultural Bank of China and others.

Table 5 Top 30 Chinese Companies by Sales

	FT	Company	Sales in 2006 (ten thousand yuan)	Public Company	Ownership Ratio (%)	Index
1	6	China Petrochemical Corporation	106,466,742	China Petroleum & Chemical Corporation	75.84	HSI, H-share
2	1	China National Petroleum Corporation (CNPC)	89,380,643	PetroChina Company Limited	86.29	HSI, H-share
3		State Grid Corporation of China	85,452,374			
4	3	Industrial and Commercial Bank of China Limited	29,089,700			HSI, H-share
5	2	China Mobile Communications Corporation	28,631,777	China Mobile Limited	74.33	HSI, Red-Chip
6	5	Bank of China	24,219,200			HSI, H-share
7		China Southern Power Grid Co., Ltd.	22,295,670			
8	7	China Life Insurance (Group) Company	20,984,606	China Life Insurance(Group) Company	68.37	HSI, H-share
9		China Telecom Group	19,764,546	China Telecom Corporation Limited	70.89	H-share
10		Agricultural Bank of China	19,512,800			
11		Sinochem Corporation	18,423,495	Sinofert Holdings Limited	74.00	Red-Chip
12	20	Baosteel Group Corp.	18,068,121	Baoshan Iron & Steel Co., Ltd	73.97	SSE 180
13		China Railway Engineering Corporation (CRECG)	16,359,641	China Railway Group Limited (China Railway)	58.30	SSE 180
14	4	China Construction Bank	15,159,300			HSI, H-share
15		China Railway Construction Corporation	14,936,825	China Railway Construction Corporation Limited (CRCC)	63.31	
16		China FAW Group Corporation	14,916,914			
17		Bailian Group Co., Ltd.	14,823,300	Shanghai Bailian Group CO.,LTD.	44.01	SSE 180
18		China State Construction Engineering Corporation	14,480,421	China Overseas Land & Investment Ltd	51.84	HSI, Red-Chip
19		Shanghai Automotive Industry Corporation (Group)	14,358,363	SAIC Motor Corporation Ltd.	83.83	SSE 180
20		COFCO Limited	14,312,948	China Foods Limited	74.25	Red-Chip
21		Dongfeng Motor Corporation	14,168,729	Dongfeng Motor Group Company Limited	66.86	H-share
22		Legend Holdings Ltd.	13,894,689	Lenovo Group Limited	45.13	Red-Chip
23		China Minmetals Corporation	13,475,041	Minmetals Resources Limited	62.39	
24	9	China National Offshore Oil Corporation (CNOOC)	13,236,357	CNOOC Limited	64.95	HSI, Red-Chip
25	15	China Ocean Shipping (Group) Company	12,288,250	China COSCO Holdings Company Limited	53.57	H-share
26		China Development Bank	11,718,722			
27		China Communications Constructions Group (Limited)	11,499,171	China Communications Construction Company Ltd.	70.13	H-share
28		Haier Group	10,750,597	Haier Electronics Group Co., Ltd.	74.68	
29	19	Aluminum Corporation of China (CHINALCO)	10,606,581	Aluminum Corporation of China Limited (CHALCO)	41.82	HSI, H-share
30		China North Industries Group Corporation (CNGC)	10,595,861			

Note: HIS: Hang Seng Index, Red-Chip: Hang Seng China-Affiliated Corporations Index, H-Share: Hang Seng China Enterprises Index.

Source1: China Enterprise Confederation/ China Enterprise Directors Association.

2: Company's Annual Report and other official documents.

3: Regarding indexes, T&C Financial Research ed. (2008).

Eleven of the FT companies are also found on this list of 30 companies. There is a difference between a company's aggregate stock market value and its sales standard. Six companies are without an important listed company.

Shown in Table 5 is the parent company's sales and its shareholding ratio to the listed subsidiary. In Table 5, only the largest stockholder of the listed subsidiary is shown. However, the conclusion obtained in the examination in Table 3 is also applied.

I will examine the companies whose largest stockholder's ownership ratio is 50% or less. First, Table 3 shows the FT's 19th ranked Aluminum Corporation of China Limited (CHALCO). For Lenovo Group Limited, the second largest stockholder is IBM CORP, following Legend Holdings Ltd. IBM CORP's ownership ratio is 4.74% and the remaining ownership is dispersed. However, I cannot confirm whether the remaining shares are held by local or foreign companies. For Shanghai Bailian Group CO., LTD., I cannot determine the leading stockholder except Bailian Group Co., Ltd. in this company's data.

Through the previous examination, the stockholding relationship between a parent company and its listed subsidiary becomes considerably clear. However, regarding the entire relationship between them, much is not disclosed. This is called "the holding company risk"*5.

Each market index shows what kind of evaluation these companies have received in the market. Table 5 shows which index each company is included under. The representative companies often compose three Hong Kong indices, the **Hang Seng Index (HSI)**, the **Hang Seng China-Affiliated Corporations Index, Red-Chip** and the **Hang Seng China Enterprises Index, H-share**. As the company rank becomes lower, some companies are listed under the **SSE180** in the Shanghai market.

In Tables 2 and 3, a manufacturing company is rare. In Table 5, the huge automobile companies, such as China FAW Group Corporation, Shanghai Automotive Industry Corporation (Group) and Dongfeng Motor Corporation finally appear. This is because the automobile companies depend so much upon foreign companies. I will examine this problem in detail in the following section.

2.3 Foreign-affiliated Firms in China

In the previous section, the manufacturing industry, one of the most important industries for Chinese economic development, and its relationship with foreign capital was not discussed. In this

*5 Watanabe (2002).

section, I would like to examine this problem, based on MOFCOM's "*Query about Data of Top 500 Sales.*"

Table 6 regroups the top 30 companies by their investing countries. Although Chinese companies are included in Table 6, I do not examine them in this paper. There are some cases where we cannot get the subsidiary's data because of size and unavailability of parent company data.

Table 6 shows that Taiwan is the largest investing country. There are six Taiwanese companies on the list, and their sales amount to 361 billion yuan. There are many electronic-related companies, of which Hong Fu Jin Precision Industry (Shenzhen) Co Ltd. has become the largest foreign-affiliated firm. The second largest Taiwanese company, Shenzhen Futaihong Precision Industrial Co., Ltd. belongs to Foxconn International Holdings Limited, whose parent company is the Hon Hai Precision Industry Co Ltd. For Taiwanese companies, they own 100% of their subsidiaries, which differs from that of developed countries.

Taiwanese investment in China is, surprisingly, often via tax haven countries. These include Samoa, Cayman Islands, the Virgin Islands and others. The information disclosure by Taiwanese companies is behind. Detailed data for these parent companies are difficult to get, and so it is difficult to consider Taiwanese companies as the business of an emerging market economy.

American, German, and Japanese companies follow Taiwanese companies. As an individual foreign company, German Volkswagen has four subsidiaries. Volkswagen has two joint subsidiaries with China FAW Group Corporation, and two joint subsidiaries with Shanghai Automotive Industry Corporation (Group).

In Table 6, China FAW Group Corporation also has two joint subsidiaries with Toyota Motor, and Shanghai Automotive Industry Corporation (Group) has a joint subsidiary with GM.

Dongfeng Motor Corporation, the third largest Chinese automobile company, also has joint subsidiaries. It has established Dongfeng Motor Co., Ltd. with Nissan Motor. Furthermore, Dongfeng Motor Corporation established Dongfeng Peugeot Citroen Automobile Company Ltd with PSA Peugeot Citroen, and Dongfeng Honda Automobile Co., Ltd. with Honda Motor. (China Automotive Industry Yearbook, 75).

Chinese automobile companies can advance technology by linking up with two or more foreign companies, and they can lessen their dependence upon a single foreign company. For foreign companies to advance in the large, closed Chinese market, an alliance with a single

Table 6 Foreign Companies in China, 2006-2007

Rank	Company	Sales in 2006 (ten thousand yuan)	Investing Country	Parent Company	Owner- ship Ratio	FT
2	Motorola (China) Electronics Ltd.	8,540,608	US	Motorola	n.a.	443 Technology hardware & equipment
24	Hangzhou Motorola Cellular Equipment Co. Ltd.	3,342,467	US	Motorola	n.a.	
5	Shanghai General Motors Co., Ltd.	5,699,463	US	GM	50.0	
Total		17,582,538				
3	Nokia Telecommunications Ltd.	7,816,757	Finland	Nokia	83.9	43 Technology hardware & equipment
13	Nokia (China) Investment Co., Ltd	4,129,420	Finland	Nokia	n.a.	
Total		11,946,177				
7	一汽 - 大衆銷售有限責任公司 (Note)	5,386,136	Germany	Volkswagen	n.a.	61 Automobiles & parts
9	FAW-Volkswagen Automotive Company	4,774,087	Germany	Volkswagen	40.0	
12	SAIC-Volkswagen Sales	4,274,379	Germany	Volkswagen	n.a.	
15	Shanghai-Volkswagen Automotive Company Ltd.,	4,017,097	Germany	Volkswagen	50.0	
Total		18,451,699				
21	Dalian West Pacific Petro-chemical Co.,Ltd.	3,587,335	Hong Kong (France)	TOTAL FINAELF	n.a.	18 Oil & gas producers
26	Hunan Valin Steel Tube & Wire Co., Ltd.	3,273,401	Netherlands	Mittal	29.2	44 Industrial metals & mining
14	FAW Toyota Motor Sales Co. Ltd.	4,055,010	Japan	Toyota Motor	n.a.	22 Automobiles & parts
25	Tianjin FAW Toyota Motor Co., Ltd.	3,278,251	Japan	Toyota Motor	50.0	
16	Dongfeng Motor Co., Ltd.	4,001,205	Japan	Nissan Motor	50.0	227 Automobiles & parts
28	Nissan (China) Investment Co., Ltd.	3,023,372	Japan	Nissan Motor	100.0	
18	Guangzhou Honda Automobile Co., Ltd.	3,939,624	Japan	Honda Motor	50.0	147 Automobiles & parts
Total		18,297,462				
29	Beijing-Hyundai Motor Company	2,900,589	Korea	Hyundai Motor Company	50.0	
1	Hong Fu Jin Precision Industry (Shenzhen) Co Ltd.	15,707,567	Samoa (Taiwan)	Hon Hai Precision Industry Co Ltd.	100.0	238 Technology hardware & equipment
8	Shenzhen Futaihong Precision Industrial Co., Ltd.	5,262,490	Taiwan	Foxconn International Holdings Limited	100.0	
10	Inventec Hi-Tech Corporation	4,621,308	Cayman Islands (Taiwan)	Inventec Corporation	100.0	
19	Tech-Front (Shanghai) Computer Co.,Ltd.	3,827,666	The Virgin Islands (Taiwan)	Quanta Computer	100.0	
20	Tech-Com (Shanghai) Computer Co.,Ltd.	3,802,223	The Virgin Islands (Taiwan)	Quanta Computer	100.0	
30	TPV Electronics (Fujian) Company Limited	2,880,037	Taiwan	TPV Technology Limited	100.0	
Total		36,101,291				
22	Lenovo Information Products (Shenzhen) Co. Ltd.	3,577,608	Singapore (Hong Kong market)	Lenovo Group Limited	100.0	

Note: English company name is unconfirmed.
 Source 1: MOFCOM and The 21st Century China Research Institute.
 2: Company's Annual Report and other official documents.

Chinese company is accompanied by great risk. As such, both sides' strategy often leads to peculiar relationships.

Thus, many major subsidiaries of Chinese automobile companies are composed of an unlisted joint firm with two or more foreign companies. Furthermore, a listed company within a group is also a member of each group. Such complicated relationships make the actual state of these companies unclear. The above conditions make the position of Chinese automobile companies low in terms of their stock market value.

2.4 Fundamental Features of Chinese Companies

Chinese companies appearing as a result of the policy of reform in 1978 and afterwards are characterized as being **State Monopoly Enterprises** based on the previous examination. They are distinguished from a **State-Owned Enterprise**, which the government owns entirely, in the socialist age.

The term State Monopoly Enterprise is not very often currently used. Marxian economists use the term State Monopoly Capitalism when referring to the developing stages of monopoly capitalism. As mentioned below, the term State Monopoly Enterprise is appropriate in characterizing a former socialist country's company which continues its dominance in the economy on the basis of building a market economy.

The following are features of state monopoly enterprises:

1. Although a state-owned enterprise is privatized, it maintains approximately a two thirds ownership ratio as a holding company, and thus substantially controls its management. Its corporate governance very much differs from the popular market-centered corporate governance in developed countries.
2. The most efficient part of all state-owned enterprise resources is that they are transferred to a public corporation, and state monopoly enterprises maintain monopolistic status in each market. This monopoly often becomes not only a domestic monopoly, but a global monopoly as well due to China's large size.
3. Such a monopolistic position brought about the adhesion and unification with politics, and, in certain cases, corruption.

State monopoly enterprises also have the following features in the age of economic globalization:

1. The overseas institutional investor is often a second largest stockholder after a state-owned

enterprise.

2. In the more advanced industries, such as automobile and electronics, the dependence on foreign companies is varied and strong.

In the first stage of industrialization, a state monopoly enterprise often creates an environment that efficiently promotes economic growth. Take, for example, the postwar period. The role of government, family-run conglomerates*6 and state monopoly enterprises was critical to the East Asian export-oriented industrialization. However, as a state monopoly enterprise grows, the harmful effects, such as organizational bureaucratization and the monopoly's market control, appear. As people's lives become richer, criticism of the conditions is brought to light. This is the change that happened in East Asia.

In this process, Chinese corporate governance is shifting from the socialism model, in which a state-owned enterprise governs the overall economy, to the developing country model in which a state-owned enterprise, family-run conglomerates and a foreign company all have great influence. Since both China and Russia seceded from the socialism model, the corporate governance of socialism models will lose much of their influence on the world.

I will discuss briefly about the relationship between Chinese corporate governance and its foreign direct investment (FDI). Though China is a host country of FDI, the outward FDI increases rapidly. In another paper, I will examine this situation in detail. Generally, there is close relationship between the corporate governance and FDI. I have already considered about this relationship in the Japanese case in detail.

Table 7 is the list of top 20 Chinese companies by FDI stock in 2007. Unfortunately, the amount of each company's stock isn't shown. The state owned enterprises which appear in Table 5 including China National Petroleum Corporation, China Petrochemical Corporation line up. The fifth-ranked China Resources (Holdings) Co., Ltd. and the sixth-ranked CITIC Group in Table 5 ranked 33rd and 42nd respectively.

In China, state monopoly enterprises have heavy influences in the entire economy, and they lead the foreign investment at the same time.

How will Chinese companies change? If the Chinese government is going to further advance

*6 Family-run conglomerates mean Zaibatsu in Japanese.

Table 7 The 40 Largest Chinese Companies Ranked by Outward FDI Stock, 2007

No.	Name of Enterprise	Rank in Table 5	FT
1	China National Petroleum Corporation	2	1
2	China Petrochemical Corporation	1	6
3	China National Offshore Oil Corporation	24	9
4	China Ocean Shipping (Group) Company	25	15
5	China Resources (Holdings) Co., Ltd.		
6	CITIC Group		
7	China National Cereals, Oils & Foodstuffs Corp	20	
8	China Mobile Communications Corporation	5	2
9	Sinochem Corporation	11	
10	China Merchants Group		
11	Shum Yip Holdings Company Limited		
12	China Shipping (Group) Company		
13	China National Aviation Holding Corporation		
14	China National Chemical Corporation		
15	China State Construction Engineering Corporation	18	
16	SinoSteel Corporation		
17	China Network Communications Group Corporation		
18	Aluminum Corporation of China	29	19
19	GDH Limited		
20	China Minmetals Corporation	23	

Note: Some errors in the original table are corrected.

Source: <http://hzs2.mofcom.gov.cn/accessory/20080928/1222502733006.pdf>

privatization, it will be difficult to find stockholders for the huge Chinese companies. Until now, the development of a private institutional investor has not been enough in China. Thus, the role of an overseas institutional investor will become more important as a stockholder of Chinese companies. Since the control of the government or a state-owned enterprise also cannot but become relatively weaker, this has been a difficult issue for the Chinese government.

Moreover, regarding the dependence upon foreign companies, the Chinese government wants to weaken this dependence and aims at nationalization. However, since the technical innovation in the developed country's companies has rapidly progressed and the innovation field has expanded, the alliance of Chinese companies with the developed country's companies is deepening. Furthermore, if the capital market's liberalization is advanced, M&A by companies in developed countries will also be actively performed.

In this way, state monopoly enterprises stand at a crossroad. The crossroad is whether to join the global economy, turn back to a closed national economy, so-called socialism again. This depends upon the intentions of the Chinese government and its people. To reach a decision, they will need to ask what the state and political system's role in supporting a state monopoly enterprise should be.

The number of studies on Chinese corporate governance, especially on its decision-making process, is increasing. I would like to introduce some of the studies and comment on them.

Hovey (2006) is one of the most comprehensive studies on Chinese corporate governance. He focuses on institutional ownership through Legal Person holding companies, distinguishing a state-owned enterprise and foreign subsidiaries. However, he does not adequately clarify the individual data regarding the institutional ownership through Legal Person holding companies. Li (2008) outlines a governance evaluation system and establishes a corporate governance index.

Based upon the knowledge gained from these studies, I believe the following: We seldom find studies on the actual conditions of a state-owned enterprise, its successor and the relationship between them, especially on the development process of privatization and the comprehensive structural reform in China.

The old argument appears again. The famous Max Weber and others' comparative discussion on the Western Protestantism, the Eastern Confucianism and the important difference in the economy and the management system between them. As a result, the Eastern or Asian common features, the communitarianism are found (Chen, 29). As I will examine the characteristics of each Asian country's company in Section 3.3, there is no need of further discussion on this theme.

As I will discuss later, we can't detect even the pan-Chinese management, the argument on Asian management which targets a wider range will be unrealistic.

3 Corporate Governance in Russia, Singapore, Korea and Taiwan

In **Section 3**, I will examine the important countries in East Asia other than China. In this paper, I will consider Russia especially. Russia's political and economic role in East Asia and the world is expanding. Examining Russia is indispensable to the understanding of China, which this paper has already focused on in detail. In the second half of Section 3, I will survey Singapore, Korea and Taiwan.

3.1 Russian Corporate Governance

First, in **Table 8**, I would like to list the companies from the four countries and regions shown in FT Global 500 2008. Of these, Russian companies number 13, and their aggregate market value is 820 billion dollars.

Of the Russian companies, five are oil and gas, making this industry highly represented. The

Table 8 FT's Companies in Russia, Singapore, Korea and Taiwan

Global rank 2008	Global rank 2007	Company	Country	Market value \$m	Sector	Turnover \$m	Net income \$m	Price \$	PE ratio	Dividend Yield (%)
4	6	Gazprom	Russia	299,764.4	Oil & gas producers	91,627.4	26,113.5	12.7	11.1	0.9
65	68	Rosneft	Russia	95,913.4	Oil & gas producers	33,099.0	3,533.0	9.1	24.5	0.6
89	95	Lukoil	Russia	72,723.1	Oil & gas producers	67,684.0	7,484.0	85.5	9.4	1.4
91	103	Sberbank of Russia	Russia	69,637.1	Banks	N/R	3,525.4	3.1	17.0	0.3
141	239	MMC Norilsk Nickel	Russia	54,042.9	Industrial metals & mining	11,550.0	5,989.0	283.5	8.9	0.7
185	131	Unified Energy System	Russia	44,478.7	Electricity	38,100.7	3,549.6	1.0	12.5	0.2
216	152	Surgutneftegas	Russia	39,449.9	Oil & gas producers	21,309.5	3,282.8	1.0	10.9	2.3
358	475	Mobile Telesystems	Russia	25,514.6	Mobile telecommunications	6,384.3	1,075.7	12.8	23.7	2.8
368		Novatek	Russia	24,837.0	Oil & gas producers	2,078.3	599.4	8.2	41.4	
372		VTB Bank	Russia	24,543.1	Banks	N/R	1,137.0	0.0		
376		Novolipetsk Steel	Russia	24,272.6	Industrial metals & mining	6,045.6	2,066.0	4.1	11.7	2.8
404		Severstal	Russia	22,824.4	Industrial metals & mining	12,422.5	1,180.7	22.7	17.8	1.8
429		VimpelCom	Russia	21,538.0	Mobile telecommunications	4,868.0	811.5	420.0	26.3	1.5
		Total		819,539.2					12.9	1.0
178	249	Singapore Telecom	Singapore	45,169.6	Fixed line telecommunications	9,538.7	2,740.8	2.8	13.8	5.2
437	432	United Overseas Bank	Singapore	21,163.0	Banks	N/R	1,529.7	13.9	11.5	
479	405	DBS Group	Singapore	19,837.0	Banks	N/R	1,652.3	13.1	9.8	4.4
498		Wilmar International	Singapore	19,368.2	Food producers	16,466.2	580.4	3.0	19.4	0.6
		Total		105,537.8					13.0	4.0
58	56	Samsung Electronics	South Korea	102,944.5	Technology hardware & equipment	86,503.6	8,026.0	629.1	11.7	0.9
198	230	Posco	South Korea	41,905.3	Industrial metals & mining	26,168.3	3,356.0	480.6	11.3	1.7
319		Hyundai Heavy Industries	South Korea	28,432.3	Industrial engineering	16,723.3	712.4	374.1	29.9	0.7
445	410	Shinhan Financial Group	South Korea	20,923.1	Banks	N/R	1,855.8	52.8	10.9	1.7
493	349	Korea Electric Power	South Korea	19,467.0	Electricity	27,754.6	2,253.6	30.3	8.6	3.3
		Total		213,672.2					12.1	1.3
146	145	Taiwan Semiconductor Manufacturing	Taiwan	53,230.8	Technology hardware & equipment	10,663.8	3,608.6	2.1	15.2	
238	245	Hon Hai Precision Industries	Taiwan	36,030.6	Technology hardware & equipment	43,642.1	1,978.6	5.7	15.0	1.7
366	499	Chunghua Telecom	Taiwan	25,137.5	Fixed line telecommunications	6,524.3	2,034.3	2.6	17.5	
391	490	Cathay Financial	Taiwan	23,666.2	Financial services	N/R	1,016.8	2.6		
		Total		138,065.1					15.6	1.7

Note: PE Ratio and Dividend Yield in each total column are calculated only in companies with relevant data.
Source: FT Global 500 2008.

status of Gazprom is especially conspicuous. Although I have already characterized the old Soviet Union as an oil exporting country and other socialist countries as manufactured products exporting (Shimpo, 1998, 186-7), their economic structure has not changed much. The increase in oil prices raised the economic status of Russia. This differs from China where foreign capital brought in by the manufacturing industry advanced their economy.

Besides Russia's oil & gas producers, there are three industrial metals & mining companies, two banks and two mobile telecommunications companies on the list. The remarkable feature in particular is not found in all Russian companies' PE ratio or Dividend Yield.

Next, I will examine the stockholders of Russian companies. We cannot indicate that the information disclosure of Russian companies is progressing as the whole. Therefore, I will examine the Russian companies based on information acquired from each company; for some companies, sufficient information was not obtained.

As shown in **Table 9**, the largest company is Gazprom. Gazprom is the world's largest natural gas production and supply company, and as Table 10 will examine in detail, it provides approximately 20% of the world's natural gas. Half of the company's stock is owned by the government, and the chairman of the board is President Medvedev. For the other half, world investors own stock via ADRs (American Depositary Receipts). Although detailed information is not clear, stock shares are controlled by many owners.

I will briefly discuss the relationship between Gazprom and Japan. Gazprom disregarded conventional business customs and acquired the majority (50% + 1 share) of the rights and interests of the Sakhalin II project from Shell, Mitsubishi Corporation and MITSUI & CO., LTD. They secured management rights to this project in 2007*7.

The second largest company Rosneft is owned 75% by OJSC ROSNEFTEGAZ. Since OJSC ROSNEFTEGAZ is wholly owned by the government, Rosneft is substantially controlled by the government. It is the largest oil production company in Russia, founded upon the Soviet Union Ministry of Oil Industry.

The largest stockholder of the third-ranked oil company, Lukoil, is ING Bank Eurasia ZAO*8 (nominee). ING Bank (Eurasia) ZAO is a wholly owned subsidiary of the ING group. ING's

*7 Petroleum Association of Japan (2008).

*8 ZAO is a nonpublic type joint stock company (Moriyama, 2007, 24-27).

Table 9 Russian Companies' Stockholder

FT	Company	Sector	Stockholder 1	%	Stockholder 2	%	Total
4	Gazprom	Oil & gas producers	Shareholding controlled by the Russian Federation (Including OAO Rosneft-egaz's 10.74%)	50.0	ADR holders	21.0	71.0
65	Rosneft	Oil & gas producers	ROSNEFTEGAZ	75.2	Sberbank of Russia (nominee shareholder)	11.4	86.6
89	Lukoil	Oil & gas producers	ING Bank Eurasia ZAO (nominee)	71.8	ZAO KB Citibank (nominee)	7.9	79.7
91	Sberbank of Russia	Banks	the Bank of Russia	63.8			63.8
141	MMC Norilsk Nickel	Industrial metals & mining	THE BANK OF NEW YORK INTERNATIONAL NOMINEES	30.4	GERSHVIN INVESTMENTS CORP. LIMITED	16.1	46.4
185	Unified Energy System	Electricity	The Russian Federation, represented by the Federal Agency for Management of Federal Property	52.7	Gazprombank Joint-Stock Bank of the Gas Industry (nominee shareholder)	14.0	66.7
216	Surgutneftegas	Oil & gas producers	n.a.				
358	Mobile Telesystems	Mobile telecommunications	ING Bank (Eurasia) ZAO	41.3	Sistema	32.9	74.2
368	Novatek	Oil & gas producers	n.a.				
372	VTB Bank	Banks	the Government of the Russian Federation	77.5			77.5
376	Novolipetsk Steel	Industrial metals & mining	FLETCHER GROUP HOLDINGS LIMITED* beneficially owned by Vladimir Lisin	77.1	London Stock Exchange (LSE) listed Global Depository Shares registered through Deutsche Bank Trust Company Americas	8.5	85.5
404	Severstal	Industrial metals & mining	Alexey Mordashov	82.4			82.4
429	VimpelCom	Mobile telecommunications	Alfa	37.0	Telenor	33.6	70.6

Note Regarding Russian individual institutional investors, refer to The Bank of New York Mellon Corporation, The DR Directory.
Source Each company's Annual Report and other official documents.

wholesale banking in Russia is the largest asset management organization (custodian), overseeing more than 135 billion dollars in assets and providing services to 500 or more domestic and foreign customers. Thus, we can conjecture that Lukoil's stocks are widely held, and its privatization is developing remarkably*9.

There are some companies with comparative features; Mobile Telesystems, of which ING Bank (Eurasia) ZAO owns 41.3%, and MMC Norilsk Nickel, of which THE BANK OF NEW YORK INTERNATIONAL NOMINEES owns 30.4%.

In contrast with the above companies, are banks under strong governmental control, such as Sberbank of Russia and VTB Bank. Moreover, there are also some family-run conglomerates such as those in Hong Kong. They are Novolipetsk Steel, which Vladimir Lisin-owned FLETCHER GROUP HOLDINGS LIMITED controls, and SeverStal, which Alexey Mordashov owns.

The governance of representative Russian companies is quite various. This seems to be different from the privatization of Chinese companies, where government leadership still firmly rules. Like Chinese companies, Russian state-owned enterprises do not necessarily continue as holding companies. However, as a whole, we can conclude as Chinese companies, large state monopoly enterprises still play the more important role.

In Russia, political power is again being rapidly centralized within a specific individual and group. Thus we cannot deny the possibility of a reversal of the current privatization by politicians, such as the Sakhalin II project has attempted in recent years. For the moment, institutional investors in developed countries, which are an important leader in Russian companies, are confronted with the difficult decision of whether to maintain the present status or to withdraw to some extent because of rising political strain.

The reason state monopoly enterprises have played such an important role in China and Russia is because these companies successfully took over important features, such as management resources and corporate culture, from state-owned enterprises in the socialist system.

The following are the redefined fundamental features of a socialist system:

1. The concentration of political and economic power within the state, the monopolistic rule of the economy by a governmental sector and a state-owned enterprise and an economic gap leading to inequality throughout.
2. The economy is closed and the division of labor is fixed among socialist countries.

*9 Regarding Russian oil and natural gas companies, refer to Japan Oil, Gas and Metals National Corporation edited (2008), Tabata edited (2008), Kaya (2007).

3. The state monopolizes information, intercepting the inflow from overseas. Nothing resulted from this political system except the state's corruption, scandal and delay of economic development. Although they have paid the price and were established in every socialist country, it could not but disintegrate as a matter of fact after all.*10

A state-owned enterprise is the core of a socialist system, and privatization becomes a symbol of demolition of this system.

3.2 World Oil and Natural Gas Companies

Thus far, I have examined Chinese and Russian companies. In both countries, the status of oil and gas companies was extraordinarily high, especially in Russia. Consequently, in this section, I will examine the world's oil and gas companies.

In the 1990s, the price of oil settled down, with a barrel going for 30 dollars or less*11. In the 2000s, the price went up, and even cost upwards of 140 dollars a barrel in 2008. A fundamental factor is the expansion of demand spurred by the rapid development of BRICs and others. It will take a long time to convert to alternative energy sources, and the global financial crisis setting oil as an object of speculation will not change either. Although we can predict that oil will not persist at a cost of 140 dollars per barrel, the high levels of price and demand will continue for the time being.

With the help of escalating oil prices, the world's oil companies performed well and experienced rising stock prices. According to an oil company list summarized by Petroleum Intelligence Weekly, nine of 20 companies are state-owned enterprises. Among the countries holding a state-owned enterprise, there are many OPEC countries, such as Saudi Arabia and Iran. Based on this fact, we can see that oil acts as a major determinant of national strategy in these countries.

The Chinese and Russian companies included in the PIW's table are China's CNPC and Russia's Gazprom and Lukoil. Although CNPC is a 100% state owned company, as already discussed, its subsidiary, PetroChina, is also listed and has become the largest company in China. In PIW's table, although Chinese and Russian companies are not necessarily the most prominent, they are emerging among the world's major players. In this sense, Seven Sisters, which once consisted

*10 Regarding the issue of why the huge concentrated power system called socialism was born in these countries, it will be necessary to examine not only the international environment at the time, but also the history and social structure of these countries before socialism.

*11 *BP Statistical Review of World Energy*, June 2008.

of only developed countries' companies, will change greatly.

Here I will examine the amount of production and the estimated reserves in three representative Chinese and Russian oil and natural gas companies. As shown in **Table 10**, the status of OPEC countries in oil production is overwhelming, especially in terms of estimated reserves. For natural gas, the status of Russia, especially Gazprom, is remarkably high. It makes up 18.7% of production and 16.8% of estimated reserves.

In terms of oil production, Rosneft and Lukoil lead Russia. China does not produce as much oil and gas as, or have the reserves of, Russia. However, the concentration of the top three companies, especially PetroChina, is high*12.

Table 10 Russian and Chinese Oil Companies

Reserve	Oil, million barrels	Natural gas, billion cubic metres
Gazprom	11,102.2	29,785.4 16.8%
Rosneft	13,365.0	192.0
Lukoil	15,715.0	790.7
3 Companies Total	40,182.2	30,768.1
Russia Total	79,400.0 6.4%	44,650.0 25.2%
PetroChina	11,706.0	1,617.4
Sinopec	2,231.0	9.3
CNOOC	1,564.1	176.2
3 Companies Total	15,501.1	1,802.9
China Total	15,500.0 1.3%	1,880.0 1.1%
World	1,237,900.0 100%	177,360.0 100%
OPEC	934,700.0 75.5%	
Production	Oil, million barrels	Natural Gas, billion cubic metres
Gazprom	250.0	548.6 18.7%
Rosneft	740.0	15.7
Lukoil	713.0	9.7
3 Companies Total	1,703.0	574.0
Russia Total	3,642.0 12.2%	607.4 20.7%
PetroChina	838.8	46.1
Sinopec	196.7	0.8
CNOOC	135.7	5.8
3 Companies Total	1,171.2	52.6
China Total	1,366.2 4.6%	69.3 2.4%
World	29,759.5 100%	2,940.0 100%
OPEC	12,849.5 43.2%	

Note: According to BP's data, each company's data is converted based on the ratio, 1 barrel = 0.136 tonnes and 1 cubic metre = 35.31 cubic feet.

Source: BP (2008) and company's Annual Report.

*12 Regarding Chinese oil and natural gas companies, refer Guo (2006), Japan Oil, Gas and Metals National Corporation edited (2008).

3.3 Corporate Governance in Singapore, Taiwan and Korea

Before China and Russia re-surfaced in the East Asian economy, the three countries and regions of Singapore, Taiwan and Korea led East Asian industrialization on the basis of a market economy.

The city-state Singapore has a peculiar economic structure. Although Singapore has a market economy, the role of government and its financial institutions is quite large. Singapore has developed both as an international financial market and as a base for international shipments from the beginning of its independence. Subsequently, it has developed the electronics industry and others. As a result, two Singapore banks are included in **Table 11**, based on FT Global 500 2008. Its stockholders attract much attention. DBS Nominees Pte (Private) Ltd. is a stockholder of four companies. DBS Nominees Pte Ltd. is the largest stockholder of DBS Group Holdings Ltd. DBS Group Holdings Ltd controls DBS Bank Ltd. entirely, and DBS Bank Ltd controls DBS Nominees Pte Ltd.

Of other stockholders, another government financial institution, Temasek Holdings (Private) Limited, and its wholly owned subsidiary Maju Holdings Pte Ltd., is included. Temasek Holdings provides immense investment for the financial institutions in each country, including Merrill Lynch, China Construction Bank and many Singapore companies. This issue will be examined in detail below.

I have already examined Singaporean companies and business groups in Shimpo (1998, 231-4). Like in Hong Kong, the situation in Singapore has not changed much. Although Taiwan is a country made up of almost all Chinese people, its companies slightly differ from Singaporean companies.

Taiwan was originally a country with comparatively many small and medium-sized enterprises. Then the government cultivated the advanced technology industry, including a semiconductor industry like Singapore's. As shown in Table 11, the representative companies are Taiwan Semiconductor Manufacturing and Hon Hai Precision Industries. As already discussed, in these companies, a number of their subsidiaries play an active part as Chinese leading foreign-affiliated firms.

However, the information disclosed by Taiwanese companies is not necessarily sufficient, as shown in Table 11. Although the role of government was once large, it is gradually retreating as seen in the case of Taiwan Semiconductor Manufacturing. Moreover, the family-run conglomerates

Table 11 Companies in Singapore, Korea and Taiwan

FT	Company	Country	Sector	Stockholder 1	%	Stockholder 2	%	Total
178	Singapore Telecom	Singapore	Fixed line telecommunications	Temasek Holdings (Private) Limited	54.1	DBS Nominees Pte Ltd	12.2	66.4
437	United Overseas Bank	Singapore	Banks	DBS Nominees Pte Ltd	21.3	HSBC (Singapore) Nominees Pte Ltd	8.2	29.5
479	DBS Group	Singapore	Banks	DBS Nominees Pte Ltd	27.1	Maju Holdings Pte Ltd (Maju Holdings Pte Ltd is a wholly-owned subsidiary of Temasek Holdings)	15.5	42.6
498	Wilmar International	Singapore	Food producers	Wilmar Holdings Pte Ltd	40.7	DBS Nominees Pte Ltd	9.6	50.3
58	Samsung Electronics	South Korea	Technology hardware & equipment	Citibank N.A.	8.3	Samsung Life Insurance Co., Ltd.	6.3	14.6
198	Posco	South Korea	Industrial metals & mining	Nippon Steel Corporation	5.0	Mirae Asset Investments Co., Ltd.	4.2	9.2
319	Hyundai Heavy Industries	South Korea	Industrial engineering	Chung Mong-joon	10.8	KCC	8.2	19.0
445	Shinhan Financial Group	South Korea	Banks	BNP PARIBAS	8.5	NATIONAL PENSION SERVICE VICE	4.4	12.9
493	Korea Electric Power	South Korea	Electricity	Korea Development Bank wholly owned by the Korean Government	30.0	the Government of the Republic of Korea	21.1	51.1
146	Taiwan Semiconductor Manufacturing	Taiwan	Technology hardware & equipment	National Development Fund	6.4	Capital Research Global Investors	5.2	11.6
238	Hon Hai Precision Industries	Taiwan	Technology hardware & equipment	Terry Gou	13.2	富瑞國際 (Note)	0.5	13.7
366	Chungghwa Telecom	Taiwan	Fixed line telecommunications	The Republic of China government	36.3	The Ministry of Transportation and Communications	35.7	71.9
391	Cathay Financial	Taiwan	Financial services	Wan Pao Development Co., Ltd.	17.9	Lin Yuan Investment Co., Ltd.	15.5	33.4

Note: English company name is unconfirmed.
Source: Company's Annual Report and other official reports.

have not necessarily played a major role as in Hong Kong or the previous Korea.

Incidentally, Hong Kong and Singapore, both former British colonies, have a long history of a market economy, and the importance of a market economy is rooted in Taiwan as well. Through the previous examination, we can conclude that the role of the state is significant both in mainland China and Singapore and that the role of family-run conglomerates is highly developed in Hong Kong. Taiwan does not share these same features. Thus, each Chinese-majority country has its own individual history, and the term 'Pan-Chinese management' is inadequate for summarizing the very different styles of management and corporate governance in these countries.

Finally, I will examine Korean companies, including the global electronic company, Samsung Electronics. Even now, Korean companies are often mentioned as a typical example of current family-run conglomerates. The second largest stockholder of Samsung Electronics is its financial institution, Samsung Life Insurance Co. Ltd. The largest stockholder of Hyundai Heavy Industries is Mr. Chung Mong-joon.

However, the influence of such family-run conglomerates is fading, and institutional investors in developed countries are replacing them. They are Citibank N.A., BNP PARIBAS and others. Moreover, in the steel industry, in which M&A is performed actively, the largest stockholder of Posco is Japanese Nippon Steel Corporation.

Compared with the Chinese and Russian models of rapid development, Taiwanese and Korean company power is understated. Companies in the two countries developed market economies and market-centered corporate governance quickly, and they have become a driving force of East Asian development, along with Japan. When large state monopoly enterprises restrict growth because of their strong dependence upon the government, then companies in the two countries will again attract world attention.

3.4 World Sovereign Wealth Fund

Here, I will again examine the sovereign wealth fund, which plays an important role in Singaporean economic development. In recent years, various sovereign wealth funds have emerged, drawing much attention. A large amount of funds is being accumulated in some countries, including the oil exporting countries, China and others, by the rapid increase of exports. The sovereign wealth fund, a special financial institution of the government, manages the fund.

The top 20 sovereign wealth funds are listed in **Table 12** according to an investigation by The

Table 12 Largest Funds by Assets Under Management

	Country	Fund Name	Assets \$Billion	Inception	Origin	SWF to Foreign Exchange Reserve Ratio	Linaburg-Maduell Transparency Index
1	UAE - Abu Dhabi	Abu Dhabi Investment Authority	875.00	1976 Oil	Oil	29.5	3
2	Norway	Government Pension Fund – Global	396.50	1990 Oil	Oil	7.1	10
3	Saudi Arabia	SAMA Foreign Holdings	365.20	n/a Oil	n/a Oil		2
4	Singapore	Government of Singapore Investment Corporation	330.00	1981 Non-Commodity	Non-Commodity	1.9	6
5	China	SAFE Investment Company	311.60	Non-Commodity	Non-Commodity	0.2	2
6	Kuwait	Kuwait Investment Authority	264.40	1953 Oil	Oil	12.7	6
7	China	China Investment Corporation	200.00	2007 Non-Commodity	Non-Commodity	0.1	1
8	China - Hong Kong	Hong Kong Monetary Authority Investment Portfolio	173.00	1998 Non-Commodity	Non-Commodity	1	7
9	Russia	National Welfare Fund	162.50	2008 Oil	Oil	0.3	5
10	Singapore	Temasek Holdings	134.00	1974 Non-Commodity	Non-Commodity	0.9	8
11	China	National Social Security Fund	74.00	2000 Non-commodity	Non-commodity	nil	5
12	Qatar	Qatar Investment Authority	60.00	2003 Oil	Oil	8.6	5
13	Australia	Australian Future Fund	58.50	2004 Non-Commodity	Non-Commodity	1.8	9
14	Libya	Libyan Investment Authority	50.00	2006 Oil	Oil	0.8	2
15	Algeria	Revenue Regulation Fund	47.00	2000 Oil	Oil	0.3	1
16	UAE - Dubai	Investment Corporation of Dubai	X	2006 Oil	Oil	X	4
17	UAE - Federal	Emirates Investment Authority	X	2007 Oil	Oil	X	1
18	US - Alaska	Alaska Permanent Fund	39.80	1976 Oil	Oil	0.5	10
19	Ireland	National Pensions Reserve Fund	30.80	2001 Non-Commodity	Non-Commodity	36.6	8
20	Brunei	Brunei Investment Agency	30.00	1983 Oil	Oil		1

Source: The Sovereign Wealth Fund Institute.

Sovereign Wealth Fund Institute. Abu Dhabi Investment Authority in UAE-Abu Dhabi has a top-ranking fund. The fund in oil exporting countries is nine. Other high-ranking oil-based funds in developed countries are five, including Norway's Government Pension Fund-Global, which controls the North Sea oil fields. We also find Singapore's Government of Singapore Investment Corporation and Temasek Holdings, China's SAFE Investment Company, China Investment Corporation, Hong Kong Monetary Authority Investment Portfolio and Russia's National Welfare Fund.

The actual activities of sovereign wealth funds are not easily disclosed. The Sovereign Wealth Fund Institute evaluates the transparency of each fund. The transparency of OPEC's fund is low. OPEC is not generally transparent as a country, as an oil company or as a sovereign wealth fund. The concentration of precious resources and funds within such countries is an important factor contributing to global economic instability.

A large amount of OPEC funds, originating from developed country banks in the 1970s, was superfluously given to Latin American countries that underwent rapid development at the time and brought about a large amount of accumulated debt. Since even banks in developed country brought about such results, the problem persisting into the future will not be small.

For China and Russia, the transparency of Chinese SAFE (State Administration of Foreign Exchange) Investment Company and China Investment Corporation (CIC)*13 is also low. According to the Sovereign Wealth Fund Institute, the latter is supposed to hold approximately 10% of both Blackstone Group and Morgan Stanley.

Thus, sovereign wealth funds are developing in countries where the government plays a large economic role. It is possible for their activities to contribute to the asset management of these countries. However, since a competitor on the same scale does not exist in the country, the checks upon its investment are weak. It also runs the risk of incurring large losses.

Such a large-scale investor helps the company in the financial crisis. However, at the same time, this could potentially weaken company competitiveness.

Considering the status quo of the world economy, the sovereign wealth fund will strengthen its presence for the time being. In contrast, judging from a long-term view, the wealth fund will distort the function of a market economy, will advance political intervention in the economy and may make the world economically unstable.

*13 Established in September 2007. Refer to Jin (2007).

4 East Asian Corporate Governance and East Asian Community

4.1 East Asian Corporate Governance - From Economic System Competition to Corporate System Competition

First, I would like summarize the previous section. Recent occurrences of note include China and Russia raising their profiles in East Asia, developing a market economy and creating one after another large state monopoly enterprises. New enterprises have ranged from the resource industries of oil and gas to financial institutions such as banks and sovereign wealth funds. State-owned enterprises were ruling in both China and Russia, and these state-owned enterprises are gradually being replaced by state monopoly enterprises.

Alternatively, market-centered corporate governance developed in Japan after the Meiji Restoration. This has steadily spread to areas under Japanese influence. After World War II, especially after the development of export orientated industrialization, market-centered corporate governance was firmly planted in Korea and Taiwan.

As a result, in East Asia, the conversion from **Economic System Competition**, the confrontation and competition of political systems to **Corporate System Competition**, the confrontation and competition of two types of companies and corporate governance, are all occurring. In present-day East Asia, neither the common Asian corporate governance nor the common Asian management system necessarily exists on the basis of tradition, culture and others in this area. Conversely, heterogeneous companies and corporate governance are opposing and competing.

In the economic system competition, two systems are not mutually connected through trade or investment. In the corporate system competition, the competition is appreciably changing. The companies, financial institutions and sovereign wealth funds in developed countries invest in large state monopoly enterprises and become important stockholders. Moreover, Chinese and Russian sovereign wealth funds provide a large amount of investment to companies and financial institutions in developed countries, and become important stockholders there as well.

Thus, interdependence has grown. At the same time, the large state monopoly enterprises entered into global corporate competition, and thus the character of competition has changed. The competition between huge state monopoly enterprises and general public companies has spread into many fields. The influence of powerful government-backed state monopoly enterprises has influenced the competition. This means changes to political and national confrontation from

economic competition. Specifically, this confrontation becomes scrambling for oil, natural gas and large amounts of funds.

I have discussed the convergence of various corporate governances in the world. Fundamentally, this trend will not change. Of course, convergence also impacts the large state monopoly enterprises. However, what may also happen is that the convergence process is delayed and altered by the state monopoly enterprises.

4.2 Towards Community on the Basis of Market Economy and Market-Centered Corporate Governance

Finally I will examine the possibilities for the East Asian community in the process of corporate system competition, of which is actively argued in East Asia.

In East Asia, economic interdependence has quickly developed. It has extended to not only trade but also to some forms of investment. The actual conditions of this interdependence have been examined in detail. This interdependence supports each country's economic development. Thus, it is natural that arguments ranging from economic integration to political integration are voiced.

However, many have halted their arguments to promote the community without considering the actual economic and political conditions of today's East Asia, and the history of its previous economy and politics. Along with disclosing concrete information regarding the economy and politics in China and Russia, countries which were closed to international society until recently, the immediate unreality of the community is also becoming clear.

Although the economic interdependence through trade and some forms of investment has become strong, it is still difficult to realize economic integration of the free labor movement and the high-level monetary union of the EU in present East Asia. The difficulties of the free labor movement go without saying, and moving to a Euro-style monetary union cannot be considered at this time.

Furthermore, regarding political integration, it cannot be a subject of concrete discussion for the time being. There cannot be any unified political institution between East Asian countries. In Japan, Korea, Taiwan and others, political democracy has been established. To the contrary, China has a one-party dictatorship, and in Russia the abuse of state power is common, although Russia does not have a single-party dictatorship.

I would like to emphasize the following point, especially based upon the examination in this paper. It is extremely difficult to make both the company and enterprise systems function on the

basis of market-centered corporate governance. With the controlling power of the state, it is nearly impossible for these to coexist as a single system.

It is possible that companies with widely dispersed stockholding and companies with high state ownership may coexist. However, even in such cases, the latter company has accepted the common enterprise system, that is, the legal system on the basis of a former company, stock listing standards and standards of information disclosure.

Corporate governance is not only a problem of economy and management itself, but also a problem of company law and system, social structure and information disclosure. Corporate governance sparks a wide range of issues. Therefore, for the time being, through the development of globalization of a company or an institutional investor, not only funds and technology but also market-centered corporate governance must be transferred and widely spread to establish common ground.

Japan's future role in terms of economic development will be in transferring and exporting technology and market-centered corporate governance to all of East Asia. Via this process, the East Asian community could move forward.

Bibliography

Major sources in this paper are the following documents: Annual Report, Form 20-F, Form 10-K (in English), Annual Securities Report (in Japanese) in each individual company. Regarding these documents, I don't show each source in this paper.

Official Web Site

The) 21st Century China Research Institute. http://www.21ccs.jp/china_ranking/china_ranking_09.html

BP Statistical Review of World Energy, June 2008.

http://www.bp.com/liveassets/bp_internet/globalbp/globalbp_uk_english/reports_and_publications/statistical_energy_review_2008/STAGING/local_assets/downloads/pdf/statistical_review_of_world_energy_full_review_2008.pdf

China Enterprise Confederation/ China Enterprise Directors Association. *Top 500 Chinese companies in 2007.* http://www.cec-ceda.org.cn/c500/chinese/content.php?id=91&t_id=1

ET Net Limited. <http://www.etnet.com.hk/>

FT Global 500 2008. <http://www.ft.com/reports/ft5002008>

FT Global 500 2000. We can't make use of this document in FT's official web site now.

MINISTRY OF COMMERCE, PRC. 2008. *2007 Statistical Bulletin of China's Outward Foreign Direct Investment.* <http://hzs2.mofcom.gov.cn/accessory/20080928/1222502733006.pdf>

- The) Ministry of Economy, Trade and Industry. 2005. *Heisei 17 Nendo-ban Tsûshô Hakusho (White Paper on International Economy and Trade 2005 - Towards a new dimension of economic prosperity in Japan and East Asia -)*. http://www.meti.go.jp/report/tshaku2005/2005honbun_p/index.html
- MOFCOM. *Query about Data of Top 500 Sales*.
http://www.fdi.gov.cn/pub/FDI/qycx/qycx_ch/SaleTop500_new.jsp
- Petroleum Association of Japan. 2008. *Konnichi no Sekiyu-Sangyô 2008 (Today's Petroleum Industry 2008)*. http://www.paj.gr.jp/statis/data/2008/2008_all.pdf
- Petroleum Intelligence Weekly. http://www.energyintel.com/DocumentDetail.asp?document_id=218175
- The) Sovereign Wealth Fund Institute. <http://www.swfinstitute.org/funds.php>
- World Federation of Exchanges. <http://www.world-exchanges.org/WFE/home.asp?menu=421&document=4881>

Books and Papers

- The) Banker*, July 2008.
- China Automotive Technology and Research Center. 2007. *China Automotive Industry Annual, 2007*.
- Guo, Sizhi. 2006. *Chûgoku Sekiyu Mejâ (Chinese Oil Major)*. Bunshindo.
- Hovey, Martin T. 2006. *Corporate Governance in China: Ownership Structures and the Performance of Listed Firms*. Available at SSRN: <http://ssrn.com/abstract=904261>.
- Imai, Ken-ichi. 2008. " *Mochikabu-Gaisya Tengoku*" *toshûteno Chûgoku (China as a holding company's heaven*. In Shimotani, Masahiro ed. *East Asian Holding Company*). Minerva Shobo. Chapter 4.
- Japan Oil, Gas and Metals National Corporation ed. 2008. *Taitô-suru Kokuei Sekiyu-Gaisha (Rising State-owned Oil Company: A Pattern for New Resource Nationalism)*. Energy Forum.
- Jin, Jinamin. 2007. *Chûgoku Seihu-kei Tôshi Fando CIC no Syôtai (The identity of Chinese Sovereign Wealth Fund CIC)*. Fujitsu Research Institute,
<http://jp.fujitsu.com/group/fri/report/china-research/topics/2007/no-71.html>
- Kaya, Toshihiko. 2007. *Kabushiki-Gaisha Rosia (A Company Russia)*. Nikkei Inc.
- Kimura, Masumi. 2008. *Rosia no Sekiyu/ Tennen Gasu Seisan no Kongo no Mitôshi (The Future Prospects of Russian Oil and Natural Gas Production)*. Japan Oil, Gas and Metals National Corporation.
http://oilgas-info.jogmec.go.jp/pdf/1/1921/2008_02_motomura_russia.pdf
- Li, Wei-An. 2008. *Corporate Governance in China: Research and Evaluation*. John Wiley & Sons (Asia) Pte. Ltd.
- Min, Chen. 2004. *Asian Management Systems: Chinese, Japanese and Korean Styles of Business*, 2nd edition. Thomson Learning.
- Moriyama, Steve. 2007. *Nikkei Kigyô no tameno Rosia Tôshi/ Zeimu/ Kaikei Gaido Bukku (Investment, Tax and Accounting Guide Book for Japanese Companies)*. Chuokeizai-sha. Inc.
- Tabata, Shin-ichiro ed. 2008. *Sekiyu/ Gasu to Rosia Keizai (Oil, Gas and Russian Economy)*. Hokkaido University Press

T&C Financial Research ed. 2008. *Chûgoku-kabu Niki-hô 2008 Nen Natsu-Aki-Gô (Semiannual Chinese Stock Report, Summer & Autumn, 2008)*.

Watanabe, Mariko. 2002. *Susumu NitChû-Kigyô no Teikei ni Hisomu“ Syûdan Kôshi Risuku”* (State-owned Enterprise Risk Hidden in Japanese and Chinese Company's Alliance). The Policy Research Institute, Ministry of Finance. http://www.mof.go.jp/jouhou/soken/kouryu/h14/chu14_02d.pdf