Governing China's "national champions": political control and corporate governance in China's central state-owned enterprise sector

Li Chen
Faculty of Social Science and Centre for China Studies
The Chinese University of Hong Kong
Email: lichen@cuhk.edu.hk

Abstract

China's economic reform during the recent decades has led to the rise of a group of giant business groups and financial institutions under the Chinese state's control. Dominating strategic industries such as oil, power generation, telecommunication, aerospace, aviation, nuclear and banking, they occupy the "commanding heights" of the Chinese economy. However, the institutional evolution of China's central state-owned enterprises and the role of the Chinese Communist Party (CCP) in shaping and governing these enterprises have been under-researched in the literature. This paper examines the mechanisms of political control in the corporate governance of China's central state-owned enterprise sector. It identifies a distinctive governance model of "central state corporatism" and analyzes the party-state's roles of organizational entrepreneurship and leadership talent management in governing China's large central state-owned enterprises as China's "national champions".

1. Introduction

China's economic reform during the recent decades has led to the rise of a group of giant business groups and financial institutions under the Chinese state's control. Dominating strategic industries such as oil, power generation, telecommunication, aerospace, aviation, nuclear and banking, they occupy the "commanding heights" of the Chinese economy. However, the institutional evolution of China's central state-owned enterprises and the role of the Chinese Communist Party (CCP) in shaping and governing these enterprises have been under-researched in the literature. This paper examines the role of political control in the corporate governance of China's central state-owned enterprise sector as China's economic governance system shifts away from bureaucratic administration to more complex forms of ownership, regulation and control.

It starts by placing the role of the Chinese state in corporate governance in the historical context of "late development". It provides a stylized characterization of the different patterns of state-big business relations between the catch-up phase and mature phase of industrial development. It suggests that China is now at a switching stage between the two phases. After reviewing the policy debates on the Party-state-enterprise relations in transition economies, it identifies a distinctive governance model of "central state corporatism" in China, under which the central state-owned enterprise sector as a whole resembles a giant diversified business group, with the Party-state centre resembling the headquarters holding the ultimate authority, the Party-appointed technocrats acting as corporate managerial elites, and each legally independent "national champion" corporation like a business division of this overall structure. Specifically, it analyzes the party-state's roles of organizational entrepreneurship and leadership talent management in China's central state corporatism.

2. State and big business: the perspective of "late development"

The rise of modern big business, particularly large oligopolistic industrial firms and financial institutions since the late 19th century, has posed complex challenges for public policy. On the one hand, modern large firms are essential to a nation's technological and economic development.[1] On the other hand, big business can be potential threats to public interests and stifle the dynamism of a society. The analytical framework of "late development" provides a useful lens to interpret the different patterns of state-business relations in the process of industrialization. Alexander Gerschenkron generalized that "the more backward a country's economy, the greater was the part played by special institutional factors…(and) the more pronounced was the coerciveness and comprehensiveness of those factors", (and) "the more pronounced was the stress in its industrialization on the bigness of both plant and enterprise".[2] While the "late development" thesis was initially derived from the experiences of Britain, Germany and Russia in the 19th century, it has been extended and modified in the subsequent literature to analyze industrial development in the 20th century.[3] The central idea is that facing domestic backwardness and international competition, the late industrializers need to develop nationally specific new institutional instruments and establish unconventional models of industrial organizations to mobilize resources, absorb technologies and catch up with the advanced countries. Utilizing state actions to build large enterprises with strong organizational capability was seen as essential to this process.

As the West Europe and the US advanced early in modern industrial development, their leading large firms were often first-movers in their respective industries. The market power and political influence of major companies such as Standard Oil, the US Steel Corporation, General Electric, and DuPont had become apparent by the early 20th century and aroused wide-ranging controversies. For backward developing countries, the barriers of entry are overwhelming for their indigenous firms to catch up and directly compete with incumbent big business from developed countries. As two leading "late industrializers" in the post-War period, Japan and South Korean government actively promoted the growth of private big business during their phase of catching up. They adopted a broad range of industrial policy instruments such as trade protection, subsidies, preferential financial access and government-backed mergers & acquisitions. In particular, to protect indigenous firms, both Japan and South Korea restricted the activities of foreign multinational corporations. There were active policy coordination and tight elite networks weaving together the economic bureaucracy (such as Japan's MITI), industrial associations and private big

[1] Alfred D. Chandler, Franco Amatori and Takashi Hikino, eds., *Big Business and the Wealth of Nations* (Cambridge: Cambridge University Press, 1997)

[2] Alexander Gerschenkron, *Economic Backwardness in Historical Perspective* (New York: F.A. Praeger, 1962), p.354.

[3] Alice Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (New York: Oxford University Press, 1989); Shin Jang-Sup, *The Economics of the Latecomers: Catching-Up, Technology Transfer and Institutions in Germany, Japan and South Korea* (London: Routledge, 1996); Shin Jang-Sup and Chang Ha-Joon, *Restructurng Korea Inc.* (London: Routledge, 2003)

businesses. The close, “growth-oriented” interaction between the state and big business (the pre-War *zaibatsu* and post-War *kereitsu* in Japan, as well as *chaebols* in South Korea) was a key feature that defined the East Asian model of developmental state.[4] While the government tried to maintain orderly oligopolistic competition among their favored “national champions”, the role of “restrictive” competition policies was largely negligible between the 1950s and 1980s. Only as Japan and South Korea concluded their catch-up phase of growth and embraced economic liberalization has the focus of state actions in governing big business gradually moved away from industrial policy to competition policy.[5]

The command economy systems installed by the communist parties reflected an extreme version of industrial policy to build large enterprises by state actions under the condition of backwardness. In the Leninist economic ideology, the growth of big business represents a superior stage of capitalist development than a system based upon proprietary small enterprises. As early as in 1918, Lenin emphasized that “we must to a considerable extent, take a lesson in socialism from the trust managers, we must take a lesson in socialism from capitalism’s big organizers”.[6] During the period of Lenin’s New Economic Policy (NEP) in the 1920s, the Soviet communist party made huge efforts to emulate the organizational structure of capitalist big business in the US and Germany. It amalgamated all major industrial plants into a number of profitmaking ‘trusts’ similar with the Standard Oil and the US Steel. Later under Stalin, these “trusts” were reorganized as specialized organs under various industrial ministries, hence fully absorbed into the party-state’s administrative hierarchy.[7] It’s in this context that the institutional setup of the Soviet command economy was often likened as a single gigantic firm: the control over the industrial sector was monopolized by the state machine and different central industrial ministries acted as the divisions of this huge conglomerate.[8] The relentless drive to promote large enterprises caused extreme economic distortion and inefficiency in the USSR, but it also underpinned the technical progress and industrial catch-up of the Soviet heavy and defense industries.[9]

In sum, there are different historical patterns of state-big business relations. For the early developers, most of their leading big business originated from small private entrepreneurial firms, which over time grew bigger by technological innovation, market expansion, mergers & acquisitions and improvement of managerial

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[4] Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy 1925-1975* (Stanford: Stanford University Press, 1982); Alice Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (New York: Oxford University Press, 1989)

[5] Tony Freyer, *Antitrust and Global Capitalism, 1930-2004* (New York: Cambridge University Press, 2006)

[6] Vladimir Lenin, “The Immediate Tasks of the Soviet Government”, 23-28 March 1918, *Lenin Collected Works*, 2nd English Edition, Vol. 42 (Moscow: Progress Publishers, 1971), p.68.2-84, at https://www.marxists.org/archive/lenin/works/1918/mar/23b.htm [May 15 2011]

[7] Alec Nove, *The Soviet Economic System* (London: Allen & Unwin, 1977); Mark Harrison and Andrei Markevich, “Hierarchies and Markets: the Defense Industry under Stalin”, in *Guns and Rubles: The Defense Industry in the Stalinist State*, eds., Mark Harrison (New Haven: Yale University Press, 2008), p. 50-77.

[8] Wu Jinglian, *Understanding and Interpreting Chinese Economic Reform* (Singapore: Thomson, 2005)

[9] Andrei Yu. Yudanov, “USSR: Large Enterprises in the USSR – the Functional Disorder”, in *Big Business and the Wealth of Nations*, eds., Alfred D. Chandler, Franco Amatori and Takashi Hikino (Cambridge: Cambridge University Press, 1997)

organizations. There were episodes during which the government in the early-industrialized countries intervened to promote "national champions", but in general they were exceptions rather than the norm. For the late developers pursuing catch-up strategy, however, the state typically played an active role in nurturing large enterprises, either by directly creating and managing state-owned enterprises, or by supporting selected domestic private businesses to compete with incumbent dominant firms from advanced countries. Drawing on the experience of Japan and South Korea, once the catch-up phase of growth is concluded, the pattern of state-big business relations need to undertake a transition to facilitate the change of growth model and enter into a new stage of industrial development.

Table 1 provides a simple dichotomy to characterize the different patterns of state-big business relations between the catch-up phase and mature phase of industrial development. During the low-to-middle income phase of development, the growth engine is mainly based on absorbing existing advanced technologies from industrialized countries. To overcome growth barriers, especially in terms of deficiencies in human and organizational capital, the late developers pursuing catch-up strategy typically have to create nationally specific institutions to mobilize resources and coordinate entrepreneurial activities. As Alexander Gerschenkron suggests, the more backward the economy is, the more coercive the measures might be. The focal role of the state is coercive entrepreneurship, which is directly involved in building up and directing business organizations. The discretionary power of bureaucracy tends to be strong, while the oversight by the legislature and courts is weak. The elite networks and policy linkages between the state and big business are close, and the overall orientation of state actions is biased towards promotional industrial policy and the interests of policy-backed big producers. To facilitate the state's industrial policy and resource mobilization, the domestic financial system would typically be repressed during the catch-up phase of growth.

As the late developers complete their catch-up phase and move to the more mature, middle-to-high income phase of development, the growth engine would have to increasingly shift to indigenous innovation capabilities. This would pose new requirements on a country's human and organizational capital as well as the underlying policy framework and governance structure. To facilitate the transition, the state need to focus more on establishing rules, standards and institutions more compatible with the norms of global markets. As the basic national business system and capacities are already in place, the focal role of the state should no longer be direct entrepreneurship, but to support and regulate the functioning of markets and private entrepreneurship. Under the new model, the bureaucracy's discretionary power would be constrained by stronger oversights from the legislature and courts. The linkages between the state and big businesses would become more regulated. The overall orientation of state actions would shift to competition policy and the protection of consumers' interests. The repressed domestic financial system would be increasingly liberalized as well to broaden the society's financial access.

Table.1 Different patterns of state-big business relations between the catch-up phase and mature phase of growth

Characteristics	***Catch-up phase of growth***	***Mature phase of growth***
Stage of economic development	From low-come to middle-income	From middle-income to high-income
Technology	Mainly absorbing existing technologies	Developing frontier innovation capabilities
Institutional response to overcome growth barriers	Utilize nationally specific institutions to mobilize resource and organize growth	Establish rules, standards and institutions compatible with the norm of global markets
The focal role of the state in economic governance	State as coercive entrepreneur	State as market-ensuring regulator
The discretionary power of bureaucracy	Strong	Limited
Oversight by the legislature and courts	Limited	Strong
Bureaucracy-big business linkages	Close	Limited
Policy approach in governing big business	Promotional/protective industrial policy	Competition policy; Regulations on corporate governance
Financial system	Repressed in favor of policy-backed big business	Increasingly liberalized

3. Large state enterprise reform in transition economies

During the reform of former communist command economies in the 1980s and 1990s, how to restructure their large state-owned enterprise sector was at the centre of the policy debates.[10] The dominant approach aimed at dismantling the Party-state authority and promoting rapid privatization. It was argued that the achievement of reforms cannot be maintained unless privatization occurs quickly and on a vast scale.[11] On the contrary, critics of this "transition orthodoxy" suggested that the existing old institutions of command economies, including the communist party bureaucracy itself, may adapt and be rejuvenated to fit new models of governance.[12] It was argued that an alternative approach of enterprise reform could be to imitate the statist industrial policies used by Japan and South Korea during their catch-up phase of growth, so the enterprise system built up under the command economy could be

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[10] Li Chen, "Holding China Inc. together: the CCP and the rise of China's *Yangqi*" (unpublished working paper, 2015).

[11] Anders Aslund, *Gorbachev's Struggle for Economic Reform* (Ithaca: Cornell University Press, 1989), p.12; David Lipton and Jeffrey Sachs, "Creating a Market Economy in Eastern Europe: the Case of Poland", *Brookings Papers on Economic Activity* 1 (1990): 75-147, p.87-88; Oliver Blanchard, Rudiger Dornbusch, Paul Krugman, Richard Layard and Lawrence Summers, *Reform in Eastern Europe* (Cambridge: The MIT Press, 1991), p.65.

[12] Peter Murrell, "What is Shock Therapy? What Did it Do in Poland and Russia?", *Post-Soviet Affairs* 9(2)(1993):111-140, p.123-124.

upgraded instead of demolished.[13] While the earlier literature focuses more on the possible institutional transplantation and policy lessons from the Anglo-American or Japanese-South Korean corporate systems to former communist economies, the recent literature increasingly emphasizes the indigenous and often unconventional hybrid enterprise development in the transition economies.[14]

The late 1980s and early 1990s was a turning point in the evolution of the Party-state-enterprise relations in China. During the middle-late 1980s, a series of bold reforms were conducted under Zhao Ziyang's leadership to separate the Party from the functioning of both government and enterprises. In particular, Zhao Ziyang intended to break up the control of enterprise party committee over professional enterprise management.[15] However, after the crisis in 1989, Zhao's reforms were soon abolished as the Party moved decisively to re-affirm its authority over reforms. From the post-1989 Party leadership's point of view, it seemed "the Party control of leadership selection had decayed and the decentralization of personnel decisions had gone too far" due to the reforms promoted by Zhao.[16] From Zhao's perspective, however, his reforms were necessary but failed due to the resistance of vested interests. As he later commented: "the ruling party must respect the separation of Party and state. The Party's leadership should be essentially political and not interfere in so many other domains…Separation of Party and state powers and the factory managers' responsibility system did in fact touch upon the issue of the distribution of power, so those who already had power were unwilling to give it up."[17]

Instead of dismantling the Party-state's control over major state enterprises, the period since the early 1990s has seen China's persistent "national champion" industrial policy to nurture selected large state enterprises under the Party's control. Such efforts had been initiated during the post-1989 retrenchment. It later developed into the "grasping the large, letting go of the small" (*zhuada fangxiao*) strategy in the middle 1990s, which aimed at building China's indigenous "large corporations, large business groups". Under the Jiang Zemin-Zhu Rongji administration (1998-2003), the Party strengthened its efforts to consolidate the core of China's existing industrial ministries and financial system into a number of giant central state-controlled enterprise groups and financial institutions. Later under the Hu Jintao-Wen Jiabao administration (2003-2013), a new agency, SASAC (The State-owned Assets

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[13] Peter Nolan, *China's Rise, Russia's Fall: Politics, Economics and Planning in the Transition from Stalinism* (Basingstoke: Macmillan, 1995); Peter Nolan and Wang Xiaoqiang, "Beyond Privatization: Institutional Innovation and Growth in China's Large State-Owned Enterprises", *World Development* 27(1) (1999): 169-200.

[14] David Stark and Laszlo Bruszt, *Post-socialist Pathways: Transforming Politics and Property in East Central Europe* (Cambridge: Cambridge University Press, 1998); Jean Oi, *Rural China Takes Off: Institutional Foundations of Economic Reform* (Berkeley: University of California Press, 1999); Peter Nolan, *China and the Global Economy: National champions, Industrial Policy and the Big Business Revolution* (London: Palgrave, 2001); Andrew Walder, "From Control to Ownership: China's Managerial Revolution." *Management and Organization Review* 7(1) (2011): 19-38; Andrew Walder, Andrew Isaacson and Liu Qinglian, "After State Socialism: The Political Origins of Transitional Recessions", *American Sociological Review*, 80 (2) (2015): 444-468.

[15] Zhao Ziyang, *Guanyu dang zheng fenkai (On Separating Party from Government)* (1987) at http://news.xinhuanet.com/ziliao/2005-02/05/content_2550447.htm [28 January 2010]

[16] John Burns, "Strengthening Central CCP Control of Leadership Selection: the 1990 Nomenklatura", *China Quarterly* 138 (1994): 458-491, p.458.

[17] Zhao Ziyang, *Prisoner of the State: The Secret Journal of Premier Zhao Ziyang* (New York: Simon and Schuster, 2009), p. 259-264.

Supervision & Administration Commission) was set up under the State Council to coordinate enterprise restructuring and promote the competitiveness of China's state-controlled big businesses.[18] During this period, the Party has increasingly stressed on exploring new ways to integrate the Party's control with modern corporate governance structures in a market-based environment.[19] As Kjeld Brødsgaard points out, the Party-state-business relations are increasingly important in the decision-making process and policy outcomes in China's political economy, but there are unfortunately only a handful of studies on the Party-business relations in China. [20]

4. Political control and China's central state corporatism

The reform of China's state-owned enterprise sector has been shaped by the party-state's multi-layer governance structure. According to Qian Yingyi and Xu Chenggang, in contrast to the Soviet Union and Eastern European countries that were dominated by a centrally planned "branch" industrial ministries system, China's economic governance has been dominated by a regionally decentralized structure since the late 1950s. Borrowing the terms "U-form" and "M-form" from Oliver Williamson's studies on capitalist firms, they argue that the former command economies in the Eastern Europe and the USSR were each organized as a gigantic "U-form" (or the so-called "branch"/*tiaotiao* based structure) where state-owned enterprises (SOEs) were subordinated to a number of functionally specialized central industrial ministries, while the Chinese economy is primarily organized as a gigantic M-form (or the so-called "block"/*kuaikuai* based structure) on a regional basis which comprises multi-layer local authorities (provinces, prefectures, counties, townships and villages) governing relatively self-contained regional enterprise systems.[21]

There is now a vast literature on the impact of governmental decentralization in China's economic reform and the relations between local governments and local enterprise systems. In particular, Jean Oi's studies have identified a distinctive hybrid pattern of local party-state-enterprise relations in China, characterized as "local state corporatism", under which local party-government authorities (at the country, township and village level) treated the enterprises within their jurisdiction as components of a larger corporate whole. With the local Communist Party secretary at the top, local officials were incentivized to promote regional development under such quasi-corporate organizational structures.[22] However, there has been relatively limited

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[18] Li Chen, *China's Centralized Industrial Order: Industrial Reform and the Rise of Centrally Controlled Big Business* (London: Routledge, 2015); Li Chen, "Holding China Inc. together: CCP and the rise of China's *Yangqi*" (unpublished working paper, 2015).

[19] Li Yuanchao, *Ba dangde zhengzhi youshi zhuanhua wei qiye kexue fazhan youshi (Turning the Party's Political Advantage into the Enterprises' Advantage of Scientific Development)* (2009) at http://news.xinhuanet.com/politics/2009-09/03/content_11988760.htm [17 November 2011].

[20] Kjeld Erik Brødsgaard, "Politics and Business Group Formation in China: the Party in Control?", *China Quarterly* 211 (2012): 624-648.

[21] Qian Yingyi and Xu Chenggang, "Why China's Economic Reforms Differ: The M-form Hierarchy and Entry/Expansion of the Non-State Sector" *Economics of Transition*, 1(2) (1993):135-170; Oliver Williamson, *Markets and Hierarchies: Analysis and Antitrust Implications* (New York: Free Press, 1975); Oliver Williamson, *The Economic Institutions of Capitalism* (New York: Free Press, 1985); Xu Chenggang, "The Fundamental Institutions of China's Reforms and Development", *Journal of Economic Literature*, 49(4) (2011):1076-1151.

[22] Jean Oi, "Fiscal Reform and the Economic Foundations of Local State Corporatism in China," *World Politics*, 45 (1) (1992): 99-126; Jean Oi, *Rural China Takes Off: Institutional Foundations of Economic Reform* (Berkeley: University of California Press, 1999).

research undertaken with respect to the relations between China's central party-state and the large corporations under its control.

China has maintained a large central state-owned enterprise sector since the late 1950s when all large-scale industrial production and finance in the Mainland China were consolidated into a handful of vertical administrative bureaucracies under the Party's control. Following several rounds of decentralization between the 1950s and 1980s, SOEs directly administrated by China's central party-state had been much fewer in number than those governed locally, but their influence in China's domestic industrial system was disproportionately larger because of their size, technology capability, bureaucratic rank, and their dominant status in the critical sectors. Thanks to decades of experimental reforms and industrial policy efforts, the Party has transformed the central state-owned enterprise sector by selectively imitating the governance forms, corporate structures and practices from advanced industrial countries, and combined them with the existing institutional elements of the party-state bureaucracy. In particular, since the early 1990s, it has been a stated goal of the Party to nurture and consolidate selected large state enterprise units into a number of modern large corporations and business groups as China's "national team" to catch up and compete with global leading multinational corporations. By 2003, the core productive assets of the old central industrial ministries had been consolidated into a batch of giant enterprise groups supervised by SASAC. Parallel restructuring in the financial sector also brought about the rise of a number of central state-controlled financial institutions such as the "Big Four" (ICBC, CCB, BOC and ABC) publicly listed commercial banks.[23]

In 2014, there were a total of 112 "national champion" corporations under SASAC's supervision. They had a combined asset of over 53 trillion RMB and combined revenue of over 25 trillion RMB, dominating the perceived lifeblood sectors in China. The Big Four banks had a combined asset of over 68 trillion RMB, around 40% of China's total financial assets and had a combined net profit of around 860 billion RMB in 2014.[24] In 2015, there are a total of 94 large firms from the Mainland China ranked among the Fortune Global 500, among which 58 are central state-owned enterprises and financial institutions, such as Sinopec, CNPC, CNOOC and Sinochem in petroleum and petrochemicals, ICBC, BOC, ABC, CCB and BoCom in banking, China Mobile, China Telecom and China Unicom in telecommunications, FAW and Dongfeng in automobile, Baosteel, Ansteel and Wisco in steel, and State Grid, CSG, Huaneng, Guodian, Huadian, Datang and CPI in electricity. As shown in the table 2, the 58 largest central state-owned enterprises and financial institutions in China have combined revenue of around US$4.5 trillion and a combined asset of over US$22 trillion. Their total employees exceed 14 million.

[23] Li Chen, *China's Centralized Industrial Order: Industrial Reform and the Rise of Centrally Controlled Big Business* (London: Routledge, 2015); Li Chen, "Holding China Inc. together: the CCP and the rise of China's *Yangqi*" (unpublished working paper, 2015).

[24] SASAC, *Zhongguo guoyou zichan jiandu guanli nianjian* (China State-asset Supervision and Administration Yearbook) (Beijing: China Economy Publisher, 2014); PBOC, *Zhongguo jinrong wending baogao 2015* (China Financial Stability Report 2015) (Beijing: China Financial Publishing House, 2015).

Table.2 China's central state-owned enterprises and financial institutions in the Fortune Global 500, 2015

Name	Rank	Revenue ($ million)	Profit ($ million)	Asset ($ million)	Employee
Sinopec	2	446,811	5,177	359,182	897,488
CNPC	4	428,620	16,359	634,811	1,636,532
State Grid	7	339,426	9,796	466,298	921,964
ICBC	18	163,174	44,763	3,322,042	462,282
CCB	29	139,932	36,976	2,698,924	372,321
ABC	36	130,047	29,126	2,574,815	505,627
CSCEC	37	129,887	2,079	148,914	247,672
BOC	45	120,946	27,525	2,458,314	308,128
China Mobile	55	107,529	10,451	246,748	274,347
CRECG	71	99,537	959	110,473	276,697
CNOOC	72	99,262	8,592	180,427	114,573
CRCC	79	96,395	1,154	101,562	297,035
CDB	87	89,908	15,921	1,662,855	8,723
China Life	94	87,249	1,687	442,745	151,719
Sinochem	105	80,635	562	57,278	54,742
FAW	107	80,194	4,248	52,983	135,599
Dongfeng Motor	109	78,978	1,600	54,201	197,192
CSG	113	76,662	1,703	99,446	306,572
China Resources	115	74,887	2,450	150,652	451,503
China Post Group	143	65,693	4,641	1,048,008	903,357
China North	144	65,615	727	52,570	250,138
AVIC	159	62,287	760	128,887	535,942
China Telecom	160	62,147	2,037	112,881	454,292
CCCC	165	60,119	1,467	106,696	113,189
PICC	174	57,047	2,127	126,083	120,842
CITIC Group	186	55,325	4,715	762,879	179,288
BoCom	190	54,464	10,687	1,010,364	95,659
Shenhua	196	52,731	4,376	149,685	212,233
China Minmetals	198	52,383	-374	59,010	110,261
Baosteel	218	48,323	952	86,187	136,616
Huaneng	224	47,401	423	149,606	142,260
China Unicom	227	46,834	646	88,189	228,613
CMB	235	45,613	9,074	762,706	75,109
Chalco	240	45,445	-1,758	78,408	147,564
PowerChina	253	43,009	1,071	66,599	201,066
ChemChina	265	41,813	-185	43,854	99,247
CNBM	270	40,644	477	65,591	176,854
COFCO	272	40,524	123	70,888	120,674
Sinopharm	276	40,105	439	32,107	94,743
Sinomach	288	39,722	-288	40,801	120,771
CNAF	321	36,178	94	6,242	11,181
MCC	326	35,807	280	54,602	149,987
Guodian	343	34,627	488	126,877	128,299
XXCIG	344	34,497	439	18,943	67,897

Huadian	345	34,487	1,080	117,112	110,300
CEC	366	33,084	228	37,768	125,771
CSIC	371	32,732	1,087	66,526	177,106
CNMC	390	30,456	-12	19,363	46,716
CEEC	391	30,322	389	36,753	174,755
China Datang	392	30,206	11	116,112	100,082
CPI	403	29,584	234	109,669	127,611
China Everbright	420	28,155	1,475	476,719	54,000
Genertec	426	27,670	475	21,393	40,450
COSCO	432	27,483	541	57,875	75,675
CASC	437	27,190	1,431	53,018	158,067
Ansteel	451	26,212	-1,297	51,133	218,900
China Poly	457	26,046	1,020	88,798	61,726
Wisco	500	23,720	54	34,447	103,594
Total		4,485,779	271,282	22,358,019	14,071,551

Source: Fortune Global 500, 2015, at http://fortune.com/global500/ [27 October 2015]

From the Stalinist economic bureaucracy to modern big businesses, this aspect of China's enterprise reform amounts to no less than a profound institutional transformation. However, alongside the corporate restructuring and growth, the Party has firmly maintained its authority over the central state-owned enterprise sector. This interweaving of the party-state power and new forms of corporate development can be defined as a distinctive model of "central state corporatism", under which the central state-owned enterprise sector as a whole resembles a giant diversified pyramidal business group, with the Party centre resembling the corporate headquarters holding the ultimate authority, the Party-appointed technocrats acting as corporate managerial elites, and each legally independent "national champion" corporation like a business division of this overall structure. Specifically, this section analyzes the Party-state's roles of organizational entrepreneurship and leadership talent management in the corporate governance of China's central state corporatism.

4.1 The Party as organizational entrepreneur

Zheng Yongnian (2010) has conceptualized the CCP as "organizational emperor", a new organizational transfiguration of emperorship that exercises domination over the state and society.[25] To analyze the Party's role in China's central state corporatism, the Party can also be seen as an "organizational entrepreneur", which takes on the entrepreneurial functions of creating new organizations, bearing risks and allocating resources. Backed by its coercive power, the Party's organizational entrepreneurship involves not only actions that shape individual enterprises, but also actions that generate new policies and institutions with system-wide impact on the targeted enterprise sector. This aspect of the Party's role was evident under the command economy. Emulating the USSR, the CCP was directly involved in creating large enterprises and served as the ultimate "big organizer" of China's industrial development with the tools of public ownership and central planning. The origins of many giant state-controlled business firms in China now, such as CNPC, Sinopec, FAW, Anshan Steel, Wuhan Steel and Harbin Electric, can be traced back to the CCP's military-campaign style mobilization of creating large enterprises during the

[25] Zheng Yongnian, *The Chinese Communist Party as Organizational Emperor: Culture, Reproduction and Transformation* (London: Routledge, 2010)

1950s-1960s. As China's economic reforms deepens after the late 1970s, the Party's role as "organizational entrepreneur" involves increasingly more complex forms of actions and processes, with extensive policy experimentation and institution building under the Party's top-down hierarchical guidance.

The Party has been the ultimate "big organizer" and entrepreneur in the development of China's central state-owned enterprise sector. The policy approach of restructuring the Stalinist central industrial ministries into large business firms under the party's control had emerged as early as in the 1960s, when Liu Shaoqi proposed that the Party should establish a number of giant national "corporate trusts (*tuolasi*)" as China's counterparts of Western monopolistic big businesses. The Party briefly experimented with "*tuolasi*" reforms in the middle 1960s which carved out a number of corporate trusts in a range of sectors (such as tobacco, salt, coal, automobile, textile machinery and aluminum) from the existing central industrial ministries. The Party controlled the top personnel of these *tuolasi* and they need to follow the state's central plans, but their headquarters would have significant managerial autonomy to manage their subordinate enterprises. This approach was expanded in the 1980s by the experiment to establish a batch of large "*zonggongsi*" as industry-wide, national administrative corporations, such as CAIC (China Automobile Industrial Corporation), CNOOC, Sinopec and CNPC. [26]

Since the early 1990s, promoting large state-controlled big businesses has become a major policy goal. It started with the trial reform of "building large business groups" in 1991, which established around 55 large business groups nationwide (later expanded to 120) to undertake the reform experiments. Some of these large business groups were designated as "nationwide, cross-regional business groups concerning the lifeblood of national economy" and given preferential planning status similar with provincial-level governments. Later it developed into a full-fledged strategy of "grasping the large", under which the Party aimed at nurturing a number of modern "large corporations and large business groups" not only able to dominate the commanding heights of China's domestic economy, but also to compete internationally. As an illustration, it's useful to quote Wu Banguo, then the Politburo member and Vice Premier of the State Council, in some length:

> "In our world today, economic competition between nations is in fact between each nation's large enterprises and business groups. A nation's economic might is concentrated and manifested in the economic power and international competitiveness of its large enterprises and business groups…our nation's position in the international economic order will be to a large extent determined by the position of our nation's large enterprises and groups…We must therefore unite and rise together, develop economies of scale and scope and nurture a 'national team' capable of entering the world's top 500".[27]

[26] Li Chen, *China's Centralized Industrial Order: Industrial Reform and the Rise of Centrally Controlled Big Business* (London: Routledge, 2015); Li Chen, "Holding China Inc. together: the CCP and the rise of China's *Yangqi*" (unpublished working paper, 2015).
[27] IIECASS (Institute of Industrial Economics of Chinese Academy of Social Sciences), *Zhongguo gongye fazhan baogao (China Industrial Development Report)* (Beijing: Economy & Management Publisher, 1998), p.124.

In the 1990s, the Party coordinated a series of challenging reforms to establish the institutional infrastructure of a “modern enterprise system” to corporatize traditional SOEs. By incremental changes and learning from international standards, China gradually reorganized and consolidated the core assets of existing industrial ministries into a number of giant modern corporations with diversified ownership, many of which listed their minority shares on stock markets. In particular, between 1998 and 2003, the Party centre carved out most of the SOEs managed by administrative hierarchies under the State Council, central party organs, as well as the army and legal system. The core parts of these enterprises were reorganized into a batch of business groups under the central party state’s control, while the rest were handed over to local authorities. This massive around of “decoupling reforms” proceeded on two fronts: financial enterprises and non-financial enterprises. The reforms on each front was led by a top-level CCP central special task commission, with the Central Finance Work Commission (CFWC) in charge of decoupling financial enterprises and the Central Large Enterprise Work Commission (later reorganized as the Central Enterprise Work Commission, CEWC) in charge of decoupling non-financial enterprises.[28]

As the first batch of the decoupling reform, 530 large non-financial firms with a total of 3,151 subsidiary enterprises were decoupled from 50 central government organs in 1998. These large firms accounted for around 10.8% of the total assets and around 43.2% of the total profits of China’s non-financial SOEs. They were eventually consolidated into only 159 business groups. Among them, 96 were deemed “crucial” and remained under the central party state’s control, while the other 63 were handed over to local authorities. The central state-owned business groups carved out during the 1998 decoupling reform included, for example, Shenhua Group from National Development & Planning Commission; China Ocean Shipping Group (COSCO) and China Shipping Group from the Ministry of Transportation; Anshan Steel, Baosteel and Panzhihua Steel from the State Bureau of Metallurgy Industry; Sinochem, China Minmetals Corporation and China General Technology Group from the Ministry of Foreign Trade & Economic Relations; China Electronics Corporation from the Ministry of Information Industry; China National Coal Import & Export Industrial Group (the predecessor of China National Coal Group) from the State Bureau of Coal Industry; China State Construction Engineering Corporation (CSCEC) from the Ministry of Construction; Poly Group and Xin-xing Pipes Group from the People's Liberation Army.[29]

A few strategic sectors, including defense-related industries, telecommunication, electricity, airlines and railways, were treated separately during the decoupling reforms. It’s challenging for the Party to reach consensus and strike a balance between breaking up the “administrative monopolies” and enhancing market competition in these sectors on the one hand, and nurturing large business groups with critical mass to compete in the domestic and international markets on the other hand. Eventually, a few large business groups were created in each of these sectors under the Party’s control, with their boundaries of firms artificially drawn by policy decisions. For example, in defense-related industries, including nuclear, aerospace,

[28] Li Chen, *China’s Centralized Industrial Order: Industrial Reform and the Rise of Centrally Controlled Big Business* (London: Routledge, 2015); Li Chen, “Holding China Inc. together: CCP and the rise of China’s *Yangqi*” (unpublished working paper, 2015).
[29] Ibid.

aviation, weaponry and shipbuilding industries, their central industrial ministries had all been transformed into industry-wide *zonggongsi* by 1993. Each of the five *zonggongsi* (China Nuclear Industrial Corporation, China Aerospace Industrial Corporation, China Aviation Industrial Corporation, China Weaponry Industrial Corporation and China Shipbuilding Industrial Corporation) were split up and restructured into two large business groups under the central party state's control in 1999. The resulting 10 business groups absorbed China's core assets in these sectors accumulated under the old industrial ministries. They were supposed to compete and cooperate with each other to promote the development of their respective sectors. Similarly, the core enterprises under the State Bureau of Civil Aviation Administration were consolidated into five large business groups, including three large airlines and two aviation service providers; the core enterprises of the Ministry of Electricity Industry were consolidated into seven large business groups, including two grid operators and five power generators. Together with those firms carved out earlier from their ministries, such as Sinopec, CNPC, FAW and Dongfeng, these giant central state-owned enterprises had absorbed the backbone of China's previous industrial ministries system.

In 2003, SASAC took over those non-financial central SOEs previously managed by CEWC. Bestowed with the authority to own and supervise those *yangqi* on behalf of the central party state, SASAC has actively shaped their strategies and structures. According to SASAC's guidelines in 2006, non-financial *yangqi* should operate in three categories of sectors: key industries concerning national security and the lifeline of national economy; basic and pillar industries; other targeted industries. In particular, seven sectors including defense, oil & gas and petrochemicals, telecommunications, power generation and distribution, coal, aviation as well as shipping are defined as the "key industries concerning national security and the lifeline of national economy". Focusing on strengthening *yangqi*'s core businesses and nurturing the "national team" as a whole, SASAC has promoted a series of mergers and consolidation programs among *yangqi*. For instance, in 2008, SASAC consolidated China's aviation industry in 2008 by merging AVIC I and AVIC II in 2008, which reversed the split-up of AVIC in 1999. It also restructured China's telecommunication industry by merging China Railway Signal & Communication Corporation into China Mobile, merging China Network Communication into China United Telecommunications, and merging China Satellite Communications into China Telecom.[30] By the end of 2014, the original 196 *yangqi* groups had been consolidated into 112.

Transforming central industrial ministries into modern big business has been a major reform project controlled and implemented by the Party. There are certain functional similarities between the old central industrial ministries and the headquarters of *yangqi* in terms of coordinating large-scale multi-plant production, distribution, finance and technological development. Instead of dismantling the pre-existing governance forms, resources and authority relations, the CCP has sought to combine the institutional legacies of party-bureaucratic control with new forms of modern corporate governance, which involves a continual process of organizational changes

[30] SASAC, *Zhongguo guoyou zichan jiandu guanli nianjian (China State-asset Supervision and Administration Yearbook)* (Beijing: China Economy Publisher, 2010); Li Chen, *China's Centralized Industrial Order: Industrial Reform and the Rise of Centrally Controlled Big Business* (London: Routledge, 2015).

and institution building. As Sebastian Heilmann points out, the CCP has a distinctive policy style of "experimentation under hierarchy", which combines hierarchical control with decentralized reform experiments.[31] From the "corporate trust" experiments in the 1960s and "*zonggongsi*" experiments in the 1980s to the trial implementation of various "grasping the large" reforms in the 1990s and 2000s, the Party explored and expanded its reforms by following the cycle of setting up pilot experimental points, testing the results, gathering feedback and selectively expanding "from point to face". It established the overall reform goal and policy framework, and then encouraged officials to try out new ways of organizing the large state enterprise sector. It managed the major challenges of abolishing industrial ministries, laying redundant workers off and enhancing market opening up by China's WTO entry, where top-down reform coordination was indispensable. Combining hierarchical control with bottom up policy experimentation, the Party can be seen as a meta-organizational entrepreneur that set up goals, managed risks and restructured assets in China's central state corporatism.[32]

4.2 The Party as leadership talent manager

Leadership talent management is defined here as the functions and strategies to recruit, develop, train, promote, discipline and move leadership personnel through the organization.[33] The Party has served as the ultimate leadership talent manager in China's central state-owned enterprise sector. It involves not only the Party's traditional personnel command-and-control tools, but also more diversified functions of leadership talent training, selection, rotation and discipline. While the abolition of central industrial ministries and the decoupling reforms had separated *yangqi* from China's formal state bureaucracy in *de jure* terms by the end of 1990s, the decoupled *yangqi* have been led by the same network of senior cadres which originates from the old central industrial ministries system and remains under the Party's management.

Based on the *nomenklatura* system, personnel control is traditionally one of the most important mechanisms by which the Party exercises its authority. The communist party's *nomenklatura* system comprises a set of rules which establish the lists of leading personnel positions across different institutional spheres, such as government, industry, finance and education, over which various levels of party committees exercise their power of cadre personnel control. The most important personnel appointments are directly managed by the Party's top authority and the Central Organization Department (COD), while the control over positions deemed less important is delegated to lower levels of party units. The roles of COD and the *nomenklatura* control were built into China's large state enterprise sector as early as the 1950s. Between 1998 and 2003, COD's authority over the large enterprises sector was partly taken over by CFWC and CLEWC/CEWC, which assumed the majority of the Party's top cadre management mandates in large state-owned enterprises.[34] Later

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[31] Sebastian Heilmann, "Policy Experimentation in China's Economic Rise", *Studies in Comparative International Development*, 43 (1) (2008): 1-26; Sebastian Heilmann, "From Local Experiments to National Policy: The Origins of China's Distinctive Policy Process", *China Journal*, 59 (2008): 1-30.

[32] Li Chen, "Holding China Inc. together: CCP and the rise of China's *Yangqi*" (unpublished working paper, 2015).

[33] Ed Michaels, Helen Handfield-Jones and Beth Axelrod, *The War for Talent* (Boston: Harvard Business Press, 2001).

[34] Zhang Zhijian, *Dangdai zhongguo de renshi guanli (The Personnel Management of Contemporary China)* (Beijing: Contemporary China Publishing House, 1994); Hon S. Chan, "Cadre Personnel Management in China: the Nomenklatura System, 1990-1998", *China Quarterly* 179 (2004): 703-734;

the division of authority in personnel control between COD, CEWC and CFWC was replaced by the coordination between COD, SASAC and the party units of the so-called "One Bank and Three Commissions" (*yi hang san hui*), namely PBOC, CBRC, CSRC and CIRC, the latter three regulate the banking, securities and insurance sectors respectively. Among the firms under SASAC's supervision, COD directly oversees the core leadership positions (including the Board Chairman, Party Secretary and President/CEO) of 53 top *yangqi* designated as backbone enterprises concerning national security and the lifeline of the national economy. The Party Committee of SASAC only assists COD in managing these positions. The direct personnel management authority over deputy top leadership positions (such as Deputy General Manager or Group Vice President) of those 53 *yangqi* and other *yangqi*'s top leadership teams are handed over to SASAC.[35] COD also maintained control on the leadership positions of major financial institutions such as the five largest commercial banks, three policy banks, three sovereign investment entities (China Investment Corporation, Central Huijin and China Jianyin) and four major asset management companies (Huarong, Xinda, Great Wall and Orient).

Since 2003, the Party has increasingly stressed on improving the system of leadership talent training, succession and rotation in the large state enterprise sector. Between 2008 and 2011, the Central Party School and various cadre-training academies have together trained over 20,000 state enterprise executives. The Party even set up a specialized cadre training school, China Business Executives Academy at Dalian (CBEAD), for in-house education and training for the top leaders and selected senior managers of central state-owned enterprises. COD has also partnered with various elite institutions overseas, such as General Electric, University of Cambridge and Copenhagen Business School, to provide tailored training programs for *yangqi*'s top leaders.

As a general rule, the Party requires *yangqi*'s top leaders (Chairman, General Manager or CEO, Party Secretary and Party Disciplinary Secretary) to retire at the age of 60; those who are managed directly by COD may have an extension and retire by 63; only in very rare situations can the retirement age of *yangqi*'s top leaders be further extended to 65. The rationale behind this rule is for the Party to develop and maintain a relatively young leadership portfolio for *yangqi*, with a robust talent pool for stable succession. Since 2003, COD have in general strictly adhered to these rules. For example, Zhou Mingchen retired from COFCO in 2004; Liu Jie retired from Anshan Iron & Steel in 2007; Wang Jianzhou retired from China Mobile in 2012, all exactly at the age of 63. By 2010, among 128 top leaders of *yangqi* (including financial institutions) who are the 'Number One' leader of their respective enterprises, 112 are between the age of 40 and 59, equivalent of around 88% of the total.[36]

Since 2003, there have also been frequent top personnel rotations both among *yangqi*, and between *yangqi* and other party-government posts. For example, COD reshuffled

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Li Chen, *China's Centralized Industrial Order: Industrial Reform and the Rise of Centrally Controlled Big Business* (London: Routledge, 2015)

[35] SASAC, *Zhongguo guoyou zichan jiandu guanli nianjian (China State-asset Supervision and Administration Yearbook)* (Beijing: China Economy Publisher, 2004)

[36] Li Cheng, *China's Midterm Jockeying: Gearing Up for 2012 (Part 4: Top Leaders of Major State-Owned Enterprises)* (2011) at http://www.brookings.edu/research/papers/2011/02/china-leadership-li [18 March 2012]

the top leaders of the "Big Four" telecom groups (China Mobile, China Telecom, China United Telecom and China Netcom) in 2004 by transferring Wang Jianzhou from China United Telecom to China Mobile as President and Party Secretary; Chang Xiaobing from China Telecom to China United Telecom as the latter's Chairman and Party Secretary; Wang Xiaochu from China Mobile to China Telecom as the latter's Chairman and Party Secretary. Similarly, COD rotated the top leaders of the seven electricity *yangqi* (Huaneng, Datang, Huadian, Guodian, State Grid and CSG) between 2007 and 2010 (Table.3). There are also regular rotations among central state-owned financial institutions, such as Zhang Jianguo from Bank of Communication to CCB, Zhao Lin from CCB to ICBC, Jiang Chaoliang from CDB to ABC. Moreover, there are many "revolving door" appointments between *yangqi* and other party-government leadership posts, such as the promotion of Li Yizhong from Sinopec to SASAC and Shang Bing from China Telecom to MIIT; the transfer of Sun Qin from the State Energy Bureau to China National Nuclear Group, and Xi Guohua from MIIT to China Mobile; the appointment of Zhang Qingwei from COMAC to be the Deputy Party Secretary of Hubei Province; and the promotion of Guo Shuqing from CCB to be the Chairman of CSRC and later the Governor of Shandong Province. The specific reasons and processes behind such appointment decisions are complex and need further research, but the "revolving door" mechanisms seem to serve both as a channel to nurture cadres in terms of enhancing their experience, networks and capabilities, and a way to restrain the entrenchment of their personal power.

As China's recent anti-corruption campaigns have shown, the Party's existing arrangements of monitoring and disciplining top business leaders are still far from satisfactory. Corruption is rampant in many *yangqi* and often involves complex patron-client networks. The Party's disciplinary force has become increasingly active towards monitoring central state-owned enterprises and financial institutions. Major cases of corruption were investigated and prosecuted, such as Liu Jinbao (former Vice Chairman, Bank of China) in 2004, Zhang Enzhao (former Chairman, CCB) in 2005, Chentong Hai (former Chairman, Sinopec) in 2008, Zhang Chunjiang (former Vice Chairman, China Mobile) in 2009 and Kang Rixin (former CEO, China National Nuclear Group) in 2010. The Party initiated a major anti-corruption campaign after the leadership succession in 2012. By October 2015, the Party's disciplinary force has brought down over two dozen of Board-level top *yangqi* leaders from a wide range of sectors including telecom, energy, airline, automobile, shipping and insurance, such as Sun Zhaoxue (former President, Chalco), Song Lin (former Chairman, China Resources), Xu Jianyi (former Chairman, FAW), Jiang Jiemin (former Head of SASAC and former Chairman, CNPC), Liao Yongyuan (former President, CNPC) and Wang Tianpu (former President, Sinopec). The Party has convened regular inspection teams to investigate *yangqi*, and the ongoing anti-graft campaigns are expected to uncover more corruption cases.

The Party's role of leadership talent management is a crucial feature of China's central state corporatism. It shapes the incentives, mobility and distribution of power in the system. The core leadership personnel of *yangqi* are deeply involved in the Party's political processes. Many of them have been elected into the Party's Central

Committee and Central Disciplinary Committee.[37] As Lin Nan points out, the top business leaders under the Party's control have "synchronized incentives and mobility": they are motivated by both political achievement and business achievement, and can be moved back and forth across political hierarchy and state-controlled business hierarchy.[38] While the Party has made considerable progress in institutionalizing a talent management system to govern *yangqi*, the present system has been revealed to be vulnerable to complex webs of vested interests that breed corroding elements of corruption and managerial abuses. It has proven difficult for the system to effectively monitor and discipline those politically connected business leaders. The networks of interconnected graft tend to reinforce themselves and cannot be unraveled until they are exposed through mishaps, whistleblowing and complaints that lead to the Party's full investigations.

5. Conclusion

This paper analyzes the mechanisms of political control in the governance of China's central state-owned enterprise sector. Based on the analytical framework of "late development", it points out that the Chinese political economy is at the transitional stage between the catch-up phase and mature phase of growth. It's a crucial dimension of China's system reform to restructure the party-state-enterprise relations to match with China's emerging new growth model. It defines a distinctive model of "central state corporatism" in China, with the Party centre resembling the corporate headquarters holding the ultimate authority, the Party-appointed technocrats acting as corporate managerial elites, and each legally-independent corporation like a business division of this overall pyramidal structure. The Party-state's roles of organizational entrepreneurship and leadership talent management are examined in details as the key features of this system.

Following over half-a-century's enterprise reforms, the Chinese state had managed to transform the core assets and enterprises governed by the Stalinist technocratic bureaucracy into a batch of giant central state-controlled business firms. During the recent decade, these firms have achieved robust growth and built up sizes comparable with global leading corporations. Throughout this process, the Party has simultaneously promoted organizational changes and maintained its centralized control. However, as the Chinese economy is moving towards a more mature phase of development, the pattern of party-business relations should undertake a new transition as well. There are growing discontents that see China's "national champions" as vested interest groups hindering China from completing its marketization reforms.[39] As revealed by recent anti-graft campaigns, the widespread corruption involving state-controlled enterprises are further undermining the legitimacy of China's central state corporatism. How to adapt to the new policy environment and establish a more effective governance framework for China's corporate sector remains a major challenge in the coming decade.

[37] Kjeld Erik Brødsgaard, "Politics and Business Group Formation in China: the Party in Control?", *China Quarterly* 211 (2012): 624-648; Li Chen, *China's Centralized Industrial Order: Industrial Reform and the Rise of Centrally Controlled Big Business* (London: Routledge, 2015)

[38] Lin Nan, "Capitalism in China: a Centrally Managed Capitalism (CMC) and Its Future", *Management and Organization Review* 7(1) (2011): 63-96.

[39] World Bank, *China 2030: Building a Modern, Harmonious and Creative High-Income Society* (Washington D.C.: World Bank, 2012)

Table.3 Cases of top personnel rotation at the level of Chairman, President and Party Secretary among central state-owned enterprises, 2004-2011

Name	Sector	Old Post	New Post	Year
Wang Jianzhou	Telecom	Chairman, Party Secretary, China United Telecom	President, Party Secretary, China Mobile	2004
Chang Xiaobin	Telecom	Vice President, China Telecom	Chairman, Party Secretary, China United Telecom	2004
Wang Xiaochu	Telecom	Vice President, China Mobile	President, Party Secretary, China Telecom	2004
Shang Bin	Telecom	President, China United Telecom	Party Secretary, Vice President, China Telecom	2008
Zhang Chunjiang	Telecom	President, Party Secretary, China Netcom	Party Secretary, Vice President, China Mobile	2008
Xu Dazhe	Defense-related	Vice President, CASC	President, Party Secretary, CASIC	2007
Hu Wenming	Defense-related	Vice President, AVIC	Party Secretary, Vice President, China North	2008
Fan Youshan	Defense-related	Vice President, China North	Party Secretary, Vice President, CETC	2008
Xiong Qunli	Defense-related	Chairman, Party Secretary, CEC	President, Deputy Party Secretary, CETC	2011
Hu Wenming	Defense-related	Party Secretary, Vice President, China North	Party Secretary, Vice President, CSSC	2010
Yin Jiaxu	Defense-related	Vice President, CSGC	Party Secretary, Vice President, China North	2010
Rui Xiaowu	Defense-related	Vice President, CASC	Chairman, Party Secretary, CETC	2011
Fu Chengyu	Oil and Gas	Chairman, Party Secretary, CNOOC	Chairman, Party Secretary, Sinopec	2011
Wang Yilin	Oil and Gas	Vice President, CNPC	Chairman, CNOOC	2011
Wang Binghua	Electricity	President, Party Secretary, CPI	Chairman, Party Secretary, SNPTC	2007
Lu Qizhou	Electricity	Vice President, State Grid	President, Party Secretary, CPI	2007
Cai Peixi	Electricity	President, Party Secretary, Huadian	President, Deputy Party Secretary, Huaneng	2008
Li Qingkui	Electricity	Party Secretary, Vice President, Guodian	Party Secretary, Vice President, Huadian	2008
Qiao Baoping	Electricity	Party Disciplinary Secretary, CPI	Party Secretary, Vice President, Guodian	2008
Zhong Jun	Electricity	Vice President, Datang	President, CSG	2010
Chen Jinxing	Electricity	Vice President, State Grid	President, Datang	2010
Chen Fei	Electricity	Vice President, Guodian	President, China Three Gorge	2010
Li Wenxin	Airline	Party Secretary, Vice President, China Eastern Air	Party Secretary, Vice President, China Southern Air	2006
Liu Shaoyong	Airline	Chairman, China Southern Air	President, China Eastern Air	2008

Ma Zehua	Shipping	Vice President, COSCO	Party Secretary, China Shipping	2006
Li Jianhong	Shipping	Vice President, COSCO	President, China Merchants	2010
Ma Zehua	Shipping	Party Secretary, Vice President, China Shipping	President, Deputy Party Secretary, COSCO	2011
Xu Lirong	Shipping	Vice President, COSCO	President, China Shipping	2011

Source: compilation from SASAC and company announcements.

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