

From Party Policy to Law: The Formalization of the Chinese Communist Party's Role in State-owned Enterprise Governance†

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† Note to readers: This Article directly cites to many laws, regulations, and other sources from the People's Republic of China. Several of these sources do not have official citation numbers available to a Western audience. For that reason, this Article adds direct hyperlinks to the cited laws and regulations to sources lacking citations numbers. For official citations, most footnotes use the CLI numbers from LawInfoChina.com. Additionally, to help readers find Chinese laws and regulations cited in multiple footnotes, this Article uses the "hereinafter" signal to indicate how it short cites these laws and regulations and uses the *supra* signal in repeated citations to these sources to make it easier to refer to the original citations of the sources. The author also cites to interviews throughout the Article. These interviews were conducted by the author as part of doctoral research. For more information on these interviews, see *infra* note 29.

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ABSTRACT

For the first time, grassroots branches of the Chinese Communist Party (CCP) were formally granted leadership roles and major decision-making authority under Chinese Company Law in 2024. This change has made China the only jurisdiction that has, at the national law level, authorized its main political party to engage directly in corporate governance without being a shareholder. While this may appear to be the result of President Xi Jinping’s party-building campaign, party involvement in corporate governance goes back to the Maoist era. This Article examines the evolution of state-owned enterprise (SOE) governance from 1949 to the present, illustrating that even though the role of CCP branches in SOEs has waxed and waned with the shifting economic policies and political ideologies, the CCP’s influence has been ever-present. Drawing insights from history, this Article argues that while SOEs’ pursuit of policy goals can disadvantage minority shareholders, their policy orientation may also benefit domestic stakeholders—employees, local communities, and the environment—a feature difficult to replicate in market economies driven purely by shareholder interests.

I. INTRODUCTION

In 2024, Chinese Company Law formally granted grassroots branches of the Chinese Communist Party (CCP)¹ leadership roles and major decision-making authority for the first time. To the author’s best knowledge, China is the only jurisdiction that has, at the national law level, authorized

1. According to the Constitution of the Chinese Communist Party, if three or more party members are in an enterprise, the enterprise should establish a grassroots branch. See Zhongguo Gongchandang Zhangcheng (中国共产党章程) [Constitution of the Chinese Communist Party], art. 30 (adopted Oct. 22, 2022), https://www.chinatoday.com/org/cpc/Constitution-of-Communist-Party-of-China_202210.pdf [<https://perma.cc/A8SY-Y98J>] [hereinafter CCP Constitution 2022]. All SOEs now have such CCP branches. See Lauren Yu-Hsin Lin & Curtis J. Milhaupt, *Party Building or Noisy Signaling? The Contours of Political Conformity in Chinese Corporate Governance*, 50 J. LEGAL STUD. 188 (2021).

its main political party to engage directly in corporate governance without being a shareholder.² This change may appear to be the result of President Xi Jinping's high-profile party-building campaign that began in 2015; however, the involvement of CCP branches (hereinafter referred to as "party organizations") in state-owned enterprise (SOE)³ governance dates back to the Maoist era, long before China adopted the first Company Law in 1993. Despite that, the 2024 amendment of Company Law is indeed a milestone: it has legalized and consolidated the existing party-centric structure within SOEs and elevated the formerly intra-party policy to national law status.⁴

This Article examines the evolution of SOE governance from 1949 to the present, illustrating that although party organizations' roles in SOEs have waxed and waned with the shifting economic policies and political ideologies, the CCP's influence has been ever-present. Drawing insights from history, this Article argues that while SOEs' pursuit of policy goals can disadvantage minority shareholders, their policy orientation may also benefit domestic stakeholders—employees, local communities, and the environment—a feature that is difficult to replicate in market economies driven purely by shareholder interests.

In the current party-centric structure, the party organization wields greater authority than the law formally stipulates.⁵ Party organizations have replaced boards of directors as the de facto highest decision-making bodies in SOEs.⁶ This shift represents a return to the Maoist model, where party organizations directed all aspects of SOE operations. Following Mao's death, Deng Xiaoping reversed his predecessor's policy by abolishing party organizations' leadership role in SOEs and excluding party organizations from SOE management in order to improve efficiency and promote

2. Lin & Milhaupt, *supra* note 1, at 188, 193.

3. SOEs in this Article refer to companies in which the state controls all or a majority of shares.

4. See *Zhonghua Renmin Gongheguo Gongsifa* (中华人民共和国公司法) [Company Law of the People's Republic of China] (promulgated by the Standing Comm. Nat'l People's Cong., Dec. 29, 2023, effective July 1, 2024) arts. 18, 170, CLI.1.5185735 (Lawinfochina). [hereinafter *Company Law 2024*].

5. See Lin & Milhaupt, *supra* note 1, at 188 (explaining that model corporate charter amendments, where adopted, "effectively give the party decision-making rights in the firm that are senior to those of the board of directors").

6. *Id.*

economic development.⁷ However, the policy shifted again in the 1990s, when the CCP began re-integrating party organizations into corporate governance.⁸ The re-integration trend has continued and accelerated over the past few decades, resulting in the present party-centric structure.

Although political ideologies have played an important role in both the Maoist era and the current system, the Xi administration has also used the historic tool of party building to address problems that did not exist in the Maoist era. First, the State-owned Assets Supervision and Administration Commission (SASAC) lacked the capacity and leverage to effectively supervise the rapidly expanding SOEs.⁹ Second, the mixed-ownership reform attracted private investment but diluted state ownership, so countermeasures were needed to maintain control over SOEs, particularly in senior personnel appointments and major decision-making.¹⁰

However, SOEs are no longer mere extensions of the administration or wholly owned by the state; they are now entities with minority shareholders. Minority shareholders were already in a vulnerable position in Chinese SOEs,¹¹ but the party-centric structure has made their situations worse. Company Law is silent on the accountability of party organizations and whose interests they are meant to promote. According to the Constitution of the Chinese Communist Party (CCP Constitution)—the highest authority of the CCP—party organizations are responsible to their upper-level party authorities and the CCP Central Committee.¹² In effect, the party-centric structure renders party organizations invincible: major decision-making authority resides with them, but no institutions within SOEs are able to hold them accountable. That SOEs play a policy-instrument role has long been recognized, and the recent politicization of corporate governance has further expanded this role.¹³ The resources of SOEs may therefore be mobilized to pursue policy goals at the expense of minority shareholders,

7. See Xianchu Zhang, *Integration of CCP Leadership with Corporate Governance*, CHINA PERSP. 2019/1, at 55–63, https://journals.openedition.org/chinaperspectives/8770?utm_source=perma.cc/TX22-VZHB (describing SOEs as a pillar of China’s “planned economy,” noting recent developments that “resurrected traditional SOE-style governance” and amounted to “a return to the old politics and planned economy,” and explaining that 1980s SOE reform emphasized separating Party political control from enterprise business management, including that Party grassroots organizations “shall no longer practice unified leadership,” and later reform continued the “separation of business operations from politics”).

8. *Id.* at 56–57.

9. Wendy Leutert & Sarah Eaton, *Deepening Not Departure: Xi Jinping’s Governance of China’s State-owned Economy*, 248 THE CHINA Q. 200, 206 (2021).

10. Lin & Milhaupt, *supra* note 1, at 188, 193–94.

11. Huihua He, Jinc Chen & Junxiong Fang, *How to Empower Minority Shareholders: Chinese Practice and Literature Review*, in RESEARCH HANDBOOK ON CORPORATE GOVERNANCE IN CHINA 38–39 (Martin Conyon & Lerong He eds., 2025).

12. CCP Constitution 2022, *supra* note 1, art. 10(1).

13. Lin & Milhaupt, *supra* note 1, at 188, 190, 214.

but there are no legal routes for minority shareholders to raise concerns about party organizations' decisions.

Some may argue that other minority-protection mechanisms remain. However, the party-centric structure has further undermined the already-weak existing mechanisms. First, the forum of major decision-making has shifted from the board of directors to the party organization.¹⁴ As a result, minority shareholders' representatives (if there are any) and independent directors on the board are excluded from deliberation and decision-making. Second, the major decision-making authority has shifted from directors to non-board members, such as full-time deputy party secretaries, chairpersons of discipline inspection and supervision committees, general managers, and supervisors, unravelling the checks and balances that Company Law is supposed to establish.¹⁵ Third, some party organization members, such as full-time deputy party secretaries and chairpersons of the discipline inspection and supervision committees, hold no corporate positions.¹⁶ They exercise major decision-making rights within SOEs, but the liability mechanisms under Company Law, such as directors' duties, are not applicable to them.¹⁷ The 2024 amendment introduced de facto director rules, but

14. Leutert & Eaton, *supra* note 9, at 205.

15. Interview with Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interview with Interviewee 3, State-Owned Enterprise In-House Lawyer, in Shanghai, China (Sept. 2020); Interview with Interviewee 5, Lawyer, in Chongqing, China (Oct. 2020); Interview with Interviewee 8, State-Owned Enterprise In-House Lawyer, in Beijing, China (Oct. 2020); Interview with Interviewee 11, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Nov. 2020); Interview with Interviewee 15, Lawyer, in Shanghai, China (Nov. 2020); Interview with Interviewee 19, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Dec. 2020); Interview with Interviewee 21, Lawyer, in Shanghai, China (Dec. 2020); Interview with Interviewee 23, Lawyer, in Hefei, China (Dec. 2020); Interview with Interviewee 32, State-Owned Enterprise In-House Lawyer, in Henan, China (Dec. 2020); Interview with Interviewee 34, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Jan. 2021); Interview with Interviewee 37, State-Owned Enterprise In-House Lawyer, in Beijing, China (Jan. 2021).

16. Interview with Interviewee 5, Lawyer, in Chongqing, China (Oct. 2020); Interview with Interviewee 8, State-Owned Enterprise In-House Lawyer, in Beijing, China (Oct. 2020); Interview with Interviewee 21, Lawyer, in Shanghai, China (Dec. 2020); Interview with Interviewee 34, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Jan. 2021).

17. Interview with Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interview with Interviewee 3, State-Owned Enterprise In-House Lawyer, in Shanghai, China (Sept. 2020); Interview with Interviewee 5, Lawyer, in Chongqing, China (Oct. 2020); Interview with Interviewee 8, State-Owned Enterprise In-House Lawyer, in Beijing, China (Oct. 2020); Interview with Interviewee 11, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Nov. 2020); Interview with Interviewee 15, Lawyer, in Shanghai, China

they only apply to controlling shareholders and actual controllers.¹⁸ This leaves minority shareholders with no means to hold non-managerial party organization members accountable.¹⁹ The weakened position of minority shareholders may lead foreign investors to conclude that China is no longer an investable market.

SOEs may pursue policy goals at the cost of economic profits, but their policy orientation may benefit domestic stakeholders including employees, local communities, and the environment—a feature that is difficult to replicate in market economies driven purely by shareholder interests. As part of the party-state’s paternalistic role, SOEs have a long-standing tradition of providing job opportunities and employee welfare.²⁰ To maintain social stability, SOEs bear stickier labor costs than private companies to absorb the labor force and prevent social unrest.²¹ Meanwhile, due to the strong association between SOEs and the CCP, the Party is highly attentive to the public image of SOEs. As a result, SOEs are typically held to higher standards of environmental protection compared to private firms.²² Additionally, SOEs are active and loyal participants in Party-led initiatives such as Poverty Alleviation and Rural Revitalization, contributing to public welfare and generating broad social benefits.²³

Existing literature on SOE reforms primarily focuses on internal governance structures but pays limited attention to the least well-known part: the role

(Nov. 2020); Interview with Interviewee 19, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Dec. 2020); Interview with Interviewee 21, Lawyer, in Shanghai, China (Dec. 2020); Interview with Interviewee 23, Lawyer, in Hefei, China (Dec. 2020); Interview with Interviewee 32, State-Owned Enterprise In-House Lawyer, in Henan, China (Dec. 2020); Interview with Interviewee 34, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Jan. 2021); Interview with Interviewee 37, State-Owned Enterprise In-House Lawyer, in Beijing, China (Jan. 2021).

18. Company Law 2024, *supra* note 4, arts. 180–82.

19. *China is Overhauling Its Company Law*, THE ECONOMIST (Aug. 8, 2024), <https://www.economist.com/business/2024/08/08/china-is-overhauling-its-company-law> [<https://perma.cc/86M5-NZFS>].

20. See Edward Gu, *Beyond the Property Rights Approach: Welfare Policy and the Reform of State-Owned Enterprises in China*, 32 DEV. & CHANGE 129, 129 (2001).

21. Zhaoyang Gu, et al., *The Political Economy of Labor-Employment Decisions: Evidence from China*, 66 MGMT. SCI. 1, 1 (2019).

22. Jiaqi Liang & Liang Ma, *Ownership, Affiliation, and Organizational Performance: Evidence from China’s Results-Oriented Energy Policy*, 23 INT’L PUB. MGMT. J. 57, 74 (2020).

23. Xue Er Shi Xi (学而时习), “Shu Shuo” Guozi Yangqi Tuopin Gongjian Dajuan (“数说”国资央企脱贫攻坚答卷) [“Data Speaks” on the Poverty Alleviation Report Card of State-Owned Assets and Central Enterprises], Feb. 23, 2021, https://www.qstheory.cn/laigao/ycjx/2021-02/23/c_1127130221.htm [<https://perma.cc/23KS-3EZ8>] [hereinafter By the Numbers Report].

of party organizations, which normally operate behind the scenes.²⁴ In terms of the relationship between SOEs and the party-state, most studies attribute the influence broadly to the state, overlooking the more nuanced reality that the ultimate authority resides with the CCP.²⁵ Although there is limited political science research examining the CCP's role in the state sector, such analyses are typically conducted from a macro-level perspective, emphasizing personnel control and policy oversight, rather than from the standpoint of corporate governance.²⁶ So far, a handful of studies have looked into the development of party organizations in SOE governance, but they only focus on a particular time or a short period of time.²⁷ This Article fills the gap by tracing the evolution of party organizations' roles in SOE governance and the relationship between the CCP and SOEs from the founding of the People's Republic of China (PRC) to the present.

24. See, e.g., Justin Yifu Lin, et al., *Competition, Policy Burdens, and State-Owned Enterprise Reform*, 88 THE AM. ECON. REV. 422, 422 (1998); ZHIGANG ZHENG, STATE-OWNED ENTERPRISE'S OWNERSHIP REFORM: A CHINESE MODERNIZATION APPROACH (2022); JOHN HASSARD, ET AL., CHINA'S STATE ENTERPRISE REFORM: FROM MARX TO THE MARKET (2007); GARY H. JEFFERSON & INDERJIT SINGH, ENTERPRISE REFORM IN CHINA: OWNERSHIP, TRANSITION, AND PERFORMANCE (1999); ON KIT TAM, THE DEVELOPMENT OF CORPORATE GOVERNANCE IN CHINA (1999).

25. See, e.g., Liang Guo, et al., *A Critique of Corporate Governance in China*, 55 INT'L J.L. & MGMT. 257, 258 (2013); Razeen Sappideen, *Corporate Governance with Chinese Characteristics: The Case of State Owned Enterprises*, 12 FRONTIERS OF L. CHINA 90, 98 (2017); Karen Jingrong Lin, et al., *State-owned Enterprises in China: A Review of 40 Years of Research and Practice*, 13 CHINA J. OF ACCT. RES. 31, 31, 33, 36–37 (2020); CHENXIA SHI, THE POLITICAL DETERMINANTS OF CORPORATE GOVERNANCE IN CHINA (2012).

26. See, e.g., LANCE GORE, THE CHINESE COMMUNIST PARTY AND CHINA'S CAPITALIST REVOLUTION: THE POLITICAL IMPACT OF MARKET (2010) [hereinafter Gore, THE CHINESE COMMUNIST PARTY]; ELIZABETH C. ECONOMY, THE THIRD REVOLUTION: XI JINPING AND THE NEW CHINESE STATE (2018); Margaret M. Pearson, et al., *Party-state Capitalism in China*, 120 CURRENT HISTORY 207, 207–08 (2021).

27. See, e.g., Kasper Ingeman Beck & Kjeld Erik Brødsgaard, *Corporate Governance with Chinese Characteristics: Party Organization in State-owned Enterprises*, 250 THE CHINA Q. 486 (2022); Jiangyu Wang, *The Political Logic of Corporate Governance in China's State-owned Enterprises*, 47 CORNELL INT'L L.J. 631, 644 (2014); Yao Li, *Chinese Communist Party's Grass-roots Organisations in Enterprises since the 1990s: Changes and Challenges*, 11 E. ASIAN POL'Y 96, 96–99, 103 (2019); Leutert & Eaton, *supra* note 9; Lin & Milhaupt, *supra* note 1; Xianchu Zhang, *Integration of CCP Leadership with Corporate Governance: Leading Role or Dismemberment?*, 116 CHINA PERSP. 55, 55–58 (2019).

Chinese SOEs are significant players in both domestic and global markets, controlling vast resources and influencing strategic industries.²⁸ For foreign investors, policymakers, and scholars, appreciating the role of party organizations is crucial to understanding how Chinese SOEs operate—specifically, what factors they take into account in decision-making and how they align corporate strategies with state policies—which differ significantly from governance models in market economies driven solely by shareholder interests. Understanding the historical development of SOEs is key to comprehending the current party-centric system, which is deeply rooted in political and institutional legacies that have evolved since 1949. The evolving relationship between the CCP and SOEs has left lasting imprints on how SOEs are governed. By tracing this trajectory, one can observe that the current system is not simply a product of economic logic, but the outcome of decades of political adaptation and ideological shifts. This context explains why SOEs continue to serve both political and economic objectives.

To examine the historical development of party organizations within SOEs, this Article draws on primary sources, including laws, administrative regulations, and CCP regulations and documents. It also incorporates secondary sources such as academic literature and newspaper reports. For more recent developments, this Article further supports its analysis with empirical data gathered through interviews with in-house legal counsel of SOEs and solicitors who provided legal services to SOEs.²⁹

The remainder of the Article is structured as follows. Section II examines the Maoist era, when party organizations dominated SOEs. Section III explores Deng's move away from the Maoist model by expanding managerial autonomy and excluding party organizations from management during the reform and opening-up period. Section IV focuses on the corporatization of SOEs, during which the CCP began to reassert influence under the modern enterprise system, even though Company Law granted party organizations no formal role. Section V analyses the formalization of party leadership in SOEs under the Xi administration and draws out some of the implications in Section VI for minority shareholders and domestic

28. Tianlei Huang & Nicolas Véron, *China's State vs. Private Company Tracker: Which Sector Dominates?* PETERSON INST. FOR INT'L ECON. (July 27, 2023), <https://www.piie.com/research/piie-charts/2023/chinas-state-vs-private-company-tracker-which-sector-dominates>.

29. The data was collected by the author as part of doctoral research. In accordance with the terms of ethical approval, the use of the data for future publication has been authorized. The actual interviews are on file with the author and cannot be released due to the confidential nature of these studies. Please contact the author if you would like more information on how these interviews were conducted.

stakeholders. The Article concludes with a summary and a short discussion of possible future evolution.

II. PARTY LEADERSHIP IN SOEs DURING THE MAOIST ERA (1949-1976)

Mao Zedong was China's supreme leader from the PRC's founding in 1949 until his death in 1976, during which, his ideology—that the Party should be the center of political, social, and economic life—served as the guiding framework for the Chinese state.³⁰ Although the economic system was drastically different at the time, this period underpins the current party-centric system and demonstrates how strong party building often leads to politicized corporate governance.³¹ Back then, as part of the planned economy, SOEs operated as extensions of the state and, as a result, lacked independence and separate legal personality.³² The state directly owned, financed, and controlled SOEs, with planning commissions making major decisions, such as investment, production, and staffing.³³ SOEs utilized allocated inputs for production and exchanged their outputs at state-fixed prices according to plans, as free markets did not exist.³⁴ Within SOEs, party organizations held the highest authority, except during the initial transitional years and a brief interruption during the Cultural Revolution.³⁵ Frequent political campaigns caused management of SOEs to be highly politicized; economic performance was secondary to political compliance, and SOE leaders were primarily assessed on political loyalty rather than entrepreneurial ability, leaving SOEs inefficient.³⁶ All of these features have had lasting influences on the current system.

30. ANDREW G. WALDER, *CHINA UNDER MAO: A REVOLUTION DERAILED* 1–2 (2015).

31. Harold Tanner, *China's Law and Government in the Mao Years (1949–1976)*, 12:3 EDUC. ABOUT ASIA 18, 23 (2007) (on file with ASS'N ASIAN STUDIES, <https://www.asianstudies.org/publications/ea/archives/chinas-law-and-government-in-the-mao-years-1949-1976/>.)

32. YOU JI, *CHINA'S ENTERPRISE REFORM: CHANGING STATE/SOCIETY RELATIONS AFTER MAO* 3–4 (1998).

33. *See id.*

34. For information regarding Chinese SOEs before the reform and opening-up era, see STOYAN TENEV, CHUNLIN Zhang & LOUP BREFORT, *WORLD BANK & INT'L FIN. CORP., CORPORATE GOVERNANCE AND ENTERPRISE REFORM IN CHINA: BUILDING THE INSTITUTIONS OF MODERN MARKETS* chs. 1–2 (2002).

35. *See generally* YOU, *supra* note 32.

36. *See id.*

At its founding, the PRC inherited the main part of the state sector from the previous Nationalist government, and the rest of the factories came from the CCP's own former bases.³⁷ To strengthen its control, the CCP gradually replaced Nationalist personnel with its own cadres.³⁸ The leadership system in SOEs further evolved to allow party organizations to play a more important role. Between 1949 and 1951, SOEs largely retained the collective leadership system from the CCP's former bases.³⁹ During this period, no clear guidance existed on the role of party organizations in SOEs; this may have been so because party organization numbers were negligible.⁴⁰ However, new party organizations became established in the early 1950s and expanded quickly.⁴¹

Between 1951 and 1954, two polar opposite leadership systems co-existed in SOEs: the party command system and the chief responsibility system.⁴² Notably, since then, SOE governance has shifted back and forth between these two systems.⁴³ The party command system dominated during the Maoist era, but it was replaced by the chief responsibility system during the reform and opening-up period under Deng's leadership.⁴⁴ The present party-centric governance structure promoted by Xi, with its roots in the

37. See Beijing Shiwei Zuzhibu Yanjiushi (北京市委组织部研究室) [Research Office of the Organization Department of the Beijing Municipal Party Committee] & Beijing Shiwei Dangxiao Dangjian Yanjiusuo (北京市委党校党建研究所) [Research Institute of Party Building of the Party School of the Beijing Municipal Party Committee], *Jianguo Yilai Quanmin Suoyouzhi Gongye Qiye Lingdao Zhidu de Yangde* (建国以来全民所有制工业企业领导制度的沿革) [*Evolution of the Leadership System of Industrial Enterprises Owned by the Whole People since the Founding of the People's Republic of China*], 1990(02) DANGXIAO JIAOXUE (党校教学) [TEACHING OF PARTY SCHOOLS] 40, 40 (1990) [hereinafter *Evolution of the Leadership System*].

38. OIVA LAAKSONEN, *MANAGEMENT IN CHINA DURING AND AFTER MAO IN ENTERPRISES, GOVERNMENT AND PARTY* 90 (1988).

39. As a collective leadership institution, the management committee, consisted of senior management and worker representatives, had the authority to discuss and decide all major issues concerning production and management, not autonomously, but under supervisory bodies' directions. See Guanyu Zai Guoying Gongying Qiye Zhong Jianli Gongchang Guanli Weiyuanhui Yu Zhigong Daibiao Huiyi de Shishi Tiaoli (关于在国营、公营企业中建立工厂管理委员会与职工代表会议的实施条例) [*Implementing Regulation on the Establishment of Factory Management Committees and Congresses of Workers' Representatives in State-run and Public-run Enterprises*] (promulgated by the North China People's Gov't, August 10, 1949), CLI.4.159944 (Lawinfochina).

40. YOU, *supra* note 32, at 32.

41. *Id.* at 3.

42. The chief responsibility system is also called the one-man management system (一长制) in some literature. *Evolution of the Leadership System, supra* note 37, 41–42.

43. *Id.* at 46.

44. *Id.* at 39.

party command system, represents a double movement returning to the Maoist model.⁴⁵

The chief responsibility system was practiced in northeast China under Soviet influence.⁴⁶ The indigenous party command system was adopted in the rest of China where industry predominated.⁴⁷ The primary distinction between the two systems lay in who held the leadership position, which in turn led to practical differences in management. Under the chief responsibility system, government-appointed chiefs ran businesses independently, while party organizations dealt with ideological and political work.⁴⁸ Since chiefs bore full responsibility for fulfilling national plans, they focused more on managing production and improving efficiency.⁴⁹ By contrast, under the party command system, the party organization (led by the party secretary) was the leader and major decision-maker, and chiefs were responsible to the party organization and for executing the party organizations' decisions.⁵⁰ Party secretaries were not responsible for fulfilling production targets, so they placed greater emphasis on political leadership and ideological work than chiefs, giving priority to party building and the political education of employees to ensure implementation of the Party's policies, which often reduced administrative efficiency.⁵¹

The CCP approved the universalization of the chief responsibility system in 1954.⁵² However, this approval was little more than a nominal concept, as party cadres fiercely resisted the system and denounced it as capitalist and bourgeois.⁵³ In early 1956, Mao personally intervened and declared that SOE management should be in line with CCP tradition rather than Soviet advice.⁵⁴ The CCP tradition required that all major issues should be deliberated by party organizations first before being passed to chiefs for implementation.⁵⁵ Later the same year, the CCP officially

45. *The National People's Congress closed: Xi Jinping's speech emphasized "the Party's leadership over everything."* BBC NEWS CHINESE (Mar. 20, 2018), <https://www.bbc.com/zhongwen/simp/chinese-news-43468026> [<https://perma.cc/4A6V-ZLZQ>].

46. YOU, *supra* note 32, at 35.

47. *Evolution of the Leadership System*, *supra* note 37, 41–42.

48. *Id.* at 35.

49. *See* YOU, *supra* note 32, at 38.

50. *See id.*

51. *See id.* at 36.

52. *Id.*

53. *See Evolution of the Leadership System*, *supra* note 37, at 43.

54. YOU, *supra* note 32, at 37.

55. *Id.*

sanctioned the party command system to reassert political control over the economic bureaucracy.⁵⁶

The Great Leap Forward (GLF) industrialization campaign was formally launched in 1958 to achieve “more, faster, better, and more economical results.”⁵⁷ The GLF further politicized the governance of SOEs.⁵⁸ Party organizations reinforced their authority by depriving chiefs’ power and participating directly in day-to-day production and administration.⁵⁹ However, the work was not appropriately coordinated and often paralysed, which plunged production into total disarray.⁶⁰

After the GLF, the CCP made strenuous efforts to restore production and revive the economy. In 1961, the CCP enacted the Regulation on the Work of State-run Industrial Enterprises (Draft), which was the first comprehensive regulation on SOEs and the earliest formalization of party engagement in SOE governance since the founding of the PRC.⁶¹ The CCP implemented this regulation across the country to consolidate the party command system and restore managerial order and production.⁶² Also around this time, the CCP granted SOE chiefs more autonomy in hopes of rebuilding the economy—it was believed that the party organization’s deprivation of chiefs’ autonomy caused the disruption in production during the GLF.⁶³ In 1964, when production had just started to increase, the CCP initiated the Four Clean Movement, which again politicized SOE

56. Heath B. Chamberlain, *Party-Management Relations in Chinese Industries: Some Political Dimensions of Economic Reform*, 112 CHINA Q. 631, 631–632 (1987).

57. Kenneth Lieberthal, *The Great Leap Forward and the Split in the Yanan Leadership*, in THE CAMBRIDGE HISTORY OF CHINA, vol. 14, at 305 (Roderick MacFarquhar & John K. Fairbank eds., 1987).

58. Qiang Duan (段强), *Jingji Zhuangui Guocheng Zhong Woguo Guoyou Qiye Zhili Jiegou Bianqian Fenxi (经济转轨过程中我国国有企业治理结构变迁分析)* [Analysis of the Changes in the Governance Structure of State-owned Enterprises in the Process of Economic Transition], 2002(02) JINGJIXUE DONGTAI (经济学动态) [ECONOMICS INFORMATION] 26, 26 (2002); Mengkui Wang (王梦奎), *Jianguo Yilai Guoying Gongye Qiye Lingdao Tizhi de Yanget (建国以来国营工业企业领导体制的沿革)* [The Evolution of the Leadership System of State-owned Industrial Enterprises since the Founding of the People’s Republic of China], 16 JINGJI GONGZUO TONGXUN (经济工作通讯) [ECONOMIC WORK NEWSLETTER] 17, 18 (1986).

59. Duan, *supra* note 58, at 18.

60. Wang, *supra* note 58, at 18.

61. See Guoying Gongye Qiye Gongzuo Tiaoli (Cao’an) (国营工业企业工作条例 (草案)) [Regulation on the Work of State-run Industrial Enterprises (Draft)] (promulgated by Cent. Comm. Chinese Communist Party [Cent. Comm. CCP], effective Sept. 16, 1961). This regulation was also called “Gongye Qishi Tiao (工业七十条) [Seventy Articles of Industry]”.

62. *Evolution of the Leadership System*, *supra* note 37, at 44.

63. LAAKSONEN, *supra* note 38, at 166; *Evolution of the Leadership System*, *supra* note 37, at 44.

governance by strengthening the role of party organizations.⁶⁴ SOEs were required to learn from the army, where the Party exercised absolute leadership. In practice, this meant that economic efficiency was subordinated to political ideology.⁶⁵ This pattern of the Chinese government reforming SOE governance systems through intra-party documents first and then consolidating the results through formal regulation and revitalizing SOEs by expanding autonomy is a recurring theme in modern Chinese history, as will be shown later in this Article.

Mao instigated the Cultural Revolution in 1966 to attack capitalism and maintained the Revolution for ten years.⁶⁶ This was the only period during the Maoist era in which the Party's control over SOEs was disrupted.⁶⁷ During this time, the masses broadly criticised the party-state authorities.⁶⁸ The people accused SOE chiefs of being capitalists and removed them from their offices, putting production into disarray.⁶⁹ In 1968, party organizations were disbanded, and revolutionary committees replaced them as the sole leadership bodies.⁷⁰ Beginning in 1972, party organizations reclaimed power in a more extreme way than the party command system had achieved; they took control of all aspects of SOEs, including chiefs' authority over production and administration.⁷¹ However, revolutionary committees did not disappear immediately, and they retained considerable power.⁷² Mao's death in 1976 brought the Cultural Revolution to an end but left a poor and broken China for the next generation of leadership.⁷³

As a powerful leader, Mao exerted a profound influence on SOE governance through his ideological framework, a pattern Deng and Xi subsequently repeated.⁷⁴ As a double movement, the current party-centric SOE governance

64. *Id.*

65. *Evolution of the Leadership System*, *supra* note 37, at 44.

66. *The Cultural Revolution*, THE NATIONAL ARCHIVES, <https://www.nationalarchives.gov.uk/education/resources/the-cultural-revolution/> [<https://perma.cc/K6LX-5V5Z>].

67. *See* Wang, *supra* note 58, at 18.

68. Lieberthal, *supra* note 57, at 350.

69. Wang, *supra* note 58, at 18.

70. *Id.*

71. *Id.*

72. *Id.*

73. Roderick MacFarquhar, *The Succession to Mao and the End of Maoism*, in vol. 15 *The Cambridge History of China* 365–66, 391–92 (Roderick MacFarquhar & John K. Fairbanks eds., 1991).

74. Yvonne Chiu, Isaac B. Kardon & Jason M. Kelly, *The Life of the Party: Past and Present Constraints on the Future of the Chinese Communist Party*, CARNEGIE ENDOWMENT FOR INT'L PEACE (June 9, 2025), <https://carnegieendowment.org/research/>

structure largely signifies a return to the Maoist model.⁷⁵ However, contemporary SOEs are no longer mere extensions of the administration and cannot afford the level of inefficiency experienced during the Maoist era.⁷⁶ SOEs play a vital role in the Chinese economy; in fact, central SOEs alone contributed about one-seventh of the country's total tax revenue from 2013 to 2024.⁷⁷ SOEs also serve as policy tools for the CCP's global and domestic strategic goals.⁷⁸ Therefore, even if the CCP seeks to strengthen political control over the state sector, it must maintain the right balance to ensure the sector's continued prosperity.

III. FROM COMMAND TO MANAGEMENT: THE PARTY'S RETREAT IN SOEs (1977-1992)

It has been argued that “had there been no Cultural Revolution, it is unlikely that reform in the post-Mao period would have gone as far or as fast.”⁷⁹ China was still poor and underdeveloped after nearly three decades of CCP rule.⁸⁰ In 1978, the CCP abandoned the Cultural Revolution's theme of class struggle, and began to pursue market-oriented economic modernization as a means to combat poverty.⁸¹ Under Deng, China adopted neoliberalism to some extent, but retained its own characteristics; the government continued to exert effective control over the market through regulation and political oversight.⁸² In SOEs, chiefs had no discretion on

2025/06/the-life-of-the-party-past-and-present-constraints-on-the-future-of-the-chinese-communist-party.

75. Jie Zeng, *Corporate Governance in China: Shareholder Primacy Under the Chinese Communist Party's Influence*, 43 J. L. & COM. 35, 41 (2024).

76. *Id.* at 68.

77. Yuzhuo Zhang (张玉卓), Zai Goujian Gao Shuiping Shehui Zhuyi Shichang Jingji Tizhi Zhong Genghao Fahui Guozhi Yangqi Zuoyong (在构建高水平社会主义市场经济体制中更好发挥国资央企作用), [Better Leveraging the Role of Central State-owned Enterprises in Building a High-Level Socialist Market Economy], 2025(04) XI JINPING JINGJI SIXIANG YANJIU (习近平经济思想研究) [STUDIES ON XI JINPING'S ECONOMIC THOUGHT] 24, 24 (2025).

78. See Fuxiu Jang & Kenneth A. Kim, *Corporate Governance in China: A Survey*, 24(4) REV. FIN. 733, 764 (noting that China extracts resources from SOEs to satisfy state objectives).

79. Harry Harding, *The Chinese State in Crisis, 1966–1969*, in THE POLITICS OF CHINA: SIXTY YEARS OF THE PEOPLE'S REPUBLIC OF CHINA 147, 245 (Roderick MacFarquhar ed., 3d ed. 2011).

80. Shujie Yao, *Economic Development and Poverty reduction in China Over 20 Years of Reforms*, 48 ECON. DEV. & CULTURAL CHANGE 447, 449 (2000) (“[B]y the end of the Cultural Revolution, the majority of the rural population lived in absolute poverty and did not have sufficient food to eat or warm clothing to wear.”).

81. See Khalid Manzoor Butt & Sarah Sajid, *Chinese Economy under Mao Zedong and Deng Xiaoping*, 25 J. POL. STUD. 169, 174–75 (2018).

82. See DAVID HARVEY, A BRIEF HISTORY OF NEOLIBERALISM 113–14 (2007).

production, but party organizations were indifferent to profits, so productivity was far from satisfactory.⁸³ Consequently, the whole sector became a burden on government resources.⁸⁴ To improve efficiency, the CCP granted SOEs and their chiefs more autonomy and excluded party organizations from management.⁸⁵ This period marked a stark departure from the Maoist era, as economic development replaced political campaigns as the Party's central priority.

A. Expansion of SOE Autonomy

Although state planning still existed, the government introduced market forces into SOEs, and SOEs replaced the politicized reward system of the Maoist era with production bonuses.⁸⁶ From 1978 to 1980, the Party largely focused on experimenting with the expansion of SOE autonomy.⁸⁷ However, the scope of expansion was limited, and supervisory bureaus were uncooperative, so the results were rather disappointing.⁸⁸ In 1981, the State Council introduced the economic responsibility system, which aimed to motivate workers by aligning their interests with SOEs' economic outcomes.⁸⁹ Meanwhile, the government replaced the SOEs' obligation to

83. HASSARD et al., *supra* note 24, at 91–92.

84. Karen Jingrong Lin et al., *State-Owned Enterprises in China: A Review of 40 years of Research and Practice*, 13 CHINA J. ACCT. RSCH. 31, 35 (2020).

85. John Hassard, Jackie Sheehan & Jonathan Morris, *Enterprise Reform in Post-Deng China: Part A: The Fall of the Contract Responsibility System*, 29 INT'L STUD. MGMT. & ORG. 58, 70 (1999) [hereinafter *Enterprise Reform in Post-Deng China*].

86. Andrew G. Walder, *Workers, Managers and the State: The Reform Era and the Political Crisis of 1989*, 127 THE CHINA Q. 467, 476 (1991) [hereinafter Walder, *Workers, Managers and the State*].

87. See Donglian Xiao (萧冬连), *Decentralization, Profit-Sharing, and Deregulation: The Launch of China's Economic Reform (放权、让利和松绑: 中国经济改革的起步)*, 3 COMMUNIST PARTY CHINA STUD. (中共党史研究) 19, 22–24 (2018) (noting that conditional and limited autonomy was granted on the basis of fulfilling national plans, including reserving a portion of profits and a certain degree of discretion regarding production, fund use, marketing, bonus issuance, and personnel management).

88. *Id.* at 25.

89. Zhonggong Zhongyang Guowuyuan Guanyu Guoying Gongye Qiye Jinxing Quanmian Tiaozheng de Jueding (中共中央、国务院关于国营工业企业进行全面整顿的决定) [Decision of the Central Committee of the Chinese Communist Party and the State Council on the Comprehensive Rectification of State-owned Industrial Enterprises] (promulgated by Cent. Comm. CCP & St. Council, Jan. 2, 1982), CLI.16.162640 (Lawinfochina); Xiao, *supra* note 87, at 26.

submit all profits to the state with income taxes; however, the tax rate was too high to provide adequate incentives.⁹⁰

These strategies failed to achieve their goals, so in 1984 the government shifted its focus to the contract responsibility system to consolidate managerial authority and restrict administrative interference.⁹¹ Specifically, contracts were negotiated between SOE chiefs or all workers, and the supervisory bureaus on a case-by-case basis.⁹² Generally, the contracts established profit targets payable to the government, with any surplus left to SOEs' discretion.⁹³ The CCP formally confirmed the contract responsibility system as the main mechanism of reform in 1986 and widely applied it within a short period.⁹⁴

However, the contract responsibility system was not a panacea for the Chinese economy. Although SOEs enjoyed sustained total factor productivity growth from 1980 to 1992, many nonetheless registered substantial losses.⁹⁵ First, enterprises tended to pursue short-term profits to boost bonuses at the expense of long-term interests.⁹⁶ Second, SOEs were entitled to their residual profits, but were not effectively held responsible for losses.⁹⁷ As a result, government revenues suffered continuous decline.⁹⁸ Third, the contract responsibility system failed to sever the administrative tie between SOEs and the government; as a result, the system did not effectively eliminate governmental interference.⁹⁹

90. Yang Xiaoping, *Progress and Problems in the Development of a New Income Tax System for State-Owned Enterprises in China*, 3 COLUM. J. ASIAN L. 95 (1989).

91. TAM, *supra* note 24, at 40–41.

92. Gary H. Jefferson, et al., *Structure, Authority, and Incentives in Chinese Industry*, in ENTERPRISE REFORM IN CHINA: OWNERSHIP, TRANSITION, AND PERFORMANCE 48 (Gary H. Jefferson & Inderjit Singh eds., 1999).

93. See David Parker & Weihua Pan, *Reform of the State-owned Enterprise in China*, 8 COMMUNIST ECONOMIES AND ECONOMIC TRANSFORMATION 109, 111 (1996).

94. Guowuyuan Guanyu Shenhua Qiye Gaige Zengqiang Qiye Huoli de Ruogan Guiding (国务院关于深化企业改革增强企业活力的若干规定) [Several Provisions of the State Council on Deepening Enterprise Reform and Enhancing Enterprise Vitality] (promulgated by the St. Council, Dec. 5, 1986), <http://www.reformdata.org/1986/1205/2830.shtml>; see Jefferson et al., *supra* note 92, at 52.

95. See GARY H. JEFFERSON & INDERJIT SINGH, WORLD BANK, TRANSITION ECON. DIVISION, POL'Y RSCH. DEP'T, CHINA'S INDUSTRIAL PERFORMANCE: A REVIEW OF RECENT FINDINGS

(Research Paper Series: Indus. Reform & Productivity in Chinese Enters. & Enter. Behav. & Econ.: A Comp. Study in Cent. & E. Eur., China Series No. Ch-RPS 25, 1993).

96. Duan, *supra* note 58, at 28.

97. Hassard, Sheehan & Morris, *supra* note 85, at 62.

98. RASHID MALIK, CHINESE ENTREPRENEURS IN THE ECONOMIC DEVELOPMENT OF CHINA 160 (1997).

99. Hassard, Sheen & Morris, *supra* note 85, at 69.

B. The Adoption of the Chief Responsibility System

The contract responsibility system mainly regulated the relationship between SOEs and their supervisory bodies.¹⁰⁰ Within SOEs, managerial authority gradually shifted from party organizations to chiefs alongside marketization during the 1980s, which marked a reversal of the Maoist model.¹⁰¹ After nearly a decade of efforts, China formally sanctioned the chief responsibility system in 1986.¹⁰² However, chiefs were appointed or approved by the CCP, and most, if not all, were CCP members. Consequently, the CCP's influence over SOEs did not fade with the marginalization of internal party organizations.¹⁰³

In 1978, the CCP abolished the revolutionary committees and the system of sole party leadership established during the Cultural Revolution, reinstating chief positions.¹⁰⁴ However, party organizations remained the ultimate authority to decide all major issues: a return to the party command system.¹⁰⁵ Deng proposed the chief responsibility system (briefly practiced in part of China in the 1950s), under which chiefs and technicians would prevail over party organizations in management and production matters.¹⁰⁶ According to Deng, party organizations ought to be preserved, but their role should be restricted to intra-party affairs.¹⁰⁷ However, the proposal was rejected by leftist opponents and the chief responsibility system was only ever implemented on a trial basis in a few cities.¹⁰⁸

For the first time in 1982, new regulations preserved the party organization's leadership role but prevented its direct involvement in

100. Anthony Y. C. Koo, *The Contract Responsibility System: Transition from a Planned to a Market Economy*, 38 ECON. DEV. & CULTURAL CHANGE 797, 798 (1990).

101. Paul A. Cohen, *The Post-Mao Reforms in Historical Perspective*, 47 J. ASIAN STUD. 518, 522 (1988).

102. Stanley Rosen, *China in 1986: A Year of Consolidation*, 27 ASIAN SURV. 35–55 (1987).

103. Andrew G. Walder, *Factory and Manager in an Era of Reform*, 118 CHINA Q. 242, 246 (1989) [hereinafter Walder, *Factory and Manager*].

104. See NAT'L PEOPLE'S CONG. REPUBLIC CHINA, *Explanatory Notes to the "Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Continuing the Reform"*, http://www.npc.gov.cn/englishnpc/c2759/c23934/202006/t20200615_384674.html.

105. See *id.*

106. YOU, *supra* note 32, at 47.

107. *Id.* at 42.

108. *Id.* at 47.

management.¹⁰⁹ Chiefs gained more autonomy in production and operation,¹¹⁰ and incentives and punishments were also introduced.¹¹¹ However, the CCP retained control over personnel appointments.¹¹² Party organizations preserved the authority to approve major issues, such as operational strategies, annual plans, and major technical modifications.¹¹³ Chiefs still had vivid memories of the Maoist era and often hesitated to exercise the autonomy they had been granted on paper, so they continued to turn to party organizations for endorsement.¹¹⁴ After realizing the incompatibility between the party organizations' leadership and the chiefs' full responsibility for production and administration,¹¹⁵ the CCP expanded the implementation of the chief responsibility system nationwide in the industrial sector in 1984.¹¹⁶

In 1986, the chief responsibility system replaced the party command system, marking a clean break from Maoist practices.¹¹⁷ The new system

109. Guoying Gongchang Changzhang Gongzuo Zanxing Tiaoli (国营工厂厂长工作暂行条例) [Provisional Regulation on the Work of State-run Factory Directors] (promulgated by Cent. Comm. CCP & St. Council, Jan. 2, 1982), CLI.16.102117 (Lawinfochina) [hereinafter Provisional Regulation on the Work of State-run Factory Directors]; Zhongguo Gongchandang Gongye Qiye Jiceng Zuzhi Gongzuo Zanxing Tiaoli (中国共产党工业企业基层组织工作暂行条例) [Provisional Regulation on the Work of the Chinese Communist Party's Grassroots Organizations in Industrial Enterprises] (promulgated by Cent. Comm. CCP, June 3, 1982), <https://cpc.people.com.cn/BIG5/64162/71380/71387/71589/4855239.html>.

110. SOE chiefs could command production and operation, manage and allocate personnel, funds, and materials within limits set by the state, and decide production or administrative issues beyond their authority in an emergency (it was not defined how much leeway chiefs had). See Provisional Regulation on the Work of State-run Factory Directors, *supra* note 109, arts. 14, 15 & 19.

111. SOE chiefs would be rewarded if the enterprise made a technical breakthrough, expanded into the international market, increased output, reversed deficits, or achieved exceptional financial records. However, they would face fines or administrative sanctions if the enterprise failed to fulfil national plans or incurred heavy losses. See Provisional Regulation on the Work of State-run Factory Directors, *supra* note 109, arts. 24 & 25.

112. Provisional Regulation on the Work of State-run Factory Directors, *supra* note 109, art. 6.

113. See YOU, *supra* note 32, at 47–48.

114. *Id.* at 48–49.

115. See Guanyu Zhonghua Renmin Gongheguo Quanmin Suoyouzhi Gongye Qiye Fa Cao'an de Shuoming (关于中华人民共和国全民所有制工业企业法草案的说明) [Explanation of the Draft of the Law on Industrial Enterprises Owned by the Whole People] (Standing Comm. Nat'l People's Cong., Mar. 31, 1988), CLI.DL.715 (Lawinfochina).

116. Zhonggong Zhongyang Guanyu Jingji Tizhi Gaide de Jueding (中共中央关于经济体制改革的决定) [Decision of the Chinese Communist Party Central Committee on Economic System Reform] (promulgated by Cent. Comm. CCP, Oct. 20, 1984), 1984 STANDING COMM. NAT'L PEOPLE'S CONG. GAZ. 26.

117. See Quanmin Suoyouzhi Gongye Qiye Changzhang Gongzuo Tiaoli (全民所有制工业企业厂长工作条例) [Regulation on the Work of Chiefs of Industrial Enterprises Owned by the Whole People] (promulgated by St. Council, Sept. 15, 1986,

officially affirmed chiefs' leadership roles in production, operation, and management and relegated party organizations to supervisory roles.¹¹⁸ The relevant party regulations required that the secretary of the party organization not concurrently act as the chief to separate the party organization from management.¹¹⁹

In 1988, the Law of Industrial Enterprises Owned by the Whole People (Enterprise Law) was finally passed after a decade of efforts.¹²⁰ For the first time, SOEs were granted legal personalities with the chief as the legal representative.¹²¹ SOEs were allowed to make managerial decisions and required to take full responsibility for profits and losses.¹²² Chiefs were given specific managerial authority and incentivized to improve economic results.¹²³ In contrast, the Enterprise Law only mentioned the party organization's role in supervising the enterprise's compliance with laws and regulations.¹²⁴ However, the right to appoint SOE chiefs remained with the government.¹²⁵ Scholars found that party organizations largely retreated from day-to-day management of SOEs, but that some party secretaries, especially those with political connections, continued to have

effective Oct. 1, 1986), arts. 2 & 6, CLI.16.2974 (Lawinfochina) (replacing the Provisional Regulation on the Work of State-run Factory Directors, *supra* note 109).

118. *Id.*

119. Zhongguo Gongchandang Quanmin Suoyouzhi Gongye Qiye Jiceng Zuzhi Gongzuo Tiaoli (中国共产党全民所有制工业企业基层组织工作条例) [Regulations on the Work of the Grassroots Organizations of the Chinese Communist Party in Industrial Enterprises Owned by the Whole People] (promulgated by Cent. Comm. CCP, Sept. 15, 1986), art. 7, CLI.16.2976 (Lawinfochina) [hereinafter Regulation on the Work of the Grassroots Organization of the CCP in Industrial Enterprises Owned by the Whole People].

120. Quanmin Suoyouzhi Gongye Qiye Fa (全民所有制工业企业法) [Law of Industrial Enterprises Owned by the Whole People] (promulgated by the Nat'l People's Cong., Apr. 13, 1988), CLI.1.3789 (Lawinfochina) [hereinafter Law of Industrial Enterprises Owned by the Whole People].

121. The legal representatives were critical in Chinese enterprises because they were the only individuals authorized to legally represent the enterprise. Law of Industrial Enterprises Owned by the Whole People, *supra* note 120, arts. 2 & 45.

122. Law of Industrial Enterprises Owned by the Whole People, *supra* note 120, art. 2.

123. Examples of managerial authority include deciding various plans and managing the administrative setup of the enterprise, proposing the appointment and removal of vice-director cadres, and employing and dismissing cadres below the vice-director level. Law of Industrial Enterprises Owned by the Whole People, *supra* note 120, arts. 45 & 48.

124. Law of Industrial Enterprises Owned by the Whole People, *supra* note 120, art. 8.

125. *Id.* art. 44.

a say on important issues.¹²⁶ The withdrawal of party influence was more thorough at the workshop level, where shop chiefs began to take charge of day-to-day affairs.¹²⁷ Unfortunately, the 1989 Tiananmen protests stalled the reforms.¹²⁸ To stabilize its reign, the CCP re-strengthened party-building work.¹²⁹ The tightening of political control once more eroded the power that chiefs had gained.¹³⁰

IV. THE RESURGENCE OF PARTY INFLUENCE IN THE MODERN ENTERPRISE SYSTEM (1993-2012)

Despite the retrenchment after the Tiananmen protests, Deng's southern tour in 1992 saw a resumption of the economic reforms.¹³¹ After realizing that the contract responsibility system was unable to reverse SOEs' loss-making, China passed the first Company Law in 1993 to continue the reforms by establishing a modern enterprise system.¹³² Subsequently, large SOEs went through corporate restructuring, and medium-sized and small ones were privatized. Company Law granted party organizations no formal role in corporate governance.¹³³ However, the strengthening of party building in SOEs continued.¹³⁴ Departing from Deng's policy, the CCP began to re-establish the influence of party organizations in SOEs under the modern enterprise system.

126. Walder, *Factory and Manager*, *supra* note 103, at 246; MARGARET M. PEARSON, CHINA'S NEW BUSINESS ELITE: THE POLITICAL CONSEQUENCES OF ECONOMIC REFORM 68 (1997).

127. Walder, *Workers, Managers and the State*, *supra* note 86, at 474-75.

128. The Tiananmen crackdown in 1989 had a profound and lasting impact on Chinese society and politics. Politically, it reinforced the CCP's commitment to maintaining strict control, deterring dissent, and prioritizing stability over political liberalization. Socially, it created an atmosphere of fear and self-censorship, limiting public expressions of criticism and curtailing political activism. *See, e.g.*, FRANK DIKÖTTER, CHINA AFTER MAO: THE RISE OF A SUPERPOWER, ch. 5 (2022).

129. *See* Zhonggong Zhongyang Jilv Jiancha Weiyuanhui Guanyu Quanmin Suoyouzhi Gongye Qiye Jilv Jiancha Gongzuo de Zanxing Guiding (中共中央纪律检查委员会关于全民所有制工业企业纪律检查工作的暂行规定) [Interim Provision on the Chinese Communist Party Central Commission for Disciplinary Inspection of Industrial Enterprises Owned by the Whole People] (promulgated by the CCP Cent. Comm'n Disciplinary Inspection, Nov. 5, 1990), CLI.16.46193 (Lawinfochina).

130. YOU, *supra* note 32, at 54.

131. BARRY NAUGHTON, *Ch. 8: The post-Tiananmen cycle of retrenchment and renewed reform*, in GROWING OUT OF THE PLAN: CHINESE ECONOMIC REFORM, 1978-1993, 273 (May 3, 2010).

132. Weiyang Zhang, *China's SOE Reform: A Corporate Governance Perspective*, 3(4) CORPORATE OWNERSHIP & CONTROL 132, 143 (Summer 2006).

133. *See* Zhonghua Renmin Gongheguo Gongsifa (中华人民共和国公司法) [Company Law of the People's Republic of China] (promulgated by Standing Comm. of the Nat'l People's Cong., Dec. 29, 1993), CLI.1.7672 (Lawinfochina) [hereinafter Company Law 1993].

134. This will be discussed in the following sub-section. *See infra* Section IV.B.

Several explanations can be provided for the CCP's decision to re-enhance party organizations' role in SOE governance. First, this decision represents a continuation of the CCP's efforts to strengthen party control following the Tiananmen protests and consolidate the CCP's governance capacity and political power. In 1989, following the political turmoil, the CCP Central Committee issued the Notice on Strengthening the Party Building, which reversed Deng's policy of separating party organizations from SOE management.¹³⁵ It confirmed the chief responsibility system but established the party organization's political core role in SOEs for the first time, which included leading ideological and political work and ensuring the implementation of the Party and state's policies.¹³⁶ It also promoted party organizations' participation in major decision-making and required chiefs with party memberships to be elected to party organizations, marking a stark departure from the policy established in 1986 that party organizations should refrain from engaging in management.¹³⁷

Second, party building served as a counterbalance to marketization and corporatization to maintain the CCP's control over SOEs.¹³⁸ After corporatization, SOEs were granted independent legal personalities, cutting their direct administrative ties with the government.¹³⁹ Meanwhile, private capital was attracted into SOEs, ending the state's monopoly as the sole shareholder.¹⁴⁰ Additionally, although directors and managers were mostly appointed by the CCP, they obtained more autonomy in management.¹⁴¹ By contrast, Company Law (1993) granted party organizations no formal

135. See Zhonggong Zhongyang Guanyu Jiaqiang Dang de Jianshe de Tongzhi (中共中央关于加强党的建设的通知) [The Notice of the CCP Cent. Comm. on Strengthening the Party Building] (promulgated by Cent. Comm. CCP, Aug. 28, 1989), <http://www.reformdata.org/1989/0828/4060.shtml> [hereinafter Notice of the CCP Cent. Comm. on Strengthening Party Building].

136. *Id.*

137. *Id.*

138. GORE, THE CHINESE COMMUNIST PARTY, *supra* note 26, at 89.

139. See You, *supra* note 32, at 176.

140. See *id.*

141. Qing Yan (鄢青) & Wei Huang (黄伟), *Guoqi Gaige Zhong de Renzhi Xianxiang Zhi Kefu Yu Faren Zhili Jizhi Mubiao de Shijian* (国企改革中的人治现象之克服与法人治理机制目标的实现) [Overcoming the Phenomenon of Rule by Man in SOE Reform and Achievement of the Goals of Corporate Governance Mechanisms], 1 ZHONGYANG ZHENGFA GUANLI GANBU XUEYUAN XUEBAO (中央政法管理干部学院学报) [JOURNAL OF THE CENTRAL POLITICAL AND LEGAL MANAGEMENT CADRE ACADEMY] 37, 37 (1999); GORE, *supra* note 26, at 82–83.

role in corporate governance.¹⁴² To counterbalance those effects, party building was a convenient tool for maintaining the CCP's influence.

Third, the Asian Financial Crisis¹⁴³ reinforced the CCP's belief that full marketization was too risky and that state control was essential for maintaining social and economic stability, as those countries with more open markets suffered the most, while China's relative isolation from other economies limited the impact.¹⁴⁴

Fourth, following the adoption of the reform and opening-up policy, Chinese society was exposed to Western ideologies and values such as democracy, human rights, and capitalism, while concurrently experiencing a crisis of faith in socialism.¹⁴⁵ Party building could be used to limit Western influence and restore the Party's image domestically.¹⁴⁶ After forty years of CCP rule, China still had a backward economy, which cast doubt on the credibility of the socialist system, and people began to call for economic and political reforms.¹⁴⁷ Meanwhile, the collapse of one-party rule in the former Eastern European communist regimes further inspired activists in China to push for political reforms.¹⁴⁸ On the other hand, the frequency and emphasis of political and ideological study gradually declined in the 1980s due to the shift toward economic development,¹⁴⁹ which led to the bankruptcy of the official Marxism-Leninism-Mao Zedong Thought ideology and a crisis of faith in socialism.¹⁵⁰ Party building could safeguard the CCP's power and legitimacy while allowing the continued pursuit of economic development.¹⁵¹

142. See Company Law 1993, *supra* note 133.

143. The Asian Financial Crisis was a series of recessions that occurred throughout East Asian countries during 1997. The crisis arose out of the weakening of East Asian currencies and an overreliance on foreign debt. Businesses in East Asian countries including, Thailand, the Philippines, South Korea, and Japan experienced deep financial distress as a result of this crisis. Michael Carson & John Clark, *Asian Financial Crisis: July 1997–December 1998*, FED. RESERVE HIST. (Nov. 22, 2013), <https://www.federalreservehistory.org/essays/asian-financial-crisis> [<https://perma.cc/5EN2-CL5J>].

144. DIKÖTTER, *supra* note 128, at 211.

145. See Lizhi Fang, *Democracy in China Is Rising Up from the People*, in *THE TIANANMEN SQUARE PROTESTS OF 1989—PERSPECTIVES ON MODERN WORLD HISTORY* 65, 66–70 (Jeff Hay ed., 2010).

146. *Id.* at 71.

147. *Id.* at 70.

148. See Dan Wang, *China Must Join the Wave of Reform Movements in Other Communist Countries*, in *THE TIANANMEN SQUARE PROTESTS OF 1989—PERSPECTIVES ON MODERN WORLD HISTORY* 61, 64 (Jeff Hay ed., 2010).

149. Charles Burton, *China's Post-Mao Transition: The Role of the Party and Ideology in the 'New Period'*, 60 *PACIFIC AFFAIRS* 431, 442 (1987).

150. Jie Chen, *The Impact of Reform on the Party and Ideology in China*, 4 *J. CONTEMP. CHINA* 22, 26–27 (1995).

151. Burton, *supra* note 149, at 438.

A. Corporatization of SOEs

Before the mid-1990s, the primary reform strategy was the contract responsibility system, so state ownership remained largely intact.¹⁵² In the second half of the 1990s, the focus shifted to corporatization and privatization.¹⁵³ It was envisioned that corporatization could define property rights and provide limited liability protection for the state.¹⁵⁴ The corporate shell would create a buffer between the administration and SOEs and grant more autonomy to management.¹⁵⁵ In 1993, the first Company Law was passed,¹⁵⁶ which, at least on paper, established a modern enterprise system.

Large and strategically important SOEs were corporatized with the state as the majority shareholder.¹⁵⁷ The most successful SOEs were listed on stock exchanges to raise capital, but only minority shares were issued to the public.¹⁵⁸ Scholars called this strategy “corporatization without privatization.”¹⁵⁹ By the end of 1997, more than 400 SOEs had been converted into joint stock companies and listed on domestic (two exchanges were established in Shanghai and Shenzhen in 1990 and 1991 respectively¹⁶⁰) and international stock exchanges.¹⁶¹ On the other hand, privatization was mainly used for small- and medium-sized SOEs.¹⁶²

The internal institutions of SOEs were restructured in accordance with Company Law (1993). New institutions—including the shareholders’ meeting (the highest authority); the board of directors (with discretionary authority to manage the company and responsibility to shareholders; there would be the general manager below it); and the board of supervisors

152. YOU, *supra* note 32, at 167.

153. *Id.* at 176.

154. *Id.* at 175–76.

155. *Id.* at 176.

156. Company Law 1993, *supra* note 133.

157. See TAM, *supra* note 24, at 41; see also Nicholas C. Howson, *China’s “Corporatization without Privatization” and the Late Nineteenth Century Roots of a Stubborn Path Dependency*, 50 VAND. J. OF TRANSNAT’L L. 961 (2017).

158. See TAM, *supra* note 24, at 15–16; see also Howson, *supra* 157, at 968–71.

159. See Howson, *supra* 157, at 973.

160. Michael Spencer, *Securities Markets in China*, F & D MAGAZINE, June 1995, at 28.

161. Gary H. Jefferson, Lu Mai & John Z.Q. Zhao, *Reforming Property Rights in China’s Industry*, in ENTERPRISE REFORM IN CHINA: OWNERSHIP, TRANSITION, AND PERFORMANCE 107 (Gary H. Jefferson & Inderjit Singh eds., 1999).

162. See SHAHID YUSUF, KAORUA NABESHIMA & DWIGHT H. PERKINS, *THE WORLD BANK, UNDER NEW OWNERSHIP: PRIVATIZING CHINA’S STATE-OWNED ENTERPRISES* 87–88 (2006).

(entitled to supervise directors and managers)—replaced old institutions.¹⁶³ Although the internal structure changed, the old leadership was kept and transferred to the new institutions.¹⁶⁴ As a result, the vast majority of chairpersons of the board of directors and general managers were senior leaders of old SOEs (chiefs and party secretaries) and supervisory agencies.¹⁶⁵ This lack of actual leadership changes suggests the continued leadership of the CCP over the state sector despite the corporatization.

In theory, after corporatization, investment relationships superseded direct administrative ties between supervisory agencies and SOEs, and the exercise of shareholder rights would replace direct engagement in SOE management.¹⁶⁶ However, in practical effect, SOEs were not freed from administrative intervention.¹⁶⁷ Major issues such as investment decisions and staffing were still subject to approval.¹⁶⁸ There were conflicting findings on the effectiveness of corporatization.¹⁶⁹ Some researchers found that after the restructuring SOE efficiency or profitability did not improve and that the administration continued to exert influence over SOEs,¹⁷⁰ while others found that corporatization effectively enhanced the SOE profitability and efficiency by improving the internal governance system and providing incentives to managers.¹⁷¹ The studies used different samples, which may suggest that the results of corporatization were mixed.

163. TAM, *supra* note 24, at 52 (explaining the three old institutions were the party organization, the workers' representative council, and the labor union).

164. See TAM, *supra* note 24, at 52.

165. Lanfen Liu (刘兰芬), *Guifan Lingdao Tizhi Cujin Guoqi Gaige Heilongjiang Sheng Guoyou Gongsizhi Qiye Lingdao Tizhi de Diaocha Yu Sikao* (规范领导体制, 促进国企改革——黑龙江省国有公司制企业领导体制的调查与思考) [*Standardizing Leadership Systems to Promote SOE Reform: An Investigation and Reflection on the Leadership Structure of State-owned Incorporated Enterprises in Heilongjiang Province*], 6 LILUN TANTAO (理论探讨) [THEORETICAL EXPLORATION] 69, 69 (1999).

166. Yongming Huang (黄永明), *Gufenzhi Gaizao Yu Guoqi Zhili Jiegou Chuangxin* (股份制改造与国企治理结构创新) [*Corporatization and Innovations in the Governance Structure of State-owned Enterprises*], 5 JUECE JIEJIAN (决策借鉴) [DECISION REFERENCE] 5, 6 (1999).

167. *Id.*

168. Huang, *supra* note 166; see also Zhenjun Han (韩振军), *Jiedu Sizhong Quanhui Gongbao Zhi Yi Guoqi Gaizhi de Wenti Yu Duice* (解读四中全会公报之一——国企改革的问题与对策) [*Interpreting the Fourth Plenary Session Communiqué (Part I): Issues and Countermeasures in the Reform of State-owned Enterprises*], 11 ZHENGCE YU GUANLI (政策与管理) [POLICY AND MANAGEMENT] 9, 10 (1999).

169. Compare Gongmeng Chen, Michael Firth & Wei Wei Zhang, *The Efficiency and Profitability Effects of China's Modern Enterprise Restructuring Programme*, 16 ASIAN REV. OF ACCT. 74, 80 (2008), with Varouj A. Aivazian, Ying Ge & Jiaping Qiu, *Can Corporatization Improve the Performance of State-owned Enterprises Even without Privatization?*, 11 J. CORP. FIN. 791, 792 (2005).

170. Chen, Firth & Zhang, *supra* note 169, at 80.

171. Aivazian, Ge & Qiu, *supra* note 169, at 792.

B. Absence of Legal Role in Corporate Governance

The only old SOE institutions that survived the reform were party organizations,¹⁷² but Company Law (1993) granted them no formal role in corporate governance.¹⁷³ The CCP sought to promote the modern enterprise system but explored new ways for party organizations to reassert influence, marking a departure from Deng's policy of separating party organizations from management.¹⁷⁴ In practice, some party organizations actively engaged in corporate governance, reflecting a gap between "law in the book" and "law in action."¹⁷⁵ The reinvigoration of party organizations served as a countermeasure to corporatization, aimed at maintaining effective ties with SOEs.¹⁷⁶ However, this reinvigoration contradicted general expectations of modern enterprises, which were supposed to embrace more market forces and independence from the party-state.¹⁷⁷ Since the Chinese state was the biggest shareholder in China, Company Law (1993) adopted a shareholder-primacy approach.¹⁷⁸ Minority-protection mechanisms were introduced to attract foreign investment, but were minimal compared to international standards, leaving minority shareholders in a vulnerable position.¹⁷⁹ Party organizations' involvement in corporate governance further exacerbated the problem.¹⁸⁰

172. The workers' representative council lost its power with the advent of the contract responsibility system. The labor union became inactive after the reforms, but its personnel were often given places on the supervisory board. See TAM, *supra* note 24, at 52.

173. See Company Law 1993, *supra* note 133.

174. See *id.*

175. Guoyu Zhang (张国玉), *Qiye Dangjian Wenti de Diaocha Yu Sikao (企业党建问题的调查与思考)* [The Investigation and Reflection on Party-building Issues in Enterprises], 5 ZHONGGUO TESI SHEHUI ZHUYI YANJIU (中国特色社会主义研究) [RESEARCH ON SOCIALISM WITH CHINESE CHARACTERISTICS] 83, 84 (2002).

176. GORE, THE CHINESE COMMUNIST PARTY, *supra* note 26, at 89.

177. Justin Yifu Lin, Fang Cai & Zhou Li, *Competition, Policy Burdens, and State-Owned Enterprise Reform*, 88 AM. ECON. REV. 422 (1998).

178. See Robert C. Art & Minkang Gu, *China Incorporated: The First Corporation Law of the People's Republic of China*, 20 YALE J. INT'L L. 273, 279, 283 (1995).

179. See Michael Irl Nikkel, "Chinese Characteristics" in *Corporate Clothing: Questions of Fiduciary Duty in China's Company Law*, 80 MINN. L. REV. 503, 515 (1995).

180. See Qunhui Luo (罗群辉) & Hao Wu (昊昊), *Guoyou Duzi Qiye Zhong de Shuangchong Zhili Jiegou (国有独资企业中的双重治理结构)* [Dual Governance Structure in Solely State-owned Enterprises], 4 SHENGCHANLI YANJIU (生产力研究) [PRODUCTIVITY RESEARCH] 100, 101 (2007).

Company Law (1993) did not grant party organizations authority in corporate governance.¹⁸¹ It only briefly stated that the activities of party organizations in companies should be carried out in accordance with the CCP Constitution.¹⁸² The 1999 and 2004 amendments of Company Law made no change to this issue.¹⁸³ Company Law (2005) added that the company should provide the necessary conditions for the activities of the party organization, but offered no further details.¹⁸⁴ The CCP Constitution (1992) only prescribed party organizations of enterprises owned by the whole people a political core role, which did not apply to corporatized SOEs.¹⁸⁵ It was not until 2002 that the provision was amended to cover all SOEs.¹⁸⁶ Specifically, the political core role included ensuring and supervising the implementation of the party-state's policies and involvement in major decision-making within SOEs.¹⁸⁷ However, the CCP Constitution originally did not directly apply to corporatized SOEs, which were not party institutions but independent legal entities.¹⁸⁸ Company Law instead established an integrated governance structure where the major decision-making authority was vested in the board of directors.¹⁸⁹ In summary, Company Law only acknowledged the party's internal activities but did not assign it any role in corporate governance.¹⁹⁰

Relevant CCP documents during the 1990s adhered to the promise of building modern SOEs, but introduced new ways for party organizations

181. Company Law 1993, *supra* note 133, art. 17.

182. *Id.*

183. See generally Zhonghua Renmin Gongheguo Gongsifa (中华人民共和国公司法) [Company Law of the People's Republic of China] (promulgated by the Standing Comm. Nat'l People's Cong., Dec. 25, 1999), CLI.1.24091 (Lawinfochina) [hereinafter Company Law 1999]; Zhonghua Renmin Gongheguo Gongsifa (中华人民共和国公司法) [Company Law of the People's Republic of China] (promulgated by the Standing Comm. Nat'l People's Cong., Aug. 28, 2004), CLI.1.54989 (Lawinfochina) [hereinafter Company Law 2004].

184. Zhonghua Renmin Gongheguo Gongsifa (中华人民共和国公司法) [Company Law of the People's Republic of China] (promulgated by Standing Comm. Nat'l People's Cong., Oct. 27, 2005, effective Jan. 1, 2006), art. 19, CLI.1.60597 (Lawinfochina) [hereinafter Company Law 2005].

185. Zhongguo Gongchandang Zhangcheng (中国共产党章程) [Constitution of the Chinese Communist Party] (promulgated by the CCP Nat'l Cong., Oct. 18, 1992), art. 32, CLI.16.15084 (Lawinfochina) [hereinafter CCP Constitution 1992].

186. See Zhongguo Gongchandang Zhangcheng (中国共产党章程) [Constitution of the Chinese Communist Party] (promulgated by CCP Nat'l Cong., Nov. 14, 2002), art. 32, CLI.16.43495 (Lawinfochina) [hereinafter CCP Constitution 2002].

187. *Id.*

188. See CCP Constitution 1992, art. 32.

189. See generally Company Law 1993, *supra* note 133.

190. See generally Company Law 1993, *supra* note 133.

to reassert influence indirectly under the framework of Company Law.¹⁹¹ Notably, although CCP documents are not legally binding on SOEs, they carry de facto authority in China.¹⁹² Thus, intra-party documents provided the justification necessary for party organizations to engage in corporate governance, even though there was no legal basis in Company Law.¹⁹³ In 1997, the CCP introduced party organizations' indirect engagement in major decision-making and the "Two-Way Entry and Cross-Holding Posts" mechanism into modern SOEs.¹⁹⁴ This change represented a significant shift from Deng's policy of separating party organizations from management. A CCP notice specified that major decisions party organizations engage in include the formulation of business strategies and development plans, significant technological transformation, and appointment of managerial personnel: decisions generally associated with the board of directors.¹⁹⁵ The notice also noted that major decision-making by party organizations

191. Zhonggong Zhongyang Guanyu Jin Yibu Jiaqiang He Gaijin Guoyou Qiye Dang de Jianshe Gongzuo de Tongzhi (中共中央关于进一步加强和改进国有企业党的建设工作的通知) [Notice of the CCP Cent. Comm. on Further Strengthening and Improving Party Building in State-owned Enterprises] (promulgated by Cent. Comm. CCP, Jan. 24, 1997), CLI.16.17155 (Lawinfochina) [hereinafter Notice on Further Strengthening and Improving Party Building in State-owned Enterprises]; Zhonggong Zhongyang Guanyu Jiaqiang Dang de Jianshe Jige Zhongda Wenti de Jueding (中共中央关于加强党的建设几个重大问题的决定) [Decision of the Chinese Communist Party Central Committee on Several Major Issues regarding Improving Party Building] (promulgated by Cent. Comm. CCP, Sept. 28, 1994), CLI.16.10517 (Lawinfochina) [hereinafter Decision on Several Major Issues regarding Improving Party Building]; Zhonggong Zhongyang Guanyu Guoyou Qiye Gaige He Fazhan Ruogan Zhongda Wenti de Jueding (中共中央关于国有企业改革和发展若干重大问题的决定) [Decision of the Chinese Communist Party Central Committee on Major Issues concerning the Reform and Development of State-owned Enterprises] (promulgated by Cent. Comm. CCP, Sept. 22, 1999), CLI.16.23496 (Lawinfochina) [hereinafter Decision of the CCP Cent. Comm. on Major Issues concerning the Reform and Development of State-Owned Enterprises]; Zhongyang Zuzhibu Guowuyuan Guoziwei Dangwei Guanyu Jiaqiang He Gaijin Zhongyang Qiye Dangjian Gongzuo de Yijian (中央组织部、国务院国资委党委关于加强和改进中央企业党建工作的意见) [Opinions of the Central Organization Department of the Chinese Communist Party and the Party Committee of the State-owned Assets Supervision and Administration Commission on Strengthening and Improving Party-building Work of Central State-owned Enterprises] (promulgated by Cent. Comm. CCP & State-owned Assets Supervision & Admin. Comm'n [SASAC] Party Comm., Oct. 31, 2004), CLI.16.231254 (Lawinfochina) [hereinafter Opinions on Strengthening and Improving Party-building work of Central State-owned Enterprises].

192. GORE, THE CHINESE COMMUNIST PARTY, *supra* note 26, at 114, 116.

193. *See id.*

194. Notice on Further Strengthening and Improving Party Building in State-owned Enterprises, *supra* note 191.

195. *Id.*

should be largely indirect; for example, the board of directors should solicit advice from the party organization before deciding major issues.¹⁹⁶ This arrangement served as a countermeasure to directors' autonomy under Company Law by exerting political oversight over major decision-making and created an indirect channel for party organizations to engage in corporate governance.¹⁹⁷ This mechanism resembled the party command system of the Maoist era and foreshadowed the intensification of party control in SOEs.

Moreover, in a marked shift from Deng's policy, the notice explicitly promoted the "Two-Way Entry and Cross-Holding Posts" mechanism in modern SOEs, i.e., party organization members concurrently acting as directors and managers.¹⁹⁸ The CCP emphasized in 1986 that SOE chiefs should not act concurrently as party secretaries.¹⁹⁹ However, the CCP then encouraged the double identities for leaders in modern SOEs; for example, the secretary could simultaneously act as the (vice) chairperson of the board of directors.²⁰⁰ This was the CCP's first attempt to integrate its influence into the modern enterprise system and laid the foundation for the current party-centric structure.²⁰¹

The CCP documents marked a policy reversal but fell short of providing clear and specific guidance on the implementation of the political core role of party organizations.²⁰² As a result, confusion persisted in practice, and considerable variation in the structure and function of party organizations existed across SOEs.²⁰³ However, the CCP preserved its influence over SOEs through the appointment and dismissal of directors and managers.²⁰⁴

196. *Id.*

197. *See id.*

198. *Id.*

199. Regulation on the Work of the Grassroots Organization of the CCP in Industrial Enterprises Owned by the Whole People, *supra* note 119, art. 7.

200. Notice on Further Strengthening and Improving Party Building in State-owned Enterprises, *supra* note 191.

201. *See* Notice on Further Strengthening and Improving Party Building in State-owned Enterprises, *supra* note 191.

202. Besides what was mentioned above, there were some other relevant CCP documents that reflect assertions for increased Party involvement but lack specific detail. *See generally* Notice on Further Strengthening and Improving Party Building in State-owned Enterprises, *supra* note 191 (discussing accomplishments of the Chinese Communist Party over the past sixteen years, as well as future goals to strengthen ideological tenets within Party organizations); Decision of the CCP Cent. Comm. on Major Issues concerning the Reform and Development of State-Owned Enterprises, *supra* note 191 (discussing the growing importance of state-owned enterprises in promoting the goals of the Party as well as the necessity of enterprise management reforms); Opinions on Strengthening and Improving Party-building work of Central State-owned Enterprises, *supra* note 191 (discussing that the reforms in place need to be elaborated and deepened).

203. Leutert & Eaton, *supra* note 9, at 208; Liu, *supra* note 165, at 70.

204. TAM, *supra* note 24, at 52.

According to Company Law, shareholders (i.e., the administration) had the right to appoint directors, who in turn had the right to appoint general managers.²⁰⁵ However, CCP documents repeatedly emphasized the “Party Manages Cadres” principle, which stated that the CCP should select and supervise SOE leaders.²⁰⁶ Thus, the appointing rights actually belonged to the CCP.²⁰⁷ Scholars have argued that personnel control was used as a counterbalance to the autonomy enjoyed by managers under the modern enterprise system.²⁰⁸

The Party widely implemented the “Two-Way Entry and Cross-Holding Posts” mechanism in practice to prevent the erosion of the Party’s influence in modern SOEs.²⁰⁹ The mechanism was a convenient tool for the CCP, given that both management and party organization members came from the same talent pool managed by the Party.²¹⁰ As a result, commonly the chairperson of the board of directors concurrently acted as the secretary of the party organization.²¹¹ Another typical pairing of leadership roles was the general manager and the party secretary.²¹² Other party organization members also often held senior corporate positions, such as directors, supervisors, and managers.²¹³ SOEs reported that this arrangement could facilitate a party organization’s involvement in major decision-making and strengthen its oversight on executives.²¹⁴

205. Company Law 1993, *supra* note 133, arts. 38, 46, 103, 112.

206. Zhonggong Zhongyang (中共中央) (Cent. Comm. CCP), Zhonggong Zhongyang Wenjian Di Si Hao (中共中央文件第4号) [Cent. Comm. CCP Document No. 4 of 1997] (1997); Decision of the CCP Cent. Comm. on Major Issues concerning the Reform and Development of State-Owned Enterprises, *supra* note 191.

207. Yan & Huang, *supra* note 141, at 37.

208. See Yingyi Qian, *Enterprise Reform in China: Agency Problems and Political Control*, 4 *ECONOMICS OF TRANSITION* 427 (1996).

209. GORE, *THE CHINESE COMMUNIST PARTY*, *supra* note 26, at 89.

210. *Id.* at 90–91.

211. See Guiyuan Jin (金桂苑), *Guoqi Dongshihui Jianshe de Zhongai Shanghai Guozi Xitong de Diaocha Yanjiu* (国企董事会建设的障碍——上海国资系统的调查研究) [*Obstacles to the Development of Boards of Directors in State-owned Enterprises: An Empirical Study of Shanghai’s State-owned Enterprise System*], 6 *SHANGHAI SHI JINGJI GUANLI GANBU XUEYUAN XUEBAO* (上海市经济管理干部学院学报) [*JOURNAL OF SHANGHAI ECONOMIC MANAGEMENT COLLEGE*] 1, 2 (2008).

212. Leutert & Eaton, *supra* note 9, at 207.

213. Wendy Leutert, *Firm Control: Governing the State-owned Economy Under Xi Jinping*, *CHINA PERSPECTIVES* (2018), at 27.

214. Jie Sun (孙杰), *Dui Gongqi Jingyingzhe Xuyao Jili Yueshu Bingzhong* (对国企经营者需要激励约束并重) [*Both Incentives and Constraints Are Needed for State-owned*

Since party organizations lacked a legal role in corporate governance, the “Two-Way Entry and Cross-Holding of Posts” mechanism maintained their legitimate presence and served as a bridge between the CCP and SOEs after corporatization severed direct administrative ties.²¹⁵ However, this mechanism marked a sharp departure from Deng’s policy by merging the roles of management and party cadres and returning party organizations to power centers under the modern enterprise system.²¹⁶ While SOEs may have become more business-oriented, they certainly had not become independent from the CCP.²¹⁷

C. Gap Between “Law in the Books” and “Law in Action”

Although Company Law did not assign a role for party organizations, CCP regulations allowed such organizations to engage in SOE governance.²¹⁸ Some party organizations went even further than the aforementioned indirect engagement promoted by CCP documents and became directly involved in corporate governance.²¹⁹ An empirical study conducted in the early 2000s found that party organizations played a dominant role in 14.4% of listed companies.²²⁰ Some party organizations monopolized authority over important issues such as nomination of top executives, major asset acquisition and disposal, annual budgets,²²¹ and even daily decision-making.²²² There were exemplary SOEs which demonstrated how party organizations actively engaged in synergistic corporate governance. For example, the board of directors of Shanxi Yangquan Department Store would first consult with its party organization to exchange views and reach a consensus prior to formulating major policies on the company’s operations and management to ensure the implementation of the party-

Enterprise Managers], S1 ZHONGGUO TESE SHEHUI ZHUYI YANJIU (中国特色社会主义研究) [RESEARCH ON SOCIALISM WITH CHINESE CHARACTERISTICS] 79, 82 (2000).

215. Zeng, *supra* note 75, at 60.

216. Xianchu Zhang, *Integration of CCP Leadership with Corporate Governance: Leading Role or Dismemberment?*, 2019 CHINA PERSPECTIVES, at 55, 61.

217. *Id.*

218. GORE, THE CHINESE COMMUNIST PARTY, *supra* note 26, at 114, 116.

219. See, e.g., Naiqing Guo (郭乃青) et al., *Sansan Zhi Jianshe Tigao Gongsizhi Gaige Xiaoying de Tujing* (“三三制”建设：提高公司制改革效应的途径) [*The “Three-Three System” Construction: A Path to Enhancing the Effectiveness of Corporatization*], 02 SHANGYE YANJIU (商业研究) [BUSINESS RESEARCH] 26, 26 (1997).

220. Luo & Wu, *supra* note 180, at 101.

221. TENEV, et al., *supra* note 34, at 23; Huang Richard He & Gordon Orr, *China’s State-owned Enterprises: Board Governance and the Communist Party*, 1 THE MCKINSEY Q. 108 (2007).

222. Erica S. Downs, *Business Interest Groups in Chinese Politics: The Case of the Oil Companies*, in CHINA’S CHANGING POLITICAL LANDSCAPE: PROSPECTS FOR DEMOCRACY, 124 (Cheng Li ed., 2008).

state's policies.²²³ The party organization of Sinopec Yanshan Petrochemical Company had a say in the company's major issues through its meetings or joint meetings with the management.²²⁴

According to the Shanghai Party School's interpretation of CCP documents, the involvement of party organizations in SOE decision-making was intended to be the provision of opinions and recommendations, rather than the replacement of the board of directors or management in making such decisions.²²⁵ The party organization was supposed to mainly engage in decision-making from a macro-political perspective, with an emphasis on ensuring that the SOE's decisions are consistent with the CCP's overarching policies.²²⁶

However, scholars found that in some SOEs, party organizations interfered with other institutions' legal duties.²²⁷ For example, issues that should rightfully be discussed and decided by the board of directors, such as corporate development goals, were first discussed and decided by party organizations and only then brought to the board;²²⁸ matters that fell within the general manager's authority, such as daily operations, were instead discussed and decided at joint party-government meetings (党政联席会, normally attended by party organization members, directors, and other senior personnel) chaired by the party secretary;²²⁹ and personnel decisions regarding who would be appointed or dismissed—decisions meant for the board or general manager—were instead made by party organizations.²³⁰

More extremely, the modern enterprise system was only set up on paper in some SOEs, with party organizations remaining as the fora for major decision-making. Because of the "Two-Way Entry and Cross-Holding Posts" mechanism, party organization members made up the majority of directors and managers in SOEs where the state had controlling rights.²³¹

223. Guo et al., *supra* note 219, at 26.

224. Wei Zhang (张威) & Fang Ren (任芳), *Yanshan Shihua Qianghua Dangjian de Niudai Yu Hexin* (燕山石化: 强化党建的纽带与核心) [*Yanshan Petrochemical: Strengthening the Bond and Core of Party Building*], 51 LIAOWANG XINWEN ZHOUKAN (瞭望新闻周刊) [OUTLOOK NEWS WEEKLY] 65, 66 (2004).

225. Basically, party schools act as the CCP's mouthpiece, so what they publish can be regarded as authoritative. See Jin, *supra* note 211, at 11.

226. *Id.*

227. See HEHONG CHENG, GUOYOU GUQUAN YANJIU (国有股权研究) [Study on State-Owned Shares] 294 (2000).

228. *Id.*

229. *Id.*

230. *Id.*

231. Luo & Wu, *supra* note 180, at 101.

Those leaders with double identities would vote in line with the party organization's resolutions at the meeting of the board and general managers, thus the opinions of the party organization generally determined the decisions of other meetings.²³² As a result, meetings of the party organization, the board of directors, and management were often merged into a single session, with one set of minutes signed by all three groups.²³³ Alternatively, meetings of the board and management were skipped altogether, with administrative staff simply drafting minutes afterwards in accordance with company law requirements.²³⁴ The "Two-Way Entry and Cross-Holding Posts" mechanism also caused other problems; for example, the party organization's meetings sometimes focused on routine or trivial matters, which should have been management's job.²³⁵ Non-party organization members lost their say in decision-making and were only briefed on decisions.²³⁶

Such practices could have significant implications for minority shareholders. First, minority shareholder representatives—if any—on the board of directors or in management might have been deprived of decision-making rights because of the shift of the decision-making forum to the party organization.²³⁷ Second, if the decision was at the cost of minority interests, Company Law provided no clear remedies to question or challenge the party organization's decisions.²³⁸ Third, minority protection was weak under Company Law.²³⁹ Most members of the board of supervisors were selected by the state.²⁴⁰ Independent directors were not adopted until 2001, and derivative suits were only introduced in 2006. Dissenting shareholders' right to request the company to repurchase their shares was made available in 2006, but it only applied to limited circumstances, and majority shareholders' misuse of rights was not one.²⁴¹ Thus, if SOEs utilized their resources to advance policy goals, minority shareholders would struggle to protect their interests.

On the other hand, some modern SOEs excluded party organizations from major decision-making, leading to the party organizations to struggle

232. *Id.*

233. *Id.*; Jin, *supra* note 211, at 5.

234. Luo & Wu, *supra* note 180, at 101.

235. Jin, *supra* note 211, at 5.

236. Luo & Wu, *supra* note 180, at 101.

237. *See id.*

238. *See* Company Law 1993, *supra* note 133.

239. *See* Shaowei Lin & David Cabrelli, *Legal Protection for Minority Shareholders in China*, 8 FRONTIERS OF L. IN CHINA 266 (2013).

240. Jay Dahya, Yusuf Karbhari & Jayson Zezong Xiao, *The Supervisory Board in Chinese Listed Companies: Problems, Causes, Consequences and Remedies*, 9 ASIA PAC. BUS. REV. 118, 125–26 (2002).

241. Company Law 2005, *supra* note 184, art 75.

to find a role.²⁴² At the company level, some SOEs neglected party-building as they shifted their focus to business.²⁴³ At the leadership level, the board chairperson would dominate the party secretary when two separate individuals acted in the roles.²⁴⁴ Party secretaries without managerial positions attributed party organizations' sidelined roles to their lack of legal rights in decision-making; their weak understanding of business operation also limited the extent and scope of their participation in decision-making.²⁴⁵ Upper-level authorities were also more likely to side with management than the party secretary if infighting broke out because the government relied on SOEs for fiscal revenue and economic growth.²⁴⁶ For example, a joint venture controlled by Jiangsu Electric Power Company with 1,873 employees, including 360 party members, reported that their party secretary did not have a seat on the board of directors and had difficulties in coordinating work with the general manager.²⁴⁷

One possible explanation for the diminished role of party organizations in some SOEs is that political and ideological work began to focus on production-related issues in response to economic pressures from the CCP Central Committee.²⁴⁸ This change was guided by the CCP's overriding goal of economic development under the reform and opening-up policy.²⁴⁹ In cases where the interlocking of the party secretary and the chairperson or general manager was not secured, the compromise was likely deliberate rather than reluctant.²⁵⁰ It is highly probable that the CCP consciously accepted a weaker party presence as a trade-off to gain access to technology

242. See Liu, *supra* note 165, at 69.

243. Liu, *supra* note 165, at 70.

244. *Id.*

245. Shaofu Wei (韦绍福), *Xiandai Qiye Zhidu Dui Guoqi Dangjian de Yanjun Tiaozhan Yu Yingdui Cuoshi* (现代企业制度对国企党建的严峻挑战与应对措施) [*The Severe Challenges Posed by the Modern Enterprise System to Party Building in State-owned Enterprises and the Countermeasures*], 1 *Guangxi Jiaoyu Xueyuan Xuebao* (广西教育学院学报) [Journal of Guangxi Institute of Education] 101, 102 (2002).

246. GORE, THE CHINESE COMMUNIST PARTY, *supra* note 26, at 90.

247. Shilin Yao (姚拾林) & Qi Ding (丁琦), *Jiaqiang Guoqi Dangjian Duice Xinyi* (加强国企党建对策新议) [*New Proposals for Strengthening Party Building in State-owned Enterprises*], 07 *Qunzhong* (群众) [The Masses] 39, 39–40 (1999).

248. YOU, *supra* note 32, at 56.

249. YOU, *supra* note 32, at 41.

250. Interview with Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interview with Interviewee 3, State-Owned Enterprise In-House Lawyer, in Shanghai, China (Sept. 2020); Interview with Interviewee 5, Lawyer, in Chongqing, China (Oct. 2020); Interview with Interviewee 14, Lawyer, in Chongqing, China (Nov. 2020).

or other forms of business expertise, particularly when facing opposition from private shareholders, whether domestic or foreign.²⁵¹

In summary, the adoption of the modern enterprise system did not sever the CCP's influence over SOEs; instead, it motivated the Party to strengthen the role of party organizations as a counterbalance to the autonomy gained by SOEs and their leaders. However, because of the overriding quest for economic development, SOEs focused more on business than party affairs in their daily routines.²⁵² The CCP also increasingly prioritized business skills and experience, over political ideology and loyalty when appointing SOE leaders.²⁵³ Party organizations were supposed to ensure that SOEs' strategic directions aligned with the party-state's policies, but also had to pay adequate attention to economic returns.²⁵⁴ Thus, more business-oriented SOEs existed during the corporatization period, demonstrating the close link between the CCP's economic policies and SOE governance.

D. Continuous Strengthening of Party Building

The strengthening of party organization's role in SOEs continued under the Hu and Wen administration (2002–2012).²⁵⁵ A milestone document issued in 2010 marked this trend: the Opinions on Further Promoting the “Three Majors and One Large” Decision-making Mechanism in State-owned Enterprises (“Three Majors and One Large” Opinions).²⁵⁶ Although the CCP first introduced the indirect engagement of party organizations

251. *Id.*

252. GORE, THE CHINESE COMMUNIST PARTY, *supra* note 26, at 82; Yuqin Chen (陈玉琴), Jiaqiang Qiye Wenhua Jianshe Tuokuan Guoqi Dangjian Gongzuo Qudao (加强企业文化建设, 拓宽国企党建工作渠道) [Strengthening Corporate Culture Construction and Broadening Channels for Party-building Work in State-owned Enterprises], 01 Dongfang Qiye Wenhua (东方企业文化) [Oriental Enterprise Culture] 76, 76 (2011).

253. GORE, THE CHINESE COMMUNIST PARTY, *supra* note 26, at 90.

254. Baolin Xu (徐宝林), Dali Tuijin Guoqi Dangjian Gongzuo Zuzhi Hua Zhidu Hua Juti Hua (大力推进国企党建工作组织化、制度化、具体化) [Vigorously Promote the Organization, Institutionalization, and Implementation of Party-building Work in State-owned Enterprises], 11 QIYE WENMING (企业文明) [CORPORATE CIVILIZATION] 31, 32 (2009).

255. Hawes Colin, *Interpreting the PRC Company Law through the Lens of Chinese Political and Corporate Culture*, 30 UNSW L.J. 813, 817 (2007).

256. Zhonggong Zhongyang Bangongting Guowuyuan Bangongting Yinfa Guanyu Jin Yibu Tuijin Guoyou Qiye Guanche Luoshi Sanzhong Yida Juece Zhidu de Yijian de Tongzhini (中共中央办公厅、国务院办公厅印发《关于进一步推进国有企业贯彻落实“三重一大”决策制度的意见》的通知) [Notice on Further Promoting the Implementation of the “Three and One Large” Decision-making Mechanism in State-owned Enterprises] (promulgated by Cent. Comm. CCP & St. Council, June 5, 2010), CLI.16.135177 (Lawinfochina) [hereinafter “Three Majors and One Large” Opinions].

in major decision-making in 1997,²⁵⁷ the “Three Majors and One Large” Opinions introduced party organizations’ direct engagement in corporate governance, paving the way for the current party-centric structure.²⁵⁸

Compared to the previous CCP documents, the “Three Majors and One Large” Opinions provided party organizations a clear route to engage directly in major decision-making through the “Three Majors and One Large” mechanism.²⁵⁹ This mechanism requires directors and managers to solicit advice from the party organization beforehand and fully implement the advice when deciding “three majors and one large” issues,²⁶⁰ which replaced the previous indirect way of relying on directors and managers with double identities to reflect the party organization’s opinions.²⁶¹ Essentially, the “Three Majors and One Large” mechanism created an ex-ante procedure of major decision-making, and the scope of such issues is broad, covering matters falling under the authority of both the board of directors and management.²⁶² Basically, the party organization can review all major issues from the political perspective, and the discretion of directors and managers is subject to its political influence.²⁶³ Such political review likely makes it more difficult for management to run SOEs according to market forces. Minority shareholders’ interests may be compromised for political considerations.

Despite being comprehensive, the “Three Majors and One Large” Opinions remained as an intra-party document, and no other regulation was promulgated until the Xi administration.²⁶⁴ In the following years, the mainstream opinion among Chinese scholars remained that party organizations were supposed to exert influence indirectly within the framework of modern enterprises without explicitly overriding it.²⁶⁵ The mission of party

257. Notice on Further Strengthening and Improving Party Building in State-owned Enterprises, *supra* note 191.

258. “Three Majors and One Large” Opinions, *supra* note 256.

259. *See id.*

260. *Id.* (Defining “Three Majors and One Large” issues as major issues, major personnel appointments and dismissals, investments in major projects, and the use of large sums of money).

261. *See id.*

262. *Id.*

263. *See id.*

264. “Three Majors and One Large” Opinions, *supra* note 256.

265. Feijin Du (杜飞进), Guoqi Dangzuzhi Diwei Buke Dongyao (国企党组织地位不可动摇) [The Status of Party Organizations in State-owned Enterprises Is Unshakable], 1 Xiandai Guoqi Yanjiu (‘现代国企研究’ [Modern SOE Research] 26, 28 (2011); Haiping Liang (梁海萍), Guoyou Qiye Gongsu Zhili Wenti Yanjiu Yi Guangxi Guoyou Qiye Weili

organizations was to ensure SOEs' full compliance with the party-state policies, but their engagement in decision-making should occur indirectly, through SOE leaders with double identities.²⁶⁶ Empirical data also suggests that the “Three Majors and One Large” mechanism was not fully adopted in practice until the Xi administration.²⁶⁷

V. FORMALIZATION OF PARTY LEADERSHIP IN XI'S NEW ERA (2013–PRESENT)

Although party involvement in SOE governance originated in the Maoist era and the core mechanisms of the current party-centric structure had already been introduced, Xi consolidated the leadership role of party organizations in SOEs and elevated party involvement in corporate governance from an intra-party policy to national law.²⁶⁸ Xi's party-building campaign continued and intensified despite the economic downturn in 2018, reflecting the ideological stakes behind these reforms.²⁶⁹ Most recently, Company Law (2024) officially sanctioned the legal authority of party organizations in corporate governance.²⁷⁰ Nowadays, party organizations function as the highest decision-making bodies in SOEs, largely representing a return to the Maoist practices.²⁷¹

Several factors explain Xi's strengthening of party control in SOEs. One is to tackle SASAC's struggles to supervise SOEs.²⁷² SASAC was established in 2003 to fulfil the responsibilities of state-asset investors and to prevent direct interference by sector bureaus. Over the decade, SOEs' assets, organizational complexity, and international operations all expanded

(国有企业公司治理问题研究——以广西国有企业为例) [Research on Corporate Governance Issues in State-owned Enterprises: A Case Study of State-owned Enterprises in Guangxi], 3 *Shichang Luntan* (市场论坛) [Market Forum] 30, 32 (2013); Shichun Han (韩世春), Guoqi Dangwei Yu Faren Zhili Jiegou Guanxi Tantai (国企党委与法人治理结构关系探析) [An Analysis of the Relationship between the Party Committee and the Corporate Governance Structure in State-owned Enterprises], 03 *Zhongguo Fazhan Guancha* (中国发展观察) [China Development Observation] 31, 32 (2014).

266. *Id.*

267. Interview with Interviewee 12, Lawyer, in Chongqing, China (Nov. 2020); Interview with Interviewee 15, Lawyer, in Shanghai, China (Nov. 2020); Interview with Interviewee 23, Lawyer, in Anhui, Hefei, China (Dec. 2020); Yong Li (李勇) & Chuantao Chen (陈传涛), *Guanche Luoshi Dang de Shiba Da Jingshen Tigao Liuzhou Guoqi Dangjian Kexue Hua Shuiping* (贯彻落实党的十八大精神, 提高柳州国企党建科学化水平) [Implement the Spirit of the 18th CCP National Congress and Enhance the Scientific Level of Party Building in Liuzhou's State-owned Enterprises], 04 *Chuancheng* (传承) [Inheritance] 78, 78 (2014).

268. Leutert & Eaton, *supra* note 9, at 200.

269. *Id.* at 210.

270. Company Law 2024, *supra* note 4, art. 170.

271. Lin & Milhaupt, *supra* note 1.

272. Leutert & Eaton, *supra* note 9, at 210.

rapidly, ultimately constraining SASAC's ability to monitor them effectively.²⁷³ Additionally, SASAC lacked effective enforcement tools to discipline SOEs that failed to comply with supervision requirements.²⁷⁴ SASAC does not have direct control over the appointment of senior SOE personnel.²⁷⁵ The Central Organization Department (COD) of the CCP appoints leaders of the most strategically important central SOEs; for the remainder, SASAC has appointment rights, but the decisions are subject to the COD's approval.²⁷⁶ Moreover, some leaders of central SOEs outrank SASAC officials, making it difficult for SASAC to effectively supervise and discipline them.²⁷⁷ Other ministries also share substantial power in regulating SOEs, for example, the Ministry of Finance oversees the budgeting of state-owned capital operations and the distribution of profits,²⁷⁸ and the National Development and Reform Committee issues licenses for major business mergers and acquisitions.²⁷⁹

Another explanation is that tighter party control counterbalances the effects of the mixed-ownership reform, which dilutes the state's shareholdings in SOEs in exchange for private investment.²⁸⁰ Introduced in 2013, the mixed-ownership reform sought to attract private capital and expertise into SOEs to improve market discipline and corporate governance.²⁸¹ By 2020, China had completed more than 4,000 cases of mixed-ownership reform with more than 1.5 trillion RMB of non-state capital involved.²⁸² According to estimates, 70% of all state controlled companies were in

273. *Id.* at 206.

274. *Id.*

275. Barry Naughton, *The Transformation of the State Sector: SASAC, the Market Economy, and the New National Champions*, in *STATE CAPITALISM, INSTITUTIONAL ADAPTATION, AND THE CHINESE MIRACLE*, 60 (Barry Naughton & Kellee S. Tsai eds., 2015).

276. *Id.*

277. *Id.* at 60–61.

278. *Id.* at 68.

279. *Id.*

280. Lin & Milhaupt, *supra* note 1, at 193.

281. Zhonggong Zhongyang Guanyu Quanmian Shenhua Gaige Ruogan Zhongda Wenti de Jueding (中共中央关于全面深化改革若干重大问题的决定) [Decision of the Central Committee of the Chinese Communist Party on Some Major Issues Concerning Comprehensively Deepening Reform] (promulgated by the Cent. Comm. CCP, Nov. 12, 2013), CLI.16.213067 (Lawinfochina).

282. Liu Zhihua & Zhong Nan, *Fund to Spur Mixed-Ownership Reforms*, CHINADAILY, Dec. 11, 2020, <https://global.chinadaily.com.cn/a/202012/11/WS5fd2cb1da31024ad0ba9b35e.html> [<https://perma.cc/68FY-XZD9>].

mixed ownership by 2020, up from 54% in 2012.²⁸³ To prevent the weakening of control over SOEs, party building was designated as a necessary precondition of the mixed-ownership reform by the CCP,²⁸⁴ even though it might undermine the intended effects of bringing more market forces.²⁸⁵ Besides introducing private capital into SOEs, the mixed-ownership reform also promotes expanding state ownership into private firms.²⁸⁶ Thus, party building also serves the purpose of strengthening oversight over the private sector.

Xi's personal ideology also played an important role in the party-building campaign. The reform and opening-up policy prioritized economic development while downplaying ideological indoctrination in Chinese society.²⁸⁷ Although China generated enormous material wealth, the CCP faced some undesirable side effects.²⁸⁸ Party officials blurred the line between their political duties and business activities, leading many to engage in corruption.²⁸⁹ Xi found it urgent to tackle the Party's degeneration and restore ideological faith in communism.²⁹⁰ Deng's policy of "letting some people get rich first" also resulted in high levels of inequality and dissatisfaction in Chinese society.²⁹¹ Party-building was seen as an immediate solution to address these problems and counter the challenges posed by liberal

283. Kasper Ingeman Beck, *Reforming the Chinese State Sector: Mixed Ownership Reforms and State-Business Relations*, 32 J. CONTEMP. CHINA 264, 270 (2023).

284. Guanyu Zai Shenhua Guoyou Qiye Gaige Zhong Jianchi Dang de Lingdao Jiaqiang Dang de Jianshe de Ruogan Yijian (关于在深化国有企业改革中坚持党的领导加强党的建设的若干意见) [Opinions on Insisting the Leadership of the Party and Strengthening Party Building in Deepening State-Owned Enterprise Reform] (promulgated by Cent. Comm. CCP, Sept. 20, 2015), <http://dangjian.people.com.cn/GB/136058/427510/428084/428568/428576/index.html> [hereinafter Opinions on Insisting the Leadership of the Party and Strengthening Party Building in Deepening State-owned Enterprise Reform].

285. Barry Naughton, *The Current Wave of State Enterprise Reform in China: A Preliminary Appraisal*, 12 ASIAN ECON. POL'Y REV. 1, 9 (2017).

286. Guowuyuan Guanyu Guoyou Qiye Fazhan Hunhe Suoyouzhi Jingji de Yijian (国务院关于国有企业发展混合所有制经济的意见) [Opinions of the State Council on the Development of Mixed-Ownership Economy by State-owned Enterprises] (promulgated by St. Council, Sept. 24, 2015), CLI.2.257547 (Lawinfochina).

287. Burton, *supra* note 149, at 442.

288. *Socio-economic inequality and its impact in China*, BBC, <https://www.bbc.co.uk/bitesize/guides/zn3c7nb/revision/3> [<https://perma.cc/M9WY-3BVT>] (last visited Mar. 9, 2026).

289. Kerry Brown & Una Aleksandra Bērziņa-Čerenkova, *Ideology in the Era of Xi Jinping*, 23 CHINESE J. POL. SCI. 323, 328 (2018).

290. Lance Gore, *Behind Xi Jinping's Resurrection of Ideological Orthodoxy*, in CPC FUTURES: THE NEW ERA OF SOCIALISM WITH CHINESE CHARACTERISTICS, 48 (Frank N Pieke & Bert Hofman eds., 2022) [hereinafter Gore, *Behind Xi Jinping's Resurrection*].

291. *See supra* note 288.

democracies and capitalism, in order to avoid the Party's collapse as in the Soviet Union.²⁹²

The latest round of party-building campaign was initiated shortly after Xi took office.²⁹³ In 2015, the party-state required that adherence to party leadership should be built into the process of SOE reform.²⁹⁴ In particular, it mandated that party leadership enhancement be integrated with corporate governance improvement by amending articles of association to grant party organizations a clear legal status.²⁹⁵ This was a milestone, since the CCP began to legalize and institutionalize the party organization's role in SOE governance in accordance with Company Law.²⁹⁶

In May 2016, SASAC proposed to institutionalize the ex-ante procedure of the party organization discussing and approving major decisions before the agenda was presented to the board of directors.²⁹⁷ In October 2016, the ex-ante procedure was adopted at the National State-owned Enterprise Party-building Work Conference, where Xi emphasized that party leadership is the root and soul for SOEs²⁹⁸ and that SOE executives should bear in mind that their number one role and responsibility is to work for the Party.²⁹⁹

In 2017, the CCP Constitution changed the status of party organizations in SOEs from political core role to leadership role and strengthened party

292. Gore, *Behind Xi Jinping's Resurrection*, *supra* note 290, at 49; Brown & Bērziņa-Čerenkova, *supra* note 289, at 329.

293. Leutert & Eaton, *supra* note 9, 209–15.

294. Zhonggong Zhongyang, Guowuyuan Guanyu Shenhua Guoyou Qiye Gaige de Zhidao Yijian (中共中央、国务院关于深化国有企业改革的指导意见) [Guiding Opinions of the CPC Central Committee and the State Council on Deepening the Reform of State-owned Enterprises] (promulgated by the Cent. Comm. CCP & St. Council, Aug. 24, 2015), CLI.16.256926 (Lawinfochina).

295. *Id.*

296. *See id.*

297. Zai Quanmian Shenhua Guoyou Qiye Gaige Zhong Jiaqiang Dang de Jianshe Gongzuo (在全面深化国有企业改革中加强党的建设工作) [Promoting Party Building while Comprehensively Deepening State-owned Enterprise Reform], CPC NEWS (Oct. 9, 2016), <http://dangjian.people.com.cn/n1/2016/1009/c407547-28763369.html>.

298. *Xi Stresses CPC Leadership of State-owned Enterprises*, CHINA DAILY (Oct. 12, 2016, 11:25 AM), https://www.chinadaily.com.cn/china/2016-10/12/content_27035822.htm [<https://perma.cc/BRF9-Y9YH>].

299. Yusho Cho & Kenji Kawase, *How China's State-Backed Companies Fell Behind*, NIKKEI ASIAN (May 23, 2018), <https://asia.nikkei.com/Spotlight/The-Big-Story/How-China-s-state-backed-companies-fell-behind> [<https://perma.cc/YA9L-5SAG>].

organizations' authority in major decision-making.³⁰⁰ Two high-level documents were issued to instruct SOEs to implement the party organization's leadership role by writing its decision-making authority into articles of association.³⁰¹ In practice, SOEs began to amend their articles of association as early as 2015, and most had done so by the end of 2018.³⁰² Notably, no legal provision (national laws, administrative laws and regulations, or ministry rules) granting party organizations the authority to engage in SOE governance existed during the process.³⁰³ However, it

300. Zhongguo Gongchandang Zhangcheng (中国共产党章程) [Constitution of the Chinese Communist Party] (promulgated by Cent. Comm. CCP, Oct. 24, 2017), art. 33, <https://www.12371.cn/2017/10/28/ART11509191507150883.shtml> [hereinafter CCP Constitution 2017].

301. Guanyu Zhashi Tuidong Guoyou Qiye Dangjian Gongzuo Yaoqiu Xieru Gongsì Zhangcheng de Tongzhi (关于扎实推动国有企业党建工作要求写入公司章程的通知) [Notice Regarding the Firm Promotion of the Requirements of Incorporating Party-building Work into the Articles of Associations of State-owned Enterprises] (promulgated by Org. Dep't CCP & Party Comm. SASAC, Mar. 15, 2017) [Notice Regarding the Firm Promotion of the Requirements of Incorporating Party-building Work into the Articles of Associations of State-owned Enterprises], CLI.16.344554 (Lawinfochina); Guowuyuan Bangongting Guanyu Jinyibu Wanshan Guoyou Qiye Faren Zhili Jiegou de Zhidao Yijian (国务院办公厅关于进一步完善国有企业法人治理结构的指导意见) [Guiding Opinions of the General Office of the State Council on Further Improving Corporate Governance Structures of State-owned Enterprises] (promulgated by the General Off. St. Council, Apr. 4, 2017), CLI.2.294010 (Lawinfochina) [hereinafter Guiding Opinions of the General Office of the State Council on Further Improving Corporate Governance Structures of State-owned Enterprise].

302. Interview with Interviewee 12, Lawyer, in Chongqing, China (Nov. 2020); Interview with Interviewee 15, Lawyer, in Shanghai, China (Nov. 2020); Interview with Interviewee 16, Lawyer, in Shanghai, China (Nov. 2020); Interview with Interviewee 17, Lawyer, in Beijing, China (Nov. 2020); Ziwei Guo (郭梓维), Luoshi Quanmian Congyan Zhidang Yaoqiu Quanli Zhuahao Yangqi Xunshi Zhenggai (落实全面从严治党要求, 全力抓好央企巡视整改) [Implement the Requirements of Comprehensive and Strict Party Governance and Make Every Effort to Ensure Effective Rectification in Central SOE Inspections], 23 ZHONGYANG JIJIAN JIANCHA (中央纪检监察) [CENTRAL DISCIPLINE AND SUPERVISION] 32, 33 (2015).

303. The amendment of articles of association was mainly conducted under the guidance of two documents: Notice Regarding the Firm Promotion of the Requirements of Incorporating Party-building Work into the Articles of Associations of State-owned Enterprises, *supra* note 301, and Guiding Opinions of the General Office of the State Council on Further Improving Corporate Governance Structures of State-owned Enterprise, *supra* note 301, which is a normative document of the State Council. Besides, there were two notices which only applied to central SOEs. One was Guanyu Jiakuai Tuijin Zhongyang Qiye Dangjian Gongzuo Zongti Yaoqiu Naru Gongsì Zhangcheng Youguan Shixiang de Tongzhi (关于加快推进中央企业党建工作总体要求纳入公司章程有关事项的通知) [Notice on Accelerating Advancement of Incorporating the General Requirements of Party-building Work of Central State-owned Enterprises into Articles of Association] (promulgated by Party Comm. SASAC, effective Jan. 3, 2017), CLI.2.294010 (Lawinfochina), which provided a template of party-building provisions but only applied to central SOEs. Another one was Zhongyang Jinrong Qiye Jiang Dangjian Gongzuo Yaoqiu Xieru Gongsì Zhangcheng Xiugai Zhiyin de Tongzhi (中央金融企业将党建工作要求写入公司章程

was not illegal for SOEs to amend articles of association, because shareholders (i.e. the Chinese government) had the autonomy to tailor corporate governance structures.³⁰⁴

After party organizations' roles were institutionalized, more comprehensive laws and regulations were promulgated. The first systematic CCP regulation concerning party organizations' authority in SOE governance, the Regulation on the Work of Grassroots Organizations of the Chinese Communist Party in State-owned Enterprises (Trial Implementation), was introduced at the end of 2019.³⁰⁵ A year later, a comprehensive non-CCP document, the Administrative Measures for the Formulation of Articles of Association of State-owned Enterprises, provided detailed guidance on stipulating party organizations' authority in articles of association.³⁰⁶ Then, a ministry rule, the Measures for the Compliance Management of Central State-owned Enterprises, included party leadership into compliance work; however, this rule only applies to SOEs under the central government.³⁰⁷ More recently, Company Law (2024) has formally legalized and institutionalized party organizations' role in corporate governance.³⁰⁸

If we look back at history, we find the practice of reforming SOE governance first, and enacting regulation later, is not new. In the Maoist era, the party command system was practiced and sanctioned by Mao years before the first formal state regulation was promulgated.³⁰⁹ In the

修改指引的通知) [Guidance on Writing Party-building Work into Articles of Association for Central Financial Enterprise] (promulgated by the Ministry of Finance, effective May 2017), CLI.16.344554 (Lawinfochina), which provided a similar template for central financial firms; see Zeng, *supra* note 75, at 59.

304. Zhonghua Renmin Gongheguo Gongsifa (中华人民共和国公司法) [Company Law of the People's Republic of China] (promulgated by the Standing Comm. Nat'l People's Cong., Dec. 28, 2013, effective, Mar. 1, 2014), arts. 37, 99, CLI.1.218774 (Lawinfochina).

305. Zhongguo Gongchandang Guoyou Qiye Jiceng Zuzhi Gongzuo Tiaoli (Shixing) (中国共产党国有企业基层组织工作条例 (试行)) [Regulation on the Work of Grassroots Organizations of the Chinese Communist Party in State-owned Enterprises (Trial Implementation)] (promulgated by Cent. Comm. CCP, Dec. 30, 2019), <https://www.12371.cn/2020/01/05/ART11578224710962548.shtml>.

306. Guoyou Qiye Gongsifa Zhongcheng Zhiding Guanli Banfa (国有企业公司章程制定管理办法) [Administrative Measures for the Formulation of Articles of Association of State-owned Enterprises] (promulgated by SASAC Comm'n St. Council & Ministry of Finance, Dec. 31, 2020), CLI.4.353235 (Lawinfochina).

307. Zhongyang Qiye Hegui Guanli Banfa (中央企业合规管理办法) [Measures for the Compliance Management of Central State-owned Enterprises] (promulgated by the SASAC St. Council, Aug. 23, 2022, effective Oct. 1, 2022), CLI.4.5134885 (Lawinfochina).

308. Company Law 2024, *supra* note 4, art. 170.

309. See *infra* Section II.

reform and opening-up era, the chief responsibility system was experimented and approved by intra-party documents before being recognized by state laws and regulations.³¹⁰ The period before formal regulation offers an opportunity to test the feasibility of the new system and refine it if needed. Formal laws and regulations can also help preserve and maintain the results of reform, especially by strengthening the control at the local level.³¹¹ Additionally, the post-factum rules provide a better image of the rule of law, which is in line with the CCP's "law-based governance (依法治国)" slogan.³¹²

The new provision in Company Law (2024) provides a legal basis for party organizations to engage directly in SOE governance, but it is brief and general, stating that "in state-owned enterprises, the Chinese Communist Party (CCP) organizations shall play a leadership role in accordance with the CCP Constitution, deliberate on major business and management matters of the company, and support the company's governing bodies in exercising their powers according to law."³¹³ The details on how party organizations operate mainly exist in CCP regulations and documents mentioned above, and SOEs have formulated detailed guidance in their articles of association and internal rules.³¹⁴ The Central Party School of the CCP argued that the "Three Majors and One Large" mechanism do not trump or erode the board of directors or general managers' discretion.³¹⁵ However, in practice, SOEs have developed a party-centric governance

310. See *infra* Section III.B.

311. Taisu Zhang & Tom Ginsburg, *China's Turn toward Law*, 59 VA. J. INT'L L. 306, 386 (2019); Hualing Fu, *Building Judicial Integrity in China*, 39 HASTINGS INT'L & COMPAR. L. REV. 167, 170–71 (2016).

312. Martin Lavička, *Rule of Law with Chinese Characteristics: A Contested Landscape*, 17 HAGUE J. RULE L. 277 (2025).

313. Company Law 2024, *supra* note 4, art. 170.

314. Interview with Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interview with Interviewee 5, Lawyer, in Chongqing, China (Oct. 2020); Interview with Interviewee 7, State-Owned Enterprise In-House Lawyer, in Shanghai, China (Oct. 2020); Interview with Interviewee 11, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Nov. 2020); Interview with Interviewee 17, Lawyer, in Beijing, China (Nov. 2020); Interview with Interviewee 33, State-Owned Enterprise In-House Lawyer, in Henan, China (Dec. 2020); Interview with Interviewee 34, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Jan. 2021); Interview with Interviewee 36, State-Owned Enterprise In-House Lawyer, in Henan, China (Jan. 2021); Interview with Interviewee 38, State-Owned Enterprise In-House Lawyer, in Hongkong, China (Mar. 2021).

315. Ge Qiang (强刚), *Guoyou Qiye Dangwei (Dangzu) Fahui Lingdao Zuoyong Ruhe Gaibian Guoyou Qiye Gongsi Zhili Jiegou?—Cong Geren Qianru Dao Zuzhi Qianru (国有企业党委(党组) 发挥领导作用如何改变国有企业公司治理结构?—从个人嵌入到组织嵌入)* [How Does the Leadership Role of Party Committees (Groups) in State-owned Enterprises Reshape Corporate Governance Structures? — From Individual Embeddedness to Organizational Embeddedness], 206 JINGJI SHEHUI TIZHI BIJIAO (经济社会体制比较) [COMPAR. STUDY ECON. & SOC. SYS.] 71, 79 (2019).

structure, in which major decision-making authority resides within party organizations, differing from what is depicted in Company Law and from other Chinese companies.³¹⁶

The “Two-Way Entry and Cross-holding Posts” mechanism has been further strengthened compared to the previous administration. During Xi’s first five-year term (2013–2017), “[t]he average incidence of any combination of joint appointments was 89[%]” among core central SOEs, up from 76% during the Hu-Wen administration; one person acted as both the board chairperson and party secretary in more than 90% of firms.³¹⁷ The joint appointments have been well maintained up to the present, now most party organization members concurrently hold senior corporate roles, such as directors, supervisors, and general managers.³¹⁸ The most common combination is the secretary and the chairperson of the board of directors.³¹⁹ There may also be non-managerial personnel in party organizations, such as full-time deputy party secretaries and chairpersons of discipline inspection and supervision committees.³²⁰ The strategy of combining managerial positions and party organization membership helps the CCP ensure that SOEs’ operations are consistent with its policy, given

316. Zeng, *supra* note 75, at 59.

317. Leutert, *supra* note 213, at 30.

318. Interview with Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interview with Interviewee 3, State-Owned Enterprise In-House Lawyer, in Shanghai, China (Sept. 2020); Interview with Interviewee 7, State-Owned Enterprise In-House Lawyer, in Shanghai, China (Oct. 2020); Interview with Interviewee 8, State-Owned Enterprise In-House Lawyer, in Beijing, China (Oct. 2020); Interview with Interviewee 11, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Nov. 2020); Interview with Interviewee 19, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Dec. 2020); Interview with Interviewee 29, State-Owned Enterprise In-House Lawyer, in Beijing, China (Dec. 2020); Interview with Interviewee 31, State-Owned Enterprise In-House Lawyer, in Beijing, China (Dec. 2020); Interview with Interviewee 32, State-Owned Enterprise In-House Lawyer, in Henan, China (Dec. 2020); Interview with Interviewee 34, State-Owned Enterprise In-House Lawyer, in Chongqing, China (January 2021); Interview with Interviewee 36, State-Owned Enterprise In-House Lawyer, in Henan, China (Jan. 2021); Interview with Interviewee 37, State-Owned Enterprise In-House Lawyer, in Beijing, China (Jan. 2021); Interview with Interviewee 38, State-Owned Enterprise In-House Lawyer, in Hongkong, China (Mar. 2021); Interview with Interviewee 41, State-Owned Enterprise In-House Lawyer, in Sichuan, Chengdu, China (Mar. 2021).

319. *Id.*

320. Interview with Interviewee 5, Lawyer, in Chongqing, China (Oct. 2020); Interview with Interviewee 8, State-Owned Enterprise In-House Lawyer, in Beijing, China (Oct. 2020); Interview with Interviewee 34, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Jan. 2021).

that the CCP selects SOE leaders from its talent pool and can exert effective supervision through the intra-party disciplinary system.

However, this also results in major decision-making rights at the board level shifting from directors to other members such as full-time deputy party secretaries, chairpersons of discipline inspection and supervision committees, general managers, and supervisors, which unravels the checks and balances Company Law is supposed to establish. For those party organization members who have no corporate roles, such as full-time deputy party secretaries and chairpersons of discipline inspection and supervision committees, they exert major decision-making authority within SOEs, but the liability mechanisms under Company Law such as directors' duties are not applicable.³²¹ Even though the 2024 amendment introduced de facto director rules, they only apply to controlling shareholders and actual controllers.³²² It is evident that those non-managerial party organization members are not the controlling shareholders of SOEs—the state is.³²³ The non-managerial party organization members do not count as actual controllers either, as the party organization makes collective decisions—at least on paper.³²⁴ Therefore, Company Law places party organizations in a privileged position that minority shareholders cannot challenge.³²⁵

The “Three Majors and One Large” mechanism has also come into full play, allowing party organizations to directly control major decision-making in SOEs as an institution and effectively sideline the board of directors. So far, SOEs have all formulated their lists of “three majors and one large” issues, the scope of which is comprehensive.³²⁶ The threshold for “three majors and one large” issues is low, so many, if not all, decisions of SOEs fall into it.³²⁷ As a result, party organizations are often involved in the micro-management of SOEs.³²⁸

SOEs' decision-making processes are centered on party organizations, rendering the board of directors largely nominal. Substantive discussion occurs in party organization meetings rather than in the board of directors'

321. Company Law 2024, *supra* note 4, art. 180.

322. *Id.*

323. *See* Company Law 2024, *supra* note 4.

324. *See id.*

325. *See* Company Law 2024, *supra* note 4.

326. Interview with Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interview with Interviewee 3, State-Owned Enterprise In-House Lawyer, in Shanghai, China (Sept. 2020); Interview with Interviewee 8, State-Owned Enterprise In-House Lawyer, in Beijing, China (Oct. 2020); Interview with Interviewee 37, State-Owned Enterprise In-House Lawyer, in Beijing, China (Jan. 2021).

327. *Id.*

328. *Id.*

meetings.³²⁹ The procedures of the board and general managers have become largely symbolic, consisting almost entirely of paperwork, and their sessions are often combined with party organization meetings for convenience, because of overlapping personnel.³³⁰

Although the mixture of meetings is forbidden by CCP documents, the phenomenon is prevalent, since it is difficult for inspection teams to discover retrospectively, particularly if all documents are in place.³³¹ A scholar noticed that Company Law (2024) diluted shareholder primacy by granting more autonomy to the board of directors.³³² However, the implications for SOEs are minimal, since major decision-making authority has shifted from the board to party organizations.³³³

The shift in the decision-making forum has significant implications for minority shareholders. Directors and managers who are not party organization members lose their decision-making rights.³³⁴ Minority shareholders' nominees and independent directors are likely among them, as party organization members are all state representatives.³³⁵ As a result, minority shareholders' interests lack representation in major decision-making processes. Additionally, no accountability mechanism exists for party organizations.³³⁶ Company Law is silent on whom party organizations are accountable to or to whose interests they are meant to serve.³³⁷ Some SOEs' articles of association offer no information on this, while some state that party organizations should implement the decisions of the Central

329. Interview with Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interview with Interviewee 3, State-Owned Enterprise In-House Lawyer, in Shanghai, China (Sept. 2020); Interview with Interviewee 11, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Nov. 2020); Interview with Interviewee 15, Lawyer, in Shanghai, China (Nov. 2020); Interview with Interviewee 19, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Dec. 2020); Interview with Interviewee 23, Lawyer, in Hefei, China (Dec. 2020); Interview with Interviewee 32, State-Owned Enterprise In-House Lawyer, in Henan, China, (Dec. 2020); Interview with Interviewee 37, State-Owned Enterprise In-House Lawyer, in Beijing, China (Jan. 2021).

330. *Id.*

331. Guo, *supra* note 302, at 33.

332. Min Yan, *Operationlising Stakeholder Governance: Some Lessons from China's New Company Law*, 25 J. CORP. L. STUD. 211 (2025).

333. For a detailed discussion, see Zeng, *supra* note 75.

334. *Id.*

335. CCP Constitution 2022, *supra* note 1, art. 10.

336. See Company Law 2024, *supra* note 4.

337. *Id.*

Committee and carry out the resolutions of higher-level party authorities.³³⁸ They make no mention of accountability to shareholders.³³⁹

The CCP Constitution confirms this arrangement: party organizations are responsible to their upper-level party authorities and the Central Committee.³⁴⁰ This means that party organizations exert major decision-making authority in SOEs but bear no responsibility to shareholders.³⁴¹ This may not be a problem for the state, as the majority shareholder, because the CCP can supervise and discipline party organizations through the intra-party system.³⁴² However, this left minority shareholders in an awkward situation: party organizations are not legally required to protect minority shareholders' interests, and minority shareholders have no legal routes to complain about party organizations' decisions if their interests are harmed.

As mentioned above, these practices existed already in the corporatization era, but the difference is that party organizations no longer have a vague legal status. Party organizations now have solid legal grounds to engage in major decision-making granted by Company Law and articles of association. The current party-centric structure marks a complete reversal of Deng's policy, representing a return to the Maoist practices, with the only difference being the shell of corporate form.³⁴³ The underlying relationship between SOEs and the CCP is highly identical, with the former subject to the latter's political influence.³⁴⁴

VI. IMPLICATIONS

As history shows, strengthening party building often leads to the politicization of SOE governance. This is obvious in the recent round of party-building enhancement since 2015.³⁴⁵ The politicization is reflected in both personnel selection and decision-making of SOEs; for the selection standards of SOE leaders, political reliability, and loyalty have become more important than before.³⁴⁶ On paper, the CCP assesses cadres using

338. Interview with Interviewee 12, Lawyer, in Chongqing, China (Nov. 2020); Interview with Interviewee 15, Lawyer, in Shanghai, China (Nov. 2020); Interview with Interviewee 16, Lawyer, in Shanghai, China (Nov. 2020); Interview with Interviewee 17, Lawyer, in Beijing, China (Nov. 2020).

339. *Id.*

340. CCP Constitution 2022, *supra* note 1, art. 10.

341. *See* Company Law 2024, *supra* note 4.

342. CCP Constitution 2022, *supra* note 1, art. 5.

343. *See supra* Section II.

344. *See* Lin & Malhaupt, *supra* note 1, at 187, 193.

345. *Id.*

346. Interview with Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interview with Interviewee 32, State-Owned Enterprise On-House Lawyer, in Shangqiu, Henan

the following five criteria: ethics (德), competency (能), diligence (勤), achievement (绩), and incorruptibility (廉).³⁴⁷ In practice, the willingness to follow and implement the upper-level party authority's instructions has overwhelmingly dominated the selection and promotion of SOE leaders at times.³⁴⁸ Such an approach may lead to the appointment of candidates who are politically cautious but not necessarily the most capable in business management. Additionally, the never-ending anti-corruption campaign has lasted for more than a decade, leading to an environment where SOE leaders have become extremely cautious and where entrepreneurship is discouraged.³⁴⁹ As a result, SOE leaders have cut down on business activities dramatically and stopped reforms, as they are too wary of trouble to take initiatives.³⁵⁰

In the Maoist era, the governance of SOEs placed heavy emphasis on party building and political loyalty, but this emphasis was accompanied by persistently low efficiency. Today, the state sector is a central pillar of the national economy, and its prosperity is closely tied to the CCP's legitimacy.³⁵¹ China now faces external pressures, such as the trade war with the United States and the risk of decoupling from the West, alongside internal challenges such as a slowing economy and an aging population.³⁵² If the politicization of SOE governance comes at the expense of productivity and profitability, the system's sustainability may be undermined. SOEs

(Dec. 2020); Interview with Interviewee 37, State-Owned Enterprise In-House Lawyer, in Beijing, China (Jan. 2021).

347. Interview with Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interview with Interviewee 32, State-Owned Enterprise On-House Lawyer, in Shangqiu, Henan (Dec. 2020); Interview with Interviewee 37, State-Owned Enterprise In-House Lawyer, in Beijing, China (Jan. 2021).

348. Interview with Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interview with Interviewee 32, State-Owned Enterprise On-House Lawyer, in Shangqiu, Henan (Dec. 2020); Interview with Interviewee 37, State-Owned Enterprise In-House Lawyer, in Beijing, China (Jan. 2021).

349. Stephen McDonnell, *Xi Jinping's Never-ending Hunt for Corruption in the Communist Party*, BBC (Feb. 11, 2024), <https://www.bbc.co.uk/news/world-asia-china-68213161> [https://perma.cc/6LSF-YBJL].

350. Interviewee 12, Lawyer, in Chongqing, China (Nov. 2020); ECONOMY, *supra* note 26, 34–35.

351. Franklin Allen et. al., *Reassessing the Role of State Ownership in China's Economy* 1–2, (Stanford Ctr. on China's Econ. and Insts., Social Science Research Network Working Paper, 2024), https://fsi9-prod.s3.us-west-1.amazonaws.com/s3fs-public/2024-01/state_ownership_1.15.24_3.pdf [https://perma.cc/6KP3-R273].

352. Alicia García-Herrero, *Slowbalisation in the Context of US-China Decoupling*, 57 INTERECONOMICS 352 (2022).

can support economic development by allocating resources to sectors that hinder China's pursuit of self-sufficiency. In this context, adopting a more pragmatic approach in SOE governance would be beneficial.

Besides personnel selection, the politicization of SOE governance is also reflected in decision-making.³⁵³ The most important principle for party organizations is that they should ensure the company's business plans and development strategies align with the party-state's policies.³⁵⁴ This requirement has existed in CCP documents since the 1990s.³⁵⁵ Under previous administrations, party organizations were supposed to consider the company's major decisions only from a macro perspective.³⁵⁶ However, under the Xi administration, the scale and scope of the party organization's engagement in decision-making have significantly expanded, and political considerations have become increasingly important.³⁵⁷ As a result, SOEs are frequently utilized as instruments of policy implementation, with economic profitability often subordinated to political objectives.³⁵⁸

As important players at home and abroad, controlling critical sectors and vast resources, SOEs are convenient instruments for the CCP to advance its strategic objectives. As part of the CCP's efforts to enhance its legitimacy and popularity, SOEs may confer benefits on domestic stakeholders, such as employees, and generate public goods, a feature difficult to replicate in other market economies driven solely by shareholder interests.³⁵⁹ However, pursuing policy goals at the cost of economic

353. Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interviewee 3, State-Owned Enterprise In-House Lawyer, in Shanghai, China (Sept. 2020); Interviewee 15, Lawyer, in Shanghai, China (Nov. 2020).

354. Interview with Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interview with Interviewee 5, Lawyer, in Chongqing, China (Oct. 2020); Interview with Interviewee 8, State-Owned Enterprise In-House Lawyer, in Beijing, China (Oct. 2020); Interview with Interviewee 11, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Nov. 2020); Interview with Interviewee 12, Lawyer, in Chongqing, China (Nov. 2020); Interview with Interviewee 34, State-Owned Enterprise In-House Lawyer, in Chongqing, China (Jan. 2021).

355. See *infra* Section IV.

356. Interviewee 1, Lawyer, in Chongqing, China (Sept. 2020); Interviewee 3, State-Owned Enterprise In-House Lawyer, in Shanghai, China (Sept. 2020); Interviewee 15, Lawyer, in Shanghai, China (Nov. 2020).

357. *Id.*

358. Christopher Chao-hung Chen, et al., *The Effect of Political Influence on Corporate Valuation: Evidence from Party-building Reform in China*, 73 INT'L REV. OF L. AND ECON. 106120 (2023); Ronald J. Gilson & Curtis J. Milhaupt, *Shifting Influences on Corporate Governance: Capital Market Completeness and Policy Channeling*, 12 HARV. BUS. L. REV. 1 (2022); Isaac B. Kardon & Wendy Leutert, *Pier Competitor: China's Power Position in Global Ports*, 46 INT'L SEC. 9 (2022).

359. See, e.g., By the Numbers Report, *supra* note 23; Zeng, *supra* note 75, 73–74; Dali L. Yang, *China's Troubled Quest for Order: Leadership, Organization and the Contradictions of the Stability Maintenance Regime*, 26 J. OF CONTEMP. CHINA 35 (2017).

profits may not only harm the interests of minority shareholders and reinforce foreign investors' perception of China as no longer investable, but also undermine the system's long-term sustainability. The CCP will need to maintain a good balance, since the continued prosperity of SOEs not only strengthens its legitimacy but also expands its resources for policy implementation.

Owing to Chinese SOEs' global reach, the effects of the CCP's policy objectives extend beyond China's borders. Take the Belt and Road Initiative (BRI)³⁶⁰ as an example. With 150 countries having signed cooperation agreements with China, Chinese BRI engagement has reached USD \$1.308 trillion cumulatively by the first half of 2015, covering critical sectors including energy, metals & mining, and technology.³⁶¹ Chinese SOEs have invested in high-risk economies to obtain controlling shareholdings in strategic projects that lacked economic rationale from a liberal-market perspective but served the government's long-term strategic goals.³⁶²

One such project is Gwadar Port: a key point integrating China with the BRI's maritime routes. Chinese state-owned banks promised USD \$1.62 billion in grants and soft loans in port-related infrastructure, and central SOEs invested to take on the construction and operation of the port.³⁶³ The project not only carries unpredictable economic risks for Chinese SOEs but also involves significant geopolitical risks for China; however, it also serves the strategic purpose of facilitating China's civilian and military seaborne activities in the region and potentially reducing separatist sentiments in Xinjiang, China's northwest border province.³⁶⁴

360. The BRI was launched by China in 2013 to enhance connectivity and economic cooperation across Asia, Europe, Africa, and beyond. Through large-scale investments in infrastructure, energy, transportation, and digital networks, the BRI seeks to expand trade, stimulate economic growth, and strengthen China's global influence. Alex He, *The Belt and Road Initiative: Motivations, financing, expansion and challenges of Xi's ever-expanding strategy*, 4 J. INFRASTRUCTURE, POL'Y & DEV. 139 (2020).

361. GRIFFITH ASIA INST., *China Belt and Road Initiative (BRI) Investment Report 2025 H1* (July 17, 2025), <https://blogs.griffith.edu.au/asiainsights/china-belt-and-road-initiative-bri-investment-report-2025/>.

362. Elizabeth C. Economy, *China's New Revolution: The Reign of Xi Jinping*, 97 FOREIGN AFF. 60, 69 (2018).

363. Zhigao Liu, Seth Schindler & Weidong Liu, *Demystifying Chinese Overseas Investment in Infrastructure: Port development, the Belt and Road Initiative and Regional Development*, 87 J. TRANSP. GEOGRAPHY 102812 (2020).

364. Terry Mobley, *The Belt and Road Initiative*, 13 STRATEGIC STUD. Q. 52, 63 (2019).

Despite pursuing policy goals at the cost of economic profits, the CCP is acutely aware of the public perception linking the impact of SOEs to its own competence and legitimacy, so it also mobilizes SOE sources to contribute to public welfare.³⁶⁵ SOEs have unwaveringly supported CCP campaigns such as Poverty Alleviation and Rural Revitalization in delivering the public good, a benefit that is often unattainable in market economies oriented solely toward shareholder value.³⁶⁶ According to data published by SASAC, central SOEs had directly invested or facilitated the introduction of over RMB 100 billion in impoverished areas, including more than RMB 54 billion in non-repayable assistance in eight years from 2013.³⁶⁷ Additionally, central SOEs purchased over RMB 14 billion worth of agricultural products from poverty-stricken areas and helped sell an additional RMB 4 billion worth in eight years.³⁶⁸ In terms of human-resource support, 37,000 SOE personnel have been dispatched as temporary poverty alleviation officers to work side-by-side with local communities.³⁶⁹ Significant achievements have been made: between 2013 and 2020, the rural poor population in China decreased by a total of 98.99 million people.³⁷⁰ China had contributed to more than 70% of global poverty reduction by the end of 2016.³⁷¹

The longstanding “stability maintenance” policy of the CCP incentivizes SOEs to care for domestic stakeholders including employees, local communities, and the environment to avoid public discontent and mass incidents.³⁷² SOEs have demonstrated stronger performance in employee welfare and labor protection.³⁷³ They provide higher wages and benefits, as well as better job security than non-state employers.³⁷⁴ Empirical research found

365. Zeng, *supra* note 75, 38–39.

366. *Id.* at 73–74.

367. By the Numbers Report, *supra* note 23.

368. *Id.*

369. *Id.*

370. *Dang de Shiba Da Yilai Jingji Shehui Fazhan Chengjiu Xilie Baogao: Tuopin Gongjian Zhan Qude Quanmian Shengli Tuopin Diqu Nongmin Shenghuo Chixu Gaishan* (党的十八大以来经济社会发展成就系列报告：脱贫攻坚战取得全面胜利 脱贫地区农民生活持续改善) [Series Report on Achievements in Economic and Social Development Since the 18th CCP National Congress: Comprehensive Victory in the Battle against Poverty, Continued Improvement in the Lives of Farmers in Poverty-Alleviated Areas], GOV.CN (Oct. 11, 2022, 9:49 PM), https://www.stats.gov.cn/sj/sjld/202302/t20230202_1896671.html.

371. *Id.*

372. See Yang, *supra* note 359, at 35.

373. See Huizhong Zhou, *High Benefits and Low Wages: Employees as Monitor of Managements in SOEs*, 15 CHINA ECON. REV. 407, 407, 421–22.

374. Yang Song, *Six Central Features of the Chinese Labour Market: A Literature Survey*, 156 INT’L LAB. REV. 213, 230 (2017).

that SOE employees constantly enjoyed about 10% wage premium than their counterparts in the private sector from 1990 to 2017.³⁷⁵

SOEs play a stabilizer role in Chinese society by providing job opportunities, even at the cost of economic profits.³⁷⁶ The study found a positive relationship between state ownership and firm employment, but a negative relationship between performance and the state ownership-employment link, suggesting that SOEs are inclined to sacrifice economic profits to provide employment.³⁷⁷ SOEs are particularly sensitive to social unrest and use employment as a means to mitigate its impact.³⁷⁸ For instance, when labor unrest occurs nearby, SOEs tend to increase hiring, even at the cost of lower firm performance, whereas private firms do not adjust their employment.³⁷⁹ While private firms reduce their workforce in response to weak export demand, SOEs increase hiring.³⁸⁰ After natural disasters like floods, private firms typically lay off workers; SOEs expand their labor force instead.³⁸¹ The government also coordinates funds within SOE groups to alleviate the effects of social unrest by injecting more funds into SOEs located in areas of unrest to increase payments to employees and hire more employees at the expense of shareholder value.³⁸² During the recent economic slowdown, SOEs have also played a significant role in generating employment opportunities to maintain social stability.³⁸³

Pollution, treated as an “externality” in Western corporate governance, is internalized by the Chinese authorities, and SOEs are subject to more

375. Qian Sun, *SOE Wage Premium in China: New Evidence*, 64 EMPIRICAL ECON. 1121 (2023).

376. Quan Cheng & Alex Ng, *Achieving Stability and Prosperity: The Chinese Way*, 10 HUMAN. & SOC. SCI. COMM'N 1(2023).

377. *Id.*

378. Jiaying You, Bohui Zhang & Haikun Zhu, *State-owned Enterprises and Labor Unrest: Evidence from China* 3–4 (2025), <https://dx.doi.org/10.2139/ssrn.4215812>.

379. *Id.* at 4.

380. Jaya Y. Wen, *The Political Economy of State Employment and Instability in China*, 3, 40 (World Bank Working Paper, 2019), <https://thedocs.worldbank.org/en/doc/d1a10863088a164ac2d190337aedef4a-0050022021/original/The-Political-Economy-of-State-Employment.pdf>.

381. *Id.* at 3, 11, 16–18.

382. Haikun Zhu, *Social Stability and Resource Allocation within Business Groups* (2020), <http://dx.doi.org/10.2139/ssrn.3258210>.

383. *Cu Gaoxiao Biyesheng Jiuye Jin 90 Jia Yangqi Qidong Xiaji Zhaopin (促高校毕业生就业 近90家央企启动夏季招聘) [To Promote Employment among University Graduates, Nearly 90 Central State-owned Enterprises Have Launched Summer Recruitment]*, XINHUA NEWS (July 21, 2022, 08:17 AM), <https://www.news.cn/edu/20220721/9b7d1ac171324d58b6026adbc3edc32a/c.html>.

stringent environmental requirements than private firms.³⁸⁴ Since the mid-2000s, the government has formally incorporated SOEs into its strategic efforts to reduce pollution and enhance energy efficiency by implementing a strict accountability system tied to their environmental impact.³⁸⁵ The government mandates SOEs to report energy conservation performance in their annual evaluations.³⁸⁶ SOEs also receive significantly higher environmental protection targets and face more pressure to achieve those targets than non-SOE firms, especially those under the central government.³⁸⁷ As a result, SOEs exhibit a lower non-compliance rate compared to non-SOE firms,³⁸⁸ with central SOEs being particularly outstanding.³⁸⁹ Additionally, SOEs are also more inclined to voluntarily disclose environmental information than private firms.³⁹⁰

Although domestic stakeholders may benefit from SOEs' policy responsibilities, it does create a burden on productivity. Empirical research confirms that SOEs' financial returns (measured in return on assets and return on equity) are significantly lower than those of private firms.³⁹¹ Listed SOEs are also less productive and profitable than listed private firms; SOEs are more capital intensive but have a lower average product of capital than the private firms.³⁹² SOE productivity is only about 30–40% of what private firms produce.³⁹³ Although SOEs generate public good while pursuing policy objectives, maintaining the sustainability of this contribution requires striking an appropriate balance.

The majority shareholder—the state—may not have a problem with sacrificing economic profits for policy goals, but foreign investors may

384. Dan Guttman, et al., *Environmental Governance in China: Interactions Between the State and “Nonstate Actors”*, 220 J. ENV'T MGMT. 126 (2018).

385. *Id.* at 127–28.

386. Valerie J. Karplus, Xingyao Shen & Da Zhang, *Herding Cats: Firm Non-Compliance in China's Industrial Energy Efficiency Program*, 41 THE ENERGY J. 1, 17 (2020).

387. *Id.*; Liang Ma & Jiaqi Liang, *The Effects of Firm Ownership and Affiliation on Government's Target Setting on Energy Conservation in China*, 199 J. CLEANER PROD. 459, 463 (2018).

388. Karplus et al., *supra* note 386, at 17.

389. Liang & Ma, *supra* note 22.

390. S. X. Zeng, et al., *Factors that Drive Chinese Listed Companies in Voluntary Disclosure of Environmental Information*, 109 J. BUS. ETHICS 309, 312 (2012).

391. Hong Cheng, Hongbin Li & Tang Li, *The Performance of State-owned Enterprises: New Evidence from the China Employer-Employee Survey*, 69 ECON. DEV. AND CULTURAL CHANGE 513, 514 (2021).

392. Emilia M. Jurzyk, *Resource Misallocation Among Listed Firms in China: The Evolving Role of State-Owned Enterprises* (IMF Working Papers, vol. 2021: no. 075, 2021), <https://doi.org/10.5089/9781513571928.001>.

393. Waikie R. Lam & Alfred Schipke, *State-Owned Enterprise Reform*, in MODERNIZING CHINA: INVESTING IN SOFT INFRASTRUCTURE 307, 308 (W. Raphael Lam, Markus Rodlauer & Alfred Schipke eds., 2017).

find Chinese SOEs un-investable for lacking feasible legal routes to protect their interests.³⁹⁴ First, there are no legal channels for minority shareholders to review party organizations' decisions.³⁹⁵ Due to the lack of disclosure requirements regarding party organizations, minority shareholders will even have difficulties in accessing their resolutions. Listed companies may choose to disclose relevant information voluntarily, but so far, they have disclosed little beyond the identities of party organization members. Therefore, decision-making processes of party organizations will continue to be internal matters beyond public scrutiny.

Second, it is difficult for minority shareholders to challenge the board of directors' business decisions.³⁹⁶ Even though there is no statutory business judgement rule, Chinese courts have recognized directors' autonomy and showed reluctance to examine the content of a board resolution unless it violates the articles of association.³⁹⁷

Third, minority protection is weak in Chinese corporate governance, and the party-centric structure has worsened minority shareholders' situations. Derivative suits were introduced in 2006, but they have been rarely utilized; only 380 derivative suits were initiated from 2006 to 2019—an average of twenty-seven cases per year.³⁹⁸ Just in 2024 did minority shareholders gain the right to request the company—not the controlling shareholder—to repurchase their shares at a reasonable price if the controlling shareholder abuses its rights and seriously harms the interests of the company or other shareholders.³⁹⁹ Therefore, it remains to be seen how effective the mechanism will be in minority protection.

Independent directors were introduced in 2001; however, they have long been criticized for being subject to the influence of majority shareholders.⁴⁰⁰ The party-centric structure has shifted the major decision-making forum

394. Hudson Lockett & Joseph Cotterill, 'Uninvestable': Chinas' \$2tn stock rout leaves investors scarred, *FINANCIAL TIMES* (Feb. 2, 2024).

395. See *Company Law 2024*, *supra* note 4.

396. Kevin M. Hubacher, *A Statutory Business Judgment Rule for China's Company Law: Theoretical and Comparative Considerations*, 13 *TSINGHUA CHINA L. REV.* 1, 38 (2020).

397. *Id.*

398. Jingchen Zhao & Chuyi Wei, *Shareholder Remedies in China—Developments Towards a More Effective, More Accessible and Fairer Derivative Action Mechanism*, 16 *CAP. MKTS. L.J.* 445, 450 (2021).

399. *Company Law 2024*, *supra* note 4, art. 89.

400. See, e.g., Yanqiao Zheng, *Ownership Concentration and Independent Director Effectiveness: Governance Challenges Under China's New Company Law*, 93 *CHINA ECON. REV.* 102474 (2025).

from the board of directors to the party organization, further undermining the effectiveness of independent directors in protecting minority shareholders.⁴⁰¹ The board of supervisors plays a nominal role in minority protection⁴⁰² and the double identity of supervisors concurrently acting as party organization members further diminishes the board's role in defending the interests of minority shareholders.⁴⁰³ In addition to the factors mentioned above, Chinese courts exert judicial protectionism toward SOEs.⁴⁰⁴

VII. CONCLUSION

The latest amendment to Company Law represents a significant step in formally integrating party leadership into corporate governance, although party engagement in SOE governance is not without historical precedent. Since the Maoist era, the role of party organizations within SOEs has fluctuated, yet the CCP's influence over the state sector has been ever-present.⁴⁰⁵ Historical patterns suggest that when there is strengthening of party building, it often leads to the politicization of corporate governance, which is reflected in political considerations in personnel appointments and decision-making of SOEs.⁴⁰⁶ The latest round of party-building campaign initiated by Xi seems to repeat this pattern.⁴⁰⁷ This may lead to the emergence of more politically-oriented SOEs led by loyal party cadres, pursuing policy goals at the cost of economic profits. As a result, the interests of minority shareholders may be undermined due to the lack of protection mechanisms. However, domestic stakeholders, including employees, local communities, and the environment may benefit from SOEs' contributions to policy goals, a feature difficult to replicate in market economies driven purely by shareholder interests. A look back at history shows that the politicization of SOE governance is often at the cost of efficiency and performance. The question is whether the system will be sustainable. The reform and opening-up policy was adopted to rescue the falling state sector, which had become a large burden on the state budget. If the current system creates more problems than it solves, more policy changes may occur in the near future.

401. *Id.* at 13.

402. *See* Jiang & Kim, *supra* note 78, at 743.

403. Dahya, Karbhari & Xiao, *supra* note 240, at 125–26.

404. *See* Frederick R. Chen & Jian Xu, *Partners with Benefits: When Multinational Corporations Succeed in Authoritarian Courts*, 77 INT'L ORG. 144 (2023).

405. *See* Leutert & Eaton, *supra* note 9, at 200.

406. *See, e.g., id.* at 208–13; Opinions on Insisting the Leadership of the Party and Strengthening Party Building in Deepening State-owned Enterprise Reform, *supra* note 284.

407. *See* Leutert & Eaton, *supra* note 9.

VIII. LIST OF INTERVIEWEES

Reference Number	Interviewee	Date	Location
1	Lawyer	September 2020	Chongqing
2	Non-state company in-house lawyer	September 2020	Chongqing
3	State-owned enterprise in-house lawyer	September 2020	Shanghai
4	Non-state company in-house lawyer	October 2020	Chongqing
5	Lawyer	October 2020	Chongqing
6	Private entrepreneur	October 2020	Chongqing
7	State-owned enterprise in-house lawyer	October 2020	Shanghai
8	State-owned enterprise in-house lawyer	October 2020	Beijing
9	Non-state company in-house lawyer	October 2020	Beijing
10	Non-state company in-house lawyer	November 2020	Chongqing
11	State-owned enterprise in-house lawyer	November 2020	Chongqing
12	Lawyer	November 2020	Chongqing
13	Lawyer	November 2020	Chongqing
14	Non-state company in-house lawyer	November 2020	Chongqing
15	Lawyer	November 2020	Shanghai
16	Lawyer	November 2020	Shanghai
17	Lawyer	November 2020	Beijing
18	Private entrepreneur	December 2020	Zhejiang (Hangzhou)
19	State-owned enterprise in-house lawyer	December 2020	Chongqing

20	Non-state company in-house lawyer	December 2020	Shanghai
21	Lawyer	December 2020	Shanghai
22	Private entrepreneur	December 2020	Zhejiang (Ningbo)
23	Lawyer	December 2020	Anhui (Hefei)
24	Lawyer	December 2020	Guangdong (Shenzhen)
25	Non-state company in-house lawyer	December 2020	Guangdong (Shenzhen)
26	Non-state company in-house lawyer	December 2020	Shanghai
27	Lawyer	December 2020	Shanghai
28	Lawyer	December 2020	Beijing
29	State-owned enterprise in-house lawyer	December 2020	Beijing
30	Private entrepreneur	December 2020	Tianjin
31	State-owned enterprise in-house lawyer	December 2020	Beijing
32	State-owned enterprise in-house lawyer	December 2020	Henan (Shangqiu)
33	State-owned enterprise in-house lawyer	December 2020	Henan (Zhengzhou)
34	State-owned enterprise in-house lawyer	January 2021	Chongqing
35	Private entrepreneur	January 2021	Chongqing
36	State-owned enterprise in-house lawyer	January 2021	Henan (Luoyang)
37	State-owned enterprise in-house lawyer	January 2021	Beijing
38	State-owned enterprise in-house lawyer	March 2021	Hongkong

39	Private entrepreneur	March 2021	Anhui (Wuhu)
40	Private entrepreneur	March 2021	Inner Mongolia (Baotou)
41	State-owned enterprise in-house lawyer	March 2021	Sichuan (Chengdu)

