

SASAC and Rising Corporate Power in China

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Since the middle of 2007, a number of episodes have thrown light on the relationship between SASAC (the State Asset Supervision and Administration Commission) and the large and increasingly wealthy and powerful state-owned organizations that SASAC is entrusted to manage and “own.” The most important news has been the provisional implementation of SASAC’s long-standing program to harvest dividends from state-owned corporations. SASAC can claim some success in finally achieving a long-sought goal. However, the limited nature of the achievement also highlights the difficulty SASAC has in extending its authority and its reform agenda. A failed effort by China Eastern Airlines to bring in Singapore Airlines as a strategic investor provides a similar lesson. These episodes highlight the rising influence of powerful corporate groupings in China.

An important systemic issue that was provisionally resolved in 2007 is the distribution of after-tax profits of the giant corporations under SASAC’s purview. Disposition of the profits of state-owned enterprises has been a vexatious issue since the beginning of economic reform. The specific issue of how to handle company dividends, or after-tax profits, dates back to 1994, when the central government, as it was implementing tax reform, made a rather casual decision that state-owned companies would no longer remit after-tax profits to the government. In the subsequent 13 years, centrally run state-owned enterprises never turned over a penny of profit to their putative owners, the Chinese government. During this time, many state-owned enterprises did turn over profits to their administrative superiors, but those superiors had been transformed into holding companies of various kinds, and these holding companies were not required to—and did not—remit the profits further up to the government itself. As we reported in an earlier issue, SASAC reached agreement in principle with the Ministry of Finance as early as 2004 on the desirability of setting up “state capital management budgets” for state enterprises, which would involve them turning over a percentage of after-tax profits to the government.¹ As predicted then, actual implementation of this system has been slow and incremental, because there are powerful interest groups that wish to obstruct, or at least slow, the process. At the end of this piece, we will examine the specific terms under which central firms will begin remitting after-tax profit (or “dividends”). Here we can say that while SASAC eventually got what it wanted, it had to pay a significant price on the way, giving up the direct control it sought, settling for a much lower share of profits, and bringing the new system in at least two years behind schedule. Before we look at the resolution of this issue, it will be worthwhile to first examine the larger context, and also consider a brief cautionary tale.

Rising Corporate Wealth and Power

The enterprises directly subordinate to the central government's SASAC make up a powerful elite of organizations. When SASAC was originally set up, in 2003, there were 196 enterprises subordinate to it, some large and important, but others there because they simply didn't have any other place to go. By the end of 2007, though, there were only 152, as the smaller and less viable firms had been either disbanded or, more commonly, absorbed by a larger firm. The remaining 152 are generally large holding companies that themselves own multiple operating companies as subsidiaries. The managers of these large holding companies—the central SASAC enterprises—are important people within the Communist Party framework. Fifty-some managers are appointed directly by the central Communist Party Organization Department: they have ministry-level standing, and their appointments are finally reviewed and approved by the Standing Committee of the Politburo. The other one hundred or so top managers are appointed by SASAC itself, and while their status is not quite so exalted, they are also important people.² Central enterprise managers are deeply embedded in the overall system of personnel patronage that is the essence of Communist Party rule in China. SASAC indirectly reinforces the elite status of central firms by forcing them either to grow to become one of the top two or three firms in their sector or to be taken over. SASAC head Li Rongrong has long held that the number of central firms will be reduced to well under 100 within the next few years, so that only the more efficient firms should survive. This has touched off a furious scramble to expand beyond the cutoff point, since any manager who presides over a firm that doesn't make it into the elite hundred would lose his privileged rank and be perceived as a failure.

At the same time, and even more important, the power and profitability of the firms under SASAC has increased steadily since the formation of SASAC. Back in 2003, when SASAC was established, central SASAC firms earned an estimated 300 billion RMB of profits, already a considerable sum, equal to 2.2 percent of GDP.³ In 2007, though, these same firms earned a trillion RMB in profits, a little over 4 percent of total Chinese GDP.⁴ That is a huge increase, and a big number. For comparison, the trillion RMB is about as much as all U.S. oil companies made in 2007, and while Exxon's record 2007 profit of \$40.6 billion was the largest ever recorded by a U.S. company, it represented only 0.3 percent of the United States' enormous GDP. Huge profits give the central SASAC companies tremendous economic and political clout.

These companies were already significant bureaucratic interest groups under the planned economy, and have remained influential throughout the reform era. Now they have a degree of money and influence that is simply not comparable with the old days. This wealth and power has attracted increasing attention in China. The large revenues these firms earn have been criticized (accurately) as indications of their monopoly privileges. The higher incomes that workers and managers in these corporations earn have attracted criticism as well. Indeed, according to SASAC's numbers, the average salary of the top managers of central SASAC firms quadrupled between 2000 and 2006. The bulk of this increase occurred *before* SASAC was established, when, after the 15th Party Congress in 1997, large SOEs were essentially turned loose to establish their own

compensation standards. In some cases, managerial salaries had been very low during the planned-economy era, and the increase was a large percentage precisely because the starting point was so low. Regardless, the result has been some very large executive salaries.⁵

Managerial compensation at these firms is thus part of a broader discussion. In political terms, excess managerial compensation—like unregulated insider management buyouts—elicits political opposition and pointed criticisms of the Communist Party elite. In economic terms, if managers are allowed to set their own compensation—as was essentially the case between 1998 and 2003—they will not have the right incentives to improve efficiency and respond to the demands of owners. An important plank of SASAC's overall platform has been to create conditions for a better system of setting managerial pay. Ultimately, this requires restructuring companies so that they are listed in reasonably efficient stock markets, so that share prices could help set managerial salaries. However, this intrinsically difficult, long-term effort has proceeded slowly. While many subsidiaries of central firms have been newly listed on Chinese stock markets in the past two years, only a few have been “integrated firm” listings in which the whole of the enterprise's assets are listed, a format that limits the scope for share price manipulation. Given this slow progress, SASAC has been forced to acknowledge that many firms will not be restructured in this way in the foreseeable future.⁶ As a second-best policy, SASAC has joined the broader political discussion by publicizing wages and managerial salaries, and expressing concern when necessary. SASAC has been trying to limit wages and managerial compensation through increased transparency and moral suasion (also known as “jawboning”) without having recourse to overly rigid controls that would undercut ambitious managers in their drive to succeed.⁷

Thus, over the three- or four-year period in which SASAC has been trying to establish a system of after-tax profit remittance, the total of what the central government enterprises earn and possess has been growing rapidly. Even after SASAC extracts its piece, in coming years, these firms will have more money and economic power than a few years ago. Of course, in China, and perhaps everywhere, that economic power is convertible into political influence. Over the past few years, while the power of SASAC has arguably grown somewhat, the power of the large central government enterprises has grown even more dramatically. That was obvious during the past few months in the saga of China Eastern Airlines, Singapore Airlines, and SASAC, where economic interests thoroughly trumped the effort of SASAC, an administrative agency that clearly ought to have had the bureaucratic power to impose its solution, but in the end, did not.

A Cautionary Tale

On 2 September 2007, China Eastern Airlines signed a framework agreement to sell a 24 percent stake (for HK\$7.2 billion) to Singapore Airlines, in alliance with Singapore's sovereign wealth fund, Temasek Holdings). The deal immediately threatened to shake up China's airline industry. The airline industry had already been reorganized numerous times, split up, decentralized, and then reconsolidated. By 2007, the industry was

dominated by two relatively strong state-owned “national champions,” and one comparatively weak national champion *manqué*. The two strong national champions, Air China and China Southern, are both now among the largest airlines in the world, and are profitable and growing rapidly; China Eastern, the weak sister, has been marginally profitable and has struggled to develop a successful strategy. Seeking a viable turn-around strategy, China Eastern had been in talks with Singapore Airlines for two years. Trading in China Eastern shares had been suspended since 22 May 2007 because of the resulting rumors. Finally, by the end of August, it was reported that China Eastern had received all the necessary approvals from four different state agencies, and ultimately from the State Council as well.⁸ Among the agencies giving their approval, one of the most important was SASAC, which, after all, is the nominal owner of all three of the national champion airlines. SASAC holds 100 percent of the ownership of the parent companies of these three airlines, which in turn hold majority stakes in the airlines themselves, which are listed on stock exchanges in Shanghai and Hong Kong. With SASAC and the State Council on board, it seemed that the way for the deal had been made smooth.

Then, less than three weeks later, Hong Kong’s Cathay Pacific Airlines announced that it would attempt to block the Singapore Airlines bid and, teaming up with Air China, offer a higher price for the China Eastern shares that were in play. From Cathay Pacific’s standpoint, this was certainly an understandable effort. Cathay Pacific, after a long and torturous relationship with Chinese airline officials, had finally gotten to the place it wanted to be: In June 2006, Cathay Pacific had gained full control over its subsidiary Dragonair, in return for a complicated cross-holding deal with Air China.⁹ This arrangement made Cathay Pacific (through Dragonair) the only foreign airline allowed to serve numerous destinations within China. Cathay was not eager to have other foreign airlines crack that monopoly privilege, and especially not eager to have Singapore Airlines, a truly world-class competitor, invading its turf. But only two days later, Cathay aborted its bid. No reason was publicly given, but it was obvious that Cathay had been slapped down by Chinese officials. Nor was this surprising, for it would clearly be in the interests of Chinese consumers, and in the long-run interest of the Chinese economy, to have healthier competition in the airline market: three strong competitors instead of two. The introduction of Singapore Airlines’ superior operational experience into the Chinese industry would drive rapid progress in service and technology standards. Forgoing this in the interests of “foreign” Cathay Pacific’s monopoly would make no sense. Moreover, this was clearly SASAC’s view, for China Eastern said repeatedly that SASAC had supported its tie-up with Singapore Airlines, and SASAC repeatedly affirmed that it in general supported “foreign strategic investors” tying up with central government firms.

During the fall, though, it gradually became clear that Air China (or rather, its parent, China National Aviation Holding Corporation) was determined to block the deal.¹⁰ Trading in China Eastern shares resumed immediately after the formal announcement of the Singapore tie-up, and, riding on the heels both of the announcement and the dramatic run-up of the Chinese stock market during 2007, quickly reached a level double that of the Singapore offer, which had been based on the stock price on 22 May 2007. Air China, which already had a substantial holding in China Eastern, increased its

holding, in November, at the higher price. For a confusing period, China Eastern and Air China traded mutually contradictory statements: China Eastern claimed that Air China supported their tie-up with Singapore; Air China denied it. Air China proposed closer cooperation with China Eastern, and was rebuffed. Air China argued that the Singapore offer undervalued China Eastern and that, as a shareholder, it was entitled to a higher price. But Air China's head, Li Jiaying, also argued that Air China and China Eastern together could become an even stronger national champion, and keep foreign airlines out of their home market. Of course, this was not a surprising position: Air China already had the tie-up with Cathay Pacific and so had access to advanced technology, and they had monopoly access to that expertise and a protected position in their home market. Of course, they wanted to protect their position, even though this view was quite different from that of their nominal "owners," central SASAC.

Then, on 28 December, Air China's Li Jiaying was promoted to be the acting minister of the Civil Aviation Administration of China (CAAC), the nominally independent airline regulatory commission. In an instant, the game was changed. Clearly somebody higher up, in the Standing Committee of the Politburo, had decided that Air China's vision was more attractive than SASAC's vision. Perhaps it was simply the politically unpalatable spectacle of selling state assets cheaply to a foreign company, which was implied by an unmodified version of the Singapore offer. In any case, SASAC was handicapped in arguing its case by the big difference between the market price of the China Eastern shares and the price Singapore was offering (and which it refused to raise). SASAC determined ultimately that the deal was a market transaction, and that it should not try to block it. But while this is true, it also has the air of *ex post* rationalization. On 8 January 2008, China Eastern outside shareholders met in Hong Kong and Shanghai. These shareholders (not including China Eastern's parent) had to approve the takeover deal by a two-thirds majority. It wasn't close. With Air China voting all its shares against, the "outside" shareholders voted down the proposal in both venues. China Eastern immediately vowed not to let the deal die. Having previously rebuffed Li Jiaying's vision of closer cooperation between China Eastern and Air China, China Eastern CEO Li Fenghua declared, "We didn't even want to go out on a date with them; why would we want to marry them?"

The open clash of visions and egos was entertaining and comparatively rare. Air China made a formal offer for up to 30 percent of China Eastern later in January, but it was firmly rebuffed by Li Fenghua. "We were naïve," said Li Fenghua. "We thought approval by the authorities would resolve all difficulties."¹¹ In any case, the reality is that SASAC was rolled: Air China brought in higher-level patrons to help it protect its cozy monopolistic position, and this political alliance batted away SASAC's power as supposed "owner." In the process, SASAC's effort to develop a more competitive marketplace also fell by the wayside. This little tale illuminates the context in which the far more important issue of profit remittance unfolded.

Remittance of Profit to the Government

As was discussed in *CLM* 18, SASAC and the Ministry of Finance reached agreement in principle about state capital management budgets and profit remittance by the end of 2004, and it was reported in mid-2006 that a more detailed program had been bargained out between the two parties. The Ministry of Finance (MoF) was unwilling to let SASAC serve as the collection agency for capital funds; only the MoF had that power, they argued. SASAC, of course, while conceding that the funds were the property of the nation and headed for the MoF's coffers, strongly preferred to serve as the first collection and management point for the funds. This would give SASAC the resources it needed to carry through its ambitious program of corporate restructuring. The Ministry of Finance won. All moneys were to be turned over to the MoF first, with some portion of them then remanded to SASAC. As the system of state capital management budgets is rolled out nationwide in 2008, SASAC will have lead authority for compiling the budgets, but not for collecting the money.

On 14 September 2007 the State Council finally approved the detailed regulations that began the remittance of profit to the government.¹² SASAC had to settle for a much lower rate than it had hoped for. Behind the lower rates, we should imagine the intense lobbying taking place, as central firms argued to their patrons that they should keep funds in order to develop their industries and become successful, “internationally competitive” firms. While it had often been proposed that central enterprises would remit 20 percent of their profit (in line with some of the regional governments), the final regulation divided all firms into three groups, with remittance rates for after-tax profits set at zero, five, and ten percent, respectively. Seventeen SASAC firms plus the State Tobacco Monopoly were to remit 10 percent of their profits; 32 SASAC firms, mostly military industrial firms and research institutes, were exempted from paying for three years; and the remaining 99 SASAC firms were to remit 5 percent of their profits.¹³ The sense that the size of profit remittance would fall short of SASAC's original objective was dramatized by initial reports that spoke of a remittance of only 17 billion yuan. This, however, was the remittance decreed in 2007 from profits earned during 2006: Since it was retrospective, and 2007 was already more than half over, only half the amount was charged. Moreover, not every eligible enterprise was actually covered by the provisional implementation: By the end of December 2007, 116 of SASAC's 152 enterprises were participating.¹⁴ Still, this was a relatively paltry sum, equal to only 2 percent of total firm profits.

However, the full system comes into effect during 2008, as central firms make up their 2007 state capital income budgets under SASAC's guidance. These will then be approved by the Ministry of Finance, and the firms will remit profit fully according to the net regulations. While only 17 SASAC firms are to remit 10 percent of profits, these are of course the firms in the most profitable sectors. Moreover, profit is highly concentrated: Nine firms produced 69 percent of central SASAC's 2006 profits.¹⁵ Seven of these nine—the three oil companies, the big coal company, the power grid and two telecom firms—will now remit 10 percent of after-tax profits. Two—the Baoshan Steel Mill and the China Aluminum Company (Chinalco)—are in the 5 percent bracket because they are

in competitive industries, even though they are fabulously profitable right now.¹⁶ This implies that the majority of central enterprise after-tax profit will be subjected to the 10 percent rate, which will provide a fairly significant sum. Chinese sources declare that more than 50 billion RMB of after-tax profits will be remitted by central enterprises in 2008 from 2007 profits. The actual figure will likely be closer to 60 billion. In addition, local governments will decide their own formulas for profit remittance and the pace of implementation, but they are expected to gradually follow the lead of central SASAC. Local state firms will generally be subject to the 5 percent rate (local governments have few monopoly enterprises), so local firms might eventually contribute another 20 billion to the government budget.

However, another important and offsetting change took effect on 1 January 2008. The corporate income tax rate in China was unified and lowered from 33 percent to 25 percent. The main impetus for this change was the desire to end the differential treatment between foreign-invested firms and domestic firms. Foreign-invested firms, enjoying a whole range of tax breaks and preferential agreements accumulated over the years, were subject to a much lower nominal tax rate than were domestic firms, often enjoying a nominal rate of 15 percent, compared to 33 percent for domestic firms. The discrepancy in practice was less marked, since domestic firms also enjoyed many tax breaks, but it was still significant. According to one Xinhua estimate, domestic firms on average paid 24 percent and foreign-invested firms paid 14 percent.¹⁷ The lowering of the tax rate and the ending of the tax breaks are theoretically to take place simultaneously, so we can't conclude that the large central enterprises will enjoy a cut of 8 percentage points in their actual effective tax rate. But it is clearly true that the drop in tax rates on gross profits—perhaps 4 or 5 percentage points—will be of the same order of magnitude as the increase in remittance of after-tax profits from zero to five or ten percent.

Central enterprises will thus have about as much money as they would have had without any changes in the law. SASAC, however, will finally have a source of funds to carry out its restructuring projects. That money must go through the Ministry of Finance, and there is no guarantee that SASAC will get 100 percent of the profits remitted, but SASAC should still get the bulk. SASAC is committed to using those funds in three main baskets: capital outlays, restructuring outlays, and “reform costs.” In practice, this means that SASAC now has some of its own money to play with. It can purchase companies (“capital outlays”), pay the costs necessary to restructure particular firms or sectors, and use the funds to buy out workers and social services in bankrupt enterprises.¹⁸ SASAC has won a victory, but one that is hedged by the powers and interests with which it must contend.

Conclusion

Central enterprises are deeply enmeshed in a new kind of politics in China. On the one hand, central enterprises are controversial. Their monopoly positions give them high salaries and rich managerial compensation. This breeds resentment among the general population and sometimes opposition from existing or potential private entrepreneurs,

who are blocked by these firms from exploiting lucrative opportunities. On the other hand, these firms have substantial economic clout, which has grown substantially over the past few years. Efforts to subject these firms to increased transparency and greater regularity have paid some dividends, to be sure. But efforts to restrict their money and resources have had no effect whatsoever. Air China's maneuvering in the China Eastern saga reveals one of the important reasons why this is true. Central state firms can present themselves as national champions, and in this respect at least can draw on a measure of public support. When complex situations can be construed as a rivalry between domestic and foreign companies, public opinion and regulatory outcomes will often tilt toward the domestic "home team." Of course, such sentiments are particularly likely when markets and the economy are booming, and it seems a privilege for all parties, domestic and foreign, simply to be allowed to own a stake in China's economy. Central public enterprises thus play a prominent role in political discussions, but one that is subject to volatile cross-currents that reflect their highly contested position in the industrial economy.

SASAC's mandate is to "own" these corporations and to manage them in the public interest. SASAC is thus ally *and* adversary of the central enterprises. SASAC is the ally of these large public corporations in that it seeks to improve their managerial competence and technical capability and increase the value of the state-owned assets. A vital strand in increasing the value of the public's ownership stake is the increasing of oversight of the managerial stratum that actually runs these firms and reducing the "agency loss" that occurs through weak oversight. In a politicized environment, that makes SASAC the adversary of today's entrenched managers and their politician allies. When the issues have an undercurrent of adversarial relation—as does the remittance of after-tax profit to the government—SASAC makes progress only slowly and tentatively, as it grinds against the formidable power of large, wealthy, and politically connected organizations.

Notes

¹Barry Naughton, "Claiming Profits for the State: SASAC and the Capital Management Budget," *China Leadership Monitor* 18 (Spring 2006).

²In 2003, there were 53 firms whose CEO, Party secretary, and board chairman were appointed directly by the Central Organization Department. Today's number is approximately the same, according to interviews. Communist Party of China, "Party Center Notification on a Few Matters Relating to the Establishment of State Council SASAC," 24 March 2003, in 2004 *Zhongguo Guoyou Zichan Jiandu Guanli Nianjian* [China State-owned Assets Supervision and Management Yearbook]. Beijing: Zhongguo Jingji, 2004, p. 99.

³The 2003 figure is a retrospective benchmark from "Central SOEs to return part of profits to exchequer next year," Xinhua, 14 September 2007, at <http://english.people.com.cn/90001/90778/6263214.html>. SASAC has published reasonably consistent annual profit data from 2004 onward.

⁴To be precise, 996.85 billion RMB, which would be 4.1 percent of China's 2007 GDP, approximated at 24 trillion. Zheng Ang, "Li Rongrong repeats that SOEs should publish financial records in three years; it is doubtful that salaries of top management will be revealed," *Huaxia Shibao*, 2 February 2008. Accessed at http://www.china.com.cn/policy/txt/2008-02/02/content_9637969.htm.

⁵"Head of SASAC's Distribution Bureau: 'Income distribution in Central Enterprises is comparatively regular,'" *Nanfang Zhoumuo*, 31 January 2008. Accessed at http://news.xinhuanet.com/fortune/2008-01/31/content_7533058.htm; cf. Zheng Ang, *loc. cit.*

⁶ “*Guoziwei Fayenren tan yangqi zhengti shangshi gongzuo youguan qingkuang*” [SASAC spokesman discusses some situations surrounding work of integrated listing of central enterprises], *Caijing*. Xinwen Dongtai, 17 October 2007, accessed at <http://www.caijing.com.cn/newcn/home/newsupdate/2007-10-17/33936.shtml>; “*Guoziwei: Guli budaibiao suoyou yangqi dou yao zhengti shangshi*” [SASAC: The encouragement we give to integrated listing doesn’t mean it’s the right option for every central enterprise], *Caijing*. Xinwen Dongtai, 8 November 2007, accessed at <http://www.caijing.com.cn/newcn/home/jsywx/china/2007-11-08/37032.shtml>.

⁷ “Head of SASAC’s Distribution Bureau”; Zheng Ang, *loc. cit.*

⁸ Temasek was to take an 8.3 percent stake, while Singapore Airlines would have taken a 15.7 percent stake. “Shareholders throw out China Eastern-SIA deal,” *South China Morning Post*, 9 January 2008, pp. b6, b8. Leithen Francis, “SIA approved to buy into China Eastern,” *Flight*, 28 August 2007, at <http://www.flightglobal.com/articles/2007/08/31/216413/sia-approved-to-buy-into-china-eastern.html>.

⁹ Cathay Pacific owns 20 percent of Air China, while Air China owns 17.5 percent of Cathay Pacific.

¹⁰ The public part of this story was widely reported in the world business press. See especially Xinhua News Service, “SASAC denies intervention in China Eastern’s SIA deal vote,” 5 January 2008, at http://www.chinadaily.com.cn/china/2008-01/05/content_6373129.htm; “Shareholders throw out China Eastern-SIA deal,” *South China Morning Post*, in note 8; Jamil Anderlini and Geoff Dyer, “China Eastern’s change of tack,” *Financial Times* [London], 8 January 2008, accessed at <http://www.ft.com/cms/s/0/5904eb62-be12-11dc-8bc9-0000779fd2ac.html>; Jamil Anderlini and Raphael Minder, “CNAC tables China Eastern proposal,” *Financial Times* [London], 20 January 2008, accessed at <http://www.ft.com/cms/s/0/e5c70eea-c781-11dc-a0b4-0000779fd2ac.html>; “Airline still pursuing partnership,” *China Daily*, 24 January 2008, accessed at <http://english.people.com.cn/90001/90776/6344108.html>.

¹¹ “Airline still pursuing partnership,” *China Daily*.

¹² State Council, “*Guowuyuan guanyu shixing guoyou ziben jingying yusuan de yijian*” [State Council views on the State Capital Management Budget], *Guofa* [2007] 26, September 13, 2007, accessed at http://www.gov.cn/zwggk/2007-09/13/content_748143.htm; more-detailed implementing regulations were issued by the Ministry of Finance and SASAC, and approved by the State Council on 11 December 2007. Ministry of Finance and SASAC, “*Zhongyang qiye guoyou ziben shouyi shouque guanli banfa*” [Management methods for receiving the state capital income of central enterprises], accessed at <http://www.sasac.gov.cn/n1180/n1566/n259730/n264213/3538107.html>.

¹³ In addition, two companies that managed the grain and cotton reserves were permanently exempted. The State Tobacco Monopoly reports directly to the State Tax Administration, not to SASAC. For the entire name list, see “*Yangqi ‘guoyou ziben shouyi’ shouqu chu xingui*” [New regulations appear for central enterprise “State capital Income” receipts and outlays], *Caijing* Internet Edition, 17 December 2007, accessed at <http://www.caijing.com.cn/newcn/home/cjcx/2007-12-17/42098.shtml>.

¹⁴ “*Guoziwei gongbu yangqi shangjiao hongli zhipei fangshi; jiang yongyu san lingyu*” [SASAC promulgated the methodology for allocating remitted dividends, which will be used in three areas], *Zhongguo Xinwenwang*, 31 January 2008, accessed at <http://news.sohu.com/20080131/n254996949.shtml>.

¹⁵ Zhang Yuzhe, “*Yangqi jiang shangjiao 2006 niandu hongli 170 yiyuan*” [Central enterprises will remit 17 billion in dividends from 2006], *Caijing*, 19 September 2007, accessed at <http://www.caijing.com.cn/newcn/home/headline/2007-09-19/30723.shtml>.

¹⁶ Indeed, Cinalco made headlines in February 2008 by teaming up with Alcoa to buy a 12 percent stake in raw material producer Rio Tinto (primarily in order to keep the company independent in the face of a take-over move by BHP Billiton).

¹⁷ Xinhua News Service, “China to unify corporate income tax rates at 25%,” 24 December 2006, accessed at http://news.xinhuanet.com/english/2006-12/24/content_5525729.htm.

¹⁸ “*Guoziwei gongbu yangqi shangjiao hongli zhipei fangshi; jiang yongyu san lingyu*” [SASAC promulgated the methodology for allocating remitted dividends, which will be used in three areas], *Zhongguo Xinwenwang*, 31 January 2008, accessed at <http://news.sohu.com/20080131/n254996949.shtml>.