

Table of Contents

List of Figures	XIII
List of Tables	XVII
List of Abbreviations.....	XIX
General Notes.....	XXI
1 Introduction	1
2 The Significance of Effective Development in China	5
2.1 Stability and Welfare as Governance Maxims throughout the Millennia.....	6
2.1.1 Momentous Historical Occurrences	6
2.1.2 From Sophisticated Power to Stunted Performance.....	10
2.2 China's Development Since 1978	14
2.2.1 Stability and Welfare Throughout the Course of the Reform Period.....	15
2.2.2 A Note on Conduct to Imminent Instability.....	17
2.2.3 Unequalled Achievements in Regaining Momentum	20
2.3 Considerations for the Future Path of Development	26
2.3.1 A Broad Array of Challenges.....	27
2.3.2 The Paramount Importance of the Financial System	29
3 The Connection Between the Capital Market and Development.....	33
3.1 General Aspects of Financial System Design	34
3.1.1 Resuming the Bank-based Versus Market-based Debate	35
3.1.2 Limited Applicability of an Overall Concept of Efficiency.....	37
3.1.3 Principle of Dynamism and Evolutionary Capability	39
3.2 The Finance-Growth and Finance-Development Link in Theory and Empiricism	41
3.2.1 Theoretical Concepts.....	42
3.2.2 Empirical Studies	43
3.3 Resulting Research Method	47
3.3.1 Fundamental Features of the Development Structure	48

3.3.2 Overview of the Role of the Capital Market in Effective Development.....	54
3.3.3 A Functional Perspective as a Starting Point	56
3.3.3.1 The Functional Perspective Concept.....	57
3.3.3.2 Functions of the Capital Market.....	58
3.3.3.3 Essential Details of Stock and Bond Markets	64
3.3.4 Evaluating the State of the Capital Market	70
3.3.4.1 General Statistical Data on Capital Market Capacity.....	70
3.3.4.2 Capital Market Development Indicators	70
3.3.5 Parameters Influencing the Capital Market.....	72
3.3.5.1 Basic Considerations	73
3.3.5.2 Eight Significant Parameters Depicted as Spheres	74
4 The Current Performance of the Chinese Capital Market.....	78
4.1 Rationale for the Stock and Bond Markets' Re-emergence Since the 1980s.....	79
4.2 The Stock Market Segment	81
4.2.1 Relevance of the Stock Market in Raising Capital	82
4.2.2 Particularities as to the Differentiation into Diverse Share Categories.....	84
4.2.2.1 Shares of Companies Incorporated in China.....	85
4.2.2.2 Shares of China-related Companies Incorporated Outside China.....	91
4.2.2.3 Market Segmentation in Transition.....	93
4.2.3 Companies Quoted on Domestic Stock Exchanges	99
4.2.3.1 Number of Listed Companies	100
4.2.3.2 Industrial Distribution	103
4.2.3.3 Regional Distribution	107
4.2.3.4 Selected Financial Indicators and Overall Performance	109
4.2.4 Investors in Domestic Stock Exchanges	116
4.2.4.1 Number of Investors.....	116
4.2.4.2 Composition of Investors	120
4.2.4.3 Regional Distribution of Investor Accounts.....	126
4.2.5 Data on Stock Market Performance	131
4.2.5.1 Total and Tradable Market Capitalisation.....	131

4.2.5.2 Trading Volume	134
4.2.5.3 Turnover	137
4.2.5.4 Average Turnover Rate	138
4.2.5.5 Price to Earnings Ratio.....	140
4.2.5.6 Stock Exchange Composite Indices	143
4.2.5.7 Essential Periods Causing a Shift in Performance Direction	145
4.3 The Bond Market Segment	149
4.3.1 Relevance of the Bond markets in Raising Capital.....	151
4.3.2 Features of Existing Bond Categories.....	156
4.3.2.1 Treasury Bonds	157
4.3.2.2 Financial Bonds.....	162
4.3.2.3 Enterprise Bonds	164
4.3.3 Secondary Market Options.....	167
4.3.3.1 Interbank Market.....	168
4.3.3.2 Stock Exchanges	169
4.3.3.3 Bank Over-the-Counter Market	170
4.3.3.4 Towards Higher Secondary Market Efficiency.....	171
4.3.4 Data on Bond Market Trading	172
4.3.4.1 Weight of Bond Trading on the Interbank Market.....	172
4.3.4.2 Trends of Bond Trading on Stock Exchanges.....	175
4.3.4.3 Initial Phase of the Bank Over-the-Counter Market	183
4.3.4.4 Overriding Requirements for Bond Trading	184
4.4 A China-International Comparison of Capital Market Development	185
4.4.1 China's Stock and Bond Market Development as a Basis for Comparison.....	186
4.4.2 State of Affairs in Selected International Countries.....	193
4.4.2.1 United States and Germany	193
4.4.2.2 Japan and India.....	195
4.4.2.3 Asian Tiger Economies	197
4.4.2.4 Asian Panther Economies.....	201
4.4.3 A Concluding Remark on the Use of China-International Comparisons.....	205

4.5 Recapitulatory Notes on the Performance of Capital Market Functions	207
5 Significant Parameters for the Chinese Capital Market	211
5.1 Institutional Framework	212
5.1.1 The Potential Impact of the Institutional Framework on the Capital Market ...	212
5.1.2 An Evolving Institutional Framework in China.....	214
5.1.2.1 Formal Rules	214
5.1.2.2 Enforcement of Formal Rules	215
5.1.2.3 <i>Guanxi</i> as the Basis of Informal Rules.....	216
5.1.2.4 The Danger of Disregarding Rules.....	217
5.1.2.5 Concluding View on the Impact of the Institutional Framework.....	219
5.2 Corporate Governance.....	220
5.2.1 The Potential Impact of Corporate Governance on the Capital Market.....	221
5.2.2 Pivotal Features of Corporate Governance in China.....	223
5.2.2.1 Diversification of Ownership Forms.....	224
5.2.2.2 Relationship Between Companies and Shareholders.....	226
5.2.2.3 Scope of External Incentives and Directives.....	230
5.2.2.4 Potential for Incentives Based on Agreements	232
5.2.2.5 Concluding View on the Impact of Corporate Governance	234
5.3 Reputational Agents	235
5.3.1 The Potential Impact of Reputational Agents on the Capital Market	235
5.3.2 The Role of Reputational Agents in China	236
5.3.2.1 The Media as a Case in Point for the Realm of Possibility.....	236
5.3.2.2 Rating Agencies as an Illustration of the Long Road Ahead	238
5.3.2.3 Concluding View on the Impact of Reputational Agents	239
5.4 Key Stakeholders Acting For Society	240
5.4.1 The Potential Impact of Stakeholders Acting for Society on the Capital Market	241
5.4.2 Key Stakeholders Acting For Society in China	242
5.4.2.1 Social Organisations.....	243
5.4.2.2 Research Entities and Individual Personages.....	248

5.4.2.3 Ethnic and Spiritual Groupings	251
5.4.2.4 Cyberspace Connectability.....	251
5.4.2.5 Concluding View on the Impact of Stakeholders Acting for Society ...	253
5.5 The General Political and Economic Situation	253
5.5.1 The Potential Impact of Policy and the Economy on the Capital Market.....	254
5.5.2 Policy and Economy in the Course of the Reform Measures Started in 1978 ..	254
5.5.2.1 Political Actions Under the Fourth Leadership Generation	255
5.5.2.2 Towards Higher Economic Efficiency	255
5.5.2.3 Concluding View on the Impact of Policy and the Economy	256
5.6 Societal and Demographic Affairs	257
5.6.1 The Potential Impact of Societal and Demographic Affairs on the Capital Market	257
5.6.2 Fundamental Changes in Society and Demography in China.....	259
5.6.2.1 Changes in Income Levels and Distribution	260
5.6.2.2 Population and the Ageing Society	261
5.6.2.3 Concluding View on the Impact of Societal and Demographic Affairs.....	265
5.7 The State of Technology and Infrastructure.....	265
5.7.1 The Potential Impact of Technology and Infrastructure on the Capital Market	266
5.7.2 Trends of Technology and Infrastructure in China	266
5.7.2.1 The Role of Information and Networking Technologies	267
5.7.2.2 Overcoming the Infrastructure Bottleneck	268
5.7.2.3 Concluding View on the Impact of Technology and Infrastructure.....	269
5.8 Regional and Global Integration	269
5.8.1 The Potential Impact of Regional and Global Integration on the Capital Market	270
5.8.2 The State of China's Regional and Global Integration	270
5.8.2.1 The Level of Regional Integration	271
5.8.2.2 The Significance of the Accession to the World Trade Organization... ..	271

5.8.2.3 Tendencies of Interest	272
5.8.2.4 Concluding View on the Effect of Regional and Global Integration	273
5.9 Closing Notes on Significant Parameters.....	273
6 Opinions on Capital Market Performance and Its Potential	276
6.1 Method of Data Acquisition.....	276
6.2 Survey Results.....	277
6.2.1 Contribution to Financing Effective Development.....	278
6.2.2 Accomplishment of Capital Market Functions	283
6.2.3 Influence Exerted by Significant Parameters	291
6.2.4 Reciprocal Influence of the Significant Parameters.....	305
6.2.5 Greatest Obstacles to Further Capital Market Evolution	314
7 Prospects of the Capital Market and China's Development	317
Appendix	325
A Side Note on General Facets of the Notion of Corporate Governance	326
A.1 Diversity in Corporate Governance Perceptions.....	326
A.2 Mechanisms Giving Direction to the State of Corporate Governance.....	331
A.2.1 Primary Participants and Internal Mechanisms.....	331
A.2.2 External Incentives and Directives.....	332
A.2.3 Stimuli Based on Agreements	334
B Side Note on the Civil Society Approach.....	336
B.1 From a Philosophical and Political Concept to a Buzzword.....	336
B.2 Re-examination of this Concept's Applicability to Today's China.....	338
C Glossary	342
Literature and References	353
Data Sources	434
Major Regulations, Rules, and Measures Mentioned in the Text.....	438