

**STATE-OWNED NATIONAL CHAMPIONS  
DOMINATE CHINA'S  
NOMENKLATURA CAPITALISM**

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## Executive Summary

1. In spite of 30 years of economic reform, the Chinese economy is still dominated by large state-owned enterprises (SOEs). The most important of these are the 114 central enterprises (*yangqi*) managed by the State-owned Assets Supervision and Administration Commission (SASAC).
2. The enterprises form large SOE-controlled pyramidal business groups with numerous subsidiaries and listed companies. They account for the majority of the 89 Chinese companies on the Global Fortune 500 list.
3. Through listings of subsidiaries the central enterprises have been able to generate huge capital gains. They benefited greatly from the tax law of 1994 which exempted them from paying dividend to the nominal shareholder, the state. Their leaders are often ranked at vice ministerial level.
4. In 2003 SASAC was formed to reassert state control over 196 business groups classified as central enterprises. However, SASAC was not authorized to receive dividend or appoint the presidents and board chairmen of the largest 53 central companies.
5. These top executives are appointed and managed by the Central Organization Department according to the central nomenklatura list of all top positions in Party and state institutions and organizations at ministerial and vice ministerial level. The nomenklatura companies form the core of the economy.
6. In 2011 the profit of the central enterprises reached almost one trillion yuan. However, a report from the Unirule Institute in Beijing shows that if hidden subsidies from the state to the central enterprises are taken into consideration, most of them are in the red.
7. Recently SASAC companies have been asked to remit part of their profit to the state, the nominal shareholder. However, the remittance rates are very low

compared to international standards. The SOEs use the retained profit for reinvestment, high salaries for their employees (in particular for their CEOs), and for property speculation.

8. Powerful vested interests continue to block SOE reform. An iron triangle of Party-state-big business interests has developed whereby the political elite have access to both highly paid SOE jobs and high state and Party positions.
9. China's state capitalism is characterized by the extent of the Party's coordinative powers. It synchronizes Party, government and big business through shareholding and its control of the nomenklatura system. The result is the continuation of a unique form of state capitalism where the large nomenklatura companies play a major role.