

The Institutional Change in China after its Reform in 1979

An Institutional Analysis with a Focus on Mergers and Acquisitions

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The Institutional Change in China after its Reform in 1979

An Institutional Analysis with a Focus on Mergers and Acquisitions

Institutionele verandering in China na de hervorming van 1979

Een institutionele analyse met een focus op fusies en overnames

PROEFSCHRIFT

**TER VERKRIJGING VAN DE GRAAD VAN DOCTOR
AAN DE ERASMUS UNIVERSITEIT ROTTERDAM
OP GEZAG VAN DE RECTOR MAGNIFICUS**

PROF.DR. S.W.J. LAMBERTS

EN VOLGENS BESLUIT VAN HET COLLEGE VOOR PROMOTIES.

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Preface

When packing my suitcases for the trip to Rotterdam once again, I realised that this would be the last trip for my doctoral research abroad. After participating in the Ph.D. Masterclass, which was organised by the China-Holland Education & Research Centre (CHERC) at Erasmus University Rotterdam in July and August 1999, I won the position of Ph.D. candidate in the school of economics, Erasmus University Rotterdam. Since then I have been flying between Shanghai and Rotterdam from time to time.

Pursuing a PhD study abroad is not an easy task. In writing this dissertation, I encountered a lot of difficulties. Fortunately, many persons kindly helped me to finish this programme. My thanks go to all of them.

My dissertation is a combination of theoretical research and empirical study. I owe my thanks to my supervisors. Without their help, my dissertation would never have been finished. First of all, I would like to express my sincere gratitude to my promoter, Prof.dr. J.P.M. Groenewegen. Prior to my entrance to EUR, I always wondered: why China cannot be listed as one of the most wealthy and powerful countries in the world though she has the most diligent people. It is John who led me into the world of Institutional Economics. "Institutions do matter." I still remember that we discussed from sunrise till sunset at his home in Delft. And, he was so kind to offer me his own office in Erasmus University. Especially for the final touches of my dissertation, John spent an enormous amount of time reading the draft one after another and correcting it word by word.

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Though the completion of my PhD program is approaching, I hope the cooperation with John and Onno in the academic field will continue. Moreover, I hope to see more educational communication between China and the Netherlands and will do whatever I can to support this.

My thanks also go to Prof.dr. M.P. van Dijk, Prof.dr. W.M. Lammerts van Bueren and Prof.dr. R.J.M. van Tulder, who are members of the small committee. They spend a lot of time and energy to read this thesis and gave me their comments.

I owe much gratitude to Prof.dr. W.M. Lammerts van Bueren, Chairman of the China-Holland Education & Research Centre (CHERC). He did build a bridge between China and the Netherlands. He led me into Erasmus University Rotterdam and guided me from the beginning to the end, allowing me to complete the PhD project in an efficient and fruitful way. I also would like to thank CHERC for sponsorship and Mrs. Weichia Tseng for arranging working facilities and

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I am very grateful to my parents for their care and love that enabled me to pursue a PhD study abroad. They encouraged me to work hard. Otherwise I would not have been able to finish this programme in 4 years and get the PhD degree overseas.

Last, but definitely not least, I am deeply indebted to my wife Yun. I would not have been successful in this PhD project without her love and encouragement. Since I started my study abroad, she shared life as well as work pressure. When I met problems in my studies or in life, she always encouraged me to look forward and go ahead. I dedicate this dissertation to her.

Yiwen Fei

Rotterdam September 29th 2004

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Abbreviations

ACC	American Chamber of Commerce
ADB	Asian Development Bank
AMC	Asset Management Company
BSAM	The Bureau of State-owned Asset Management
CAR	Cumulative Abnormal Returns
CBRC	China Banking Regulatory Commission
CCP	Chinese Communist Party
CEEFSU	Central and Eastern Europe and the Former Soviet Union
CIRC	China Insurance Regulatory Commission
CPE	Centrally Planned Economy
CSRC	China Securities Regulatory Commission
EV	Excess Volume
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPO	Initial Public Offering
M&A	Merger and Acquisition
MOF	Ministry of Finance
NCE	Neoclassical Economics
NIE	New Institutional Economics
NPL	Non-performing Loan
OIE	Original Institutional Economics
PBOC	People's Bank of China
PPP	Purchasing Power Parity
PRC	People's Republic of China
ROE	Return on Equity
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
SOEs	State-owned Enterprises
SSB	China State Statistics Bureau
TCE	Transaction Cost Economics
TVE	Town and Village-owned Enterprise
UNDP	United Nations Development Programme
WTO	World Trade Organization