



State asset law under 2nd review

08:24, June 25, 2008

China's top lawmakers yesterday began discussing the key issues concerning the management of the country's 30-trillion-yuan (\$4.3 trillion) worth of State assets, after being presented with a revised draft law.

Li Shuguang, a professor at the China University of Politics and Law, who was involved in drafting the law on State assets, said the revision, which is having its second reading, includes major changes from the first draft, which was reviewed late last year.

One of the key changes is that if "malicious collusion" is found to have taken place in a deal involving State assets - leading to the loss of assets - the deal is deemed invalid, Li said.

"This is necessary to prevent irregularities that often lead to the loss of State assets," he said.

"However, it may also create uncertainties in the market, because people might become reluctant to get involved in State asset-related deals for fear they could be cancelled unexpectedly," Li said, adding that it is a dilemma for lawmakers.

Controversy could also arise over Article 24, he said, which allows board chairmen to also act as general managers if investor agencies or shareholders' meetings agree.

Board chairmen serving also as general managers is a reality in some local State enterprises, Hong Hu, deputy director of the Law Committee of the National People's Congress, told the ongoing third session of the 11th NPC Standing Committee, adding that the stipulation is in line with the existing Company Law.

"But it is a basic principle of the modern market economy that the roles of board chairman and general manager should be separate," Li said.

The revised draft also clarifies the role of the State-owned Assets Supervision and Administration Commission (SASAC) as an investor in State assets.

The SASAC, which represents the State in more than 150 major State enterprises, has played a dual and often dueling role as both supervisor and investor, legal experts have said.

In a market economy, generally the roles of asset supervisor and investor are not mixed, Li said.

"It is right to make clear what role the SASAC plays, which is an obvious progress," he said.

The draft law also stipulates that if needed, central and local governments can authorize other agencies to act as State asset investors.

In this way, "it has left a loophole", Li said, adding that the government should be directly involved in investing in assets but leave that to bodies such as the SASAC.

The draft law does not apply to State financial or resource assets, but Li said a law on the management of the former should be drawn up.

Source: *China Daily*