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ARTICLES

Management Audit Committees in China: Perceptions and Operations

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Chinese market regulators introduced audit committees (ACs) to the listed companies in recent years as a new endeavor to promote the improvement of corporate governance and stock market reforms. This study investigated the perceptions about the roles, responsibilities, and basic characteristics of the audit committee under the current business environment in China from the perspectives of investors/creditors, independent directors (AC members), company officers, and auditors. The study finds that various groups of stakeholder have generally accepted the ceremonial roles and responsibilities of the audit committee in lifting the image of good corporate governance, enhancing communication between the Board and the auditor, and mediating conflicts between management and the auditors. However, the more concrete AC oversight roles and responsibilities for improving internal control, rules compliance, corporate financial reporting, and auditing processes have not been fully recognized at present, particularly by company management and independent directors. In addition, the study results reveal that the actual AC operations in practice are ineffective, even though a large portion of Chinese listed companies have set up ACs. Thus, the institutional factors contributing to the ineffectiveness of ACs in China are analyzed. The study should assist readers to understand the recent development of corporate governance and stock market reforms in China and generate some policy implications that can be applied to other countries in general and to emerging economies in particular.

Regulation and Competition in the Philippine Electric Power Industry

EPICLETUS E. PATALINGHUG

This paper reviews and evaluates the regulatory framework that has been established for the Philippine electric power industry. It argues for correcting the existing flaws in the regulatory environment to enhance competition and efficiency. This paper concludes that the regulatory rules in the Philippine electric power industry have to be reviewed and overhauled. Specifically, it suggests that structural remedies be preferred over behavioral rules in curtailing the exercise of market power, that competition be preferred over private ownership, and that the smooth functioning of the electricity spot market will facilitate open access if the regulatory rules enhance the presence of a number of power generators in the three major grids of the Philippines.

RESEARCH REPORT

The Survival of Business Groups in Indonesia: Two Case Studies

CHRISTIAN CHUA

This paper analyzes the recovery of two major conglomerates in Indonesia after the financial crisis. It demonstrates how the institutional transition from a patrimonial, authoritarian regime to

a more market- and rule-based political environment impinged on the corporate behavior of big business groups. As the case studies of Lippo and Salim illustrate, firms were given a range of options after the collapse of the New Order regime. They could still count on informal and collusive relations with the remnants of the former regime that continued to occupy important offices and that oversaw the debt settlements and the restructuring of businesses. Alternatively, they could actively adjust and professionalize in accordance with the new *reformasi* regime that allowed them to reconstitute as part of the overall process of resuscitating the Indonesian economy. This study empirically substantiates that in the phase of initial transition, only a selective transformation of business practices is taking place, with incumbents more likely sticking to well-known relational and manipulative modes, but gradually opening up to more market-centered business strategies.