



OECD



Russian Corporate Governance Roundtable Meeting

Moscow, 27 – 28 October 2008

Meeting co-hosted by the Ministry for Economic Development, Russia



State Owned Enterprises in the World Economy

Presentation given at the Russian Corporate Governance Roundtable Meeting, Hotel Marriott-Tverskaya, 27-28 October 2008

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The subject of my presentation is...

“...международная ситуация”!

Getting our arms around SOEs: What **are** they, anyway?

- ***What kinds of corporate entities?*** (Fully corporatized; statutory corporations; quasi-corporations)
- ***What level of government?*** (Central government; states; municipal authorities; cooperatives)
- ***What degree of state ownership?*** (Fully owned; 50%+1; blocking minority; “significant influence”)
- ***Control other than through ownership.*** (Control enhancing mechanisms; golden shares; pension funds and investment vehicles)

A new OECD project: shedding some light on the SOE sector

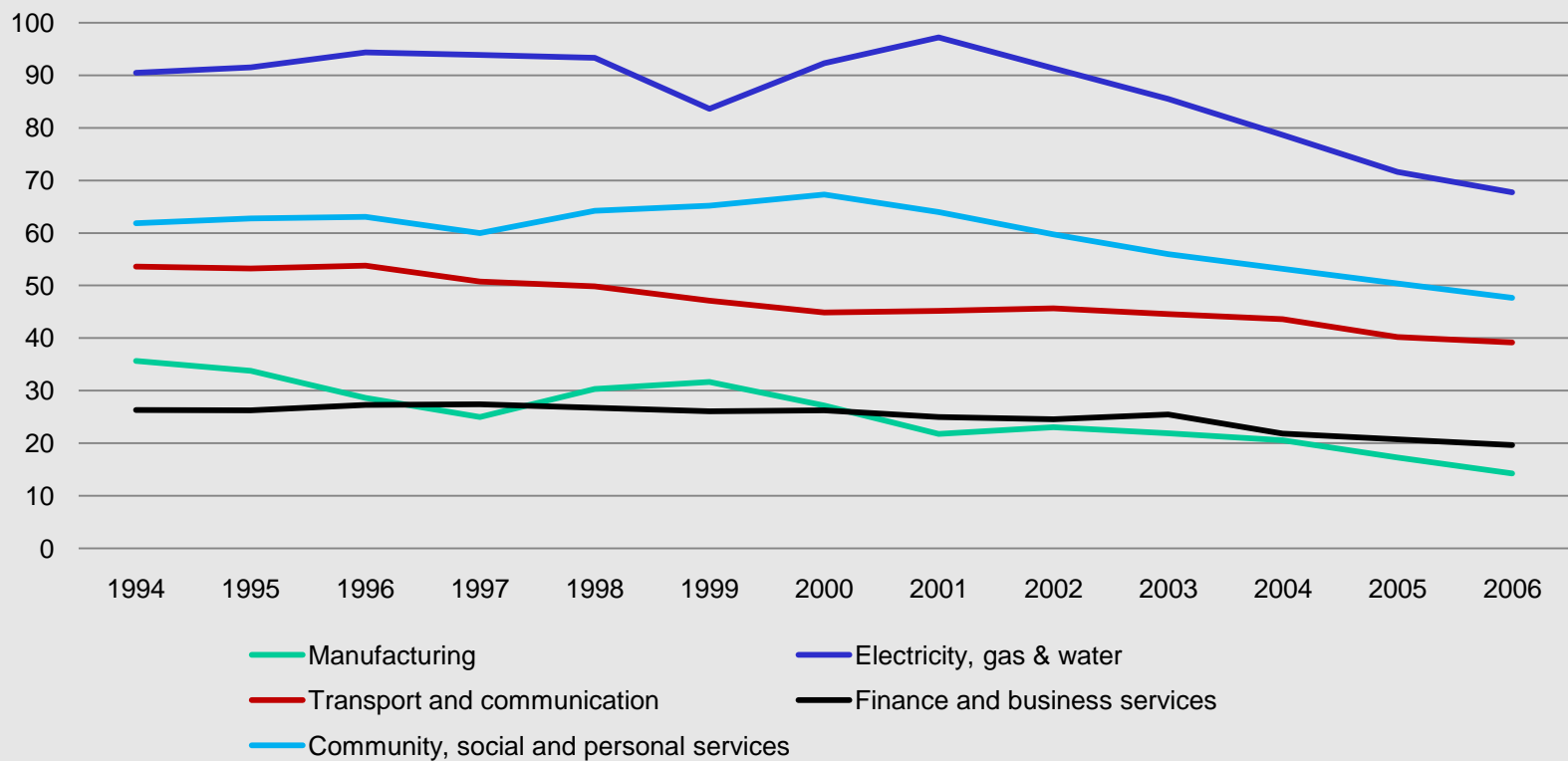
- **OECD area: data are very bad – or absent.** (This is not where we started. Will be addressed in 2009.)
- **Russia: good company data, but hard to tease out the SOEs.** (Study by Carsten Sprenger, Higher School of Economics, Moscow.)
- **Brazil: lost interest after latest wave of privatisation.** (Study by Ana Paula Higa, A&H Consulting, Carpinhas, Brazil.)
- **China: narrow definition of SOE, excluding mixed companies.** (Study by Junyeop Lee, Inha University, Korea)
- **India: strong coverage in all dimensions** (Study by Professor Ram K. Mishra, Institute of Public Enterprise, Hyderabad, India)

A snapshot of OECD and BRIC: Weight of SOEs in the national economy

Country	Share of SOEs in the economy		Share of SOEs in employment	
	Latest	Ten years ago	Latest	Ten years ago
OECD average			5%	
Brazil	7%	10%		
China	>30%	>38%	34%	57%
India	13%	18%	22%	24%
Russia	<30%	<65%	39%	66%

Country example 1: India

SOEs' contribution to GDP in selected sectors (% of total)



A snapshot of OECD and BRIC: Publicly listed SOEs

Country	Share of SOEs in stock market capitalisation		Largest listed SOE (April 2008)	
	Latest	5-10 years ago	Company	Market value (US\$ bn.)
OECD area	7%		EDF Group	171
Brazil	25%	79%	PetroBras	237
China	83%	69%	Petro China	546
India	23%	32%	Oil & Natural Gas Corp.	51
Russia	48%	31%	Gazprom	307

Country example 2: Largest listed companies in China (end-2007)

Country	Date of IPO	Ownership	Capitalisation (100 million yuan)	Share of market capitalisation
Petro China	Nov. 2007	SOE	50,131	18.6%
Industrial and Commercial Bank	Oct. 2006	SOE	20,403	7.6%
China Petroleum & Chemical	Aug. 2001	SOE	16,382	6.1%
China Life	Jan. 2007	SOE	12,065	4.4%
Bank of China	Jul. 2006	SOE	11,753	4.4%
Shenhua Energy	Oct. 2007	SOE	10,819	4.0%
PingAn Insurance	Mar. 2007	Private	5,078	1.9%

Sectoral snapshot: Publicly listed SOEs relative to total (April 2008)

Sector	Share of market value:		
	SOEs in OECD countries	SOEs in non-OECD countries	Total
Total	6.7%	70.5%	20.1%
Oil and Gas	10.2%	80.7%	39.5%
Telecommunication	27.1%	83.0%	46.1%
Public utilities	35.7%	84.6%	41.0%

Internationalisation of SOEs? Well, yes and no...

- **All energy giants, SOEs or not, are active foreign investors.** Companies like Petrobras, Sinopec and several OECD-based SOEs in the oil and gas sectors have been active abroad recently.
- **In China internationalization of SOEs is strongly encouraged.** The “Going Global” strategy was introduced in 2000 and incentives to invest abroad soon followed. 81 per cent of outward FDI from China is undertaken by SOEs.
- **In the OECD area, SOEs in public utilities and transportation also increasingly active.** In the EU area, in particular, the number of cross-country activities have increased and are expected to continue doing so.
- **In (other) non-OECD countries, SOEs have been hesitant internationalisers.** The success of private multinationals in Brazil and India have rarely been copied by SOEs.

Freedom of Investment: a core OECD value

- **OECD is the custodian of two multilaterally agreed investment instruments:**
 - The Code of Liberalisation of Capital Movements;
 - The Declaration on Investment and Multinational Enterprises.
- **Increasing focus on state-owned investors in the context of national security.** Countries reserve the right to prevent direct investment “in the national interest”. This is the topic of an ongoing OECD exercise.
- **OECD supported and complemented the work by Sovereign Wealth Funds hosted by IMF.** The SWF discussion may have been partly a proxy for countries’ concerned with SOE investment.
- **OECD 2008 Ministerial Declaration.** OECD ministers advocated a continued openness and non-discrimination, but recognised legitimate concerns if investment reflects “political rather than commercial motives”.

Regulatory concerns about the internationalisation of SOEs

Some aspects of SOEs' cross-border activities may nevertheless give rise to concerns. However, in the view of OECD these can be largely addressed through adherence to existing good practices of corporate governance:

- ***The government as a regulator.*** The main channel for affecting the actions of foreign companies goes via their home country regulators.
- ***Information and transparency.*** If SOE investors are privy to the information of governments, including classified intelligence, they trade at what will be perceived as an unfair advantage.
- ***Public policy concerns.*** Government owners of SOEs are obliged to pursue the public interest of their own constituency, which may diverge from the interests of some of the communities in which international SOEs operate.
- ***Legal accountability.*** It is unclear to what extent sovereign immunity may be extended to foreign SOEs.

Going forward: What will OECD do now?

The Working Group on Privatisation and Corporate Governance of State-Owned Assets will discuss next steps at its meeting on 18 November 2008. Without prejudging the Group's decisions, possible follow-up includes:

- **A thorough fact finding exercise shedding light on all OECD countries' SOE sectors.**
- **A comprehensive report, stocktaking all that is known about the economic and other impacts of SOE operations (domestically and internationally) with the purpose of better guiding the international discussion of SOEs.**
- **Reviewing existing OECD corporate governance instruments to consider whether they should be supplemented with guidance for governments whose SOEs operate in other jurisdictions.**



Спасибо!