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## **China Reform Watch: Turning Point Looming**

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### **Introduction: Mixed Signals About China's Economy**

Nobody knows how fast China's economy is growing. Recent work by Chinese economists and international researchers indicates that official figures may have overstated actual GDP growth during 1978-1996 by 1-3 percentage points.<sup>1</sup> Since then, the margin of error has increased. China's 1998 campaign to preserve 8 percent growth in the face of the Asian financial crash unleashed a "wind of falsification and embellishment" (*jiabao fukuafeng*). As a result, national statistics now appear riddled with contradictions. Although international organizations and the global financial community tend to overlook this matter, Chinese economists worry that official data are "losing touch with reality" (*shizhen*).<sup>2</sup> Table 1 offers a historical and cross-national perspective that illustrates the implausibility of recent official growth claims. The table also summarizes the present author's guesses about actual GDP growth since 1997.<sup>3</sup>

Uncertainty also surrounds efforts to evaluate recent reform initiatives. At some point during the mid-1990s, China's leaders decided to adopt a variety of shareholding arrangements as a central feature of the reform process. Under the banner of "enterprise restructuring" (*qiye gaizhi*), a substantial share of urban enterprises as well as huge number of rural firms have adopted shareholding structures. Unlike earlier reform decisions, this move occurred with no initial experimentation. Essentially, China has placed a large bet on the idea that market competition and the self-interested behavior of corporate and individual shareholders will spark long-awaited improvements in enterprise performance.

Rapid deceleration of China's economy, which saw official growth rates decline for seven consecutive years before a slight uptick in 2000, makes it difficult to judge the outcome of this immense experiment. Available indicators however, are not encouraging. A recent study finds that output per unit of fixed assets in the corporate sector plunged by 60 percent between 1993 (when data first become available) and 1996. The shareholding sector experienced a steep decline in total factor productivity (output per unit of combined input of capital, labor, and materials), which by 1996 had plunged below comparable figures for state-owned enterprises.<sup>4</sup> A crude effort to extend these calculations, shown in Table 2, indicates a further decline in output per unit of fixed assets and a flat trend in total factor productivity during 1996-99.

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Although these results represent an improvement over the dismal figures for 1993-96, they lend credence to skeptical judgments of Chinese observers regarding the initial outcome of enterprise restructuring. There are numerous complaints that efforts to “separate enterprises from the government” (*zhengqi fenkai*) have not succeeded.<sup>5</sup> Furthermore, critics argue that despite the theoretical benefits of corporate structures, new shareholding arrangements fail to deliver effective monitoring of management decisions either because of “insider control” on the part of small groups of managers or because the would-be monitors are poorly informed or incompetent.<sup>6</sup> As a result, there are calls for a new wave of reform, a “second restructuring” to transform enterprises into genuinely independent commercial entities that will take business decisions without official involvement or permission and will then live or die by the consequences of their own commercial choices.<sup>7</sup>

Even those who do not share the present author’s distrust of recent official growth claims must acknowledge considerable evidence that enterprise restructuring – the cornerstone of recent reform, particularly in industry, which accounts for nearly 45 percent of GDP – has yet to deliver the anticipated benefits. *People’s Daily*, the Communist party newspaper, lampoons shareholding arrangements with a punning headline decrying “Dimwit Company Directors” (*Qiyè dòngshì budòngshì*).<sup>8</sup> Since China’s arsenal of reform policies includes no obvious alternative to shareholding, the possible failure of China’s emergent shareholding system is hardly a laughing matter.

The difficulty surrounding efforts to interpret recent developments has the beneficial effect of directing attention toward ongoing structural and institutional changes, which are likely to exert greater impact on China’s economic prospects than even large variations in short-term growth. The following discussion focuses on the institutions and policies surrounding Chinese companies. We observe a latent conflict between two very different tendencies: market-oriented reform and a resurgence of central control that threatens to stall China’s continuing move toward a market system. We begin with reform.

### **Profiles in Courage: Economic Reform Marches Forward**

Much is written about the conservatism of China’s leaders, who operate behind a facade of fusty socialist rhetoric, shy away from rapid privatization, and seem intent on controlling the pace of reform. A longer perspective presents a different picture, one of bold and imaginative leadership. No western analyst, certainly not the present author, anticipated that, soon after the massive urban unrest of May-June 1989, China’s leaders would orchestrate a campaign against redundant labor that has removed more than twenty million workers from bloated enterprise payrolls. Who imagined that the same leaders would abolish mighty government ministries, compel China’s armed forces to abandon an immense business empire, and eliminate huge swathes of China’s powerful national bureaucracy? China’s conservative leaders have done all this, and much more, in the name of reform.

International observers are fond of writing what might be described as self-commissioned consulting reports brimming with advice about what China's government "must do" or what is "required" to advance the cause of reform. A more fruitful approach to anticipating reform trends is simply to review measures now being implemented or under active consideration. The following list, which is far from exhaustive, focuses on matters linked to enterprise operations.<sup>9</sup>

1. Further reform of labor and wages. Continued furlough (*xiagang*) of redundant workers. Expansion of social insurance and exploration of avenues for severing ties between redundant workers and former employers. Efforts to reduce official controls over wage levels (theoretically under full managerial control since 1992) and to reduce the grip of officially mandated egalitarianism in pay and benefits.
2. Strengthen incentives, develop managerial career lines. To counter complaints that enterprises are not allowed to reward key employees, especially in the state sector, China is now exploring stock options and other "new payment systems aiming to link the salary of business managers to the performance of their companies."<sup>10</sup> Furthermore, state-sector managers will be stripped of official ranks so that "their fate will be cast on the performance of their firms."<sup>11</sup>
3. Commercialize the banking system. Bank executives are increasingly free to organize lending on commercial principles, reserving funds for promising borrowers and rejecting applications from loss-making firms. Financial authorities encourage "creditor banks to sue loan repayment dodgers, even if they are connected to local governments."<sup>12</sup> China Huarong Asset Management Corp., the agency charged with recovering bad loans accumulated by the Industrial and Commercial Bank of China, has taken the lead in following this advice, filing suit against "large-scale enterprises for debt default" and publicly chastising provincial courts for failing to control asset stripping on the part of indebted firms.<sup>13</sup>
4. Reform and expand the capital markets. As China contemplates the creation of a "second board" to issue shares of small, technology-related start-up firms, the China Securities Regulatory Commission pursues a broad reform agenda aimed at raising the quality and variety of offerings on existing exchanges, eliminating rules that give preferential access to state-linked firms, expanding the volume and accuracy of information pertaining to listed firms, requiring listed firms to appoint independent directors, and curbing fraudulent and deceptive trading practices.<sup>14</sup> Securities firms have now begun to offer open-ended mutual funds aimed at attracting an increased flow of funds from individual domestic investors.
5. Gradual removal of barriers to the expansion of domestic private business, which, for example, will be given full access to all sectors that are available to overseas investors.<sup>15</sup>

6. Government's asset ownership to be exercised via shareholding rather than direct intervention in management. Successor agencies to the Bureau of State Asset Management (*Guoyou zichan guanliju* – disbanded in 1998), particularly in Shenzhen and Shanghai, focus on profitability and asset growth rather than using their leverage to resolve social issues.<sup>16</sup>
7. Encourage mergers and acquisitions, including transactions that shift state property into the hands of private firms and trans-national enterprises, to improve the utilization and raise the productivity of tangible and organizational assets.<sup>17</sup>
8. Curtail the scope of official examination and approval (*pizhun*). This wasteful and corrupt system, which, for example, requires “six or seven departments. . . to carry out examinations and give approvals” for installing an elevator<sup>18</sup> – not to mention constructing a new facility or consummating a merger transaction – imposes enormous costs on all businesses. Beijing's Zhongguancun Technology Park has announced that businesses can enter any legitimate trade “without the approval of the administrations for industry and commerce.”<sup>19</sup> Jiangxi province and Shanghai municipality plan to halve the range of activities that require prior approval.<sup>20</sup>
9. Continue the expansion of economic legislation to clarify and protect the interests of businesses and investors and to improve the quality, consistency, reliability, and enforcement of judicial decisions in economic matters.<sup>21</sup>

Implementation of these reforms, together with the ongoing transfer of large firms and (especially) small enterprises from pure (state or collective) government control into new structures that typically involve some degree of private shareholding, represents a powerful impetus toward deepening the already substantial role of market forces in China's economy.

### **About Face: Market-Busting Initiatives From Party and State**

The combined impact of this extensive agenda of domestic reforms and the outside forces expected to accompany WTO accession could rapidly accelerate China's move to market. But this attractive vision of China's economy rolling downhill toward a market outcome is premature. Along with major reform initiatives, China's system has also spawned a countervailing trend toward concentrating economic decisions and resources within the central government and party apparatus. This counterforce, which threatens to stall or roll back the expansion of market influence, extends far beyond unorganized foot-dragging and resistance. Major re-centralizing elements include:

1. Vigorous efforts to extend and fortify Communist Party control over economic affairs. Party leaders have successfully overcome initial resistance to the proposed extension of the “Three Studies” (*sanjiang*) movement, which disrupted normal operation of research organizations in 1999 and 2000, into the business

sector. Jiang Zemin has stated that private businesses must accept internal party cells in order to “guarantee their healthy development.”<sup>22</sup> Party influence appears strongest in finance. The importance of party building is an important subtext in *Zhongguo jinrong* (China Finance), the journal of China’s central bank.

Leaders of banks and other financial institutions receive their appointments from the Central Financial Work Commission (*Zhonggong zhongyang jinrong gongzuo weiyuanhui*), a shadowy party agency whose personnel appear to have little knowledge or experience of finance.<sup>23</sup> Appointments of mid-level bank staff are routinely delayed for months pending the Commission’s approval. Directors of one bank were surprised to learn that their president had recently been absent for an entire month while attending a party school – apparently a common phenomenon. In June 2001, this Commission summoned leaders of financial institutions to study the Party’s “Three Representations” campaign.

What do party schools and party meetings teach? The head of the Central Financial Work Commission has criticized bankers for “worrying about business without any regard for party policies.”<sup>24</sup> This suggests that party influence limits the capacity of banks and other financial institutions to fulfill the ostensible goals of Chinese financial policy: adhering to prudent lending criteria, denying funds to firms and projects with poor prospects for repayment, and pressing for full recovery of outstanding debts.

2. Market economies do not require planning commissions. Instead of fading away, China’s plan agency, the State Development Planning Commission [SDPC], has embarked upon a bureaucratic rampage. China’s press is filled with accounts of SDPC activity. The Commission recently “slashed the price of 69 of the most frequently used antibiotics.” In the same month, “a notice issued [by the] Planning Commission announced plans to “launch a nationwide crackdown . . . on major economic problems such as regional protectionism, industrial monopolies, illegal charges and price fraud.”<sup>25</sup> Domestic companies hoping to expand industrial facilities find themselves “trying to get permission from the State Development Planning Commission to begin building. . . .”<sup>26</sup> Foreign businesses report that mining projects supported by provincial authorities and by the Ministry of Land and Resources require further approval from the Planning Commission, which imposes multi-million dollar application fees but provides no information on the criteria employed in its appraisal process. One well-informed Chinese colleague attributes the Commission’s remarkably high profile to the personal dynamism of Zeng Peiyan, its current minister, and argues that SDPC’s recent prominence does not represent any underlying structural change in resource allocation.
3. The growing prominence of the Ministry of Finance [MOF], by contrast, does appear to represent a structural change within China’s government administration. In view of the government’s commitment to using deficit spending to raise aggregate demand, the intensity of MOF’s efforts to increase revenues (which

have the perverse effect of reducing aggregate demand) is quite remarkable. Official reports, though possibly exaggerated, show annual revenue growth in the vicinity of 15-25 percent,<sup>27</sup> a figure that represents a large multiple of plausible estimates of recent growth (Table 1). This quest for revenue may in part reflect sweeping economic ambitions associated with the Ministry's role as custodian of state assets.

In 2000, MOF established a new Enterprise Division (*qiyesi*) to consolidate its control over state assets formerly managed by the now-defunct Administration of State Asset Management. A November 2000 article by Geng Hong, who heads this new Division, lays out its agenda in considerable detail.<sup>28</sup> The strategy for the Enterprise Division extends far beyond the inspection of accounts, appointment of enterprise directors, and other functions associated with the policies of "separating government from business" and transforming government's role into that of shareholder rather than manager of state-related enterprises.

Although MOF representatives insist that the Enterprise Division will adopt a market-friendly stance that allows Chinese managers to enjoy "greater freedom than managers in the United States," a subsequent article by Wang Limin, Director of Heilongjiang's provincial Finance Bureau, echoes the robust interventionism evident in Geng Hong's essay.<sup>29</sup> Both authors see the MOF system as major player in setting China's agenda for enterprise restructuring and technology development. At the national level, MOF officials insist that "any change (*biandong*)" in the control of state assets requires prior approval of their Ministry. In Heilongjiang, Director Wang expects his office to manage funds earmarked for technical development, venture capital and expanding rural industry; to maintain social stability by subsidizing loss-making firms; and to manage sales of local products. The province will support high technology projects and private businesses, but only if such developments "are not blind, but primarily support 'backbone industries' that fit with national industrial policy. . . ." References to market forces are notably absent from these formulations, prompting one Chinese colleague to remark that such discussions seem "reminiscent of the 1970s."

4. Gigantism. Important segments of Chinese officialdom appear mesmerized by visions of scale economies. Chinese publications are filled with data showing that China's largest firms are far smaller than the "global 500" top firms.<sup>30</sup> These discussions equate size with success, and often compound this error by anticipating that size creates success. Despite the weak performance of China's coddled corporate champions and the widely publicize difficulties of business behemoths in Japan and Korea, China has initiated a campaign of industrial consolidation. According to Sheng Huaren, Minister of the State Economic and Trade Commission, "China's plan is to create up to 100 colossal SOEs and enterprise groups in the next three to five years in key economic sectors that would be capable of competing in the world market."<sup>31</sup> A Vice-minister of the

Planning Commission stated that consolidation in the automotive sector must “be accelerated to create several big groups with strong product development capability.”<sup>32</sup> Parallel initiatives for government-managed consolidation are visible in coal, aluminum, steel, machine building, and other sectors.

5. Western development. China has embarked on a massive campaign to develop its relatively poor western regions. The theme of “Develop the West” (*xibu dakaiifa*) reflects both short-term concerns about insufficient demand and long-term objectives of reducing regional inequality and fully utilizing China’s limited natural resources. In the present context, the western development program is notable for its scale, for its reliance on government rather than market initiative, and for its low expected payoff – Premier Zhu Rongji, addressing a group of potential investors, took care to “remind the Hong Kong tycoons. . . [that] they should be prepared for a long-term battle and should not expect fast money” from western development because, as noted by a prominent economic specialist, “transportation costs are high, and production efficiency is low” in the West.<sup>33</sup>

### **What Next? Market Dominance or State Control?**

China’s leaders appear to believe that the trends identified here, market-oriented reform and centralized control over the “commanding heights” of the economy, can coexist. Chinese economists may share this view. I see these two trends as fundamentally incompatible. What does this mean? It is not enough to argue that enhanced control by the Communist Party or intrusive regulation by the Ministry of Finance will increase costs or close off opportunities for productivity-enhancing innovation. Every major economy, including the United States, suffers massively from self-imposed constraints of this sort. The claim that resurgent statism threatens the progress of market-oriented reform calls for a demonstration that growing central control will undercut crucial foundations of China’s emerging market system.

This possibility has not escaped Chinese economists. Hu Shaowei, a forecasting specialist at the State Information Center, emphasizes that the quality of growth is more important than the exact growth rate, and warns that “simply because the government’s macro-control policies have attained some success during the past two years, we cannot slow down the pace of reform, and cannot allow a backward move in which government power grows and grows, with ever stronger intervention in the economy, because, whatever the outcome in terms of immediate increases in the measured growth rate, such a move would create problems of sustainability that would threaten long-term prospects for stable growth.”<sup>34</sup>

Investment spending is the Achilles heel of China’s semi-market economy. The seasonal pattern of expenditure reflects the distinctive profile of a centrally planned system.<sup>35</sup> Despite endless discussion of the need to support “small and medium” (i.e. private) business, investment spending remains heavily concentrated in the state sector, where government influence contributes to a pattern of arbitrary and haphazard decision-making.

Vast excess capacity and low profit rates provide eloquent testimony to the ruinous consequences of China's inability to reform the investment system.<sup>36</sup>

China's new statism promises to prolong this failure. Consider the sources of investment funds. Begin with the banks. The ratio of interest paid to interest receivable (*shouxi li*) dropped by ten percentage points to less than 50 percent in 1999 despite the removal of vast un-repayable debts from the banks' balance sheets.<sup>37</sup> Each of the recentralizing initiatives discussed here promises further massive increases in non-commercial lending. When asked if they might be compelled to support the new steel combine created by the merger of several big steelworks in Liaoning, officials at one of China's major banks quickly changed the subject, reiterating that lending to cement producers is now conducted on a purely commercial basis. Can the bankers refuse to supply funds for projects that "Develop the West"? Can they withhold funds from the "100 colossal SOEs and enterprise groups"? Can they divert funds from projects that the State Development Planning Commission or the Ministry of Finance or the Central Financial Work Commission identifies as supporting "backbone industries" that fit with national industrial policy"? How can China's banks break the incumbent culture of debt repudiation if they are compelled to continue non-commercial lending to politically connected projects?

What of the capital markets? With few exceptions, market access is reserved for officially approved state-owned firms (for sales of shares) and for the government itself (through sales of treasury bonds). Funds raised from share issues routinely disappear into the coffers of unlisted (and unaudited) parent companies in the state sector (e.g. in steel, petroleum, and telecommunications) or go to finance social expenses.<sup>38</sup> Since neither outcome raises productivity or lowers costs, it is hardly surprising to find profits trending downward among shareholding firms. "Statistics show that for those listed State firms that went public before 1994, the average return on net assets. . . has been sliding from 14.6 per cent in 1994 to 2.4 per cent by 1999," despite "preferential treatment" under which, in addition to massive loan forgiveness, "about 10 per cent of the listed companies were exempted [from] all the taxes due and less than 10 per cent of the firms pay their taxes in full."<sup>39</sup>

Centralization of power promises to extend current circumstances in which state clients "take the stock market as a money machine," while state controls strip the capital markets of their capacity "to effectively function as a force adapting listed companies to market criteria."<sup>40</sup> Will regulatory officials dare to reject proposed listings for the "100 colossal SOEs or enterprise groups"? Can mutual fund managers, whose appointments will be controlled by the party's Central Financial Work Commission, resist pressure to stuff portfolios with shares of political favorites? Even joint ventures with international participation may buckle to such demands if threatened with mass dismissal of executives on the Chinese side of the partnership.

As capital markets expand, the potential of "politics in command" to erode China's dangerously weak investment mechanism will escalate. Recent news reports illustrate the consequences of official control. According to Xie Fuzhan, Vice-Director of the State

Council's Development Research Centre, "listed firms often suffer interference from the upper-level State administrative departments." Intervention typically takes the form of "forcing companies to take on the financial obligations of parent" firms.<sup>41</sup> Frequent "appointment of incompetent managers" adds to the likelihood that companies will devote their energies to "forging financial [statements]. . . and giving false financial information to drive up share prices and wrangle money from the stock market."<sup>42</sup> Such behavior focuses investor attention on politics rather than profitability, as when punters on the Hong Kong exchange attach a "premium value" to the worst performers among Chinese firms because they anticipate that parent firms of listed subsidiaries "posting the biggest losses" are likely to "sell assets to the listed companies cheaply" to "stave off the embarrassment" of delisting, which threatens firms that post a succession of loss-making years.<sup>43</sup>

The combination of vigorous market-oriented reform and resurgent statism visible in China's economy today cannot continue. China is approaching a turning point that will mark the ascendancy of one of these tendencies. No single decision will win the day for market dominance or for state control. We must watch for signs pointing to one outcome or the other. Investment spending is the crucial variable. The key question is whether the share of market-determined investment spending can rise above its current level. If the share of market-linked investment remains low, and official preferences continue to dominate investment decisions, we should expect a continuation of the slow growth, stagnant employment and widespread idle capacity that have buffeted China's economy during the past five years.

Table 1.  
Episodes of Growth in Asian Economies, 1957-2001  
(cumulative percentage change)

Cumulative Change in	Japan 1957/61	Taiwan 1967/71	Korea 1977/81	China 1987/91	China 1997/2001
Real GDP: official alternate	52.8	49.7	21.6	31.8	34.5 0.4 / 11.4
Energy consumption	40.1	85.2	33.6	19.8	-5.5
Employment	4.6	17.0	9.4	23.2	0.8
Consumer prices	10.6	20.6	111.7	46.6	-2.3

Source: Thomas G. Rawski, "What's Happening to China's GDP Statistics?" *China Economic Review*, forthcoming.

**Table 2**  
**Corporate Sector: Trial Productivity Calculation for 1999**  
**(1996=100)**

	1996 Value	1999 Value	Index 1996 =100	Input Weights
Gross Output	328	525	160.1	
Net Fixed Assets	167	328	196.4	0.200
Employment (Million)	3.57	5.88	164.7	0.078
Material Inputs	247	387	156.7	0.722
Combined Input			165.3	
Total Factor Productivity, 1996=100			96.9	
Memo items:				
Value added	95	162		
Value added tax	14	24		

Source: *China Statistical Yearbook*, 1997, pp. 424-27; *ibid.* 2000, pp. 130, 414-17.

Input weights are 1995 estimates for state enterprises from Jefferson, Rawski, Wang, and Zheng, in *Journal of Comparative Economics* 28.4 (2000): 795.

Note: except as noted, figures in columns labeled "Value" are in billions of current yuan.

## NOTES

Authors' names are listed in western style, with surnames last.

<sup>1</sup> For example, Angus Maddison, *Chinese Economic Performance in the Long Run* (Paris: OECD, 1998). Ruoan Ren, *China's Economic Performance in International Perspective* (Paris: OECD, 1997). Lian Meng and Xiaolu Wang, "An Estimate of the Reliability of

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Statistical Data on China's Economic Growth," *Jingji yanjiu [Economic Research]*, no. 10 (2000).

<sup>2</sup> For example, Xiaolu Wang, "System Change and Sustainability of China's Economic Growth," *Jingji yanjiu [Economic Research]*, no. 2 (2000).

<sup>3</sup> See Thomas G. Rawski, *China's GDP Statistics - a Case of Caveat Lector?*; available from [www.pitt.edu/~tgrawski/papers2001](http://www.pitt.edu/~tgrawski/papers2001). Thomas G. Rawski, "China by the Numbers: How Reform Has Affected China's Economic Statistics," *China Perspectives*, no. 33 (2001). Thomas G. Rawski, "What's Happening to China's GDP Statistics?," *China Economic Review*, (forthcoming).

<sup>4</sup> Gary H. Jefferson et al., "Ownership, Productivity Change, and Financial Performance in Chinese Industry," *Journal of Comparative Economics* 28, no. 4 (2000).

<sup>5</sup> For example, Jiguo Yang and Zengjun An, "Escaping the Trap of Government-Enterprise Relations," *Gaige [Reform]*, no. 6 (1999). Shangquan Gao and Fulin Chi, *Reforming China's State-Owned Enterprises* (Beijing: Foreign Languages Press, 1997).

<sup>6</sup> For example, Anon, "Summary of Proceedings for Conference on 'Development Strategy for China's Large-Scale Industrial Enterprises'," *Zhongguo gongye jingji [China Industrial Economics]*, no. 2 (2000).

<sup>7</sup> For example, Chunhui Huang, "Generalizing the Experience of Linbo District in Zibo City, Shandong in Reforming Medium and Small Enterprise," *Jingji guanli [Economic Management]*, no. 6 (2000).

<sup>8</sup> Xiaohong Peng, "Dimwit Company Directors," *Renmin ribao haiwaiban*, 22 January 2001.

<sup>9</sup> The list omits two major changes that occurred after this essay was drafted: Jiang Zemin's call for admission of private entrepreneurs into the Communist Party and the successful conclusion of protracted negotiations surrounding China's entry into the World Trade Organization.

<sup>10</sup> Yongzhe Huo, "Ministry Mulls Wage Change," *China Daily Business Weekly*, 25 December 2000.

<sup>11</sup> Zhiming Xin, "Bond of Ranks on Managers Released," *China Daily*, 7 November 2000.

<sup>12</sup> Binglan Xu, "Banking Sector Fights Illegal Activities," *China Daily*, 11 April 2001.

<sup>13</sup> Anon, "Huarong Files Lawsuits," *China Daily*, 30 December 2000. Yan Meng, "Huarong Faults Court for Breaking Law," *China Daily Business Weekly*, 20-26 March 2001.

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<sup>14</sup> For example, see Jin Mu, "China's IPO Quota System to Be Erased," *China Daily Business Weekly*, 22 January 2001. Min Sun, "Listing Transparency to Improve," *China Daily*, 9 February 2001. Jiao Xiao, "Steps Needed to Clean Stock Market," *China Daily*, 9 February 2001. Xuemei Liu and Wenxin Han, "3000 Independent Directors Will Be Appointed in a Big Step to Protect the Rights of Investors," *Zhongguo jingying bao* [China Business], 10 May 2001.

<sup>15</sup> For example, Jiachun Wu and Ye Xie, "Non-State Firms Put on Equal Footing," *China Daily*, 9 December 2000.

<sup>16</sup> Bruce Gilley, "Shenzhen's Giant Leap of Faith," *Far Eastern Economic Review*, (2001). Qide Chen, "SOAs to Target 8% Growth," *China Daily*, 12 February 2001.

<sup>17</sup> See, for example, <http://www.allbrightlaw.com/Eallbright/newsletter19.htm>

<sup>18</sup> Xiaomin Xu, "Shanghai to Cut Red Tape by Half," *China Daily*, 31 May 2001.

<sup>19</sup> Anon, "Beijing: More Freedom in Businesses," *China Daily*, 5 April 2001.

<sup>20</sup> Anon, "Jiangxi Slashes Projects Requiring Approval by Nearly Half," *Renmin ribao*, 15 May 2001. Xu, "Shanghai to Cut Red Tape by Half."

<sup>21</sup> For example, [http://english.peopledaily.com.cn/200108/18/eng20010818\\_77584.html](http://english.peopledaily.com.cn/200108/18/eng20010818_77584.html)

<sup>22</sup> "China in WTO: Acceptance Doesn't Mean Compliance; Jiang Installs Communist Cells in Private Businesses," *China Reform Monitor* No. 309, May 30, 2000 (<http://www.afpc.org/crm/crm309.htm>).

<sup>23</sup> Bruce Gilley and David Murphey, "Why China Needs a Real Central Bank," *Far Eastern Economic Review*, 24 May 2001.

<sup>24</sup> *Ibid.*, p. 52.

<sup>25</sup> Ying Wang, "Prices Slashed on 69 Antibiotics," *China Daily*, 14 May 2001. Min Zeng, "New Crackdown Aims for Market Order," *China Daily*, 14 May 2001.

<sup>26</sup> Xiuzhen Tian, "Shipyard Sees Good Times on Horizon," *China Daily*, 12-13 May 2001.

<sup>27</sup> Xu Xiao, "State Sees Tax Revenue Increase," *China Daily*, 9 October 2001., for example, reports revenue growth of 24.5 percent for the first 8 months of 2001. Erik Eckholm, "Chinese Raid Defiant Village, Killing 2, Amid Rural Unrest," *New York Times*, 20 April 2001. reports that in 1998, "despite vast flooding. . . that wiped out [farmers'] crops," officials in rural Jiangxi raised "local taxes and fees. . . by nearly one-third."

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<sup>28</sup> Hong Geng, "Important Current Developments in the Management of Enterprise Assets and Finances," *Guoyou zichan guanli* [State Asset Management], no. 11 (2000).

<sup>29</sup> Limin Wang, "On the Theory and Practice of the Fiscal Sector's Support of Enterprise Reform and Development," *Guoyou zichan guanli* [State Asset Management], no. 2 (2001).; see also Ministry of Finance Enterprise Division, "Important Elements of 2001 Work Plan for Ministry of Finance Enterprise Division," *Guoyou zichan guanli* [State Asset Management], no. 3 (2001).

<sup>30</sup> For example, Qiwen Zhu, "Catch up by Raising Efficiency," *China Daily*, 17 January 2000.

<sup>31</sup> Huanxin Zhao, "State Firms Turned around by Reforms," *China Daily*, 12 December 2000.

<sup>32</sup> Zhengzheng Gong, "Dongfeng Aims to Clinch Tie-Ups," *China Daily Business Weekly*, 13 March 2001.

<sup>33</sup> Yu Wang, "Western: Investors Warned Not to Expect Swift Returns," *China Daily Business Weekly*, 29 May - 4 June 2001.

<sup>34</sup> Shaowei Hu, "Analysis of China's Economic Development Prospects for 2001," *Jiage lilun yu shijian* [Price Theory and Practice], no. 1 (2001), p. 10.

<sup>35</sup> Thomas G. Rawski, "The Political Economy of China's Declining Growth," in *China in the World Economy*, ed. Peter Lloyd and Xiaoguang Zhang (Aldershot: Edward Elgar, 2000). Thomas G. Rawski, "China's Move to Market: How Far? What Next?," in *China's Future: Constructive Partner or Emerging Threat?*, ed. Ted Galen Carpenter and James A. Dorn (Washington DC: Cato Institute, 2000).

<sup>36</sup> Ibid.

<sup>37</sup> Yuemin Qiu, Bing Li, and Youcai Cai, "Losses of State-Owned Commercial Banks: Reasons and Policy Response," *Jingji gongzuozhe xuexi ziliao* [Study Materials for Economic Workers], no. 44 (2000)., p. 20

<sup>38</sup> For example, Mingjuan Hou, "China Mobile Announces Bond Issue," *China Daily*, 1 June 2001. Ye Xie, "Sinopec Corp Helped by Parent," *China Daily*, 10 May 2001.

<sup>39</sup> Xin Xiao, "Getting Listed Not Panacean," *China Daily*, 4 June 2001.

<sup>40</sup> Ibid.

<sup>41</sup> Fuzhan Xie, "Listed Firms Need Overhaul," *China Daily*, 9-10 June 2001.

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<sup>42</sup> Ibid.

<sup>43</sup> Gren Manuel, "With Dot-Coms Passe, Hong Kong Looks to China for Latest Hot Stocks," *Wall Street Journal*, 12 June 2001.