China Faces Financial Crisis at the Turn of the Century

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A Comparison of China and Thailand's Economic Backgrounds

When the Central Bank of Thailand declared the implementation of a floating exchange rate for the Thai Baht on July 2, 1997, the Baht depreciated by 20% on the same day, triggering a financial crisis that swept through Southeast Asia like a typhoon. This crisis subsequently spread to Singapore, Taiwan and Korea. Eventually the whole world was shaken. It is reasonable to say that the financial crisis of Thailand was the final outburst of the overall problems that accumulated over years of rapid economic development. As a result, the region of Southeast Asia has been adversely affected by the depreciation of Baht. Furthermore, nobody knows which country or region will become the next victim of this crisis. Jack Bullman *(phonetic transliteration),* who was in charge of the policy research division of the IMF, pointed out that it was very likely that the financial crisis would spread from one country to another until the entire international financial system was endangered. It is also reasonable to say that the outburst of Thailand's financial crisis was not only a challenge to the "miracle" of Southeast Asia but also to China. There are many similarities between the environment that led to the Thai financial crisis and the current situation in China.

Mistakes in Investment Orientation: Too Much Money Lies Idle in the Real Estate Industry

During the past 10 years the continuing high-speed growth of the Thai economy has attracted huge capital both domestically and abroad. The government failed to enact relevant policies to direct the funds into infrastructure construction. Instead, it simply let the funds flow into the real estate industry where the price was soaring. According to the statistics of the French newspaper *Liberation*, during the past several years Thailand's financial institutions have invested 230 billion French francs in the real estate industry. A total of 70 billion French francs in loans have become insolvent. According to another set of data, the current bad debt in Thailand's banks amounts to 40 billion US dollars. The difficult operation within the financial circle has put many financial institutions on the brink of bankruptcy. This fact itself adds to the instability. China and Thailand share similar investment orientation: In China, by the end of 1996, the overstock of

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commercial houses was over 68 million square meters, and a total of 1200 trillion yuan was left idle as a result. [1] These idle funds mainly come from bank loans. Many investors didn't seem affected by the overstock of commercial houses, which resulted in a larger overstock of newly built commercial houses. Investment in real estate development in 1996 amounted to 382.529 billion yuan while sales that year equaled only 134.038 billion yuan. [2]

Hidden Danger of Over-Reliance on Foreign Investment without Mature Financial Institutions

In 1992 the Thai Government terminated its control over capital market protection (which had been in use for decades) and established Bangkok International Bank, helping Thailand's corporations to attract capital from abroad. Thus began Thailand's aggressive loan borrowing. Also at that time the Thai government pegged the foreign exchange rate of the Thai Baht to the U.S. dollar. In order to keep the stable exchange rate between these two currencies, the Thai government had to keep interest rates high. As a result, lots of interest-driven, short-term funds flew in and accelerated the pressure of inflation. When the financial crisis began, Thailand's foreign debt amounted to 85 billion US dollars. Thai products were losing their international competitiveness, as their market share shrank. According to the budget released by the Thai government on July 25, 1997 for the fiscal year ending in September 1998, the current account deficit for Thailand in 1996 was 1.43 billion US dollars. These factors became hidden dangers of the financial crisis. When a large amount of foreign, short-term capital was withdrawn, financial turbulence surfaced.

Since reforming and opening, China has tremendously increased its use of foreign capital: between 1991 and August 1996, it used up to 161.07 billion US dollars of foreign directed investment; between 1979 and 1995, it used 229.1 billion US dollars in foreign capitol through various forms. For the last 3 years China has become the number one country in using foreign capital in the third world and the second largest country in using foreign capital in the whole world, after the United States. The figures below are worth our concern:

Table 1: **China's International Income and Expenditure Status**

	Ratio of Foreign Reserve to Short Term Debt	Int'l Warning Line	Int'l Standard	Remarks
China	617%	80%		
Indonesia	73%			
Malaysia	186%			
Philippines	84%			
Korea	147%			
Thailand	109%			
Time of Foreign Reserve in Support of Import				
China	7 months	3-4 months		
Ratio of Foreign Debt to GDP				

China	15.5%	50%

The foreign debt balance in 1995 was 106.5 billion US dollars. Between 1979 and 1995, it used 229.1 billion US dollars in foreign capital through various forms. The ratio of the current account deficit to GDP is 2.5%. Experience indicates that this ratio is good for economic growth if it is limited to between 0- 5% and it is detrimental if it is above 5 or below 0.

Growth rate of foreign reserve versus that of GDP		
	2 times	0.3 - 1.2

This international standard refers to developing countries. It does not include the developed countries.

The Ratio between Foreign direct investment + Current items deficit and GDP		
	5.7%	-2.5%

Sources: "An Analysis of the Macro Economy of China," most recently released by (Beijing) National Economy Research Institute

Although China always emphasizes that its unique national situation is different and that prevailing international criteria alone cannot be used to measure whether China's foreign reserve is more than sufficient, the above figures, which are far from the norm, at least indicate that the speedy growth of China's foreign reserve should slow down. First of all, an over-sufficient foreign reserve will create inflationary pressure and reduce the effect of government's efforts to control inflation. Meanwhile, under the current foreign exchange purchase system, the central bank has to use Ren Min Bi (RMB, the Chinese yuan) to purchase foreign currency inflows. According to information revealed from banks in Shenzhen and other regions in the past two years, a large amount of short-term foreign capital has been found to flow in for arbitrage. Regarding this short-term international speculation, George Soros, an expert in international financial speculation, warned governments of various countries: as long as any government leaves market speculation opportunity in the market, people will come to speculate. To offset the increase of funds tied to foreign exchange, the credit scale had to be contracted accordingly, with the result that the industries that don't have foreign exchange income (inflow) find it difficult to borrow and they have to limit or even stop their production. With over-sufficient foreign reserves, the large foreign exchange assets that could be made use of are left idle, and this, in reality, limits the speed of technical progress and economic growth. In the international arena, the opportunity cost of foreign exchange is normally expressed by the output increased by converting the reserve into productive investment. In consideration of the real situation in China, it is true that business efficiency, the return rate of investment, and even the overall economic mechanism are not good, but their low rate will not be such that their investment-output ratio would be lower than the return on foreign exchange deposits and purchasing foreign bonds. Under such circumstances, the opportunity cost of our country's holding excessive foreign reserves is very high.

There is one more point that must be mentioned: the exports from our country for 1996 were not as good as we expected. In particular, exports for the first 6 months seriously decreased, and the second 6 months slightly picked up. According to an analysis, this was due to the downward adjustment of the tax refund of export trade. But another cause that cannot be ignored is that the international competitiveness of our export products in comparison with our neighboring countries has a tendency to decrease. Based on the above, it is just as the economist F. Lakua *[phonetic transliteration],* who is in charge of the Division for the Newly Industrialized Countries in the French Saving and Trust Bank, analyzed: most of the Southeast-Asian countries face problems such as over investment in industry, crisis in real estate, increase in imports, a slow down in economic growth and impropriate structure. Meanwhile, the currency of these countries is pegged to the US dollar in one-way or another. It results in its overvaluation and its inability to reflect its international competitiveness and the income and expenditure of the current items.

The Relationship between Large Capital Outbound Flight and Financial Crisis

There is one more problem that must be raised here: the relationship between the outbound flight of capital from China and the financial crisis. This problem has been kept as top secret by the Chinese authority. The outbound flight of China's capital for the last 10 years is indicated in the following table:

Table 2: Capital Outbound Flight and Foreign Debt Growth: Unit: 100 million US$

Comparison between China and other countries

Capital Flight Foreign Debt Growth Amount (%)

Argentine	Brazil	Chile	Mexico	Peru	Venezuela	Uruguay	Philippines	Korea
270	30	0	360	38	250	6	84	61
-10	70	10	170	60	260	100	10	530
310	62.70	12.00	6.40	64.80	32.80	101.30	27.30	36.10
	21.80							
China	402.87	52.30						

Sources: See Jun Wang "An Analysis of the Total Sum of China Capital Flight and Structure" ("Reform Magazine" Issue No. 5, 1995)

Researchers indicate that since 1985 capital outbound flight from China has reached 52% of its foreign debt growth, which surpasses the average capital outbound flight rate of the 15 debt countries that bore the heaviest debt burden in the world in the 1980's. Moreover, after entering the 90's, capital outbound flight from China matches or even has passed its newly increased foreign debt each year. In other words, while the Chinese government is borrowing large loans from abroad, more than half of the capital is lost through various channels and perhaps permanently "resides" abroad. Mr. Warr [*phonetic transliteration]*, adviser to the London Royal Institute for International Studies, has pointed out in his research report to the Economic Cooperation and Development Organization: between 1989 and 1995, the long term capital outflow from China might exceed 100 billion US dollars, of which 50 billion was not approved by the government, *[original text garbled here—translator]* According to the same report, by 1994, China had established nearly 10,000 companies overseas, located all over the world, but the investments are mainly concentrated in Hong Kong, Australia, Canada and the USA. This fact means that the illegal capital outflow from China has become an important capital source in Hong Kong and in other regions. It is estimated that by 1995 companies and individuals from China had invested 30 -40 billion US dollars in Hong Kong. **[3]**

Outbound flight of capital in large amounts has definitely brought about a tremendous negative effect for China's economy: while the country pays high opportunity costs to borrow foreign capital, huge amounts of capital constantly flow out of China and disappear into foreign countries. It is certain that this capital outbound flight constitutes one of the causes for the financial crisis.

The Debt of State-Owned Companies and the Predicament of the Banks

To a large extent, the crisis facing the state-owned banks in China is mainly caused by their symbiotic relationship with the state-owned enterprises. In the past 2 years incomplete data revealed by various media sources are sufficient enough to alert us that this problem itself can trigger a financial crisis.

Since China implemented its financial policy of "lending rather than giving" on state-owned enterprises, many state-owned enterprises have to depend solely on bank loans for the investment of fixed and working capital. This has forced many of them to start from scratch and run a business without principal. This results in over 75% of the state-owned enterprises bearing debts and interest costs (the data for 1997 indicates the average debt rate of 80%), and all the debts come from one source: bank loans. Because of this historical relationship between the enterprises and the banks, this lending and borrowing relationship, on the one hand, made the bank bear a heavy burden, and, on the other hand, made the enterprises complain that a decent portion of their profits turned into financing costs. The enterprises have been aggravated by its burden of turning profit into interest. The ratio between interest and profit was 1:0.033 for 1980, 1:1 for 1990 and 1:1.73 for 1995. **[4]** Thus a vicious cycle has been formed between the banks and the enterprises: the enterprises need bank loans, but the high interest rate plus borrowing costs make the enterprises' burdens unbearable. As a result, the loans and interest became default, and bad loans kept growing. Much of the lent capital becomes tied idle, and the financial risk is not to be ignored. According to statistics, by the end of 1996, dead accounts and bad accounts had been accumulated to over 600 billion yuan plus the default loans of the enterprises. The unhealthy debt ratio of the banks reached as high as about 25%. Since the policy of "lending rather than giving," the ratios of the state banks' own capital has continued to decrease. According to statistics, just before the implementation of the policy, the ratio of the state banks' own capital was about 70%, but as the debts of the state-owned enterprises kept rising, the ratio of the state banks' own capital continued to decrease. By 1996, the ratio of state banks' own capital had decreased to about 3%. **[5]** The US banks have a debt ratio of 50%. The debt ratio of banks in other Asian countries, except Japan, is lower than that in our country.

Actually, if you are a careful reader, information from various sources on a daily basis has indicated that China's financial crisis has already shown its signs in local regions: since 1995, a city credit union affiliated to a bank in Jieyang city of Guangdong was in default of nearly 200 million RMB from its mass deposit clients. The credit union's officials were detained for investigation by the government authorities in July 1997. **[6]** The media have disclosed that quite a few such problems occurred in the branches of the local banks. In August 1996, the bureaucratic reform department of a certain city in Guangdong conducted an investigation on the financial institutions under its jurisdiction and found that the cash flow of all the stated commercial banks was very slow and the risk rising. The investigation involves 870 financial institutions (including branches) with a total deposit balance (inside and outside account) of over 6.437 billion yuan and a total loan balance (inside and outside account) of over 7.1 billion yuan. According to the regulation on the ratio between capital and loan, with a deposit of 6.437 billion yuan this city could only extend loans in the amount of 4.83 billion yuan, but the actual loan balance was 7.1 billion yuan, the deposit and loan ratio was impropriate. In order to make up the deficit, all banks tried one way or another to balance, yet over lending was very serious. According to this survey, the so-called "Three Loans" (overdue loans, dead loans and dying loans) increased annually. Actually, very few loans can be paid back safely and on time. The business profitability of the overall bank system was not any better than that of the state-owned enterprises. The investigation also shows that the banks in that city lost 0.35 billion yuan in 1995 and 0.286 billion yuan for the first half of 1996, of which 0.244 billion yuan, i.e. 85.35%, was the loss made by the state commercial banks. In 1995, the combined average interest rate for the 5 state commercial banks was 28.69%, but it was reduced to 18.64% for the first half of 1996. As a result, it became very difficult for the banks to operate. As the return rate of loans and the turnover rate of loans decreased, the capital available for use was reduced and the capital operation of the banks became more difficult. The tie-up of large amounts of bank capital weakened banks' ability for emergent payment so that once there occurs a run of money withdrawal a payment crisis will be triggered because of the difficulty in meeting the cash withdrawal, and it will further lead to financial turbulence. According to some sources, right now in Guangdong the performance of banks in most regions are short of their expectations except in Guangzhou and Shenzhen. **[7]** In the banking industry Guangdong is deemed strong nationwide. The banks in other provinces could only be worse than their counterparts in Guangdong.

According to a piece of news from "China Industry and Commerce Times", the result of an investigation of the People's Bank in one province is shocking: in this province, the accumulated bankrupted enterprises in three years amount to 479, with total combined assets at the time of bankruptcy of 2.27 billion yuan while their total accumulated loans and interest owed to the bank was 2.66 billion yuan. Thus the bank's credit capital faced huge risk. **[8]** Another investigation also indicates the growing potential of enterprises could easily bust the banks. By the end of June1996 in a particular region, 54 enterprises declared bankruptcy. Their total assets were 0.2212 billion yuan while their total liabilities were 0.49413 billion yuan. The ratio of liabilities to assets was as high as 223%, and the assets were far short in meeting the liabilities. What is worthy of attention is that these bankrupted enterprises cumulatively owed bank loans and interest in the amount of 0.38315 billion yuan, which was 1.73 times that of their total assets. For the 42 enterprises that completed liquidation, the banks received very little; the liquidation rate was only 3.3%. Based on such a rate, after liquidation of all the enterprises, the banks could only get back 12.65 million yuan and would suffer a loss in the amount of 0.3705 billion yuan in thin air**. [9]** In summary, the current management of state assets makes us worried: the problems of the stated-owned enterprises' loss of assets and capital on account have become acute and prominent. Enterprises without any financial felicity make up one quarter of the total enterprises. Furthermore, the fact that state-owned enterprises have such high rate of debts has made us realize: if the problems of the state-owned enterprises are still not tackled immediately and at a deep level, then the problems will spread. The final result will be that the banks become insolvent and a financial crisis becomes inevitable.

Actually it is already well known that the debts of the state-owned enterprises owed to the banks have created serious consequences, as is evidenced by the point of view of the IMF official who stated that what is far more important than the RMB's convertibility is the reform of China's state-owned enterprises**. [10]**

Analysis on Banks' Systematic Risk and Government Countermeasures

Compared with their counterparts in most of the Newly Industrialized Market Countries, the stated-owned banks in China have been controlled by the state to a much higher degree. The British *Economist* once released a group of figures that used the ratio between the assets of the state-owned banks and that of the total bank assets as a standard to reflect the nation's control degree over the banks. The ratio is nearly 100% for China, 70% for Indonesia, nearly 60% for Taiwan, about 25% for Russia and about 18% for Korea. This data signifies two issues: for one thing, China has an especially strong ability to control its financial issue; as such, China can still keep its financial crisis in sleeping status when all financial economic indicators have seriously deviated from the norm. For the other, enormous systematic risk does exist in the Chinese banking system. When the time is ripe, this risk will realize, and its impact will definitely not be smaller than that in Mexico and Thailand.

There are usually several ways of getting rid of financial crisis in the world, e.g., currency depreciation and lowering interest rates to raise the international competitiveness of the country's products, etc. But due to the constraints of various political and economic factors in China, using these measures involves high risk and the effectiveness is hard to meet (actually the interest rate was lowered twice in 1996, the bank deposit interest rate actually became negative in consideration of the inflation rate). So everyone can only focus on one point, i.e., the savings of the Chinese residents both in the city and in the countryside. In July 1997 the financial statistics provided by the People's Bank of China indicated that the savings deposits of China's residents in urban and rural areas reached 4277.12 billion yuan. **[11]** Another statistic also provided by the People's Bank of China indicates that by the end of 1995 the savings deposits of China's residents in urban and rural areas accounted for 60% of the total bank loan of over 5 trillion yuan. **[12]** During recent years quite a number of official economists have been pondering how to use people's savings in the banks to transfer crisis. Since the consistent failure by the government to motivate the people to purchase cars and apartments in 1996 (mainly because of the lack of purchasing power of the people for these two most coveted items and the fact that those with purchasing power have already bought cars and apartments), there was once again the talk of "using the stockholding system to revive state-owned enterprises." Since this touches on the issue of ownership, which is really more political than economic, all the major media outlets have reported on this topic. Some economists have clearly stated the purpose, such as the statement made by Wei Jie, Director of the Science and Research Institute of the State Assets Administration, who admits to the existence of a financial crisis but insists that the stockholding approach to state-owned enterprises is a way to get rid of the crisis. **[13]**

In light of the above, the purpose of stock reorganization of state-owned assets this time is obviously very different from the stock reform of the past several years. The most fundamental difference lies in the main motivation underlying the structure of reform. The goal of the previous stock reform was to improve the operation mechanism of the state-owned enterprises (quite a few state-owned enterprises still failed to reach this goal after the reform). The function of raising capital that is inherent with stock was put into a subordinate position. But the main motivation this year is to raise funds in order to alleviate the bank crisis. Is this method successful?

It is possible to succeed, considering the total amount of the residents' savings deposits and the total amount of stated-owned assets. Among the 4277.12 billion yuan of savings deposits of the residents in the city and countryside, the majority is held by medium and small-sized savings accounts with the exception of 40% that are collectively held by less than 10% of people with high income. **[14]** According to a survey of 40 thousand resident families nationwide and also estimates based on relevant information, by 1996 there were 66.42 million households with savings deposits totaling more than 10,000 yuan, accounting for 76% of the total urban households. **[15]** The State Assets Administrative Bureau announced that by the end of 1996 the total amount of state- owned assets was 5.71064 trillion yuan**. [16]** The bureau also announced in June1997 that the net value of the state-owned assets after evaluation was 3.24118 trillion yuan. **[17]** These two numbers show that the stock reform of state-owned enterprises was actually backed by private capital. Moreover, people do have a desire to purchase the internal stocks of their enterprises, though not too strong a desire. I have found out that, although they are not quite willing, the employees generally indicate that they would buy a certain amount of the internal stocks of their company in order to support reform, doing so after considering the difficult employment situation and understanding their shared fate with the enterprise. In addition, the labor union of their enterprise will normally subsidize 40% of the stocks they buy (e.g., if you invest 6000 yuan, you will receive stocks with the face value of 10,000 yuan, with the subsidizing ratio varying among enterprises). The problem now does not lie in the discussion of whether this solution is reasonable. Honestly speaking, there is definitely no cure-all medicine for the stubborn disease of the state-owned enterprises after various prescriptions have been used in the last scores of years. Up to now, whoever is to diagnose cannot offer a better prescription. Some people take the stock reform as the last trump card with which to reform the state-owned enterprises. As far as the economists are concerned, what needs to be done now is to predict the consequences of the economic policies (including unfavorable consequences) and to make a summary of the experiences and lessons of the recent years of stock reform, otherwise, it will lead to miscarriage of this large scale enterprise reform.

I have mentioned these issues earlier in my article "China's Stockholding system: Free Lunch of Socialism" and I am going to give a brief account here. In brief, the causes for the dissatisfactory results of the past attempt at implementing stockholding systems in China are as follows:

1. Lack Of The External Mechanism To Effectively Regulate The Stock Managers. The cause for the failure of using "stockholding" as a trump card to reform the state-owned enterprises primarily lies in the existence of incompetent stock managers. In a formal shareholder ownership model it is the shareholders outside the management that rectify incompetence, laziness and moral risk of the management. In order for the outside shareholders to play their role a capital market becomes necessary through which the value of a company can be evaluated and transfer of dominant company stocks can be conducted efficiently. In addition, other system arrangements should be made such as the labor market for competent managers and workers. But in our transitional economy there is a lack of capital markets and labor markets. Since China started its economic reforms, the management teams of the enterprises have been basically appointed through administrative orders by the upper authorities. The entrusted are actually selected by the government, just like the process of selecting cadres. In such a system the management teams are the same as before. In this regard China's stock market management is no different from that of the state-owned enterprises. A stock manager knows that to maintain a good relationship with the upper authorities is more important than becoming a professional, competent stock manager. Facing the measure and standard currently used to appoint and check the managers and board members of stock enterprises, these managers will evidently become affiliated with and submissive to their upper authorities. They must make a choice between serving the Party leaders who appointed them and serving the stockholders who have given them the money. While the factory managers are still controlled by the political mechanism and there is no separation between the government and the enterprise, no enterprises can profit. This is the fundamental problem of China's stated-owned enterprises, many of which have merely changed the sign on the front entrance of its factory to that of a stockholding company. Because the leaders usually use personal relations and connections to select the managers of the enterprise, the interest of the enterprise contradicts that of the officers more often than not, and it can only result in the constant disappearance of the company's assets.

2. There is no established mechanism that combines the rights and liabilities of the assets between board members and managers on the one hand and assets of the enterprise on the other. The management continues to enjoy the rights over the assets while the managers do not bear any responsibility for the assets or for any of their losses. The managers are held responsible to their superiors rather than to their shareholders

In summary, a stockholding system is not only a method of organizing assets; it also involves the creation of a market economy system. It needs a complete set of integrated systems to put it into effective function. According to general international practice there must be laws to specify and guarantee the independent legal person's assets, to separate the final ownership and the ownership by legal person of the stock enterprise, and to safeguard such rights as the legal person's status regarding the stock enterprise etc. Other issues include the distribution of stock ownership, final ownership, legal person ownership, separation of management, issuing stocks in the open market and transfer of the stocks, etc. All involve very complicated external and internal relations. To handle these relations well complicated economic laws must be implemented—laws on stock exchange trade, fair competition law, law on protection of security investment, etc. In the absence of a complete legal environment and the supportive laws and regulations chaos is inevitable. The most important issue lies in the fact that the challenge for China is not the enactment of laws but the implementation of laws. In conclusion, after reorganizing their assets in the form of stocks, the state-owned enterprises have failed to rid themselves of a fundamental problem that is rooted in the fact that the managers of the stocks, appointed by the state authorities, bear no responsibilities to the stockholders. These managers still have the rights to use at will the state assets. Since the state owns dominant stocks, the management enjoys the same disposition rights over the shareholders' assets as private assets. They are not held responsible no matter how many losses the enterprise sustains. The shareholders are never in a position to discharge them for their poor performance, corruption, or other moral risks, because the shareholders do not have the right to appoint or discharge the management or board members. Stockholding as an effective measure to solve China's financial crisis may not get the expected result. If that is the case, the consequences will be grave.

After eighteen years of economic reform all the scholars familiar with the situation in China should know one fact: the biggest difference between the developed countries and the developing countries is that it is extremely difficult for a developed country to enact a new law, but once it does, it strictly implements it whereas, the developing countries have the opposite problem: it is not hard to enact new laws and regulations, the difficulty lies in the serious deviations during the implementation process. The biggest problem in our country is not a lack of laws and regulations to follow; it is a lack of adherence to those laws and regulations. The completion of a legal system is not equal to the establishment of "rule of the law." With such an understanding, scholars involved in policy making should put forward effective measures to restrict any such deviations when designing the legal system. And this time, if the hope to introduce a stockholding system that reorganizes state-owned assets in order to alleviate the pressure of China's banks fails to meet its expectation, that failure can possibly trigger a major crisis that will find many echoes.

Footnotes:

1. *China Industry and Commerce Times* (June 13, 1997)

2. *China Industry and Commerce Times* (March 3, 1997)

3. "China has become An Important Source of Capital in the World," *The Financial Times* December 27, 1996, quoted from *The Reference News,* January 1, 1997

4. Data quoted by Deputy Director Chen Qingtai of the State Economic and Trade Committee on July 31, 1996 at a speech in Tai Yuan, Shanxi, for the conference on Merging and Bankruptcy Experimented in Selected Chinese Cities," see *Guangdong/Hong Kong Information Daily*, August 29, 1997

5. Wei Jie, "The Urgent Need for Transferring State Assets To Stockholding Companies," *Southern Weekend*, August 29, 1997

6. *Sheng Xin Times* July 16, 1996

7. *Guangdong/Hong Kong Information Daily,* August 16, 1996

8. *China Industry and Commerce Times*, November 7, 1996

9. *China Industry and Commerce Times*, December 4, 1996

10. Speech made by F. Larson, deputy director of the research division of IMF at the World

Economic Expectation Conference, see *China Industry and Commerce Times*, May 22, 1997

11. *China Industry and Commerce Times,* July 22, 1997

12. "Newspapers and Periodicals Digest" ed. by Liberation Daily Publishing House, February 26, 1995

13. Same as Note 4.

14. China Market Economy Paper, July 26, 1995

15. *News Daily*, July 4, 1997

16. *China Industry and Commerce Times,* December 24, 1996

17. *China Industry and Commerce Times,* June 12, 1997