Index

15th Congress of CCP 15, 46, 132
26th document 106

ABC (Agricultural Bank of China) 59, 69
accounting books 64
ACFIC (All China Federation of Industry and Commerce) 5, 62, 125, 126, 136
adjustment tax on capital investment 80
Agricultural Bank of China (ABC) 59, 69
agricultural production (see farming system)
agriculture (see also farmers)
as private 16, 27n8
GDP share 17, 19
restoration of farming system 1
tax bases 81
All China Federation of Industry and Commerce (see ACFIC)
annual reports, provision of 93, 94
Anti-Unfair Competition Law 136n5
ANU (Australian National University) 2
arrears (see enterprise arrears)
Asian financial crisis 42
Asia Pacific School of Economics and Management (APSEM) 2
asset appraisal 63–64, 70, 76–77
asset evaluation system xvi
Association of Private Firms 126
Australian National University (ANU) 2

bad debts (see enterprise arrears)
bank loans (see finance; loans)
Bank of China 59
Beijiao 111
Beijing
1989 fracture 14
business partners 49
capital growth rate 37
collateral 62–64
education facilities 109n2
employment 37
enterprise arrears 56
Firm P (case study) 121
firm profitability 38, 40
firm size (capital stock) 37
firm size (no. of workers) 32, 33, 34, 41
firm size (sales and capital) 34–35, 36
Firm Y (case study) 63
getihu fees 119
industries 35
information dissemination 123
initial capital 53–54, 55, 58
land acquisition 120–121
laws and regulations 120–121
listed firms 96
loan applications 59–60, 61, 63
managers’ education 100–101, 102
managers’ experience 103
market barriers 44, 45, 46
ownership 90
partnership firms 91
population control 109n3
private firms 135
private sector development 29–30
profile 29
public services 122–123
‘red hat’ firms 14, 46
resident status 105
social security contributions 107, 108
survey criteria 2, 4, 5, 6–7, 8n8
taxation 85, 87
technological innovation 111, 112
technological piracy 51
turnover rate 57–58
wage rate 105–106, 109n4
W Arts Co. Limited (case study) 46
workforce 98
BICM (Bureau of Industry and Commerce Management)
business licenses 44–45
capital registration criteria 41n2
database 5, 8n8
fee collection 119, 127
firm registration 118
statistics 16
survey participation 3
‘bleeding’ 21
budgetary income 82
Bureau of Industry and Commerce Management (see BICM)
business associations 125–130
business partners 48, 49, 92
buttons (see Qiaotou Button Chamber of Commerce)
capital
firm size and 34–35, 36
foreign sources of 54
initial 53–54, 55, 58
ownership distribution and 25
stock market as source of 68
working 57–59, 66
capital growth rate 37
capital investment, adjustment tax on 80
capitalist production process, Marx’s definition 13
capital registration criteria 41n2
capital stock growth rate 37–38

Case studies
Bank finance in Wenzhou 69–70
Changing ownership and internal governance in private firms 95
derivation of 4
Fees collection and government corruption 88
Firm J’s journey to get a bank loan 48, 70
Firm P’s loss of its land 121
Firm S’s local taxes and fees 87
Firm TZ 95
Firm Y’s journey to get a bank loan 63
Gaizhi in Sichuan province 23
Guizhou Chamber of Commerce 128
HDL 116
Intellectual property rights and technical innovation 116
MD: Development by way of innovations 111 (see also MD)
Shunde’s privatisation 22
W Arts Co. Limited 46
Wenzhou Garment Chamber of Commerce 129
CBC (Construction Bank of China) 59, 69
CCER (China Center for Economic Research) 2
Index

CCP (Chinese Communist Party)
- 15th Congress 15, 46, 132
- ACFIC as part of 126
- enterprise reform policy 27n11
- presence in firms 99
- sanctioning farmers’ initiatives 11, 28n2
- socialist transformation and 9

Central Bank, interest rates xxiii

centralised purchases and centralised sales, policy of 9–10

chambers of commerce 125–126, 127–130

‘changing the ownership structure’ (see gaizhi)

Chengdu (Sichuan Province)
- arbitrary fee imposition 87
- education facilities 109n2
- firm profitability 40
- firm size (no. of workers) 32, 33, 34, 41
- firm size (sales and capital) 36
- guarantee funds 72
- Hong Kong finance 71
- industries 35
- information dissemination 123
- initial capital 53–54, 55
- listed firms 68
- loan applications 61
- managers’ education 101, 102
- managers’ experience 103
- market barriers 45
- outside expertise 95
- ownership 90
- private sector development 31
- profile 29
- public services 122–123
- social security contributions 108
- survey criteria 2, 4, 5, 6–7
- taxation 85, 87

China, People’s Republic of
- constitutional amendments xi, 15
- founding 9
- historical perspective 42–43
- socialist transformation 9–10

China Center for Economic Research (CCER) 2

Chinese Communist Party (see CCP)

City Credit Union 64

collateral (see also collateral appraisal)
- formal loans 62
- informal loans 66
- collateral appraisal 63–64, 70, 76–77 (see also collateral)
- collectives 14, 17, 19
- communes 10

Communist Party (see CCP)

conglomerates 97–98

constitutional amendments xi, 15

Construction Bank of China (CBC) 59, 69

consumerism 12, 135

cooperatives, emergence of 10

corporate income tax 78–79, 81, 83–84, 85

corporations, requirements for 99n4

corruption 88

credit associations 67–68

credit unions 53–54, 64, 65, 66

Cultural Revolution 10, 11, 126

Das Kapital (Marx) 13

database development 5, 8n8

dead payments 50 (see also enterprise arrears)

Decisions on Establishing a Unified Basic Enterprise Pension System 106
deflation
Asian financial crisis affecting 42
causes 43, 51n2
consumer demand and 43
economic growth affected by 43
Deng Xiaoping 15, 23
Deyang (Sichuan Province)
fee rate 85
firm profitability 40
firm size (no. workers) 32, 33,
34
firm size (sales and capital) 36
industries 35
information dissemination 123
initial capital 53–54, 55
loan applications 60, 61
managers’ education 102
managers’ experience 103
market barriers 44, 45
public services 122–123
survey criteria 5, 6
taxation 85
technological innovation 112,
113
turnover rate 57–58
wage rate 105–106
domestic private enterprises, defined
8n1, 17
Dongguan 31
early retirement schemes 94
economic growth, regional disparities
24, 26–27
economic reform xi–xiv, xxii
economy, private sector contribution
to 15–27
education
firms cooperating with institutes of
112–113
managers’ profiles 100–104
MBA programs 104–105
policy recommendations xxii
training 104–105, 108, 114
universities 101, 109n2
workers’ profiles 101, 104
electricity 122
employees (see workers)
employment (see also unemployment)
corruption penalising 88
firm size and 31–34
high taxes affecting 86
in Beijing 37
in private firms 24, 25, 26
in Shunde 37
of rural migrants 98
of urban workers 98
private sector’s share 16
enterprise arrears 50, 54, 56–58, 81
enterprise bonds 66
entrepreneurs
collectives rented by 14
government support for 15
environment protection bureau 88,
89
extra-budgetary income 82
farmers (see also agriculture)
enterprise arrears and 57
non-agricultural activities by 1,
27n2
farming system, restoration of 1
fees (see also taxation; value-added tax)
additional imposition 87, 89
burden distribution 84
centralised control of 86
collection 81, 88
complaints about 85
Firm S (case study) 87
for collateral appraisal 64, 70, 76–
77
for getihu 119
government corruption and (case study) 88
land price influenced by 30
policy recommendations xvii–xviii
proliferation of 79, 81–82
fenshuizhi system 78
Fifteenth Congress of CCP 15, 46, 132
finance
Bank finance in Wenzhou
(case study) 69–70
Firm Y (case study) 63
formal loans 59–66, 74n2, 75–77
informal loans 66–68
overseas sources 70–71
overview of survey firms 53–59
policy recommendations xiv–xvi
reform measures xiv–xvi, 71–73
stock market as source of 68, 70
financial reform xiv–xvi, 71–73
Firm J (case study) 48, 70
Firm P (case study) 121
firms
capital stock growth 37–38
defined for GDP 17
listed on stock exchange 96
management of 92–96
profitability 38, 40
registration 117–120, 130, 132
state ownership 20
state’s disposal of 20
technical capacities 113–114
Firm S (case study) 87
firm size (no. of workers)
employment and 31–34
geographic distribution 32–34, 41
growth rate and 41
loan applications by 61
market barriers 47
profitability and 40
taxation 84
technological innovation and 110–112
wage rate and 106
firm size (sales) 36–37
firm size (sales and capital) 34, 35, 36
Firm TZ (case study) 95
Firm Y (case study) 63
five-year plans 10, 27n12
foreign banks 71
foreign capital 66
foreign investment, adjustment tax for 80
foreign ownership, in GDP 17
foreign trade
chambers of commerce assisting 126
licenses for xiii, 45
offshore guarantors 62
gaizhi
as official collectives 17
defined 20–21
initial capital of 53
privatisation and 20–21
Sichuan province (case study) 23
GDP (gross domestic product)
1993 growth 42
1997 growth 42
composition of 17
ownership shares 19
private sector’s share 16–17
tax contribution 82
General Guidance for the Transitional Period, The 9
General Lending Rules 75
Private Enterprise in China

geti gongshang hu (see getihu)

getihu
1987 survey 14
1989 decline 14
1990's increase 15
as domestic private enterprises 17
defined 13
development of 11–15
fees for 119
registration of 117, 119
taxation 81, 120, 131
governance, internal (see internal governance)
government income 82
government reform xix, xxii, 136
Grand 31
Great Leap Forward 10
gross domestic product (see GDP)
guakao 44, 46, 135
Guangdong 4, 31 (see also Shunde)
Guangzhou 22, 45
guarantee funds 72
Guizhou Chamber of Commerce (case study) 128

HDL (case study) 116
healthcare 107–108
Hebei 14
Hong Kong
as foreign finance source 71
MD listed 111
stock market 59, 71, 74, 95, 111
subsidiaries in 43
Hongqiao 30, 32
Hope Group 31

ICBC (Industrial and Commercial Bank of China) 59, 69
ideology 132, 134

IFC (International Finance Corporation) xxii, 2
income, government 82
Industrial and Commercial Bank of China (ICBC) 59, 69
industrial associations (see business associations)
industrial output, of private sector 18
industries
categories 31, 35, 36
geographic distribution 32, 35
profitability 39, 40
informal market, as source of finance 66–68
information asymmetry 64, 66, 118
information dissemination xx, 123–125
institutional capital 132–133, 134
intellectual property rights 113, 115–116
interest rate
borrowing behaviour and 73
for formal loans xxiii, 59, 65, 66, 72
of informal market 67
Wenzhou as experimental zone 69–70
internal governance
decision making 92–96
employee involvement in 96, 98
industrial organisation and 96–98, 99
labour management 98–99
ownership forms 90–92
International Finance Corporation (IFC) xxii, 2
Internet 124
investment
adjustment tax for foreign 80
incentives for 124
policy recommendations xxi–xxii
issue of equity 66

Jintang 23
judiciary system 56, 57 (see also laws and regulations; legal system)
‘keep the large ones and let go the smaller ones’, policy of 20
Kelong 22, 31

labour disputes 98, 99
labour market 98
labour skills 100–105, 108
land
as collateral 62
as social security 108
compulsory acquisition of 121
loss of by Firm P (case study) 121
non-ownership by occupier 62–63
ownership non-acknowledgement 11
price in Wenzhou 30
use rights 22, 63, 85–86
Law of Corporation 13, 91, 99n4
Law of Incorporation 27n12, 117, 118
Law of Partnership Firms 117, 119
Law of Private Sole Ownership Firms 117, 119
Law of Protections on Small and Medium Size Firms 117
laws and regulations (see also individual laws; judiciary system; legal system)
administrative performance 122–123
business associations 125–130
for private firms 117–120, 132
information dissemination 123–125
regional differences 120–121, 132
suggested improvements 130–133
legal system, policy recommendations xx–xxi (see also judiciary system; laws and regulations)
Liaoning 14
limited liability companies
benefits of 23, 91–92, 99n2
firms’ share 25
gеographic distribution 91
laws governing 13
registered capital of 24, 41n2
rise of 23
types of 27n12
listed firms 22, 68, 71, 95, 96, 111
(see also stock market)
Liushi 30, 32
loan guarantee funds xvi
loans (see also finance)
access to 43, 59–66, 124
Central Bank policies 75
for technical innovation 114
informal 66–68, 124
interest rate 59
policy recommendations xiv–xvi
private sector utilising 16, 53

macroeconomic conditions, historical perspective 42–43
management buy-out (MBO) 22
management leasing 22
management of firms 92–96
managerial skills 100–105, 108
market barriers 44–45, 47, 118 (see also market entry)
market competition (see also enterprise arrears)
competitors 46–48, 50–51, 51n5
dead payments 50
Firm J (case study) 48
Private Enterprise in China

historical perspective 42–43
networks 49
partners 48, 49
profitability and 38
technological innovation and 114
W Arts Co. Limited (case study) 46
market economy, requirements of 132
market barriers 45
ownership in 90
public services 122–123
survey criteria 5, 6
taxation 85
technological innovation 112, 113
turnover rate 57–58
wage rate 105–106
Minsheng Bank 72, 73, 126
monopolies, market barriers causing 44–45
Nanhai 31
networks, commercial 49, 125, 130
New York Stock Exchange 74n4
Ningxia 14
non-budgetary income 82
output, private sector’s share 16
outside directors (see outside expertise) 94–95
overseas finance 70–71
ownership
forms of 90–92
geographic distribution 91
industrial organisation and 97
management and 92–96
registration of 23
partners, business 48, 49, 92
partnership firms
benefits of 91–92, 99n2
firm size and 25
laws governing 13
relative importance of 23–24, 25
taxation 120
patents 111, 115
Pearl River Delta 4
Index

Peking University 2
pension schemes 106–108
People’s Congress 135
People’s Cosnsultative Congress 135
personal income tax 78–79, 81, 85
piracy of technology 48, 50–51, 115–116
policy recommendations xiv–xxii
pollution by firms 86
portfolio management 72
power supply 122
prices
market competition and 47–48, 51n5
quality affected by 48, 50
private enterprise, historical perspective 9–15
private firms
acknowledgement of xi
as listed firms 68
capital size distribution 25
chambers of commerce assisting 126
contribution to economy 15–27
defined 17
development factors xiii–xiv
distribution (regional) 24, 26
distribution (sectoral) 24, 25–26
employment share 13, 16
GDP share 16–17, 19
growth of 12–14, 15, 16, 19
industrial output 18
loan access 59, 124
loan utilisation 16, 69
output share 16
ownership evolution 21–24
ownership types 23–24, 25
perceptions of 134–136
policy recommendations xiv–xxii
profitability 38–40
role of xxii
tax contribution 82–89
TSPE definition 13
privatisation
forms of 22
gaizhi and 20–21
implementation program 15
in Shunde 22
SOEs 16, 17–24, 41
Procedure for Registration for Private Enterprises 41n2
profitability
firm size and 40
market competition and 38
of industry 39, 40
property rights, policy recommendations xx–xxi
public services 122–123
Pudong 71
Qiaotou 30, 32, 127
Qiaotou Button Chamber of Commerce 127
quality, prices affecting 48, 50
R&D (research and development) xx
‘red hat’ firms
cause for emergence 59
creation of 21, 23
defined 14
guakao firms as 46
in Beijing 14, 46
in Shunde 14, 21
official collectives as 17
reform
economic xi–xiv, xxii
education and training xxi
enterprise reform policy 27n11
financial xiv–xvi, 71–73
getihu as a response to 12
government xix, xxii, 136n1
legal system xx–xxi
private investment xxi–xxii
property rights xx–xxi
rent-seeking behaviour limited by 86
rural 12
taxation and revenue xvii–xviii
technical innovation xx
urban 12
registered capital, defined 41n2
registration of firms 117–120, 130, 132
Regulation for Labour Management in Private Enterprises 99n3
regulations (see laws and regulations)
Regulations on Protecting and Managing New Products 127
renminbi currency 71, 74n5, 135
rent-seeking behaviour
distribution of xix
eradication of 21
factors encouraging 131
getihu fees and 119
taxation reform limiting 86
research and development (R&D) xx
resident status 105, 109n3
resource usage 85–86
revenue (see fees; taxation)
risk management 64–65, 72
Rongqi 128
rural reform and growth of getihu 12
rural sector
employment of migrants from 98–99
getihu in 12
informal loans in 67–68
social security benefits for 107, 108
Russia, privatisation in 132 (see also Soviet Union)
salaries (see wage differentials)
sales, firm size and 34–35, 36
sample enterprises
capital growth 37–38, 41n3
industrial distribution 35–36
profiles 29–31
profitability 38–41
size 31–35, 41
sampling strategy
analysis 6–7
information sources 8n2
localities 4
stratified random sampling
approach 4–5, 8n7–n9
variable standard deviation in 41n4
self-employment 11, 27n3
'separate taxation system' 78
SETC (State Economic and Trade Commission) 2, 3, 16, 27n11, 72
Shandong 20
Shanghai
foreign banks 74
Minsheng Bank 72, 73, 126
source of expertise 94, 95
stock market 22, 68
taxation 85
technological piracy 51
share ownership, by employees 70
Shehong 23
Shenzhen
MD listed 111
stock market 22, 68, 71, 111
Shunde (Guangdong Province)
business partners 49
chambers of commerce 126
City Credit Union 64
employment 37
finance constraints 58–59
Firm J (case study) 48, 70
firm profitability 40
Firm S (case study) 87
firm size (no. of workers) 32, 33, 34, 41
firm size (sales and capital) 35
Guizhou Chamber of Commerce (case study) 128
industries 35
information dissemination 123
initial capital 53–54, 55
institutional capital 132, 133
land use rights 63
laws and regulations 120, 121–122, 131, 136-136
listed firms 68, 95
loan applications 61
managers’ education 100, 102
managers’ experience 103
market barriers 44, 45
MD (case study) 111 (see also MD)
medicine distribution 45
partnership firms 92
privatisation 20, 31, 133, 135
privatisation (case study) 22
profile 29
public services 122–123
‘red hat’ firms 14, 21
resident status 105
resource usage tax 85–86
social security contributions 107, 108
‘stopping bleeding project’ 21
survey criteria 2, 4, 5, 6–7
taxation 80, 85, 86–87
technological innovation 112
technological piracy 51
turnover rate 57–58
TVEs 4, 31, 32
wage rate 105–106

Shunde’s privatisation (case study) 22
Sichuan (see also Chengdu; Deyang; Mianyang)
ACFIC loan scheme 62
gai zhi (case study) 23
profile 29
public services 122–123
‘red hat’ firms 14, 21
Sichuan Chamber of Commerce 126, 135
survey criteria 4, 5
wage rate 109
Sichuan Chamber of Commerce 126, 135
Silicon Valley (USA) 94
single industrial and commercial proprietor (see getihu)
SOBs (state-owned banks) 53–54
social capital 134–136
social security system 106–108
SOEs (state-owned enterprises)
  access to loans 59
  as business partners 49
  as listed firms 68
  enterprise arrears 56
  GDP share 19
  liability of 120
  market competition and 47
  private sector as model for 15
  privatisation of 16, 17–24, 31, 41, 101
  reforms affecting employment 98
  size of 97
  workers’ benefits 98
sole ownership
  benefits of 90–91
  laws governing 13–14
  relative importance of 23–24, 25
  taxation 120
Soviet Union 9, 10 (see also Russia)
special consumption taxes 78, 79
spouses, as business partners 92
‘Star Plan’ 126, 136
State Bureau of Foreign Reserve Management 71
State Bureau of Industry and Commerce Management (see BICM)
‘state capitalism’ 9
State Council 11, 14
State Economic and Trade Commission (SETC) 2, 3, 16, 27
state-owned banks (SOBs) 53–54
state-owned enterprises (see SOEs)
state-private cooperatives 9
Stipulations on the Protection of Private Firms 117
stock market
admission criteria 73
Hong Kong Stock Exchange 59, 71, 74, 95, 111
New York Stock Exchange 74
policy recommendations xvi
restrictions in 22
Shanghai Stock Exchange 22, 68
Shenzhen Stock Exchange 22, 68, 71, 111
solving incentive problems 70
‘stopping bleeding project’ 21
subsidiaries 96–97
Suggestions on Revitalizing Small State-owned Enterprises 27
survey
geographic distribution 2
implications xxii
methodology 2–4, 8n3–n4
objectives 1
overview 1–2
sampling strategy 4–8, 8n2, 8n7–n9, 41n4
selection criteria 4–5
taxation (see also fees; value-added tax)
adjustment tax on capital investment 80
burden distribution 82–89, 120
corporate income tax 78–79, 81, 83–84, 85
evasion of 79, 84, 87
Firm S (case study) 87
implementation problems 80–82, 89
personal income tax 78–79, 81, 85
policy recommendations xvii–xviii
post-1994 78–80
pre-1994 78
privileges 84, 86
rates 85
resource usage tax 85–86
revenue distribution 78–79
technical capacities, factors affecting 113–114
technological innovation (see also technology)
MD (case study) 111
pattern of 110–116
policy recommendations xx
technology
market competition and 47
pattern of emergence 110–116
piracy of 48, 50–51, 115–116
telecommunications xx, 122, 124
telephone services 122
Tentative Stipulations on Private Enterprises (TSPE) 13, 14
Tentative Stipulations on the Registration of Individual and Private Enterprises (TSRIPE) 117, 119, 131
Tianjin 14
Index

**tonggou tongxiao**, policy of 9–10
‘Torch Plan’ 126, 136n4
township and village enterprises (see TVEs)
trade unions 98, 99, 99n4
training xxi, 104–105, 108, 114 (see also education)
T'SPE (Tentative Stipulations on Private Enterprises) 13, 14
T'SRIPE 117, 119, 131
turnover rate 57–59, 74n1
TVEs (township and village enterprises)
access to loans 59, 74n2
informal loans to 67
in Shunde 4, 31, 32
in Wenzhou 133, 134
market competition and 47
twenty sixth document 106
unemployment (see also employment)
accompanying gaizhi 23
influence on private economy 11
self-employment reducing 11, 27n3
unions, trade 98, 99, 99n4
United States of America (USA) 94, 99n2
urban reform and growth of getihu 12

value-added tax (VAT) (see also fees; taxation)
payment discrepancies 82, 84
rate of 80
receipts for 80–81
restricting investment 114
revenue distribution 78, 79
types of 89n1
‘venture capital’ xvi

wage differentials 104, 105–106
wage-earning factories 10
Wanbao 31
W Arts Co. Limited (case study) 46
Wenzhou (Zhejiang Province)
arbitrary fee imposition 89
bank finance (case study) 69–70
business associations 127
capital growth rate 37
collateral 62–64
credit associations 68
finance constraints 59
firm profitability 40
firm size (no. of workers) 32, 33, 34, 41
firm size (sales and capital) 36, 37
Firm TZ (case study) 95
HDL (case study) 116
industries 35
information dissemination 123
initial capital 53–54, 55
institutional capital 133, 134
land price 30
land use rights 63
loan applications 60, 61
managers’ education 101, 102
managers’ experience 103
market barriers 44, 45
outside expertise 94
private sector development 30
profile 29
public services 122–123
social security contributions 108
survey criteria 2, 4, 5, 6–7, 8n8
taxation 85
technological innovation 110–111, 112
turnover rate 57–58
TVEs 133, 134
wage rate 105–106, 109n4
Wenzhou Garment Chamber of Commerce (case study) 127, 129
workers employment benefits 98, 99
living standards 98–99
World Trade Organisation (WTO) xx
Wu Bangguo 27

Xinjin 31

Yibin 23
Yongjia 127

Zhejiang 2 (see also Wenzhou)
Zhongshan 31, 86
zunga fangxiao, policy of 20
Zhucheng 20