CHINA'S STATE-OWNED ENTERPRISES:
NATURE, PERFORMANCE AND REFORM

Sheng Hong
Zhao Nong
The Unirule Institute of Economics, China
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>About the Authors</td>
<td>xi</td>
</tr>
<tr>
<td>Editorial Committee</td>
<td>xiii</td>
</tr>
<tr>
<td>Foreword</td>
<td>xv</td>
</tr>
<tr>
<td>Acknowledgments</td>
<td>xix</td>
</tr>
<tr>
<td>Introduction</td>
<td>xxii</td>
</tr>
<tr>
<td>List of Figures</td>
<td>xxv</td>
</tr>
<tr>
<td>List of Tables</td>
<td>xxix</td>
</tr>
</tbody>
</table>

### Chapter 1  The Theory and Process of SOE Reform

   3
   10
3. The Reform of SOEs: “Establishing a Modern Enterprise System” (1993–present)  
   16
4. Policies which drove the reform of SOEs  
   24
5. Summary  
   34

### Chapter 2  Classification of State-Owned Assets and State-Owned Enterprises

1. Classified by the Nature of Assets  
   35
2. Classified by Government Management Method  
   37
3. SOEs Under the Ministry of Finance  
   42
Chapter 3  The Current Performance of SOEs (1): Efficiency
1. Literature Review of Research into the Efficiency of SOEs
2. The Basic Approach of this Report on Efficiency
3. The Nominal Performance of SOEs
5. Discussion on the “Enterprise as Society” and “The Burden of Retired Workers”
6. The Real Performance of SOEs
7. Summary

Supplementary Information

Chapter 4  Current Performance of SOEs (2): Distribution
1. The Influence of Subsidies and Costs that Should have been Paid on Distribution from the Perspective of National Income
2. The Monetary and Non-monetary Incomes of the Employees of SOEs
3. Comparison of Income of Senior Managers between SOEs and Other Types of Enterprises
4. Comparison of the Tax Payment between SOEs and Other Types of Enterprises
5. The Profit Payment and Dividend Distribution of SOEs
6. Summary

Chapter 5  “State Advance and Private Retreat” and its Impact on Market Competition
1. Have SOEs Advanced or Retreated in Recent Years?
2. Typical Cases of the State’s Advance
3. An Analysis of the Phenomenon of “State Advance”

Chapter 6  The Macroeconomic Impact of SOEs
1. The Integration of State Assets and “Economic Fragility”
2. The Impact of SOE Performance on China’s Real Estate Market
3. The Impact of the Current Performance of SOEs:  
The Case of the Stock Market 166
4. The Impact of the Current Performance of SOEs: Bulk Stock 172
5. Summary 173

Chapter 7  Political Economy: An Analysis of  
SOE's Performance 175
1. Historical Origins of SOEs' Current Problems 175
2. Institutional Status of SOEs in the Early 1990s 178
3. The Interests of SOE Managements against this Distorted  
Institutional Background 181
4. The “Revolving Door” of SOE Managers and Government  
Officials 186
5. “In-house Lobbying” by SOE Managements 187
6. Constitutional Defects of Government Departments in China:  
“Bureaucratic Law-Making” 189

Chapter 8  The Nature of SOEs: An Economic  
Perspective 193
1. The Nature of Enterprises 193
2. The Nature of the State 194
3. Nature of SOEs 194
4. The Boundaries of SOEs 197
5. The Constitutional Relationship between SOEs and the  
Government 197

Chapter 9  The Nature of SOEs: A Legal Perspective 199
1. SOEs as Special Public Institutions 200
2. The Normative Significance of SOEs as Special  
Public Institutions 204
3. The Strategic Significance to China’s SOE Reform of  
Reaffirming the Public Nature of SOEs 207
4. Summary 213
# Chapter 10  Continued SOE Reform

1. Reflection and Comments on SOE Reform 215
2. Short-term SOE Reform Plans 218
3. Ultimate Goals of SOE Reform 224

## Sub-Report 1: Comments on the "Mission" of SOEs

1. Theory of "Enriching the Country and Strengthening the Military" 232
2. Theory of "National Economy and People's Livelihoods" 237
3. Theory of "National Security" 241
4. Theory of "International Competitiveness" 249
5. Theory of "Social Responsibility" 252
6. Theory of "Ruling Foundations" 259

References 265

## Sub-Report 2: Conflicts between SASAC's Mandate and its Actual Role

1. Foreword 267
2. Process of SASAC's Establishment 268
3. SASAC's Mandate 274
4. Conflicts in SASAC's Role 279
5. Summary 282

Bibliography 285

## Sub-Report 3: Lack of Rent for Land for Industrial and Commercial Purposes in China

1. Calculation of Rents for State-Owned Land for Industrial and Mining Purposes and Land of State-Owned Industrial Enterprises 287
2. Calculation of State-Owned Land for Commercial and Service purposes 299
3. Rent of State-Owned Land for Industrial and Mining Purposes and Rent of Land for Commercial and Service Purposes 303
## Contents

Supplementary Information ........................................... 306  
References ....................................................................... 315  

### Sub-Report 4: Evolution of SOE-Related Policies  
317

1. Definition of SOEs ......................................................... 317  
2. Business Scope of SOEs .................................................. 320  
3. Principal–Agent Relationships ........................................... 328  
4. Corporate Governance Structure ....................................... 332  
5. Profit Distribution and Relevant Financial Policies .............. 335  
6. Transfer and Transaction of Property Rights ....................... 339  
7. Remuneration and Internal Distribution System ................. 342  
8. Social Responsibilities of SOEs ......................................... 347  
9. Policy Sources of SOE Monopolies .................................... 349  

References ....................................................................... 360  

Bibliography ..................................................................... 361  

Index ............................................................................... 369