

REFORM OF CHINA'S STATE-OWNED ENTERPRISES IN FACE OF THE ASIAN FINANCIAL CRISIS

Dr. Hu Jiangyun

Development Research Centre State Council of the P. R. China

In the process of establishing a socialist market economy, reform of China's state-owned enterprises (SOEs) became the priority and key to economic structural reform. However, the withering of external markets caused by the Asian financial crisis and the inadequacy of domestic demand due to tight macro-policies presented China's SOEs with new challenges. This paper researches the ways to cope with the difficulties of SOEs.

First, it analyses three aspects of the impact of the Asian financial crisis: the fall in China's exports, the decrease in investment in China by other Asian nations, and the influence on revenue and expenditure of China's foreign exchange. The lessons to be drawn from the crisis are the need for reform of the financial system and reinforcement of regulation, for the consummation of corporate governance, and for structural reform. Second, the paper takes a retrospective look at the process of SOE reform and evaluates the present status of SOEs. Third, the paper examines the major measures for future reform. The central government has not given up its original reform plan. On the one hand, China increased investment and expanded domestic demand to create a favourable environment for deeper SOE reforms. On the other hand, it adopted various reforms such as reorganisation, transformation and restructuring, and intensifying management.

The paper concludes that China's successful reform of its state-owned enterprises will be conducive not only to domestic economic growth but also to the economic rehabilitation and stability of Asia as a whole.