CHINA’S MOVE TO A MIXED ECONOMIC MODEL AND THE PLAN FOR SOES RESTRUCTURING

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ABSTRACT
While the People’s Republic of China embarked on market reforms and a move towards the market after the policies of reform and opening up were enunciated by Deng Xiaoping in 1978, state control over the market remains large in the form of State Owned Enterprises (SOEs). SOEs dominate major mining and manufacturing sectors: coal, ferrous and non ferrous metals, textiles, chemicals, machine tools, pharmaceuticals, printing, food processing, capital goods, tobacco, motor vehicles, fertilisers, defence and electronics. State enterprises account for 72 per cent of industrial assets, 70 per cent of industrial employment and 65 per cent of industrial income tax revenues. Yet, they contribute only one third of the output. Even in the aftermath of the global financial crisis of 2008, SOEs in China have suffered severe losses. Yet, fact also remains that they continue to have leverage over the private enterprises, or the Small and Medium Enterprises (SMEs) in terms of access to public finance and loans. However, the state has not been completely blind to the issue, and SOEs as such have undergone several rounds of reform. Yet, incompetence remains, and a lot remains to be done.

KEY WORDS: China, SOEs, Reforms, Financial Crisis, Difficulties.

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