Brighter future awaits private sector

By YE QING

Over the years the private sector has experienced impressive growth, generating more than 50 percent of the country's GDP in 2015 — from a mere 1 percent in the early days of reform and opening-up.

In provinces like Zhejiang and Fujian in East China, and Henan in Central China, the non-State economy's overall economic output is more than 60 percent, even 70 percent, of the total provincial output.

By the end of 2016, non-State enterprises employed up to 310 million people — 150 million more than in 2010.

And by the end of 2015, the number of private enterprises had jumped to 19.08 million from 9.68 million in 2011, providing employment for more than 50 percent of college graduates, with individual businesses employing nearly 117 million people — a growth of 25.14 percent from 93.35 million in 2013 — and private enterprises employing about 164 million people — an increase of 30.94 percent from 125 million.

The fact that private enterprises have contributed more than 50 percent of tax revenue; over 60 percent of GDP, investment and research and development; over 80 percent of urban employment; and more than 90 percent of newly added jobs with only 40 percent of the resources, shows their remarkable contribution to China's economic development.

Besides, 28 Chinese private enterprises are now among the top 500 companies in the world, up from just one in 2010.

But despite all this, there is still a misunderstanding about the private sector's role in China's economic development and thus its future. Unfortunately, the China-US trade conflict, along with such absurd arguments, has unsettled the private sector to some degree.

To address the private sector's concerns, President Xi Jinping has emphasized its importance to China's economy five times in just a little over one month. Xi's support for its further development will strengthen the private sector, ushering in another spring for private enterprises.

A slew of measures introduced recently to promote the development of the private sector will further boost its confidence.

First, the government has reduced the tax and fees for private enterprises. A series of tax reduction measures introduced this year are expected to lower enterprises' burden by more than 1.3 trillion yuan ($187 billion), according to the Ministry of Finance.

For example, the Beijing Bureau of Finance has reduced tax, administrative fees and government-managed funds by about 1.02 billion yuan this year.

Second, local governments in Shanghai, Zhejiang and the northeastern Jilin province have set up bailout funds to help listed companies. Recently, Shanghai issued guidelines to facilitate the healthy development of the private sector, vowing to constitute a more than 10 billion yuan fund to help enterprises overcome their difficulties.

Some reports say State assets in 13 places including Zhejiang, Central China's Hunan province, Beijing, and the southern city of Shenzhen are being used to defuse the crisis triggered by the stock rights pledge business, or to prepare bailout packages for enterprises, with more than 100 billion yuan worth of bailout packages already introduced.

Third, financial institutions have implemented debt-to-equity swap programs to help companies in need. For instance, ICBC Financial Assets Investment Ltd recently agreed to swap debt for equity in GCL Intelligent Energy, amounting to 490 million yuan, the company's first debt-to-equity swap program extended to a private enterprise.

The debt-to-equity program was one of the major measures proposed by the State Council, China's Cabinet, 20 years ago to help large and medium-sized State-owned enterprises (SOEs) surmount their difficulties. Today, not only the SOEs, but also private enterprises can participate in debt-to-equity programs.

Fourth, led by brokerages in Central China's Hubei province, the securities industry is extending support to private enterprises through asset management programs. Tianfeng Securities in Hubei has introduced the first asset management plan worth 1.05 billion yuan to help private enterprises mitigate the risks of the stock rights pledge business.

By the end of September, 11 listed companies in Hubei — a majority of them facing the risk of forced liquidation or transfer of corporate control — had pledged more than 90 percent of their stock rights.

Fifth, Fang Xinghai, vice-chairman of China Securities Regulatory Commission, announced this month at the China International Import Expo in Shanghai that China will establish a science and technology innovation board on the Shanghai Stock Exchange and experiment with a registration system for listed companies. This aggressive capital market reform will help make the market more tolerant and open to innovation.

In the past, a number of innovative enterprises failed to get the support of the domestic capital market due to rigorous requirements for market performance and ownership structure. The new board has been designed to boost the development of innovative enterprises.

Sixth, policy implementation and coordination will be improved. For instance, enterprises irrespective of their ownership structure will apply the same standards for overcapacity reduction and deleveraging, while adopting a distinctive approach in areas like safety supervision and environmental protection. This will reassure the real economy of the government's resolve to treat private companies fairly, realizing healthy and balanced growth.

Seventh, entrepreneurs' personal and property safety would be safeguarded as President Xi has stressed. In 2014, at the annual political meetings known as the two sessions, then vice-president of the All-China Federation of Industry and Commerce Zhuang Congsheng said that the rule of law should be promoted to boost the development of the private economy.

Zhuang cited a news report from late 2013 that said the director of a county bureau claimed he could ruin an enterprise any time he wanted, hinting that unchecked use of power by officials in examining, approving and administering enterprises poses a threat to the development of private companies.

But now that Xi has vowed to protect entrepreneurs, removing their doubts over the further development of their companies, China's economy will not only receive stronger support from the private sector, but also more private enterprises will enter the Fortune 500 list.

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Australia must take steps to truly reset ties

Editor's Note: *Australia has been sending mixed signals to China. While the Australian foreign minister's visit to China from Nov 7 to 9 was expected to reset bilateral ties, Australian Prime Minister Scott Morrison recently said that Canberra will provide loans and grants worth A$2 billion ($1.45 billion) for Pacific island countries for infrastructure, export and security financing, which is widely seen as an attempt to offset China's influence in the region. Two experts share their views with China Daily's PAN YIXUAN on the direction Sino-Australian ties should take. Excerpts follow:*

Australia sends mixed signals

Australia's vigilance against China, purportedly to safeguard its national security, increased with China's rapid economic development. But Australia is not the only country to set up barriers against Chinese telecom companies due to ideological differences.

Yet by banning Huawei and ZTE from its 5G market, Australia has lost a chance to establish win-win cooperation with China in the advanced telecom field.

Despite their differences and disagreements over security, China and Australia have had close trade cooperation. More than 200 brands of Australian products were displayed at the first China International Import Expo, held in Shanghai from Nov 5 to 10.

Still, there are concerns that the China-US trade conflict might prompt Australia to side with its long-time ally the United States, which would further weaken Sino-Australian ties.

And even if it feels more confident due to its alliance with Washington, Canberra may stick to its own policies — different from those of the US. For instance, Australia values global trade, because its development depends a lot on it, so it may not follow US President Donald Trump's protectionist trade policies that have done great harm to globalization. Besides, the "rules-based world order" Australia has advocated for years is contrary to the full-blown protectionist policies of the US administration.

The hyping up of the "China threat" fallacy has also divided Australian political parties and public opinion, which could prevent Australia from enjoying the fruits of economic cooperation with its largest trade partner China — which would be a pity.

Han Feng, a researcher at the National Institute of International Strategy, Chinese Academy of Social Sciences

Canberra should adopt right approach

China-Australia relations plunged to a historical low during the previous government of prime minister Malcolm Turnbull, and incumbent Prime Minister Scott Morrison may not strive a lot to improve bilateral ties.

Hostility toward China has become an integral part of Australian politics because of ideological differences. Many Australian politicians have found that blaming China for their country's ills and labeling it a national security risk are very cost-effective methods of shifting public attention from domestic economic problems to other issues.

The Australian government has a dual policy toward China: cooperation with China in trade but vigilance against China on defense and security issues. And as long as the Liberal Party is still the leading party in Australia, Morrison is unlikely to change that policy much as it serves the purpose of the conservative ruling party well.

As the minister for immigration and border protection, Morrison proposed strict immigration policies and prevented the $10 billion sale of New South Wales electricity network company Ausgrid, to two bidders — a State-owned enterprise from the Chinese mainland and a listed company from Hong Kong.

And due to the US-Australia alliance, Canberra is partial to Washington's stance, so it may not make much effort to improve relations with China, especially at a time when the China-US trade conflict is yet to be resolved.

However, the China-Australia free trade agreement entered into force in 2015, which means Australia should oppose Trump's protectionist policies. As such, Australia will see to it that its ties with China do not worsen further.

But that would not be enough. Since Canberra created the misunderstandings in China-Australia relations, it should take concrete actions to truly reset bilateral ties.

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