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Visiting An SOE and Claiming An IOU

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Dear Peter,

Most people in English-speaking countries know the meaning of IOU (I owe you), but probably very few are familiar with the abbreviation SOE (State-owned enterprise). For students of Chinese industrial enterprises, however, SOE has almost become a synonym of IOU; a majority of State-owned enterprises in China today have heavy debts.

I have read and heard many stories about the problems associated with SOEs during my stay in China, but a recent visit to a State-owned factory in Nantong gave me first-hand knowledge about the scope and scale of the problems. As described in my previous report, I journeyed to Subei with Mr. Guo Qiang, a former high-school classmate of mine, and his colleague Mr. Ren Min. The purpose of their trip was to claim an IOU from the Nantong Aluminum Fabrication Plant on behalf of their factory in Shanghai.

The Nantong Aluminum Fabrication Plant is located in the downtown part of the city. What astonished me first, as we arrived at the plant, were several steel plaques hanging on the wall near the front gate of the plant. These awards had been presented to the plant by the provincial government of Jiangsu throughout the previous several years. Some plaques recognized the achievement of the plant management or bestowed the title "Clean Factory." One was awarded for the plant's good credit record.

"How can a factory win the title 'Clean Factory' when the factory's pond is heavily polluted?" I asked Guo Qiang. The pond water was as black as coal.

"It's even more ironic that the factory received an award for a good credit record at the same time it has failed to pay our factory for products purchased," Guo said.

"Credit," said his colleague Ren, "is not important in the world of Chinese business people, especially among managers of SOEs. They are far more interested in things like 'network' [*guanxi*] and 'kickback' [*huikou*] rather than 'credit' [*xinyong*]."

Guo told me that the Nantong Aluminum Fabrication Plant has owed their factory, the Hujiang Copper Plant in Shanghai, 32,000

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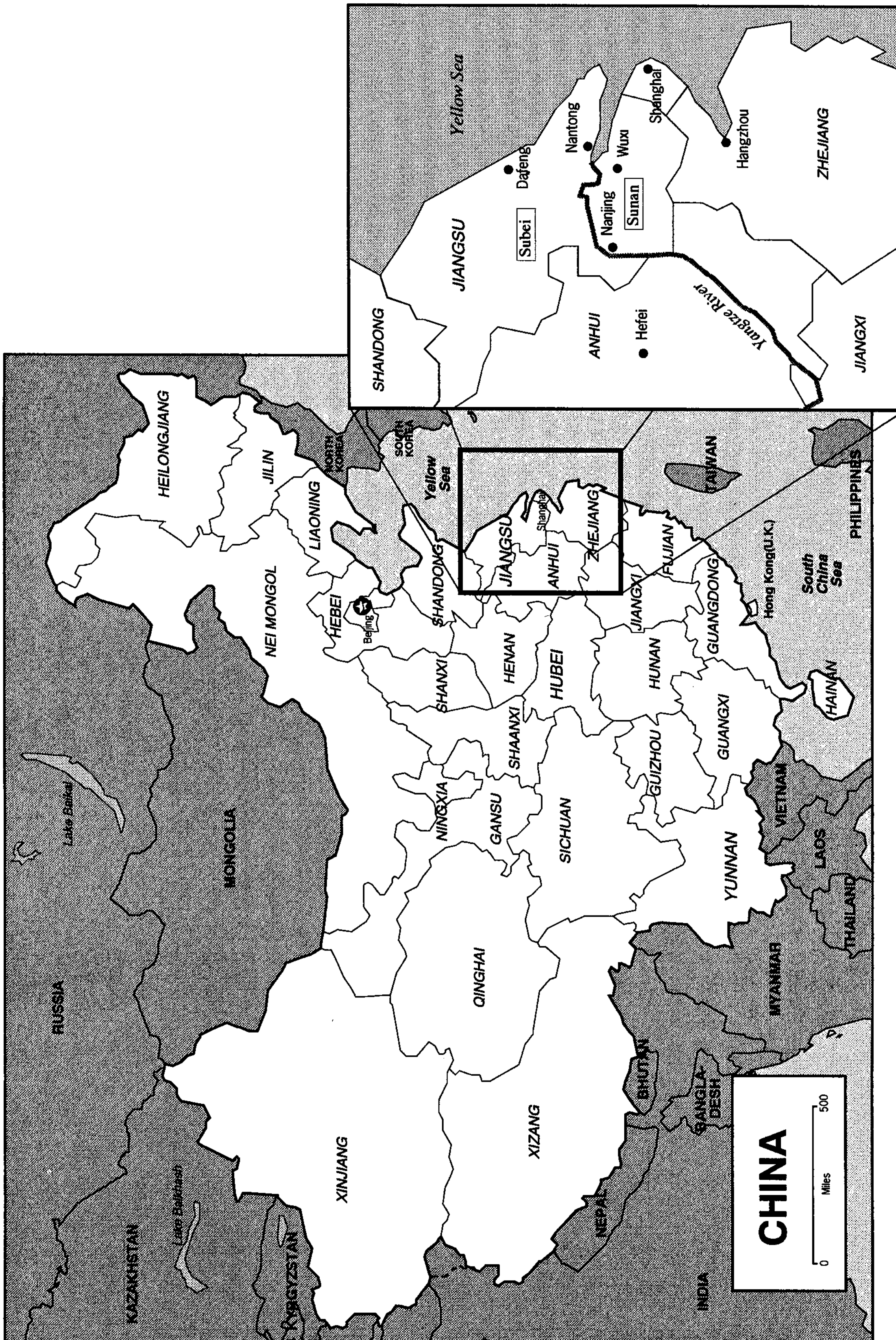
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yuan for two years. Guo had telephoned the director of the Nantong plant numerous times to claim payment but was always told that the aluminum plant would pay when its financial situation improved. A few days before our trip to Nantong, Guo informed the director that he was coming to collect the money in person.

"They will never pay if we don't go there to claim the money," Guo explained.

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We went directly to the director's office, but the door was locked. We told a clerk in the next room that we were from Shanghai and had an appointment with the director of the plant. Upon our request, the clerk phoned the places where the director might have gone, but could not find him.

While waiting for the director in the corridor outside his office, I noticed that the factory was very quiet. There was no sound of machinery running. Guo and Ren sat on the floor and took a nap. I started to read a Chinese novel I had brought with me.

We waited for about an hour. A young man appeared and introduced himself as an assistant director of the factory. He told us that the director knew we were coming that day, but he didn't know where the director was at the moment. He asked us to rest in the director's office.

"I have a hunch the director has been hiding from us," Guo said to Ren and me.

"Will he eventually appear today?" I asked.

"I'm sure that he will come to see us," Guo said, "though I don't know whether he will pay us."

"It is increasingly unlikely," Ren said.

"How do you know that?" I said.

"If he were going to pay us today," Ren said, "he would have given us the check right away. Letting us wait is a message that we will not get the money today."

"Ren and I have visited many factories to claim IOUs," Guo said to me. "We are familiar with the psychology of managers whose factories are in debt."

"How do you know that he will eventually appear? If I were he, I would be so embarrassed that I would hide all day." I said.

"If he did not want to see us," Ren said, "he would not let us travel all the way to Nantong from Shanghai in the first place."

"But it's really rude to keep us waiting for hours," said I.

"In China," Ren commented, "other people's time

Beside the front gate of the Nantong Aluminum Fabrication Plant steel plaques awarded by the provincial government of Jiangsu recognize the plant's "Clean Factory" status and its good credit rating.

is not valued." Ren likes to make generalizations. Most of these generalizations, however, are based on his personal experience.

"Let's wait and see what will happen," Guo said to me mystically.

I asked the assistant director why the factory was so quiet on a work day. "There is not enough work," he replied. "Only one of the six workshops in the factory has enough work for its employees. If we do not receive new orders for goods in the coming months, some of the workshops will completely shut down.

"This problem is not unique to this factory," the assistant director continued. "The lack of orders is a common phenomenon in State-owned enterprises in Nantong."

"Previously, such problems were covered by State subsidies, low-priced raw materials, and the State monopoly over sales," Guo explained to me. "The government, however, is increasingly unwilling to subsidize the factories and most of these SOEs do not know how to survive in a market economy."

Guo's explanation is actually very similar to the official view of the problem. A recent article published in *China Daily* asserted:[1]

> For over forty years, State-owned enterprises have played a dominant role in the country's economy. As the country dismantles its centrally-planned economy in favor of a market economy, many State-owned enterprises are unable or reluctant to adapt to the new economic system. As a result, a majority of enterprises are running in the red.

SOEs have survived largely because of State subsidies. In 1992, for example, State subsidies cost as much as $90 billion.[2]

"Our factory has been beset with heavy debt," the assistant director said. "Last year, Nantong city owed 120 million yuan in taxes to the central government. The SOEs in Jiangsu province, most of which were in Subei, owed 1.2 billion yuan in taxes."

The assistant director told us that Zhu Rongji, a top leader who has been in charge of China's economy, visited Nantong in December 1994 and raised the issue of debt during a meeting of directors of State-owned large and medium-sized enterprises. "Zhu was not satisfied with the current situation of SOEs in Nantong and urged the local officials to improve their performance."

Zhu's dissatisfaction with the poor performance of SOEs is well known among Chinese officials. In a meeting on the transformation of China's SOEs, Zhu Rongji said pointedly that the most important feature of the Soviet accounting system, which China has used for four decades, is that "one can never figure out whether an enterprise is making a profit or not."[3]

"Are SOEs in Nantong going to pay their debts this year?" I asked the assistant director.

"I don't think so," the assistant director replied. "How can SOEs in Nantong raise such a large sum of money? Many other coastal cities such as Shanghai can raise capital by leasing their land to investors, both foreign and domestic, or they can issue stocks and bonds. But business people are usually reluctant to invest in Nantong because the city is not even connected to others with a railway. The highways in the region are unsatisfactory.

"Besides owing tax to the State, many firms also owe money to other enterprises," the assistant director went on. "Our factory, for example, owes 2 million yuan to Suzhou Metal Machine Factory and 1 million yuan to the Suzhou Aluminum Fabrication Plant. Meanwhile, our factory has invested 40 million yuan in our production lines, of which 36 million yuan is a bank loan. This means that we need to pay about 650,000 yuan as interest to the bank every year. This amount of money is already a heavy burden for us. In addition, we need to pay our factory's 700 employees' salaries and to pay pensions to over 100 retired workers."

* * * * *

The debt problem that the assistant director described is certainly not unique to the Nantong Aluminum Fabrication Plant. *Baokan wenzhai*, one of the largest newspapers in China, recently listed ten major problems in China's economic development. The problem of debts of State-owned enterprises was on the top of the list, followed by the banks' dead loans (see Table 1).

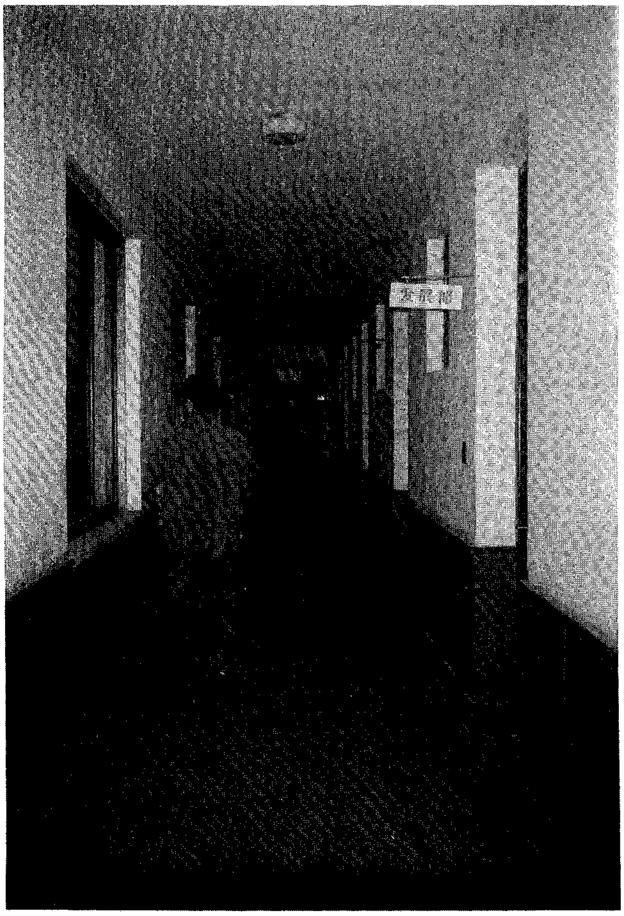
TABLE 1

Ten Major Problems of China's Economic Development (Ranked by Importance)

RANK	PROBLEMS
1.	Debts of State-owned enterprises
2.	Banks' dead loans
3.	Financial deficits
4.	Loss of State assets
5.	Foreign deficit
6.	Waste of State property
7.	Decline of school enrollment, esp. in countryside
8.	Unemployment
9.	Lower income of peasants
10.	Environmental problems

Source: *Baokan wenzhai* (Newspaper and magazine digest), Feb. 17, 1994, p. 1.

According to statistics recently released by the State Council, China's cabinet, the total assets of national SOEs are now 2.5 trillion yuan ($300 billion). This figure actually includes two parts: 1) 800 billion yuan ($95 billion) in net assets; and 2) 1.7 trillion yuan ($205 billion) in debts.[4] State-owned enterprises, which number 70,000, owed a total of 1 trillion yuan ($120 billion) to



Quo, Ren, and I waited along this corridor for the appearance of Director Ge of the Nanton Aluminum Fabrication Plant for over an hour.

banks last year. That is 40 percent of the nation's total bank credits.

Because 60 percent of State-owned enterprises are running in the red, bad debts have become a nightmare for Chinese banks. Official statistics show "bad debt made up one third of the nation's total bank loans" in 1994.[5]

"These State-owned enterprises cannot repay their debts because they earn too little and have borrowed too much," said Ding Ningning, a senior research fellow with the Department of Enterprise Economic Research under the State Council.

Many enterprises repay their debts by obtaining new loans. Some simply deny debts owed to other enterprises and banks through mergers or bankruptcy. A recent article in *China Daily* reported that "some local governments encourage local enterprises to refuse to pay loans obtained from banks in other regions."[6] Fu Jian, the author of the article, argued that such practices threaten the security of bank depositors, most of whom are individuals.

"Business people in the West often fantasize about China's economic boom and the country's huge market, but they don't understand the bizarre ways their Chinese partners can behave," Ren commented. I had to agree with him. If the Chinese SOEs could refuse to pay loans borrowed from banks in other regions, they could certainly do the same thing to foreign creditors.

* * * * *

"Does your boss acknowledge the debt that your factory owes to Guo's factory in Shanghai?" I asked the assistant director.

"You should ask my boss," the assistant laughed. Guo and Ren also laughed, though somewhat awkwardly.

"Seriously," the assistant director continued, "we acknowledge the debt that we owe you just as we hope those firms that owe debts to us will do the same."

"Do other enterprises owe debts to your factory?" Ren asked the assistant director.

"Oh, yes," the assistant director replied, "actually, according to our records, other enterprises owe our factory a total of several million yuan. Our factory is really in the typical situation of what people call 'chain debt' *(sanjiaozhai)*."

Chain debt is another common problem of Chinese enterprises. Large uncollected accounts at many State-owned enterprises force them to delay payments to their own creditors. According to an expert's estimation, the total chain debt in the country in 1994 was about 200 billion yuan.[7] Wuhan Steel Co. alone, for example, had a total of 8 billion yuan in uncollected accounts. Chain debt often takes a large part of the enterprises' working capital and prevents firms from receiving funds needed to purchase raw materials or to produce more goods.[8] Chain debt has jeopardized the relationships among Chinese industrial enterprises.

In response, the Chinese government established a special fund with a few billion yuan in the early 1990s in order to save those SOEs locked into chain debt. But this plan proved to be utterly inadequate.

"One cannot put out a burning cartload of faggots with a cup of water *(beishui chexin)*," said a general manager of a large SOE in Shenyang, using a Chinese proverb to describe this failed government plan. As a result, all the money in this special fund was used up while most SOEs remained in red.

Since 1993, the central government has changed its strategy to restrict chain debts among SOEs. The government issued an order that no enterprise could purchase raw materials such as coal, petroleum and natural gas through credit or IOUs. Major industries such as electricity and metallurgy were required to request immediate payment from their customers.

The government has tried to adopt more comprehensive measures to deal with problems such as stagnant sale of products, financial deficits, and under-capacity operation. These measures include: 1) State-owned enterprises are encouraged to experiment with the modern corporate system *(xiandai qiye zhidu)*, which means transforming SOEs into firms that offer shares of stock; 2) loans are restricted to those enterprises with marketable products; 3) an effort is made to tighten credit policy and control the amount of investment in fixed assets and the issue of currency; 4) enterprises under poor management will be forced into bankruptcy; and 5) the State will control the scale of infrastructure construction, institutional spending and the rapid rise of workers' incomes.[9]

While these measures may prevent the increase of debts of SOEs, the government continues to take a lenient policy towards debt-laden SOEs. As an official newspaper in China recently noted, the Chinese government passed the bankruptcy law nine years ago, but it is still not really enforced.[10]

In addition, some SOEs often give false reports of their financial situation. In 1994, for example, a large enterprise with 2,000 employees in Shanghai had a deficit of 60 million yuan, but claimed a profit for the previous five years. This factory therefore received a loan of 150,000 US dollars from the Bank of China, but this money was not reported on the factory's financial balance sheet. The enterprise was even named as a model enterprise and the factory director was rewarded. The false report was found only after the director retired.[11]

The most important reason for continued leniency toward money-losing SOEs is that SOEs have 70 million employees — a large segment of the labor force in urban China.[12] In the absence of a broader social safety net, the bankruptcy of large number of SOEs would therefore be politically dangerous for the government. An unofficial survey in Shanghai showed that by the end of last year, about 200,000 people in the city were looking for jobs. A report in *Jiefang Daily*, an official newspaper in Shanghai, predicted another 50,000 to 100,000 workers would join the city's unemployment force in the near future as many SOEs are compelled to reduce the number of their workers.[13]

Neither government officials nor SOE managers fail to understand the political threat to them if they decide to lay off a large number of SOE employees.

* * * * *

Guo and Ren were right. The director did finally appear, although he kept us waiting for over two hours.

"I'm Ge Dihua. Sorry to keep you waiting for so long." The director shook hands with each of us.

I noticed that he spoke in the Shanghai dialect. Mr. Ge was in his late 40s. He told us that he was born and bred in Shanghai. He came to Nantong to attend a technical school when he was 18. After graduation, he started to work in this plant as a technician and engineer successively. I looked at the business card that he handed to me. His professional title is Chief Engineer of the plant.

"I had a busy day," he explained.

"Sure, we can imagine," Guo replied.

"I spent the whole afternoon in the accountant's office and in the bank," Ge added. "I'm terribly embarrassed about the small amount of money that I have to pay you today," he said to Guo.

"How much?" Guo asked.

"It is certainly not the amount that you expect," Ge said.

"How much?" Guo repeated his question bluntly, though both he and Ge were smiling as this conversation went on.

The director showed his index finger. *"Yiwan* (10,000 yuan)?" Guo asked.

"No, how about *yiqian* (1,000 yuan)?" Ge replied.

"Director Ge," said Guo in a serious tone that emphasized his disappointment, "three of us traveled all the way to Nantong to collect 1,000 yuan? Our travel expenses exceed that amount of money. Your factory owes my firm only 30,000 yuan. That amount should not be a big deal for your plant, which has fixed assets of 30 million yuan."

"But this is the maximum that I can raise right now. Representatives of two factories in Suzhou also came our plant to claim IOUs today. What I did to them was simply to update and re-sign the contract, acknowledging the amount that our plant owes them." Ge said humbly. "I promise that we will repay the total amount that we owe you as soon as possible."

"We don't want 1,000 yuan today," Guo said to the director. "We just hope that you will give our factory top priority when you repay your debts in the future."

"I appreciate your understanding," Ge responded quickly. ' I will try my best."

It was 5:30 P.M. Guo, Ren and I looked at each other and decided to leave. "But I have arranged dinner at a restaurant for you," the director said to us. "We cannot repay our debts today, but at lease we can afford to treat you to a casual meal."

To be honest, I was glad that the director offered to host us for dinner, because it would be a good opportunity for me to chat with him. Guo and Ren certainly understood my intention. We therefore accepted his invitation. What I did not expect was that this "casual meal" would turn out to be a 12-course dinner banquet.

The dinner was held in a small but elegant restaurant near the plant. Ge told us that a former employee of the plant had opened this restaurant. He and his colleagues liked to entertain guests of the plant there.

"We had lunch with people from the Suzhou factory at this restaurant today," his assistant added.

"Will Ge receive a kickback from the owner of the restaurant by hosting the banquet there?" I asked Ren privately. "Sure," Ren replied. "Ge is the real winner today."

Altogether there were nine people at the dinner. In addition to three of us from Shanghai and another person from Suzhou who also came to claim an IOU, Ge also brought four colleagues of his. His assistant, however, did not join us because he said that he "ate too much at lunch" and did not feel well.

I was amazed that four of Ge's colleagues attended the dinner. Neither my friends from Shanghai nor the person from Suzhou knew any one of them. They did not even talk during dinner except to raise their cups and say 'cheers' *(ganbei)*. They did that to each other, because none of the guests liked alcohol.

I have no idea how much money the host (the SOE of course) spent for the banquet, but it must have been terribly expensive because rare sea food and a famous-brand liqueur were served. It was truly beyond my imagination that the director of a debt-laden factory would behave like this. My friends Guo and Ren did not see the absurdity of this — they probably had experienced similar events too often.

* * * * *

The use of public or SOE money for private entertainment has been a common practice in China during the reform era. The Chinese government has issued as many as 36 orders in recent years to prevent local officials and managers of SOEs from using public money *(gongkuan)* for private entertainment, especially for banquets.[14] But this phenomenon has become increasingly prevalent in Chinese society. According to a study, 100 billion yuan ($18 billion) of public money was spent on dinner parties in 1992 alone, 2.5 times that of 1984.[15]

A new Chinese jingle vividly reflects the extent of the problem: "Workers, farmers, merchants, officials and soldiers, all are crazy about eating and drinking; east, west, south, north and central, everywhere spending public money. "Mao once had a famous saving "Revolution is *not* having a dinner party." Now it is irreverently changed to "Revolution is *having* a dinner party."

Some local officials in rural areas spend most of their time giving dinner parties. People make fun of them, calling them (in semi-official terminology) "specialized households of eaters and drinkers". In urban areas, local officials and managers of SOEs often spend public money for entertainment in night clubs. A study of night clubs in a coastal city conducted in 1994 showed that about 80 percent of expenses in these night clubs were covered by State and public money.[16]

A columnist for Shanghai's *Weihui Daily* believes that the use of public money for private entertainment reflects a systemic problem of SOEs. Directors of the SOEs usually are appointed for 4 to 5 years. They are more concerned about their short-term popularity than the firms' long-term economic interests. Managers fix their eyes only on profits gained during their term of management, ignoring the firms' long-term well-being. As a result, directors of SOEs often "eat up, use up, and distribute all the assets of their enterprises " during their tenures as SOE directors.[17]

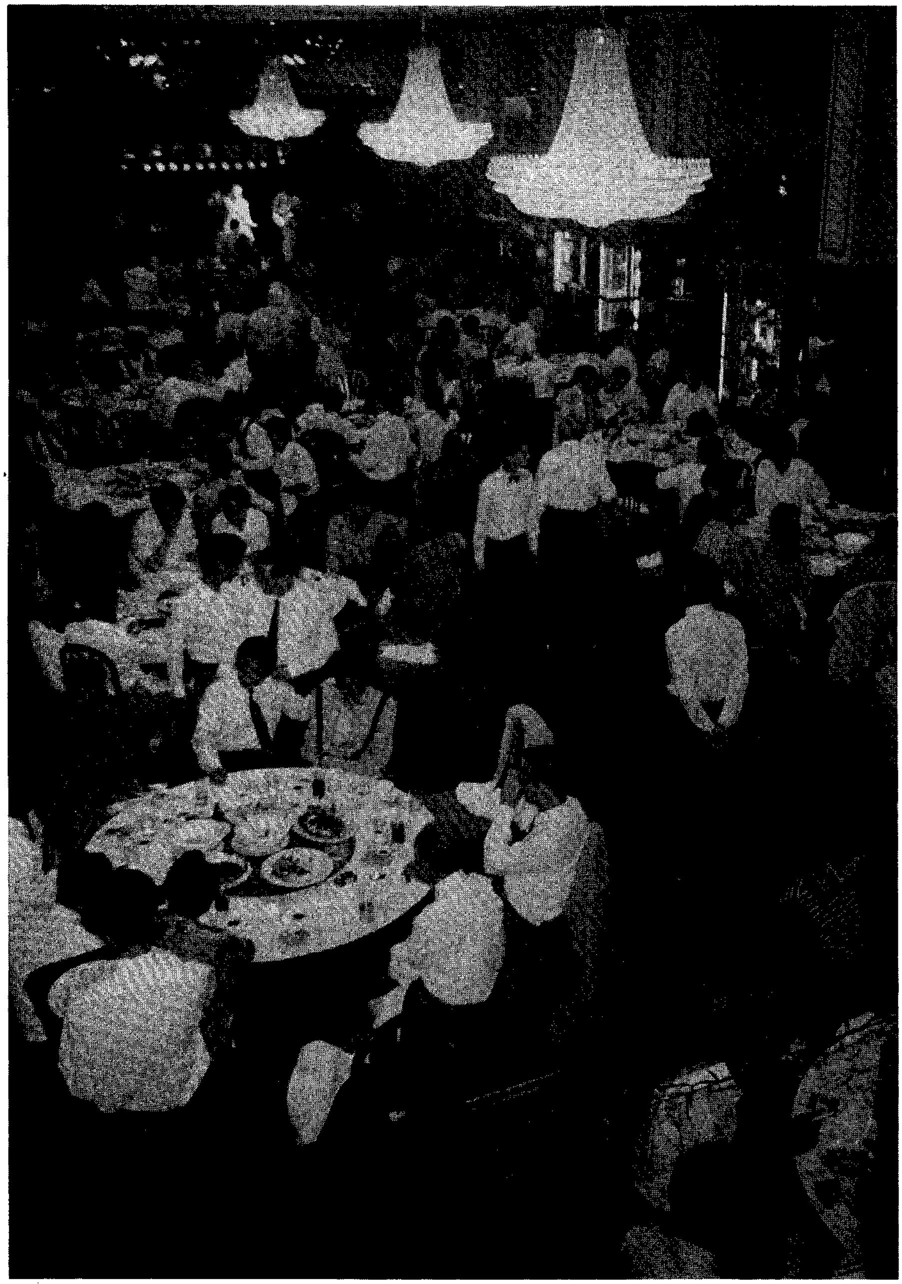
Using public money for private entertainment, however, causes far less social concern in the country than other kinds of loss of public property, especially official corruption. The heavy loss of State assets has become one of the most serious side-effects of China's economic reform. According to the Chinese government, the State currently loses an average of 100 million yuan per day. It was estimated that from 1985 to 1992, a total of 500 billion yuan State assets were lost.[18]

There are numerous channels for the loss of State assets. For instance, managers of SOEs do not evaluate State assets when establishing joint ventures or shareholding companies. Many SOEs split off part of their firms and turn them into collectively-owned firms. State assets, including both capital and equipment, are often transferred to these collectively-owned firms without charge.[19]

While the State is losing assets, governmental officials and SOE directors have been making fortunes for themselves. In the first ten months of 1992, for example, 64,000 cases of official corruption were reported by the government. The total amount of bribes exceeded $370 million.[20]

What has not been reported by the Chinese government, however, is that some high-ranking officials and children of revolutionary veterans have turned China's large international corporations into their private firms. They spend State money as if it were their own money. Officials at all levels have indulged in bribe-taking and reselling state property for their own profit.[21]

A son of Rong Yiren, Vice-President of China, for example, personally owns a several-dozen-room mansion in a suburb of London where he has hired a housekeeper, two gardeners, three chefs and several maids. The grandchildren of the late Marshal Ye Jianying, though they are only teenagers, own luxurious houses



The use of public or SOE money for private entertainment has become a common practice in China during the reform era.

on New York's Long Island. According to Xu Jiatun, the former head of the Xinhua News Agency in Hong Kong who later defected to the United States, in the late 1980s there were already about two hundred members of the "princes party" (children of high-ranking officials) in business in Hong Kong.[22]

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Compared to the amount of bribes that China's high-ranking officials have received, the luxuries that managers of SOEs such as Director Ge have — hosting banquets and accepting kickbacks — are really insignificant. During the banquet with us, Director Ge himself complained about the corruption of high-ranking officials and their children.

"The central government," Ge said, "neither intends to deal with large-scale corruption of officials at the top, nor plans to fundamentally change China's ownership system. Instead, the government has often blamed directors of SOEs and attributed chain debt and other problems of SOEs to the poor managerial behavior of enterprise directors.

"State-owned enterprises," Ge continued, "do have heavy deficits and owe chain debt to each other, but they continue to play a major role in the Chinese economy. They account for roughly two-thirds of fixed investment and 69 percent of government revenues. Each year we give over 90 percent of our profits to the government as tax. Because we can keep only a small proportion of profit (usually less than 8 percent) for our firm, we do not have enough money for technological innovation and new-product exploration. In addition, we cannot afford the increasing medical and insurance expenses for both our employees and retired workers."

"SOEs are caught in the middle of the transformation from the planned economy to the market economy," said Ren.

"China's economy is neither a planned economy, nor a market economy," Director Ge responded. "I think a more appropriate term for China's economy is 'policy economy.' We SOEs are caught in constant changes of government policies. No one knows what the government policy will be toward SOEs tomorrow."

Director Ge's comments reflect the concern and dissatisfaction of managers of SOEs in general. Although the SOEs' share of national output value has dropped from 78.5 percent in 1979 to 44 percent in 1993, SOEs still produced about 80 percent of basic industrial products in the early 1990s.[23] In 1991, large and medium-sized SOEs gave 94.8 percent of their profits to the government as tax.[24]

Most of China's large and medium-sized State-owned enterprises were established in the 1950s. This has two implications. First, they have heavy social burdens due to their retired employees. According to a recent survey of 16 cities including Shanghai and Tianjin, there were altogether 3,547,000 retired employees, which accounted for 29.2 percent of the total employees (12,510,000) in these cities. In Shanghai alone, retired employees accounted for 50 percent of total employees.[25] Second, equipment of these SOEs is increasingly out of date. But they do not have enough working capital to purchase new machines and equipment. According to a study conducted in 1989, only 13 percent of large and medium-sized SOEs had equipment that met the standards of the 1980s.[26]

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"Are you saying that SOEs would do well with better equipment and less social burden?" Ren asked Director Ge.

"Yes," Ge replied.

"Can you give an example of an SOE, in Nantong or elsewhere, which is really doing well?"

"Well," Mr. Ge answered, "there are many stories about model SOEs, which are publicized by the official mass media."

"Do you really believe these stories?" Ren continued. "These model SOEs, just like the false model of Dazhai under Mao's era, could not survive without heavy government subsidies. If you go to northeastern China, many model SOEs cannot even pay the salaries of their employees on time."

Director Ge did not say anything, but smiled.

Ren's generalization is widely shared by people who are familiar with SOEs in China. A relative of mine is a deputy director of a model SOE factory in Shanghai. Official newspapers in both Shanghai and Beijing reported how this factory has successfully repaid a large portion of its debts. But my relative told me that his factory did that by selling the site of the factory, which is located in downtown Shanghai, to foreign investors. His factory is fortunate enough to have land to sell, but the sad truth is that this sale is probably the last chance for the factory to survive.

"It is said there is only one kind of SOE that is doing remarkably well," said Dr. Anita Chan, a distinguished China expert from the Australian National University.

"These are China's prison factories. The prison factories are of course State-owned enterprises. They do not have labor cost, nor social burden." Dr. Chan recently conducted comprehensive research on labor relations in factories with various ownership forms in urban China.

When I repeated what Anita Chan told me about the success story of the prison factory to Guo, Ren and Director Ge, they all laughed.

"I wish I was the director of a prison factory," Ge said jokingly.

"The top leaders of China may share the same idea with you," Ren responded. "It would be much easier to rule the country if everything was severely controlled, as it was during the era under Mao's rule. Now the Chinese economy has become so complicated. Any simplistic solution to the problems of SOEs is doomed to fail."

I found Ren's remarks insightful. Many sophomoric economists in the West, however, think that they have the answer to China's economic problems, especially those associated with SOEs. Some argue that rapid privatization is the key, while others believe that no major change is needed.[27]

I am suspicious about any proposal for a quick remedy for SOEs. The Chinese government is faced with a dilemma: they must seriously deal with problems such as chain debt, loss of State assets and inefficiency of SOEs, but any effective measures will not only challenge bureaucratic interests, they will also weaken the government's power base, lead to large-scale urban unemployment and produce social unrest.

The successful transformation of SOEs will require concerted effort and fundamental changes in all aspects of China's economic system, including the banking system, tax system, accounting framework, urban housing system, social insurance system, labor market and unemployment welfare, and most importantly, the legal system.

China seems to have a long way to go to improve all these systems. But the problems of SOEs, like time bombs, may explode prematurely and drive the country in a different direction.

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Director Ge asked us whether we would like to go to a night club to enjoy Karaoke after the banquet. I told him that I was tired and wanted to go to sleep. My friends said that they would go back to the hotel with me.

I had a nightmare that evening — I dreamed that I was on a large luxurious ocean-going ship on which everyone was drinking and dancing. But the ship hit a rock and started to sink. No one knew how to save the ship or to save the lives on the ship. We waited for our destiny, hopelessly.

Sincerely,

Cheng Li

NOTES:

1. *China Daily*, Nov. 16, 1994, p. 4.

2. *Cankao xiaoxi* (Reference news), Sept. 16, 1994, p. 8.

3. *Baokan wenzhai* (Newspapers and magazines digest), May 9, 1994, p. 2.

4. *China Daily*, April 6, 1995, p. 4.

5. Ibid.

6. Fu Jian, "State must tackle firms' debt." *China Daily*, April 6, 1995, p. 4.

7. *Jinji gongzhu dongxun*, (Economic work newsletter), June 15, 1994, p. 22.

8. *China Daily*, June 14, 1994, p. 4.

9. *China Daily*, August 25, 1994, p. 4.

10. *Cankao xiaoxi*, Sept. 16, 1994, p. 8.

11. *Baokan wenzhai*, March 24, 94, p. 1.

12. The total number of State employees in China is 110 million, of which one-third are employees engaged in "non-industrial work." 110 million State employees equals the total labor force of the U.S. *Cankao xiaoxi*, Sept. 16, 1994, p. 8; and Sept. 22, 1994, p. 8.

13. *Shanghai Star*, March 4, 94, p. 2.

14. Shu Jian and Zu Yu, *Dangdai shunkouliu yu shehui rendian shaomiao* (Current Chinese jingles and social issues), Beijing: Zhongguo dangan publisher, 1994, p. 4.

15. Ibid., p. 3.
16. *Wenhui Daily*, Dec. 17, 1994, p. 1.

17. *Wenhui Daily*, July 13, 1994, pp. 1-2.

18. Richy Tung, *"Zhongguo dalu guoyou qiye shichang hua zi yanjiu,"* (Market-oriented reform of State-owned enterprises," *Zhongguo dau yanjiu* (Mainland China Studies, Vol. 37, No. 11, Nov., 1994, p. 19.

19. *Wenzhai Zhoubao* (Readers' Digest Weekly), Feb. 20, 1995, p. 1.

20. *Gongdang wenti yanjiu* (Studies of problems of the Chinese Communist Party), Vol. 12, No. 10, 1994, p. 39.

21. Chang Chen-pang, "The Resurgence of the Bourgeoisie in Mainland China,"*Issues and Studies*, Vol. 30, No. 5, May, 1994, p. 43.

22. Ibid.

23. *China Daily*, July 26, 1994, p. 4; and *Wenhui Daily*, August 27, 1994, p. 1.

24. *Cankao xiaoxi*, Oct. 7, 1994, p. 8.

25. *Qiye guanli* (Enterprise management, Nov. 11, 1994, p. 3.

26. *Cankao xiaoxi*, Oct. 7, 1994, p. 8.

27. Dwight H. Perkins, an Economist from Harvard, summarized some of the Western views. As he wrote: "There are two schools of thought on the reform of Chinese state enterprises that argue either that nothing can be done about their reform or that nothing needs to be done... Neither view is very realistic in the Chinese case." "Why is Reforming State Owned Enterprises so Difficult?" *China Economic Review*, Vol. 4, No. 2, 1993, p. 149.

Current Fellows & Their Activities

Bacete Bwogo. A Sudanese from the Shilluk tribe of southern Sudan, Bacete is a physician spending two and one-half years studying health-delivery systems in Costa Rica, Cuba, Kerala State (India) and the Bronx, U.S.A. Bacete did his undergraduate work at the University of Juba and received his M.D. from the University of Alexandria in Egypt. He served as a public-health officer in Port Sudan until 1990, when he moved to England to take advantage of scholarships at the London School of Economics and Oxford University. [The AMERICAS]

Cheng Li. An Assistant Professor of Government at Hamilton College in Clinton, NY, Cheng Li is studying the growth of technocracy and its impact on the economy of the southeastern coast of China. He began his academic life by earning a Medical Degree from Jing An Medical School in Shanghai, but then did graduate work in Asian Studies and Political Science in the United States, with an M.A. from Berkeley in 1987 and a Ph.D. from Princeton in 1992. [EAST ASIA]

Adam Albion. A former research associate at the Institute for EastWest Studies at Prague in the Czech Republic, Adam is spending two years studying and writing about Turkey's regional role and growing importance as an actor in the Balkans, the Middle East and the former Soviet bloc. A Harvard graduate (1988; History), Adam has completed the first year of a two-year M. Litt. degree in Russian/East European history and languages at Oxford University. [EUROPE/RUSSIA]

Cynthia Caron. With a Masters degree in Forest Science from the Yale School of Forestry and Environment, Cynthia is spending two years in South Asia as ICWA's first John Miller Musser Memorial Forest & Society Fellow. She is studying and writing about the impact of forest-preservation projects on the lives (and land-tenure) of indigenous peoples and local farmers who live on their fringes. Her fellowship includes stays in Bhutan, India and Sri Lanka. [SOUTH ASIA/Forest & Society]

Hisham Ahmed. Born blind in the Palestinian Dheisheh Refugee Camp near Bethlehem, Hisham finished his A-levels with the fifth highest score out of 13,000 students throughout Israel. He received a B.A. in political science on a scholarship from Illinois State University and his M.A. and Ph.D. from the University of California in Santa Barbara. Back in East Jerusalem and still blind, Hisham plans to gather oral histories from a broad selection of Palestinians to produce a "Portrait of Palestine" at this crucial point in Middle Eastern history. [MIDEAST/N. AFRICA]

Sharon Griffin. A feature writer and contributing columnist on African affairs at the *San Diego Union-Tribune*, Sharon is spending two years in southern Africa studying Zulu and the KwaZulu kingdom and writing about the role of nongovernmental organizations as fulfillment centers for national needs in developing countries where governments are still feeling their way toward effective administration. She plans to travel and live in Namibia and Zimbabwe as well as South Africa. [sub-SAHARA]

Pramila Jayapal. Born in India, Pramila left when she was four and went through primary and secondary education in Indonesia. She graduated from Georgetown University in 1986 and won an M.B.A. from the Kellogg School of Management in Evanston, Illinois in 1990. She has worked as a corporate analyst for PaineWebber and an accounts manager for the world's leading producer of cardiac defibrillators, but most recently managed a $7 million developing-country revolving-loan fund for the Program for Appropriate Technology in Health (PATH) in Seattle. Pramila is spending two years in India tracing her roots and studying social issues involving religion, the status of women, population and AIDS. [SOUTH ASIA]

William F. Foote. Formerly a financial analyst with Lehman Brothers' Emerging Markets Group, Willy Foote is examining the economic substructure of Mexico and the impact of free-market reforms on Mexico's people, society and politics. Willy holds a Bachelor's degree from Yale University (history), a Master's from the London School of Economics (Development Economics; Latin America) and studied Basque history in San Sebastian, Spain. He carried out intensive Spanish-language studies in Guatemala in 1990 and then worked as a copy editor and Reporter for the Buenos Aires Herald from 1990 to 1992. [THE AMERICAS]

Teresa C. Yates. A former member of the American Civil Liberties Union's national task force on the workplace, Teresa is spending two years in South Africa observing and reporting on the efforts of the Mandela government to reform the national land-tenure system. A Vassar graduate with a *juris doctor* from the University of Cincinnati College of Law, Teresa had an internship at the Centre for Applied Legal Studies in Johannesburg in 1991 and 1992, studying the feasibility of including social and economic rights in the new South African constitution. While with the ACLU, she also conducted a Seminar on Women in the Law at Fordham Law School in New York. [sub-SAHARA]

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