

Prospects for the reform of China services sector

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The Tenth Five-Year Plan and reform of the services sector*

Mid October last year the Central Committee of the Chinese Communist Party adopted the “Proposal on Formulating the Tenth Five-Year Plan (2001-2005) for National Economic and Social Development” starting to be implemented this year by the State Development Planning Commission. The Proposal sets out economic growth targets and envisages China’s GDP to double over the next decade. In addition, it calls for greater efforts to develop the services sector as well as outlines strategies and directions for developing the western region.

China’s services sector is underdeveloped compared to other industrial sectors as well as other countries. The proportion of China’s service industry to its economy is 10% below the

average level of that of low income countries. So, the PRC two first major structural changes over the next five years plan will be the overall development of its infrastructure, particularly in areas such as highways, railways, urban construction and the environment along with the development of its service sector, particularly in areas such as information, finance, insurance, tourism, consulting, education, health and legal services.

Traditional service providers are already encouraged to upgrade themselves by using modern scientific management techniques.

Meanwhile, logistics and distribution, multi-modal transportation and internet use will be also promoted.

In real estate, efforts will be made to offer affordable housing to meet the needs of both urban and rural residents, and standardize property management services. In tourism, steps will be taken to explore and preserve further existing tourist resources and diversify related products. Furthermore, the development of services for cultural and recreational activities, education and training, sports, hygiene and healthcare will be enhanced in strict accordance with the principles put forward by

the Sixth Plenum of the 14th Congress of the Chinese Communist Party with the goal to eventually achieve the so-called "Cultural and Ethical Progress Civilization". These developments fully prepare China to the implementation of her commitments further to her accession to WTO and also follow the guidelines from the Third Plenum of the same Congress establishing the New Economy of so-called "Market Socialism".

The wider picture : viewpoints**

1. Note that these developments can only be implemented according to the geographical disparities proper to the PRC. The relatively slow implementation of the so-called "Go-West Strategy" will give the rhythm for such changes. Coastal areas with a few of the mid-West regions are expected to achieve the plan by the end of the five years period. Furthermore each Special Economic Zones will be likely to develop competitive advantage along specific services such as banking for Pudong or high-tech related services for Shenzhen creating further disparities into the

implementation of the plan.

2. The Party is likely to retain control on most markets via a clever matrix system at company level. This summer speech of President Jiang Zemin for the occasion of the 80th birthday of the Chinese Communist Party enlightens such parallel developments. Private entrepreneurs are now motivated to join the Party and most reasonable sized enterprises are advised to organize internal Party structure giving the Party an excellent opportunity for a better lateral line of control on the whole economy.
3. Despite China National People's Congress trial to reform the so-called "Rule of man" Western analysts should be more prudent when pushing for further tighter legal framework. It would be realistic to speak of the "Rule by law" instead of the "Rule of law" in order not to fall in the common mistake of most the same Western analysts who have the arrogance to criticize 4,000 years of history based on "guanxi" relationship and extremely complex social organization.
4. These developments can only be seen within the framework

the “Primary Stage of Socialism” including the China accession to “WTO with Chinese Characteristics” which further pave the way of economic reform with necessary tight political control and minimal social disruption leading to national stability. These reforms must therefore be accompanied with a stronger education for the new patriotic ideology allowing current leadership to keep intact its legitimacy. Time along with the rule of stamp will therefore be the primary regulator of such reforms allowing the People’s Republic of China to fulfill Comrade Deng Xiaoping Vision of “Market Socialism with Chinese Characteristics”.

Sources

*2000 - Internal PRC publications and extracts from the Hong Kong Trade Development Council;

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