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JPO 久賀みず保/町田陽子

国際開発援助動向研究会 第47回会合の議事録

1. 日 時：平成17年12月9日（金）12：00～14：00
2. 場 所：千代田会館5階 第1研修室
3. 発表者：Mr. Homi Kharas (Chief Economist, East Asia and Pacific Region, WB)
Mr. Shahid Yusuf
(Economic Advisor, Development Economics Research Group, WB)
Mr. Kaoru Nabeshima
(Economist, Development Economics Research Group, WB)
4. 議 題：“The Privatization of China's State Owned Industries”
5. 出席者：24名
6. 議 事：

6.1. DASU の活動

- 今後の会合（予定）：第48回会合
日 時：平成17年12月20日（火）12：00～14：00
場 所：国際協力銀行 開発金融研究所 大会議室
発表者：Mr. Richard A. Morford
(Managing Director, Donor& Multilateral Relations,
Millennium Challenge Corporation)
議 題：Update on the U.S. Millennium Challenge Account
---Strategy, Selection, Implementation, and Evaluation---
Is the MCA Making a Difference?
- 開発援助情報システム「DAKIS」(<http://dakis.fasid.or.jp>)
 - ・開発援助の新しい潮流：文献紹介
No.57 町田陽子（FASID ジュニア・プログラムオフィサー）
“Connecting EAST ASIA: A New Framework for Infrastructure” (9/8)
 - ・課題別基礎情報
野上裕生（アジア経済研究所）「環境と開発」
近藤正規（国際基督教大学準教授）「ガバナンス」

6.2 Today's Presentation

“East Asia Update”

Mr. Homi Kharas began by discussing the updated information on East Asia, focusing on economic growth and poverty reduction, the international environment, exports, energy, monetary affairs, and avian flu.

1. Prediction of growth

Economic growth in 2005 slowed slightly from what it was in 2004, which was an exceptional year for world growth. It was also a year of very rapid growth in trade. The performance of the East Asian region has been led by China, Vietnam, Cambodia, Mongolia etc. In many respects, 2005 was a normal year. All the indications are that 2006 will be much like 2005.

2. Export

Following the abolition of clothing/textile quotas in Jan. 2005, China and India are expected to increase world market shares. The countries expected to lose are Hong Kong, South Korea, Taiwan but these economies have gained shares in hi-tech exports.

3. Lessons from Avian flu

Avian flu hasn't as yet a cast shadow over economic performance. The components of successful national plans to tackle health problems are a 1) prompt release of data and information by governments, 2) high level political commitment and coordination and consistent messages coming from government, and 3) the establishment of technical criteria to identify risks and coordinate responses.

Regional trade is flourishing. Also FDI has increased across the region. It is driven by the private sector with China playing a major role and it is becoming one of the important players in the establishment of production networks.

“Under new ownership”

Mr. Shahid Yusuf discussed his research at WB related to privatization of China's state owned enterprises (SOEs) and its implications for China's industrial performance.

The enterprise sector is responsible for much of China's growth, but the cost of this growth has been very high. This cost is related to inefficiency and low profitability of many enterprises, especially SOEs, which still strongly influence the performance of the economy. In spite of a series of reform measures starting in the early 1980s, the SOEs remain constrained by national objectives, lack of

management skills, a high degree of vertical integration, diversified activities, labor market rigidities etc. However, since 1996, China opened a new chapter in its enterprise reform effort by embarking upon a strategy of privatization, divestiture and closure of small SOEs, and of corporatizing MISOEs.

One of the advantages of privatization is greater flexibility in decision makings, especially in hiring / firing workers. However, many companies still find it difficult to shed redundant workers under conditions of corporatization.

The research conducted by the Bank with the help of China's National Bureau of Statistics has helped to shed fresh light on the impact of different forms of ownership on performance. This research analyzed the effects on performance as measured by productivity of 1) ownership categories, 2) competition, 3) corporate governance, 4) management skills, and 5) hard budget constraints.

The main findings of the investigation are:

- 1) Full privatization is better than partial privatization with continuing substantial government ownership;
- 2) Successful privatization can be assisted by two factors: the establishment of an effective national social safety net so as to enable firms to adjust enterprise workforce more freely; and through measures that raise the supply of trained and experienced managers;
- 3) Legal and audit institutions to discipline managers by sustaining corporate governance, minority shareholder rights, and bankruptcy laws, can also improve outcomes.

Discussions

1. Question / Comment: You said that the complete privatization of reform is better than partial reform. Does this apply only to China?

Response: Many studies on privatization, including studies on Russia and Eastern European countries, suggest that full privatization is better than partial privatization in terms of profitability and productivity outcomes. There is also a study showing that early and rapid privatizers achieved better results in terms of growth and distribution of income 10 years after the initiation of the privatization drive.

2. Question / Comment: I agree to some extent that freedom in the hand of manager to lay off workers is a strong instrument to promote efficiency. On the other hand, Korea and India have powerful labor unions so that it is difficult to

lay off workers, but they still have grown economically. In Japan also, it is difficult to lay off workers, because the norm of life-time employment remains deeply rooted. Considering Japan's and other countries' experience, the real problem is not that managers cannot lay off workers but the government protects enterprises from bankruptcy. If a company is shielded from bankruptcy, managers and executives will have few incentives to improve performance.

Response: While I agree that flexibility in managing the workforce is not the only factor, some of the findings from both Korea and India suggest that it has an important bearing on efficiency. Overall the productivity of Korean industry remains low compared to those of the US, European countries, and Japan. However, in those subsectors where Korea has achieved high efficiencies, firms went about hiring workers and disciplined the labor force in a way quite different from other Korean industries. Similarly Indian firms that are demonstrating high productivity and competitive are in those parts of Indian economy which are not subject to stringent labor regulation, such as IT sector. I agree that the life-time employment have some advantages, but as shown in the case of General Motors, the ability to lay off workers is seemingly critical to the survival of companies competing in the global market place.

3. Question / Comment: You mentioned that productivity growth of China is relatively small. However the productivity growth turns out quite differently depending on the way it is measured. Give us some examples in which the same methodologies as yours have been utilized in other regions or countries.

Response: Cross-country experience shows that productivity growth is relatively low in the early stage of economic development when the capacity to absorb and utilize new technologies is limited. It generally rises over time. But the question for China is "Is the productivity growth rising fast enough?" In view of the enormous amount of money invested into capital goods and R&D in China, one would expect China to improve TFP rapidly. And in fact, overall TFP growth in China ranges from 1.8% to 3%, which is better than the average TFP growth of 2.5% in many other countries in the world. However, given that the average growth of GDP is 9%, the contribution of TFP growth to overall economic growth in China appears to be relatively modest.

4. Question / Comment: What is the difference in privatization processes between China and Central and Eastern Europe?

Response: Compared to several of the Eastern European countries, the privatization process in China has been slower. The danger of a slow reform process is that vested interests become entrenched and can stall further reform initiatives. It seems that this might have happened in China. Today, the fear of political unrest stemming from a significant increase in unemployment is hindering progress on this front. China still does not have a nationwide social security system providing adequate coverage, although this is an issue that reforms have wrestled with for the last 25 years.

5. Question / Comment: I'm quite interested in the effect of corporatization. You noted the case of Vietnam where corporatization has just started. With corporatization, we could expect corporate governance may be instituted. Have they already created some efficiency gains? What will come next? I have been thinking of the case of Vietnam. It is relatively easy to privatize medium or small enterprise. They, however, have now started corporatizing big ones. We would like to learn what should be the next step for Vietnam.

Response 1: In China, corporatization was the initial step towards privatization and it has yielded useful experience. The next step for them to take is to privatize at least the manufacturing SOEs fully. One of the reasons why they have been slow to do so is because the authorities fear that the most promising corporations will be possibly taken over by foreign companies. A second reason is that the key ministries remain powerful and they do not want to lose the authority which they exercise over these enterprises. A third reason is that ministries fear the consequences of worker layoffs by privatized corporations. Many that would be laid off will be in their 40's and 50's with limited schooling. It would be difficult to retrain them. There are 30 to 40 millions people who would be affected and without an effective social safety net, the fear is that this pool of unemployed could be a source of social unrest. Thus, policymakers have been postponing further reform in the corporate sector without making significant progress in reforming the national social safety net. Although sequencing various reform processes may be ideal, in reality such sequencing is unlikely to happen and after 25 years of toiling with the idea of both corporate reform and national safety net, it is about time for China to proceed further with full privatization and other reforms simultaneously.

Related to the discussion of next step, there are new enterprises that will be privatized in January of next year. There are important provisions there that aim at improving corporate governance and minor shareholder rights. I think that the recent effort to unwind the non-traded shares to different shareholders will help to

give a little bit more life to the capital market in China. This is happening in China, so the next step in privatization will proceed throughout next year, even though difficulties persist.

6. Question / Comment: What were the reaction of Chinese government on your findings and conclusions? Do you think your conclusions will be followed or performed by Chinese government and business community? In other words, how are you going to implement your conclusions, through publishing a book or something?

Response: Our next stop is Beijing and we will make our presentation in Tsinghua University. I do not think that at the intellectual level, there is much opposition to the points which we are making. It is becoming difficult to argue against the empirical evidence which we and many other researchers have gathered and against the case for privatization that China should now take one step further. Because China has been growing fast, the economic costs have been easier to absorb. But the costs of inefficiency are persisting and they are large. The advantages of deferring reform are less and less obvious, given the current economic momentum and the development of financial and other institutions. In fact, privatization would very likely help to promote complementary, and desirable changes in the financial sector, of the social security system, and of labor market institutions.

7. Question / Comment: In your presentation, it was very interesting to see that China's imports are still showing strong growth. Does it suggest that China's industrial competitiveness is improving slowly? I would also like to know whether changes of industrial structure are being driven by external factors.

Response: China's imports are rising rapidly because of the growth of the economy, its increasing openness, and China's integration with other countries in the East Asian region. However, the competitiveness of China's industry is reflected in the even steeper rate of increase of its exports and the continuing migration of parts and components production as well as final assembly from Southeast Asian countries to China. The pull of exports and China's openness has led to a massive expansion of the tradable sector in China, particularly certain types of manufactures. As a consequence, China's trade to GDP ratio is high for a country of its size.