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Comparative Study on the Reform of the Property Rights System of Chinese and Russian State-owned Enterprises

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Abstract

At the end of the last century, among the socialist countries that underwent the transformation of their economic systems, China and Russia were the most representative, and they explored the core link of the reform of the property rights of state-owned enterprises. Although the two countries are different in terms of the concept, method and effect of enterprise reform, theoretically the two countries have shifted from a planned economic system to a market economic system, so they are comparable in the economic sense. Through comparative analysis, we can have a deeper understanding of the property rights reform itself of Chinese and Russian state-owned enterprises and the impact of the economic reform of China and Russia with property rights reform as the core on social development, which will help China's state-owned enterprises to further deepen the reform, further understand the coordination between economic reform and social stability, and provide experience for the establishment of a modern enterprise property rights system.

Keywords

Transition Economy; Property Rights of State-owned Enterprises; Economic Reform.

1. Introduction

Property rights are the basis of the market economy, which can promote the optimization of resource allocation and the improvement of efficiency, which determines the rights and responsibilities of market players, promotes the free flow, flexible adjustment and effective allocation of various resources in the market, reduces transaction costs, reduces information asymmetry, externalities and other market failures, and realizes the optimal use of resources. At the same time, property rights can also clarify and protect the property rights and interests of various market entities, encourage them to create wealth and value through independent innovation and legal operation, and improve economic efficiency and social welfare.

The gradual reforms implemented by China and the radical reforms implemented by Russia have largely accomplished the objectives of the reforms carried out by each country, but these reforms have also brought negative problems to varying degrees to the two countries. The economy and society is a complex system, and any change in the subsystem will have a long-term impact on the economic and social development. The measures taken by China and Russia to reform the property rights of their own state-owned enterprises will not only have different effects on the enterprises themselves but will also reflect these reform measures in all aspects of the economy and society.

2. Literature Review

In the process of carrying out economic structural reform, although there are great differences in the reform environment faced by China and Russia, both countries are working in the direction of building a market economic system, and many scholars can observe the differences in the process of reform between China and Russia, to provide better suggestions for China's economic reform.

Wu Jinglian (2010) pointed out that after China's reform and opening, it could only use a series of policy measures to expand exports to make up for the lack of domestic demand, and China should speed up the adjustment of its economic structure, indicating that China was indeed facing difficulties in getting rid of the planned economy in the early stage of reform and opening. Zheng Xiaofang, Li Pengfei and Zheng Jianghuai (2005) explained the different privatization motivations and path choices of transition countries from the perspective of enterprise property rights reform and pointed out the dilemma faced by the property rights reform of state-owned enterprises in China. Xia Ning and Li Zhishi (2005) discussed the necessity and logic of China's property rights system reform from the perspective of institutional economics and believed that the goal of property rights reform is to improve economic efficiency and improve people's livelihood and well-being. In the early stage of reform and opening, after establishing a basic consensus on reform, all strata in China should refer to the experience and experience of Eastern European countries and put forward a reform methodology suitable for China in the process of reform and in combination with their own conditions (Luo Zhongwei, 2009). After 93 years, the reform of state-owned enterprises has shifted to a modern enterprise system, indicating that the shareholding reform of state-owned enterprises has entered a new historical period of property rights reform.

On the issue of the transformation of Russia's economic system, there are slight differences in the research of domestic and foreign scholars on its reform. Zhao Chuanjun (2004) argues that the impact of Russia's radical reform measures on Russia's economy and society is much greater than the expectations of Russian reformers. On the issue of the loss of state-owned assets, he believes that the lack of perfect legal support and sufficient supervision is an important reason for the loss of many state-owned assets, and it also has a certain warning effect on China. Lu Nanquan (2009) analyzed the main measures taken by the Russian economic structure, especially the economic structure and basic policies of the Putin period and analyzed the economic reasons for the dominance of Russia's energy-intensive industries and believed that the Russian economic structure is historical. Similarly, Lu Quannan (2010) pointed out the reasons for Russia's choice of "shock therapy" and the tendency of the economic policies of the two men. Guan Xueling and Gong Yanhua (2010) believe that the Russian economy has rebounded rapidly since 2000, but the Russian government has not taken advantage of the favorable opportunity of energy prices to adjust the industrial structure, which has made Russia lose the opportunity for re-industrialization, thus locking Russia in the dilemma of selling primary energy products and low-quality processed products.

In terms of comparative research between China and Russia, Liu Hongzhong and Qu Wenyi (2001) studied the property rights reform in China and Russia and proposed two methods in the reform of the two countries, the external control method and the decentralization method, and believed that the decentralization method is superior to the external control method at a specific stage. Qu Wenyi (2007) compares the economic structure of China and Russia and analyzes its impact on the economic relations between the two countries. In terms of industrial structure, Li Jianmin believes that the industrial maturity of the transition countries determines the efficiency of the property rights reform of the two countries, and it is precisely because of this that China and Russia show a huge gap in the industrial structure. Hu Angang and Xu Feng argue that the reason for the huge gap between China and Russia is that the two countries have different reform goals: Russia abolished the old system through rapid privatization, while China carried out reforms on the premise of adhering to the basic socialist system.

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3. Comparison of the Reform Paths of Property Right of Chinese and Russian State-owned Erterprises

3.1. Theories and Principles

Russian radical reformers believe that the planned economic system left over from the Soviet Union is the root cause of all social and economic problems, and that it is only necessary to reform the planned economic system and tinker with the original system, and that it is impossible to extricate itself from the economic predicament that Russia is currently facing, and that it is necessary to abolish the original economic system and establish a market economic system in accordance with Western economic theory. As early as the eve of the collapse of the Soviet Union, the Russian democrats reached a consensus on the reform of the economic system, that is, to completely abolish the planned economic system and establish a market economic system, which must be based on private ownership and privatize state-owned enterprises.

Therefore, Russia's initial property rights reform was not only aimed at curbing inflation and eliminating the economic crisis, but also to establish a theoretical system for realizing the transition from a planned economy to a market economy through rapid privatization. The system focuses on macroeconomic stability, economic liberalization and privatization of property rights, reduces government intervention in the market, breaks down barriers to domestic and foreign industry investment, and realizes modernization and rapid economic growth. However, the Russian government is obviously not fully prepared for the inertia of the old system and social operation, the complexity and long-term nature of the reform, and only emphasizes the rapid transformation, and Yeltsin promised the people the painful period from June to August, without fully considering Russia's specific national conditions and the people's interests and demands, and choosing to copy the economic theories of Western textbooks will inevitably induce a series of social problems. As a result, the Russian economy has suffered heavy losses during the economic transition.

A few years after privatization, there is a widespread belief among Russians that privatization has not achieved its goal of increasing revenues and improving social benefits. When Putin assumed the presidency of the Russian Federation in 2000, the comprehensive privatization policy of the transitional period was no longer able to solve Russia's growing economic problems, and this embarrassment spread to almost all other areas. At this time, the share of Russia's state-owned economy has fallen sharply compared with the period of radical transformation, but the government's control over some strategic enterprises has also been significantly weakened.

Putin has taken a series of effective and forceful measures and has begun to focus on eradicating poverty and improving people's lives. First, it is necessary to clearly implement the reform of the economic sector, standardize the operating mechanism of state-owned enterprises, and emphasize that the Russian government should play an important role in economic construction and establish enterprises with international competitiveness, to promote economic and social development. Putin has taken on the idea of continuing to carry out the reform of the market system during the transition period, believing that only the market economy can achieve the above-mentioned goals, but giving full play to the market mechanism does not mean that the government's functions will disappear, on the contrary, the government should actively provide public goods, build infrastructure, and carry out macroeconomic regulation and control. There is no doubt that Putin, as the absolute helmsman of Russia's post-transition period, put forward the principle of property rights reform of Russian state-owned enterprises, which has shaped several national strategic enterprises for Russia, successfully corrected the shortcomings of the past, helped the country and society achieve stability, and improved the competitiveness of enterprises.

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The Third Plenary Session of the 11th Central Committee of the Communist Party of China (CPC) made a great decision on reform and opening, making it clear that the reform of China's economic system should be carried out on the premise of keeping the basic political system unchanged, gradually explore an economic system that is compatible with the market economy, give new vitality to the basic socialist system. However, there is no precedent to learn from in terms of theoretical understanding or practical experience, and there are also deficiencies in preparation. More importantly, China's unique environment makes it impossible for China to carry out the reform of the property rights of state-owned enterprises in accordance with the ideal state of Western economics. You can only cross the river by feeling the stones, solve the problems faced in the process of reform in stages and periods, gain experience correcting the direction of reform, move forward in continuous exploration and continuous improvement. Therefore, the process of understanding and practicing the reform of state-owned enterprises is a process of continuous exploration and gradual deepening.

The reform of the economic system has first undergone a change from "a planned economy as the mainstay, supplemented by market regulation" to a "planned commodity economy," "the state regulates the market, and the market guides enterprises," and then to "a combination of planned economy and market regulation." At this time, the pace of reform was more cautious, and the so-called "development of the socialist commodity economy" was usually taken as the guiding goal of the reform of state-owned enterprises. After the 14th National Congress of the Communist Party of China established the "socialist market economy system", the idea of gradual reform to promote the integration of the state-owned economy and the market economy was clarified.

First, through the gradual construction of a state-owned assets management system that adapts to the market economy, we will explore a reasonable development model for state-owned assets management and state-owned assets management, and realize the functional transformation from operating state-owned enterprises to managing state-owned assets and then to managing state-owned capital; Second, we should continuously adjust the layout and direction of the development of the state-owned economy, and enhance the ability of state-owned enterprises to adapt to market changes and technological changes at different stages of development; Third, it is necessary to build the main body of enterprises that participate in market competition fairly, establish and improve the modern enterprise system, realize the separation of ownership and management rights of state-owned enterprises, and enable enterprises to become independent market entities, self-operated, and responsible for their own profits and losses; Fourth, we should build a mixed-ownership economy with property rights reform as the core, support and guide multiple forces to participate in the property rights reform of state-owned enterprises, promote and experiment with the realization of a mixed-ownership economy, and improve the basic economic system.

3.2. Specific Measures

On 24 December 1990, the Russian Federation ratified the Law on Ownership of the Russian Federation, and on 3 July 1991, the Supreme Soviet of the Russian Federation approved the Law on the Privatization of State and Local Enterprises. On this basis, in 1992 Russia began three stages: small-scale privatization, large-scale privatization, and case-by-case privatization.

Small privatization refers to the privatization of state-owned enterprises in small state-owned industries, transport and construction, and commercial services (the standard is that the net book value of fixed assets does not exceed 1 million rubles and the number of employees does not exceed 20) through auctions, redemptions, leases, tenders, and capital contributions and stock subscriptions by employees. Large privatization, after small privatization, refers to the privatization of large and medium-sized state-owned enterprises (the standard is the net book value of fixed assets of 50 million rubles and the number of employees is more than 1,000). The

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process of large-scale privatization consisted of the first stage of privatization of securities, which first transformed large state-owned enterprises into open joint-stock companies, and then issued to citizens privatized securities of state-owned enterprises with a face value of 10,000 rubles ($32 at the then exchange rate), which could be sold on the auction market. The second stage is cash privatization, which refers to the sale of the assets of state-owned enterprises at market prices, combining the privatization process with investment activities, and allowing investors to gain control over the company's shares. Privatization on a case-by-case basis, large-scale privatization has stopped, and the shareholding system of individual state-owned enterprises has been selectively reformed, while the focus of privatization reform has shifted from focusing on quantity to quality, from emphasizing the quantitative targets of privatization to emphasizing increasing investment and improving the production efficiency of enterprises, and strengthening state supervision over the privatization process, with particular attention to the management of enterprise assets.

After coming to power, Putin focused on restoring the government's control over the economy and society and adopted a series of political measures and "anti-shock" rectification measures to strengthen the state's intervention and leading role in the economy. Taking advantage of the crackdown on oligarchs, the Russian government has succeeded in nationalizing most of the strategic industries such as media, energy, banking, aviation, nuclear industry, and equipment manufacturing. Further, through various means, we will recycle and split oligopolistic enterprises, promote the strong alliance of state-owned enterprises, form super-large national companies in strategic industries, and prepare super-large cross-industry strategic groups; Strengthen the state's control over strategic industries and expand the influence of state-owned enterprises in the world market.

After Putin's two terms ended, during Medvedev's administration, there were some disagreements among Medvedev about the direction of reform. With regard to small and medium-sized state-owned enterprises, they will continue to pursue a liberal policy to promote privatization, but on the issue of reforming the property rights of large-scale monopoly state-owned enterprises, Putin advocates continuing to develop industrialization and increasing the construction of state-owned enterprises, while Medvedev advocates intensifying privatization, focusing on adjusting the economic structure and promoting economic diversification, and the main direction of Russia's state-owned economic reform is to reduce the elements of the state-owned economy. Against the backdrop of Russia's invasion of Ukraine and continued Western sanctions, Russia's economy has become increasingly dependent on monopolistic large state-owned energy companies.

In the first stage of China's state-owned enterprise reform (1978~1992), the autonomy of enterprises was expanded, and the "separation of powers" was initially explored. It clarifies the partial autonomy of state-owned enterprises in their business activities and allows state-owned enterprises to independently adjust product mix and prices according to market demand, independently arrange production plans and investment projects, and independently decide on profit distribution and workers' wages and bonuses. However, this stage of reform is to establish an enterprise incentive mechanism under the framework of the original planned economic system, which has great limitations. In 1984, the State Council promulgated the "Several Provisions on Further Expanding the Autonomy of State-owned Industrial Enterprises in Operation and Management", which specifically put forward the reform idea of "separation of powers", that is, the ownership of state-owned enterprises should be separated from the management rights, and the ownership rights should be exercised by the representatives of the state or local governments, and the management rights should be exercised by the enterprise legal persons or their entrusts. The purpose of the separation of powers is to clarify the ownership and regulatory responsibilities of state-owned assets, protect national interests, and at the same time give enterprises more space for market-oriented operation.

The reform of the second stage (1993~2002) was mainly aimed at solving the institutional obstacles of state-owned enterprises and promoting the development of state-owned enterprises in the direction of marketization, legalization, and shareholding through measures such as changing the operating mechanism of enterprises, establishing a modern enterprise system, and implementing the reorganization of state-owned enterprises. After the speech of the Southern Tour of '92, the reform of state-owned enterprises entered a new stage of development. At the 14th National Congress of the Communist Party of China, the goal of establishing a socialist market economic system was put forward, and it was clearly pointed out that it was necessary to establish a modern enterprise system. In 1995, the strategic idea of "grasping the big ones and letting go of the small ones" was put forward, that is, it was necessary to concentrate efforts on the reform of large and medium-sized state-owned enterprises in key industries and fields and relax the control over the reform of small state-owned enterprises in other industries and fields. The Fourth Plenary Session of the 15th CPC Central Committee put forward the principle of readjusting the state-owned economy and promoting the strategic reorganization of state-owned enterprises.

The third stage (2003~2013) of the reform is mainly to solve the problem of loss of state-owned assets and low efficiency, through the strategic adjustment of the layout and structure of the state-owned economy, the establishment of the State-owned Assets Supervision and Administration Commission, the improvement of the corporate governance structure of state-owned enterprises, deepening the reform of monopoly industries and other measures, strengthen the supervision and operation of state-owned capital, improve the efficiency of state-owned capital allocation and the overall function.

Prior to 2003, the "Five Dragons Governing Waters" led to an unfavorable situation in which the state was in a state of ownership. In 2003, the State Council established the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) as an agency that exercises the duties of an investor on behalf of state investors, responsible for the supervision and management of central enterprises, and guides the supervision of local state-owned assets. The establishment of the State-owned Assets Supervision and Administration Commission (SASAC) marks the establishment of a modern state-owned assets supervision system based on capital management in China. After that, it was proposed to improve the corporate governance structure of state-owned enterprises and establish a modern enterprise system framework with clear property rights, clear rights and responsibilities, separation of government and enterprises, and scientific management.

In 2006, the Central Committee of the Communist Party of China and the State Council issued the "Several Opinions on Deepening the Reform of the Electric Power System", proposing reform measures such as establishing a unified, standardized and transparent electricity market system, improving the electricity price formation mechanism, and promoting the separation of power grid companies and power generation companies. In 2007, the Central Committee of the Communist Party of China and the State Council issued the "Several Opinions on Deepening the Reform of the Oil and Gas System", proposing to establish a new mechanism for the development and utilization of oil and gas resources, improve the mechanism for the formation of oil and gas prices, and promote the separation of oil and gas pipeline network companies from production and operation companies. Since then, monopoly industries such as railways and telecommunications have also started or accelerated the pace of reform.

In the classification reform stage of comprehensively deepening reform (2013 to the present), the Central Committee of the Communist Party of China and the State Council issued the "Guiding Opinions on Deepening the Reform of State-owned Enterprises", which put forward the idea of promoting the reform of state-owned enterprises according to different functional positioning classifications, and divided state-owned enterprises into two categories: commercial and public, and commercial fields are divided into competitive fields and monopoly

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fields. In 2015, the "Guiding Opinions on Deepening the Reform of State-owned Enterprises" clearly stated that mixed ownership is an important way and basic form to achieve the preservation and appreciation of state-owned capital, and it is necessary to actively and steadily promote the reform of mixed ownership. Since then, the state has issued a series of supporting policy documents, clarifying the principles, scope, methods and steps of mixed ownership reform.

In 2016, the "Guiding Opinions on Carrying out the Pilot Program of State-owned Capital Investment and Operation Companies" was issued, and five central enterprises were identified as the first batch of pilot units. The state-owned capital investment company is a market-oriented operation platform focusing on capital management, and its main functions are to carry out strategic integration and layout adjustment of its industrial subsidiaries, and to carry out unified supervision and risk prevention and control of its financial subsidiaries; The state-owned capital operation company is a value management platform focusing on asset management, and its main function is to conduct comprehensive supervision and performance evaluation of its subsidiaries, so as to improve the efficiency and income level of state-owned asset allocation.

4. Conclusion

One of the core issues facing the transformation of China's and Russia's economic systems through the reform of property rights of state-owned enterprises is that both countries have explored how to promote economic development and unleash economic vitality through property rights reform, and the routes they have chosen are also different. This not only provides us with a case study for the economic reform of different countries and the experience and lessons of the reform, but also provides us with an observation of the coordination problems faced by the reform and economic and social development.

The relationship between economic reform and social stability is a complex and important topic, and different countries and regions may have different experiences and conclusions. In any case, economic reform is aimed at promoting economic development and social progress, improving people's living standards and well-being, and strengthening the foundation of social stability. However, economic reforms can also bring about some negative effects, such as unfair income distribution, lack of social protection, environmental pollution, etc., which can lead to social discontent and unrest. Therefore, the relationship between economic reform and social stability needs to comprehensively consider various factors, such as the goal, content, speed, method, and effect of reform, as well as social institutional, cultural, and psychological factors.

Correctly handling the interrelationship between economic reform and social stability is an important principle that we must follow, adhere to the combination of "crossing the river by feeling the stones" and top-level design, promote the pilot project first and comprehensively promote each other, maintain stability in the midst of change, promote reform in the midst of stability, and achieve development in the midst of reform and stability.

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