

Candidate's Name: _____

CT Group: _____

Index no.: _____



PIONEER JUNIOR COLLEGE

JC 2 PRELIMINARY EXAMINATION 2017

9628/1

H2 CHINA STUDIES IN ENGLISH

Date: 13th September 2017 (Wednesday)

Time: 1400 – 1530 hr

INSTRUCTIONS TO CANDIDATES:

Question 1 is **compulsory** for all candidates.
Candidates must answer **all 3 sub-questions**.

Write your answers on the separate answer paper provided.
If you use more than one sheet of paper, fasten the sheets together.
Begin each sub-question on a fresh page.
Remove cover page and attach it to the answer scripts.

Information to candidates:

You are reminded of the need for grammatically correct English and clear presentation in your answers.

Indicate the question number in your answer scripts.

For official use

Question No.	Full Marks	Marks Obtained
1	30	
	Total Marks:	
	Overall Percentage:	

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Case Study

Can State-Owned Enterprises (SOEs) reforms address economic challenges?

Source A

By the end of this year, China will basically have completely restructured SOEs, according to the 36th meeting of the Central Leading Group for Deepening Overall Reform. The reforms include developing a modern corporate system, which separates government administration from business operations, will allow SOEs to function as efficiently as other business entities.

According to the State-Owned Assets Supervision and Administration Commission (SASAC) of the State Council, over 90 percent of the subsidiaries of central SOEs had been restructured by the end of 2016, while the ratio of enterprises supervised by provincial-level state asset regulators also reached over 90 percent.

A more efficient, flexible and market-oriented management mechanism is the groundwork for the ownership reform of SOEs, said Peng Huagang, Deputy Secretary General of the SASAC.

Another strategy is to have a mixed ownership system by diversifying the shareholding structure of SOEs, and this is likely to take off in the second half of the year. To make SOEs leaner and healthier, the SASAC also plans to reduce the number of central SOEs to fewer than 100 this year, with coal power, steel and heavy equipment manufacturing industries in the spotlight. SOE reform specifically addresses overcapacity, poor corporate governance and low labor productivity, all of which drag down profits. As SOE reform continues, the authorities must focus on such thorny issues as incomplete corporate governance systems and lack of internal controls.

Edited from a commentary by Xinhua News Agency, dated July 20th 2017.

Source B

China's SOEs have been on a long and yet-to-be accomplished journey since the late 1970s; from affiliates to China's previous command economy, to independent commercial entities. The market-oriented reforms introduced to the SOE sector over the past two decades have seen the government loosen its control over SOEs, the shedding of a large number of loss-making enterprises, and significant restructuring of remaining enterprises, including by public listing. SOEs are now subject to greater market discipline, enjoy more autonomy, and are more accountable for their performance. However, these achievements still fall short of making SOEs 'modern enterprises', an explicit goal set by the Government in 1992 for SOEs to become fully capable of making business decisions free of administrative interference. So far, the Government retains considerable influence over SOEs, through the exercise of its owner's rights as well as multiple regulatory channels. SOEs have also become a strong vested interest in a system that treats them favourably.

Undertaking further market-oriented SOE reforms has again become an important policy task, as China faces a structural slowdown associated with a declining working age population and the fading benefits of past economic reforms. China's new leaders agree that growth has to increasingly come from productivity gains driven by improved resource allocation (rather than through simply agglomerating large amounts of capital and labour). Nowhere is reform more important than in the allocation of capital, which is dominated by the state sector. Reform will also be hard to accomplish without the government redefining its own role to be the provider of public services while refraining from interfering in the economy through SOEs.

Taken from a report published by the Treasury of the Australian Government in 2013.

Source C

The SOE reforms aim to open up competition among ~~these businesses~~ the energy, telecommunications and even the defence sectors, in order to break their administrative and market monopolies. Along with this, better governance, stronger incentive systems, increased focus on main businesses, and improved efficiency are the major objectives of the pilot reform programme.

Commented [CKL1]: What are these businesses?

After 38 years of reform and opening up, China is making the transition to a more modern and consumption-driven economy, which is the main cause of the overall economic slowdown. There is a tricky balance between how fast the economy should grow and the need to respond to other pressures, such as those related to jobs and a better quality of life.

SOE reform might be the next major breakthrough or "economic revolution". Unleashing their hidden vitality and improving their efficiency would serve as a focal point to ease the economic downturn, and would also transform China into a more advanced economy.

An excerpt from a South China Morning Post article, dated November 16th 2016.

Source D

China's SOEs registered an average 6.7 percent growth in profits year-on-year in 2016, ending the negative growth of the previous two years, statistics from the National Bureau of Statistics show. This shows that the SOEs have survived the test of their accelerated reforms and there is a solid footing for pressing ahead with SOE reforms despite the harsh economic climate.

The better performance of SOEs also serves as convincing proof that China's economy, its real economy in particular, is on a rising trend and they form a powerful driving force for China's economic growth. This should increase the courage and confidence of governments at various levels to advance SOE reforms.

As pillars of China's economy and a material basis for reform and innovation, the handsome profit growth of SOEs shows they are playing their due role in the rejuvenation of the national economy. More important, it justifies the direction of the ongoing supply-side structural reform advanced by the central authorities is correct.

An excerpt taken from an article on the China Daily website, dated March 2nd 2017.

Source E



Since the 1990s, SOEs have been consolidated through closures and mergers but this down-sizing came to a halt in 2007-2008 when the government rolled out a stimulus programme to cushion the effects of the global financial crisis and finance went into factory constructions and equipment without the demand to meet this supply.

SOEs are less profitable than private companies and the share of loss-making SOEs has been rising since 2010. Bankruptcies have begun to surge again this year in an attempt to target unprofitable companies, however mostly involving small and medium-sized enterprises.

Data taken from the World Economic Forum website, dated June 23rd 2016.

Answer the following questions.

1. With reference to Source A, explain how CCP's reforms address the challenges faced by Chinese SOEs. [6]
2. With reference to Sources B, D and E, and your own knowledge, assess the benefits brought about by SOE reforms to the Chinese economy. [9]
3. Using information from the sources and your own knowledge, assess the obstacles that further undermine SOE reforms in China. Provide suggestions to how the Chinese government can overcome these obstacles. [15]

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