

## Comment

# Plan too broad to brush out problems

EFFORTS TO REFORM STATE-OWNED COMPANIES TRY FOR BALANCE, BUT IMPLEMENTATION WOULD TAKE YEARS

Beijing recently released joint guidelines on the next round of reforms for state-owned enterprises. SOE reform has been one of the central tasks of the economic reform, but for over a decade, since former premier Zhu Rongji was appointed economic czar and oversaw massive restructuring of the SOE system from the planned economy era, there hasn't been a central program charting the reform's progress.



Ed Zhang

Not having a central program for an important part of the reform was disappointing. Vested interests inevitably grew in the vacuum of overarching principles. Those interests tended to grow fast, considering that many SOEs, after the first round of reform made them stronger, became de facto monopolies in their industries.

And in at least some of these industries, customers (meaning the

people) cannot get the best value for their money unless there is competition.

The stifling effect of having large banks (all state-owned) lending only to large companies (mostly state-owned) and squeezing the overall credit supply to society was a notorious case in economics, and the consequence has been obvious in the economy's lack of "biodiversity", or a lack of the various services that a rapidly industrializing and urbanizing nation would need.

The relatively slow and narrow development in privately owned services is part of the explanation of China's low consumer power (in consumer spending's contribution to the GDP compared with other developing economies).

It is also part of the explanation of the massive industrial pollution and low quality of life in the existing industrial cities — because an excessive amount of resources has been used to feed an overcapacity of big smokestack industries that have no competitive edge in the future.

But a few years ago, few people, except future-minded independent

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economists, were really disappointed. They were misled by the astonishing short-term growth figures from simple manufacturing and the cheap goods they shipped to the overseas market.

Even for a short period immediately after the world financial crisis in 2008, China could still manage to report a growth record close to 10 percent year-on-year.

It is only when consumers in North America and Western Europe were no longer buying as much, and when domestic pollution had reached an unbearable level, that people came to realize the nation really can't have sustainable development without a new round of SOE reform.

China now has got one central reform program for its SOEs. Yet the program is so comprehensive and so general, if not philosophical, that putting it into practice would still require a series of subsidiary programs, such as in dividing specialized capital investment companies and operational level companies, in defining innovation in equity restructuring, in remuneration and executive recruitment systems, in performance measurement, and in profit-sharing with the public (because the SOEs' starting funds are in theory from the people).

Some business commentators have pointed out, quite rightly, that the new SOE program is still an effort to balance the interests and political concerns of different authorities. Its implementation would indeed take years.

Nonetheless, having a central SOE reform program can be practically useful because, first of all, no SOE is supposed to run counter to the program. Top SOE executives will have to behave carefully, especially when the reform program is tied to the anti-graft campaign.

Gradually, large SOEs will sever some parts of their monopoly interests and turn them into publicly listed independent companies with diverse shareholders.

At least, in the areas now without predominant influence from the SOEs, it would be hard for them to establish new monopolies.

More importantly, perhaps, the would-be slow implementation of a centrally defined SOE reform would benefit the economy in an indirect, if not inadvertent, way. It would create a larger and better-defined space for more private enterprises, which tend to grow much faster, to flourish in the next few years and form a larger share of the overall economy.

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Industry special

## Customer satisfaction is key for APP-China

By HAONAN  
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APP-China, a leading papermaking company in the country, considers customer satisfaction integral to its business.

Since its establishment in the early 1990s, APP-China has been committed

to the research and development of many types of high-quality paper products to meet customers' demands for printing, packaging, work and hygiene requirements.

Office paper made by Jinguang Chuangli Paper Co, a subsidiary of APP-China in Shanghai, for example, has won recognition in the market

due to its stable quality and innovative designs.

The company's copy paper range is one of the best sellers in the industry, thanks to its advanced manufacturing technologies and high-standard production requirements.

Its Gold Flagship, Canary and Golden Bird copy paper brands, which are star products of the company, are very smooth and tightly textured and also come with high fidelity color effects and a low rate of paper jams.

These properties can effectively reduce ink consumption and help protect equipment.

The Canary brand of multipurpose office paper is one of the first choices for Chinese governments and institutions to purchase, according to the company. The office paper does not easily shrivel or curl and has a soft visual effect. It can be used for copying, printing and faxing and is also suitable for double-sided use to lower costs.

Jinguang Chuangli also produces notebooks, some of which have been exported to the United States, Japan and Europe.

Maslino and Blue Snail are the company's most famous notebook brands, and their product designs keep up with fashion trends to meet the aesthetic needs of customers of different ages and job positions.

Designs of the latest notebooks

from the two brands launched in June include vintage floral patterns the company is targeting at young women, coffee designs for white-collar workers and cartoon images for students.

Gold Flagship's copy paper range recently received joint certification from the China Forest Certification Council and the Program for the Endorsement of Forest Certification Schemes, marking APP-China's long-term commitment to practicing sustainable development and clean operation in China.

The two certification labels prove to the company's customers that the raw materials of its products come from forests under sustainable management and also that APP-China is environmentally responsible in every link of the production.

"Customers today are paying more attention to the product's performance in environmental protection," said Zhai Jingli, deputy CEO of APP-China.

"It can further promote green consumption in the market and also will encourage more papermaking companies to participate in CFCC and PEFC certification and to realize a rational utilization of forest resources."



**Customers today are paying more attention to the product's performance in environmental protection.**

ZHAI JINGLI

DEPUTY CEO OF APP-CHINA



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