

ISBN 0 86396 563 6

NO. 97/7

**THE STOCK MARKET IN CHINA: Problems and Prospects
for Domestic and Foreign Investment**

Lan Yisheng

August 1997

The Working Paper series provides a means for circulating preliminary research results by members of, or visitors associated with, the Chinese Economies Research Centre. To facilitate prompt distribution, papers are screened but not formally refereed.

The author gives special thanks to Prof Andrew Watson for his valuable suggestions and comments on this paper. Helpful comments from Dr Christopher Findlay and Mr Ron McIver are also gratefully acknowledged. Meanwhile the author himself is fully responsible for the content of this paper.

About the author

Lan Yisheng is at the

Department of International Business
The Business School
Shantou University
SHANTOU
Guandong 515063
P R of China

Copies of Working Papers are available from:

Chinese Economies Research Centre
The University of Adelaide
ADELAIDE SA 5005
Australia

phone	61 8 8303 4460
fax	61 8 8303 4394
email	jholmes@economics.adelaide.edu.au
www	http://www.adelaide.edu.au/CERU/

1. Introduction

The history of stock markets in China can be traced back over 120 years to the late Qing Dynasty when the Shanghai Stock Market was first set up in 1869 by foreign firms. It was restructured as the Shanghai Business Market in 1905. In 1918, the Beijing Securities Exchange, the first Chinese-operated stock exchange, was established. Later the Shanghai Securities and Product Exchange and Shanghai Huashang Securities Exchange were established in 1920.¹ But the stock market and share-holding companies never played an important role in the economy as a whole, since it was basically oriented towards agriculture and family operation. Shortly before the establishment of the People's Republic of China, the stock market in Shanghai was closed because of the poor economic and financial conditions. After 1949 two securities exchanges were established, one in Tianjin on 1 June 1949 and one in Beijing on 1 February 1950.² These dealt in state bonds. Both of them were closed in 1952 as they were seen as places for speculation, a capitalist phenomenon which should not be maintained under the socialist system. Then for a period of more than 30 years, stocks and stock markets disappeared from China.

Stocks reappeared in 1983 when Bao-an County Joint Investment Company issued stocks in Shenzhen to raise capital.³ In 1984, the first liability limited share holding company, Tianqiao Department Store Co. Ltd, was announced in Beijing.⁴ From 1984 to 1989, thousands of shareholding companies were set up all over the country and issued 3.8 billion yuan worth of shares (70-80 percent of the shares were from conversion of existing state-owned assets, and relatively little new capital was raised by issuance of

¹ Liu Hongru, ed., *Zhongguo Zhengquan Shouce* (China Securities Handbook), Shanghai People's Publishing House, 1992.

² Wang Jingshi, "Zhongguo zhengquan shichang de xianzhuang yu qianjing (The present condition and future prospects of securities market in China)", *Jingji Kexue* (Economic Science), No. 3, 1993, pp.1-7.

stocks). Most of the stocks were issued to related companies or to employees in the companies and fewer than 2 percent were public issues to general investors. In Shanghai, for example, by 1990 there were 1,250 non-public offerings to only 11 public offerings (Wang Jingshi 1993).

After a number of years of inactive transactions during the late 1980s, the stock markets became “hot” in Shenzhen and Shanghai in the early 1990s. Because very limited stocks were available on the markets, the prices rose daily very quickly. Some stock prices even reached 100 times their face value and the P/E ratio could be as high as 1000. By August, 1993, stock prices in both Shenzhen and Shanghai reached the highest level in the history of China’s stock market and then dropped dramatically. The markets then experienced more than two years stagnation and recovered only after early 1996. From April to mid December, 1996, the stock index rose by 120 percent in Shanghai and over three times in Shenzhen. The government then took some measures to cool the markets, and stock prices fell considerably after 16 December 1996. But, contrary to some experts’ prediction, the market did not stagnate long and soon recovered and even reached a record high in April 1997, making the government take further measures to cool it down. In short, since their reestablishment in 1988 the stock markets in China have experienced several cycles of boom to bust (see Figure 1).

This study will explore the nature of these cycles and explain their causes. The next section first discusses the reasons for reintroducing stock markets into the Chinese economy. This is followed by sections on the development of markets, their current

³ Liu Hongru, ed., *Zhongguo Zhengquan Shouce*, 1992.

⁴ Ibid.

prospects, and foreign investment in the markets. The concluding section analyses some of the key issues in stock market development in China.

2. The Reasons for Re-introducing Stock Markets into China

2.1 Raise the productivity and efficiency of enterprises.

The traditional state-run enterprises had to hand over all their operating profits to the state treasury, and their deficits were covered by state funds. Therefore the enterprises had no incentive to lower their costs and raise their profits. In contrast, under the supervision of share-holders, the management teams of share-holding companies are more conscious of improving management and raising productivity and profits.

2.2 Separate government from business management.

A key aim of the reforms is to separate state administration and economic enterprises. One of the ways of doing this is to establish share-holding companies. A share-holding company has a board of directors which makes decisions on its operation to meet the expectation of share-holders, not to meet government approval. If the government owns a big percentage of shares in a company, it will have great influence over the decision-making process, but it is certainly not a simple continuation of state plans as usual. It is recognised as the “conversion of the mechanism of management” of enterprises, ie, to transform the state-owned enterprises from dependent instruments of the state plan into independent market-oriented businesses. Through reform, most state-owned enterprises

are required, following the example of share holding-companies, to make their own decisions on production and operation based on market demand.

2.3 Increase domestic investment to speed up economic growth.

Until the early 1980s, state-run enterprises relied totally on state budgetary allocations or state bank loans for their production funds and investments. The enterprises never used their own creditworthiness to issue securities or to try to raise capital directly from general investors. The government could no longer meet the investment demand of so many firms and it wanted some of them, or most of them, to raise capital directly from individual investors (Turn to the market, not to the mayor).⁵

2.4 Attract foreign investment.

Since a liability limited company is a common form of corporation in the western world and the stock market is a necessary part of the economy, China needs the share holder system and a stock market in order to attract more foreign investment and to connect its economy to the rest of the world economy.

2.5 Relieve the government debt burden and inflation pressure.

From 1950 to 1958, the Chinese government borrowed 9.277 billion yuan (5.162 billion

⁵ “Turn to the market, not to the mayor” (*zhao shichang, buyao zhao shizhang*) was a common phrase in Chinese newspapers in the late 1980s that vividly expressed the wish of the Chinese government to encourage state-owned enterprises to operate by themselves.

were foreign loans, mostly from the USSR). From 1959 to 1978, the government did not borrow any more and by 1965 it had finished paying back the interest and principal on the foreign loans. By 1973, it had paid back all its domestic bonds and proudly declared it was the only “no debt” government in the world. In 1979, China began to borrow abroad again to support its huge investment plan to achieve the “four modernisations” by the year 2000 (3.53 billion yuan in 1979, and more each year thereafter). In addition, since 1982, the Chinese government has been issuing state treasury notes (state bonds) to cover its fiscal deficits, which were mainly caused by the need to cover state-run firms’ deficit operations and by paying price subsidies to customers to offset price hikes (in 1990, these together accounted for more than 100 billion yuan, equal to one third of the state fiscal expenditure that year, and 28.5 billion yuan state bonds were issued in the same year) (Wang Jingshi, 1993). A total of 155 billion yuan state bonds were issued domestically and abroad in 1995.

While the government lacked funds, as a result of economic reforms, the accumulation of financial assets by the people proceeded at an extremely rapid pace. At the end of 1980, there was only 40 billion yuan in urban and rural resident deposits in banks. This rose to 162 billion by 1985, and 700 billion by 1990. By the end of 1996, the deposits come to 3850 billion yuan with an estimate of at least 1000 billion circulating cash.⁶ It was, and remains, a great pressure on inflation, and inflation is of great concern to China’s leaders. High inflation rates have been the major reason for the macroeconomic adjustments since the 1980s (the retail price index rose by 18.5% in 1988, the highest for 3 decades, and it

⁶ CSSB: *Zhongguo Tongji Nianjian 1986-1997* (China Statistical Yearbook, 1986-1997).

rose by 21.7% in 1994, a new peak). Therefore the government wanted to find new outlets for saving to shift from potential consumption into investment.

2.6 Through the assessment of stocks on the market, to reallocate productive factors more efficiently among industries and enterprises.

Since the price of stock usually reflects the present profit level and future profit expectation of the stock company, it gives an important signal to investors about which company or industry is the more rewarding. This therefore attracts more investment into the more profitable area, which will certainly be a more efficient area when price reform is completed and price reflects goods' value correctly.

.

3. The Development of the Stock Market: Problems and Difficulties

3.1. Inactivity followed by boom

When shares reappeared in China, at first individuals were not interested in them. Some companies had to promise fixed dividend rates for the shares, which with special permission, could be paid before paying company income tax to the government. They even had to promise to refund the shareholders at demand. So the stock was more like an enterprise bond or even a promissory note rather than a stock. In fact, some were sold in the same way as state bonds, ie. through a quota system. The city government would distribute quotas to different government departments and enterprises and then the units would re-distribute the quotas among their employees for purchase - a contribution to the

capital needed for state development rather than as an investment.⁷ The stocks were priced around and, for some of the time, a little below their face value in Shenzhen and Shanghai securities transaction agencies in late 1980s.

After a few years of stagnation stock transaction became active, and then hot after 1990. Because relatively few stocks were available on the market,⁸ the stock price sky-rocketed in Shenzhen and then in Shanghai. All the stocks on the markets were over-evaluated, 10 times, 20 times, 50 times, even 106 times over their face value, at relatively moderate dividend rates⁹. People ran after stocks and traded stocks anywhere they could find a seller, at securities companies or on the streets. This finally created problems such as cancellation of contracts and promises, forged stocks and so forth. Books about stock transaction skills became best sellers in the book stores and lectures on such topics were crowded.

In 1991, the Shenzhen Securities Exchange was established. To ease over speculation and sky-rocketing prices, the Exchange implemented a system of stopping transactions at a certain percentage of increase or decline. At first, the transaction stopping point was 5 percent higher/lower; when the price kept going up 5 percent day after day, the upper level was changed to 1 percent and later 0.5 percent while the bottom limit was still a fall

⁷ In July/August 1989, Lan Yisheng did some research in this area in Shenzhen and interviewed some management executives of the Shenzhen Development Bank, which was the first public offered shareholding company in Shenzhen and later became one of the first group of five listed companies on the Shenzhen Securities Exchange. Some statements and conclusions in this paper are based on the interviews.

⁸ By the end of 1990, the total securities on China's market were valued at over RMB 200 billion yuan. Of these, stocks were only RMB 4.5 billion yuan, 1.9% of all securities value. Meanwhile state bonds were 47%, enterprise bonds were 13%, financial bonds were 12%, and transferable large-sum deposit notes were 16%.

⁹ For example, in mid-March 1991, the market price of the share of Yuyuan Co. Ltd., one of the first listed companies in Shanghai, rose to 10650 yuan while its face value was 100 yuan and the expected dividend was only 18 yuan per share.

of 5 percent¹⁰. This strict measure finally led to the market collapse in April 1991, and many people quit their involvement in the market. After half a year of stagnation of stock transactions, the Shenzhen Exchange gave up the system of stopping transactions at a fixed point and soon the market recovered and stock prices moved up again.

The Shanghai Securities Exchange was set up on 19 December 1990. Street transactions were forbidden and stock account transfer was introduced instead of stock certificate transaction. The non-denominated stock transaction became the only and common practice of Shanghai and Shenzhen Exchanges after 1991. Both Exchanges had a record high of stock indices by February 1993. The Shanghai Securities Exchange Composite Index was over 1500 (originally 100, base-date December 1990), and the Shenzhen Securities Exchange Composite Index was over 500 (originally 100, base-date April 1991). The indices bottomed in July 1994 (the Shanghai Index was down to 340 and the Shenzhen Index down to 105), and then remained inactive for more than two years¹¹.

From April to early December 1996, the markets recovered and became hot again. The average stock price rose by 120 percent in Shanghai and over 300 percent in Shenzhen in this period. On 12 December 1996, the Shanghai Index reached 1258 and the Shenzhen Index reached 476, the highest for the previous three years. The daily transaction value increased from 8.7 billion yuan in September to 20 billion yuan in early December¹². On 12 December 1996 the daily turnover was 37.4 billion yuan (19.6 billion in Shanghai,

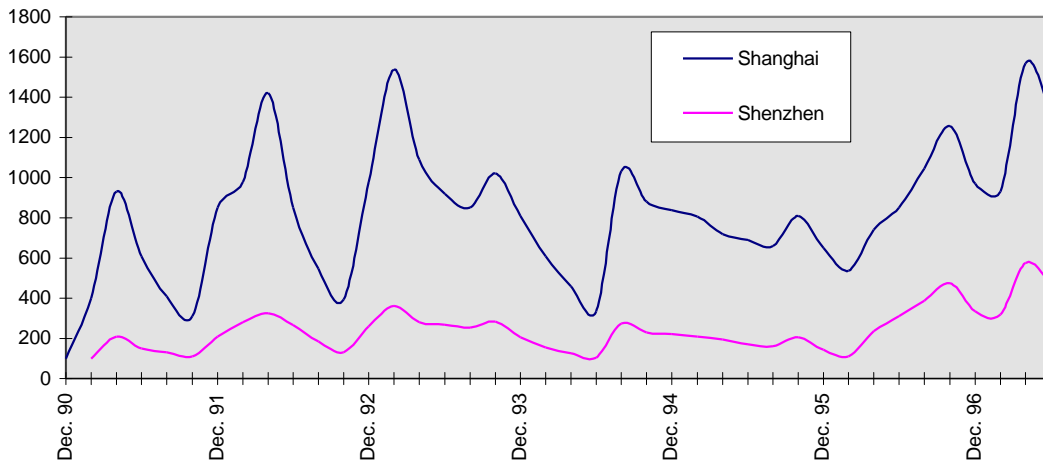
¹⁰ See the notices of Shenzhen Securities Exchange to its members in April 1991.

¹¹ The Shanghai Index reached 1537 and the Shenzhen Index reached 512 on 26 February 1993, both a record high at that time. See the quotation lists in *Zhongguo Zhengquan Bao* (China Securities Newspaper) of April 1993, July 1994, etc.

¹² Data collected through Internet *Renmin Ribao* (People's Daily), Eastern China Edition, Economic News and <http://www.chinastockmarket.com>.

17.8 billion yuan in Shenzhen), three times the highest daily turnover of Hong Kong, even though the formers' market capitalisation was only one tenth of the latter's¹³. After the government took measures to ease the overheating of the market and official newspapers openly warned individual investors of the great risk they were facing with their speculation, the stock prices in Shanghai and Shenzhen fell by 10 percent on 16 December, nearly 8 percent on the 17th, and 10 percent on the 18th¹⁴ (the new stopping transaction point is 10 percent up or down). The 16th of December 1996 was the “Black Monday” of China’s stock market. After then, the stock markets were quiet for while, with the Shanghai index around 1000 and the Shenzhen index around 350 (see Figure 1). But, surprisingly the stagnation this time did not last long, and the market moved up again from February 1997 and even reached a record high in April 1997, making the government find it necessary to cool it down again.

Figure 1. Securities Exchange Composite Indices in China



Source: *Zhongguo Zhengquan Bao* (China Securities Newspaper), 1991-1997

3.2 Rapid Growth of Share Holding Companies on the Market

¹³ See Special commentator, “Zhengque renshi dangqian gupiao shichang” (Get a correct understanding of current stock market), *Renmin Ribao* (People’s Daily), Dec. 16, 1996 and the comments on *Tiger Newspaper* of Malaysia on 20 December 1996.

When the securities exchanges were set up in the early 1990s, there were only one dozen or so public share-holding companies, with fewer than half a billion stocks on the market.¹⁵ By March 1997, there were 570 share-holding companies with more than 110 billion stocks on the market. The market value of the stocks was about RMB 1328 billion yuan,¹⁶ which equalled 20 percent of China's GDP in 1996. The turnover of China stock markets in 1996 was RMB 4160 billion yuan, six times more than in 1995.¹⁷

3.2.1 Shanghai (the biggest financial centre of China)

In 1986, the Shanghai branch of the People's Bank of China began to develop the Shanghai securities market in two steps. The first step was to set up an over-the-counter (OTC) market and the second step was to set up a formal securities exchange. The OTC market achieved considerable success by 1990. In the first half of 1990, the trading volume in Shanghai was about half of the nationwide trading. The Shanghai Securities Exchange was opened on 19 December 1990 when there were only 11 listed companies on the market, with capitalisation of about half a billion yuan. In 1991, the listings increased to 18 and the capitalisation to nearly 10 billion. By December 1996, there were more than 300 companies on the market with capitalisation of over 600 billion yuan.¹⁸

¹⁴ See the quotation lists on *Zhongguo Zhengquan Bao* (China Securities Newspaper) of 17, 18, and 19 December 1996.

¹⁵ The first group of listed companies on Shanghai Securities Exchange in December 1990 was 11 companies, ie. Aishi, Zhenkong, Yuyuan, Yanzhong, etc. The first five companies listed in Shenzhen in April 1991 included Jintian Business, Wanke Enterprise, Yuanyie Business, Anda Transport and Shenzhen Development Bank.

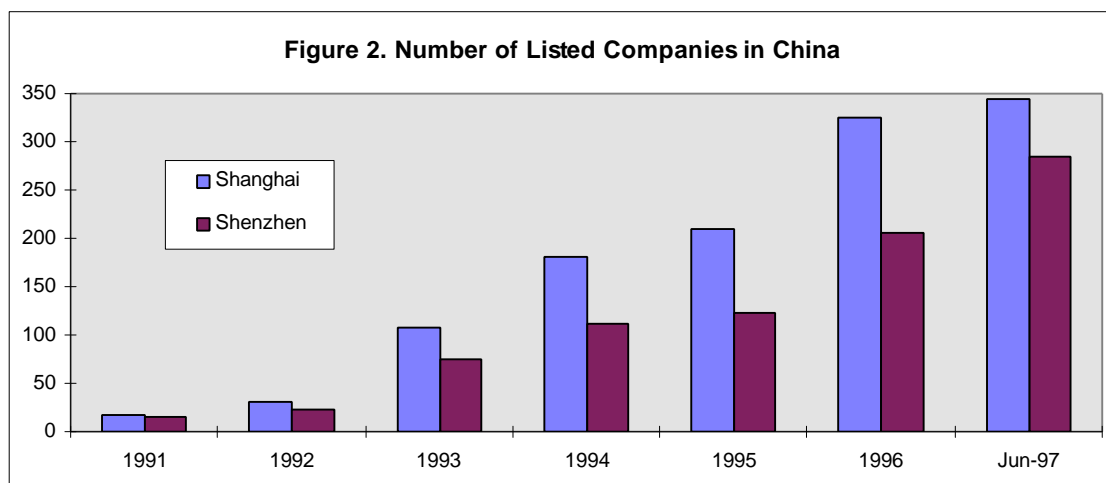
¹⁶ *Renmin Ribao* (People's Daily) (Overseas edition), 12 May 1997.

¹⁷ Ibid.

¹⁸ Calculated by author as per the quotation lists of Shanghai Securities Exchange in *Zhongguo Zhengquan Bao* (China Securities Newspaper) of 24 December 1996.

3.2.2 Shenzhen (the “experimental laboratory” of China’s economic reform for new ideas and new systems)

The development of the Shenzhen stock market started in 1986 when some companies received approval to experiment with the joint-stock system. The first stock sale was by the Shenzhen Development Bank in 1988. In April, 1991, when the Shenzhen Securities Exchange was established, there were only five listed companies with a total face value of 270 million yuan. Half a year later, the People’s Bank of China had approved another eleven companies to be listed on the Exchange. By December 1996 there were about 200 companies listed on the Exchange (see Figure 2).¹⁹



Source: *Xinxi Zaobao* (Information Morning Newspaper), 19 June 1997

Both the Shanghai Securities Exchange and the Shenzhen Securities Exchange are non-profit legal entities governed by a board of directors and employing a membership system. Only full members are allowed to trade on the exchange. Only institutions related to the

¹⁹ See the quotation lists of Shenzhen Securities Exchange on *Zhongguo Zhengquan Bao* (China Securities Newspaper) of 24 December 1996.

securities business can apply for membership. Trading is limited to spot transactions, and no futures transactions are available. Short-selling is prohibited and impossible. All the transactions are done through a computerised order-matching system. The trading volume must be a set lot (usually 100 shares) or its multiple²⁰.

3.3 The Net for Stock Transactions

From 1986 to 1996, 96 securities companies have been incorporated in China. Besides these specialty securities institutions, there are now 230 financial institutions that deal in securities transactions as part of their business. Totally these institutions are operating more than 2000 stockbroker agencies in large and medium-sized cities and form a net of stock transactions all over the country. The business of securities transactions hires more than 100,000 employees, and more than 21 million individual investors had opened stock accounts in China by the end of 1996, of those, 8 million accounts were opened in 1996²¹.

3.4 Problems and Difficulties with the Stock Market

3.4.1 The market boom drove up stock prices to an unreasonably high level and the high P/E ratios of most A-shares make investment risky.

²⁰ See the constitutions of the Shanghai Securities Exchange and the Shenzhen Securities Exchange.

²¹ See special commentator, "Zhengque renshi dangqian gupiao shichang" (Get a correct understanding of current stock market), *Renmin Ribao (People's Daily)*, Dec. 16, 1996.

In a mature stock market, the average P/E ratio of stocks is between 15 and 20. For example, London had 17, New York 19, Hongkong 18, and Singapore 21 in late 1996²². In the Shanghai and Shenzhen markets, when over demand and short supply pushed stock prices to an extremely high level in the early 1990s, the P/E ratios of quite a few stocks could be as high as over 500 or even above 1000. After the stock market collapse, the stock prices and P/E ratios lowered considerably. At the bottom of the stock market in February 1996, the average P/E ratio came down to 16 in Shenzhen and 31 in Shanghai. For some stocks, the P/E ratios came down to around 10 and were a good investment value. From then to early December 1996, the stock prices and P/E ratios rose again. On 9 December 1996, the average P/E ratio was 44 in Shanghai and 55 in Shenzhen.²³ After ‘Black Monday’ , the P/E ratios lowered a little. When the markets moved up again in February 1997, the P/E ratio became even higher.

3.4.2 Over speculation: high transfer rate

In a mature stock market, the transfer rate is very unlikely to be as high as 100 percent. On the New York Stock Exchange, the yearly stock transaction value was below 40 percent of its stock market value in 1995. But in Shanghai and Shenzhen, the stock transaction value was 4.5-9.5 times the stock market value annually in the early 1990s. And later the rate has been between 2 and 3.5 times which means, on average, every stock would be sold twice or more a year.

²² Ibid.

²³ Ibid.

3.4.3 Great price fluctuations and high system risks

Stock prices have changed relatively greatly and quickly in China. Take the example of the Shanghai Securities Exchange; since its establishment in December 1990, there have been 18 occasions on which its stock price index rose or fell more than 15 percent in a business day. Furthermore, system risks, the risks borne by nearly all industries and all companies, for example, the influence of government economic policies, interest rates, inflation and so on, are very high in China's stock market. Then non-system risks, the risks borne by a specific industry or company, are relatively low.²⁴ That means any selection or combination of stocks would have a quite limited effect on reducing stock investment risks.

3.4.4 Company behaviour undermines stock market development

The companies on the market are more interested in raising funds and making profits by selling more new stocks at over face value prices on the market or to original shareholders than in improving their management and lowering operational cost as was originally expected by the government. For the lower profit level in comparison with the very high stock price, even the dividends of well-performing companies could hardly meet the expectation of their shareholders. Instead, the shareholders would strongly demand new

²⁴ A study done in early 1996 by Shi Donghui of fifty companies on the Shanghai Securities Exchange found that there was only 1 company whose system risk was under 50 percent, 7 companies between 50--70 percent, 36 companies between 70--90 percent, 6 companies above 90 percent. The average system risk of the fifty companies was 81.37 percent while the non-system risks were only 18.63 percent. In a mature stock market, system risks are usually a smaller share of all risks. For example, the USA had 26.8 percent, Britain had 34.5 percent, France had 32.7 percent, Germany had 43.8 percent, Canada had 20 percent, and Italy had 39.6 percent. See Shi Donghui, "Shanghai gushi fengxian de shizheng yanjiu" (Positive studies on the risk of Shanghai stock market), *Jingji Yanjiu* (Economic Research Journal), No.10, 1996, pp21-24.

stocks without charge or at comparatively low prices from the companies as their dividends, for they could sell the new stocks on the market at higher prices and make more money than having the cash dividends.²⁵ But since these new stocks were neither worth the value at which they were sold on the market nor were the results of the a good company performance and an asset increase, the depreciation of all stocks was inevitable sooner or later, putting all shareholders, especially the new shareholders, at greater risks of loss.

3.4.5 Segmented markets for different stocks: A-Shares, B-Shares, H-Shares.

Since stocks reappeared in China in the 1980s, the share holding companies have issued different stocks for different holders. A-shares are for Chinese citizens to buy with Chinese currency, *renminbi*. They are the majority of all issued shares and every share holding company has some A-shares. Of these, some are owned by the Chinese government and called state shares. These were converted from original state invested capital and assets when the state owned enterprises were transformed into share holding companies. Some are owned by companies and called enterprise shares. These were formed by conversion of the accumulated capital of the firms when the share-holding companies were set up and by selling stocks to other enterprises in order to raise new capital. Some are owned by general investors and called individual shares. These are issued to ordinary Chinese investors to raise capital for the companies and can be transacted freely on the stock market. So far, the state shares form the majority of A-shares

²⁵ It was quite common in Shanghai and Shenzhen stock markets that if there was a rumour or confirmation that a listed company would give only cash dividend, its stock price might decline a lot; Opposite, if there were signs that a listed company might grant shareholders a large percentage of free or low cost shares as their returns, for example, eight new shares for ten original shares, its stock price would rise quickly. Since early 1995, the Chinese government has enforced the regulation that a listed company could grant to shareholders as new shares no more than 30 percent of the original shares annually, provided that its annual profit rate was over 10 percent in two consecutive years.

in most share-holding companies on the market. Enterprise shares take the No. 2 position, and individual shares are the last.²⁶

On 1 February 1992, the first lot of 1 million B-shares were issued in Shanghai (Wang Jingshi, 1993). B-shares are also called “*renminbi* special share”, and are priced in *renminbi* on the Shanghai Securities Exchange and Shenzhen Securities Exchange, but they are exclusively reserved for non-residents, ie, for foreign companies, investment funds and individuals to purchase with US dollars (Shanghai) and HK dollars (Shenzhen) through selected Chinese and foreign brokers. The principal of B-shares must be foreign exchange, and the company that issues B-shares should pay the share-holders dividend with foreign exchange converted from *renminbi* profit at the current market exchange rate.

In June 1993, the first group of nine Chinese companies began to issue H-shares,²⁷ which are denominated in HK dollars and listed on the Hong Kong Joint Securities Exchange and traded according to its rules. Both the capital raised and the dividend paid by the companies should be in HK dollars, when necessary in conversion from *renminbi*.

All the companies that issued B-shares or H-shares have issued A-shares, too. If the B-shares and H-shares form 25 percent or more of a company's principal, the company

²⁶ In principal, each category of A-shares could not be converted to other categories, ie, state and enterprise shares could not be sold to public individuals in exchanges and enterprise shares could only be transferred among enterprises through negotiations, so the percentage of each category should stay the same after years of transactions. But because some listed companies issued new shares to their original share holders at over face value but lower than market prices, the government and enterprise shareholders usually waived/relinquished their purchase right for they could not sell their shares freely on the market, therefore the percentage of individual shares in these companies is rising.

²⁷ The nine companies were Tsingtao Brewery, Shanghai Petrochemical, Beiren Printing, Guangzhou Shipyard, Maanshan Iron & Steel, Kunming Machine, Yizheng Chemical Fibre, Tianjin Bohai Chemical and Dongfang Electrical Co Ltd.

would be viewed and treated as a joint venture. The B-shares or H-shares are not convertible to A-shares. The A- and B-shares are therefore not substitutable. This produces a completely segmented stock market in China. According to a company's constitution, each share of different categories is supposed to have the same right and equal share of the profit and property of the company, but the separation of stock transactions in a segmented market causes the stock prices to vary considerably. As a result of the huge demand on the A-share market compared with its relatively limited supply, stimulated by some stories of making quick money through the great and rapid market fluctuations, the price of an A-share is generally much higher than that of a B-share or an H-share.

3.4.6 Unequal rights of A-share holders (state, enterprises, individuals) due to unequal purchase prices

One of the basic desirable features of stock is liquidation. But on China's A-share market, state shares cannot be sold to individual or enterprise shareholders, and enterprise shares cannot be sold to individual shareholders. In fact, only individual shares, which make up no more than one quarter of all shares issued so far, can be sold freely on the stock market. Some people argue that this puts the holders of state and enterprise shares into a disadvantaged position and it is unfair because they do not have the same rights as individual shareholders.²⁸ But, in view of the unequal purchasing prices of different shares, it is hard to say who are treated unfairly. Take the example of Tsingtao Brewery Company A-Shares. The state shareholder got the shares at their face value, ie, one yuan per share, in the conversion of existing state assets in the firm. The enterprise shareholders

²⁸ There were more papers reflecting such viewpoints when the market was hot, for instance in 1993 and 1996. See *Stock, Securities and Real Estate* yearly collection 1993, 1996.

bought their shares at 3.5 yuan per share. The individual shareholders are supposed to buy their shares at the fixed price of six times the stock face value, or 6 yuan per share,²⁹ but since the demand for this category of share was much greater than the supply, the individual investors had to buy purchasing right certificates and had to go through a draw by lot. The result was that only 0.6 percent³⁰ of the certificates were associated with an actual purchase, so the average purchase cost of individual shares was 13.13 yuan, twelve times higher than the state share. Given the fact that all the share holders had the same level of dividend, the individual share holders accepted an unreasonably high price on the understanding that only individual shares were tradeable on the market, so the limited supply would keep the stock price at a relatively high level. If the government let the state share and enterprise share into the market without reasonable compensation to the individual shareholders, it would not only be unfair to the latter but also disastrous to stock market development.

3.4.7 Gaps between A-share prices in Shanghai and Shenzhen

Mainly because Shanghai is geographically closer to and, traditionally, has closer economic ties with most other provinces than Shenzhen and the living and maintenance costs are lower, the Shanghai Securities Exchange has more members and more transaction broker agencies all over the country than the Shenzhen Securities Exchange. This has driven the A-share prices higher in Shanghai than in Shenzhen. For the same

²⁹ See the Public Notice for Share Issuance of Tsingtao Brewery Company, April, 1993.

³⁰ Tsingtao Brewery Company was the first one in China to sell unlimited purchasing right certificates for public issuance of its individual A-shares. And for the huge number of certificates sold, the lucky number percentage was extremely low. Later on, the percentage of people obtaining lucky share-purchase number in other companies was increased, but it was still below 3 percent. One lucky number could buy 500 shares or so.

performance, same profit level, same dividend, same industry and products and same P/E ratio, a company on the Shanghai market would see its stock price 20 percent higher than the stock of another similar company on the Shenzhen market.³¹ The price gap was narrowed and reversed in 1996 because the Shenzhen municipal government took measures to stimulate the Shenzhen stock market in early 1996.³² As a result, the stock prices in Shenzhen rose at twice the speed of those in Shanghai. It is another indication that the individual share-holders' behaviour on China's stock market so far is mainly based on speculation instead of investment.

4. Prospects

The Chinese government has reconfirmed the important role of share-holding companies and stock markets in the national economy. The State Council has formulated the four principles of China's stock market development: the legal system, supervision, self-binding, and standardisation.³³ To emphasise the legal system implies that the Chinese government will make and implement related laws to develop the stock market. To supervise its stock markets, two management bodies were established in October 1992: the State Council Securities Commission and the China Securities Supervision and Control Commission. The former controls the stock markets at the macro level and is their supervisory and executive body, and the latter is composed of professionals,

³¹ A share-holding company could only list its shares on either Shanghai or Shenzhen when it is approved to become a listed company by the China Securities Supervision and Control Commission. It could not list its shares on both exchanges.

³² Shenzhen municipal government has taken ten measures, including a tax cut, to spur its stock market since early April 1996. See *Shenzhen Evenings*, 1-5 April 1996 for reference.

³³ See efseculations special commentator, "Zhengque renshi dangqian gupiao shichang" (Get a correct understanding of current stock market), *Renmin Ribao (People's Daily)*, Dec. 16, 1996.

knowledgeable and experienced in the securities business and engaging in specific regulation-making and decision-making.³⁴ The main tasks of the government securities supervision departments in the future will be: making related laws and regulations; strengthening supervision and punishing illegal transactions and activities; normalising the stock markets; protecting the interests of domestic and foreign investors; and keeping the development of the stock markets stable and healthy. Self-binding means to encourage share-holding companies and securities exchanges to foster/safeguard the shareholder's interest and the healthy development of the stock market through the development of an internal discipline process. Standardisation is to follow the common practice of other mature stock markets.

4.1 Unification of different types of shares and a unified stock market

The non-liquidity of state/enterprise A-shares and the completely segmented markets for A-shares and B-shares make China's stock market a peculiar one. To standardise the market along common practice in most other markets in the world, it has to unify the different types of shares and set up a unified stock market sooner or later. But considering the big price gaps between individual and state/enterprise shares and between A-shares and B-shares, the process might be difficult and time-consuming. The problem should also be handled with great care. Without reasonable compensation to the individual A-share investors for the high price they had to pay, the circulation of state/enterprise shares on the markets, or the convertibility of B-shares to A-shares, would not only undermine the stock market development, but probably also cause serious social unease, for there have been

³⁴ These include government financial officials, business professors, etc. For example, Li Yining, a famous economics professor of Beijing University, is an active and key figure in the Commission.

more than 21 million individual investors on the markets.³⁵ Equalising the purchasing price of different category A-shares, will pave the way for a unified A-share market. One way to do so is to adjust and increase the percentage of individual shares and reduce the percentage of state/enterprise shares in the companies as per their contribution to the companies' principal; the other way is to raise the state/enterprise shares purchasing price to the same level as individual shares, ie, to demand more capital input into the companies, and keep the percentage of state/enterprise/individual shares unchanged. The former should be easier to do.³⁶ This adjustment should not change the original percentage of A-shares to B-shares, otherwise some compensation be needed for B-share holders if their percentage of company's total shares and assets is lowered.

4.2 Excluding banks from the stock market and allowing investment funds to play a more important role

In the absence of financial institutions, when stock transactions reappeared in China in the late 1980s, the government allowed banks to serve as brokers. These banks were permitted to appoint a particular department or set up a subsidiary securities company to handle business. They bought and sold stocks on the markets, not only for their clients but also for themselves for profit. Since the stock market is risky, their involvement in stock transactions put at risk their deposit customers. Therefore in 1994 the government required the banks to quit their direct involvement in the stock market. All subsidiary securities companies were required to be separated from the original banks and become independent

³⁵ By early December 1996, the total number of investor accounts in Shanghai and Shenzhen exchanges had reached 21 million. Of these, 8 million accounts were opened in 1996. See "Zhengque renshi dangqian gupiao shichang" *Renmin Ribao (People's Daily)*, Dec. 16, 1996.

³⁶ See Lan Yisheng, "On the circulation of state shares", *The Voice of Reform*, No. 8, 1994, pp.28.

legal persons. It was re-emphasized in late 1996 that all the banks are forbidden to grant loans for stock transaction otherwise the head of the bank would be discharged and excluded from the banking business.³⁷

Because most individual investors lack professional knowledge for portfolio management and quite a few suffered losses in the stock markets by simply following the big, institutional players, the government encourages professional mutual funds to play a more important role in the market in order to lead blind speculation into more reasonable investment. There are a number of mutual funds quite active in stock investments and about forty are listed on the market themselves.

4.3 Detailed rules to regulate companies' behaviour to protect share-holders' interests

Since late 1992, the government has promulgated the Company Law, the Provisional Regulations on Stock Issuance and Transaction, the Interim Measures for Forbidding Deceptive Activities in Securities Transactions, the Notice on Regulating the Actions of Listed Companies, and the Administrative Regulation on Securities Exchange³⁸ in order to regulate the actions of listed companies and financial institutions and to protect the interest of the investors. More laws and detailed regulations will be drawn up later for this purpose. In addition, self-governing organisations like the China Securities Business

³⁷ See “Zhengque renshi dangqian gupiao shichang” *Renmin Ribao (People's Daily)*, Dec. 16, 1996. In the stock speculation fever in the Spring of 1997, a few CEOs of illegally acting banks and securities companies did lose their positions as the result of the government enforcing laws and regulations to ease speculation.

³⁸ Ibid.

Association are encouraged to implement principles of fairness, justice, and openness in business and to supervise the member securities companies' actions and to protect their legal interest.

4.4 Introduce and encourage foreign investment funds into the market

It is recognised by the Chinese government that a lot of different funds are major players on the stock markets abroad. For example, there are more than 3000 financial institutions for fund management and operation in the U.S. controlling US\$ 1400 billion. There are over 800 investment funds in Hong Kong, handling hundreds of billions of HK dollars (Xu Chongzheng, 1996). Being intent on attracting foreign capital into China, the government could not ignore the possibility of introducing foreign investment funds into its A-share markets. There have been discussions and suggestions in this area.³⁹ When the markets have developed greater scale and are unlikely to be easily manipulated by big players, it will be considered more seriously. The first step might be some kind of “joint-ventures” and Sino-foreign mutual funds. The progress of the *renminbi* towards complete convertibility will pave the way for this process. China's foreign exchange reserves reached US\$ 105 billion by the end of 1996 and the *renminbi* became convertible under the current account in 1996, so most people are optimistic about the progress.

5. Foreign Investment

Since 1992, B-shares have been issued and transacted in both Shenzhen and Shanghai. By

March 1997, 87 companies had issued 8.99 billion B-shares and raised total capital of about US\$ 3 billion. In addition, 29 Chinese companies sell their stocks on other stock exchanges outside mainland China (of them, twenty-two are in Hong Kong, two in New York, four in both Hong Kong and New York and one in both Hong Kong and London), which raised capital of US\$ 5.9 billion. In total, the issuance of B-shares and the sale of stocks abroad have raised US\$ 8.9 billion foreign capital for Chinese enterprises.⁴⁰

5.1 Foreign Investors' Interests in the Listed Companies

As commonly understood, foreign capital involvement usually starts with loans, then extends to joint ventures and then to portfolio investment. Foreign investors have become more and more interested in the listed share-holding companies and their shares. On 9 August 1995, Beijing Station Wagon Co. Ltd. announced that Isuzu Co., a famous Japanese automobile manufacturer, had purchased 40.02 million of its non-circulative Enterprise Shares and become its leading share holder with 25 percent of the total shares, which means it was transformed into a joint venture. The news drove up the stock price from 4.60 yuan to 12.40 yuan within four days. Ten days later, Ford reached an agreement with Jiang-ling Co. Ltd, a joint venture automobile manufacturer in Jiangxi province with its stocks listed on the Shenzhen Securities Exchange, to buy 80 percent of its newly-issued B-shares and became its number two shareholder with 20 percent of the total shares of the company. Besides these direct involvements in the ownership and management of Chinese share-holding companies, foreign companies have also found an indirect way to enter. In March 1996, a French company took over two Hongkong

³⁹ See Guo Shibang, "On internationalisation of Chinese stock market", *Jingji Kexue (Economic Science)*, No. 3, 1992, pp. 64-67; Shen Pei, "On internationalization of Shanghai securities market", *Gaige (Reform)*,

companies that were the original shareholders of Fu-yao Screen Co. Ltd., a car window maker with its stocks listed on the Shanghai Securities Exchange, and therefore indirectly held 46.166 percent of the latter's total shares and became the leading shareholder.

Since the share-holding companies have had to pass a complicated assessment process to list their shares on the market, which means they have better credit worthiness, the foreign investors are also more interested in considering them as partners for joint ventures than other enterprises. So far more than two dozen such joint ventures have been established in China, and more are in consideration and negotiation.

5.2 The Low Price and Small Market of B-shares

Compared to the over-speculative A-share market, generally speaking, the B-share market has been quite inactive and stable. The reasons for this include the following: 1) the requirement of foreign status for B-share investors so that domestic investors could not enter B-share markets directly; 2) the non-convertibility of *renminbi* to other currencies so that even domestic investors who could find foreign relatives or agents who are willing to open accounts for them have difficulty in converting their capital to US dollars or HK dollars; 3) the non-convertibility of B-shares to A-shares and the strict separation between the A-share market and the B-share market, which means that foreign investors have little opportunity for controlling the listed companies because the majority of shares are A-shares and the state government in many cases is the leading shareholder, so some potential huge investors, multi-national corporations, lack interest in the B-share market;

No. 5, 1994, pp.85-89.

⁴⁰ *People's Daily* (Overseas edition), 12 May 1997.

4) a relatively limited number of broker agencies abroad make the B-share markets inaccessible to many foreigners; 5) the comparative lack of transparency of the management of listed companies means foreign investors have difficulty in evaluating the value of their shares. As a result the average price and P/E ratio of B-share is much lower than that of A-shares. In contrast with the rising A-share index, the B-share indices in Shanghai and Shenzhen have kept a flat or even downward trend. While the Shenzhen Securities Exchange A-share Index has doubled twice and the Shanghai Index has increased ten-fold from the original 100, the B-share Indices of both Shanghai and Shenzhen have been, at most times, below 100 or even below 70.⁴¹ The P/E ratios of most B-shares are around 10 and quite a few of them are below 10, which might be considered as a good investment value as per Western standards.

The B-share markets are much smaller than the A-share markets. As of 23 January 1997, there were 4.6 billion B-shares with a market capitalisation of 15.5 billion *renminbi* yuan on the Shanghai Stock Exchange, compared with its 63 billion A-shares valued at 546 billion yuan; and there were 4 billion B-shares with the market capitalisation of HK\$ 23.8 billion in Shenzhen, compared with its 40.8 billion A-shares valued at 438 billion yuan. The daily transaction volume of B-shares was only 2.3 percent of the total transaction (A-share plus B-share) in Shanghai (71 million yuan out of 3.1 billion yuan), and 1.54 percent in Shenzhen (106 million out of 6.9 billion yuan).⁴²

⁴¹ Since the Shenzhen municipal government took measures to stimulate the Shenzhen stock market early in 1996, the B-share market in Shenzhen has become quite active and the B-share index is rising. The B-share market in Shanghai is still inactive. As of 19 March 1997, the B-share index of Shenzhen has reached 169.65 while the B-share index of Shanghai is only 69.75.

⁴² Calculated from the quotation lists of Shanghai and Shenzhen Securities Exchange on *Zhongguo Zhengquan Bao* (China Securities Newspaper) of 24 January 1997.

6. Conclusion

China has achieved impressive progress with its share-holding system and stock market development within the last decade. Listed companies increased from a dozen to 570, and market capitalisation from less than 1 billion to more than 1300 billion yuan in 1991-1997. Given the overriding need to change the management mechanism of the deficit-making state-owned enterprises, the enormous capital and investment requirements and the high personal-saving pattern, the growth of share-holding companies and the development of the stock market will remain secure in the future, but at a more stable pace. This will create a possibility of utilising the stock market as the major channel for foreign investment entering China. Both the Chinese government and foreign investors will have an eye to the possibility and government policies, laws, and regulations in the future will gradually pave the way for this. But, as a non-mature market, the Chinese stock market is quite complicated with some special features such as market segmentation. Foreign investors who are interested in the market must be aware of its complexities, difficulties and risks. After several dramatic fluctuations, the Chinese government should be more cautious in any new measures towards stock market development. It should realise the need to regulate strictly the activities of the listed companies, securities companies and other participants on the market and the need to formalise the market before moving forward or opening to foreign investors. It will take some time for the state-, enterprise-, and individual-shares to merge and the A-, B-shares to merge. Foreign investors who are eager to enter the Chinese stock market at the present stage might find some of the B-shares to be of good investment value. Another way to access the performance of listed companies is to find qualified joint-venture partners among them and to use their credit-

worthiness, information resources and customer-ties to establish long-range, mutually-beneficial projects.

REFERENCES

CSSB: *Zhongguo Tongji Nianjian 1986-1997* (China Statistical Yearbook, 1986-1997).

Cheng Bomin, “Zhongguo gupiao shichang de gongnengxing quexian jiqi jieju banfa” (Functional shortcoming of Chinese stock market and solution to it), *Gaige (Reform)*, No. 4, 1994, pp12-20.

Guo Shibang, “Lun zhongguo gupiao shichang de guojihua” (On internationalisation of China’s stock market), *Jingji Kexue (Economic Science)*, No. 3, 1992, pp. 64-67.

Lan Yisheng, “Dui bufen shangshi gongsi gudong quanyi de fenxi” (An analysis on the varied interests of shareholders in some listed companies), *Shanxi Caijing Xueyuan Xuebao (Journal of Shanxi Institute of Finance and Economics)*, No.2, 1994, pp.7-10.

Lan Yisheng, “Guanyu guoyougu shangshi liutong wenti” (On the circulation of state shares), *Gaige Zhisheng (The Voice of Reform)*, No. 8, 1994, pp. 27-29.

Lan Yisheng and Li Xiumin, “Tonggu tongben shi guquan pingdeng de jichu” (Equal purchasing cost is the foundation of equal shareholder’s rights), *Caijin Maoyi (Finance and Trade)*, No. 2, 1994, pp.52-53.

Lees, Francis A and Liaw, K. Thomas, *Foreign Participation in China’s Banking and Securities Markets*, Quorum Books, 1996, pp. 64-69, 79-84.

Li Tongming, “Dangqian zhongguo gupiao shichang fazhan zhong de wenti yu duice” (Problems and countermeasures in the current developing stock market in China), *Jingji Kexue (Economic Science)*, No. 1, 1993, pp.23-25.

Liu Hongru, ed., *Zhongguo Zhengquan Shouce* (China Securities Handbook), Shanghai People’ Publishing House, 1992.

Peng Guangqi, “Gupiao touzi yu gupiao touji” (Stock investment and stock speculation), *Jingji Kexue (Economic Science)*, No. 4, 1992, pp. 22-25.

Shen Pei, “Lun Shanghai zhengquan shichang de guojihua” (On internationalization of Shanghai securities market), *Gaige (Reform)*, No. 5, 1994, pp.85-89.

Shi Donghui, “Shanghai gushi fengxian de shizheng yanjiu” (Positive studies on the risk of Shanghai stock market), *Jingji Yanjiu (Economic Research Journal)*, No.10, 1996, pp21-24.

Wang Dongmei, “Gufenzhi de gongneng jiqi juxianxing” (Functions of joint stock system and their limitations), *Jingji Kexue (Economic Science)*, No. 5, 1992, pp.16-17, 56.

Wang Jingshi, “Zhongguo zhengquan shichang de xianzhuang yu qianjing (The present condition and future prospects of securities market in China”, *Jingji Kexue (Economic Science)*, No. 3, 1993, pp.1-7.

Xie Shiming, “Yunyong falu shouduan baozheng gupiao shichang de jiankang fazhan” (Applying legal measures to guarantee the healthy development of stock market), *Jingji Kexue (Economic Science)*, No. 3, 1992, pp. 52-57.

Xu Chongzheng, “Lun fazhan zhongguo gushi de tujing he duice” (On the ways and strategies of developing China’s stock market), *Caimao Jingji (Finance and Trade Economics)*, No. 10, 1996.

Zhang Jianmin, “Lun shangshi gongsi de jingying jizhi” (On the operating mechanism of the listed companies), *Jingji Kexue (Economic Science)*, No. 5, 1993, pp. 67-72

Zhang Yun, “Zhongguo gupiao jiaoyisuo de guanli” (Management of stock exchange in China), *Jingji Kexue (Economic Science)*, No. 1, 1992, pp.23-28.

“Zhengque renshi dangqian gupiao shichang” (Get a correct understanding of current stock market), *Renmin Ribao (People’s Daily)*, Dec. 16, 1996.

Chinese Economies Research Centre Working Papers

90/1	China's Economic Growth, Changing Comparative Advantages and Agricultural Trade	Kym Anderson
90/2	Rural Industrialization in China: A General Equilibrium Analysis	Wu Yanrui
90/3	Urban Household Subsidies and Rural Out-Migration: The Case of China	Kym Anderson
91/1	The Classification of China's Industries by Factor Intensity and the Corresponding Trade Pattern of China	Zhang Xiaohe
91/2	Enterprise Response to Market Reforms: the Case of the Bicycle Industry (1979-1988)	Zhang Xunhai
91/3	China's Tea War	Keith Forster
91/4	The Urban-Rural Isolation and its impact on China's Production and Trade Pattern	Zhang Xiaohe
91/5	Scale, Factor Intensity and Efficiency: Applications to the Chinese Coal Industry	Wu Yanrui
91/6	Who Provided Industrialization Funds in China?	Sheng Yuming
91/7	The "Real" Chinese Gross Domestic Product (GDP) in the Pre-Reform Period 1952/1977	Harry X Wu
91/8	China's Urbanization and Rural-to-Urban Migration: Estimates and Analysis in a Perspective of Economic Development in Pre- and Post-Reform Periods	Harry X Wu
91/9	China's Labour Force Sectoral Transformation and Economic Growth in 1953-1989	Harry X Wu
91/10	Government Control of Grain Production in China	Li Qing-zeng
91/11	Efficiency Differential and its Potential Sources in Chinese Iron and Steel Industry	Wu Yanrui
91/12	Private Business and the State in China's Reforming Economy	Susan Young
91/13	Grain Production and Regional Economic Change in China	Li Qing-zeng Andrew Watson Christopher Findlay
91/14	The "Wool War" and the "Cotton Chaos": Fibre Marketing in China	Zhang Xiaohe Lu Weiguo Sun Keliang Christopher Findlay Andrew Watson

91/15	Oil Price Shocks and Policy Responses in the Post-Reform Chinese Economy	Peng Zhaoyang Will Martin
91/16	One State - Two Economies: Current Issues in China's Rural Industrialisation	Chen Chunlai Andrew Watson Christopher Findlay
92/1	Using a CGE Model to Analyse External Shocks in the Reformed Chinese Economy: A Background Paper	Peng Zhaoyang Will Martin
92/2	Productivity Changes and Regional Disparities in Chinese Agriculture since 1980	Hong Yang
92/3	Growth of Rural Enterprises, Urban-Rural Relations in China's Foreign Trade	Christopher Findlay Zhang Xiaohe Andrew Watson
92/4	Issues in Fiscal Contracting in China	Christopher Findlay, Andrew Watson
92/5	China's Rural Economic Performance during the Reform Decade: Estimates and Assessments	Harry X Wu
92/6	The "Industrialisation" of China's Rural Labour Force Since the Economic Reform	Harry X Wu
92/7	Productivity Performance of Chinese Rural Enterprises: A Comparative Study	Wu Yanrui
93/1	The Measurement of Efficiency: A Review of the Theory and Empirical Applications to China	Wu Yanrui
93/2	One Industry, Two Regimes: The Chinese Textile Sector Growth, Reforms and Efficiency	Wu Yanrui
93/3	Domestic Distortions, Production and International Trade in China: An Analytical Framework	Zhang Xiaohe
93/4	The Sequencing of Economic Reform	Richard Pomfret
93/5	A Method for Estimating China's Rural GDP	Harry X Wu
93/6	Modelling China's Rural Economy	Zhang Xiaohe
93/7	China's Experiment with a Quasi-Land Market: The Sale and Transfer of Land Use Rights	Jiang Bing
93/8	China's Dual Land Ownership System: Formation and Problems	Jiang Bing
93/9	The Impacts of Economic Reforms on Chinese Agricultural Performance	D T Nguyen Harry X Wu
94/1	The Role of Prices in China's Grain Production During the Post Reform Period	Hong Yang
94/2	Rural Reforms, the Weather, and Productivity Growth in China's Grain Sector	Bin Zhang Colin Carter
94/3	Market Reform and Agricultural Development	

	in China	Andrew Watson
94/4	China's Agricultural Reforms: Experiences and Achievements of the Agricultural Sector in the Market Reform Process	Andrew Watson
94/5	Productivity Growth, Technological Progress and Technical Efficiency Change in China: A Three-Sector Analysis	Wu Yanrui
94/6	Productivity and Source of Growth in the Reforming Chinese Economy	Harry X Wu Wu Yanrui
94/7	A Potential Inconsistency in "Dynamic" Socialism	Steven Lim
94/8	Rural Industry - Interactions with Agriculture and State Industry	Steven Lim
94/9	Direct Foreign Investment in China	Richard Pomfret
94/10	Rice Markets in China in the 1990s	Wu Yanrui
94/11	Modelling Inter-regional Strategic Interactions within a General Equilibrium Framework	Leong H Liew
94/12	Comparison of Chinese and International Grain Prices	Cheng Enjiang
94/13	Financial Issues and the Forces for Grain Marketing Reforms in China	Cheng Enjiang
94/14	Household Grain Consumption in China: Effects of Income, Price and Urbanisation	Yanrui Wu, Harry X Wu
94/15	Reforms of China's Foreign Exchange Regime: Behind Unification	Harry X Wu
94/16	Macroeconomic Management under Partial Reform: China's Economic Upswing in 1992-94	Cheng Yuk-shing
95/1	Market Reform and Integration in China in the early 1990s - The Case of Maize	Cheng Enjiang, Wu Yanrui
95/2	Growth and Productivity in China's Agriculture: A Review	Wu Yanrui, Yang Hong
95/3	Cointegration Analysis of Chinese Grain Performance 1961-1992	Steven Lim
95/4	Household Income Determination and Regional Income Differential in Rural China	Xin Meng, Harry X Wu
95/5	Fiscal Decentralisation, Regionalism and Uneven Development in China	Christopher Findlay, Harry X Wu, Andrew Watson
95/6	Relocation of Farm Household Labour and Its Direct and Indirect Impacts on Grain Production in China	Harry X Wu, Xin Meng

95/7	Trade Reforms and Integration of China's Domestic and International Grain Markets since the middle 1980s - the Case of Wheat and Maize	Cheng Enjiang, Christopher Findlay
95/8	Provision of Institutional Credit and Economic Transition in Rural China	Cheng Enjiang, L R Malcolm
96/1	Multiple Deprivation in Rural China	Wu Guobao, Sue Richardson, Peter Travers
96/2	Rural Poverty and Its Causes in China	Wu Guobao, Sue Richardson, Peter Travers
96/3	Recent Developments in Foreign Direct Investment in China	Chen Chunlai
96/4	Research on Rural-to-Urban Labour Migration in the Post-Reform China: A Survey	Harry X Wu and Li Zhou
96/5	Economic growth and trade dependency in China	Christopher Findlay and Andrew Watson
96/6	China's steel imports: an outline of recent trade barriers	Ian Dickson
96/7	Changing Patterns of Alcohol Consumption in Rural China: Implications for the grain sector	Yanrui Wu
96/8	Challenges to China's Energy Security	Chao Yang Peng
96/9	Sources of Productivity Disparities in Regional Grain Production in China	Yang Hong
96/10	Trends in China's Regional Grain Product and their Implications	Yang Hong
96/11	China's Maize Production and Supply from a Provincial Perspective	Yang Hong
96/12	China's Rural and Agricultural Reforms: Successes and Failures	D Gale Johnson
96/13	The Sino-Japan Steel Trade Negotiations Framework	Ian Dickson
97/1	Grain Sector Reform in China	Christopher Findlay
97/2	Internal Reform, Budget Issues and the Internationalisation of the Grain Market in China	Enjiang Cheng, Christopher Findlay and Andrew Watson
97/3	Risks and documentary credits in China's international metals trade	Ian Dickson
97/4	China's Grain Demand and Supply: Trade Implications	Harry X Wu and Christopher Findlay
97/5	The Internationalisation of China and its Implications for Australia	Bijit Bora and Chen Chunlai
97/6	Productivity of China's Rural Industry in the 1980s	Jin Hehui and Du Zhixiong
97/7	The Stock Market in China: Problems and Prospects for Domestic and Foreign Investment	Lan Yisheng