China drafts law to protect state assets

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Dec.24 - China's top legislature began deliberations of its first state-owned assets law. It is designed to protect state-owned assets from being illegally seized and to maintain the country's basic economic system.

The draft state-owned assets law was submitted to the Standing Committee of the National People's Congress (NPC) for first deliberation on Sunday.

Shi Guangsheng, vice chairman of the NPC Financial and Economic Committee, said reforms on the state-owned assets management system and operation of state-owned enterprises (SOE) had been effective. Problems, however, remained.

"The loss of state-owned assets is serious during the reforms. Some SOEs sell the state assets at low prices, distribute them to individuals for free, or seize them with other approaches that have triggered great concerns from the public," he said.

Shi said many lawmakers had proposed to draft the law on state-owned assets in recent years. It was necessary to make a specific law to protect state assets as long as the country's landmark Property Law, which provides equal protection to both state and private properties, took effect on Oct. 1.

The NPC Standing Committee listed the enacting of the state-owned assets law into this year's legislative plan. It conducted research, held seminars and sought public suggestions to work out the draft law, Shi said.

The draft, with nine chapters and 76 provisions, stipulated that the central government should set up a budget system for the operation of state-owned assets, revenue management and payout.

"The profit made by SOEs that should be contributed to the state assets, the income of state assets transfer, and income that belongs to the state-owned assets during the calculating and check of SOEs, should be written into the budget," it said.

The draft detailed procedures of SOE restructuring and stipulated the assets should be accurately calculated, audited and assessed before restructuring or ownership transfer.

"The state assets should be transferred at reasonable prices," it said.

The merger, restructuring and application for bankruptcy of the SOEs should consult the trade unions and solicit advice from employees through meetings or other approaches, according to the draft.

It banned the management of SOEs from embezzling state-owned assets.

People involved in wrongdoing would be punished according to the relevant laws and regulations if found seizing, withholding or embezzling state assets. They would also face punishment if found to have transferred state assets at unreasonable low prices, caused economic loss to the state assets by dereliction of duty or committed other misconduct.

China has been implementing reforms in its state enterprises over the past two decades, restructuring the enterprises with sole state ownership into joint-venture companies. It was also transferring SOEs into non-SOEs, in a bid to solve their low efficiency.

Foreign and domestic private capital had become the mainstay of the merger and acquisition (M&A) of SOEs. Chinese SOEs were attractive to foreign investors due to their good capacity, abundant human resources and market share, experts said.

SOEs had benefited a lot from the M&A process. From 1995 to 2002, the number of Chinese SOEs in the industrial sector was reduced from 77,600 to about 42,000 while total profit surged 163.6 percent to 221 billion yuan, SASAC figures showed.

China's Constitution stipulated public ownership should be the leading force of the socialist market economy, of which the private economy was a major component.

In August, China adopted its first anti-monopoly law. This required national security checks for foreign acquisitions of Chinese companies.

In November, it released a new guide for foreign investors that prohibited foreign investors from entering "strategic and sensitive" industries relating to the national economic security.

In December 2006, the State Council, China's cabinet, released a list of strategic sectors in which the state would retain control.

The list included military-related manufacturing, power production and grids, petroleum, gas and petrochemicals, telecom manufacturing, coal, civil aviation and shipping.

In the past, China had issued a series of laws and regulations on the supervision and management of state-owned assets and improved the SOEs' operational performance assessment system.

The SASAC, established in 2003 to supervise the state assets, had issued a series of regulations to manage the ownership transfer of SOEs and to improve their operational performance assessment system.

According to SASAC statistics, China had nearly 120,000 SOEs. These included enterprises or companies with sole state ownership and joint-venture companies with the state as the biggest shareholders. These possessed assets worth more than 9.7 trillion yuan (about 1.3 trillion U.S. dollars) in 2006.

The 31st session of the 10th NPC Standing Committee started on Sunday and runs until Saturday.

(Source: English Site of Brunei)

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