Contents

		Page		
Preface				
Glossary of Abbreviations				
t.	Introduction	ı		
11.	Exchange and Trade System Reforms	4		
	Trade System in 1992–93 Scope of Planning and Canalization Import Licensing and Controls Import Tariff System Export Controls and Tariffs Exchange System in 1992–93 Summary and Assessment of Reforms Through 1993 Current Reform Program Exchange System Trade Planning and Canalization Import Licensing and Controls Import Tariff System Legal Framework Box 1. Foreign Exchange Balancing Requirement for Foreign-Funded Enterprises	4 4 4 5 5 5 6 7 8 10 10 10 11		
111.	Monetary Policy and Financial Sector Reforms	12		
	Structure of the Banking System Framework and Instruments of Monetary Policy Credit Plan Instruments of Monetary Policy PBC Lending to Specialized Banks Reserve Requirements Interest Rates Money and Capital Markets Principal Weaknesses of the Existing System Reform Plans	12 12 13 13 14 14 15 15 16 18		
IV.	Fiscal System Reforms	21		
	Recent Trends in Public Finance Evolving Fiscal Policy Framework Tax System Enterprise Taxation Indirect Taxation Tax Administration Intergovernmental Fiscal Relations	21 23 24 24 26 26 27		

		Page
	Weaknesses of the Fiscal Policy Framework	29
	Reform Plans	32
	Tax Reforms	32
	Intergovernmental Fiscal Relations	33
	Budgetary Procedures and Government Administration	35
	Box 2. Revenue Shares of the Central and Local Governments	30
	Box 2. Revenue Shares of the Central and Local Governments	30
V.	Investment System Reform	36
	Trends in Fixed Asset Investment	36
	Investment System until 1993	37
	Investment Allocation Process	37
	Financing of Investment	38
	Weaknesses of the Investment System	39
	Reform Plans	40
VI.	State Enterprise Reform	41
	Significance of SOEs	41
	Enterprise Reforms Prior to 1993	42
	Reforms in 1993 and 1994	43
	Framework for Reforms	43
	Extension of the Shareholding System	44
	Conclusions	45
Bibli	iography	46
App I.	endices Summary of Structural Reforms	47
II.	Manage Asthetics and Balanch City of the Land Co.	
11.	Money, Activity, and Prices in China: An Analysis of Causality	54
111.	Import Demand in China	60
IV.	The Demand for Money in China	66
V.	Summary of New Tax System	78
Tabl	es	
Sect	ion	
I.	Selected Macroeconomic Indicators	2
ii.	2. Comparison of Tariff Systems of Selected Countries	2 7
III.	3. Structure of the Financial System, 1992	-
	4. Money and Credit: Summary Indicators	13
IV.	5. State Budgetary Operations	17
	6. Reconciliation of Chinese and Government Finance Statistics	22
	(GFS) Definitions of State Budgetary Operations	22
	(Or 5) Definitions of State budgetary Operations	23

			Page
	7.	Revenue and Expenditure Trends, 1983-93	24
		Structure of Tax Revenue	25
	9.	Budgetary Contribution of the State-Owned Enterprise	
		(SOE) Sector	27
	10.	Vertical Fiscal Balance of the Central and Local Governments	28 31
	11.	Revenue and Expenditure of the Central and Local Governments	37
V. VI.	12.	Total Fixed Asset Investment: By Sources of Financing Selected Indicators of State-Owned Enterprises' Financial	51
V 1.	15.	Performance	42
		Terrormanee	
	endic		56
II.		Summary Results of VAR1 Summary Results of VAR2	57
		Summary Results of VAR3	58
		Inflation: Forecast Error Variance Decomposition	58
III.		Unit Root Tests	62
	19.	Granger Causality Tests	63
		Estimated Error-Correction Model	64
IV.	21.	Long-Run Currency Demand	71
		Error-Correction Equations—Currency	71
		Long-Run Narrow Money Demand	72 73
		Error-Correction Equations—Narrow Money Long-Run Broad Money Demand	74
		Error-Correction Equations—Broad Money	74
		Unit Root Tests	76
Chai	rts		
Sect	ion		
1.	1.	Macroeconomic Cycles: Key Indicators	1
II.	2.	Exchange Rate Developments, 1988-July 1994	10
Ш.	3.	Factors Contributing to Changes in Reserve Money	18 18
		Monetary and Credit Aggregates	21
IV.	5. 6	Main Budgetary Trends Central Government Revenue and Expenditure Shares	30
		Reform of Indirect Taxes, 1994	33
V.		Fixed Investment and GNP	36
	9.	Fixed Investment by Ownership	36
VI.	10.	Share of Gross Industrial Output Value by Ownership	41
App	endic	es	5.
II.		Causal Mapping of VAR1	56 57
	12.	Causal Mapping of VAR2	57
	13.	Causal Mapping of VAR3	60
111.	14.	Commodity Composition of Imports Exports, Imports, and Foreign Exchange Reserves	61
	15. 16	Indices of Imports, Industrial Production, Foreign Exchange	~.
	10.	Reserves, and Relative Prices	63
IV.	17.	Monetary Aggregates	67
	18.	Money and Economic Activity	67
	19.	Velocity Developments	68
	20.	Monetary Growth and Inflation	68