

China Needs an Environment Where Private Businesses Can Thrive

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We cannot mistreat private enterprises, nor do we need to give preferential treatment to private enterprises. What China needs is to create a good environment for the development of private enterprises: a more thorough application of the rule of law and break administrative monopolies. Such an environment is what private enterprises really need, and only in such an environment can private enterprises grow, taking the Chinese economy upwards.

From the perspective of the economic system, history has shown that a planned economy is definitely a bad economic system, while a market economy has both good and bad points. Russia implemented shock therapy after the collapse of the Soviet Union, in its rapid economic reforms, leaving a large amount of wealth in the hands of a small number of oligarchs, and the lives of the general public in trouble. Russia has indeed established a market economy, but it lacks fairness and is burdened by inefficiency. It is a bad market economy and is not worth emulating, and of course, we do not see any mainstream economy in the world taking Russia's economic reforms as their guiding light.

In contrast to Russia, after 1978, China set off on a journey of economic reform that liberalized business from the start. This began in areas hardly touched by state-owned enterprises. The results were diametrically opposed to Russia's reformist landscape. Due to vibrant competition, assets were reasonably priced, making it hard to steal state-owned assets at low cost. Finally, private enterprises took up positions in the more competitive fields, improving economic efficiency. China's market economy has many of the hallmarks of a decent system.

Of course, it is not perfect. It is undeniable that a group of private enterprises have made breakthroughs by taking advantage of loopholes, sometimes even breaking law and order. And in doing so, has led to the general public attaching private enterprises as a whole. However, opposing private enterprises as a group chokes the economy. Private enterprises create value, rather than plunder wealth. Jack Ma became a rich man, but his company, Alibaba Group, has helped countless small business owners and consumers, enabling a wide variety of products to be bought and sold. In this process, merchants, consumers and Alibaba have all benefited, not just Jack Ma.

Jack Ma is a typical entrepreneur, with the kind of spirit China needs most. Our internet giants are now not only competing fiercely at home, but also abroad. In the first three weeks of March this year, Temu, a cross-border e-commerce platform that launched just seven months ago became the most downloaded app in US app stores according to market analysis agency Sensor Tower, as reported in Wall Street Journal. Image editor CapCut and short video app TikTok, both from ByteDance, are wildly successful internationally, while cross-border fast-fashion retailer Shein ranked fourth. The only non-Chinese app in the top five was Facebook.

In China, entrepreneurial spirit is everywhere, as long as there is a stable environment. Abuse of private enterprises as a group is unreasonable from any point of view. What private enterprises need is decent societal conditions, low inflation, a stable business environment, and most importantly, the rule of law. This offers a complete set of predictable rules that represent fairness and justice, whereby illegal practices are punished and legal operating practices protected. If we tighten and relax the rules for private enterprises on a whim, how can private enterprises dare to expand in such an environment?

Another issue apart from China's interpretation of the rule of law is its exercise of administrative monopoly, which tends not to give preferential treatment to private enterprises. According to Caixin, a local media outlet, on April 24, Tao Ran, a professor at the School of Humanities and Social Sciences of the Chinese University of Hong Kong (Shenzhen), said that monopolistic departments such as local governments, big banks, and big oil companies do not provide goods or services, but specifically high-priced, low-quality goods and services. They produce something, but they are mainly renters and redistributors, which are hardly sustainable sources of growth.

Tao Ran pointed out that if these monopolistic industries are opened to private capital, domestic production and living costs will be effectively reduced. Oil prices, house prices, and electricity prices will drop, and monopolistic profits will shrink, generating more domestic demand and more jobs, without too much dependence on international markets. If the Chinese economy is to move towards high-quality growth, this step is unavoidable.

We all know the importance of private enterprises to the Chinese economy, especially their pivotal role in employment. Furthermore, China practices a socialist market economy. Since it is a market economy, private enterprises must be the mainstay.