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# 貿易學碩士 學位論文

## A Study on the Chinese Policy on Small and Medium-Sized Enterprises since the Open and Reform Policy

중국 개혁개방이후 중소기업정책 연구

指導教授 俞日善

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韓國海洋大學校 大學院

國際貿易學科

林培生

本 論 文 을 林 培 生 의 貿 易 學 碩 士

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위원장 임재욱 (인)

위 원 김영환 (인)

위 원 유일선 (인)

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韓 國 海 洋 大 學 校 大 學 院

貿 易 學 科

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# 국문초록

중국은 1978 년 개혁개방정책 이후 빠른 경제성장으로 세계의 주목을 받았다. 중국의 국유기업과 대기업은 중국의 이런 경제성장의 근간이 되어왔다. 중국경제가 성장함에 따라 중소기업도 점차적으로 중요한 역할을 하기 시작했다. 개혁개방정책 이후 시간이 지남에 따라 중국의 중소기업은 중국경제성장의 주요 활력소가 되었다. 그러나 자체 한계와 외부의 제약조건 때문에 중소기업은 도전을 받았다.

중국의 중소기업이 중국경제의 중요한 부분이라는 인식하에 이 논문은 중국의 안정된 경제성장을 위해 중국정부의 중소기업정책이 어떻게 변화했는지는 살펴보는 것이 주목적이다. 이것을 위해 1978 년 이후 제정된 중소기업관련 약 150 건의 법률과 논문이 검토되었다. 이런 문헌연구를 바탕으로 권력교체가 중국 정부의 중소기업정책에 실질적인 영향을 미쳤다는 것을 확인하였다. 개혁개방 정책 이후 중국의 중소기업정책은 점점 더 세분화되었는데 권력교체와 관련이 깊다. 이에 따라 여기서는

이러한 권력교체를 바탕으로 시대구분을 하고 각 시대별 특징을 비교 검토하였다. 각 시기는 등샤오핑 시기, 장쩌민 시기, 후진타오 시기, 시진핑 시기이다.

먼저 등샤오핑 시기는 집권시기인 1978 부터 1991 년까지이다. 중소기업정책은 두 단계를 거쳤다. 첫번째 단계는 1978-1984 까지이며 중국의 개혁개방정책의 초기로 중국정부는 중소기업에 관심을 두지 못했다. 중국정부는 국유기업의 소유권문제에 집중하여 다양한 형태의 기업을 인정하고 자율적 경영을 유도하는데 초점을 맞추었다. 이 과정에서 다양한 중소기업들이 아래로부터 발생하였지만 정부의 정책적 혜택은 거의 받지 못했다. 두번째 단계는 1984 부터 1991 까지이다. 중국정부는 기업의 규모에 따라 기업을 분류하여 대규모 국유기업 지원에 정책을 집중하고 중소기업에는 소극적으로 자율경영권을 확대했을 뿐이다.

장쩌민 시기는 1992 부터 2002 년까지이다. 이 시기는 개혁개방정책이 탄력을 받아 중국경제성장이 도약을 이루었다. 이 과정에 중국정부는 중소기업이 중국경제성장의 중요한 역할을 수행한다는 사실을 인식하기 시작했고 이에 따라

중소기업지원정책을 확대하기 시작했다.

후진타오 시기는 2003 부터 2012 까지이다. 이 시기에 중국경제가 양적 성장은 이루었지만 질적 성장에는 못 미친다는 것이 인식되었다. 이 기간동안 질적인 성장을 위한 많은 정책들이 시행되었다. 이 과정에서 국제금융위기가 발생하여 중소기업은 대대적인 구조조정을 겪었다. 이때 중국의 정부는 금융과 조세를 기반으로 하는 광범위한 중소기업정책을 마련하고 적극적으로 시행하였다.

시진핑 시기는 2013 부터 현재에 이르고 있다. 중국경제는 이제 세계경제에서 G2 가 되었다. 중국정부는 중소기업이 중국경제성장의 중요한 바탕임을 인식하고 체계적이고 포괄적인 중소기업지원정책을 시행하고 있다. 이 시기 지원정책은 재정정책과 통화정책을 통한 거시적 지원정책뿐만 아니라 정책이자율과 조세 환급제도 등 다양한 미시적 지원정책 등, 포괄적이고 다양한 형태의 정책을 포함한다.

개혁개방 이후 중국정부의 중소기업정책은 권력교체기에 따라 상당히 세분화되면서 진화하고 있다. 이것은 중국정부가 경제성장과정에서 중소기업의 중요성을 인식하는 정도와 거의

일치한다. 이런 인식이 세계경제변화에 대응하면서

중소기업정책은 좀더 구체적이고 체계적으로 정립되고 있다.



## Abstract

Since China's reform and opening up, the economy has flourished and attracted worldwide attention. China's state-owned enterprises and large-scale enterprises have always been the backbone of China's economy. With the economic development, Chinese Small and Medium-sized Enterprises(SMEs) also play an increasingly important role in the development of China's economy. After many years of reform and opening up, China's SMEs have grown from scratch, from small to large, from weak to strong, and have developed into the most economically vibrant group in China. However, due to the limitations of itself and constraint from the outside world, the development of this important group has been challenged.

Based on the fact that SMEs should be recognized as an important part of the Chinese economy, this paper focuses on reviewing and analyzing how Chinese government policy has been evolved to support SMEs for the stable development of the Chinese economy. It examines about 150 texts of government policies related with SMEs, which have been promulgated since 1978 and other scholars' existing research results, collecting a total of about 150

policy texts on Chinese SMEs. Based on the review of these literatures, it is found that the power change has so far had a considerably significant effect on SME policy of Chinese government. Chinese government's SME policy has been gradually specified since the reform and opening up. The first stage was the period of Deng Xiaoping, the second stage was Jiang Zemin period, the third stage was Hu Jintao period, and the fourth stage was Xi Jinping period. This paper analyzed the main content of the government's SME policies at each stage and the impact of these policies on SMEs. Based on the above research results, it was found how Chinese government has recognized the significance of SMEs in the process of economic development and developed its support policy for SMEs to help them grow sustainably.

The main conclusions of this article are as follows:

Deng Xiaoping period was classified as the period from 1979 to 1991. During this period, China's policy on SMEs went through two phases. The first stage was from 1978 to 1984. At this stage, China was at the initial stage of reform and opening up. The Chinese government did not pay attention to the development of SMEs in terms of policies. Chinese enterprises were divided according to the types of ownership. These different types of enterprises enjoyed the different treatment in terms of status and policies. As Chinese SMEs have just sprouted, they formed at the bottom of Chinese companies and had not enjoyed any preferential treatments from the government

support policy. Instead, they were subject to policy discrimination and restrictions. The second stage was from 1984 to 1991. Starting from the Third Plenary Session of the Twelfth Central Committee, Chinese government began to divide the company according to the size and scale of the enterprise. The focus of the policy was on supporting the development of large state-owned enterprises and the SMEs were just permitted to run in the type of voluntary management.

Jiang Zemin period was classified as the period from 1992 to 2002. During this period, China's reform and opening up began to take a step and embarked on the fast track of economic development. Due to successful take-off of Chinese economy, Chinese SMEs had also made quantitative growth so rapidly within the framework of the overall national plan for reform and opening up. The Chinese government was also aware that SMEs had worked as dynamic engine of economic growth to play an important role in the Chinese economy and the government began to pay attention to the development strategies for SMEs in the policy, which contributed to increasing support for SMEs.

Hu Jintao period was classified as the period from 1992 to 2002. During this period, China had achieved a remarkable economic growth in a quantitative aspect but not in a qualitative aspect. This made China's SMEs undergo a severe transformation after the financial crisis in 2008. China's policy towards SMEs support had

also focused on the policy tools based on finance and taxation. SMEs have received key support from Chinese government policies.

Xi Jinping period was classified as the period from 1992 to the present. During this period, Chinese economy has grown as the second largest economy in the world so that it may play a role as rule maker in the world economy. China's policy support for SMEs has also been evolved in detail and in a sophisticated way. When it comes to support policy for SMEs in this period, macro-economic policy based on financial policy and fiscal policy has been combined with micro-economic policy based on separate and independent economic variables. So the policy has become more comprehensive and conducive to SMEs in multi-level.

Since 1978 the Reform and Open Policy, the change of policy for SMEs has depended on the power transfer and corresponded to evolution process of how the government recognized the importance of SMEs for sustainable economic growth. Such a recognition has encouraged it to establish the systematic and specific support policy for SMEs, responding to the changeable economic circumstances in the world economy.

**Key Words. The Reform and Open Policy, Chinese Economy, Small and Medium-sized Enterprises (SMEs), Support Policy for SMEs, Classification of Era.**

# 1. Introduction

## 1.1. Research background and significance

### 1.1.1. Research Background

SMEs are an important economic engine of China and an integral part of the Chinese economy. In China, it has the potential capability to promote the growth of the national economy, to increase employment, to enhance the ability for independent innovation, to open up new economic growth points, to promote the development of the country, and to enrich people's lives, providing vital goods and service and operating other important functions. Therefore, in China, the healthy and stable economic development of SMEs is crucial to the development of China's economy.

From the perspective of foreign trade, according to the economic data of the General Administration of Customs of China in 2018 and in 2017, the total amount of trade done by private enterprises in China accounted to 10.7 trillion yuan, which means 15.3% increase , accounting for 38.5% of China's total value of trade, compared to 0.4% increase in 2015. Separately, the amount of exports accounted to 7.13 trillion yuan,

which was increased by 12.3%, accounting for 46.5% of the total value of exports, continued to maintain the status of export share, the proportion increased by 0.6 %. The total amount of imports accounted to 3.57 trillion yuan, which was increased by 22%,<sup>1</sup> from the number of SMEs. At a first glance, according to the data from the China Development and Reform Commission, by the end of 2015, there were more than 20 million small and medium-sized business enterprises and more than 54 million individual industrial and commercial households registered in the country, <sup>2</sup> From the tax contribution point of view, the contribution of profits and taxes for SMEs has steadily increased. Taking the industry as an example, as of the end of 2015, there were 365,000 small and medium-sized industrial enterprises above designated size in China, accounting for 97.4% of the total number of industrial enterprises above designated size. The amount of tax accounted to 2.5 trillion yuan, accounting for 49.2% of the total tax amount of industrial enterprises above designated size. Trillion yuan, accounting for 64.5% of the total

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<sup>1</sup> General Administration of Customs Introduces the Import and Export of the Year 2017 (1)\_Press Release China Government Website  
[http://www.gov.cn/xinwen/2018-01/12/content\\_5255987.htm#1](http://www.gov.cn/xinwen/2018-01/12/content_5255987.htm#1)

<sup>2</sup> Notice of the Ministry of Industry and Information Technology on Printing and Distributing the Development Plan for SMEs (2016-2020)  
<http://www.miit.gov.cn/n1146285/n1146352/n3054355/n3057267/n3057273/c5390662/content.html>

profits of industrial enterprises above designated size. From the above data, it can be seen that Chinese SMEs have become an important part of the Chinese economy. Both in the total number of companies and in the size of the economy, they have far exceeded the size of large enterprises.

However, while Chinese SMEs make important contributions to the Chinese economy, until now, Chinese SMEs are still in a weak position in the context of China's socialist market economy. The situation is not optimistic. It should be recognized that although China produces a large number of small and medium-sized enterprises each year, many SMEs go bankrupt every year. The life span of Chinese SMEs which is getting shorter has been an important issue for the Chinese economy. Another issue is about the inevitable market adjustment, but more importantly, in the market economy today. The ability of Chinese SMEs to cope with challenges and crises is too weak. Taking the global economic and financial crisis in 2008 as an example, during the financial crisis, according to the research of the Chinese Academy of Social Sciences, 40% of SMEs closed down and 40% of SMEs managed to survive. Only 20% of the companies did not get damaged from the financial crisis.<sup>3</sup>

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<sup>3</sup> Xu Hua( 2010).

SMEs are an important driving force for China's economic development. This year marks the fortieth anniversary of China's reform and opening up. The development of Chinese SMEs witnesses China's reform and opening up. This article starts with the reform and opening up to study the SME policy in different government periods in China and tries to lay research on the Chinese government's policies to explore the impact of government policies on Chinese SMEs.

### **1.1.2. Purpose**

Under the background mentioned above, this paper aims to classify eras to clearly understand the role of government policy for SMEs and its process of evolution. Therefore, it tries to analyze how the policies had been implemented SMEs in different government periods in China. Through this staged study, we can clarify the impact of government policies on SMEs. This kind of periodization might be a base for a new research perspective for the study of China's SME policy. It will provide new ideas for more scholars to study the policies for Chinese SMEs. From a practical point of view in China, government policies play an important role in and have a significant effect on the development of the company. This paper, through the theoretical study of Chinese government policies since the

reform and opening up, clarified the evolution of the Chinese government's SME policy for SMEs. The process provides guidance for the development and decision-making of SMEs. On the other hand, the Chinese government has always been committed to improving the policy support system for Chinese SMEs. This paper can provide some valuable opinions and suggestions for improving the system.

## **1.2. Research theory and research methods**

### **1.2.1. Research theory**

This article mainly uses the transition theory in the research process.<sup>4</sup> In 1978, China has implemented a policy of reform and opening up. This year 2018 is the 40th anniversary of China's reform and opening up. This important reform process in China has always run through the transformation process of China from the planned economy to the socialist market economy. The most obvious feature of the Chinese economy for the last 40 years is the transformation into marketization, the transformation into modernization, and the transformation into globalization. Economic transformation becomes not only the

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<sup>4</sup> Li Yining(1996).

most significant economic and social characteristics of China for the past 40 years, but also establishes the overall environment for the development of Chinese SMEs and for making voluntary decisions and strategic choices in the business development process. This paper studies the Chinese government's SME policy during the transition period. The institutional theory of transition is an indispensable theoretical tool.

Chinese SMEs and managers face highly constrained transitional economic institutional environments. The scope of its strategic choice is limited. Under the background of the transition economy, the government controls a large number of scarce resources, intervenes in the operation and decision-making of enterprises through countless approval mechanisms, and to formulate the policies with strong uncertainties due to the transition period of China's economy. As the world's largest transitional economy, China has been undergoing large-scale institutional changes since the beginning of reform and opening up. Today, China's economic system still has both of market characteristics and non-market characteristics. The non-market characteristics are mainly reflected in the government's policy formulation, and SMEs are still the most influential and unpredictable factors in their operations and decision-making.

Specifically, there are three forms of institutional changes in the transitional economy: control of decentralization, privatization of property rights, and industrial policies.<sup>5</sup> Although the constraints of China's planned economic system have been greatly weakened since the beginning of reform and opening up, the government's influence factors cannot be ignored. The Chinese government artificially establishes barriers to entry for strategic industries and sets the threshold for entry into the industrial sector for some companies but not otherwise. Some companies artificially provide privilege to enter the industry and use this method to carry out market intervention. This makes it impossible for some SMEs to get involved in a certain industrial field. Therefore, this provides a good opportunity to explain the impact of government policies on corporate strategy through the institutional perspective.

During the transition period, general government actions and corporate actions often pose major challenges to existing economic theories and strategic management. When studying government policies and corporate behaviors, due to the different research perspectives of scholars, there are differences in the supporting theories and methods of processing, leading to the diversity of research findings on government behavior and

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<sup>5</sup> Park S H, Li S, Tse D K. (2006)

corporate behavior under the transitional environment. As a social proposition on a large number of academic studies, scholars around the world have formed a relatively concentrated branch of research. Based on the use of foreign research consensus, they have produced their own research results, for example, in the research path and research. The basic consensus of the methodology achieved a transformation from the “Washington consensus” to the “Beijing consensus”.

The so-called “Washington Consensus” refers to the implementation of the three measures of full liberalization of prices, full-scale privatization, elimination of fiscal deficits, and maintenance of macroeconomic stability. Through the “labor pains” of transformation, the economy can be effectively operated. Corresponding to this is China's gradual transformation since the reform and opening up. Two different transition paths have produced different realistic results. In May 2004, under the broad publicity and recognition of the international mainstream media and the international academic community, the "Beijing Consensus" came out. The main theory is that for countries in transition, not only must the system be solved, but also the development issues must be solved during the transition period. These two issues are of crucial importance. All countries should combine their own national conditions and take the path of

development that suits them.

## 1.2.2. Research methods

(1) Historical analysis. The 2018 is the 40th anniversary of China's reform and opening up. This paper has historically analyzed and combed the evolution of the Chinese government's SME policy, and has conducted a comprehensive review of the transition and development of the Chinese government's SME policy in terms of the background, reason and purpose of the promulgation of the policy. The areas covered by the promulgation policy are also to be demonstrated and analyzed. The historical analysis method is used to explore the characteristics and basic laws of the Chinese government's SME policy in different historical periods. Through a historical analysis of policies, we have tried to find out what kind of impact the policies in different periods have had on the operations and development decisions of SMEs. This method is represented by North<sup>6</sup> (1989, 1997), Weingast<sup>7</sup> (1989, 2007), Sachs<sup>8</sup> and

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<sup>6</sup> Douglass North - Wikipedia

[https://en.wikipedia.org/wiki/Douglass\\_North](https://en.wikipedia.org/wiki/Douglass_North)

<sup>7</sup> Barry R. Weingast - Wikipedia

[https://en.wikipedia.org/wiki/Barry\\_R.\\_Weingast](https://en.wikipedia.org/wiki/Barry_R._Weingast)

<sup>8</sup> Jeffrey Sachs - Wikipedia [https://en.wikipedia.org/wiki/Jeffrey\\_Sachs](https://en.wikipedia.org/wiki/Jeffrey_Sachs)

Woo<sup>9</sup> (1999).

(2) Document analysis. In the course of the study, we consulted a large number of Chinese and foreign literature related to the subject of this article, such as monographs, doctoral and master's thesis, professional journals, reports, etc., and summed up the existing main points and important conclusions, providing important theoretical basis and theoretical basis.

(3) Text analysis. Because the subject of this paper is the policy research of Chinese SMEs in China since the reform and opening up, this article in the process of writing has consulted a large number of Chinese government's public websites and Chinese legal libraries, and has collected and summarized relevant SMEs since the reform and opening up. The various types of laws, regulations and rules and regulations, through the various government policy texts to summarize the policy content in different periods. This is the main research method used in the second chapter.

(4) The chart method. In the writing of this article, through the use of various diagrams, the policy texts and corporate data collected are analyzed and assisted to make the whole article more clear and systematic in the demonstration process.

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<sup>9</sup> Wing Thye Woo\_中国智库网

<http://www.chinathinktanks.org.cn/expert/detail/id/1009>

### 1.3. Structure

This thesis will be simply divided into four major parts:

Chapter1 will introduce the background, purpose, research theory research methods and structure of the thesis. Chapter2 will analyze the background and main contents of the Chinese government's SME policy from 1978 to 2018. Chapter3 will introduce the influence of the Chinese policies for SMEs in different periods. The last chapter is the conclusion of the thesis.



## **2. The Evolution of Chinese Government's SME Policy since the Reform and Opening-up**

### **2.1. Chinese Government's SME Policies during Deng Xiaoping's Period**

In this section, the paper will analyze the Deng Xiaoping's policy on the SMEs of the Chinese government. Specifically, this article will analyze the background and main contents of the Chinese government's SME policy from 1978 to 1991.

#### **2.1.1. The Background of its SME Policy**

In the early days of the founding of New China, the Chinese economy was in a state of stagnation. Most of the domestic economies face enormous difficulties. At that time, large state-owned enterprises occupied the absolute dominant position of China's planned economy, and the development of SMEs was greatly hindered. In order to develop the national economy, the Chinese government has vigorously supported the development

of large-scale state-owned enterprises by utilizing old bureaucratic capital, and has not paid much attention to the development of Chinese SMEs. .

However, in the period of the first five-year plan, the Chinese economy was driven by the development of large-scale state-owned enterprises. The Chinese economy has recovered and developed in a certain degree, and economic production relations have also improved to some extent. At the same time, in the process of socialist transformation in China, some privately-owned SMEs that have been rationally reformed, have changed their nature from private ownership to state-owned or public-private partnerships after having passed public-private partnerships. However, they had been supported by government policies and the national economic environment. The stability had been more improved. This had also created a peaceful economic environment for the development of SMEs in China. However, under the turmoil of the Great Leap Forward Movement and the Cultural Revolution Movement, the Chinese economy was severely hit. The economy had experienced serious retreats in various fields. Many industries had also fallen into a mass stagnation. The Chinese government urgently needed to focus its work on politics. The struggle had shifted to economic construction.

Since the founding of New China, China had pursued a planned economic system and supported public-owned enterprises before the reform and opening up. In addition, at the initial stage of China's economic recovery, the economic development cannot be separated from the active guidance of the country. State-owned enterprises also needed to take the lead. After the Cultural Revolution, Deng Xiaoping re-started the work of the Chinese government. In the economic field, a large number of technical personnel had been persecuted before the reform policy. Shortages of talents and of production materials had brought significant obstacles to the development of enterprises. The Chinese government was aware of this economic environment. If China's economy were to be restored and developed, the country must concentrate all its resources and use limited resources, giving priority to key enterprises and making reasonable use of China's existing economic resources. Therefore, China's large state-owned enterprises were heavily supported by government policies. At this time, SMEs in China are under the influence of the Great Leap Forward Movement and the Cultural Revolution Movement. In addition, at that time, China's traffic systems were underdeveloped, information flow was sluggish, and the market size was very small. The limitations and deficiencies of SMEs themselves did not enable them to play

an important role in the early transition of China. So, in the early days of Deng Xiaoping, China continued to concentrate almost all of its policies on supporting state-owned enterprises and classifying enterprises according to ownership.

In 1978, with the support of leaders such as Deng Xiaoping, the Chinese government implemented major decisions on reform and opening up. The Chinese economy has entered a new stage of development and the domestic economy had been restored and developed. In the process of national economic development, China's state-owned enterprises cannot involve all areas of the Chinese economy, and there were some areas that were difficult to reach. Therefore, after the reform and opening up, China began to acknowledge the existence of the non-public economy. The government's attention to economic development has brought new opportunities for the survival and development of Chinese SMEs, so that they could meet the needs of people's lives and make them better off. In order to serve the community and enrich the diversity of the market, during the period of Deng Xiaoping, the Chinese government allowed Chinese non-public-owned SMEs to supplement the areas that the state-owned enterprises could not involve without grabbing resources. Therefore, although the development of Chinese SMEs was still subject to discrimination and unfair treatment as

a whole, at the very least, SMEs had the most basic rights for development. During this period, the Chinese government put forward the “Regulations on the Regulations for the Reform of Small and Medium-sized Enterprises in Cities and Towns.” Here, it explicitly put forward support for the legality of the existence of Chinese SMEs, and it was for the first time that they provided support for Chinese SMEs. This had greatly activated the vitality of the regional economy and provided policy support and impetus for the economic development of the combined urban and rural areas.

With the gradual implementation of reform and opening up, China’s economy had been recovered sustainably and China’s economic status has become increasingly important in the world economy. At this time, the Chinese government’s policy clearly stated that it was necessary to vigorously take off the economy to what extent people were made better off in the living standard. Under this circumstance, the development of China’s economy was mainly concentrated on the eastern coastal areas. A large number of private companies responded to the operation of the market economy and had emerged like mushrooms. The number of Chinese SMEs had rapidly risen due to a series of government policies.

During the Deng Xiaoping era, the Chinese government

began to implement the reform and opening up. The Chinese government approved the implementation of "special policies and flexible measures" in the foreign economic activities of Fujian and Guangdong provinces.<sup>10</sup> At the same time, it decided to establish special economic zones in Shenzhen, Zhuhai, Xiamen and Shantou. In addition, 14 ports cities had been opened along the eastern coast of China.<sup>11</sup> As a window for reform and opening up, these cities had taken the lead in enjoying the benefits of reform and opening up, and attracting foreign investment, technology and advanced management experience. They had quite a few of opportunities to learn advanced science and technology and outstanding management in the world. At the same time as experience, these regions had developed many new types of SMEs that were open to the outside world. They could advance with the times and accept the frontier foreign economic development direction. This had established the foundation for the development of China's earliest industrial SMEs. A rational and open policy coupled with a stable

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10 Special policies, flexible measures proposed - Data Center - People's Daily

<http://cpc.people.com.cn/GB/64162/82819/115225/115252/6866045.html>

11 Respectively, Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang, Beihai

investment environment had prompted the development of SMEs along the eastern coastal areas and SMEs had been in a leading position in China.

### **2.1.2. The Main Contents of its SME Policy**

During the period of Deng Xiaoping, the Chinese government's policy for SMEs could be positioned as the allowable phase of government policies. Before 1976, the Chinese government's attitude towards Chinese SMEs was basically to suppress supporting policies for SMEs. China's economic system is a single socialist public ownership economy. Chinese SMEs do not have any room for survival under the restraint of policies. In 1976, after smashing the Gang of Four, Deng Xiaoping came out to preside over the political situation in China. In 1978, there was a major turning point in China's economy. In the 11th National Conferences, Deng Xiaoping collectively announced to other countries the development direction of China's future: First, it was necessary to carry out economic restructuring. The second was to open to the outside world. This was a major ideological liberation and a turning point in economic policy since the Chinese Communist Party took power. In the period of Deng Xiaoping, an important achievement of the Chinese government was the establishment of the theory of the primary stage of socialism. Under the framework of Deng Xiaoping, China's policy for reform and opening up had a magnificent blueprint. The Chinese government had introduced a series of major economic policies

and there had also been positive changes in policies involving Chinese SMEs.

From 1978 to 1991, according to a comprehensive display of data from the Chinese Legal Library and the National Bureau of Statistics, there were about 8 policy documents concerning Chinese SMEs, as shown in the following <table 2-1>.:

<Table 2-1> The SME's policy published by the Chinese government from 1978 to 1991

year	announced policy
July 1979	"The People's Republic of China Sino-foreign Joint Venture Law"
July 1979	"Provisions of the State Council on Several Issues Concerning the Development of Fleet Enterprises (Trial Version)"
October 1981	"Several Decisions on Widening Employment, Enabling Economy, and Solving Employment Problems in Cities and Towns"
June 1988	The Provisional Regulations of the People's Republic of China on Private Enterprises
February 1989	"Interim Measures for Sale of State-owned Small Enterprise Property Rights"
February 1989	"Interim Measures on the Sale of Property Rights of State-owned Small Enterprises by the National Economic Reform Commission, the Ministry of Finance, and the State-owned Assets Administration of the State"
August 1989	"Interim Provisions on the Financial Treatment of Sale of State-owned Small-scale Property Rights"
January 1990	"Several Regulations on the Further Healthy Development of Individual and Private Economy"

Data: Law Library of China; National Bureau of Statistics of China

In the early period of reform and opening up, the Chinese

government promulgated quite a few policies which were about the legitimacy of SMEs in the non-public economy. It was only in 1989 that the Chinese government introduced measures to promote the development of SMEs in China.

In February 1979, the China Administration for Industry and Commerce held a meeting of directors and put forward a report to the CPC Central Committee and the State Council: "Regardless of the needs of the local market, local governments can approve the idleness of some official accounts after obtaining the agreement of the competent business department. The labor force is engaged in repairs, services and artisanal individual labor, but it is not allowed to hire employees." This decision could be seen as a sign of the loosening of the country's economic policies for private sector and it also laid a foundation for the reopening of the private sector in the future. On July 3, 1979, the "Provisions of the State Council on Several Issues Concerning the Development of Corporations in the Society (Trial Version)" was promulgated and conditions for the collective economy were loosened.

On October 17, 1981, the Central Committee of the Chinese Communist Party and the State Council issued "Several Decisions on Widening Employment, Enabling Economy, and Solving Employment Problems in Cities and Towns." It was

proposed that under the premise of a prevailing social public economy, multiple economic forms and multiple methods for long-term coexistence of business was allowed following a strategic decision of our party and should be by no means an expedient measure. The resolution also mentioned that “individual industrial and commercial households should allow the operators to hire two helpers within the company and the operator with special skills can bring apprenticeships within five. “The Chinese government began to allow SMEs to hire labor in the manufacturing process. Although this decision did not involve the wording of “private companies,” it did allow people to see the dawn of the private sector being recognized by the Chinese government.

Of course, the development of SMEs during this period was not easy. The process by which our individual businesses gradually evolved into private companies was full of controversy. It had been very bumpy along the way. From the May 1981 “People’s Daily” discussion on Chen Zhixiong’s employment of contracting fish ponds triggered the controversy over the issue of “fool seeds and melons” in September of the same year. Private small businesses that just threatened their teeth continued to be questioned. At the beginning of 1983, the Communist Party of China issued a "Some Issues Concerning Current Rural

Economic Policy" document, which made the "three noes" decisions that "not advocating, not publicizing, or urging to ban" the super-prescription of the National Palace Museum. The policy had given a low-key response to the disputes caused by small private companies. In some respects, the CCP's practice was also a protection for private small businesses.

In October 1987, the 13th National Congress of the Communist Party of China clearly stated: "At present, other economic components other than ownership by the whole nation were not too much developed but still insufficient. We must continue to encourage urban and rural cooperative economies, individual economies and the private economy. They should be developed." This was the first time in the policy report that the CPC Central Committee had mentioned the private economy since 1978 and fully affirmed it. It meant that since 1987, China's private SMEs had finally started to engage in corporate activities. In June 1988, the State Council promulgated the Provisional Regulations of the People's Republic of China on Private Enterprises, which affirmed the legitimacy of the existence of private SMEs. In 1989, the Chinese government issued three successive documents concerning the sale of state-owned assets or small state-owned enterprises. During this period, a considerable number of Chinese SMEs were privately owned

through sales and transfer. In January 1990, the State Council promulgated the "Regulations on the Further Healthy Development of Individual and Private Economy", which stipulated the scope of access for Chinese SMEs. With the introduction of these policies, a large number of SMEs with private ownership had begun to emerge gradually, forming the pattern of coexistence of multi-component SMEs.

During this period, it could be seen from the various policies that had been successively introduced that the attitude of the Chinese government towards SMEs had undergone a fundamental transformation from "policy restraint" into "policy permitting" and from "single component" into "a variety of ingredients." But as long as this change was still reflected in the concept level, the change in the level of action was not obvious. That is to say, although the state allowed the existence of multi-component SMEs, it did not have strong supportive policy actions. In the specific implementation of government policies, the government had revealed a clear policy bias toward large-scale enterprises in the face of the development of large-scale enterprises and SMEs. For example, in the "Provisions of the State Council on Several Issues Concerning the Development of Fleet Enterprises (Trial Version)" promulgated on July 3, 1979, it was clearly stated that "the social

enterprise can only operate in short-term products that cannot be operated by state-owned enterprises in rural areas far from cities as well as engaged in the processing of agricultural products and trades and on the premise of not contending with state-owned enterprises for raw materials, they had played a role in supplementing state-owned enterprises with processing and supporting facilities.” Another example is the “Provisions on the Further Healthy Development of Individual and Private Economy” promulgated in 1990. The "Regulations" stipulated that "the state shall not allow individual industrial and commercial households and private enterprises to engage in important industries such as finance, foreign trade, light industry, real estate development, railway transportation, and ocean shipping." These policies showed that the Chinese government still held a conservative attitude towards the development of multi-component SMEs and the inertia of public ownership was the main reason. The path dependence played an invisible role in restricting the development of SMEs.

In general, during the period of Deng Xiaoping, China's reform and opening up was in its infancy. During this period, due to the influence of the domestic long-term public-owned economy as a single economic system, China's reform and opening up did not begin to make great strides. The Chinese

government's policy on SMEs was: "There are policies, but there is not enough strength; only recognition, not support". It only stayed in the concept stage and did not implement the policy.

## **2.2. Chinese Government's SME Policies during Jiang Zemin's Period**

In this section, this article will analyze the Chinese government's SME policy during the period of Jiang Zemin. Specifically, it will describe the background and main content of the Chinese government's SME policy from 1992 to 2002.

### **2.2.1. The Background of its SME Policy**

Under the auspices of Deng Xiaoping, the chief architect of China's reform and opening up, in 1992, the 14th Congress of the Communist Party of China was held in Beijing. For the first time, the Communist Party of China proposed a target model for building a socialist market economic system. During Jiang Zemin's period, China's reform and opening up entered a period of rapid development. During this period, the Chinese government had made tremendous policy changes in the construction of a modern enterprise system, fiscal and taxation system reforms, comprehensive foreign trade reforms, medical

services, housing market reforms, and foreign exchange reforms. In particular, at the 15th Congress of the Communist Party of China in 1997, for the first time it was announced that the non-public ownership economy was an important part of the socialist market economy. In 1999, the Chinese government amended the Constitution and clarified that this important policy was incorporated into the Constitution which protected it. During this period, the highest rate of GDP growth was as high as 14.3%, and the lowest also maintained a growth rate of 7.6%.<sup>12</sup> The "Private Partnership Law of the People's Republic of China" promulgated in 1997 had made many SMEs focus on the domestic economy. The government's efforts to stimulate domestic demand had made most Chinese SMEs less vulnerable to the Asian financial crisis in 1998. In 2001, China officially became a member of the World Trade Organization. China's opening up to the outside world had entered a new period. The development of Chinese SMEs also ushered in new opportunities.

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<sup>12</sup> According to statistics from the National Bureau of Statistics of China from 1992-2002

### **2.2.2. The Main Contents of its SME Policy**

As far as Deng Xiaoping was concerned, the Chinese government's policy toward Chinese SMEs could be defined as the allowable phase of government policies. Since 1992, during the period of Jiang Zemin, the Chinese government's policy on SMEs could be positioned as an encouragement phase of government policies. During the period of Deng Xiaoping, he affirmed the legitimacy of the existence of SMEs from the government's policy. In the era of Jiang Ze's democratic government, he loosened the comprehensive development of SMEs from the government policy. During this period, the government policies on SMEs issued by the Chinese government had also increased significantly, reaching totally 31.

In 1992, in his speech to the south, Deng Xiaoping proposed an important "three benefits" standard in response to some deficiencies in the reform and opening up: "The criteria for judgment should mainly be to see whether it is conducive to the development of productive forces in a socialist society. Strengthening the overall national strength of the socialist countries is conducive to raising the people's living standards." Although Deng Xiaoping was not a national leader at this time, his important assertion provided a solid theoretical foundation for the reform and deepening of ownership in China. A series of

ideological obstacles had been removed in ownership reforms. The Chinese government's SME policy had also begun to expand rapidly.

On October 12, 1992, at the 14th National Congress of the Communist Party of China, Jiang Zemin made a report on "Accelerating the Open-up, Modernization, and Greater Efforts to Win the Cause of Socialism with Chinese Characteristics," and proposed that "in the ownership structure, public ownership, including ownership by the whole people, should be adopted." With the theme of collective ownership economy, individual economy, private economy and foreign capital economy as supplements, various economic components had been developed together for a long time and different economic cities could also voluntarily implement various forms of joint operations. State-owned enterprises, collective enterprises and other enterprises had entered the market and played a leading role in the state-owned enterprises through equal competition." Through this report, we strongly feel that other non-public ownership enterprises can enter the market as publicly-owned enterprises. At the same time, this indicates that in the first phase, the government's policy in the field of access Discrimination in SMEs will change. On the other hand, non-public ownership companies could compete equally with publicly-owned

enterprises on the same market platform. This was a significant increase in the political status of non-public ownership companies at the policy level.

In 1995, the Fourth Plenary Session of the 14th CPC Central Committee put forward the policy of “doing big and letting go”, and implemented a strategic reorganization of state-owned enterprises, through joint, merger, joint stock cooperatives, leasing, contracted operations and sales and completed the reform of small state-owned enterprises. This was the first time that the Chinese government had viewed SMEs as an economic factor in the whole and the development framework of SMEs was being formed. However, the policy of “focusing on small and large enterprises” had been an important policy of the Chinese government for SMEs for a long period of time. In the 15th National Congress of the Communist Party of China in 1997, it explicitly put forward the legitimacy of other forms of ownership. After the approval of the Chinese government, the social support service system for SMEs had gradually improved, further establishing the status of SMEs in the national economic system. In 1998, the State Economic and Trade Commission issued the Guiding Opinions on Establishing a Pilot Project for Credit Guarantee Systems for SMEs. During the period of Jiang Zemin, the Chinese government began to support the

development of SMEs for the first time in different policy areas. This was the first time that the Chinese government had paid attention to SME financing guarantee issues. The second session of the Ninth National People's Congress in 1999 amended the Chinese Constitution and clarified the political status of SMEs, providing legal guarantees for SMEs to promote the development of SMEs. In May 1999, the State Council approved the establishment of technological innovation funds to enhance science and technology for SMEs. The government gradually set out to establish an investment mechanism that supports SMEs' technological innovation. In July 2000, the State Economic and Trade Commission issued a "Several Policy Opinions on Encouraging and Promoting the Development of SMEs" and increased support for SMEs with high and new technology. In 2002, the Ministry of Science and Technology issued the "Opinions on Vigorously Developing Sci-tech Intermediary Organizations," and constructed a comprehensive social service for SMEs' technological innovation.

In the period of Jiang Ze's democratic government, the Chinese government's SME policy had undergone tremendous changes, compared to Deng Xiaoping's period. Starting from the initial policy permitting to the encouragement and support policy for SMEs, support policies for Chinese SMEs in different fields

had made Chinese SMEs grow rapidly.

## **2.3. The Chinese Government's SME Policy during Hu Jintao's Period**

In this section, the paper will analyze the Chinese government's SME policy during the Hu Jintao period according to the time sequence. Specifically, this article will describe the background and main content of the Chinese government's SME policy from 2003 to 2012.

### **2.3.1. The Background of its SME Policy**

In 2003, when President Hu Jintao was elected chairman of the People's Republic of China and left office in 2012, the Chinese economy had undergone earth-shaking changes. China continued to implement the important policy of reform and opening up steadily. According to the data from the National Bureau of Statistics of China, China's GDP grew at an average annual rate of 10.7% from 2003 to 2011, of which six years had achieved a growth rate of more than 10%. In 2009, which was hit hardest by the international financial crisis, it still achieved 9.2% growth rate.<sup>13</sup> The average annual growth rate during this

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<sup>13</sup> Based on statistics from the National Bureau of Statistics of China from

period was not only far higher than the average annual growth rate of 3.9% in the world economy during the same period, but also higher than the average annual growth rate of 9.9% since the reform and opening up. In this decade of Hu Jintao's administration, it should be said that it was the period with the fastest growth and the best economic benefits since the founding of New China. Moreover, the annual economic fluctuations were the smallest, achieving a stable development stage with high growth, low inflation, and high efficiency. It can be said that the development of Chinese SMEs had entered a golden period to some extent.

However, it cannot be overlooked that in the process of rapid economic development in China, some contradictions in the Chinese economy had become more and more obvious. In the course of economic development, the challenges encountered had also been arduous. In the previous stage, the level of economic development in China was relatively low and the development of Chinese SMEs relied mainly on low-cost, mature technologies and other advantages. China's development had a low demand for the economic system. It required only basic political and social stability to start the process of

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2003 to 2011.

industrialization and achieve a middle-income level. However, when the economy reached the middle-income level, many of the previous comparative advantages derived from low-cost advantage will be weakened. In the period of Hu Jintao, China was in the stage of getting out of the “middle income trap”. Especially in the period of the international financial crisis in 2009, most of SMEs in China were severely damaged. Under the influence of the financial crisis, many SMEs had become more and more obvious in their own weaknesses and shortcomings accumulated during the rapid development of Chinese SMEs. The development is mainly characterized by the low-tech level and outreach expansion and the production technology and equipment levels were lagging behind. The technological innovation of SMEs was seriously inadequate. Affected by the international financial crisis, the shortcomings of insufficient funds were immediately apparent. In addition, most of the SMEs in China were mainly engaged in the export processing industry and relied on the outside world obviously. In this economic crisis, it was severely hit. According to research data from the Chinese Academy of Social Sciences, 40% of SMEs had closed down during the financial crisis and 40% of SMEs stood in the frontier of survival and bankruptcy. Only 20% did overcome the financial crisis. The development of Chinese SMEs had been severely

tested.<sup>14</sup>

### The Main Contents of its SME Policy

During Hu Jintao's period, the Chinese government's SME policies can be defined as the stage of rapid development of government policies. From 2003 to 2012, according to the statistical policy texts of the Chinese Legal Library and the National Bureau of Statistics of China, during the Hu Jintao period, the Chinese government issued a total of 91 policy texts to support SMEs. The successive debut of these policies had greatly promoted the development of SMEs.

On January 1, 2003, the "Promotion Law of the People's Republic of China on SMEs" was formally implemented. This was China's first special legislation on SMEs. This law addressed the difficulties and problems of the development of SMEs and provided regulations in terms of financial support, entrepreneurial support, technological innovation, market development and social services so that China's SMEs might compete at a fair competition environment. On February 19, 2003, the State Economic and Trade Commission and other four departments jointly issued the Interim Provisions for SMEs, which standardized the criteria of SMEs in related industries and ensured the implementation of the SME Promotion Law.

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<sup>14</sup> Chen Naixing (2009)

In February 2005, the State Council issued the “Several Opinions of the State Council on Encouraging the Support and Guidance of the Development of Private-Owned and Non-Public-Owned Economy”, among which three changes in policies are very important for the development of SMEs in China: (1) Relaxation of Non-Public Ownership Economy Market access allows non-state-owned capital to enter important areas such as monopoly industries, financial services, and national defense science and technology; (2) increase financial and taxation financial support for non-public economy, expand the scale of SME special funds, and guide financial institutions to improve The proportion of loans, actively promote the establishment of the GEM; (3) put forward to improve the social services of non-public economy, in social mediation, entrepreneurship, technological innovation, corporate training, market development and other aspects with the SMEs to support and promote. This is the first time that China has loosened its policy on Chinese SMEs with such great efforts.

In March 2005, the Ministry of Science and Technology and the Ministry of Finance issued the Interim Measures for the Management of Technological Innovation Funds for SMEs, which opened up new funding channels for technological innovation. In April 2005, the State-owned Assets Supervision

and Administration Commission issued the Interim Provisions on the Transfer of State-owned Equity Ownership of SMEs to Management, which prompted a large number of state-owned SMEs to reform their systems and transform them into private enterprises through legal channels.

In 2008, the global financial crisis that emanated from the United States and quickly spread to the world had a serious effect on China, a large foreign trade country. After China's reform and opening up, Chinese economy had undergone the most severe test. According to data from the General Administration of Customs of China, since the third quarter of 2008, China's economic growth rate had accelerated. As of October 2008, although China's export and import growth rate had slowed down, it was still growing. In November and December, the national import and export value began to show negative growth. In November, the national total value of imports and exports fell by 9% year-on-year, of which exports fell by 2.2% and imports fell by 17.9%. In December, the national total value of imports and exports decreased by 11.1% year-on-year, of which exports fell 2.8% and imports fell 21.3%.<sup>15</sup> Because most of the SMEs in

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<sup>15</sup> Chinese General Administration of Customs December 2008 Total Value of Imports and Exports Trading Methods (Month)  
<http://www.customs.gov.cn/customs/302249/302274/302275/303211/index.html>

China were mainly export-oriented, they had suffered tremendous damage. Many SMEs had to face the optional situation of survival or bankruptcy. In response to this crisis, the Chinese government launched in November 2008 ten basic measures to further expand domestic demand and promote stable and rapid economic growth in most sectors of the Chinese economy. Initial calculations and the implementation of these ten measures would require an investment of 4 trillion yuan by the end of 2010. Therefore, these ten measures were also called the "four trillion plan."<sup>16</sup> These ten basic measures mainly included the following aspects:

The first one was to accelerate the construction of affordable housing projects, which was supposed to increase support for the construction of low-rent housing, accelerate the renovation of squatter settlements, implement projects for the settlement of nomadic herdsmen and expand the pilot projects for reconstruction of dilapidated houses in rural areas.

The second one was to accelerate the construction project for rural infrastructure, which was supposed to increase rural biogas and drinking water safety projects and rural highway construction, improve rural power grids, accelerate the

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<sup>16</sup>Four trillion investment plans - Wikipedia, the free encyclopedia  
<https://en.wikipedia.org/wiki/>

construction of major water conservancy projects such as the South-to-North Water Transfer Project and the reinforcement of dangerous reservoirs and strengthen the water-saving transformation of large-scale irrigation areas.

The third ones was to accelerate the construction project for major infrastructure such as railways, highways and airports which focused on the construction of a number of passenger dedicated lines, coal transportation corridor projects, and western trunk railways, improve the expressway network, and arrange the construction of central and western mainline airports and branch line airports, and accelerate the transformation of urban power grids.

The fourth one was to accelerate the development project for medical and health education and cultural education which was supposed to strengthen the establishment of grassroots medical and health service systems, speed up the transformation of middle and western rural junior high schools, and promote the construction of special education schools and integrated township cultural stations in the central and western regions.

The fifth one is to strengthen the ecological environment. This project aimed to accelerate the construction of urban sewage and garbage treatment facilities and the prevention and control of water pollution in key river basins, and strengthen the

construction of key protection forest and natural forest resources protection projects, and support the construction of key energy conservation and emission reduction projects.

The Sixth one is to speed up independent innovation and structural adjustment. To realize this project, the government should support the construction of high-tech industrialization complex for industrial technological progress and support the development of the service industry.

The Seventh one was to accelerate the post-disaster reconstruction of the Wenchuan Earthquake.

The eighth one was to increase the income of urban and rural residents. This project aimed to raise the minimum purchase price for grain next year, raise the criteria for comprehensive direct subsidies for agricultural resources such as subsidies for improved seeds, subsidies for agricultural machinery and other measures to increase farmers' income. Raising the level of treatment of social security objects such as low-income groups, increasing subsidy for urban and rural subsistence allowances, and continuously raising the basic pension level of enterprises' retirees and the subsidy standards for living allowances for special care recipients were also included.

The Ninth one was to fully implement the VAT transition reform in all regions and all industries in the country which

would encourage technological transformation of enterprises and reduce the burden on enterprises by 120 billion yuan.

The tenth one was to increase financial support for economic growth by canceling the restrictions on the scale of credit of commercial banks, reasonably expanding the scale of credit, increasing the credit support for key projects, “agriculture, rural areas and farmers”, SMEs and technological transformation and merger and reorganization, and cultivating and consolidating the growth point of consumer credit in a targeted way.

The ten measures not only included industries that were involved in large-scale state-owned enterprises, but also support measures for SMEs, which had greatly stabilized their development. SMEs had also turned to the domestic consumer market to seek new ones. The development had resisted the strong impact of the global financial crisis.

In December 2008, the China Banking Regulatory Commission issued the “China Banking Regulatory Commission’s Guiding Opinions on Banks Establishing Specialized Institutions for Small and Medium-sized Enterprise Financial Services” to provide financial services institutions with more financial support for small businesses. In April 2009, the Ministry of Industry and Information Technology and the State Administration of Taxation jointly issued the “Notice on Issues

Concerning the Exemption of Business Tax on SME Credit Guarantee Institutions” to guide SME credit guarantee agencies to provide loan guarantee and financing services for SMEs and help them SMEs respond to the international financial crisis and get rid of business difficulties.

During the period of President Hu Jintao’s administration, it can be seen that this was the speeding-up phase of the Chinese government’s SME policies. Correspondingly, this was also the stage in which SMEs in China developed rapidly, not only in quantity but also in different industrial fields. Chinese SMEs had all developed rapidly. During this period, China introduced a number of development policies for SMEs, both in the areas they were involved in and in their support efforts, which were incomparable in the past.

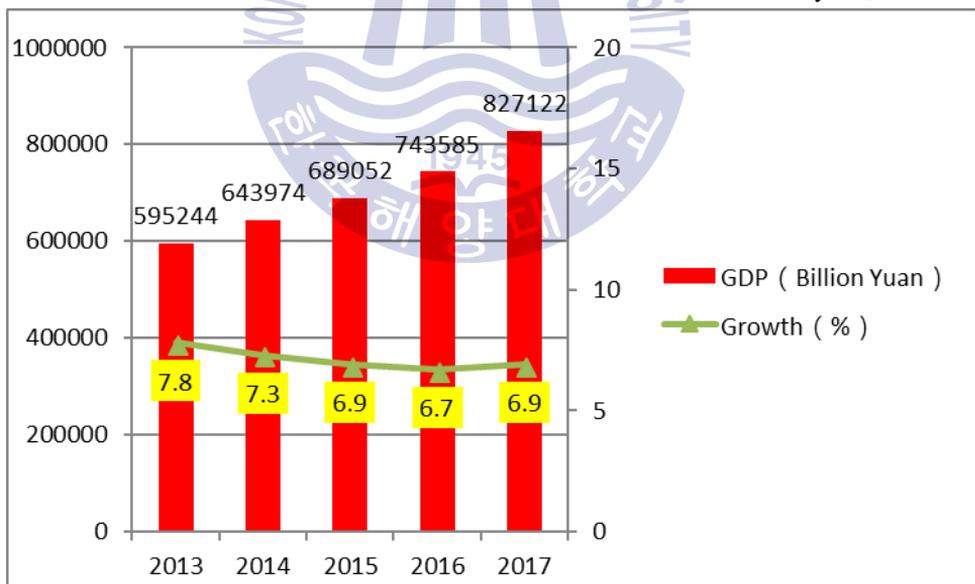
## **2.4. Chinese Government's SME Policy during Xi Jinping's Period**

In this chapter, the paper will analyze the Chinese government's SME policy in Xi Jinping's period according to the time sequence. Specifically, this article will describe the background and main contents of the Chinese government's SME policy from 2013 to the present.

## 2.4.1. The Background of its SME Policy

In 2013, Xi Jinping was elected the chairman of the People's Republic of China. After China successfully overcome the international financial crisis in 2009, economic development has entered a new stage of development. According to the Xinhua News Agency, the average growth rate of China's GDP during 2013-2017 was 7.2%, which was higher than the average level of 2.6% in the world over the same period of the previous year. However, the rapid growth of the previous GDP did not appear, as shown in the following <figure 2-1>.

<Figure 2-1> Gross Domestic Product and Its Growth Rate from 2013 to 2017  
unit: 100 million yuan;



Data: National Bureau of Statistics of China

After experiencing a period of rapid development in the first decade of the 21st century, the Chinese economy has entered a

new phase of transformation. After the 19th National Congress of the People's Republic of China, improving the effective supply was the main objective of advancing the structural reforms on the supply side, and it also became the main way for China to resolve the economic structural contradictions. This is a mixed picture for Chinese SMEs. On the one hand, the low-cost advantages of China's traditional SMEs are no longer obvious and their large-scale expansion of the production and business model has caused serious overcapacity. The reform measures taken by the Chinese government have greatly shaped the expansion of these enterprises. Pressure, many SMEs in the development and management of the process has come to an end but also to survive in the low-end productivity area of SMEs have also sought industrial transformation and industrial upgrading. On the other hand, through effective supply, the Chinese government gave birth to and promoted the development of strategic emerging industries and high-tech industries, which injected new vitality for the development of Chinese SMEs. With the support of the Chinese government's policy of continuous support for innovation and development and the deregulation of power, China's SMEs have also found new directions for development. Under this new development concept and reform, China's economic development is also changing its development

mode, optimizing its economic structure and transforming its growth momentum toward a more stable and rational development path.

### **2.4.2. The Main Content of its SME Policy**

In Xi Jinping's period, the Chinese government's policy on SMEs can be positioned at the stage of policy improvement. Since Xi Jinping took office, the Chinese government's SME policy has become increasingly targeted. Since 2013, the Chinese government has issued a total of more than 40 policy documents to support the development of Chinese SMEs. The content of the policy has increased at an unprecedented level. After classifying and analyzing all the policies, it is found that apart from the financial policies, the policy covers a wide range of aspects and content, and the specifics of the policies far exceed the previous stages. The Chinese government is working hard to improve its policy system to support Chinese SMEs.

In the area of financial policy in 2015, the General Office of the State Council and the China Banking Regulatory Commission issued the "Guiding Opinions on Accelerating the Development of the Financing Leasing Industry" and "Guiding Opinions on Promoting the Development of Private Banks". These two government policy documents further contributed to

enriching the extension of business area for SMEs. The types of corporate financial services institutions, under the premise of strengthening supervision, has improved the efficiency of administrative examination and approval, and actively promoted qualified private capital in these areas where SMEs has concentrated on initiating the establishment of financial institutions such as small and medium-sized banks, financial leasing companies and consumer finance companies. SMEs in the field has been providing the financial products with different characteristics and sparing no effort to solve the problem of SMEs' chronic diseases - "financing difficulties".

When it comes to promoting the development of SMEs, in 2015, the State Council's "Opinions on Vigorously Promoting People's Innovation in Public Ventures and Several Policies and Measures" pointed out that the process of industrial and commercial registration should be optimized to provide an open, fair, convenient, and efficient access service and a series of measures that may encourage and support startup entrepreneurs.

In the field of supporting science and technology innovation policies, in 2016, the Ministry of Industry and Information Technology of China issued the "Promotion of SME Development Plan (2016-2020)". The plan points out that China should gradually increase the size of the special funds for the

central government's financial budget to support SMEs' technological innovation, continue to increase support for the National Torch Plan and other special action plans, expand the coverage of national science and technology support programs, and actively play the guiding role of SMEs' technology innovation funds. SMEs with independent R&D investment ratios that meet the policy requirements are given various incentives and subsidies.

When it comes to legal support, on September 1, 2017, China's newly revised "Promotion Law of the People's Republic of China on SMEs" was promulgated. As for fiscal support, the new promotion law has increased some of the tax incentives to support SMEs. For example, "the state implements taxation policies that are conducive to the development of SMEs by imposing reductions or exemption of corporate income tax on qualified small and micro enterprises according to national regulations. Measures such as value-added tax simplifies tax collection and management procedures and reduces the tax burden for small and micro enterprises. In terms of financial support, the government has clearly promoted and supported the construction of an inclusive financial system and the orderly and healthy development of small and medium-sized banks, non-depositing lending institutions and internet finance to guide

banking financial institutions to extend their outlets and businesses to small financial institutions in areas such as counties and townships, etc. State-owned large-scale commercial banks should establish inclusive financial institutions to provide financial services for small and micro enterprises and other initiatives which stipulates that the State protects the property rights and other legal rights of SMEs and their contributors, establishes provisions for the settlement of defaulted loans, protects the legitimate rights and interests of SMEs, which also stipulates that state agencies, institutions and large enterprises must not default on the goods, works, and services of SMEs in breach of contract. This industry has the right to require the defaulting party to pay the arrears and seek compensation for the arrears.

In Xi Jinping's period, China's SME policies entered a stage of policy improvement. In the process of economic development, the Chinese government not only paid attention to the number of SMEs in China, but also to the development quality of SMEs, in terms of technological innovation and independent intellectual property rights. Both are strongly supporting Chinese SMEs to be able to contribute to the "Made in China 2025".<sup>17</sup>

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<sup>17</sup> Made in China 2025 - Wikipedia  
[https://en.wikipedia.org/wiki/Made\\_in\\_China\\_2025](https://en.wikipedia.org/wiki/Made_in_China_2025)

## **3. The Influence of the Policies for SMEs**

### **3.1. The Influence of the government Policy on SMEs during Deng Xiaoping's Period**

In the previous chapter, we summarized the Deng Xiaoping era. The main policy of the Chinese government for Chinese SMEs was that SMEs was permitted to run their own business by means of permission policy. The Chinese government no longer inhibits the development of Chinese SMEs in the process of economic restructuring. Since July 3, 1979, the "State Council on the development of a number of issues of the social enterprise (protocol draft)" was promulgated, China's SMEs from scratch, obtain opportunities to participate in running their own business, which might lead to growth and development of Chinese economy. During this period, Chinese SMEs mainly included private enterprises, individual industrial and commercial households, and some small-scale state-owned small enterprises and part of collective enterprises. The development of Chinese SMEs was mainly reflected in several aspects.

(1) With respect to the forms of ownership, in 1956, the

Chinese government carried out socialist transformation from capitalist industry and commerce. After the transformation was completed, China's ownership structure became a single socialist public ownership system. Before the reform and opening up, although the ownership structure was slightly adjusted, the proportion of the state-owned economy in the total industrial output value of the country remained at around 80%, in 1978. Although the proportion of the collective economy in the year was 22.37%, given that the collective economy of our country was actually a "quasi-public ownership," the non-public economy was almost in a state of being eliminated. After the reform and opening up, the Chinese government began to implement economic system reforms, stimulating the development of Chinese SMEs, especially after the State Council promulgated the Provisional Regulations of the People's Republic of China on Private Enterprises in June 1988. In the period of Deng Xiaoping, the ownership form of Chinese enterprises occurred in a various way as indicated in <table 3-1> below, which showed how the type of companies had been changed from 1952 to 1991.

<Table 3-1> The proportion of different ownership systems in Chinese industry

unit: %

years	State-owned industry	Collective industry	Individual industry	Other types
1952	41055	3.15	20.63	34.63
1957	53.69	19.04	0.85	26.42
1962	87.83	12.17		
1965	90.09	9.91		
1970	87.62	12.38		
1978	81.10	18.90		
1980	77.63	22.37	0.02	0.47
1985	64.89	32.08	1.85	1.21
1990	54.61	35.63	5.93	9.77
1991	56.17	32.99	4.83	6.01

Data: China Statistical Yearbook 1999

According to the table, it could be analyzed that the share of the state-owned economy had declined, and the proportion of other economic forms had risen. This had led to the formation of a state-owned economy as the main body and a variety of economic forms coexist. Judging from the statistical data, the share of the total output value of state-owned industries in total industrial output fell from 77.63% in 1978 to 56.17% in 1991. The average annual decline in the 1980s amounted to about 2 %. The share of the collective economy which consisted of most of SMEs rose from 22.37% in 1978 to 32.99% in 1991, an average annual increase of 1 %.

(2) With regard to the development of SMEs, Chinese SMEs had undergone some significant changes during the period of Deng Xiaoping, taking the number of SMEs in township. <Table 3-2> shows the types of township enterprises and the number of and the proportion of each township enterprises in urban and rural areas for 2 years, 1990-1991. It is seen that the proportion that the proportion of individual company in urban and rural area is the highest among other type of enterprises, collective enterprises and other industrial enterprises.

:  
<Table 3-2>1990-1991 China Industrial Enterprises Classification and Proportion

years	Industrial enterprises (10,000)					
	Collective industry		Urban and rural individual industry		Other industrial enterprises	
	total	proportion(%)	total	proportion ( % )	total	proportion(%)
1990	166.9	20.97	617.6	77.61	0.88	0.12
1991	157.7	19.52	638.7	79.05	1.08	0.13

Data: National Bureau of Statistics of China

<Table 3-3> Total Output Value and Their Proportion of Chinese Industrial Enterprises from 1985 to 1991

Unit: 100 million yuan;

year s	Collective industry		Urban and rural individual industry		Other industrial enterprises	
	output value	proportion	output value	proportion	output value	proportion
1985	3117.19	32.08	179.75	1.85	117.41	1.21
1986	3751.54	33.51	38.54	2.76	163.06	1.46
1987	4781.74	34.62	502.39	3.63	278.77	2.02
1988	6587.49	36.15	790.49	4.33	495.32	2.72
1989	7858.05	35.69	1057.66	4.80	758.44	3.44
1990	8522.73	35.62	1290.30	5.39	1047.56	4.38
1991	10084.80	35.70	1609.10	5.70	1599.58	5.66

Data: National Bureau of Statistics of China

Based on the above two tables, it was summarized that during the period of Deng Xiaoping, Chinese SMEs was enlarged rapidly in terms of the number of enterprises each year. The scale of township enterprises and individual urban and rural

private enterprises, which constituted the main bodies of SMEs, increased substantially in terms of output value for 1985-1991. In 1991, there were 7.694 million township industrial enterprises, accounting for 98.57% of the total number of industrial enterprises; 6.87 million individual and private enterprises in urban and rural areas, accounting for 79.05% of all industrial enterprises (see table). In terms of industrial output, in 1991, the collective The industrial output value Reached 1008.8 billion yuan, accounting for 35.70% of all industrial output value, and the individual industrial output value of urban and rural areas reached 16.091 billion yuan, accounting for 5.70% of all industrial output value. Compared with the 1985 data, the output value of the collective industrial enterprise in 1991 was three times higher than that in 1985. The output value of urban and rural individual industries was 8.9 times higher than that in 1985. A large number of SMEs in the commercial and construction industries had been developed into a large enterprise group.

### **3.2. The Influence of Chinese Government Policy on SMES during Jiang Zemin's Time**

During Jiang Zemin's period, the Chinese government

adopted a variety of the support policy for SMEs which encouraged SMEs to be able to run their own business independently. So this period was classified as the “stage of government encouragement” just as introduced in the previous chapter. At this stage, the Chinese government’s SME policy can be summarized as follows:

(1) The report of the 14th National Congress of the Communist Party of China put forward that “in the ownership structure, the theme of public ownership, including the ownership of the whole people and the economy of collective ownership, should be supplemented by the individual economy, the private economy, and the foreign capital economy, the long-term common development of various economic components, Different economic cities can also voluntarily implement various forms of joint operations, with state-owned enterprises, collective enterprises, and other enterprises entering the market, playing a leading role in the state-owned enterprises through equal competition, and later changing the constitution to become the basic law of the country.

(2) In 1995, the Fourth Plenary Session of the 14th CPC Central Committee put forward the policy of “doing a good job and preventing small livelihoods” and implemented a strategic reorganization of state-owned enterprises through joint, merger,

joint-stock cooperative, lease, and contracted operations. In the form of sales, etc., the reform of SMEs has been completed.

(3) The Chinese government began to support SMEs in various aspects such as finance, law, technological innovation, and social services.

With the development and support of these policies, during the period of Jiang Zemin, Chinese SMEs developed rapidly and their own development has slowly realized volume accumulation. In this period, after the reform of state-owned small enterprises, Chinese SMEs were mainly composed of private enterprises and individual industrial and commercial households. Some of the state-owned small enterprises and collective enterprises were no longer classified as SMEs. Since then, they have survived up to this day. Chinese SMEs existed in a various way. This was also an aspect of the influence of Chinese government policies on Chinese SMEs. During this period, the development and changes of Chinese SMEs are mainly reflected in the following aspects.

(1) The increase in the number of SMEs in China was very obvious. In the period of Jiang Zemin, private enterprises (including individual proprietorships, partnerships, and private limited liability companies and privately controlled joint stock companies) rose up from 0.14 million in 1992 to 2.44 million in

2002, which meant the number of employees in the industry had increased by 17.4 times, as shown in <table 3-4> below.

<Table 3-4>The growth rate of the number of private enterprises in the private economy

unit: ten thousand , %

years	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Number Of private enterprises	14	24	43	65	82	96	120	151	176	203	244
growth rate	70.4	81.7	51.4	25.2	17.3	25.0	20.5	16.8	15.1	20.1	

Data: State Administration for Industry and Commerce

According to data from the China Administration for Industry and Commerce, the number of private industrial and commercial households in the private economy had grown from 15.34 million in 1992 to 23.77 million in 2008. In ten years, individual businesses in the private economy had increased by 8.43 million. Of course, it could be seen that the number of individual industrial and commercial households had maintained a positive growth from 1992 to 1999, but since 1999, the number of individual industrial and commercial households has started to show a negative growth. This was mainly because in 1999 China promulgated “The Individually Owned Enterprise Law” which stipulated the establishment of an individual proprietorship

enterprise. After that the number of individual proprietorship enterprises began to decrease.

(2) On the scale of total registered capital, the registered capital of SMEs had also risen rapidly during the period of Jiang Zemin, as shown in <table 3-5> below.

:

<Table 3-5> The Rate of Growth of Individual Private Economy Registered Capital in the Private Economy, 1992-2002

unit: 100 million; %

years	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Registered capital	82.2	153.6	276.7	443.5	591.7	771.3	1030.9	1371.6	1662.2	2164.7	2853.8
growth rate	34.5	86.9	80.1	60.3	33.4	30.4	33.66	33.05	21.19	30.23	31.83
increments	211	714	1231	1668	1482	1796	2596	3407	2906	5025	5891

Data: Administration for Industry and Commerce

According to this set of data, it was clearly seen that the registered capital in the private economy had grown from 82.2 billion yuan in 1992 to 2,853.8 billion in 2002. In 10 years, the registered capital in the private economy has increased. The average annual growth rate amounted to 38%.

(3) In terms of business scale, Chinese SMEs had also made great progress during the period of Jiang Zemin. First of all, according to the national basic census data for the second basic

unit, the average number of employees in the joint venture in 2001 was 24, an increase of 6 over 1996. In the distribution of various scales, as shown in <table 3-6> , the share of the companies in the range of 50 or less workers amounted to 90% in the whole private enterprises, which was 3.8% lower than in 1996. The share of the companies with 50-499 workers amounted to 9% in the whole private enterprises in 2001, which were 3.6% higher than in 1996. The number of companies in the range of 500-4000 was 3,775 companies in 2001, which was 15 times as many as in 1996. The number of the company in the range of 5,000 over was only 1 in 1996 but jumped up to 17 in 2002. At the end of the year, among the member companies of the National Federation of Industry and Commerce, there were 1,582 companies with a total turnover of more than 120 million yuan and the total revenue of the first enterprises was 35.5 billion yuan, 21 of which were over 5 billion, and 405 were over 500 million. Eight companies with net losses \$ 500 million had the largest total assets of RMB 25.3 billion and 15 enterprises with RMB 5 billion or above. The first net assets were 7 billion. The number of employees was 10,000 and The maximum number of employee was 100,000. The total taxation amounted to 47.1 billion yuan

<Table 3-6>The proportion of different scales in individual and private enterprises (using the number of companies as indicators)

years	50 or less	50-499 people	500-4999 people	5000 or more
1996	93.80%	5.40%	252	1 household
2001	90%	9%	3775 households	17 households

Data: National Bureau of Statistics of China

(4) The capital strength of private enterprises had also increased significantly. <Table 3-7> showed the changes in the scale of private enterprises and individual businesses from 1992 to 2002.

According to <Table 3 7>,the number of private enterprises and the number of employees in the private sector grew at an annual rate of more than 50% in 1992-1995. Although the growth rate slowed down, it still maintained rapid growth. The number of households and the number of employees in the private sector. The annual growth rate is growing at a rate of 20%. Even in 1998, China suffered from a rare catastrophic flood in a hundred years, and under the impact of the Asian financial crisis, the growth

momentum remained unabated.

<Table 3-7> Changes in the Size of Private Enterprises and Individual Industrial and Commercial Households from 1992 to 2002

unit: people; ten thousand yuan

years	Individual industrial and commercial households		Private enterprise	
	Average number of households	Household capital	Average number of households	Household capital
1992	1.61	0.39	16.62	15.83
1993	1.66	0.45	15.68	28.63
1994	1.73	0.60	14.99	33.50
1995	1.83	0.72	14.61	40.06
1996	1.86	0.80	14.29	45.80
1997	1.91	0.90	14.04	53.50
1998	1.96	1.00	14.23	59.86
1999	1.97	1.09	13.39	68.18
2000	1.97	1.29	13.58	75.53
2001	1.96	1.41	1.38	89.80
2002	2.00	1.59	14.00	101.67

Data: China State Administration for Industry and Commerce

(5) In terms of hiring labor, during the period of Jiang Zemin, Chinese SMEs have undergone tremendous changes in hiring labor force, as shown in the <Table 3-8> below:

<Table 3-9> The employment of private economy in urban and rural areas accounts for the employment of the whole society

unit: 100 million people; %

years	19 92	19 93	19 94	19 95	19 96	19 97	19 98	19 99	20 00	20 01	20 02
Private economy (excluding rural labor)	1.76	1.97	1.95	2.06	2.22	2.28	2.51	2.65	2.79	2.9	3.09
Agricultural labor force in rural areas	3.58	3.4	3.39	3.26	3.17	3.19	3.19	3.15	3.20	3.22	3.18
whole society	6.62	6.68	6.75	6.81	6.9	6.98	7.06	7.14	7.21	7.3	7.37
Private ownership of the entire society	36.6	29.5	28.8	30.3	32.2	32.6	35.5	37.2	38.7	40.2	41.9

Data: National Bureau of Statistics of China

According to the analysis of <table 3-8>, the employment of China's private economy (excluding agricultural labor force) reached 309 million in 2002. The total employment number of the whole society amounted to 737 million and the proportion of

private ownership in the whole society reached 41.9%, compared to 1991. It rose by 15.3%, while the number of the employed amounted to nearly 145 million more than in 1991. During the same period, the total employment including rural labor force, increased from 655 million in 1991 to 737 million in 2002, a net increase of 82 million people.

The number of new jobs in the private economy was higher than the new number of social jobs. The rapid increase in the number of the employed through the private economy was closely related to the rapid development of the private economy. On the other hand, it also showed that during the Jiang Zemin period, the Chinese government completely liberalized the historical limitations of the private economy's hiring of labor.

### **3.3. The Influence of Chinese Government Policy on Chinese SMEs during Hu Jintao's Period**

During Hu Jintao's period, the Chinese government's policy for SMEs could be summarized as the rapid progress of policies. During this period, the policies of the Chinese government's SMEs mainly include the following:

- (1) During the period of President Hu Jintao's

administration, the “Promotion Law of the People’s Republic of China on SMEs” was promulgated, which will promote the development of Chinese SMEs as a national law. This was China's first special legislation on SMEs. Since then, in response to the difficulties and problems in the development of SMEs in China, the Chinese government has promulgated a number of measures in various aspects such as financial support, entrepreneurial support, technological innovation, market development, and social services, to protect the development of Chinese SMEs.

(2) The changes of the support policies for SMEs were also very important for the development of SMEs in China. The related policies carried out in this period were as follows; liberalizing market access for non-public economy, allowing non-public capital to enter important areas such as monopoly industries, financial services, and national defense science and technology, fiscal and taxation financial support for public ownership economy, expanding the scale of SME special funds, guiding financial institutions to increase the proportion of loans to SMEs, and actively promoting the establishment of the GEM market; proposing the improvement of social services for non-public economy, social mediation, entrepreneurship, and technological innovation, enterprise training, market

development and other aspects with SMEs to support and promote.

It was during this period that under the guidance of the active policy of the Chinese government, Chinese SMEs ushered in the fastest time since the reform and opening up. However, Chinese SMEs have suffered from the shock of the global financial crisis. In this period, the main development changes of Chinese SMEs were as follows:

(1) In terms of the number of enterprises, the proportion of private enterprises showed a steady upward trend. This showed that in China, the status of SMEs' in the national economy had been continuously enhanced and their influence had gradually become stronger, as shown in <table 3-9> and <table 3-10>.:

Table 3-10 The number of private enterprises in the country  
unit: ten thousand

years	Domestically funded privately-owned enterprises
2009	740.15
2010	845.52
2011	967.68
2012	1085.71

Data: China Statistical Yearbook (2010-2013)

Table 3-11 Individual industrial and commercial households in the country

unit: ten thousand

Types of	Year 2009	year 2010	year 2011	2012
Individual industrial and commercial households in town	2081.90	2266.60	2471.0	2673.86
Number of rural individual industrial and commercial households	115.47	1186.29	1285.17	1385.42
Total number of individual industrial and commercial households	3197.37	3452.89	3756.47	4059.27
Newly registered industrial and commercial households this year	688.30	691.42	715.34	732.89

Data: China Statistical Yearbook (2010-2013)

According to the data in China Statistical Yearbook 2010-2013, by the end of 2012, there were 10.8571 million private enterprises in Chinese domestic industry, an increase of 3,455,600 over the end of 2009, which meant an average increase of 13.4%. In 2012, there were 40,509,700 individual industrial and commercial households in China, an increase of 8.919 million over the end of 2009, which meant an average increase of

8.35%. Individual industrial and commercial households registered 732.89 million new households that year, an average increase of 2.3% over 2009.

According to the data in China Statistical Yearbook 2014, the proportion of industrial assets of Chinese SMEs had grown from 43.7% in 2000 to 52% in 2013. In more than ten years of development, the proportion of the assets of industrial enterprises in SMEs has completely surpassed that of large state-owned enterprises, as shown in <table 3-11>.

<Table 3-12> Assets of Chinese Industrial Enterprises in 2010 and 2013

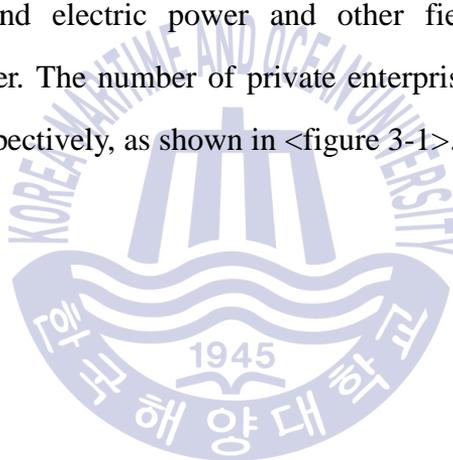
Industrial enterprise assets	unit:%	
	year 2010	2013
large enterprise	56.3	48.0
Medium-sized enterprises	12.9	23.6
small companies	30.8	28.4

Data: China Statistical Yearbook 2014

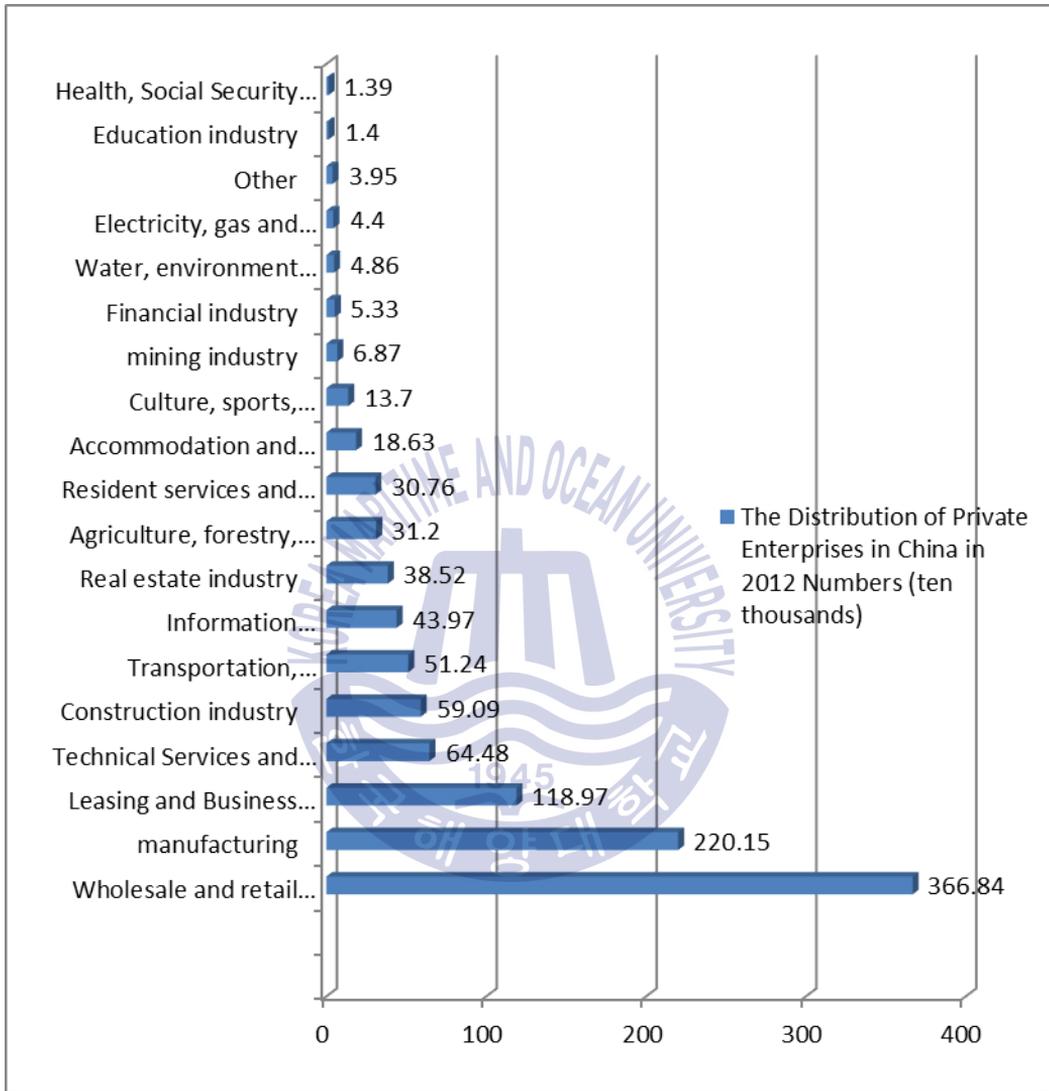
(2) When it comes to the distribution of the SMEs, Chinese

SMEs were mainly distributed in wholesale, retail and manufacturing industries during the Hu Jintao period. Separate private businesses from individual businesses:

Private enterprises were mainly engaged in wholesale and retail trades, manufacturing, leasing and business services. In 2012, the number of enterprises in these industries was 3,686,400, 2,201,500, and 1,189,700 respectively, accounting for 65% of all privately-owned enterprises. During the Hu Jintao era, water conservancy and electric power and other fields were still difficult to enter. The number of private enterprises was 48,600 and 44,000 respectively, as shown in <figure 3-1>.



<Figure 3-1> The Distribution of Private Enterprises in China in 2012  
unit: ten thousand



Data: National Bureau of Statistics of China

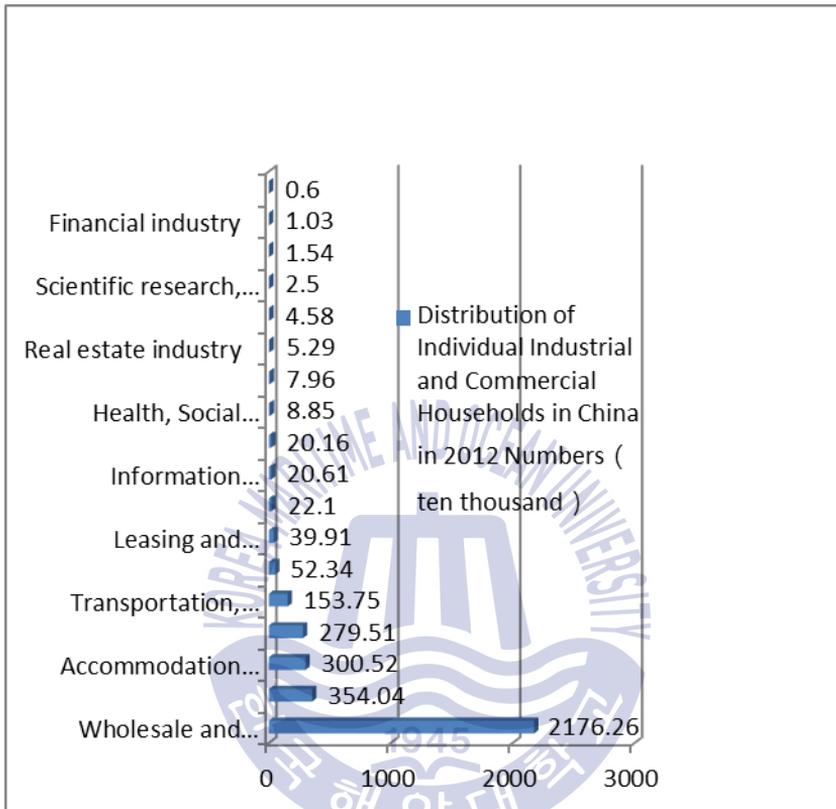
The individual industry and commerce in the country were mainly distributed in the wholesale and retail industry, resident services and other service industries, accommodation and

catering industries. In 2012, the number of enterprises in the industry was 21,762,600, 3.504 million, and 300,520, respectively, accounting for all individual industrial and commercial households. It amounted to more than 60%. The number of individual industrial and commercial households distributed in water conservancy, environment and public facilities management, finance, electricity, gas and water production and supply industries is the lowest, as shown in <figure 3-2>.:



<Figure 3-2> Distribution of Individual Industrial and Commercial Households in China in 2012

unit:ten thousand



Data: National Bureau of Statistics of China

According to this table on the one hand, with the support of Chinese government policies, Chinese SMEs were basically distributed in various industries, but on the other hand, because the Chinese government does not allow or encourage SMEs to enter the monopoly industries of some large state-owned enterprises, the proportion of these enterprises managed by SMEs were considerably low. Therefore, in the water

conservancy, environmental and public facilities management and financial industries, although Chinese SMEs are involved, the proportion is not very high.

### **3.4. The Influence of Chinese Government Policy on SMEs in Xi Jinping's Period**

During the period of Xi Jinping, that is, from 2013 to the present, the Chinese government's SME policies are in a period of policy improvement. The Chinese government's SME policies mainly include the following aspects:

(1) The new "Promotion Law of the People's Republic of China on SMEs" has been promulgated, keeping pace with the times, legalizing some of the preferential taxation measures for the Chinese government to support SMEs, and ensuring that government policies are effectively implemented.

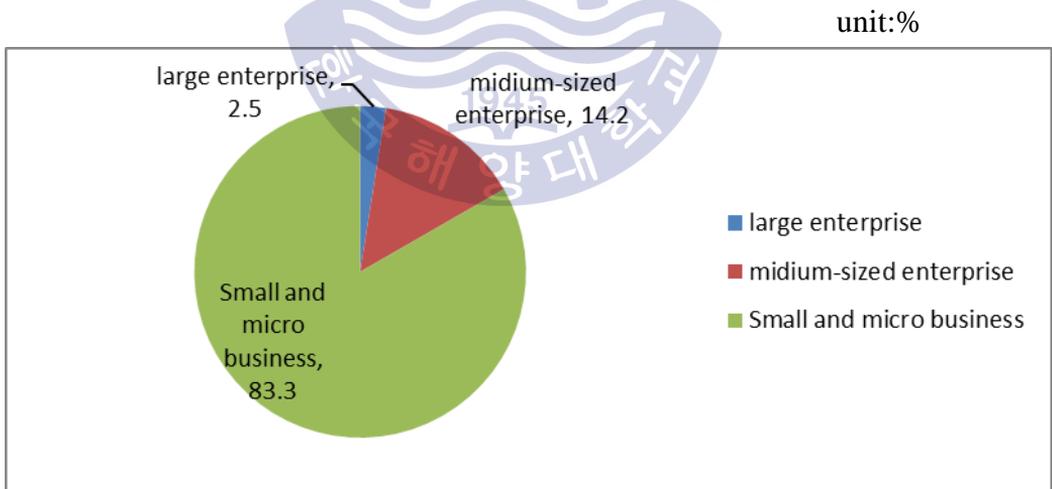
(2) From the establishment of a well- organized and complete government policy system, the Chinese government has promulgated important policies in the areas of financing, industrial restructuring, fiscal and taxation policies, social service policies, and independent innovation capabilities to support the development of Chinese SMEs. convoy.

Under the influence of these policies, the following changes

have taken place in the development of Chinese SMEs:

(1) The number of Chinese SMEs has maintained a steady growth. According to data from the National Bureau of Statistics of China, at the end of 2016, there were 370,000 SMEs above designated size (that is, small and medium-sized industrial enterprises with annual principal business income of RMB 20 million and above), an increase of 0.5 million from the end of 2015, of which, there are 54,000 medium-sized enterprises, accounting for 14.6% of SMEs, and 316,000 small-scale enterprises, accounting for 85.4% of the SMEs as shown in <figure 3-3>:

<Figure 3-3>At the end of 2016, the number of SMEs in China accounted for all the enterprises



Data: National Bureau of Statistics of China

In terms of sub-sectors, 347,000 SMEs in the manufacturing sector grew by 1.8% year-on-year, accounting for 93.7% of the

total number of SMEs; 13,000 in the mining industry, a year-on-year decrease of 11.4%, accounting for 3.6% of the number of SMEs; The water production and supply industry was 10,000, a year-on-year increase of 5.9%, accounting for 2.6% of the number of SMEs.

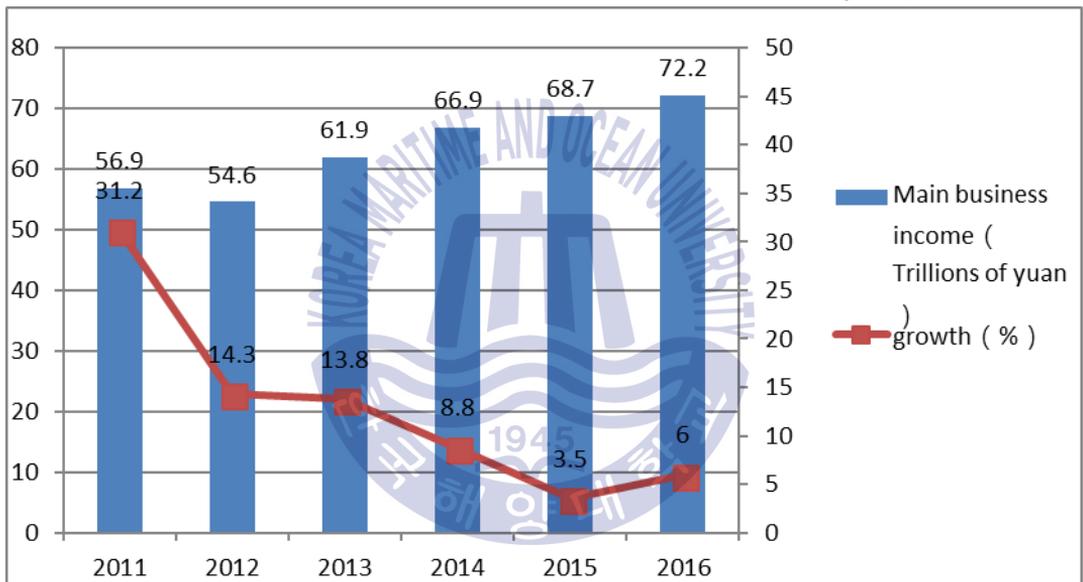
Among the 31 industries in the manufacturing industry, there are 9 industries that account for more than 5% of SMEs, namely non-metallic mineral products industry (10.0%), agricultural and non-staple food processing industry (7.4%), chemical materials and chemical products manufacturing industry (7.0%), general equipment manufacturing industry (6.7%), electrical machinery and equipment manufacturing (6.5%), metal products industry (5.9%), textile industry (5.7%), rubber and plastic products industry (5.2%) With the special equipment manufacturing industry (5.0%), the total number of SMEs in the nine industries accounted for 59.5% of the SMEs in the manufacturing industry.

(2) From the perspectives of SMEs' turnover, costs and profits, in 2016, SMEs achieved a core business income of 72.2 trillion yuan, accounting for 62.7% of the main business income of industrial enterprises, an increase of 6.0% year-on-year. The rate of increase was 2.5% higher than the previous year, which was 1.1 % higher than the growth rate of industrial enterprises

during the same period (4.9%). Among them, medium-sized enterprises realized main business income of 28.5 trillion yuan, an increase of 5.3% year-on-year; small-scale enterprises realized main business revenue of 43.7 trillion yuan, a year-on-year increase of 6.5% as shown in <figure 3-4>

<Figure 3-4> Revenue and Growth Rate of SMEs' Main Business during 2011-2016

unit: trillion yuan; %

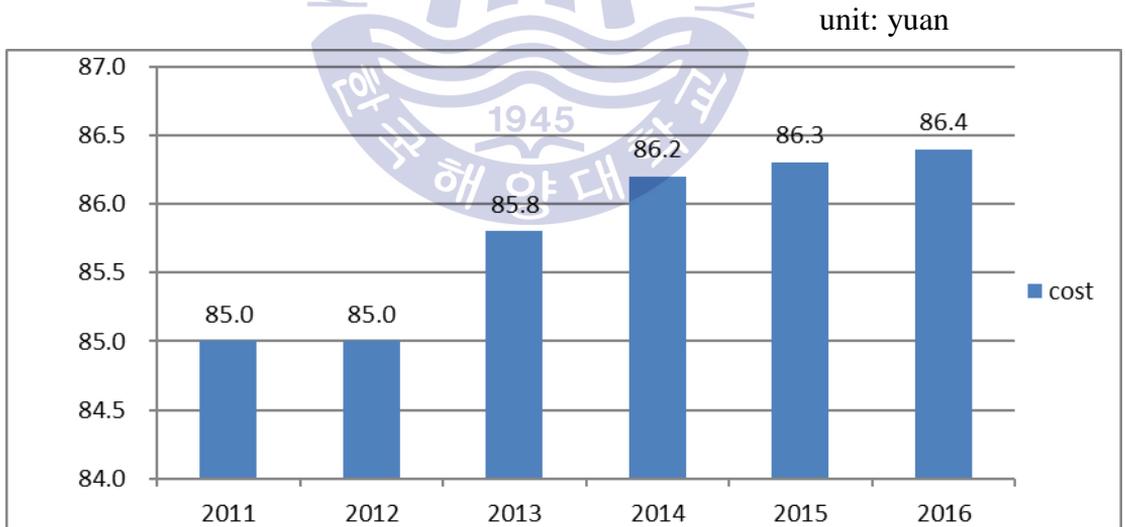


Data: National Bureau of Statistics of China

In terms of costs, in 2016, the main business cost of SMEs was 62.4 trillion yuan, accounting for 63.3% of the cost of the main business of industrial enterprises, an increase of 6.1% year-on-year, an increase of 2.7% percentage points over the previous year, and an increase over the same period in the growth rate of industrial enterprises. (4.8%) was 1.3% higher. Among

them, the main business cost of medium-sized enterprises was 24.3 trillion yuan, an increase of 5.4% year-on-year; the main business cost of small-scale enterprises was 38.1 trillion yuan, an increase of 6.6% year-on-year. The cost of SMEs' main business income per 100 yuan was 86.4 yuan, which was basically the same as that of the previous year, a slight increase of 0.1 yuan. Among them, the cost of the main business income per 100 yuan of medium-sized enterprises is 85.4 yuan, and the cost of the main business income of small enterprises per 100 yuan is 87.1 yuan.,as shown in <figure 3-5>:

<Figure 3-5>The Cost of Main Business Income per 100 RMB for SMEs in 2011-2016

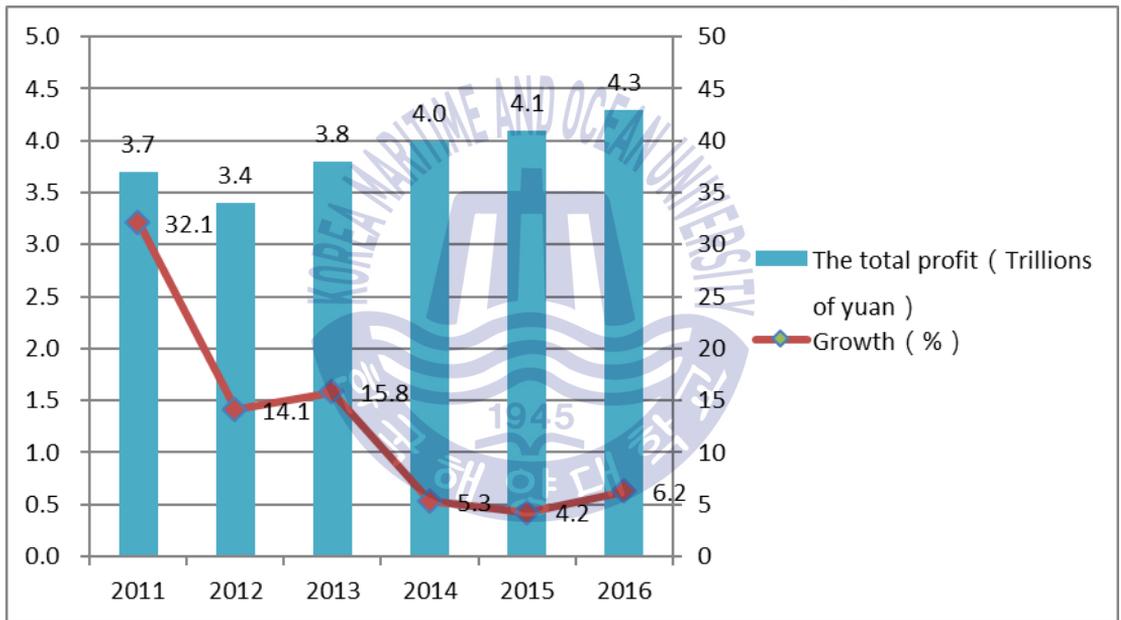


Data: National Bureau of Statistics of China

In terms of final profits, in 2016, SMEs realized a total profit of 4.3 trillion yuan (accounting for 62.8% of the total profits of

industrial enterprises), an increase of 6.2% year-on-year, an increase of 2.0% percentage points over the previous year. Among them, the total profit of medium-sized enterprises was 1.8 trillion yuan, an increase of 6.4% year-on-year; the total amount of small-scale enterprises was 2.5 trillion yuan, an increase of 6.1% year-on-year, as shown in < figure 3-6>.

<Figure 3-6>Total Profits and Growth Rates of Chinese SMEs in 2011-2016  
unit: trillion yuan; %



Data: National Bureau of Statistics of China

Based on these three figures, it is analyzed that between 2011 and 2016, the annual turnover, production costs, and final profits of Chinese SMEs are constantly increasing. The growth rate of sales dropped rapidly from the highest point in 2011 to 14.3% from the growth rate of 31.2 in 2011. Until 2015, the

annual growth rate of sales slowed down. By 2016, the growth rate of sales will have A slight increase. Correspondingly, the final profit also largely conformed to this rule, but due to the fact that in 2012, the turnover of the main business of SMEs maintained a relatively high rate of growth, and in the case of a relatively slow rise in production costs, the total final profit in 2013 The growth rate has increased slightly compared to 2012. This is consistent with the Chinese government's adoption of low-profit, high-polluting excess capacity and destocking to provide space for new production capacity. De-leveraging is a policy that reduces long-term and systemic risks. On the surface, these policies of the Chinese government have had a negative impact on the development of Chinese SMEs. However, in reality, the Chinese government has eliminated the SMEs in the low-end production areas of traditional industries through these measures, which also prompted traditional SMEs to undergo industrial transformation and industrial upgrading. On the other hand, through effective supply, the Chinese government gave birth to and promoted the development of strategic emerging industries and high-tech industries, which injected new vitality for the development of Chinese SMEs. With the support of the Chinese government's policy of continuous support for innovation and development and the deregulation of

power, China's SMEs have also found new directions for development. This is reflected in the slight increase in sales growth and final profit growth of Chinese SMEs in 2016 compared to 2015.



## 4. Conclusion

This paper is based on SMEs-related policies implemented by the Chinese government since the reform and open policy in 1978 and the relevant statistics of SMEs published by the Chinese government. It also draws on the relevant research results of experts and scholars at home and abroad, the Chinese government's SME policy after the reform and opening up, and the policies to China. The impact of Chinese government policy on SMEs was analyzed.

When it comes to the analysis of the Chinese government's SME policy, they are classified into four era: Deng Xiaoping's period (period of policy permitting), Jiang Zemin's (policy encouragement period), and Hu Jintao's (period of rapid policy development), Xi Jinping (policy improvement period). Combined with the background of different eras, the policies of the relevant Chinese SMEs at different times were summarized. After the second part analyzes the concrete policies of the Chinese government at different stages, it is seen that the Chinese government's SME policies reflect the Chinese government's deepening understanding of SMEs. From the

complete suppression of these private enterprises by socialistic economic system in 1956, to the “three non-policy” of Deng Xiaoping’s period, and to the “three favorable” policies of the 1990s, it can be seen that at that time the Chinese government had hesitated to put priority on which policy. Until the deepening of reform and opening up, the 14th National Congress of the Communist Party of China clarified the Chinese economic system. The Chinese government began to support the development of SMEs at the policy level. Affected by policy factors, Chinese SMEs did follow the 14th CPC National Congress, beginning to accelerate their development. At the same time, it is also clearly seen that the Chinese government’s SME policy has been evolved into being deeper and more specific. From “Guiding Opinions on Establishing a Pilot Project for SME Credit Guarantee Systems” (1988), to “Several Policy Opinions on Encouraging and Promoting the Development of SMEs” (2000), and then to “Opinions on Vigorously Developing S&T Intermediary Institutions”, the promulgation of (2002) China’s SME policy has become more and more comprehensive. After that, the “Promotion Law of the People’s Republic of China on SMEs” (2003), “Interim Provisions on SME Standards” (2003), and “Sci-tech SMEs, the formal implementation of the Interim Measures for the Management of Technological Innovation Fund

Projects (2005) and the "Promotion Law of the People's Republic of China on SMEs" (2018), it is seen that the Chinese government is proceeding from legal policies and funding policies (financial support, fiscal support) , credit guarantee support), to entrepreneurship and innovation policies, social service policies and other aspects of the construction of China's SME policy support system. However, it should be also clearly seen that the Chinese government's SME policies are not perfect and mature and there are still many problems in policy coherence, compatibility, and implementation.

In the third part, we focused on analyzing the different stages of SME ownership system, employment labor force, enterprise development scale and fund size, SME industry distribution and innovation ability. When it comes to the above issues, the following conclusions can be drawn: Under the influence of Chinese government policies, Chinese SMEs are playing a more important role in the Chinese economy. They play a role in promoting economic growth, stimulating employment, promoting China's economic industrial upgrading and enhancing the capability for independent innovation. This significant roles should not be ignored. In addition, this analysis makes this paper come to the conclusion that Chinese SMEs are still facing access problems in some industries, such as water

conservancy, petroleum, etc. The production costs of Chinese SMEs are getting higher and higher and the pressure on costs is increasing. The larger the company is, the more difficult it is for SMEs to face the old problem of “financing difficulties”. The policies of the Chinese government’s SMEs still need to continue to improve and there is still ample room for development for SMEs in China. This can also serve as future research and development and research direction.

As this paper has dealt with the history of China's reform and opening up in the past 40 years, during the process of implementation for SME policies by the Chinese government, based on a variety of information. SME policies are also involved in a wide range. As a result, when collecting policy texts and classifying texts, all related policies cannot be fully collected. In addition, this article has conducted a phased analysis of the Chinese government's SME policies. However, due to the incomplete collection of previous policies, the policy conclusion may be somewhat incomplete. They should be indicated as the limitations of this paper.

The Chinese government's policies have played an important role in the development of Chinese SMEs. However, in recent years, Chinese SMEs have been facing difficulties in financing, although they have been alleviated but they have not

been fundamentally changed. Based on the above research, this paper gives the following recommendations:

First, it should be prepared to actively develop a multi-level capital market system and broaden the direct financing channels for SMEs and for strong support for SMEs to obtain financing through the issuance of short-term financing bonds and other financing instruments.

Second, the listing standards of SMEs should be revised as soon as possible so that they can be linked to the newly enacted SMEs division standards and support more high-quality small enterprises to go public and so that the financing difficulties of SMEs may no longer plague its development.

Third, it is necessary to construct a complete legal system to ensure that the development of SMEs can be effectively guaranteed in law.

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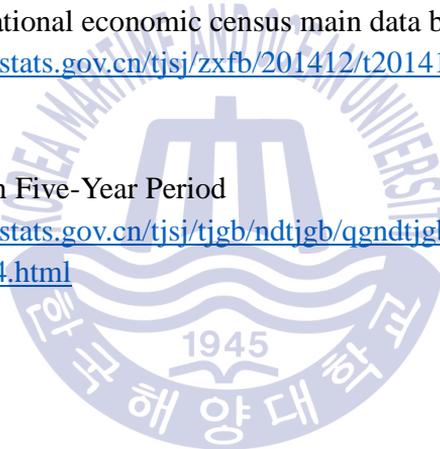
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