

1990 and 1994. As sales leaped, local industrial capacities improved, and competition in the Chinese market intensified, foreign multinationals introduced more and more up-to-date technology, eventually invalidating Gallagher's pessimism. Separating the effects of policy from market conditions and analysing how policy shapes markets is difficult, and Chin does not address the task seriously enough. *China's Automotive Industrialization* fails to provide systematic quantitative evidence, and even the exact contents of the 1994 policy remain vague (the text, not provided in the volume, is available at <http://china.findlaw.cn/fagui/jj/23/61225.html>). The most important specific claim (p. 145) – that the Chinese government's efforts to concentrate the industry are gradually taking effect – is not clearly supported by the evidence, and China remains the least concentrated of the major auto markets. Nor does Chin note the downside of China's policy of protecting local ownership: foreign firms would have more incentive to export vehicles from China if they could keep all the profits for themselves; that is a major reason why exports of automobiles from India have surpassed those of China, even though China has similar quality and lower costs.

The biggest contribution of the book is the argument that the central government leadership has been far more cohesive and effective than usually acknowledged. Chin documents a high degree of expertise and sustained attention by a small group of top leaders (pp. 127–40). The interviews are useful in conveying the perspective and lofty ambitions of Chinese policymakers and the surprising degree of mistrust they still hold toward the global capitalist economy, though the book tends to take the statements of both Chinese and foreign interviewees at face value. It is telling that the author claims (p. 220) that VW broached the 50 per cent ownership limitation in Shanghai after China's entry into the World Trade Organization (WTO) in 2001, and that VW and other foreign assemblers have been exerting tremendous pressure to increase their stakes. No doubt foreign lobbying has alarmed Chinese officials trying to maintain a measure of local ownership and control, but as of mid-2010, the 50 per cent rule still stands (with the exception of a Honda plant aimed primarily at exports, another Chinese policy goal).

Despite the dizzying changes of recent years, the best single study of the Chinese auto industry remains Thun's *Changing Lanes in China*. Still, Chin's bold argument about the coherence and effectiveness of the central government makes a useful contribution to debates about Chinese economic policy.

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The Micro-foundation of China's Market Economy

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In *The Micro-foundation of China's Market Economy*, Liu Xiaoxuan tells a riveting tale of the reform-era transformation of China's business enterprises. The book is

part of a series originally published in Chinese to commemorate 30 years of reform and opening. Eight of the 15 volumes from the original series have been translated and abridged for an English series published in Singapore.

The four core chapters of the book are devoted to four broadly defined enterprise types: state-owned; non-state domestic (*minying*); joint stock, many of which involve both state and non-state owners; and foreign-invested. Layered against the common backdrop of China's transition from a command to a market economy, the four stories weave together to yield an overall coherent and logical depiction of the way in which enterprise form and behaviour have co-evolved with the economic environment. A rich assortment of case studies fleshes out analytical points, and reviews of a wide spectrum of empirical work from both Chinese and English literature support interpretive claims. Evidence in this body of empirical work is Liu's own extensive contribution from a career spent studying enterprises at the Chinese Academy of Social Sciences.

An opening chapter presents data for the period 1978–2006 on numbers of enterprises and measures of activity for the full panorama of enterprise organizational forms. Problems of evolving categories, murky and permeable boundaries, and even deliberate obfuscation (as when private firms masqueraded as “red hats”) are identified, and measurement breaks in series are explained. A concluding chapter provides summaries of the four core chapters and lays out the author's concerns about the present state of Chinese enterprises and her recommendations for policy.

Major historical markers resonate through each of the four enterprise narratives. The launch of reform and opening in 1978 brought greater autonomy and incentives to state enterprises and an opening for non-state enterprises to develop. “The political incident of 1989” precipitated a sharp economic downturn that hit non-state enterprises particularly hard as state enterprises benefited from increased government favour. Deng's southern tour in 1992 signalled a renewed impetus for reform. Red hats were removed to unleash the vitality of private enterprise and inflows of foreign direct investment escalated. The year 1994 saw a levelling of the market playing field with unification of dual-track pricing, reforms in fiscal and enterprise accounting systems, and implementation of the Company Law which paved the way for joint stock corporations (JSCs) to proliferate. State enterprises were increasingly left behind in the competition as they focused on jockeying with authorities rather than responding to market forces. With functioning product markets in place, however, the way forward lay in breaking state enterprise dependency on government patrons. In 1998, housing was widely privatized, freeing enterprises from their landlord function, and the line ministries were abolished, ending the state's dominance in allocation of key resources. Small and medium state enterprises were forced to live or die by the market with privatization offering the surest path to survival. Large state enterprises were generally able to consolidate their positions in industries shaped by economies of scale and other barriers to entry. China's accession to the World Trade Organization in 2001 stimulated a resurgence in foreign investment inflows along with extremely rapid economic growth under which JSCs gained the ascendance.

Joint stock restructuring has been actively pursued by both private and state enterprises. Many JSCs have found advantage in bringing state and private shareholders into the same fold. Liu's own research shows such mixed shareholding to yield better performance results than exclusive ownership of either private or public varieties. By bringing in state shareholders, private enterprises become more competitive through privileged access to capital markets and other entitlements of government connection. By bringing in private shareholders, state enterprises escape excessive government interference and gain more leeway in rewarding entrepreneurial energy. Liu sees

such advantage in mixed shareholding as an outgrowth of market imperfections and a sign of the immaturity of China's market system. Ultimately, she believes, the preference for this enterprise form will mark another passing stage in China's transition.

This book is written with the authority and insight of one who has been a critical observer of Chinese enterprises since the reform era began. Unfortunately, the translation does not do justice to the lively read of the original. The English narrative is plodding. Unfortunately as well, tables and figures are awkwardly rendered with units of measurement sometimes omitted and variables often not clearly specified. Nevertheless, the author drives home her main points so effectively that poor translation and weak graphics do not obscure them.

CALLA WIEMER

Oil in China: From Self-Reliance to Internationalization

LIM TAI WEI

Singapore: World Scientific Publishing, 2009

184 pp. \$78.00

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Oil and Gas in China: The New Energy Superpower's Relations with its Region

LIM TAI WEI

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The Daqing oilfield (hereafter Daqing) has constituted the backbone of China's petroleum industry. Since its discovery 50 years ago, it has produced more than 2 billion tonnes of crude oil, accounting for over 40 per cent of the country's aggregate onshore production. Its development and management procedures have been replicated across many of China's major oilfields. Additionally, its cadres have assumed leadership positions in oilfields across the country, and some have even been promoted to central leadership positions to help make and implement the country's overall petroleum policy. Thus, much of China's petroleum industry is thought to have begun in Daqing.

With *Oil in China*, Lim Tai Wei offers a comprehensive and detailed case study of this giant oilfield between 1959 and 1985, drawing on Chinese, English and Japanese sources. He recounts how its discovery and development transformed China from a net oil importer to self-sufficiency and later a major exporter to Japan. To transcend the oil sector, he documents this transformation in chronological order and relates it to the changing configurations of China's broader domestic and international political environment.

The author skilfully employs the concept of self-reliance and its ideological metamorphosis to account for Daqing's evolution. He argues convincingly that China's deprived access to international oil markets, resulting from the Western embargo, and its inability to access foreign sources of oil after the Sino-Soviet split, led to a post-war anti-imperialist bent and intensified Chinese impulses toward self-reliance. Ultimately, this resulted in an inclination towards resource nationalism, which characterized the approach to the development of Daqing.