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1. Economic Reform, Social Policy and Political Transition in China	11
<i>Zheng Yongnian</i>	

Thirty years of reform have helped China to attain spectacular economic achievements. The achievements, however, have also brought many challenges to the current Chinese leadership. How China should overcome these challenges would require careful restructuring of the existing political, economical and social structures in the country.

2. Towards Central Planning or Regulated Marketization? China Debates on the Direction of New Healthcare Reforms	23
<i>Gu Xin</i>	

China is facing many healthcare problems ranging from high cost to inadequate access. These problems have triggered a great amount of discontent among the Chinese. Fortunately, policymakers in China are trying to solve the problems in the country's healthcare sector by introducing new measures. However, they must decide whether to base reform policies on the market or through rigid government regulations.

- 3. Direct Provider Subsidies vs Social Health Insurance: 41**
A Compromise Proposal
Åke Blomqvist and Qian Jiwei

With reduced government subsidies to health care providers, the out-of-pocket cost of health care has risen very rapidly in China, as providers have sought to raise revenue by charging patients for the services they receive. Strengthened social insurance programs have not fully protected patients against rising costs, and some policy-makers have advocated a return to a more highly subsidized system. An important question for China is whether it is possible to preserve some of the incentives inherent in a decentralized, market-based health services production system even if it relies more heavily on government subsidies than the current one.

- 4. China's Higher Education: Growth and Problems 73**
Zhao Litao and Sheng Sixin

China's higher education has expanded rapidly since the late 1990s. The decision was made by the central government, but the expansion was largely driven by non-government resources. It is truly remarkable that such a rapid expansion has occurred at a time when the share of government contribution to higher education is on the decline. This chapter describes the growth of tertiary student enrolment, the changing pattern of financing, and the problems associated with the pace of expansion and the mechanisms of financing.

- 5. China's New Public Housing Policy: The Case of Xiamen 93**
Liang Ruobing

It was in the 1980s when economic reforms started in the urban areas that China began to reform its public housing system. By the end of 1990s, the previous housing system was replaced by a market-based one. However, this reform resulted in one serious problem for the central government which is to provide affordable housing to the lower-income families. In order to prevent the housing problem from spiralling out of control, the central government began to experiment with a new housing directive in

Xiamen. The directive aims to increase the supply of affordable public housing to the population, including low-rental housing.

6. Land Market Development in China's Central-Local Relations 119
Su Fubing

China's emerging land market has improved economic efficiency and facilitated the country's goal of modernization. Local governments' heavy meddling in the market, however, have been criticized by both the central government and the society. Moreover, excessive land acquisitions by local governments have "robbed" millions of farmers of their land. Addressing this problem, however, is a difficult task for the government especially over the decision to introduce more regulations or to rely on the market.

7. A Long Way to Go Green: Rethinking China's Environmental Policy, Laws and Governance 141
Chen Gang

China's phenomenal growth has imposed huge pressure on the country's environment and scant resources. Water and air pollution, together with desertification and other environmental degradation, are now so severe that they not only threaten the sustainable development of the economy, the people's health and lifestyle, but also pose an acute political challenge to the governance of the Chinese Communist Party (CCP).

8. China's Looming Water Crisis: Is Beijing Struggling to Overcome It? 165
Yang Mu and Teng Siow Song

China is currently facing many socio-economic problems and one of them is water shortage. This problem is getting very common in the northern parts of China where an unusually prolonged period of drought is affecting the region's water supply for irrigation and consumption. This is most peculiar as the southern part of the country is frequently battered by serious floods. Nonetheless, the drought in northern China has greatly

reduced the water level of major rivers. China seeks to address its water shortage problem through various measures undertaken by the Hu-Wen and introducing large-scale investment water projects across the country.

**9. The Tainted Milk Formula Incident: Another
Hard Lesson for China** 195

Zhao Litao and Lim Tin Seng

The so-called Sanlu milk formula incident was an undesirable event for Beijing particularly under the glare of the international media less than a month after its highly successful Olympics games. Not only were six children killed and more than 290,000 children taken ill in China, it also triggered a global food scare on the safety of Chinese food exports. The incident highlighted the harsh reality of the country existing political and administrative structures being outpaced by its economic development.

**10. A Pivot for Change: The Potential Role of the *Haigui*
in Addressing China's Social Problems** 211

Yang Mu and Tan Soon Heng

China's miraculous economic growth has created many social challenges in society. In order to meet these challenges, changes to the traditional societal structure is needed. Judging from their historical contribution to China's development, *Haigui* or overseas returnees could provide the impetus for inducing the necessary changes.

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