

An Invisible Capitalism Revolution in the Communist Lands - a Pre-study on the Privatization Development of Fishery Industries the Communist Countries of The South China Sea Region

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This pre-study will describe the recent privatization development of the fishery industries and their management systems and organizations, with specific examples of marine fishing enterprises in communist countries of the South China Sea region, such as China, Vietnam and Cambodia. The description will focus on the structural changes of these enterprises and their economical, social and cultural impact on the local fishing industry, fishermen and other persons involved. The readers should be noticed that this document is rather written as a research proposal than a scientific paper.

Asia is vast in area, also in terms of population, fish production and seafood consumption. This continent encompasses more than 60% of the global population and covers more than 50% of global fish catches and consumption, 40% of the world's oceans and 80% of the world's mainland water (FAO/FIDI 1996). With over 5% economic growth per annum in many Asian countries, there have been enormous changes in their economical, industrial and social structures, and their standards of living. By studying changing and developing processes in the fishing industry in these countries, benefits will be gained by acquiring vital knowledge and experiences on the transitional processes, and implementing these to improve the fishing industry in other parts of world also.

South China Sea (SCS) is an interesting region in this respect. The region covers more than 2.6 million km² ocean and 12 countries/regions. Most of them are developing countries with rapid economic growth. Three of "four Asian tigers" are located in

this region (Hong Kong, Singapore and Taiwan). Overall, SCS covers countries and regions such as China, Hong Kong, Macau, Vietnam, Cambodia, Thailand, Malaysia, Singapore, Indonesia, Brunei, the Philippines and Taiwan.

A socio-economical outline of SCS countries indicates the region has the most dynamic changes and development at the present time. Perhaps the most characteristic element of development of this region is that East Asia is the only major region in the world to experience declining numbers of people living in poverty (Worldbank, 1997a). This is an excellent achievement for a region with over 460 million people (excluded P.R.China).

The common denominators for many SCS countries are large population, rapid economical development with high GDP growth, middle or lower living standards, and low calorie intake (except "tigers", Macau and Brunei, which only represent less than 7 % of total SCS population, excluded P.R.China).

Tabell 1 A socio-economical overview of SCS countries (Asiaweek, 1996)

Country/ region	GDP (US\$ bill.)	GDP growth	GDP/cap. (US\$) & Rank *	Foreign debt (US\$ bill.)	Urban pop.	Pop. growth	Pop. (mill.)	Calorie intake	Fish catch ** (per 1000 t.)
China	3172	9.8 %	435/L	100	30 %	1.2 %	1210.1	2703	11605
Hong Kong	137	4.8 %	21558/H	0	95 %	2.1 %	6.2	3144	214
Macau	6.7	4.0 %	15840*	0	94 %	3.8 %	0.4	2162	2
Vietnam	93	8.5 %	220/L	24.7	20 %	2.3 %	74.6	2250	863
Cambodia	12	4.9 %	215/L	1.6	14 %	2.5 %	9.8	2021	31
Thailand	405	8.5 %	2315/M	62.1	35 %	1.5 %	60.0	2443	2286
Malaysia	171	9.3 %	3530/U	23.3	47 %	2.4 %	20.1	2884	635
Singapore	66	9.0 %	22520/H	0	100 %	2.0 %	3.1	3198	14
Indonesia	651	7.4 %	780/L	90	34 %	1.7 %	196.5	2750	2363
Brunei	5.7	1.8 %	20000/H	0	67 %	3.2 %	0.3	2837	4
Philippines	173	5.7 %	1010/M	37.3	46 %	2.3 %	67.7	2452	1689
Taiwan	279	6.0 %	11236/*	0	56 %	1.0 %	21.4	3036	---

* Source: NOU 1995 with following ranges by Worldbank 1994: L-Low Income Country; M-Lower Middle Income Country; U-Upper Middle Income Country; H-High Income Country. Macau and Taiwan were not on the list, but there were good reasons to believe they belong to H-class.

** Source: FAO/FIDI 1996 for 1994 statistics.

There is large scale fishing operative in this region. China, Thailand, Indonesia, the Philippines are the major countries, all with over 1.5 million tons in annual catches. Vietnam and Malaysia have also significant catch quantities (both have over 0.6 million tons in annual catch quantity).

According to NOU definition (1995), most of the SCS countries, such as China, Vietnam, Thailand, Malaysia, Indonesia, and the Philippines are ranged as a middle-of-the-range group of countries (Mellomgruppeland) in terms of income and national economy. This group seems to possess the greatest potential for economical development and therefore can be interesting target groups in the study.

Despite great successes, some SCS countries, such as China, Vietnam and Cambodia are still defined as a low-income group and they will face a challenging task with economical transitions and developing of institutions for a market economy (Worldbank, 1997b). This conclusion implies two major directions in these SCS countries: 1) There is a great potential to increase their people's income; 2) There is a need for reform of their economical systems.

The economical development indicated that China and Vietnam had fast growing rates while Cambodia had a modest rate (Warner, 1994). However, there is one

common denominator among these 3 countries; that they all have, or have been managed by, a communism system and a central planning economical system. They are also gradually attempting to reorganize their systems into free market based economical structures.

A combination of the abovementioned aspects proposes therefore the definition of the SCS communism countries as China, Vietnam and Cambodia as the target group for the SCS regional profile study.

The Reform Processes and Economical Outcomes in the Communist SCS Countries

China was the first country to initiate the economical reform in 1978, two years after the end of the Cultural Revolution. The main direction of reform was reorganization, gradually and carefully, of the country's economical management from a centralized planning model to a decentralized free market model. The reform process was set up by the paramount leader Deng XiaoPing and he introduced three major approaches:

- A responsibility system for each family and person.

- Individuals permitted to acquire more capital than others through free enterprise
- Special Economical Zones where free market based systems are permitted to operate.

As a result, China has maintained a national economical growth of almost 10% for the past two decades approximately. An excellent performance which has astounded many experts.

However, there are still many challenges in China's economy; one of the tougher tasks will be the reform of state-owned enterprises (SOE). The government will target 1000 selected SOE (mainly large companies) to undertake the reform experiment, and if successful, the process will be furthered to other 100 000 SOE in China (DN, 1997).

Vietnam also has introduced a reform program "doi moi". The fundamental objective of "doi moi" was to overhaul Vietnam's centrally planned system and move the country in the direction of a market based economy. Under this program, a wide range of macro-economics and structural measures has been put into place, creating a vibrant economy with several features of a free market based economy system (Worldbank, 1997b).

This "doi moi" reform program has turned the country's economy around dramatically after several years of macro-economics instability, stagnation, and isolation from the world economy. The program has restored a satisfactory degree of macro-economics stability, accelerated growth to 8-9 percent, and attracted public and private foreign capital investment, unprecedented in Vietnam's history.

The problem was also SOE. According to Vietnam Daily News on March 10, 1997, nearly one fifth of Vietnamese state-owned enterprises (SOEs) are operating at a loss. Another source (Nhan Dan Daily) said seventeen percent of the country's 6,250 state enterprises are suffering losses. It is reasonable to assume the next step of reform in Vietnam will also target the SOEs.

Cambodia is rather slow and has not reached this level yet. Nevertheless, the country will most likely experience the same

developing process in the future as their formal political and economical system is quite similar to the Chinese and Vietnamese. Hence, the need and potential exists for changing the system.

To start with, China, especially the SCS part of China is an appropriate example since the country has great influence and potential in this region while so far in Norway there has been only limited research work focusing on the SCS part of China.

Reforms of the Fishing Industry in China, SCS Provinces and Guangdong

The reforms of the fishing industry in China have produced great results and has impacted China's fishing economy and fishery management. A study conducted by Shanghai Fisheries University (Ping 1994) on China's marine fishing enterprises concluded with the following remarks:

- A drastic increase of the total catch quantity for the last decade (table 2).
- A differentiated development in each region, with an increasing SCS share (table 3).
- An increasing trend of privatization of fishing enterprises, and state-owned enterprises facing grave problems.

It is easily deduced that the share of state-owned enterprises decreased in terms of annual catches (from 18.93% to 15.19%), numbers of fishing boats (from 1.3% to 1.1%) and total weights of boats (from 15.99% to 10.23%). Hence, state-owned enterprises will be less and less dominant than private and collective enterprises in the future. It will be interesting to study the progress of this transition and see how state-based fishery management functions in such a changing situation, and eventually which problems they will face during the transition.

Tabell 2 China's annual marine catch and growth of fishing fleet (Ping 1994)

Year	Annual catch (tons)			Fishing boats (number)			Fishing boats (tons)		
	Total	State-owned	Share	Total	State-owned	Share	Total	State-owned	Share
1983	3072296	581693	18.93 %	93046	1181	1.3 %	1620398	259220	15.99 %
1986	3896140	706576	18.13 %	161195	2045	1.3 %	2226453	297666	13.37 %
1989	5036394	---	---	229825	2388	1.0 %	3118054	314287	10.08 %
1990	5500632	825481	15.00 %	239477	2225	0.9 %	3166512	314539	9.93 %
1991	6096358	926496	15.19 %	237358	2408	1.0 %	3395086	363468	10.71 %
1992	6912314	---	---	238977	2594	1.1 %	3654069	373701	10.23 %

According to the same report, SCS was becoming China's second largest fishing region in 1990, possibly due to the following reasons:

- An early start of the economical reform and development in Southern China.
- A result of overfishing in the North and East China Seas.
- A cultural tradition of fish consumption in this region stimulates the development.

China is vast in area and culturally diversified, but the country retains the unique written language and a relatively centralized political system. It is not unreasonable to assume the cultural and climatic differences are larger between two Chinese provinces than two countries in Europe, as one Chi-

nese province is approximately the same size as one country in Europe, in terms of area and population.

For example, one Northern China province - Heilongjiang is located close to the Siberian continent while a Southern China province - Hainan is located in a tropical coastal region. The differences of temperatures in these two provinces can be 50°C on December and their people's staple dietary habits can vary greatly, from baking bread to cooking rice. Consequently, a study of China must consider the country's divergence, *i.e.* emphasizing on differences between each province. By the same premise, a regional profile study of China at SCS shall focus on these provinces located in the SCS region.

Tabell 3 Shares and changes of China's marine catches in different regions (Ping 1994)

Year	Total	North China Sea		East China Sea		South China Sea		Other Ocean Areas	
	Tons	Tons	% share	Tons	% share	Tons	% share	Tons	% share
1986	3896140	1043169	26,77	1801386	46,24	959540	24,63	92045	2,36
1990	5500632	1601566	29,12	2072847	37,68	1614666	29,35	211553	3,85
1991	6096358	1757964	28,83	2178053	35,73	1787953	29,33	372388	6,11
Annual growth (%)	9,37	11,0	1,50	3,87	-5,03	13,26	3,55	32,25	20,96

Tabell 4 SCS provinces of China and their demographic figures (China Map 1995)

Province	Pop. (mil.)	Area (km ²)	Cities	Counties	Vital fishing species
Guangdong	65.82	18 000 000	21	46	Abalone, grouper, lobster, prawn, crab.
Fujian	31.50	12 000 000	6	48	Ribbon fish, yellow croaker, shellfish.
Guangxi *	44.38	23 000 000	7	60	Sea cucumber, squid
Hainan	6.71	3 400 000	2	13	Grouper, green turtle, lobster.

* Autonomy District.

China's SCS provinces include: Guangdong, Fujian, Guangxi and Hainan. They represent the most dynamic economical zones of Mainland China as a result of the reform policy which was first implemented in these provinces in China. One example is Shenzhen (in Guangdong) which was a small fishing village located at the border to Hong Kong. The first economical reform laboratory of China - a Special Economic Zone (SEZ) was established at this village in the early 1980s to attract foreign investment and capital. After nearly two decades, Shenzhen has become a city with 1 million inhabitants and has the greatest free market economy and highest living standard in China, a good pay-off for the economical reform experiment. There were estimated over 20 SEZs by 1994 and most of them were located on the coast.

Guangdong is a leading province in fishing production at SCS, especially for marine catches (53.3% share of total). The province has a coastline of more than 3.000 km and 200 economically viable fish species available; one of the richest fishing resources in China. There were 270.000 persons in the labor force and 48.000 motor driven boats with a total of 1.9 million horse power employed for marine catches in the whole province according to the 1990 statistics. In addition to own consumption, the province has also transported 150.000 tons of fish products to the Northern provinces of China.

Marine culture and fresh water farming are the most expansive branches in Guangdong (see table 5). They are also renowned for their integrated and combined methods of farming, as well as the supply of variable fish species. One common method is integrated farming with fish, livestock and fruit

trees, or combined fish farming in a water reservoir.

There are a considerable number of fish species farmed in Guangdong, such as sea-bass, red porgy, red-spotted grouper, prawn, eel, turtle, yellowfin, sea-bream, oyster, crab and freshwater species as mandarin fish, pomfret, carp and pearl culture, to mention a few (Guangdong Fishery, 1991). Net cage culture and fish ponds are combined in many local fishery communities.

By 1991, there were a total of 96 fishery administrative organs in Guangdong, with over 400 personnel and 33 boats (Guangdong Fishery 1991). Their tasks are to administrate and control the fishery-related activities by implementing the Fishery Law and the license system. It will be a great challenge for these administrative organs and personnel to manage their essential tasks since the accomplishment requires, not only substantial knowledge of fishery sciences, but also a good command of coordination and agreement between different parties involved in the process.

It will be beneficial to study details of these organizations and their coordinating functions, management ability, real power or positions and their changing roles in the local fishery industry, and how they meet or deal with the challenges of expansion and increasing influences of private and collective fishery organizations.

From the aspect of organizational development, it will also be interesting to study the changes and development of work-related values, attitudes, motivations among the executive leaders, middle management and employees in a fishery-related company and to analyze the organizational effectiveness as a consequence of the privatization of the fishing industry.

Tabell 5 A survey on fishery production in Guangdong, China (Guangdong Fishery 1991)

Section/Year	1957(1000 t)	Share (%)	1978(1000 t)	Share (%)	1990(1000 t)	Share (%)
Marine catches	328	65.73	456	69.61	1108	53.34
Marine culture	16	3.21	08	1.22	138	6.64
Fresh water farming	144	28.86	181	27.63	789	37.99
River catches	11	2.20	10	1.52	42	2.02

The Important Questions and Variables of the Study

China's reform process seems to be undertaken differently from what evolved in formal Soviet Union and Eastern Europe. As the privatization process in China had already started in 1978, the country still retains the same political system. In actual fact, the world's last communist system has survived so far by implementing the capitalistic approaches under the label of "socialist market economy". The Chinese communism leaders were quite aware of that and in fact they had implemented similar approaches even before 1978, but not as successfully as this time (Au, & at, 1996).

This "bottom-up" reform model has also been observed in other Asian "tigers" as Singapore, Korea, Taiwan where the rapid economical development occurred while political constraint still largely existed, but are gradually on their ways to improvement. A reform process will affect and change a country's political, economical, social and cultural identities. However, the emphasis and balances of these identities are affected and changed in different ways in Asian countries than elsewhere in the world, which makes the region a fascinating research object.

The research questions shall therefore focus on the directions of esteem, developing and changes of balance for these identities during the reform process.

Political consequences is one essential research question related to this research work: Which political consequences will be brought to the communist authority by this privatizing process and how much freedom this privatizing process is independently implied to the present day?

Economical outcomes is a popular research question for many and the advantage is relatively easy to measure or compare. Therefore, the focus will aim at a comparison of outcomes of SOEs and privatized enterprises, and try to establish a causal-relationship between these types of enterprises that indicates the effectiveness of the privatization process.

Social impact is a complex issue with many dimensions, and one of the basic questions is: Who will be the winners and losers

of this privatizing process? The detailed study of this question endeavors to find out the motivation, benefits and latent resistance of the reform.

Cultural influences and changes is a difficult, but very important question for the understanding of the Oriental mentalities and their roles in the economical development and social changes. A relevant aspect of this will be: What will be the major cultural resistance against this reform and in which degree local cultures are changed as a result of the reform?

The research variables are primarily the measurable indicators that cover and describe the existence and development of the facts or situations related to the research questions. The focus on the research variables endeavors to cover the following dimensions:

1. The *structural* change and development of local fishery organizations.
2. The employees' *cultural* resistance and changes toward the privatization.
3. The *confrontation* and *co-operation* between state-owned and private enterprises.

Preliminary Conclusions and Remarks

Overall, the development on the fishery industry in Guangdong seems to have the following particular characteristics differentiating it from other provinces in China:

- *Multi-dimensional* fishery production, with a combination of wild and culture, marine and inland catches, and an increasing share of the aquaculture industry.
- *Emphasis focused* on exploring and utilizing of fish species, thereby exploiting every possible sea and land area resource for fish production, especially aquaculture.
- *The fishery industry is an important segment* of local commerce, as people are culturally very appreciative of and to a great extent, economically dependent on fish products.

The abovementioned characteristics are to some extent representative for the entire SCS region. These characteristics, together with other political and economical development in this region will indicate the major directions of the problems in a privatization development process and their impact to the local fishery industries, primarily in three directions:

1. The impact of the privatization of fishery management organizations on the local fishing economy and industry, especially in confrontation and cooperation with multi-dimensional fishery production, as with the conflicts of interests among the producers on wild catches vs. culture, and marine vs. inland catching. It seems to be an increasing share of culture and inland rather than wild and marine catching.
2. The transfer of power and balance between state-owned enterprises (SOE) and privatized fishery organizations, in regards to conflicts and cooperation of resource management and utilization in terms of wild catches, development of the fishing fleet, administration of aquaculture production and utilization of fish species. There are big challenges both for SOE and privatized enterprises to cooperate each other in order to utilize the common and limited resources in an effectual way.
3. The consequences of the privatization of the fishery industry on the other industry and service branches, such as the organizational effectiveness of the fish processing industry and the liberalization of the fish consumer market. There is a need for establishment on quality awareness and improvement to meet challenges from the market.

More substantial and detailed conclusions and remarks will be made in the particular operations of the study.

Study Benefits and Further Recommendations

The potential and possible benefits of the study can be summarized as the following achievements:

- Improving the general understanding of the privatization process in communist SCS countries and acquiring specific knowledge on their development in the fishing industry in terms of fishery management systems and resource management.
- Promoting research activities toward the SCS region and renewing the information about the regional development. Identifying the new opportunities and latent problems of the development.
- In particular, acquiring local knowledge on this region that will be relevant for Norwegian foreign aid organizations and other potential users of this knowledge. Establishing and developing the research expertise in this particular field.

It is also expected to discuss and analyze the methodological issues during the project, such as 1) transferring or developing of research methodology for these countries; 2) the similarities and differences of methods used for these countries; 3) specific experiences and knowledge that a researcher should be aware of for undertaking this type of research. To achieve the above objectives, several operative tasks have been conducted in the sampled geographical unit, *i.e.* Guangdong at the first approach:

1. Establishing a dialogue and research contact with a Chinese partner; preferably one or several researchers working for a fishery research institution in Guangdong. Identifying one or several case study organizations acting as basic information sources for data collection, preferably organizations such as small scale marine catches, or fishery administrative organs.
2. Undertaking a field study as a combination of a survey, interviews and observations to acquire the necessary information on the development and impact of the privatization on Guangdong's fishing industry. The study shall focus on the description of a causal-relationship between the initiation and results of the privatization process.
3. Contributing and disseminating the research outcomes to the associated organizations and governmental offices in

Norway and China, such as NORAD and Guangdong Aquatic Products Bureau and other administrative organs, as well as fishery-related research institutes in Norway and Guangdong. The experiences and outcomes of these will be transferred and used for the similar studies in Vietnam and Cambodia.



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