

## China Health Bibliography Update May 2005

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EASHD---China Rural Health AAA  
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\*\*\*Contents in this update are from the following databases: [PubMed](#), [Social Science Citation](#), [EconLit](#), and [Factiva](#)

### Special interests:

- [A deficient public health system as a contributing cause of Severe Acute Respiratory Syndrome \(SARS\) epidemic in mainland China](#)
- [Children's social welfare in China, 1989-1997: Access to health insurance and education](#)
- [Health finance in rural henan: Low premium insurance compared to the out-of-pocket system](#)
- [Local Tax System, Intergovernmental Transfers and China's Local Fiscal Disparities.](#)

### In the news from [Factiva](#)

- [Shanghai Daily: 44 Shanghai hospitals names non-smoking hospitals](#)
- [Reuters: Beijing bars TV stars from pushing health products](#)
- [Asia Pulse: BEIJING HOSPITALS SIGN UP WITH PICC HEALTH INSURANCE](#)
- [Pharma Marketletter: More than 25% of health supplements in China "are fake"](#)
- [Xinhua: Companies in China urged to help HIV carriers](#)
- [Caijin English Newsletter Editorial: Auditing reveal huge misappropriating of public relief funds in China](#)
- [Xinhua via BBC: Chinese urban medical workers sent to serve rural area in Gansu province](#)
- [Xinhua via BBC: Chinese capital to build AIDS prevention, control network](#)
- [Pharma Marketletter: Pharma calls on China for national Rx policy](#)
- [China Daily: FREE AIDS TESTS OFFERED TO GAY MEN](#)
- [Xinhua via BBC: China finance minister interviewed on poverty relief effort, fiscal policy](#)

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Note: Below are selected results from PubMed using EndNotes (search terms:  
2005/05/01:2005/05/31, China)

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Burriss, S., J. Csete, et al. (2005). "Shanghai plans responses to AIDS." [Lancet](#) **365**(9470): 1524-5.

\*\* Qin, L., H. Jeng, et al. (2005). "A deficient public health system as a contributing cause of Severe Acute Respiratory Syndrome (SARS) epidemic in mainland China." [Southeast Asian J Trop Med Public Health](#) **36**(1): 213-6.

SARS (Severe Acute Respiratory Syndrome) is a newly emerging infectious disease which spread over 32 countries and areas, infected more than 8,000 people and causing more than 900 deaths from November 2002 to August 2003. More than 90% of the SARS cases and death were reported from China. Nevertheless, we still know little about this disease, particularly in etiology. SARS, as an emergency of Public Health System (PHS), alarmed health workers throughout the world proving there is still the potential for an epidemic of an emerging infection both in developed and developing areas. Many reports indicated that the insufficiency of the PHS of China was one of the critical factors contributing to the outbreak of SARS. In this study, we attempt to demonstrate some of the categories of PHS that contributed to the SARS epidemic. Two of the categories studied were the living environment and health resources. In the living environment area, the population and population density were examined. Health resources include the medical facilities, health workers, and per capita public health expenditures. An understanding of these areas is important to prevent future epidemic.

Xie, J. and W. H. Dow (2005). "Longitudinal study of child immunization determinants in China." Soc Sci Med **61**(3): 601-11.

This paper exploits longitudinal data and methods to study the determinants of child immunization in 1990 s China. Many countries such as China are experiencing rapid economic transitions characterized by declining public health expenditures, privatizing health-care sectors, increased inequality and high income growth. It is still poorly understood how such changes affect utilization of preventive health care. Data from three waves of the China Health and Nutrition Survey were used to examine the immunization effects of child, household, and community health facility characteristics, as well as changes of such effects over time. Results indicate that gender and wealth differentials in immunization increased during China's transition, though these effects were small. The most important determinants were service price and maternal education. Wealth effects were minimal, indicating that the long-run effect of economic transition on immunization rates may depend crucially on the extent to which more rapid economic growth leads to increased educational investments. Methodologically, the paper finds substantial bias from standard cross-sectional models in contrast to panel data approaches, adding to the case for expanded collection of longitudinal health data in developing countries.

[Back to top](#)

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Note: Below are selected results from Social Science Citation using EndNotes (search terms: 2005, China, health)

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\*\* Adams, J. and E. Hannum (2005). "Children's social welfare in China, 1989-1997: Access to health insurance and education." China Quarterly(181): 100-121.

Fundamental changes in China's finance system for social services have decentralized responsibilities for provision to lower levels of government and increased costs to individuals. The more localized, market-oriented approaches to social service provision, together with rising economic inequalities, raise questions about access to social services among China's children. With a multivariate analysis of three waves of the China Health and Nutrition Survey (1989, 1993 and 1997), this article investigates two dimensions of children's social welfare: health care, operationalized as access to health insurance, and education, operationalized as enrolment in and progress through school. Three main results emerge. First, analyses do not suggest an across-the-board decline in access to these child welfare services during the period under consideration. Overall, insurance rates, enrolment rates and grade-for-age attainment improved. Secondly, while results underscore the considerable disadvantages in insurance and education experienced by poorer children in each wave of the survey, there is no evidence that household socio-economic disparities systematically widened. Finally, findings suggest that community resources conditioned the provision of social services, and that dimensions of community level of development and capacity to finance public welfare increasingly mattered for some social services.

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\*\* Jackson, S., A. C. Sleight, et al. (2005). "Health finance in rural henan: Low premium insurance compared to the out-of-pocket system." China Quarterly(181): 137-157.

China's health reforms of the 1980s led to privatization of rural health care with adverse impact on farmers. A decade later a new rural co-operative medical scheme (RCMS), was piloted throughout many provinces to promote better equity. Although many schemes later collapsed owing to inadequate funding, some continue to the present. This article compares such a scheme with the out-of-pocket system in Henan province. We study the township hospitals, focusing on cost of services, utilization rates and impact of RCMS on hospitals' financial sustainability. Our results derive from monthly hospital records and a survey of four hospitals in two adjacent counties, one county with low-premium RCMS and the other with the out-of-pocket system. All hospitals charged for preventive activities (such as antenatal care, immunization), an unfortunate consequence of limited government support. It was not clear that on average, the total cost of individual patient visits in RCMS hospitals was lower than non-RCMS hospitals. Farmers were generally unaware of their insurance entitlements, except the catastrophic illnesses for which

there was a real benefit from refund of US\$100 or more. Although the effect of the RCMS on hospital charges was unclear it was notable that the utilization rates in RCMS areas were twice those in non-RCMS. We conclude that RCMS hospitals were better funded because of reimbursements from the insurance scheme and therefore were more viable as sources of good health care. Thus, health care could become more equitable under RCMS than the out-of-pocket system. China is now beginning to test a revised form of RCMS with pooling at the county level, increased premiums (10 yuan per person) and increased government funding. However, it must be followed closely to determine the effect on rural services and health care costs for farmers.

Lai, D. J. (2005). "Sex ratio at birth and infant mortality rate in China: An empirical study." Social Indicators Research **70**(3): 313-326.

In this article, we used the data from the last three population censuses of China in 1982, 1990 and 2000, to study the dynamics of the sex ratio at birth and the infant mortality rate in China. In the late 1970s, China started its economic reform and implemented many family planning programs. Since then there has been great economic development and a dramatic decrease in fertility in most of its provinces. Along with these achievements, the sex ratio at birth of the Chinese population has increased to significantly more males to females, and in some provinces of China reached unprecedented levels. The ratio of infant mortality of the males to females for many provinces in China become extremely unbalanced with a much higher female infant mortality rate. In our study, we investigated the statistical relationship between the sex ratio at birth and the ratio of the infant mortality of males to female. Social and economic reasons for these unnatural trends are also discussed.

[Back to top](#)

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Below are selected search results from EconLit using EconLit Advanced Search (search terms: China, 2004 and 2005, rank by date)  
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Feltenstein, A. and S. Iwata (2005). "Decentralization and Macroeconomic Performance in China: Regional Autonomy Has Its Costs." Journal of Development Economics **76**(2): 481-501.

We give an empirical examination of the impact of fiscal and economic decentralization in China on the country's economic growth and inflation, using a vector autoregressive (VAR) model with latent variables. Our econometric investigation offers strong evidence that there is a connection between decentralization and macroeconomic performance in China. Economic decentralization appears to be positively related to growth in real output for the entire postwar period in China. Fiscal decentralization seems to have adverse implications for the rate of inflation, especially after the late 1970s. Decentralization would therefore seem to be good for growth and bad for price stability.

Hu, F. Z. Y. (2005). "Deconstructing State-Owned Enterprises in Socialist China under Reform: A Scalar Examination." Environment and Planning A **37**(4): 703-22.

Studies of economic transformation under socialism in general, and the growth and development of state-owned enterprises (SOEs) in particular, have been based on the assumption that SOEs are a homogeneous entity. With few exceptions, the extant literature tends to compare SOEs as a whole with other economic sectors. Little has been written about the heterogeneous nature of SOEs. The author examines the internal variation of SOEs at different administrative levels in terms of productivity and profitability in China, which remains one of the largest socialist economies undergoing profound structural changes. The performance of SOEs is found to have varied significantly among the administrative hierarchy of the socialist political system. The changing politics of scale from promoting regional self-reliance in the Maoist era toward both expanding SOE autonomy and fiscal decentralization in the post-Maoist era, has resulted in an increase in the disparity between the SOEs affiliated with the national government and those affiliated with local governments. The investigation of SOEs in the Chinese context raises important theoretical questions concerning the growth dynamics of SOEs and suggests the need for a more careful and path-dependent treatment of socialist economies under reform. The

growth of SOEs in transitional socialist economies provides an interesting testing ground in which to evaluate the theoretical discourse concerning the politics of scale and the rescaling of politics.

Liu, Z. (2005). "Institution and Inequality: The Hukou System in China." Journal of Comparative Economics **33**(1): 133-57.

We examine the impact of China's hukou system, which is an institution controlling population movement, on social and economic outcomes at the individual level. Using data from a recent Chinese household survey, we find that people who obtained urban hukou late in their lives fared significantly less well than other urban residents. They have fewer years of education, are less likely to hold state sector jobs and to have employer-provided healthcare benefits, and are more likely to be self-employed or unemployed. A rural-urban comparison that controls for factors commonly believed to affect migration decision reveals that the two major contributing factors to rural-urban inequality are low educational attainment among rural population and low rewards to education in rural employment. Since the hukou system denies rural population the access to education and urban employment, we argue that the hukou system is a major contributing factor to rural-urban inequality. We also estimate the value of an urban hukou to rural individuals.

**\*\* Tsui, K.-y. (2005). "Local Tax System, Intergovernmental Transfers and China's Local Fiscal Disparities." Journal of Comparative Economics **33**(1): 173-96.**

In this paper, we explore the underlying factors shaping fiscal disparities at the county level in China. Using a data set containing budgetary figures for all county-level jurisdictions from 1994 to 2000, we derive trends of county-level fiscal disparities. In addition, we develop a coherent framework to assess the impact of the local tax system and the intergovernmental transfer system on fiscal disparities after the introduction of a tax-sharing system. To be precise, we decompose overall fiscal disparities using the method proposed by Shorrocks [Econometrica 50 (1982) 193-211] and extended by Tsui [Journal of Comparative Economics 26 (1998) 783-804].

[Back to top](#)

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Note: Below are selected search results from Factiva using search builder for news in the last month. Search terms: China and health; China and medical and insurance; 卫生; 医疗, 医院. All sources, All companies, Subject: Analysis or Audio--visual links or Commentary/opinion or Country profile or Dow Jones/Reuters Top Wire News or Economic News or Editorial or Intl Pol-Econ Organizations or Interview or Letter or News Digest or Political/General News or Review or Routine General News or Transcript, Region: China, All industries, Language: Chinese simplified or traditional or English, Sort results by: publication date, most recent first

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#### **44 non-smoking hospitals named**

SHND000020050531e15v0000h

Shanghai

260 Words

31 May 2005

Shanghai Daily

English

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Local health authorities will name 44 medical facilities in the city as non-smoking hospitals today, which is World No Tobacco Day.

The 44 hospitals have strict rules on smoking, have set up non-smoking signs, banned medical staff from lighting up in work areas, advise patients and their relatives to butt out, and don't sell cigarettes in their gift shops.

Doctors from the hospitals also give two lectures a year on the risks of smoking in nearby communities.

According to the World Health Organization, health professionals are in an excellent position to play a prominent role in controlling tobacco use, as they have the opportunity to help people change their behavior and can give advice, guidance and answers to questions related to the consequences of tobacco use.

Currently, there are 320 million smokers in China, accounting for one-quarter of all smokers in the world. About 750,000 Chinese die of smoking-related diseases every year.

About 65 percent of local male adults smoke and non-smokers have to put up with second-handed smoke in 31.3 percent of public venues and 48.9 working places, health authorities said.

"The local government has issued a regulation on smoking control in public venues and has promoted knowledge on the dangers of smoking for years," said Song Guofan, a bureau official. "The city started to require medical staff to quit smoking in 2001 and establish non-smoking hospitals last year."

Health officials said 241 local hospitals applied to be named non-smoking facilities.

[Back to top](#)

### **Beijing bars TV stars from pushing health products**

LBA0000020050530e15u000cw

252 Words

30 May 2005

06:47 GMT

Reuters News

English

(c) 2005 Reuters Limited

BEIJING, May 30 (Reuters) - Beijing has pulled the plug on TV stars playing doctors or patients in TV commercials to promote health or cosmetic products, state media reported on Monday.

The first television spot targeted in the crackdown featured a young actress claiming a drinkable calcium supplement made her young son smarter and taller, the Beijing News reported.

"It's improper for public figures, including film and TV stars, to promote products in ads as consumers. They may easily mislead the public," Xinhua news agency quoted a city official as saying.

In the banned ad, Chen also pressed a toy bear to try the supplement, exclaiming, "Drink up, you stupid bear."

The Beijing government on Friday ordered all local television stations to stop broadcasting ads in which actors depicted consumers, patients or experts to talk

about the effects of health, medicine and cosmetics products, the Beijing News said.

"Stars can have great effect on the public's impressions of products, and businesses deliberately use popular celebrity worship to stimulate people's desire to buy," an unnamed Beijing official was quoted as saying.

Chinese television is filled with ads graced by domestic celebrities pitching anything from suits to motorcycles.

Foreign stars also sometimes enter the fray -- football superstar Ronaldo lends his gap-toothed smile to a spot for a Chinese brand of throat lozenge.

[Back to top](#)

### **Chinese capital to build AIDS prevention, control network**

BBCAPP0020050529e15t000dy

181 Words

29 May 2005

08:58 GMT

BBC Monitoring Asia Pacific

English

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Text of report in English by official Chinese news agency Xinhua (New China News Agency)

Beijing, 29 May: Beijing will build an AIDS prevention and control network, covering the entire municipality, said Vice-Mayor Niu Youcheng over the weekend at the 2005 municipal health work conference.

The three grade network includes the municipal and district disease prevention and control mechanisms, the community health service centres and the sanitation stations in townships and villages.

The Municipal Health Bureau Director Jin Dapeng said Beijing will prioritize the building and reconstruction of 1,486 sanitation stations in the rural areas.

At the same time, Beijing will intensify AIDS-related education in eleven districts and counties, together with 20 communities this year.

The official said all the second level and top level hospitals in Beijing are ordered to establish HIV virus checking centre.

The government will also continue to increase auto condom vending machines in public places, methadone treatments and needle exchange services, Jin said.

Source: Xinhua news agency, Beijing, in English 0243 gmt 29 May 05

[Back to top](#)

## **BEIJING HOSPITALS SIGN UP WITH PICC HEALTH INSURANCE**

APULSE0020050524e15o001rz

438 Words

24 May 2005

Asia Pulse

English

(c) 2005 Asia Pulse Pte Limited

BEIJING, May 24 Asia Pulse - China's first specialized health insurer, the PICC Health Insurance Co Ltd, has forged partnerships with five hospitals in Beijing.

The co-operation is a first step towards a specialized medicare network.

It is expected that partnerships between PICC Health and the selected hospitals, which include the China-Japan Friendship Hospital, will provide all concerned with valuable knowledge and experience in China's burgeoning commercial health insurance market.

The agreements, which were signed on Sunday, "signal the start of a brand-new hospital-insurer co-operation platform, and lay a solid foundation for future operations," said Liu Jian, president of PICC Health.

"Working with us will help hospitals improve their reputation and broaden their influence, and therefore enable us to build on our network of hospitals," he added.

The insurer said it has yet to flesh out the details of the co-operative agreements, but said co-operation could vary from information sharing, technical assistance, and hospitalization guidance to financial remuneration for the hospitals.

China is promoting specialized commercial health insurance to help broaden coverage of its huge population.

Only a small proportion of people, mostly civil servants and other State sector employees, are covered by the government-led medical insurance programme.

The nation's first two specialized health insurance firms were set up this year, after the local insurance industry failed to find a profitable business model for running health insurance programmes alongside their existing business.

Lu Houshan, president of the Peking University People's Hospital, one of the five partnership hospitals, said co-operating with a health insurer will further improve his hospital's reputation, help the staff learn about commercial health insurance, and better standardize management of the hospital, particularly in terms of medical fees .

"Looking at the big picture, signing this agreement and being involved in the partnership is a good thing for us to do," he said.

With only five hospitals having joined the scheme there are some fears it could struggle in the early stages, criticism which was brushed aside by Liu Jian, president of the Beijing Friendship Hospital. "As more hospitals join and competition increases,

hospitals will work increasingly hard to cut medical costs and gain the opportunity to co-operate with the insurers. As medical bills fall, more clients will be attracted to join insurance schemes," he said.

However, health insurers will need to exert caution when trying to keep premium rates low to broaden their customer base, Lu warned, pointing out that companies could suffer losses should claims turn out to be unexpectedly high.

[Back to top](#)

### **25%+ of health supps in China "are fake". (Brief Article)**

MKLT000020050524e15n0001v

112 Words

23 May 2005

Pharma Marketletter

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ISSN: 1355-8501

English

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The China Health Care Association has reported that more than 25% of health supplements sold in China are counterfeit and make false claims. Over a quarter of the 767 fake products found, in an examination of 2,951 supplements sold through retail establishments across China, were for weight loss, it adds.

A large number of products were not licensed for production or used licenses belonging to other businesses, according to the survey, which was the largest of its kind ever undertaken and was conducted in over 300 cities and counties from June 2005 to March 2005.

[Back to top](#)

### **Pharma calls on China for national Rx policy.**

MKLT000020050524e15n00005

467 Words

23 May 2005

Pharma Marketletter

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ISSN: 1355-8501

English

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The Chinese government is being strongly pressured by domestic and overseas pharmaceutical companies to establish a national drugs and health care policy. This, they say, would allow more comprehensive and efficient administration of drug research, production, marketing, usage and pricing.

Currently, Chinese medical affairs are covered by regulations from nine departments within the State Council, notes Wu Yongpei of the National Institute of Hospital Administration.

"The absence of necessary policies and poor coordination between different

departments has become the main reasons for the drug-related problems being seen today," added Yan Min, director of the State Food and Drug Administration's Department of Drug Safety and Inspection. These include "runaway and random competition in the drug market, high prices, medicine abuse and a shortage of basic medication in rural areas," she told an interview, adding: "the DDSI has proposed the establishment of a state drug policy, as improving basic medicine regulation is a key part of the state-level policy. To formulate such a drug policy, a group should be established under the State Council to coordinate the different departments."

#### Basic drugs list has no regulatory support

The "basic drugs" concept was originally proposed by the World Health Organization, to ensure the public had access to safe, necessary and effective drugs at reasonable prices. China now has its own list of basic drugs, which includes 759 western products and 1,242 traditional Chinese medicines. However, it appears that, in China, the basic medicine regulation is only a list, with no related essential rules. For example, most of the listed products are cheap, but there are no state subsidy policies for drugs which are used to treat rare diseases and make little profit for their manufacturers.

Pharmacy expert Zhou Chaofan believes that the list of basic medicines should be enlarged and that it should also represent the products which are covered by medical insurance. "China has approved the marketing of 14,000 drugs but only 2,000 have been listed as basic medicines, and only 2,960 are covered by medical insurance. A national drugs policy needs to give more financial and other support, so more drugs are made available to more people," he says.

Meantime, medicine abuse is rife in China, where around 80% of rural inhabitants and approximately 40% of urban dwellers have no medical insurance. Currently, there are no requirements for doctors to prescribe rationally nor to ask for the medical insurance fee. For example, products which are covered by medical insurance are not on the SFDA's list of basic medicines; instead, they appear on one, consisting of 2,960 products, compiled by the social security department. The two lists duplicate many of the medicines, thus leading to confusion and misuse.

[Back to top](#)

#### **FREE AIDS TESTS OFFERED TO GAY MEN**

CHNDLY0020050517e15i0000y

By Zheng Caixiong

551 Words

18 May 2005

China Daily

English

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GUANGZHOU: South China's Guangdong Province recently began providing free and confidential access to AIDS and HIV tests to gay men.

The move will last one month and is designed to be an annual event.

Between May 10 and June 10, local homosexuals including foreigners can provide

blood samples in anonymity by mail to the AIDS Prevention and Treatment Institute of the Guangdong Provincial Centre for Disease Control for AIDS and HIV tests, an official from the centre said yesterday.

Meanwhile, gay men who arrive at the centre can speak face-to-face to doctors there.

Confidentiality is a priority, with examination results not to be leaked, said Jin Jianxing, a centre official.

In addition to mail-based services, examinees can receive test results via the Internet if they do not wish to travel to the centre, Jin said.

The move is aimed at helping the province study and research the spread of AIDS and HIV among the province's gay population and to tackle the spread of the fatal disease in Guangdong, which borders Hong Kong and Macao special administrative regions.

The number of gay men makes up between 2 per cent and 4 per cent of Guangdong's total population, Jin said.

And the odds of gay men passing on HIV and AIDS are usually five times greater than lesbians.

Shenzhen Special Economic Zone alone is now estimated to have more than 100,000 homosexuals living within the area.

Meanwhile, the centre also offers free examinations for hepatitis, syphilis and other infectious diseases for gay men during the one-month period, Jin told China Daily yesterday.

To help fight AIDS and HIV in Guangdong, where AIDS has quickly spread in recent years, authorities are planning to establish a special anti-AIDS working committee to focus on preventing and tackling the illness.

The committee will consist of senior doctors and other experts who will try to establish files for all AIDS patients and HIV carriers in the province.

It is expected to be officially established before the end of the year and will seek out international co-operation and overseas financial support over the next few years.

And Guangdong provincial government will surely expand the government's investment in combating HIV and AIDS, while importing advanced equipment and technologies to help test and treat patients.

An official from Guangdong Provincial Bureau of Public Health has promised to further improve his province's testing and treatment standards.

Guangdong's total number of AIDS patients officially numbered 5,051 at the end of

last year.

But the official predicted that the prosperous province likely had as many as 30,000 underground AIDS patients and HIV carriers.

Last year alone, a total of 191 people were diagnosed as having contracted AIDS in Guangdong.

With Guangdong's opening up drive advancing, the province's number of AIDS patients and HIV carriers will continue to grow in the future, doctors predict, becoming a serious health threat to the province.

Guangdong now has the fourth greatest number of AIDS patients and HIV carriers in China.

Yunnan Province in Southwest China is the worst HIV/AIDS hit region. It is followed by the Xinjiang Uygur Autonomous Region and Guangxi Zhuang Autonomous Region.

(Copyright 2001 by China Daily)

[Back to top](#)

### **Companies in China urged to help HIV carriers**

XNEWS00020050519e15j000xd

422 Words

19 May 2005

Xinhua News Agency

English

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BEIJING, May 19 (Xinhua) -- Member companies of the Global Business Coalition on HIV/AIDS (GBC) have agreed to do their bit to stem the HIV/AIDS tide in China.

Twenty-six companies of the GBC, which has more than 200 members including dozens in China, on Wednesday announced they would seek a policy of indiscriminate of HIV/AIDS employees in their workplaces within China and then to promote an anti-AIDS cause for the wider community, Thursday's China Daily says.

Their commitments came in response to Vice Premier Wu Yi's call on Chinese and international companies to take action at the March 18th Ministry of Health and GBC Joint Summit.

Trevor Neilson, GBC's executive director, said businesses have a responsibility to protect employees living with HIV/AIDS and that no one should be unfairly denied employment based on their HIV status.

The 26 companies, most of which are multinationals, have already established, or have committed to implement, non-discrimination policies for HIV/AIDS for their China-based employees before World AIDS Day on Dec. 1, 2005.

"Business sector involvement on HIV/AIDS in China is extremely limited so far and

our work is just beginning," said Priya Bery, GBC's Director of Policy and Research.

"Our goal is to encourage more business action against AIDS in China through the GBC's work, and its Beijing office will open later this summer," Bery said.

"We would like to increase the number of Chinese companies and the work of international companies involved in our cause."

Priya Bery believes the business sector has unique skills and expertise and could be effecting in fighting HIV. She urged Chinese companies to seize the opportunity and take responsibility in addressing the issue.

As well as commitments to non-discrimination policies, companies like Booz Allen Hamilton, Glaxo Smith Kline, Gobon Guilin Latex, Horizon Research Group, MSD China and Ogilvy Public Relations Worldwide have all announced additional measures.

"Each individual company must educate its employees and look outward to see how it can contribute to combating HIV/AIDS in China," said Bill Valentino, General Manager of Corporate Communication, Bayer (China) Limited.

In December, Bayer China and Qinghua University started a joint "Qinghua-Bayer Media Studies Program" to enhance China's media professionals' skills and capabilities in public health reporting, and to promote other public health issues in China.

Chinese companies have also responded to GBC's appeal. SOHU.com is providing office space for the GBC's Beijing office.

[Back to top](#)

### **Disaster for China's Public Finances**

CJMENG0020050527e15g00001

Editorial

By Hu Shuli, Editor of Caijing Magazine

894 Words

16 May 2005

Caijing English Newsletter

English

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Shortly before the May Day holiday, the National Audit Office released the details of an investigation into the use of relief funds for earthquakes in Dayao County, Yunnan Province. The audit's results, the first into a national disaster relief effort, has shocked the public and provoked deep soul-searching into the structural problems that exist in China's government relief efforts.

The chief problem exposed by the audit was the misuse of relief funds, involving almost 100 million yuan (US\$ 12.1 million), or one-fourth of the government's total relief fund. Insiders say this type of misuse is the rule rather than the exception, reflecting serious defects in the national public finance system.

By 'public finance' we mean the way the government distributes money, goods, and service to its citizens. A market economy requires the government to build a parallel public finance system to provide products and services the market cannot offer. China began building such a system in 1998, but progress has been very slow due to the reluctance of special interest groups. Big business is very happy that almost one fourth of all the government's budget categories relate to economic development. Social services including culture, education, science and public health, on the other hand, are all lumped into a single category.

In terms of cash, the budget for economic development equals the total for a wide range of public services and the size of funds for loss compensation and relief efforts is pathetic. In 2003, for example, 464.1 billion yuan (US\$ 56 billion) was budgeted for economic development, and 450.5 billion yuan (US\$ 54.4 billion) went to culture, education, science and public health. A meager 49.8 billion (US\$ 6 billion) was spent on loss compensation and relief efforts. This kind of budget structure is typical of a 'constructive economy,' but falls short of adequately assuming the public responsibilities required in a market economy.

There is no denying that the misuse of disaster relief funds is outrageous. But a careful look into these misappropriations reveals that local governments in the disaster areas are often running huge deficits and struggling to provide even the most basic services. Since the 1994 tax reforms separating central and local government tax revenues, the financial health of national and provincial governments have improved. However, local government budgets remain in chaos. Local governments have gained more policy-making rights, but still lack independent budgets. Measures aimed at boosting local budgets have been rather ineffective. When disasters strike a cash-strapped rural region, the eagerness of these local governments to misuse the aid to pay off debts and pay for other projects isn't at all surprising.

Too many deficiencies need urgently to be dealt with in China's pursuit of a better public financing system. The most important, we believe, are not implementing specific technical details, but for the government to focus on a feasible structure and work diligently towards this goal. There must be a clear distinction between the responsibilities of government and market, and the role of the government must be limited but efficient.

This is, of course, easier said than done. The national Budget Law stipulates that all levels of government should put away one to three percent of their budget for special, unexpected expenditure such as disaster relief. In practice, the ratio of such funds are usually just above one percent of the budget, which puts the central government's reserve for disaster relief between 10 and 20 billion yuan (US\$ 1.21 billion to 2.42 billion). A separate central government fund for severe natural disasters stands at a mere 2.2 billion yuan (US\$ 265.7 million). At the same time, a small number of advocates for a government-backed 'stabilization fund' to save China's stock market have been lobbying aggressively for as much as 100 billion yuan, or one-tenth of the central government's budget. Ridiculous as such proposals may sound, supporters of this fund see nothing wrong with it. This shows how far China is from a reasonable 'public finance' system.

When two big earthquakes hit Dayao and surrounding areas in July and October

2003, China was only beginning to recover from the SARS epidemic. The general public, still reeling from the virus, showed great compassion for the people in the disaster areas. The corruption in this high-profile relief effort underscores the difficulties in building an efficient disaster-relief mechanism. Thus, the Dayao scandal also reminds us of the urgency of China reforming its disaster relief efforts.

Two tasks stand out: one, follow the universal rules of market economy, establish the government's central role in disaster relief, and dramatically increase the size of reserve funds large public hazards; second, consolidate disaster-relief agencies and their staffs, and create a centralized disaster relief organization. Both require serious effort and pose great challenges. Special interests may seek to impede the process, but for the sake of public welfare, these tasks are a must.

Many changes have taken place in China since the earthquakes struck Dayao two years ago. With the economy more vibrant than ever, this is a perfect time to reform the disaster-relief mechanism. Preemption is the only way to prevent another public finance tragedy.

[Back to top](#)

### **Chinese urban medical workers sent to serve rural area in Gansu province**

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English

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Text of report in English by official Chinese news agency Xinhua (New China News Agency)

Lanzhou, 16 May: China kicked off its first pilot programme under which skilful urban medical workers will be sent to help develop medical services in rural areas, in Lanzhou, capital of northwest China's Gansu Province.

Vice Provincial Governor Li Ying said at Monday's [16 May] start-up ceremony that 1,265 urban medical workers from 10 cities will be sent, beginning this week, to work at 43 county-level and 350 township hospitals in the province, where they will work for at least one year.

Urban medical workers will help train rural medical workers in treating frequently-occurring diseases, common diseases and diseases that are both hard to diagnose and to cure, with the purpose of improving medical treatment levels and beefing up the functioning of rural hospitals in planned immunity, prevention of disease and health care.

Li said, the pilot programme in Gansu, the first and only one to be carried out in China this year, is not only of great significance in developing rural medical services in Gansu, but is also vital in exploring ways for establishing an effective mechanism

for China's medical services in rural areas.

The Gansu programme constitutes part of a national programme titled "10,000 physicians support rural health work", which was launched jointly by the Chinese Ministry of Health, Ministry of Finance and the State Administration of Traditional Chinese Medicine.

Starting this year, the programme will be gradually carried out in 600 hospitals in 592 state-listed poverty-stricken counties in central and western parts of China. The central government will fund the programme.

Source: Xinhua news agency, Beijing, in English 1447 gmt 16 May 05

[Back to top](#)

### **China finance minister interviewed on poverty relief effort, fiscal policy**

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Text of report on 'special interview' with China Finance Minister Jin Renqing by Wang Jian, Qi Yanling in Istanbul on 5 May: "China is staunch supporter of international cause of development - interview with Chinese Finance Minister Jin Renqing", carried by official Chinese news agency Xinhua (New China News Agency)

Istanbul, 5 May: During a special interview on 5 May with Xinhua reporters, Chinese Minister of Finance Jin Renqing, who is currently here attending the 2005 Annual Meeting of the Asian Development Bank [ADB], said: As the largest developing country in the world, China has been an important practiser of the global cause of poverty reduction and development as well as a staunch supporter of the international cause of development. It has been working for promoting international cooperation in the field of poverty reduction and development.

Promoting the worldwide achievement of the millennial development goals is a hotspot issue of concern to everybody during this year's ADB annual meeting. Jin Renqing said: More than 20 years of reform and opening up enabled the Chinese economy to keep developing in a sustained, rapid manner. Meanwhile, the Chinese Government implemented a large-scale, sustained, and fruitful help-the-poor programme to solve the problems of food and clothing for more than 200m impoverished people in the countryside. This is not only a great beginning in China's development history but also China's contribution to the global cause of poverty reduction and development. In future the Chinese government will, as before, take the provision of help for the poor and the promotion of development as the focuses of work and - in light of the scientific concept of comprehensive, coordinated, and sustainable development - take various measures to promote an increase in peasants' income and increase fiscal support for educational, health, cultural, and

other social undertakings to try hard to build a socialist harmonious society.

Jin Renqing said: While working for developing its national economy, China did not forget to support poverty reduction work in other developing countries but provide aid within its capacity. China has donated to the African Development Bank and ADB in succession and set up in the ADB a China fund for poverty reduction and regional cooperation to support the cause of poverty relief in the Asia-Pacific region. While providing material aid, the Chinese government made great efforts in promoting the summation and exchange of international experiences in development and poverty reduction. While acquiring development knowledge from the international community, China summed up and shared with other countries its reform and development experiences.

Jin Renqing also said that recently he and British Chancellor of the Exchequer Gordon Brown issued a joint statement on global development issues to call on the international community to increase development aid and reduce trade barriers to developing countries. This year China is chair of the Group of 20 and the Asia-Europe Finance Ministers' Meeting. We will, in major international fiscal and financial events, encourage the international community to strengthen cooperation and promote the achievement of the millennial development goals.

Speaking of the achievements of this year's meeting of ASEAN, Chinese, Japanese, and South Korean (10 plus 3) finance ministers, Jin Renqing said: The mechanism of 10 plus 3 finance ministers' meeting is presently the most important multilateral forum on East Asian regional fiscal and financial cooperation as well as a major channel for carrying out the 10 plus 3 leaders' instructions on fiscal and financial cooperation. In the area of strengthening East Asian fiscal and financial cooperation, the finance ministers mainly discussed various measures for promoting the development of the Asian bond market and strengthening the Chiang Mai Initiative's effectiveness. Furthermore, the Chinese, Japanese, and South Korean finance ministers held a meeting to have in-depth exchanges of views on the macroeconomic circumstances in their respective countries and have policy consultations on strengthening fiscal and financial cooperation between China, Japan, and South Korea.

Jin Renqing also provided information on major characteristics of this year's Chinese fiscal policy. He said: The Chinese government decided to implement, beginning this year, a moderate [Chinese: wen jian] fiscal policy of an appropriate degree of tightness. This fits in with the changes in economic circumstances and the needs of macroeconomic regulation and control in China at the present stage. The moderate fiscal policy's connotations can be summarized into four aspects: 1. To control the deficit. This year's fiscal budget deficit is 300bn yuan, down 19.8bn yuan from last year. 2. To readjust the structure. That is to, in accordance with the scientific development concept and the requirements of public finance, further readjust the composition of fiscal expenditure and the investment mix of funds for treasury-bonds-funded projects by dealing with different cases in different ways and guaranteeing some projects and cutting down on others and to put forth efforts to strengthen the weak links in economic and social development. 3. To advance the reform. That is to change the mode of relying mainly on funds for treasury-bonds-funded projects to pull along economic growth and to, after guaranteeing a certain scale of central budgetary investment, make an appropriate downward adjustment to the scale of funds for treasury-bonds-funded projects to transfer more financial

resources for use in supporting structural reforms and system innovations and establishing long-acting mechanisms conducive to the economy's independent growth and healthy development. 4. To increase revenues and cut down expenditures. That is to strictly collect taxes in accordance with the law and ensure steady growth of fiscal revenues, with the overall tax burden unchanged or slightly reduced. At the same time strict expenditure management is implemented to conscientiously raise the benefit of budgetary funds used.