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China Urged to Continue Reforms for Growth

By KEITH BRADSHER

HONG KONG — With China preparing for a leadership change in late autumn and facing a longer-term contraction of its labor force, a flurry of reports is suggesting that the country needs to continue moving ahead with economic reforms, and in some cases confront entrenched interest groups like the powerful state-owned enterprises.

On Thursday, China's central bank issued a detailed outline of a report calling for the country to ease some restrictions on investing elsewhere over the next three years, a move that would allow Chinese to take greater advantage of Western assets whose values have been depressed in the long economic slowdown. The report also suggested removing some limits on foreign buyers interested in Chinese stocks, bonds and real estate over the next 5 to 10 years.

On Monday, the World Bank is scheduled to release a five-volume report, prepared with the help of top advisers to the Chinese government, that will provide extensive, market-oriented prescriptions for how China can prevent growth from slowing considerably between now and 2030, as China's labor force begins to shrink and grow old.

People briefed on the document said that it recommends limiting the influence of the vast state-owned enterprises, expanding research and innovation, protecting the poor and infirm, strengthening the tax system and investing in green energy and energy efficiency.

With the exception of curbing state-owned enterprises, these goals are already in the government's current Five-Year Plan, which runs from 2011 to 2015.

Last November, the International Monetary Fund released its own report, calling for China to open its financial sector. That document particularly urged the government to move faster in letting banks make loans to whatever borrower can reliably pay the highest interest, instead of looking to bureaucrats for guidance on lending decisions.

Underlying all of these reports is the nearly unanimous conviction among economists who specialize in China that the country's pace of economic liberalization has slowed over the past decade under Prime Minister Wen Jiabao. His predecessor, Zhu Rongji, forced the breakup and privatization of thousands of state-owned enterprises, greatly increasing economic efficiency.

Mr. Wen has tried with somewhat less success to confront the remaining state-owned enterprises, which have grown bigger and more politically influential. Such businesses — notably in the energy and telecommunications industries — have been wary of letting foreign rivals into the country and remain defenders of keeping China's currency weak, so as to preserve a competitive advantage for their exports.

"Reform-minded officials, including Premier Wen, are fighting hard to prevent reform efforts from being paralyzed over the next year during the leadership transition," Eswar S. Prasad, a Cornell University economist who used to head the I.M.F.'s China division, wrote in an e-mail. "However, establishment forces that are opposed to rapid financial sector liberalization and reforms to state enterprises are pushing back strongly."

The central bank, the People's Bank of China, has long favored relaxing some of the country's investment controls. Its research report on Thursday proposed a possible timeline for doing so. But Chinese companies' investments overseas are already large and growing.

The document was less positive about allowing foreign companies to buy stakes in Chinese companies with few restrictions or allowing broad international trading of the Chinese currency. It suggested that these steps could take up to a decade to approve, and even then could still be subject to some limits.