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### **The Strange Marriage between the State and Private Business in Beijing**

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Whereas most spheres of the urban economy remain publicly owned and are bound to the state through a complex integument of institutional ties, the private sector is, by its nature, relatively free-floating. In the belief that the role of associations as intermediaries between state and society would be relatively more clear-cut in this sector, during the space of a dozen years between 1993 and 2005 I undertook a long-term fieldwork study of the three associations that are supposed to serve as conduits between the state and private enterprises: the Self-Employed Laborers Association that the government established for small-scale vendors and other small private business operators (*getihu*); an association for somewhat larger proprietors, the Private Enterprises Association; and the association for the largest businesspeople, the Federation of Industry & Commerce.

To what extent have these associations actually been able to function as a meeting-ground between the state and private interests? To what extent do they operate as instruments of state control? As the private sector continues to grow, to what extent have any of them come under the influence of its assigned business constituency, and

begun to act more on the constituency's behalf than on behalf of the government? Have the activities of all three conformed to the notions of "corporatism"? Do any serve as a vehicle for the emergence of civil society? Might the answer differ markedly in relation to powerful and non-powerful constituencies? These questions are examined in this chapter through an investigation, in the city of Beijing, of all three of the associations that have handled relations between private business endeavors and the state. A final set of questions can also be asked about these associations, because I managed to undertake fieldwork research on them first in 1993 and then again in 2004 and 2005, returning to the same locations to ask similar questions more than a decade apart. That final set of questions is: What have been the significant changes in the operations of such associations over time? What are the trend lines? As will be seen, some of the most important findings have turned out to be quite unexpected.

#### *The Self-Employed Laborers Association*

As early as 1982, the national government directed that localities should begin to organize a Self-Employed Laborers Association (*Geti Laodongzhe Xiehui*) to encompass the petty entrepreneurs—the stall-keepers and small family craft and service businesses—which the state had decided would be allowed to emerge from among China's unemployed. The term "self-employed laborers" reflected the government's embarrassment in the early 1980s that it was permitting the emergence of private enterprise. The implication of the term was that these were tiny operations that did not entail 'exploitation' in the form of hired labor (initially, government regulations prohibited any private venture from employing more than seven people, including family members). The central government's Industry & Commerce Bureau (*Gongshang Ju*) was put in charge of the new association, and in turn the Bureau's regional offices were delegated responsibility for establishing local branches. By 1985, some 91 per cent of all the counties and cities in China reportedly contained them, and so in 1986 a national Self-Employed Laborers Association was formally inaugurated. By the close of 1992, shortly before I began my investigations, this national association boasted a membership of

almost 25 million.<sup>1</sup> This was equivalent to the number of small private endeavors licensed in China, in that each person who was granted a license by local government authorities to operate a private venture was simultaneously automatically signed up as an association member.

These are the basic facts that were available in the Association's brochures. But what about its actual grass-roots operations? This was examined through interviews in Beijing's Chaoyang district. As of 1993 Beijing was divided into eight large urban districts, and Chaoyang is one of the largest of these, with a population then of some one and a half million people and, a decade and a half later, of two and a quarter million. It extends outwards from where the eastern walls of the old imperial capital once stood, and contains within its boundaries Beijing's embassy area, large industrial complexes, a succession of crowded working-class neighborhoods and one of Beijing's major shopping areas. The numbers of *getihu*, or petty private entrepreneurs, have been climbing steadily in Chaoyang: from 480 registered endeavors in 1982, when the district Industry & Commerce Bureau first established a branch of the Self-Employed Laborers Association, to some 30,000 in mid-1995, and some 60,000 a decade and a half later.

In 1993, when the fieldwork commenced, the first effort was to interview officials of the Industry & Commerce Bureau and the Self-Employed Laborers Association in Chaoyang.<sup>2</sup> The idea was to ascertain what activities the Association was involved in, and only afterwards to interview the *getihu* about their views of the Association. These perspectives are presented separately, in the same order as the fieldwork unfolded, in that the picture the officials drew of the Association's operations in Chaoyang varied dramatically from the portrait drawn by petty businesspeople. As will be revealed, this discrepancy in the two sides' stories is crucial for understanding the actual nature of the *getibus'* relations at that time with the association and government.

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<sup>1</sup> *Zhongguo de geti jingji he saying jingji (The Individual and Private Economy of China)*, a brochure published by the Self-Employed Laborers Association, March 1993, p. 8; also interviews at the Association's national headquarters, 1993; Ole Odgaard. *Private Enterprises in Rural China* (Aldershot: Avebury, 1992), p. 205.

<sup>2</sup> Half a dozen district-level officials were interviewed at length, as well as several officials at levels higher than the district.

It was explained to me by district officials of the Industry & Commerce Bureau that since this is the association that is registered as representing the *getibus*, it is the only one allowed for them. If any *getibus* decided to establish a different association, they said, it would be closed down. Though they did not use the word “corporatism” and undoubtedly had never heard of the term, they described the association very much in corporatist terms, and were adamant that only one association in any given sector should be tolerated, as only one is needed to serve the role of an intermediary between the government and a constituency.

To what extent was this an independent intermediary that actually represented its constituency to the government? On the surface, in the account told by officials, the district Self-Employed Laborers Association seemed democratic and “bottom-up” in the selection of its leadership. The heads of the district Bureau spent half an hour explaining the elaborate month-long local election procedures, which were somewhat similar in structure to the elections for local People’s Congresses.<sup>3</sup> But it quickly transpired that these were window-dressing, for the Bureau officials conceded that those elected were pre-selected by the officials themselves.

During subsequent discussions district officials readily observed that the branch association in Chaoyang was actually a top-down organization totally controlled by the district Bureau. Most of its officers were, in fact, simultaneously Bureau officials. This overlapping of Bureau and Association personnel was repeated at the Bureau and Association’s national level. In fact, a visit to the “non-governmental” Association’s national headquarters revealed it to be located inside the national headquarters building of the Bureau, and the two men responsible for the national Association’s day-to-day operations, the deputy secretary-general of the Association and the deputy chief of the Bureau’s Private Enterprise Office, responded interchangeably for one another during a joint interview as if they were bureaucratic peas in a pod. The perceptions of both were openly those of Party/government supervisors and guardians. Both men were university graduates of a similar age, both had worked their way up through the ranks of the Bureau, and both were assigned to work

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<sup>3</sup> For that same period, see J. Bruce Jacobs, “Elections in China,” *The Australian Journal of Chinese Affairs*, No. 25 (January 1991), pp. 171-199.

with the private sector in 1979. It was purely a bureaucratic decision, they both related, as to which of them was assigned to hold the Association office and which of them the counterpart Bureau post. While the ostensible head of the national Association was a Beijing private vendor, this seems merely an honorific post, as the national headquarters only infrequently contacted him.

The national Association's headquarters contained only 13 employees, and almost all the operations were devolved to local branches such as the one in Chaoyang district, where the actual interface with small entrepreneurs occurs. To facilitate this, the district officials divided Chaoyang into 28 association sub-branches to cover all the neighborhoods and market areas. They asserted that these sub-branches were subdivided yet again into 1,000-odd "small groups" containing some 20 members apiece. The proprietors of small private enterprises were each supposed to be assigned to a "small group" depending on their type of trade or the location of their business (say, a row of 20 adjoining shops or stalls).

The Chaoyang district Association office proudly pointed out to me one particular sub-branch among the 28 as a model. This Association sub-branch was coterminous with a vast tin-roofed bazaar owned by the Bureau that it was renting out on renewable four-year contracts to 450 private stallholders. The head of the bazaar's Association sub-branch turned out to be a Bureau official whose main duty was to serve as the market's manager and *de facto* landlord. While carrying out both his Bureau and Association functions he habitually dressed in the Bureau's military-style uniform—all khaki, brass buttons, and epaulettes.

The Association small-group leaders in the bazaar were themselves vendors, and they were made responsible for collecting the other vendors' monthly stall rent and occasional required "donations" from all the stall-keepers whenever the government announced major philanthropic drives. Bureau/Association officials insisted to me that both here and elsewhere in Chaoyang district each of the association small groups also held political study sessions after work at least once a month. They stated that these sessions were held to educate all of the petty entrepreneurs in political ethics. Throughout Beijing, Association officials related with some pride that a campaign had been under way in these sessions since early 1993 to study the spirit of

Lei Feng, a young do-gooder soldier who had died in the early 1960s and had become a Mao-era icon of altruistic virtue.

The tone of voice of almost all the Bureau/Association officials suggested condescension towards the petty entrepreneurs. These were repeatedly referred to as if they were children in need of protection from others, and in the next breath as juveniles needing a firm guiding hand. That latter image often predominated. It was obvious that these government administrators uneasily considered the stallholders and other petty entrepreneurs as dangerously unanchored in society; their attitude was one of reassurance that the Bureau and Association had things safely and tightly under control.

Indeed, officials repeatedly volunteered that the Association was intended to serve as a surrogate *danwei* for the petty entrepreneurs. In urban society, in the period of Mao's rule each *danwei* (that is, each state-run work unit such as a factory or state-operated store) entangled employees in multifaceted institutional strands that created a relationship of dependency.<sup>4</sup> The work unit was responsible for disbursing not only salaries, bonuses and promotions, but also living accommodation and access to entertainment, health care, and even job openings that were set aside for employees' children. In return, the urban *danwei* demanded political conformity, which was ritually reinforced through required attendance at political study sessions. These political demands on employees were very stringent during Mao's lifetime but had eased substantially under Deng and subsequent leaders. Yet the knee-jerk reaction of the authorities to the occupational independence of the petty entrepreneurs was to reconstitute an organizational semblance of the *danwei*'s restrictions and dependency relationships (or at least to boast to inquirers that they were enforcing this).

The idea, also, was to oblige the small businesspeople to organize *themselves* on behalf of the government. This was in line with the higher authorities' presumption that those who became Association small-group heads would be in a position, through their links to the supervisory officialdom, to assert control over the small groups'

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<sup>4</sup> On this, see Andrew Walder, *Communist Neo-Traditionalism: Work and Authority in Chinese Industry* (Berkeley: University of California Press, 1986); also Lu Xiaobo and Elizabeth Perry (eds.), *Danwei: The Changing Chinese Workplace in Historical and Comparative Perspective* (Armonk: M.E. Sharpe, 1997).

members. In recompense for collecting fees and for supposedly coercing their fellow petty proprietors into political study, the small-group heads were to be quietly allowed to pay lower business taxes or lower rental charges for their stalls. In short, much like the rewards that were available to political activists in an urban *danwei*, the small-group heads were supposed to be co-opted into dragooning their fellows into a *danwei*-like environment of pressures to conform. Indeed, the Association and Bureau were publicly boasting that in the immediate aftermath of the Beijing massacre of 1989, they had been able to “re-educate” the bulk of the petty proprietors through the Association small groups.<sup>5</sup> As a study in the early 1990s by a young Chinese scholar on the petty entrepreneurs observed, a core purpose of the Association “is to provide a basic means of using society to control society”.<sup>6</sup>

Yet when it came to actually asserting control over the petty businesspeople, the Bureau took direct charge, not its Association. During the period of my initial investigation in 1993, Beijing was in the midst of bidding for the 2000 Olympic Games, and the head of the Olympics Committee visited the city for several days. Almost all the 468 members of the Bureau’s staff in the district were sent out into the streets on a mission to ensure that the city was appropriately tidy, in what the officials referred to as “crash rectification” (*tuji zhenyundun*). Even in the back lanes far from where the Olympic Committee head’s motorcade was ever likely to venture, the little street-side stalls were closed down for several days. Any that continued to operate ran the near-certain risk of losing their license. They were also apt to be forced to close down, for up to two weeks,

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<sup>5</sup> See e.g. “Zai Beijing fasheng dongluan, baoluan qijian Dalianshi dui getihu jiaqiang jiaoyu qude chengjiao” (“Success Achieved in Strengthening Education towards the Getihu during the Period of Beijing Turmoil”), in Ding Li (ed.), *Zhongguo de geti he siying jingji* (China’s Petty Entrepreneurial and Privately Managed Economy) (Beijing: Gaige Chubanshe, 1990), p. 234, which claims that more than 80% of the getihu in the districts of Dalian city had participated in this direct “propaganda education” within two weeks of the 1989 Tiananmen massacre.

<sup>6</sup> Shi Xianmin, “Getihu yu Beijing chengshi shehui jiegou de fenhua yu zhenghe: Beijingshi Xicheng qu getihu yanjiu” (“Petty entrepreneurs and differentiation and conformity in Beijing’s urban social structure: research on the petty entrepreneurs of Beijing’s Xicheng district”), Ph.D. dissertation. Beijing University, 1992, p. 175.

when the National People's Congress met in the center of Beijing. Such events provided opportunities for the government, and the Bureau below it, to display the raw power they ultimately hold over the petty entrepreneurs: the state was showing that even though all the parties concerned recognized the illogicality of the demands, it could have its way and force the vendors to obey and hurt their own interests. More than one official proudly used the term "obedience" (*tinghua*) to describe the goal of this "crash rectification."

Yet the Association/Bureau officials revealed mixed feelings about the petty businesspeople. While they showed condescension towards them or, as with the Olympic leader's visit, showed off their power and indeed animosity, the officials simultaneously seemed genuinely to want a higher status for the private sector. In part this was because, as some of them admitted, their own status depended upon it. Throughout the history of the People's Republic, an official's status has been set partly by the status of those he or she oversees.<sup>7</sup> The district officials of the Association and Bureau thus were personally concerned that the petty businesspeople should have a good image in the eyes of the general public, and they specifically cited this as one of the reasons for supervising the business ethics of the petty entrepreneurs. They were delighted when two prominent businesspeople were given very high government positions during 1993, as they saw this as lending greater legitimacy to the business world as a whole, including its lowest levels.

In this regard, the Industry & Commerce Bureau differs from the other sectors of the bureaucracy that deal directly with petty entrepreneurs. For example, the Labor Bureau, whose principal focus until the 1990s had been to assign people to state-sector jobs, particularly looked askance at the privately employed as beyond effective control, and this view was not offset by any feeling that the businesspeople's status affects the Labor Bureau's own status. The Tax Bureau maintained a more complex relationship with the small proprietors, on one hand seeing them as difficult to oversee but on

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<sup>7</sup> As just one example, the work of the Party's United Front Department used to have relatively low status compared to other sectors of the Party bureaucracy, as its mission entailed ongoing contact with non-Party members of politically dubious standing. As the status of these non-Party notables rose markedly under Deng's "opening up" during the 1980s and 1990s, so too did the bureaucratic status of being part of the United Front Department.

the other as a source of revenue and lucrative pay-offs. The pay-offs were often in the form of a “matey” relationship of wining and dining at the expense of those proprietors who could afford to do so. Yet ultimately any such relationship between a tax office and small businesspeople was inherently one of hidden antagonism.

The Self-Employed Laborers Association and the Industry & Commerce Bureau were supposed to assist the Tax Bureau in its effort to set the tax rates for each private enterprise. The national leaders of the Association insisted that the grassroots branches fulfilled this function. But the Chaoyang district Association/Bureau officials laughed at the notion. It seems that there would not be anything materially to be gained by them in such a peripheral “assisting” role. To help the tax officers in collecting taxes would only complicate their own work and lower their esteem among their charges. They quietly backed away from that chore.

At the same time, the district Bureau/Association officials tried to convince the other bureaucracies which deal with small businesses to be cooperative (or at least not obstructive) in terms of the Association’s and Bureau’s own responsibilities. They attempted to do so by incorporating representatives from the Foodstuffs Bureau, the Tax Bureau, the Hygiene Bureau and other relevant bureaucracies into the ranks of the district Association’s executive committee. This committee, which met about once a month, was headed by the three district Bureau officials who were simultaneously the top officials of the local Association. In the meetings they attempted to get the other bureaus to make life easier for the petty proprietors by easing onerous regulations or by better coordinating the different bureaucracies’ policies toward small enterprises.<sup>8</sup> But whatever the good intentions, it

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<sup>8</sup> In Beijing, unlike what has been reported for a number of other locales, corruption in the form of demands by officials for pay-offs did not seem to be a major problem, nor “rip-offs” in the form of officials regularly pocketing excessive fees and fines from the petty businesses. Certainly, these types of corruption were not reported in my subsequent private interviews with small businesspeople. The form of corruption that they did report involved low-level tax officials, who often accepted gifts and meals in exchange for lower tax rates. But in such cases the revenues of the government were adversely affected, not the small businesspeople. Notably, too, the local Bureau/Association officials did not seem to live beyond their means. By chance I attended several social dinners in the same apartment building that several of the district Bureau/Association officials occupy, and neighbors commented approvingly

is notable that this executive committee of an ostensibly “non-governmental” representative association was composed wholly of government officials. The Association officials did not see any problem in this. They perceived their organization as quite properly entirely top-down and as an appendage of the Bureau. The ultimate openly-stated function of the Association, after all, was not just to assist but to tightly control the vendors for society’s and their own good.

But did the Association and Bureau truly control the petty proprietors, as the officials wanted inquirers to believe? An altogether different picture emerged when I interviewed private vendors in Chaoyang district.<sup>9</sup> The image of Association control evaporated. Some vendors in the back neighborhoods were not even aware of its existence. Others who had heard of it only knew that they were required to hand in to it a small annual membership fee as part of their annual licensing fee. Still others were aware of a small-group head located at a nearby stall, but his or her function seemed to go no further than collecting stall rents and those periodically required philanthropic donations. Even the vendors whose business activities were most closely supervised by the Bureau—such as the stall keepers at the open-air Silk Market for foreigners—reported that the Association’s existence was barely felt. Importantly, in no case did any interviewee among the petty businesspeople report that they themselves had to attend political study sessions. Even at the huge tin-roofed bazaar whose market chief had proudly boasted of regular political sessions, vendors related that they did not participate in any

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that they did not possess any consumer goods or furnishings beyond what would be expected at their levels of salary. It is not clear why this Beijing district differed in terms of corruption compared to the reports from other field sites. See, e.g., on how increasingly corrupt bureaucrats milked the petty businesspeople in a district of Chengdu, Sichuan, see Ole Bruun, *Business and Bureaucracy in a Chinese City* (Berkeley: Center for Chinese Studies, Institute of East Asian Studies, University of California, 1993).

<sup>9</sup> Three petty vendors were formally interviewed through appointments made with the help of mutual acquaintances. In addition, more than a dozen others were approached informally at their stalls in open-air markets and at rented shops in working-class neighborhoods and up-market shopping areas, and were “chatted up” at length in what Tom Gold refers to as “guerrilla interviewing.” Thomas Gold, “Guerrilla Interviewing among the *Getibu*,” in Perry Link, Richard Madsen, and Paul G. Pickowicz (eds.), *Unofficial China—Popular Culture and Thought in the People’s Republic* (Boulder: Westview Press, 1989), pp. 179-192.

political study meetings (only the small-group heads, they related, were ever called to any).

How can this wide discrepancy between what the small business-people and the officials relate be accounted for? Were the officials collectively fabricating a story expressly for the ears of a foreign researcher? Not likely. My very first interviews were with two district officials of the Association/Bureau at a social gathering at the home of a mutual acquaintance, and they had had no prior knowledge of my attendance. And my interviews with the leaders of the national level of the Association were arranged without the knowledge of the district officialdom. Yet all the officials, both high and low, similarly described the rigor with which political study sessions were being organized.

How, then, were they all forthcoming with the same tale, told with such seeming assurance? The answer probably lies in a shared knowledge within the Bureau of what high government leaders wanted to hear, which Association/Bureau officials habitually and dutifully propagated upwards. If a national Party leadership that was fearful of losing political control over a liberalizing economy wanted to hear that the petty entrepreneurs, potentially the most maverick sector, were under a tight political rein, controlled as rigorously as if they were in a state-sector *danwei*, then that is what got reported upward within government channels. In this respect, China was under the rule of an “Emperor’s New Clothes” regime.

In their enthusiastic reports of tight control and political study sessions, Bureau officials seemed also to be participating in a bit of wishful thinking of their own. They, too, fretted about the petty proprietors inherently being too autonomous, and they appeared to be relating how they believed controls over the proprietors *ought* to operate. But the Association/Bureau had too weak a handle over the small enterprises actually to force them into evening political sessions. While the Bureau sporadically could, in its heavy-handed way, force mass closings of stalls, as during the Olympic head’s visit, the Bureau and its Association did not possess the organizational capacity to reach out to control the businesspeople in a systematic, methodical manner. As one official reluctantly noted, after insisting that the petty proprietors under his jurisdiction attended (fictive) weekly political sessions: “No, we can’t take their licenses away for not participating, so we can’t really do anything if they don’t come.” Besides, the district

officialdom was too under-staffed and too concerned with other responsibilities even nominally to extend the organization of small groups into the back streets. Nor was Chaoyang district particularly negligent in its organizational efforts. The meeting room at the district Association headquarters, a dilapidated ill-smelling block of offices up a back street, was festooned with an array of annual awards from the municipal Bureau celebrating it as the most effective district Association branch in the capital.

Despite its ineffectuality, there was potential room for the district Association to be of some value to the private sector. The Chaoyang officials were correct when they pointed out that the petty proprietors often could not readily obtain access on the open market to the types of benefits available to members of a public-sector *danwei*. Accordingly, the district Association was in the midst of negotiating with a government insurance agency the terms for private subscriptions to life, health, and property insurance schemes that the petty business-people in the district would be able to purchase at affordable prices. The Chaoyang district Association had also just established its own wholesale company to service the clothing and dry goods stalls. The district Association's deputy head, resplendent in his brass-buttoned Bureau uniform, was running to and fro to get this off the ground.

Underpinning these new programs, notably, was a felt need by district officials to engage in financially profitable endeavors. The Bureau, like many other government organizations, was under-funded and faced difficulty in meeting its own payroll. As a government organ, the Bureau was not permitted to establish its own enterprises; but the district Association, as a so-called "non-governmental organization," could. Any profits that it generated through this business activity could go towards supplementing the salaries and perquisites of Association/Bureau employees. By providing needed wholesaling and insurance services, they proudly saw themselves as killing two birds with one stone.

The local officials, in short, had their own multifaceted agendas and priorities separate from the intentions of the national leadership.<sup>10</sup>

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<sup>10</sup> An excellent discussion of this factor, illuminating the differing interests of district and municipal level officials in Tianjin *vis-à-vis* the Association and the Federation, is Christopher Nevitt, "Private Business Associations in China: Evidence of Civil Society or Local State Power?", *The China Journal*, No. 36 (July 1996), pp 25-43.

In pursuit of those interests, the local officials autonomously played a “swing role” in determining the activities and nature of the association. The officials who were in charge of it in the 1990s sought to provide local members with services such as wholesaling and insurance, but did so partly because this served their own material interest. They did not actively cooperate with other administrative bureaus in matters of taxation in order to avoid driving a wedge between themselves and the petty entrepreneurs. They wanted to promote the status of small business in order to bolster their own statuses, yet at the same time they did not in fact want to be identified with their low-status charges. They told their superiors that they were actively controlling the petty entrepreneurs politically when they were not, because this is what their superiors wanted to hear. In this last respect, this case study of the Self-Employed Laborers Association in Chaoyang district underscores how sharply the actual operations of the local bureaucracy can diverge from the political elite’s intentions.

### **The Private Enterprises Association**

A small-scale manufacturer of classroom materials, a senior high school graduate who earned many times what the average petty vendor earned, explained to me in the mid-1990s that he was making an effort to escape the petty business designation, because

I want to raise my social status, and also because to be designated a petty businessman isn’t good for my business. When I try to make a sale to a school, they won’t want to buy from a so-called petty business. ... In 1988, the authorities required that all of my documents had to have a “petty business” chop affixed to them; we were required to buy a chop. This chop restricted our business operations, so in 1989 the bigger so-called petty businessmen like myself complained to the Bureau, and the Bureau ruled that it was OK to leave it off our receipts. But then after June 4, 1989 [the Beijing massacre], we again had to use the chop; so I felt I had to change my status.

Local and provincial branches of the Private Enterprises Association (*Siying qiye xiehui*) were founded by the Bureau beginning in the late 1980s and early 1990s to accommodate medium-sized entrepreneurs such as this. They were allowed to re-register as a “private enterprise” and thus became members of the new association.

In Chaoyang district as of 1993, only 474 private enterprises were registered in this category, and these were almost uniformly small, averaging only nine staff members each.<sup>11</sup> Those who registered their operations as enterprises were therefore almost as small and as weak as the petty businesspeople in the eyes of officials. And the new association that was established in their name was correspondingly treated with the same condescension as the Self-Employed Laborers Association. Indeed, it was managed by the very same Bureau officials who operated the latter association, and there ultimately was little distinction between the two groups. As one of the Chaoyang Bureau officials who was in charge locally of both associations observed, “here they essentially comprise one batch of people under two different signboards” (*yiban renma, liangkuai paizi*). So little presence did the Private Enterprise Association have in Chaoyang that one of the leaders of the district Bureau told me that the association branch had not yet been established, only to be corrected immediately by an embarrassed subordinate. While it existed on paper in the district, it obviously barely functioned.

This neglect of the association for medium-sized proprietors reflects the status hierarchy of a city like Beijing, filled as it is with a multitude of high-level officials. Beijing’s smaller businesspeople were too weak and too low in status to hold any influence at all over the officials who were supposed to administer their activities. This does not seem to be the case in China’s smaller cities and towns. There, in the absence of truly high-status groups, some of the private merchants and small businesspeople constituted a moneyed constituency of some local standing—and they were consequently not treated with the same neglect and condescension by local Bureau/Association officials as in the national capital. There appeared to be a graduated scale: unlike in the capital city, in the large cities of Nanjing, Tianjin and Chengdu the local Association chapters were operating as top-down instruments of the local Bureau but provided some room for liaison between officials and proprietors;<sup>12</sup> and in smaller cities, county towns,

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<sup>11</sup> Nationwide, as of the end of 1992, some 139,000 “private enterprises” (*sīyǐng qǐyè*) were registered, employing 2,300,000 people, so the average enterprise employed some 17 personnel (from a mid-1993 interview at the national headquarters of the Bureau).

<sup>12</sup> Information on Nanjing is based on interviews conducted on my behalf by an acquaintance: the information on Tianjin appears in Christopher E. Nevitt,

and rural townships there was yet greater capacity for the influence of proprietors to be felt.

For example, in Nanhai county, Guangdong province, which has witnessed an unusually rapid growth of private industrialization and private commerce, the leaders of the county-level Association for the private sector are concurrently county officials, but a tendency had already emerged by the early 1990s for the grassroots township Association branches one level lower down, which secured their own sources of funding from members, to independently “lean to the side of their memberships” (*pianzhong yu minjian yimian*).<sup>13</sup> The business constituency that came under the county’s Non-Governmental Enterprise Owners Civic Association (*Minjian qiyejia gonghui*), the locally named variant of the Private Enterprises Association, was locally prominent. At the level of the rural township sub-branches, which come under the supervision of the township governments, the association was beginning to provide the business community with an organizational focus for exerting its influence. The local association had even gone so far as to act on behalf of its members during management-labor disputes. (In contrast, the Nanhai county trade-union federation had not bothered to establish union branches in the townships.)<sup>14</sup>

I had an opportunity in 1997 to interview the leadership of the association in one of Nanhai county’s townships. The headquarters

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“Private Business Associations in China: Civil Society or Tools of Local Government Autonomy?” *The China Journal*, No. 37 (July 1996); the information on Chengdu derives from Bruun’s excellent monograph *Business and Bureaucracy in a Chinese City*, esp. pp. 112-120. A similar description based on research in the city of Wenzhou is contained in Kristen Parris, “Private Entrepreneurs as Citizens: From Leninism to Corporatism,” *China Information*, Vol. 10, Nos. 3-4 (winter 1995-spring 1996), pp. 1-28.

<sup>13</sup> Sun Bingyao, “Xiangzhen shetuan yu Zhongguo jiceng shehui” (“Rural Township Associations and Grassroots Chinese Society”). *Zhongguo shehui kexue jikan* (*Chinese Social Science Quarterly*) (Hong Kong), No. 9 (Autumn 1994), pp. 33, 35. Also see Susan Young, “Private Entrepreneurs and Evolutionary Change,” in David Goodman and Beverley Hooper (eds.), *China’s Quiet Revolution: New Interactions between State and Society* (Melbourne: Longman Cheshire; New York: St. Martin’s Press, 1994). pp. 117-18; Ole Odgaard, “Entrepreneurs and Elite Formation in Rural China” *The Australian Journal of Chinese Affairs*, No. 28 (July 1992), pp. 99-100.

<sup>14</sup> Sun Bingyao, “Xiangzhen shetuan,” pp. 29, 32.

was located in an office provided free of charge by the township government, which subsidized the salary of the association head, a former teacher whose secondment to the association had been arranged by the township. An organization for the local business elite, its membership was limited to seventy of the most prosperous businesspeople. Their status and independent wealth was reflected in the fact that the association head and the businesspeople whom I interviewed were in agreement that it expressed their views and interests to the authorities. The most successful businessman of all, who served in the honorary posts of deputy chair of the association and simultaneously chair of the government-initiated local Textile Chamber of Commerce, noted that “We use these to build up contacts between us and the local government and to establish lines of communication and negotiation.” When the township government embarked on initiatives to further the interests of private business, it tended to look first to the Civic Association and Chamber memberships—as in a program to subsidize the purchase of a new generation of expensive, technically-advanced textile looms.<sup>15</sup>

How an association performs depends on where you are. In Beijing, a modest business enterprise still ranked as relatively lowly on the city’s scale of influence and status; and the officials assigned to this constituency treated it with a condescension quite at odds with the rural township officials of Nanhai county. The medium-sized businesspeople from both locales belonged to the same corporatist association at the national level, but the branches operated entirely differently at the grassroots.

### **The Federation of Industry & Commerce**

In Beijing an important distinction existed between the two associations for private operators of small and of modest size, on one side, and the association for big businesspeople, the All-China Federation of Industry & Commerce (*Gongshanglian*).<sup>16</sup> Despite strong ties to the

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<sup>15</sup> This is described in Jonathan Unger and Anita Chan, “Inheritors of the Boom: Private Enterprise and the Role of Local Government in a Rural South China Township”, *The China Journal*, No. 42 (July 1999), p. 66.

<sup>16</sup> Interviews were conducted in 1993 with an official of some standing at the national level and with several officials of the Federation’s city-level headquarters. Interviews were conducted by Anita Chan on my behalf in 1995 with officials from two of the Beijing Federation’s district-level offices (in

government, the latter association had been allowed to gain a measure of autonomy, organizational vigor, and independent initiative.

The All-China Federation of Industry & Commerce had been established nationally in 1953 as the government's "representative" organization for pre-revolution capitalists, but had subsequently become moribund under Mao. According to Federation officials, in 1979 Deng Xiaoping, newly ensconced in power, called in several former businessmen from prominent pre-revolution families and requested them to assist in the organization's rejuvenation. They donated part of the funds they had just received in compensation for assets seized by the government during the Cultural Revolution, and these donations were used to start up companies whose profits were to go to support the Federation's national operations. Federation officials noted that these companies now numbered 29, including a national newspaper (the *Zhonghua Gongshe Shibaobao*), and that the commercial enterprises were profitable enough to allow the Federation a measure of financial independence from the government.

In the first years of its revival, the Federation was connected administratively with the China Nation-Building Association (CNBA) (*Minzu Jianguo Hui*), commonly shortened to *Min Jian*), one of China's eight so-called democratic parties, and the two organizations occupied a common set of offices and shared a common staff. The CNBA had derived from one of the pre-revolution political parties, and after the establishment of the PRC in 1949, under the Communist Party's policy of incorporating influential non-Party groups, it became the tame political representative of former capitalists. Under Deng and his successors, in line with deliberate Party policy it and the other seven so-called democratic parties have been disproportionately represented within the National People's Congress and the Chinese People's Political Consultative Conference (CPPCC). The national-level Federation, after several years of rapid growth, separated itself administratively from the CNBA and, with a growing need for office space, nudged the CNBA out of the building that they shared. The Federation continued to expand rapidly, and soon outstripped not just the CNBA but all the democratic parties combined in size of

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Chaoyang and Chongwen districts) and with an official from the national headquarters.

membership. By the close of 1992, it had enrolled 620,000 members, some as individuals and some as enterprises.<sup>17</sup>

In the mid-1980s, in a bid by the government to give further sectoral representation to China's growing body of large private entrepreneurs, the Federation became a constituent member of the CPPCC similar to the eight democratic parties,<sup>18</sup> and a couple of the initial benefactors who had been called into Deng Xiaoping's presence were named vice-chairs of the CPPCC. In striking contrast, the government has not granted the petty and modestly sized entrepreneurs, or the associations that "represent" them, any formal representation in the National People's Congress or the CPPCC.

The initial benefactors came to wield some power in the Federation. One of them became its chair until his death in 1988, and the post was then given to another, Rong Yiren, the scion of a major Shanghai capitalist dynasty, who was simultaneously serving as chair of the para-state China International Trust & Investment Corporation. The growing prestige in China of large-scale entrepreneurship was symbolized by the subsequent elevation of Rong in 1993 into the exalted post of Vice-President of the People's Republic of China.

Notwithstanding the influence within the Federation held by businesspeople like Rong, the Communist Party has consistently played a direct "supervisory" role over the organization by way of the Party's United Front Department. Indeed, the Beijing municipal branch of the Federation did not formally come under the jurisdiction of the national Federation but rather under the shared responsibility of the municipal Party's United Front Department and the city government. Moreover, 13 of the 15 members on the governing committee of the Federation's Beijing branch in 1993 were officials from government and Party departments. Yet despite this, the city-level Federation branch and its 12 urban district sub-branches were actively responsive to the interests of the influential people and

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<sup>17</sup> From a Chinese-language pamphlet on the Democratic Parties and the Federation, published in March 1993 by the secretariat of the CPPCC, p. 24.

<sup>18</sup> As a United Front Department official declared in a 1991 speech, the Federation "has always been a united-front people's organization, rather than chiefly an economic organization or a department supervised directly by the government. Although it is not a Democratic Party and has no political program, like the Democratic Parties it participates in politics and has a place in the political system" (*Issues & Studies*, Vol. 30, No. 7 (July 1994), p. 125).

enterprises that comprise its constituency. As just one striking example, a delegation of rich Beijing businesspeople approached the municipal Federation office in 1993 to urge that steps be taken to improve their public image, and the office in response wrote and successfully inserted articles lauding them into *People's Daily*, *Economic Daily*, and other major newspapers.

Membership in the Federation (which, unlike the two Associations, has at all times been voluntary) was open in the mid-1990s to the directors of state enterprises and foreign-invested enterprises as well as private businesses. In particular, profitable state-owned firms that had wrested for themselves a degree of autonomy from government authorities, such as the Capital Steel Corporation, joined, and these constituted a considerable portion of the Federation's membership. As of 1993, in fact, the new post-reform businesspeople comprised only 41 per cent of the members of the Federation's Beijing branch.<sup>19</sup> Apparently so as to focus the organization more directly on the needs of the big private entrepreneurs, the Central Committee of the Chinese Communist Party passed a directive in 1991 that large state enterprises could no longer directly belong to the Federation, though their leaders could remain enrolled as individual members.<sup>20</sup> Irrespective of this continued presence, staff members of the Federation's Beijing branch declared to me that they primarily served the needs of private business. As an official from the city-level office observed in a 1993 interview, "the Federation has a policy of placing greater emphasis on the members who don't belong to the state sector, because those members who are under the charge of a state bureaucracy already have channels through which to communicate their interests to the authorities."

At the district level in Chaoyang, the CNBA and the Federation had once shared offices just as they had at the national level, but by 1989 here too the local Federation chapter had eased the CNBA out of the building. It was explained at the district office in a 1995 interview that the CNBA members had come "from among the old capitalists who are not necessarily rich and they voted for each

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<sup>19</sup> *Gongshang jie (World of Industry & Commerce)*, magazine published by the Beijing chapter of the Federation, November 1993, p. 6.

<sup>20</sup> This new regulation was laid out in *Zhongfa* No. 15. See *Issues & Studies*, Vol. 30, No.7 (July 1994), pp. 125, 127.

other,”<sup>21</sup> whereas the district membership of the Federation, now numbering some 640, was increasingly composed of an up-and-coming clientele with its own distinct interests. But the CNBA and the Federation reportedly still worked closely together when the groups’ mutual interests were involved.<sup>22</sup>

Within the Federation’s ranks, large businesses usually hold memberships directly in the city-level Federation branch, and smaller businesses attach themselves to a district-level sub-branch. Officials at the Chaoyang district office related with some regret that after they had induced ten large entrepreneurs in Chaoyang to become district Federation members, “the city level took them away from us.” But these were not entirely unwilling transfers by the businesspeople: as one of the district-level Federation officials admitted, “the largest enterprises tend to look down at the district-level branch.” Such enterprises have wanted organizational connections and influence in a higher, larger sphere.

The district Federation branches are oriented towards those businesspeople whose operations require them to seek protective connections within the district. And for such enterprises, playing a role in the organization could pay off. This is illustrated by the fact that some of the posts at the district level then and now are occupied by locally prominent businesspeople, who obviously find it worth their time and effort to obtain titles in the local Federation.

Interviewing conducted in 1995 in a different district, Chongwen district in southern Beijing, revealed that the six deputy chair positions on the district committee were all filled by “bigger, more active and richer” members, in sharp contrast to the structure of the Self-Employed Laborers Association. The district Federation tried in turn to expand its own influence through placing such members in other local bodies. Chongwen district officials noted that the Federation had been assigned 12 seats for its members in the district’s 218-seat People’s Political Consultative Conference and that in addition the local Federation office succeeded in having another ten members

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<sup>21</sup> More recently, the CNBA shifted gears and began to concentrate on recruiting professionals whose jobs are associated with the economy.

<sup>22</sup> As just one small example of such cooperation, in the 1990s they jointly established a for-profit night school in Chaoyang district to teach accountancy and other business skills.

selected to the Conference through other sectoral guises, giving it a 10 per cent bloc in the local Conference. But this was not an effort to expand its role in a proto-democratic representative council; rather it was seen as a means for its membership to influence the district government more effectively.

The Federation, in a similar way to the Chaoyang district Self-Employed Laborers Association, is supposed to play a dual role as a “bridge” between the state and private enterprises. In interviews at all levels with the officialdom of both organizations, the word “bridge” (*qiaoliang*) was frequently reiterated. The Federation is supposed to serve predominantly as a tool of the government in this respect; the constitution passed at its national congress in 1993 proclaimed that it “brings into play its use as a bridge between members and the government in order to better assist the government in supervising the non-publicly-owned sector of the economy.”<sup>23</sup> But whereas officials from the Self-Employed Laborers Association stressed to me their association’s role as a “bridge” *from* the government to help control the petty entrepreneurs, Federation officials in Chaoyang and Chongwen districts in the mid-1990s stressed in conversation their role as a “bridge” *for* businesses that wanted entrée to the government.

As such, the Federation actively tried to serve as a vehicle through which entrepreneurs could meet officials, and it also quietly lobbied on behalf of private business within government circles. But more than that, it had begun publicly advocating policies favorable to private capital, sometimes in opposition to the government’s own policies. In March 1994, for instance, the national Federation released a statement accusing the government of prejudicially hurting private businesspeople through a nationwide credit squeeze.<sup>24</sup> Coming directly to grips with the issue, an official from the Beijing branch of the Federation noted in an interview during 1993 that his branch was already laying plans to set up a city-level credit co-op to “solve the problem of the state banks’ discrimination against granting loans to private businesspeople,” and Federation officials in Chaoyang and Chongwen districts said during interviews in 1995 that one of their most important services at the district level was in assisting members

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<sup>23</sup> *Zhongguo gongshang lianhehui zhangcheng* (Constitution of the Chinese Federation of Industry & Commerce), pamphlet printed by the Beijing branch of the Federation, 1994, p. 2.

<sup>24</sup> Agence France Presse dispatch from Beijing, October 21, 1994.

to obtain credit. In response to this need, in early 1996 the national level of the Federation established its own new national bank expressly to lend to private industry and commerce.”<sup>25</sup>

Some Federation officials also tried to figure out ways to secure greater independence from the central and local governments for themselves and for their constituency. As one example, regional branches of the Federation began manoeuvring to carve out a degree of independence for the local Chambers of Commerce (*Shang hui*) that the branches had established. The idea was that inasmuch as the Chambers of Commerce come under the umbrella of the Federation rather than the government or Party, they are a step further removed from government oversight and can even more readily come under the influence of members. I was told by city-level Federation officials that, excluding the relatives of high officials, fewer large entrepreneurs openly operate in Beijing than in other regions of the country, and therefore the Beijing city and district branches of the Federation were slow in establishing Chambers of Commerce. Not surprisingly, such chambers have been most active in the southern provinces of Fujian and Guangdong, where private enterprise was most developed in the 1990s.

The national level of the Federation also moved to establish a new association that came under its own umbrella, with the inauguration in 1993 of a national Private Enterprise Research Association. Its “research” was to gather information about prominent private entrepreneurs that could be fed to the mass media for public relations purposes. A ranking official from the national headquarters of the Federation confided, though, that another core purpose was to provide an organizational forum that was a degree removed from direct Party and government intervention. At the research association’s inaugural convention in mid-1993, staged at Taiyuan, Shanxi province, and financed by several wealthy Shanxi businesspeople, major private entrepreneurs from throughout China mingled with supportive Federation and United Front Department officials. In the guise of this research association, cross-provincial organizational linkages among businesspeople were being cemented semi-

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<sup>25</sup> *China News Digest* (internet service), 6 December, 1995. It is titled the Minsheng Bank.

autonomously, bypassing regional government administrations and the purview of central ministries.<sup>26</sup>

Why did some of the Federation officials help to initiate such organizational activities? Why did some of them, in fact, try to serve the interests of the private business community beyond the goals of the state? Part of the answer lies in the fact that the constituency they were delegated to represent is a status group that they wanted to identify with: to be spokespeople and facilitators for a group of people who symbolize personal success in China. It is also a constituency that potentially could be helpful to the officials' own future career interests. In interviews with two members of the research department of the Beijing municipal-level office, for instance, it transpired that both of them had taken the initiative to transfer from other state-sector jobs even though the salaries were no higher than they had previously been earning. It became obvious in their conversations that both of them identified more with the Federation's membership than with the United Front Department and government. And notably, their regular contacts with and assistance to Beijing's business elite was providing them with opportunities, if they ever should wish, to transfer in future to a good position in private employ.

A third factor is that the Federation officials' duties did not routinely bring them into potential conflict with members. In this they differed from the Self-Employed Laborers' Association officials, seen graphically in the dual role occupied by the Chaoyang bureau officer who oversaw the tin-roofed bazaar—who served simultaneously as the head of the association sub-branch in the bazaar and as the landlord and enforcer of regulations over stall-holders. In comparison, the Federation's overseer was the Party's United Front Department, which did not ever deal with specific daily regulatory tasks *vis-à-vis* business. An important distinction seems to lie between corporatist associations that come under the aegis of the Party, such as the Federation, and those corporatist associations that are organized by *administrative* agencies,<sup>27</sup> such as the Association.

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<sup>26</sup> This information derives from Anita Chan, who attended the Taiyuan convention.

<sup>27</sup> I am grateful to David Wank for originally bringing this aspect to my attention in a private communication. He found such tendencies in his study in the 1990s of associations in Xiamen, and noted that the entrepreneurs there perceived Party organizations as being more willing to comply with the Party's line in favor

A fourth factor relates to the independent sources of finance that the Federation enjoyed. Although part of its funding, including the salaries of its officials, derived directly from government subsidies, the national Federation's revenues from its 29 profit-making enterprises supported the salaries of a good number of lower staff members. Similarly, some of the local branches of the Federation had separately started their own enterprises. The Guangzhou chapter, at the crossroads of private enterprise in South China, was especially active, owning a dozen profitable enterprises and providing the salaries of more than one hundred local Federation staff members out of its own finances.<sup>28</sup> In Beijing, at a yet lower level, some of the district branches of the Federation operated their own enterprises: as of the mid-1990s the Chongwen district branch owned half a dozen, including a legal consulting firm, an accountancy firm, an accountancy school, and a trading company. Such branches and their staffs were less beholden financially to higher authorities, as was true too of the Federation as a whole.

Given these trends in the 1990s, should this associational activity still be deemed "state corporatist"? Certainly on paper the business associations were all organized along state corporatist lines: in each case, the state recognized one and only one organization for each sectoral constituency; the state took charge of establishing and maintaining each of the organizations; it even granted itself the right to assign and remove the associations' leaders at will; and at the same time, each association was supposed to serve as an intermediary between the state and the sectoral constituency. That, at least, was the state's initial intention. But as has been seen, the government's intention was undermined at both ends of the spectrum. The Association for petty businesses in Beijing was corporatist in form but not in essence; it only ineffectually pretended to reach out and

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of "raising the status of private business" and "protecting the legal rights of private businesspeople" in contrast to the Bureau's emphasis on its own regulatory and disciplinary functions and fees. On this distinction, also see Kristen Parris, "Local Initiative and National Reform: The Wenzhou Model of Development," *The China Quarterly*, No. 134 (June 1993), p. 261. On Xiamen, see David L. Wank, "Private Business, Bureaucracy, and Political Alliance in a Chinese City," *The Australian Journal of Chinese Affairs*, No. 33 (January 1995), p. 60.

<sup>28</sup> This information derives from an interview in the mid-1990s with a national Federation official.

penetrate the small-scale business community. And at the other end of the spectrum, the Federation for large businesspeople seemed at the time to be gravitating toward societal corporatism, coming more under the influence of its members than of the state—again apparently in contrast to the state’s original intentions.

### **Going in Reverse: The District Federation in 2004-2005**

In order to track trends in the operations of China’s associations in the business sector, I returned to Chaoyang district in November 2004 and interviewed the leadership of the same associations that I had researched a decade earlier, including the district Federation leaders. To confirm that the information that they provided to me was generalizable across Beijing, on a further trip to Beijing in August 2005 I went to interview the leadership of the Federation in a different district, Xicheng, near the center of Beijing.

When I embarked on this new round of interviewing in Chaoyang district in 2004, I held a strong expectation that in the decade since my last interviews, the Federation would have continued on a rapid march on the same trajectory along which it had been moving in the mid-1990s. After all, private industry is flourishing in China today as never before. The numbers of large private businesses in Chaoyang had multiplied several fold by 2004. The district Federation’s very selective membership, almost all of them the heads of a private firm whose annual revenues exceed 110 million *yuan* (far higher than the benchmark for membership in 1993), had risen from 640 to about 1000 members. I expected this wealthy clientele would now exert far more influence in the local Federation than in 1993-95.

But what I was told by the district Federation leadership in Chaoyang in 2004 was the opposite of what I had been expecting. The head of the district association kept insisting that he principally serves the government and Party: “The Federation’s mission is to fulfill the government’s core work. We’re the government’s assistant and bridge.” He had been transferred full-time into the Federation post eight years previously from the district government department that looks after commerce. His predecessor in the mid-1990s had come from a similar background, but had re-angled his commitment and way of speaking once he was in the Federation post. The new head had not. He and the other district leaders of the Federation stressed, when interviewed, that their association’s three functions are

to expand the local economy, to serve as a go-between between the government and the large private businesspeople, and, in the words of the Chaoyang district Federation head, “to educate them, to guide them to develop a healthy ethics, not to cheat, to pay their taxes, to contribute to charities, and to love the country and work in behalf of the nation”. The rhetoric and tone has substantially changed.

So, too, have these Federation officials’ ties to the government. The Federation no longer comes largely under the supervision of the United Front Department—which now is only in charge of the Federation’s political-education activities. Instead, at the district level the Federation now comes directly under the supervision of the district government. In line with this, all seven employees of the district Federation, including the head, are now paid entirely by the district government’s Finance Department, unlike during my last round of interviews here in 1993. (An interview in late 2004 with one of the same two researchers from the city-level Federation research office who had been interviewed in 1993 revealed that he similarly is now paid entirely by the Beijing municipal government; and he too now spoke as though his main objective is to serve the government.) The Federation’s sources of independent funding were in the midst of being terminated; the district Federation was selling its businesses, as were higher levels of the Federation. It is no longer considered proper for the Federation to engage directly in business, and the vestiges of its financial autonomy are being terminated. At the same time, the district Federation branch does not collect membership dues. It has become entirely dependent on government disbursements.

The latitude that previously had been emerging among Chambers of Commerce in Beijing has also been totally reined in. The Federation head in Chaoyang district in fact insisted that the local Chamber today is not a real entity but is merely a title that sounds better to foreigners, and which Federation officials use when dealing with foreigners.<sup>29</sup>

The local Federation’s own current status is exemplified by the location of its offices. Earlier, it had been anxious to distinguish itself from the show-front satellite Democratic Parties. But when visited in

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<sup>29</sup> Gerry Groot discusses this new irrelevance of the so-called Chambers of Commerce, in his book *Managing Transitions: The Chinese Communist Party, United Front Work, Corporatism, and Hegemony* (New York: Routledge, 2004), p. 206.

2004, the district Federation occupied a new marble-lobbied building that it again shared with district-level branches of the Democratic Parties.

Has the Federation of Industry & Commerce in Beijing really taken a dramatic shift today back toward a role as an obedient extension of government? Or is it more a question of the views and attitudes of this particular city district's leadership? Does the Chaoyang district Federation branch differ today from the other Beijing districts? To answer that question, I conducted interviewing in August 2005 with the leaders of the Federation branch in Beijing's Xicheng district.

What quickly became obvious is that the same viewpoint and rhetoric is shared by both sets of leaders. The head of the Xicheng district Federation stated, "We're managers of the large private businesspeople. In this, we're assistants to the government." Like the Federation leadership in Chaoyang, he mentioned the ways in which membership was useful to businesspeople, in particular because the Federation serves as a bridge between them and government officials. But in this district, too, the phrasing and tone of voice suggested that the association is supposed to serve today as a bridge largely in behalf of government. And here, too, the Chamber of Commerce is, he declared, merely a title which he uses when dealing with foreigners. "We display two signboards, but we are one set of people."

It is of course possible that in both of these districts, the Federation leaderships may actually be more under the influence of their powerful constituencies of wealthy businesspeople than they let on. It is possible, in short, that they are merely mouthing a new line that is being promoted by their superiors in the upper echelons of the Federation and in the government. But whatever their actual relationship with their charges may be, it strongly appears from these Federation officials' new public stance that within the past decade the Chinese government has sought to reimpose stronger controls over the Federation. The Party-state has done so, I presume, in part through unpublicized directives to the Federation officials in Beijing instructing them to serve the role they now assert they are playing. This comes through clearly in the very similar rhetoric and tone of officials in both Chaoyang and Xicheng districts. The higher authorities have also reasserted controls by ensuring that the Federation's officials are paid entirely through government payrolls, without other sources of revenue, and are supervised directly by local

governments. And the state has had the local Federation branches in Beijing entirely throttle the earlier moves toward establishing slightly autonomous Chambers of Commerce.

At the same time, a move has been taken to ensure that the Federation does not serve as an avenue to create a common meeting ground between private businesspeople in Beijing and the heads of the city's state enterprises. As noted earlier, as of the mid-1990s executives from the more independent-minded state enterprises such as Capital Steel had been allowed to belong to the Beijing chapter. But all such executives have subsequently been excluded—even the executives of state enterprises that have been converted into shareholding corporations. The Federation officials in Chaoyang and Xicheng districts made it clear in their comments that it has become counter to government and Federation policy for the heads of private and state-owned companies to belong to a single broad, united organization of big business.

It had appeared a decade earlier that, as time progressed and the private sector grew in size and strength, the Federation would continue to shift increasingly toward representing the businesspeople's interests. The government appears to have realized this, too. And among the branches in Beijing, the national capital, the government has moved to block this development, concerned about the potential organized influence of private big business. Rather than passively permit the Federation to develop into a vehicle that could serve this purpose, the state has moved proactively to tighten up its controls over Beijing's Federation branches.

Nonetheless, it has generally become obvious in China that the desires of the top levels are differentially observed. China today is a patchwork in which regulations and government directives are adhered to more rigorously in some regions than others, to the point that in some areas different policies sometimes get carried out on the ground. It is probable that Beijing, as the seat of government, maintains more strict controls over the Federation branches than elsewhere in China. At the opposite end of the spectrum from Beijing city, where the central government's writ is most firmly observed, is the Wenzhou region of Zhejiang Province, known throughout China as the earliest and most vigorous practitioner of free-market entrepreneurship. A recent study of Chambers of Commerces there

shows that these are still gravitating in the direction of members' influence and interests.<sup>30</sup>

### **The Rise of an Alternative Organization: The Private Enterprise & Self-Employed Association**

If the recent transformation in the Beijing district branches of the Federation in the direction of tighter state corporatism proved a surprise, so too has the transformation in the status of the associations for smaller businesspeople managed by the Industry & Commerce Bureau.

In the mid-1990s, as has been seen, the government had been concerned about the large numbers of petty vendors. The district officials who had been assigned to command the Self-Employed Laborers Association accordingly had pretended that the vendors were obediently under their control. During the following decade, that pretence has been dropped. The Chinese government has come to realize that the petty vendors are harmless, hard-working, largely apolitical people who are preoccupied with the grind of earning a living. It realizes that there is no need to try, ineffectually, to keep them on a leash. There is no longer any requirement that they must belong to an association. To do so has been made voluntary, and no membership fees are any longer automatically collected from the vendors when they renew their license each year.

At the same time, the Industry & Commerce Bureau has come to realize that a very considerable number of businesspeople have emerged in Chinese cities who are not wealthy enough to be claimed by the Federation. Rather than continue to maintain the Private Enterprises Association as an empty shell, the district Bureaus in Beijing began to activate it in order to reach out to this rapidly expanding moneyed constituency. In fact, the efforts of the Bureau officials who had been assigned to head up both the Private Enterprises Association and the Self-Employed Laborers Association became increasingly focused on this more desirable clientele. In 2001, to simplify matters, both nationally and locally the two corporatist associations were combined into one, titled the Private Enterprise and

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<sup>30</sup> Joseph Fewsmith, "Chambers of Commerce in Wenzhou Show Potential and Limits of 'Civil Society' in China", *China Leadership Forum*, No. 16 (Fall 2005).

Self-Employed Association (*Si ge xiehui*). The petty vendors are largely ignored by the combined association.

The head of the combined association in Chaoyang district still pretends otherwise, but perfunctorily, and in general terms: “The small self-employed don’t have any other organ, so we serve, manage, supervise, and teach them.” But he readily admits that few of the petty self-employed find it worthwhile to pay the Y60 annual fee to be a member. Those who do join are the most wealthy among them, and “Actually it’s not so easy to distinguish between the biggest, best off self-employed and the private-enterprise entrepreneurs who are members.”

That the stall-holders are ignored by the combined association was confirmed through a return visit to the site of the tin-roofed bazaar. Today it has been converted into a five-story mall containing hundreds of modern shop-stall boutiques. As in the malls of developed Western countries, the building boasts gleaming escalators, tiled floors, and piped-in music. The stall holders who were interviewed unanimously declared that they are not members, have no or little knowledge of the association, and have never been approached to join the association.

The Chaoyang district head of the new association is simultaneously a deputy head of the district’s Bureau of Industry & Commerce, but he works full-time at the association and considers it his career. Unlike a decade earlier, when the association headquarters was run-down and dank, it is now housed in a decent office building, and boasts a new conference room with fine wood paneling and expensive furniture. The association officials wear expensive well-tailored suits, and take study trips abroad. Much like the Federation officials of a decade earlier, they seem happy about the opportunities provided by their hobnobbing with ever more prosperous businesspeople. And when interviewed, these association officials today speak in terms of serving as a bridge *to* government on behalf of their business clientele. They also want to talk about the trade shows they organize in behalf of their membership, and the other ways in which they promote business opportunities. The association head also claims that the association intervenes to help protect members whose business operations are unfairly treated by the local government: “We’re like a woman’s natal family, where she can seek refuge if mistreated”. The head of the district association says that by providing these various

services to his business clientele, he expects to attract new members and thus expand the association's weight.

The district association's office has 12 full-time staff members, and although some of them are paid by the Bureau, the salaries of the remainder derive from the district association's own funds. The district leaders claim to have built a voluntary membership of 25,000 who, depending on their registered business assets, annually pay from ¥60 up to ¥1000 to belong.

The district association's leaders kept talking as though they are successful competitors to the Federation: that their own association has so many more members, that the cumulative wealth of this large group is comparable to the Federation's membership, and that the association has, like the Federation, placed members in the district-level People's Political Consultative Conference. Without explicitly saying so, they conveyed the idea that whereas the Federation is today hobbled, their own association has greater leeway to increase its sway, and thus their own sway. Nevertheless, throughout conversations they also made remarks that reminded a listener that they essentially remain government officials, and still see themselves in that light.

In short, it appears that the Chinese government had become explicitly aware of the potential dangers posed by the organized strength of big private business, and had reined in the Federation of Industry & Commerce, but had allowed the expansion of the association for somewhat smaller businesses to slip under the radar. This appears to be a temporary phenomenon, however.

The association leaders noted that they have been ordered from above to create and develop twelve district-level trade associations (*hangye xiehui*), one for each of the dozen most important trades in the district. They added that the need to establish such trade associations was going to be decreed shortly by the National People's Congress. These will operate independently from the association and the Bureau. The head of the district association also admitted, a bit unhappily, that "these new trade associations will compete with us." He also confided that discussions were underway high in the government to amalgamate his association and the Federation. (This was confirmed by officials of the Federation.) And he indicated that there is talk within the government about not having a major overarching association for private business-people, whether or not the government controls it. Some high-level leaders prefer for there to be only narrow trade associations.

This is obviously a government that does not want the genie to escape from the bottle. It does not want powerful constituencies like this to be organized broadly. It wants to prevent the development of civil-society institutions among those constituencies that could potentially muster a challenge to the government's unilateral control of policy, notwithstanding the fact that businesspeople in China have shown no inclination to mount any challenges.

We tend to envision the shift from state corporatism toward civil society in China as incremental and almost inevitable over time. Possibly, ultimately, civil society will indeed prevail. But what observers have not foreseen is that the Chinese government can itself be an active player in this scenario, intervening in its own interest by reimposing a tighter state corporatist leash on associations, selectively rolling back the shift toward increasingly autonomous organizations. The business associations in Beijing provide a prime example.

At the same time, there is less desire today in Beijing to rigorously control weak constituencies. We have observed this with respect to the petty businesspeople, toward whom policy no longer dictates that they be corralled into a corporatist organization that is supposed to control them. That pretence has been altogether dropped.

China appears to be both weakening and strengthening its efforts to employ corporatist controls. As seen in the city of Beijing, the rule of thumb for the government seems to be to reassert controls over any potential threat that it perceives, no matter how slight, to its monopoly on rule.