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Strategic behavior of private entrepreneurs in China: Collective action, representative claims, and connective action

Duisburger Arbeitspapiere Ostasienwissenschaften, No. 108/2016

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THOMAS HEBERER

Strategic Behavior of Private Entrepreneurs in China – Collective Action, Representative Claims, and Connective Action

WORKING PAPERS
ON EAST ASIAN STUDIES

MAY 2016

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DUISBURG
ESSEN

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WORKING PAPERS ON EAST ASIAN STUDIES, NO. 108, DUISBURG 2016

Abstract

This paper starts out from James C. Scott's seminal book "Weapons of the Weak" dealing with everyday forms of collective action by private entrepreneurs. It raises the question by what kind of formal and informal mechanisms Chinese entrepreneurs exert political influence in order to protect or enforce their interests. The author explored two aspects: First, the way in which private entrepreneurs in China act in a collective manner, i.e. as a strategic group; and second, how collective action by private entrepreneurs is altering both political structures and the institutional setting of the political system and what effect this is having on stabilization of the system as a whole. In addition, this paper examines patterns of formal and informal representation of private entrepreneurs in Chinese politics.

The author contends that as Chinese entrepreneurs increasingly turn to patterns of collective action they are developing into a coherent group with a broad range of strategies aimed at safeguarding their interests, and that in so doing they are playing a salient role as system stabilizers.

Keywords

Private entrepreneurs as strategic groups, political strategies and corporate political action, collective action, connective action, lobbying, weapons of the rich, everyday forms of policy influence

1 INTRODUCTION[1]

In his seminal book "Weapons of the Weak" James C. Scott speaks of everyday forms of resistance by socially weak groups and argues concurrently that a history of the weapons of the rich remains to be written.[2] And in fact: the channels and "weapons"[3] used by entrepreneurs both to organize themselves and to exert political influence remain a black hole in the literature on private entrepreneurship in China.

To shed light on these questions, we took private entrepreneurs in China as a case study. We explored two aspects: First, the way in which private entrepreneurs in China act in a collective manner, i.e. as a group; and second, how collective action by private entrepreneurs is altering political structures and the institutional setting of the political system and what effect this is having on stabilization of the system as a whole.

We contend that as Chinese entrepreneurs increasingly turn to patterns of collective action they are developing into a coherent group with a broad range of strategies aimed at safeguarding their interests, and that in so doing they are playing a salient role as system stabilizers. (In this article we are less interested in "oppositional acts" of entrepreneurs than in how they are operating "within fields of power".[4])

An argument frequently found in the scientific literature is that private entrepreneurs in China are largely an atomized group of individuals acting primarily in their own interests.[5] Others argue that these private entrepreneurs suffer from political immaturity and a lack of political potential.[6] In contrast, the present paper contends that collective political action by entrepreneurs does exist in China and is continuously increasing, and that a shared identity is gradually evolving within which entrepreneurs form "strategic groups" (SGs) and unfold specific plans of action in order to assert their interests.

2 CHINESE ENTREPRENEURS: A DIVERSE AND HETEROGENEOUS GROUP

It might beasserted however, that these entrepreneurs do not yet constitute a homogeneous entity. Authors such as Kellee S. Tsai argue, for instance, that Chinese private entrepreneurs are a very heterogeneous group characterized by significant differences in terms of origin, edu-

1 This paper contains preliminary results of fieldwork on private entrepreneurship in China conducted in the years 2012–2016 in Beijing, Jilin, Shandong, Hubei, Guangdong, Jiangsu, Fujian, and Hainan.

2 James C. Scott: Weapons of the Weak. Everyday Forms of Peasant Resistance. New Haven and London (Yale University Press) 1985: 272.

3 Cf. Diane Hoffman: Turning power inside out: Reflections on resistance from the (anthropological) field. In: International Journal of Qualitative Studies in Education, Vol. 12 (1999), No. 6: 673.

4 By "weapons" we mean the strategies and tools which private entrepreneurs choose in order to preserve their interests or to change the institutional setting in the interest of their entrepreneurial benefits.

5 See e.g. Kellee S. Tsai: Capitalism without democracy. The private sector in contemporary China. Ithaca and London (Cornell University Press) 2007: 145.

6 Zhao Lijiang: Zhongguo siying qiyejia de zhengzhi canyu (Political participation of Chinese private entrepreneurs). Beijing (Zhongguo jingji chubanshe) 2006: 229–232; Zhang Wei: Shichang yu zhengzhi: Zhongguo minshang jieceng lianpu (Market and politics: The face of Chinese business community). Beijing (Zhongyang bianyi chubanshe) 2015: 1.

cational background and behavior, and thus lack a "common basis for identity and interaction".[7] Even more significant differences are found in terms of company size, business significance, and socio-political and geographical background. Due to their resources, entrepreneurs in bigger companies act differently from those in smaller and medium-sized ones, those in "promising" industries and services differ from those in traditional sectors, and those in urban firms from those in rural ones. Moreover, among different entrepreneurs we find a diversity of preferences.

The "impetus" and reasons for turning to entrepreneurship are also diverse: *push* entrepreneurs are dissatisfied with their previous living conditions, while *pull* entrepreneurs are attracted by entrepreneurial opportunities. Briefly, some are driven by opportunity, others by necessity.[8]

For his part, Tsai distinguishes five sub-groups: 1) 'marginalized' entrepreneurs, i.e. petty traders and manufacturers (*getihu*); 2) 'disguised' entrepreneurs, i.e. those operating under the aegis of collective or state-owned enterprises (*dai hong maozi*); 3) 'dependent and red' entrepreneurs, i.e. those forced into an asymmetrical relationship with local governments ('symbiotic clientelism');[9] 4) 'incorporated' entrepreneurs, referring to those who are concurrently working as cadres and thus have strong ties to the state (mostly via various entrepreneurial associations in which they serve); 5) 'rationalizing' entrepreneurs, i.e. those who support the emergence of a 'legal-rational institutional environment'.[10]

While this classification may at first seem simplistic because of manifold overlaps between the different categories and the fact that some of them have meanwhile become anachronistic, it nonetheless illustrates the broad variety of social positions and identities among Chinese entrepreneurs.

For their part, Huang & Chen discovered that entrepreneurs who were previously civil servants and afterwards "jumped into the sea" (*xia hai*), i.e. turned to private entrepreneurship, are less aligned towards the party-state and more confrontational in their behavior towards state agencies than other entrepreneurs.[11]

There is also considerable heterogeneity in terms of political impact. "The greater an enterprise's contribution to society, the greater its input into policy", argues Scott Kennedy.[12] However, while both big enterprises and small and middle-sized entrepreneurs are impacting on political decision-making in order to protect or enforce their interests, the latter's impact is more issue-oriented and less continuous. In addition, big-company entrepreneurs are more inclined to act individually by utilizing their personal relationships with local, regional or even central leaders, whereas medium and smaller entrepreneurs, lacking such relationships, turn to collective action via business associations.[13]

7 Kellee S. Tsai: Capitalists without a class. Political diversity among private entrepreneurs in China. In: Comparative Political Studies, Vol. 38 (2005), No. 9: 1135–1138.

8 Colin C. Williams: Beyond Necessity-Driven versus Opportunity-Driven Entrepreneurship: A Study of Informal Entrepreneurs in England, Russia and Ukraine. In: International Journal of Entrepreneurship and Innovation, Vol. 9 (2008), No. 3: 157–166.

9 See e.g. Gunter Schubert & Thomas Heberer: Continuity and Change in China's 'Local State Developmentalism'. In: Issues & Studies, Vol. 51 (2015), No. 2: 1–38.

10 Kellee S. Tsai 2005: 1135–1138.

11 Dongya Huang & Chuanmin Chen: Revolving out of the Party-State: the Xiahai entrepreneurs and circumscribing government power in China. In: Journal of Contemporary China, Vol. 25 (2016), No. 97: 41 and 58.

12 See e.g. Scott Kennedy: The Business of Lobbying in China. Cambridge and London (Harvard University Press) 2008: 170.

13 Interview, Beijing, March 4, 2015.

In light of the foregoing, "private entrepreneurs" in this paper will be taken to mean both the owners of large companies and those of smaller and medium-sized firms to the exclusion of small-scale, self-employed business owners with only a few workers and staff members (*getihu*). "Bigger" entrepreneurs are those with an annual turnover of more than 100 million yuan, medium-sized ones are those with more than 30 million.

Businesses with greater economic and financial resources are also more prone to be involved in individual political activities than small and middle-sized firms with fewer resources. This internal differentiation encourages the emergence of a core group and "opinion-leading activists" in the former category.[14] The members of this core group consist of entrepreneurs playing a twofold role as economic and political entrepreneurs in accomplishing collective goals.

We found that it is foremost the owners of large companies who assume public functions and operate as what has been called "intelligent key players" in the management literature.[15] For instance, big-company entrepreneurs are more frequently members of People's Congresses (PCs) and Political Consultative Conferences (PCCs) at the higher administrative levels where they, at least sometimes, participate in drafting and defending laws and regulations. They are also prominent voices in industrial and trade associations.

This entrepreneurial segment is more self-confident than smaller entrepreneurs, is also more prone to initiate strategic action, and thus has greater political clout. The members of this group accordingly constitute a core elite within the social group of private entrepreneurs and are becoming increasingly prominent as its recognized spokespersons and representatives; they are arguably positioning themselves, consciously or unconsciously, to push the political agenda of private entrepreneurship in contemporary China.

3 ENTREPRENEURS AS A GROUP

Many authors reason that private entrepreneurs in China pursue their interests primarily individually and that their strategies pridominantly benefit individual interests. In this sense, private entrepreneurs would not constitute a real group, and any appearance of group-like behavior or shared identity on their part is either coincidental or at best only marginal in character. Kellee S. Tsai, for example, contends that private entrepreneurs do not act as "part of a unified class"; they lack common political concerns and are not represented by autonomous interest organizations. She finds little evidence of "class-based collective action" and propounds that these entrepreneurs rather "rely on informal, non-confrontational means to address grievances".[16] For their part, Zhu Guanglei et al. argue that entrepreneurs form a social group but not yet a class – without, however, clarifying

14 Ulrich Dolata & Jan-Felix Schrape: Masses, Crowds, Communities, Movements. Collective Formations in the Digital Age. SOI Discussion Papers 2014-02, University of Stuttgart: 18.

15 Christopher Jahns: Integriertes strategisches Management. Neue Perspektiven zur Theorie und Praxis des strategischen Managements. Sternenfels (Verlag Wissenschaft & Praxis) 1999.

16 Kellee S. Tsai: Capitalism without democracy. The private sector in contemporary China. Ithaca and London (Cornell University Press) 2007: 12, 106, and 119.

exactly what kind of group is constituted by private entrepreneurs.[17]

The question is therefore: to what extent can private entrepreneurs be conceived of as a strategic group? Or is the group choice merely to conduct a round-robin tournament? The answer will require some reflection on the concept of "a group" and entrepreneurs' collective acting.

Norman Long has offered a convincing explanation, i.e. that "social action is never an individual ego-centered pursuit. It takes place within networks of relations, (...) is shaped by both routine and explorative organizing practices, and is bounded by certain social conventions, values and power relations."[18] Correspondingly, all social (and political) action is to be understood as group-related.

However, Olson has shown that creating and maintaining groups is not an easy task. Therefore, we will apply a different group concept. As we have argued elsewhere,[19] Bourdieu's concept of social fields is useful in this context: individuals with equal positions within a given social field dispose of multiple and comparable amounts of (economic, cultural, social, symbolic) *capital* and display a similar and distinctive *habitus*. They think and behave in very much the same way.

When applying this to the present topic, we can say that entrepreneurs have *economic capital* in the form of their assets and above-average income. They also possess *cultural capital*, that is, professional and/or technical knowledge gained from education and/or experience. Their *social capital* is based on personal relationships with sub-national or local decision-makers, and/or networks with other entrepreneurs (*guanxi*). Finally, successful entrepreneurs accumulate considerable *symbolic capital* in the form of social recognition, reputation, standing or prestige. Private entrepreneurs also display similar lifestyle patterns, tastes and social practices,[20] resulting in a so-called *habitus* which demarcates membership in a particular group and distinguishes the members of that group from other social constituencies.[21] Consequently, particularly at the local level, private entrepreneurs share a certain level of identity which may induce them to act collectively in the political realm. They are linked by 'positional closeness' in a political system that has watched them with considerable reserve in the early reform decades but now needs them to maintain itself.

17 Zhu Guanglei (朱光磊), Bai Xuejie (白雪洁), Zhang Qingxiao (张庆霄) & Wang Gengshen (王耕深): Dangdai Zhongguo siying qiyezhu jieceng shehui shuxing wenti yanjiu (Research on the belonging of the strata of private entrepreneurs in contemporary China), https://www.google.de/webhp?sourceid=chrome-instant&ion=1&espv=2&ie=UTF-8#q=%E5%BD%93%E4%BB%A3%E4%B8%AD%E5%9B%BD%E7%A7%81%E8%90%A5%E4%BC%81%E4%B8%9A%E4%B8%BB%E9%98%B6%E5%B1%82%E7%A4%BE%E4%BC%9A%E5%B1%9E%E6%80%A7%E9%97%AE%E9%A2%98%E7%A0%94%E7%A9%B6 (accessed 15 February, 2016).

18 Norman Long: Development Sociology. Actor Perspectives, London et al. (Routledge) 2001: 49–50.

19 Thomas Heberer & Gunter Schubert (2012): County and Township Cadres as a Strategic Group. A New Approach to Political Agency in China's Local State. In: Journal of Chinese Political Science, Vol. 17 (2012), No. 3: 221–249.

20 See e.g. Judith Thurman: The Empire's New Clothes. China's rich have their first homegrown haute couturier. In: The New Yorker, 26 March, 2016, http://www.newyorker.com/magazine/2016/03/21/guo-pei-chinas-homegrown-high-fashion-designer?utm_source=The+Sinocism+China+Newsletter&utm_campaign=99b5fcd449-The_Sinocism_China_Newsletter_03_16_163_16_2016&utm_medium=email&utm_term=0_171f237867-99b5fcd449-29618717&mc_cid=99b5fcd449&mc_eid=829aa9df5f (accessed 17 March, 2016); see also the report on the lifestyle of the richest people in Hurun Baifu (Hurun Report) 10/2015.

21 See Pierre Bourdieu: Der Tote packt den Lebenden. Hamburg (VSA Verlag) 1997: 105; P. Bourdieu: Praktische Vernunft. Zur Theorie des Handelns. Frankfurt am Main (Suhrkamp) 1998: 24–25.

4 ENTREPRENEURS AS A POTENTIAL STRATEGIC GROUP

In his seminal work on "The Logic of Collective Action" Mancur Olson emphasized that when the members of a group share a common goal, they will act collectively to achieve that goal.[22] Non-material interests, such as the acquisition of prestige and respect, the attainment of friendship or membership in social networks are also critical drivers of collective action.

Our fieldwork led us to the conclusion that it is not yet possible to speak of a well-developed, collective identity of all private entrepreneurs in China, even though manifold identities do indeed exist based on specific business sectors, locations, associations, and company sizes. Moreover, different levels of cohesiveness can be discerned within the various groups. Currently, therefore, the groups are developing self-identities on the basis of two principal types of membership: (a) membership in the same private business sector[23], and (b) membership in specific hometown associations.

However, particularly large entrepreneurs, members in active associations and entrepreneurial clubs already display a strong group identity and also see themselves as the forerunners of economic development. They perceive themselves as a group distinct from other groups. Most of these entrepreneurs share a history of private entrepreneurship and express collective sentiments and ideas which shape a certain unity and a unique character. Therefore, it would seem that a collective identity is indeed developing among private entrepreneurs, especially if they belong to distinct networks, clubs, industry associations, or possess membership in People's Congresses (PCs) or Political Consultative Conferences (PCCs). Their shared values, visions, experiences and life-style patterns, and their mutual exposure to pressure from local governments also contribute to the development of a shared identity. In addition, part and parcel of an entrepreneurial identity is also the feeling of "distinctiveness" on the one side and the "need for belonging" on the other side. In order to overcome any feeling of isolation they must come to terms and ally themselves with other entrepreneurs. All of this contributes to the development of a shared identity.[24]

Members of a "strategic group" (SG) are connected through a common interest in maintaining or expanding their 'shared opportunities of acquisition', i.e., specific resources for realizing this aim. These may be material or immaterial resources which in one way or another constitute power: capital, knowledge, prestige, social networks etc. Most importantly, strategic groups target the political field in order to safeguard these resources. They act by definition strategically and are aware of a collective identity (*esprit de corps*) constituted by their common interests and a common *habitus* stemming from the similar positions of group members in a given social field.

Strategic agency in the pursuit of group-related goals may also result in alliances with other SGs. The elite of an SG consists of its core leaders, that is, its big-company, well-connected entrepreneurs who coordinate and unify the efforts of all SG members in order to achieve political coherence and effectiveness.[25]

22 Mancur Olson: The Logic of Collective Action. Public Goods and the Theory of Groups. Cambridge/Mass. (Harvard University Press) 1971: 22–25.

23 Interviews, Beijing, 4 February, 2015 and 18 February, 2016, Qingdao, 19 February 2015.

24 See e.g. Dean Shepherd & J. Michael Haynie: Birds of a feather don't always flock together: Identity management in entrepreneurship. In: Journal of Business Venturing, Vol. 24 (2009), No. 4: 316–337.

25 In an earlier publication, we have argued that county and township cadres in a locality constitute such a strategic group. See Heberer & Schubert 2012.

Based on data from our recent fieldwork, we argue that private entrepreneurs at the local level in China constitute a *potential SG*, meaning that the members of this group increasingly articulate common interests and show similar forms of behavior. Collectively, they develop different forms of strategic action in order to safeguard the specific interests which are common to them all. And while the local developmental state still enjoys wide-ranging autonomy from the private sector in terms of political pressure, we also found that private entrepreneurs form an important constituency for the local state in its effort to stabilize economic development and to make fiscal ends meet. This importance has doubtlessly increased since the late 1990s and raises questions about the future trajectory of entrepreneurial agency.

Elsewhere we have argued with Erhard Berner that SGs are not "actual groups in the sense that each member has contact with all others" and thus "are not a factual, observable object of research but rather an instrument of analysis".[26] Viewed from this perspective, the concept of SGs helps explain the fact that all action within a society is goal-oriented, even though the actors in pursuit of these goals are not necessarily acquainted with all others who follow the same lines of action. In this sense, SGs (e.g. private entrepreneurs, local cadres, professionals etc.) are analytical categories that help us to understand the macro-sociological stratification of a society by abstracting from observable political elites or interest coalitions; the latter figure as sub-units or empirical manifestations of strategic groups.

However, we also argue that SGs have a dual nature, meaning that they are not only an analytical construct in the above-mentioned sense but also exist as empirically observable and self-aware *collective actors*, approximating to the relationship between ideal type and real type in Weberian terminology. Hence the term "SG" refers to a tangible entity which can be observed in reality, and it is easy to perceive who belongs to this group and who does not.[27]

Our fieldwork yielded numerous observations concerning the potential for private entrepreneurs to form SGs at the local level. For instance, industrial and trade associations, which are mostly controlled by government bureaus at the county level and enjoy little autonomy of any kind, are only one channel which private entrepreneurs can use to communicate collectively with local governments. Our interviews showed that private entrepreneurs have little confidence that these organizations are meaningful in solving their problems. They prefer to work through informal networks and also use their membership in political institutions like local (or translocal) PCs, PCCs, and party organizations to raise issues that are relevant for entrepreneurs as a group, such as access to land and credit, tax rebates in times of economic crisis, investment subsidies, recruitment of outside personnel, etc. We will come back to this issue in Section 7 below.

5 COLLECTIVE ACTION AND UNCOORDINATED BEHAVIOR BY ENTREPRENEURS AS STRATEGIC GROUPS

Collective action takes on a different form under autocratic regimes than in democratic systems. In China, the resources for collective action are controlled by the party-state, and the cost of participating in such actions can be high. Accordingly, the collective action of SGs in China

26 Erhard Berner: Networks, Strategies and Resistance: The Concepts of Strategic Groups Revisited, 2005 (unpublished manuscript).

27 Heberer & Schubert 2012.

is less coordinated and to outward appearances even rather unorganized.

In this regard, James C. Scott has argued that this important field of action has been largely ignored for two major reasons: "First, it is not openly declared in the usually understood sense of 'politics'. Second, neither is it group action in the usually understood sense of collective action."[28] Accordingly, he notes that "most of the political life of subordinate groups is to be found neither in overt collective defiance of powerholders nor in incomplete hegemonic compliance, but in the vast territory between these two polar opposites."[29] He speaks less of visible issues such as open protest or collective action than of the "invisible power" by which subordinated groups such as private entrepreneurs in China are responding to the hegemony and domination of the state apparatus. This response is characterized by a widespread absence of both coordinated and planned activities as well as confrontational acts vìs-a-vìs state hegemony. Rather, it usually takes place in a low-key and small-scale manner, and the actors need not necessarily be aware of the fact that they are challenging state authorities.[30] Overlooking these "everyday forms" of agency of entrepreneurs means to neglect the crucial means and instruments used by entrepreneurs to preserve or assert their (political and economic) interests.

Furthermore, we argue that private entrepreneurs, even if bound to the local state in a symbiotic relationship, pursue collective action – if not intentionally, then 'by default'. Mancur Olson has convincingly shown that even if only single members of a group are acting in a way that benefits all members of the group we can speak of collective action.[31] Put differently, even if private entrepreneurs act individually, a "we-intention" or "collective intentional behavior" can still be assumed.[32] This is in fact the case in China: problems involving private sector development are rarely confined to individual enterprises, but in most cases must be tackled by arrangements and policies covering all or substantial numbers of private entrepreneurs.

Even when acting individually and with a primary focus on their own business operations, bigger and more influential entrepreneurs often defend collective interests via their privileged access to local and translocal political leaders and organizations. If an issue is preferred by most of the group of entrepreneurs we may call it a group interest. While such individual action may not be coordinated within the group of private entrepreneurs and may not yield immediate results, it is justifiable to assume that the sum of informal, non-organized, and non-coordinated actions gradually works in favor of entrepreneurial group interests while also strengthening the group awareness or collective identity of private entrepreneurs over time. This effect may be multiplied if individual or collective entrepreneurial action – for example through business associations – entails visible policy changes that satisfy all group members.

It is also the case that individual behavior can spill over into collective action at some point. As Zhou Xueguang has argued,

> "the institutionalist structure of state socialism reduces the barriers to collective action by producing 'large numbers' of individuals with

28 James C. Scott: Everyday Forms of Resistance. In: The Copenhagen Journal of Asian Studies, Vol. 4 (1989): 33.

29 James C. Scott: Domination and the Arts of Resistance. New Haven and London (Yale University Press) 1990: 136.

30 Jocelyn A. Hollander & Rachel L. Einwohner: Conceptualizing resistance. In: Sociological Forum, Vol. 19 (2004), No. 4: 533–554.

31 Olson 1971: 22–25. He further argues that individuals with less power (in our case small and medium entrepreneurs) are also less willing to participate in collective action, since the transaction costs of such action exceed the possible benefits.

32 For more on collective intentional behavior see Searle (1992): 401–416.

> similar behavioral patterns and demands that cut across the boundaries of organizations and social groups. The creation and re-production of these 'large numbers' of individuals provide the basis for social mobilization on a broad scale. (...) These instances of discontent may not be based on common interests, nor are they necessarily consistent with each other; but they often take a 'collective' form because of their similar patterns and targets."[33]

Zhou shows why and how unorganized interests are transformed into collective action; as he writes, "when these behaviors appear in large numbers, they constitute collective defiance against the state". A Chinese survey revealed that 48.2 % of the entrepreneurs surveyed attempt to contact officials privately in case of urgent or relatively urgent matters.[34] This ultimately results in the "large number" effect mentioned by Zhou and its impact upon private sector policies. If large numbers of actors are behaving in a similar manner and "converge in the same direction – toward the state –" this turns in fact into collective action due to the similarity of demands, goals and patterns.[35]

Along the same lines, Greenstein has put forward the point of "action dispensability" in connection with the question "whether an individual's actions were necessary for a particular outcome to have taken place", and "whether it would have occurred if the actions of the individual in question had not occurred."[36] Individual action, in our case the individual approaching of officials by an entrepreneur, can also be regarded as a constitutive element of part of participative a n d collective behavior.

To put this in our context: even if entrepreneurs – with similar interests, demands and objectives – approach leading local cadres only individually through their personal networks, this can have a substantial impact on policy-making, since the growing private sector in China has become indispensable for local development and positive evaluations of the performance of leading local cadres. It can also bring about group awareness and a collective identity.

Our findings are quite similar to those of Heberer in his 2003 study on private entrepreneurship. As he pointed out, private entrepreneurs in China constitute a 'quasi group', i.e., a social group which displays common interests and specific forms of collective behavior but "still does not pursue a conscious strategy for the assertion and implementation of interests".[37] However, Heberer also discovered developmental tendencies extending beyond the characteristics of a quasi group, such as the organization of business associations and the creation of entrepreneurial networks. Since private entrepreneurs have an important function for the transformation of China's society, they constitute an organized interest group with a certain degree of cohesion and common objectives, and figure not only as players in the legal domain but are also shaping and changing societal values. Private entrepreneurs thus can be classified as a "potential SG".[38] The findings presented below largely confirm this assessment.

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33 Zhou Xueguang: Unorganized Interests and Collective Action in Communist China. In: American Sociological Review, Vol. 58 (1993), No. 1: 58.

34 Xing Jianhua (邢建华): Fujian siying qiyezhu jiecengde zhengzhi canyu (Political participation of private entrepreneurs in Fujian). Beijing (Shehui kexue wenxian chubanshe) 2013: 49.

35 See Zhou Xueguang: The State and Life Chances in Urban China: Redistribution and Stratification. Cambridge et al. (Cambridge University Press) 2004: 321.

36 Fred I. Greenstein: Can Personality and Politics Be Studied Systematically? In: Political Psychology, Vol. 13, (1992), No 1: 123.

37 Thomas Heberer: Private Entrepreneurs in China and Vietnam. Social and Political Functioning of Strategic Groups. China Studies published for the Institute for Chinese Studies, University of Oxford, Leiden, Boston (Brill), 2003: 340.

38 Heberer 2003: 341–363.

6 POLITICAL STRATEGIES OF PRIVATE ENTREPRENEURS

Entrepreneurs, we argue, are involved in manifold patterns of strategizing and strategic collective action. In the academic literature, political behavior on the part of entrepreneurs is classified as "corporate political action" (CPA), defined in turn as "any deliberate company action intended to influence governmental policy or process". It also includes a "business response to government action".[39] This differs from "corporate political strategy": the use by an "organization of its resources to integrate objectives and to undertake coherent actions directed toward the political, social, and legal environment in order to secure permanent or temporary advantages and gain influence over other actors in the process".[40]

In carrying out such CPA, entrepreneurs must behave in ways not classified as "political" by either the party-state or themselves in order to avoid the impression of acting like a pressure group and/or attempting to influence the political process. Moreover, this behavior must abide by the rules of Chinese political correctness. As a result, the political interests of entrepreneurs primarily come into play in the sense that "business must make sure that its interests are not unknown to policy makers".[41] Not a few entrepreneurs are dissatisfied with existing policies and policy implementation and therefore resort to corporate political action in order to safeguard their interests. Sometimes firms establish sporadic coalitions with other actors in order to have an impact on specific policy issues. Such coalitions may "differ from trade association activities in that coalition partners can be drawn from among all groups interested in the issue".[42]

Corporate political strategies, on the other hand, are "employed by firms to influence the formulation and implementation process of government policies and regulations in order to create a favorable external environment for their business activities."[43] The aim is to impact upon political decision-making and to achieve the political and economic goals of enterprises. Zhang Wei is therefore correct in arguing that private entrepreneurs pay attention to politics on the one hand but do not conceive of themselves as carriers of political change on the other.[44] Wu in turn distinguishes tangible resources (money) from intangible ones ("political image and reputation") as well as organizational and relational resources ("relationship of enterprises with customers, government, and society").[45] Entrepreneurs are thus confronted with both market and non-market environments and are constrained to develop separate strategies for each.[46]

A wide variety of strategies and tactics exists. Tian and Deng discern a multitude of political strategies of entrepreneurs, e.g.: (1) *Government involvement strategies* such as inviting leading

39 Kathleen A. Getz: Research in Corporate Political Action. Integration and Assessment. In: Business & Society, Vol. 36 (1997), No. 1: 32–33.

40 John F. Mahon: Corporate Political Strategy. In: Business in the Contemporary World, Vol. 2 (1989), No. 1: 51–52.

41 Getz 1997: 35.

42 Getz 1997: 42.

43 Wu Wei: The Relationship among Corporate Political Resources, Political Strategies, and Political Benefits of Firms in China: Based on Resource Dependence Theory. In: Singapore Management Review, Vol. 28 (2006), No. 2: 86.

44 Zhang Wei: 1.

45 Wu Wei: 93–94.

46 Zang Jianjun: Zhongguo minying qiyejia de zhengzhi zhanlüe (Political strategies of Chinese private entrepreneurs), http://www.llxsp.cn/z/xinxi/guanlizixun_renzheng/257295.html (accessed 20 February, 2016).

officials to visit firms or to attend important company events; attending government-organized meetings on specific industries; sending work reports of an enterprise to government officials; becoming an outstanding company which the government is proud of; being an important tax provider and investor and thus assisting both local development and leading officials in achieving positive performance evaluations; (2) *Direct participation strategies*: looking for opportunities to participate in local policy decision-making; gaining a leading position in industry and trade associations; becoming a deputy of the respective PC or PCC; fostering the institutionalization of private sector development; acting as a government adviser in terms of economic development and investment strategies; (3) *Institutional innovation strategies*, e.g. becoming entrepreneurial delegates and submitting law suggestions to the PC (such as the "Law for promoting private investments", the "Law of commercial big shops" or revisions of existing laws); promoting new patterns for the provision of public-private goods; requesting incentives for the development of innovative industries. Further strategies take the form of *guanxi*-based lobbying, commonweal and welfare contributions, and sponsoring officials or their families, etc.[47]

These examples illustrate the multifariousness of entrepreneurial strategies, which can also take the form of mobilizing personal networks, *guanxi* relationships with leading cadres, and even corruptive action. However, firms with more resources possess a strategic advantage over smaller companies, which have fewer opportunities to coordinate and pursue such courses of action and tend to rely on the influence which can be brought to bear by industrial and trade associations. Since the choice of a strategy depends on the specific environment in which private entrepreneurs operate, their strategies will vary across localities and industries. However, even differing strategies can produce similar results, finally resulting in an emerging group consciousness and coherence, with a broad variety of actions exerted in the interests of the same ultimate goal.

Entrepreneurial SGs develop strategies "to influence the formulation and implementation process of government policy and regulation in order to create a favorable external environment for their business activities".[48] In China, this applies most of all to large firms, which are more prone to develop political strategies "because they will be affected by changes in government policy to a greater degree than small subsidiaries because of their significant investment".[49] The reason is that state authorities intervene with a heavy hand in private enterprises, whose entrepreneurial success thus becomes dependent on the state and its policies and for whom such political activities become correspondingly indispensable. Entrepreneurs at this level have no choice but to attempt to influence governmental decision-making and policies in order to create a more favorable environment for their businesses. This is particularly true of companies which rely on state resources or depend heavily on government orders. However, by strategies we do not mean the "grand strategies" only, i.e. strategies changing principle institutions and structures. Entrepreneurs are mostly "strategizing in the small" and less frequently "in the large".[50]

47 Gao Yongqiang & Tian Zhilong: How Firms Influence the Government Policy Decision-making in China. In: Singapore Management Review, Vol. 28 (2006), No. 1: 78.

48 Zhilong Tian & Xinming Deng: The determinants of corporate political strategy in Chinese transition. In: Journal of Public Affairs, Vol. 7 (2007), No. 4: 341.

49 Tian & Deng 2007: 342.

50 On the difference of both strategies see Kenneth A. Shepsle: Analyzing Politics. Rationality, Behavior, and Institutions. New York & London (W.W. Norton & Company), 2nd ed., 2010: 180–183.

7 THREE FIELDS OF COLLECTIVE ACTIVITY

We found three types of collective activity on the part of entrepreneurs: (1) *formal* collective action (via formal organizations), (2) *informal* collective action (via informal organizations), and (3) *Internet communication*, or connective action.

7.1 COLLECTIVE ACTION IN FORMAL ORGANIZATIONS

"Collective action" characterizes companies which are active at People's Conferences (PCs), Political Consultative Conferences (PCCs),[51] and in trade and industry associations.

(a) PCs and PCCs

The party-state exerted itself at the beginning of the reform process to include private entrepreneurs in the decision-making processes of PCs and the PCCs. A fixed number of seats in both organizations were reserved for businessmen. Meanwhile, the number of entrepreneurial delegates to PCs, PCCs or even Party Congresses at all levels has been continuously on the rise. A sample survey among private entrepreneurs conducted in 2009 revealed that more than 51.1 % of all private entrepreneurs surveyed were members of a PC or a PCC. It was also found that PC or PCC members have increasingly taken over political positions such as that of vice-chairman of a provincial or prefectural city's PCC or a vice-party secretary of cities. In some counties entrepreneurs can become the leading government or party cadre at a county or township level (*fukeji*) if their annual tax payment exceeds a certain amount.[52] Lang Peijuan has shown that private entrepreneurs at the 12th National People's Congress (2013–17) constituted the second largest group of delegates (23 %) after the group of cadres (64 %). Private entrepreneurs even constituted more than 30 % of the delegations of the provinces of Shandong, Hebei, Hunan, Liaoning and Henan.[53] In 2014, 52 private entrepreneur PC delegates and 42 PCC delegates were also named in the 2013 annual Forbes China Rich List and had total assets of more than one trillion yuan.

The survey mentioned above also found that one third of China's wealthiest entrepreneurs, with assets totaling ca. 548.7 billion yuan, are CCP members and 28.3 % are delegates to party congresses at various levels.[54] Moreover, they demanded not only specific training courses for entrepreneurial party members of the Central Party but also a participation of entrepreneurs in economic policies and decision-making. They also requested that a top deputy position in each county government and a vice-premier position in the State Council be filled by an entrepreneur who should be responsible for designing economic policies. The report noted further that entrepreneurs were publicly outspoken about enhancing their political influence, from membership in trade associations and the Federations of Industry and Commerce all the way up

51 The PC is of greater significance than the PCC since many leading officials and as a rule the party secretary and mayor of the respective location attend the former's sessions.

52 Di baci quanguo siying qiye chouxiang diaocha shuju fenxi zonghe baogao (Report on data analysis of the 8th national sample survey on private entrepreneurs), http://www.china.com.cn/economic/txt/2009-03/26/content_17504790.htm (accessed 20 March, 2016). These figures, however, appear highly exaggerated.

53 Lang Peijuan: Qiyejia Renda daibiao canzheng guancha (Observation of political participation of entrepreneurs in People's Congresses). In: Renmin Luntan (People's Forum), 2/2015: 22–25.

54 Gongshanglian di baci quanguo siying qiye chouxiang diaocha (The 8th national survey on private enterprises by the Federation of Industry and Commerce), http://www.china.com.cn/economic/txt/2009-03/26/content_17504790.htm (accessed 20 March, 2016). An overview of the wealthiest Chinese entrepreneurs and its composition in 2015: Hurun Baifu 10/2015.

to positions as deputies in PCs and PCCs and top positions in the legislative bodies and the cadre hierarchy.[55] A similar development occurred at the party level.

To give just one example: seven private entrepreneurs were delegates at the 16th National Party Congress (2002), 17 at the 17th Congress (2007), and 27 at the 18th (2012).[56] The party-state fosters such a development because it integrates entrepreneurs into the political system and fosters the private sector by means of entrepreneurial suggestions and proposals. This in turn stabilizes the political system and its economic performance at both the central and the local level. A Chinese report has shown that entrepreneurs are increasingly collaborating in both legislatives to pursue the interests of their enterprises and their industries. The report concurrently emphasized that these actions are in the general interest of China's economic development.[57]

Being a PC or PCC delegate enhances an individual's reputation and therefore his or her company as well.[58] It facilitates meetings with leading area officials, which of course can be decisive for entrepreneurs with small and medium-sized companies. Sun et al. argue that delegates to the local PC or PCC have better access to state-controlled resources and loans and are "more tightly integrated into clientelistic networks of local officials". Moreover, good contacts with top local officials provide personal protection for an entrepreneur in terms of both public security and against exorbitant fees and property taxes.[59]

At the same time, however, such benefits are not "a free lunch" for entrepreneurs, since they must pay rents and bribes, provide donations for various purposes, and support local governments in providing public goods in order to achieve political support.[60] This environment is the reason why entrepreneurs must develop political strategies such as those mentioned in Section 6 above.

A woman entrepreneur with a medium-sized company in Qingdao who is a member of a non-Communist party told us, however, that membership in the PC or PCC would not have a major impact on her enterprise. That would only be the case if entrepreneurs were dependent on public tenders or support by the government. On the other hand, the non-Communist party member delegates did meet to discuss proposals and motions to be submitted during sessions of the PC. A significant segment of her party's membership (中国民主建国会) consisted of entrepre-

55 Wang Zhongxin (王忠新, 2014): Jingti fuhao huixuan zhadui "lianghui" shi quanmian duoqu zhengquan (Be vigilant towards rich and powerful persons buying positions in the two "legislatives" thus comprehensively capturing political power), http://www.cwzg.cn/html/2014/guanfengchasu_0818/6953.html (accessed 25 February, 2016).

56 Sun Rongfei: Minying qiyejia zhengzhi shenfen kuozhang luxian tu (Roadmap of the enhancement of the status of private entrepreneurs). In: Qingnian Shibao (Youth Times), 29 April, 2014.

57 Qiyejia ti, yian jingji fenxi: "xin yi lun gaige yuannian" de zhengce qidai (Political expectations of the "1st year of new reforms": analysis of suggestions and motions of entrepreneurs), finance.ce.cn./rolling/201403/10/t20140310_2447847.shtml (accessed 28 January, 2016).

58 A medium-sized company entrepreneur from Qingdao told us that one could serve as a deputy of the local PC or PCC for three legislative terms (three times four years). Then he or she may move to the other organization and again serve for three further terms (in toto 12 years). Afterwards it is possible to return to the former organization once again. Interview, Qingdao, 19 February, 2015.

59 Risks of private enterprises are high, given the fact that the lifetime of 50 % of businesses in 2013 was less than five years. See Cheng Hui: Ban shu qiye "nianling" bu dao wu sui ("Lifetime" of half number of firms less than five years). In: Renmin Ribao (People's Daily), 31 July, 2013.

60 Xin Sun, Jiangnan Zhu, & Yiping Wu: Organizational Clientelism: An Analysis of Private Entrepreneurs in Chinese Local Legislatures. In: Journal of East Asian Studies, Vol. 14 (2014), No. 1: 3.

neurs. The proposals or motions they presented to the PC's plenary session were more generally related to government policies towards private enterprises, such as suggestions for improving local policies with regard to enterprises or for paying greater attention to specific problems of private sector development. The idea behind these suggestions was more to help solve local problems than to criticize the government.[61]

As official delegates, entrepreneurs also have the right to submit proposals, motions and suggestions. This input, which informs governments about the concerns and interests of specific social groups – including entrepreneurs – are passed on by the Standing Committee of a PC or PCC to the respective governments which, by law, must respond within three months.[62]

Minglu Chen's fieldwork in one city showed that more than one fourth of all proposals to the PCC were submitted by private entrepreneurial delegates, who held 28.5 % of the seats. Apart from issues of general concern such as the environment, food security, or the provision of public goods, entrepreneurial delegates also raised issues related to the lifestyle of the economic elite (lack of parking spaces, problems of gated communities, etc.), and more than one fifth (28 of 144) were concerned with issues important for private sector development (private investment in state monopoly sectors, loans, innovations, private property rights, and the creation of even more channels to allow entrepreneurs to assert their opinions, i.e. exert an influence on the political process).[63]

PCC members submitted the following motions in Hainan Province between 2013 and 2016:

Table 1: Motions related to private sector development, Hainan Province (2013–2016)

Year	Motions	Motions related to private sector development	%
2013	557	15	2,69
2014	615	14	2,28
2015	552	19	3,44
2016	416	21	5,05

Source: Data provided by PCC Hainan Province during interview, Haikou, 14 March, 2016.

Most of the motions submitted concerned issues of public services in fields like urban and rural infrastructure, education, science and technology, culture, sports, etc. Those related to the private sector were rather few in number, although the figures provide little or no information on issues related to the daily life of entrepreneurs.

Entrepreneurs submit both individual and group suggestions, whereas proposals or motions related to the personal interests of a delegate are not accepted. Two kinds of submissions exist: (1) motions (*ti'an*) and (2) suggestions (*jianyi*). The former are more formal, related to issues conceived of as important, and must meet specific requirements in the form of hard data and a detailed, well-founded argumentation.[64] Suggestions, in turn, comprise statements and comments on specific policy fields. Both are conveyed to respective party or government organizations, which must then respond in a timely and satisfactory manner.

As a rule, entrepreneurs use their nominations to political institutions like local (or translocal)

61 Interview, Qingdao, 19 February, 2015.

62 According to the local People's Congress in Shenzhen, government offices are punished by point deductions in the annual cadres' evaluation process if PC or PCC delegates are not satisfied with a government office's response. Interviews, Shenzhen, 7 and 9 March, 2016.

63 Minglu Chen: From Economic Elites to Political Elites: private entrepreneurs in the People's Political Consultative Conference. In: Journal of Contemporary China, Vol. 24 (2015), No. 94: 623–626.

64 For details see the respective regulation: Zhonghua Renmin Zhengzhi Xieshang Huiyi Quanguo Weiyuanhui ti'an gongzuo tiaoli (Regulation for motions of the national PCC), http://www.cppcc.gov.cn/2011/09/06/ARTI1315304517625107.shtml (accessed 21 March, 2016).

PCs, PCCs and in-company party organizations to raise issues that are relevant to more than individual entrepreneurs. Proposals submitted to a PC or PCC at the county, city, provincial and central levels raise similar issues, albeit principle policy issues can best be solved at higher levels. Bin Yu has shown that while entrepreneur delegates to PCCs work to promote their specific group interests, these interests tend to be more efficiency-oriented than political in character.[65]

PC and PCC recommendations regarding entrepreneurial interests are similar in most locations and include resources (access to land and loans, tax reduction), enterprise upgrades (premiums and awards for innovations, support for improved management and in finding professional staff); issues of equality (investment by private enterprises in businesses still monopolized by state-owned firms); trade organizations (more autonomy); stronger support for the development of middle and smaller enterprises and their innovations; protection for the rights of enterprises; the organization of workshops on issues of private sector development to be attended by entrepreneurial delegates and party and government leaders during the annual meetings of the two legislative bodies; labor issues (better professional training of workers and staff, wage issues), policy implementation issues (suggestions for implementing central policies for private entrepreneurs; economic development of counties); continued education (of entrepreneurs at institutions of higher learning), etc.[66] These issues are raised not through collective, organized action but rather spontaneously or in discussions of grievances and issues in entrepreneurial networks, clubs and associations. To avoid presenting too many particularistic demands in the legislative bodies, private entrepreneurs also frequently employ the strategy of linking their interests to those of the general public or to issues of local or national development.

As a delegate to the National PC, for example, Ding Shizhong (丁世忠), chief executive and son of the founder of the prominent Anta sports products company in Jinjiang, submitted suggestions to the plenary session of the congress in 2011 and 2012 regarding problems of private sector development; he called for stricter action against infringement of intellectual property rights, tax relief for private enterprises, easier access to credit, etc.[67] During the 2013 session Nan Cunhui (南存辉), Chairman of the Board of the Zhengtai Group and a member of the Standing Committee of the National PCC, submitted 11 proposals concerning issues such as private investments in sensitive areas like finance and energy, private credits, and tax reductions for promising enterprises.[68] Yuan Yafei (袁亚非), Chairman of the Board of the Sanbao Group (三胞) and a member of the PCC informed us that he submitted four motions (提案) in 2016. One of these concerned the import of sophisticated medical equipment by private hospitals, which have hitherto been denied access to such imports in contrast to state-owned hospitals. Another delegate called for equality with state-owned enterprises, something mandated by law but not yet implemented, and a third asked for stronger protection and support from the Chi-

65 Bin Yu: Bounded Articulation: An Analysis of CPPCC Proposals, 2008–2012. In: Journal of Chinese Political Science, Vol. 20 (2015), No. 4: 440–442.

66 Interviews, various PC in Fujian, Jiangsu, Hubei, Zhejiang and with delegates to PC and PCC. See also the case of Fujian province: Xing Jianhua (邢建华), Fujian siying qiyezhu jiecengde zhengzhi canyu 2013: 182–183.

67 Interview, Jiangyin, 6 September, 2012.

68 Lüzhi jinze gongyuan Zhongguo meng – fang quanguo zhengxie changwei, Zhengtai jituan dongshizhang Nan Cunhui (Diligently do one's duty to realize the Chinese dream – Interviewing the chairman of the board of Zhengtai Company and member of the Standing Committee of the PCC), http://www.chintelc.com/newsview.asp?id=126 (accessed 26 February, 2016).

nese government for investments by private enterprises in foreign countries.[69]

As these examples illustrate, similar issues are raised without any coordination at all levels of formal representation – exactly what we classify as unorganized and uncoordinated *collective action*.

Particularly at the local level, entrepreneurs are eager to be nominated as delegates to local parliaments and sometimes employ any means available to achieve this goal. In recent years, the two major illegitimate methods of acquiring delegate positions were: (a) bribing the leading cadres who give final approval for entrepreneurs to become delegates or obtain leading positions in the legislatives and (b) bribing PC or PCC electors. There was even an informal price list: 15 million yuan to be a deputy of the national PCC, 25 million to be one in the national PC. In 2014, for instance, the Central Discipline Inspection Commission of the CCP found that 518 of 527 delegates and 68 staff members of the PC in Hunan's Hengyang city had received bribes totaling 110 million yuan in 2012/2013. While the money primarily came from private entrepreneurs (56 %), local cadres and managers of state-owned enterprises also paid for election to the provincial PC. Xi Jinping later found that 44 of the 93 candidates for a new delegate position in Hunan's provincial PC were private entrepreneurs. He also noted that this was a widespread phenomenon in many provinces.[70] In order to obfuscate this development, private entrepreneurs are often registered as workers, peasants, or technicians. All 15 candidates named in the Hengyang PC as "workers" were in fact entrepreneurs, and 10 of the so-called 13 "peasants" were in fact businessmen.[71] These are not isolated cases but rather represent collective action.[72] The hoped-for benefits include enhanced social status, better social connections, immunity from rent-seeking by local cadres, business protection, and improved business opportunities. Political scientist Li Yuejun (李月军) even classifies this as a "survival strategy" of private entrepreneurs.[73]

On the other hand, the reports on criminal behavior by entrepreneurs also show that they must be careful not to appear "too political" or become involved in the "wrong" networks, since criminalization or corruption charges may be the result. The "Reports on Crimes of Chinese Private Entrepreneurs" in the years 2012–2014 show, for example, that the number of crimes ascribed to this group is on the rise.[74] This may of course be due to China's anti-corruption drive. But another report also revealed that more than 100 influential entrepreneurs (including 15 PC and PCC delegates) had been detained and sen-

69 Min qi "zouchuqu", shi gonggei ze gaige luodi de jihao jihui. Zhuan fang quanguo zhengxie weiyuan, Sanbao jituan dongshizhang Yun Yafei ("Going out" of private enterprises is an extreme opportunity of reform. Particularly interviewing the Chairman of the Board of Sanbao Company Yuan Yafei). In: Zhongguo Xinwen Zhoukan (China Newsweek), 14 March, 2016: 46–47.

70 Similar cases were found in Shanxi in 2000 and in Yunnan in 2003, see Li Yuejun: Lixing xuanze zhiduzhuyi shijiao xia de "Hengyang huixuan sheng Renda daibiao an" (The "Hengyang People's Congress deputies vote-buying case" seen from the perspective of rational choice institutionalism). In: Renda Yanjiu (People's Congress Studying), 6/2014: 17.

71 Wang Zhongxin 2014. See also: Hengyang huixuan yin gaoceng zhennu. Xi Jinping zhuiwen "Gongchandangyuan nar qule" (Vote buying in Hengyang makes high levels furious. Xi Jinping ask "Where have the CCP party members gone?"). In: Yunnan Xinxi Bao, 25 February 2014, http://news.ifeng.com/mainland/detail_2014_02/25/34146829_0.shtml (accessed 26 February, 2016).

72 See e.g. the article by Li Kecheng: Minying qiyejia "huixuan" fansi (Rethinking vote-buying by private entrepreneurs). In: Nanfengchuang (Southern Window), 5/2013: 26–28.

73 Li Yuejun: 11.

74 Lang Peijuan 2015: 25–26.

tenced between 2004 and 2013.[75] Yet another detailed Chinese report specifies crimes and cases among private entrepreneurs in recent years.[76]

A major weakness of entrepreneurs as a group is that they are dependent in many respects on the goodwill of authorities. As one interviewee told us:

> "The destiny of entrepreneurs lies in the hand of the government, since the latter controls everything such as business licenses and permits, and all kinds of business operations."[77]

(b) Industrial, trade and entrepreneurial associations

Trade associations generally have been defined as "business interest organizations that represent their members' political and economic preferences, although at times they also act as vehicles for governments to implement public policies."[78] In spite of specific deviations, this also holds for China. Externally, these organizations negotiate agreements on important issues of their member enterprises with local governments.[79] Internally, they contribute to an integration of their members and their preferences, thus both fostering compliance and concurrently contributing to the formation of a *shared identity*. In addition, they make it possible to unify agency among entrepreneurs and to avoid "bad" competition among enterprises.[80] On the other hand, business associations are still conceived of by the party-state as representing particular or individual interests, in contrast to the interests of the general public.

Numerous different *entrepreneurial organizations* are found in China. Of these, many, like the Association of Individual Households (*getihu xiehui*), or the Association for Private Enterprises (*siying qiye xiehui*), are state-led (*guanban*) and have been established by the party-state as a means of organizing, monitoring and controlling private enterprises.[81] Our focus here, however, is on more recent organizations such as the chambers of commerce (*shangye xiehui*) or industry associations (*hangye xiehui*) which, so the central leadership hopes, will develop into real interest organizations that communicate business and trade issues to governments at all levels. Concurrently, they are also organizations through which state authorities attempt to implement their policies.[82]

75 Jin 10 nian shangbaiming minying qiyejia luoma: chengzhengzhi boyi xishengpin (In 10 years almost 100 private entrepreneurs being detained: victims of political games), http://finance.people.com.cn/stock/n/2013/0827/c67815-22703236.html (accessed 25 February, 2016).

76 Li Junjie: Jiedu guonei shoufen qiyejia fanzui baogao (Report on crimes of leading entrepreneurs in China). In: Fazhi Zhoubao (Legal System Weekly), 8 January, 2010.

77 Interview, Qingdao, 19 February, 2015.

78 Howard Aldrich & Udo H. Staber: Organizing Business Interests. Patterns of Trade Association Foundings, Transformations, and Death. In: Glenn R. Carroll (ed.): Ecological Models of Organization. Cambridge/Mass. (Bullinger Publishing Company) 1988: 112.

79 For example, members of Shenzhen's Furniture Industry Association told us that they are bargaining with the local government regarding issues such as tax reduction, environmental protection, specific allowances, land acquisition, etc. Interview, Shenzhen, 21 September, 2015.

80 Interview, Haikou, 13 March, 2016.

81 Recently these organizations are undergoing reform. In Shenzhen they are already decoupled from the "Administration of Industry and Commerce" (*Gongshangju*) and have become more independent. Membership in them is now voluntary and no longer compulsory. The purpose of these organization is to represent the interests of small-scale self-employed firms. Interview, Chairman of the Shenzhen organization, 8 March, 2016.

82 Instanced, for example, in the implementation of local governmental environmental policies by means of industrial associations: Hangye xiehui shishi ziyuanxing huanjing zhili: Wenzhou anli yanjiu (Industry associations voluntarily implement environmental governance: Studying the case of Wenzhou). Zhongguo Xingzheng Guanli (Chinese Public Administration), 10 March 2015: http://www.cpaj.com.cn/news/2015310/n24933603.shtml (accessed 2 February, 2016).

10,700 trade and industry organizations existed in China in 2014. Zhang Wei argues that only 10.5 % of the entrepreneurs interviewed in his survey were members of such associations,[83] a figure which is possibly far too low.[84] As a matter of fact, however, a large number of Chinese entrepreneurs are still relatively disinclined to join entrepreneurial associations, and this all the more inasmuch as these organizations are heavily dependent on the governments and have little public and/or political relevance.

This has resulted in two kinds of associations: those directly established by governments and those established by the entrepreneurs of a specific industry. The first act under the auspices of the Federation of Industry and Trade (*gongshanglian*), and their leadership is appointed by the government. The latter are affiliated with a Chamber of Commerce, and those in charge of it are as a rule entrepreneurs elected by the members.

Meanwhile, the central government has prohibited officials from being in charge of trade associations, albeit this is still practiced in scattered locations. Since 2013 government officials are no longer permitted to take over leading positions in trade or industry associations, e.g. to act as leaders or general secretaries (*mishuzhang*), and governments are to surrender control of these organizations. In September 2015 the Chinese government promulgated the "Administrative Regulation for Leading Figures of National Trade and Business Associations" (*Quanguoxing hangye xiehui shanghui fuzeren renzhi guanli banfa*),[85] which prohibits higher officials from taking over leading positions in such associations. This had already been decided by the central leadership twice in the 1990s but had not been implemented.

In actual fact, close links to local governments are indispensable: entrepreneurs and officials argue that complete separation might be difficult, since it would cut off the necessary connections with local governments.[86] Therefore retired senior officials who have good contacts with the authorities are frequently appointed as managing general secretaries of associations in order to safeguard crucial connections between the associations and the local governments.

The impact of these organizations on public policy and the nature of their connections with the authorities vary from business sector to business sector and from locality to locality. Associations in Southern China appear to have much greater impact than their counterparts in Northeastern or Northwestern China, and the former are more willing to enter into collaborative action than the latter. Interviewees in Northern China even argued that there is more trust among southern entrepreneurs than among their northern counterparts. One of them told us: "In Northern China business associations are a mere formality, in Southern China, in contrast, they are more imbued with concrete content."[87]

Nevertheless, the influence of the respective association is directly related to the leading body, that is, to its relationship with the governments and the character of its membership base. In particular, an organization's leadership determines its impact. Officially, leading figures of industrial and trade organization are to be selected from among the members. Those elected must not only pay large sums to an association but must also be influential big-company entrepreneurs with a broad range of contacts with lead-

83 Zhang Wei 2015: 90.

84 An overview of the development of business associations, including various case studies, can be found in Xu Jialiang & Liao Hong (eds.): Zhongguo shehui zuzhi pinggu fazhan baogao 2015 (Report on the assessment and development of social organizations in China). Beijing (Shehui kexue wenxian chubanshe) 2015.

85 The regulation: http://www.china.com.cn/legal/2015-09/09/content_36541766.htm (accessed 11 February, 2016).

86 Interview, Beijing, 4 March, 2015.

87 Interview, Qingdao, 3 March, 2016.

ing figures in the Party or among government authorities. Concurrently, the leading positions of these persons enables them to develop good contacts with local officials and thus to reel in business opportunities and to become members of local legislative bodies. They also have the opportunity to attend meetings and banquets with senior officials. Thus when local governments are looking for partners for specific projects, they prefer to negotiate with the presidents of trade associations, whose contacts make it easier for them to obtain tax reductions and to gain access to land and loans. If these presidents are "benign" persons they act not only in their own interests but also in the interests of other members of the association. In addition, local governments also expect trade associations to behave in the formers' favor. When entrepreneurs submit petitions to higher authorities, for example, the chairman of the association is expected to convince them to cease petitioning and to return to their home town.

Since most associations must collaborate closely with local governments, leading figures with strong *guanxi* to leading officials have increased importance. One entrepreneur who produces Aerosol in Zhongshan informed us that the chairman of the Aerosol Industry Association was a highly prestigious expert called "the father of Chinese Aerosol" and a close friend of his. The chairman frequently visited his enterprise, helping him and other entrepreneurs to solve practical issues through his excellent connections with leading cadres at all echelons.[88] In fact, as one female entrepreneur told us, "Not the trade associations itself but the leading figures of an association are important, particularly if they have close relations with leading officials." This is the most important social capital of an association. It is the business elite, i.e. those in large and promising firms, who have and should have the say in trade organizations.[89]

In Northern and Central China, entrepreneurs in many locations felt that these organizations were not of much use, and entrepreneurs were suspicious of them, since they were equated with the government as a rule. As one interviewee noted: "In chambers of commerce the government has always a say".[90] Some would even call this "second government".[91] This, so a frequent argument of entrepreneurs, is different in Southern China, particularly in areas like Wenzhou or Guangdong Province.

Huang Shaoqing (黄少卿) and Yu Hui (余晖) analyzed coordinated collective action on the part of Wenzhou's private entrepreneurs e.g. the struggle of the Cigarette Utensils Association's (*yanju xiehui*) against an anti-dumping cigarette lighters' lawsuit against the European Union.[92] For his part, Chen Yi (陈翊) argued that collective action of entrepreneurial associations commences as a rule with big enterprises, which are then joined by smaller companies. Networks that reduce risks, along with a high level of communication among Wenzhou entrepreneurs, form the foundation of effective collective action.[93] Following are some examples of such action.

One entrepreneur in Hangzhou informed us that signatures of 600 renowned entrepreneurs were selected in this city in 2012 and sent to both the provincial government and Zhejiang's Bureau of Finance in a demand for stronger support in getting access to credits. The entrepreneurs had two principle demands: (a) the government

88 Interview, Zhongshan, 16 September, 2014.

89 Interview, Beijing, 13 September, 2014.

90 Interview, Zhongshan, 16 September, 2014.

91 Interview, Beijing, 3 March, 2015.

92 Huang Xiaoqing & Yu Hui: Minjian shanghui de jiti xingdong jizhi (Collective action mechanism of private chambers of commerce). In: Jingji Shehui Tizhi Bijiao (Comparison of Economic and Social Systems), Vol. 4 (2005): 66–73.

93 Chen Yi: Jiti xingdong, wangluo yu Wenzhou qiyejia qunti (Collective action, networks and entrepreneurial groups in Wenzhou). In: Wenzhou Daxue Xuebao, Shehui kexue ban (Journal of Wenzhou University, Social Sciences) 2014, No. 1: 57–59.

should establish a special task force to find solutions to the credit issue, and (b) the government should urge banks to repeal their decision not to give further loans to private enterprises. The background situation was that private persons were offering short-term loans at exorbitant interest rates (up to 80 %). The banks, in turn, demanded that the entire credit be repaid after its expiration (as a rule after one year), while the collateral remains with the banks. This puts enterprises in the situation of needing to find bridging loans which can only be obtained by paying usurious interests. As a rule, the banks arrange bridging loans concurrently and receive high commissions for doing so. This tremendous burden on private businesses finally resulted in this kind of entrepreneurial collective action.

For the same reason, the Hangzhou Furniture Association protested similarly by sending a report to both the party secretary and the mayor of Hangzhou, since banks need the approval of these higher echelons to provide credit to private enterprises. This was followed by government-organized talks attended by representatives of the banks and the entrepreneurs. Finally, however, it turned out that the problem could only be solved by the entrepreneurs themselves in that larger and prosperous enterprises assisted smaller enterprises or established mutually funded credit associations.[94]

Members of the "Hainan Tourist Hotel Association" also collectively protested against the price charged for electricity, which in their view was not only too high but also discriminatory, since industrial enterprises were charged much less than the service sector. Some even refused to pay at all, and the entire association demanded equal treatment with industrial enterprises. In negotiations with the government a compromise was finally found in which the price varied according to the time of day.[95]

(c) Associations outside one's hometown (*yidi shanghui*)

Most Chinese chambers of commerce also represent private entrepreneurs who formally name their city as place of residence but are in reality located outside it. The Chaoshan Chamber of Commerce (Chaoshan Shanghui) in Shenzhen, for instance, with a membership of 3,000, not only fosters social and charity projects in Chaoshan (comprising the four cities of Shantou, Chaozhou, Shanwei, and Jieyang in Guangdong) and provides assistance in terms of information, loans, investments, business contacts, etc. but also carries on lobbying activities in connection with a network of 410 Chaoshan chambers of commerce across China and around the world. Since the Chaoshan people differ linguistically from other population groups in Guangdong and possess a strong identity of their own, they prefer to do business with other Chaoshan businessmen on a global scale. Interestingly, the secretary-general of the chamber noted that more than ten informal organizations of Chaoshan entrepreneurs exist in Shenzhen alone.[96] These "clubs" are not linked to any government agencies but rather are self-organized. Somewhat surprisingly, the official chamber acknowledges these informal organizations and collaborates with them in order to maintain a certain control over them.

the *Yidi shanghui* not only represent the interests of their fellow townsmen in an unfamiliar environment and organize mutual support for them but also act as hosts for delegations sent to other cities by helping them to get access to important economic and political figures in those respective cities. This promotes close connections between the government and business communities outside the city where the chamber is located.

94 Interview, Entrepreneur, Hangzhou, 1 March, 2015.

95 Interview, Haikou, 11 March, 2016.

96 Interview, Chaoshan shanghui in Shenzhen, 23 September, 2015.

The Zhejiang Chamber of Commerce (*Zhejiang shanghui*) in Hainan Province is another example of businessmen organizations from Zhejiang Province. Among its crucial tasks are those of developing contacts and communicating with local governments and banks. Its chairman, for instance, was formerly a leading military figure in Hainan and turned to private entrepreneurship after his retirement on the basis of his excellent connections in Hainan Province.

Currently, the chamber is negotiating with local banks about accepting rural land near an entrepreneur's hometown in Zhejiang as collateral for a bank credit. Banks are normally reluctant to accept such offers, and as a leading figure of this *shanghui* points out, excellent contacts with the local banks (particularly with Zhejiang natives there) are required to acquire such loans. At other times, financially strong members of the chamber may act as guarantors for banking facilities.[97] Zhejiang Province consistently supports these organizations and urges them to look to their home province for further investments. The secretary-general of the chamber informed us that most Zhejiang natives in Hainan want to make money after returning to their hometowns. On the other hand, Zhejiang's government eagerly supports Zhejiang enterprises outside the home province by placing orders and by preferential policies for returnees. Zhejiang businessmen maintain close contacts to their home province, are proud of its development success, and emphasize that "their culture, beliefs, and values are different" from those of Hainan natives. Such conceptual values, mutual trust, and a sense of belonging are strong indicators of a collective identity.

One might argue, in fact, that associations such as the Chaoshan or Zhejiang Chambers of Commerce actually form true strategic groups (SGs), since they fulfill all the respective criteria: they possess a similar volume of capital, have a shared identity based on their place of origin, language and cultural delineation, have a specific organization at their disposal, cooperate very closely, and think and act strategically. With regard to the Chaoshan organization a "strategic decision committee" (*zhanlüe juece weiyuanhui*) prepares and conceptualizes important economic and policy strategies for its members in order to strengthen the association's impact. The latter even invest jointly and strategically in local infrastructure programs in order to enhance their local influence.[98]

(d) Other entrepreneurial organizations

As mentioned above, a vast array of entrepreneurial organizations has come into being, many of them partly organized by the state (such as the above mentioned Association of Private Enterprises under the Bureau of Administration of Industry and Commerce, or various other associations of private entrepreneurs). These, however, are less important for entrepreneurs than the chambers of commerce, the industry associations, or the *yidi shanghui*. Our interviews with entrepreneurs also showed that some other organizations such as the Association of Chinese Enterprises, the Association of Young Chinese Entrepreneurs (*Zhongguo qingnian qiyejia xiehui, AYCE*), and the China Youth Federation (*Zhonghua qingnian lianhehui*) are important for younger entrepreneurs. The latter, for instance, is organized into sub-groups according to specific industrial and/or professional fields. One interviewee told us that he is not only a member of the Federation via his membership in the AYCE but also a member of further sub-organizations like those for Finance & Commerce, Education, and Pharmaceutics & Health. All these networks are of great importance for both his business and his individual life. The membership gave him access to business partners, (private) low-interest loans, and high ranking cadres.[99]

97 Interview, Haikou, 11 March, 2016.

98 Interview, Shenzhen, 9 March, 2016.

99 Interview, Beijing, 3 March, 2015.

A specific role is played by the "Federation of Industry and Commerce" (*Gongshanglian*) an organization founded in 1979 under the United Front Department of the CCP,[100] and the "China Enterprise Confederation"/"Chinese Entrepreneurs Association" (*Zhongguo qiye lianhehui/Zhongguo qiyejia xiehui*), a national organization founded in 1984, both of which are authorized by the State Council. The former is directly linked to the party leadership from the central to the local level and therefore quite powerful. The Shenzhen branch, for instance, contended that it was responsible for most new legal regulations in the interests of local private enterprises due to its close connection with party and government bodies.[101]

Both private and state-owned enterprises and entrepreneurs may join the Shenzhen branch in such activities. Its regional and local organizations act independently of higher organizational levels, which in turn have strong links with the respective government authorities. According to the homepage of its national body, this organization serves the interests of both the government and entrepreneurs and conceives of itself as a "bridge" between the two.[102]

Former high officials of the Shenzhen authorities are now in leading positions in the Shenzhen branch of this organization. This helps to ensure close connections and good coordination between local authorities and the field of enterprise and contributes to a more general cross-industry and widespread organization of entrepreneurial interest groups. According to the Shenzhen branch, such interaction between entrepreneurs and local authorities makes it much easier to solve the problems of entrepreneurial members, thus facilitating the emergence of a collective identity.[103]

There are also many regional and local associations. To provide just one example: The "Federation to Protect the Rights and Interests of Private Entrepreneurs in Guangdong" (*Guangdong sheng minying qiyejia quanyi baozhang lianhehui*) was established by the leadership of Guangdong Province. Its function is to ensure that the rights of entrepreneurs are fully protected. It was established after many complaints from entrepreneurial deputies, with corresponding suggestions to the provincial PC and PCC.[104]

Most entrepreneurs are in fact members of a multitude of entrepreneurial associations; this has resulted in multi-functional networks for solving business issues. Table 2 uses a specific case to illustrate this:

100 Local governments prefer to deal with Federations of Industry and Commerce, which act under the auspices of the United Front Departments of the respective party organizations, from the central to the township level, and therefore have more prestige. This federation is simultaneously the main representative for private entrepreneurs.

101 Interview, Shenzhen, 8 March, 2016. See e.g. the volume "Cujin minying jingji fazhan xiangguan zhengce fagui xuanbian" (Selection of policies and legal regulations related to promoting the development of the private economy), Shenzhen (Shenzhen Federation of Industry and Commerce/Shenzhen General Chamber of Commerce, eds.) 2014.

102 See http://cec-ceda.org.cn/ (accessed 10 March, 2016).

103 Interview, Shenzhen, 9 March, 2016. 2016's Spring Festival event of the association, for instance, was attended by a member of the Standing Committee of Shenzhen's party committee who concurrently was acting as executive vice-mayor, and also by two vice-chairmen of the city's PC and the PCC as well as other high-ranking local officials. See Shenzhen Qiye (Shenzhen Enterprises), 20 January, 2016.

104 Regarding the tasks and organization of this body see Guangdong shengwei sheng zhengfu wenjian "Cujin minying jingji fazhanshang shuiping de yijian" (Document of Provincial Party Committee and Provincial Government on "Promoting the developmental level of private economy"), Guangzhou 2011.

Table 2: Organizational Affiliation of Entrepreneur F. in Qingdao

Entrepreneur F., Qingdao			
Educational Alumni Networks	Political Networks	Entrepreneurial Networks	Others
• Primary School "October 1st," Beijing • Alumni Qinghua University • Changjiang MBA Network	• Political Consultative Conference Qingdao City • Member of the non-communist party "China Democratic National Construction Association" • Chinese Youth Federation member	• Qingdao Federation of Industry and Commerce • Qingdao Chinese Enterprise Confederation • Qingdao Association for Promoting Small and Medium Enterprises • Qingdao Fujian Chamber of Commerce • Quanzhou Chamber of Commerce in Qingdao • Qingdao Entrepreneurs' Association • Qingdao Association of Privately Run Enterprises • Qingdao Association of Young Chinese Entrepreneurs • Qingdao Female Entrepreneurs Association • Qingdao Entrepreneurs Exchange Association • Qingdao Textile and Garment Industry Association • Qingdao Entrepreneurs Club	• Fujian Hometown Association

Source: Interview, Qingdao, 3 March, 2016.

Various associations which are mostly controlled at the local level by government bureaus and enjoy little autonomy of any kind are also channels which private entrepreneurs can use to communicate with local governments. Membership in multiple organizations also facilitates access to information, and the development of political strategies. Deng and Kennedy found, however, that the most proactive industry associations are those with "elite companies" which are also the most crucial and influential players.[105] On the other hand, such business associations specifically focus on business issues and not on politics or political rights.[106]

As mentioned above, private entrepreneurs have little confidence that these organizations are crucial for solving their concrete problems. In the end, they regard the attitude of local governments towards trade associations as crucial for the strength or weakness of such organizations.

And in fact it is the case that if a government supports the representation of legitimate concerns of entrepreneurs as expressed by these associations, the latter may acquire better standing among the members of the association and more support from them. If not, an association may be merely marginalized. Thus *guanxi* are extremely important in problem-solving by acting as go-betweens between the responsible function holders and leading party and government officials at the local level.[107]

105 Guosheng Deng & Scott Kennedy: Big Business and Industry Association Lobbying in China: The Paradox of Contrasting Styles. In: The China Journal, No. 63 (Jan. 2010): 113/114.

106 Keming Yang: Keep business for business. Associations of private enterprises in China. In: Jennifer Hsu & Reza Hasmath: Chinese corporatist state: adaption, survival and resistance. London (Routledge) 2013: 76.

107 More on this issue: Wang Jinjun (汪锦) & Zhang Changdong (张长洞): Cong xiangheng xiang wangluo zhongde shehui zuzhi yu zhengfu hudong jizhi (From horizontal network social organizations and mechanisms

In some areas trade associations help to solve labor conflicts. However, as one interviewee put it: "Usually you don't need a trade association. But if entrepreneurs encounter a specific problem, it may prove useful, since it can bargain with the authorities in order to solve these problems or settle conflicts."[108] Particularly for small and medium-sized enterprises it is difficult to gain a hearing from the government as long as they act individually. Their voice is more likely to be heard if their trade associations are strong and all the members act distinctly and in unison.

(e) Non-Communist Parties

Officially, China is a multi-party state "under the leadership of the Communist Party". Thus eight "democratic parties" exist in China in addition to the CCP. We interviewed entrepreneurial members of three of them: the "China Democratic National Construction Association" (中国民主建国会), the "China Association for Promoting Democracy" (中国民主促进会), and the "Jiusan Society" (9·3 学社). Of these, the first consists primarily of entrepreneurs, the second of intellectuals and professionals, and the latter of high-level professionals and intellectuals. All these parties, with a membership of some hundred thousand people each, have seats in the PC and PCC at each level. Most members of these parties interviewed said they had joined because doing so made it much easier to obtain a seat in the PC or PCC and gain access to their party's leaders (who as a rule are also prominent in the PC or PCC at the national and/or provincial level) than via CCP membership. Most entrepreneurs preferred a PCC delegate position, since PC delegates are elected and there is no guarantee of gaining a PC delegate seat. Moreover, the role of the PCC has been upgraded in recent years. Even so, access to membership is strictly controlled by the CCP's United Front Departments.

Two thirds of PCC motions submitted by entrepreneurs have to do with the development of private enterprises and their problems, one third with other social issues. Most entrepreneurial delegates of non-communist parties are members of the PCC "Economic Groups" or the "Democratic Parties Group".

PC and PCC members can also qualify for other leading positions. For example, one entrepreneur was chairman of the "Committee for Promoting Small and Medium Enterprises" of an urban district in Qingdao, another was chairman of Qingdao's "Weifang Chamber of Commerce".[109] Both told us that such positions enhanced their connections to both local governments and other entrepreneurs and were also helpful for acquiring business orders.[110]

7.2 COLLECTIVE ACTION IN INFORMAL OR SEMI-FORMAL ORGANIZATIONS

Entrepreneurs in China also establish and join private clubs and private associations and networks which serve the purpose, among other things, of collective lobbying.

(a) MBA/EMBA Classmate Networks

Networks of former MBA or EMBA graduates are a prominent example of informal networking. Schools such as Peking University's Guanghua School of Management or the Changjiang Business School, which is funded by the Hong Kong Li Kha Shing Foundation and has campuses in Beijing, Shanghai and Guangzhou, and many others as well offer two-year courses. According to one study, graduates of such schools earn much more than they had earned previously.[111]

of government interaction). In: Gonggong Xingzheng Pinglun (Discussing Public Administration), 5/2014: 88–108.

108 Interview, Beijing, 3 March, 2015.

109 Weifang is a prefectural city in Eastern Shandong Province.

110 Interviews, Qingdao, 1, 2, 3, and 4 March, 2016, and Hangzhou, 27 and 29 February, 2016.

111 See e.g. http://daxueconsulting.com/business-schools-in-china/ (accessed 7 December, 2012).

On the other hand, the tuition fee is extremely high. One interviewee told us that he had to pay 680,000 yuan for a two-year study program. For their part, the schools accept only well-known entrepreneurs and officials with a good reputation. Another interviewee noted that the Guanghua School accepts only persons who have more than eight years of enterprise experience and whose companies have an annual production value of more than 50 million yuan. Until 2014 one third of the admissions places were reserved for higher or promising officials (party secretaries, mayors, ministers, vice ministers), who were normally provided with a scholarship and did not have to pay tuition fees. After graduation they remained esteemed members of the classmate networks. The original logic was to bring important entrepreneurs and high-ranking officials together in the interest of mutual understanding, support, and exchange. The subsequent anticorruption drive in China severely restricted such networking activities.

An entrepreneur from Qingdao described his Changjiang class network as follows:

> "Foremost this network is based on trust. Every day we exchange ideas about issues of daily life, hobbies, problems of our enterprises and how to solve them. The level of mutual help is tremendous for us entrepreneurs."[112]

Other classmate networks are also prominent. An entrepreneur in Shenzhen who returned from the US and who is organizing private educational and training programs for individuals is not only in close contact with his former classmates at Qinghua University but is also a leading member of the formal "Europe-America Fellow Student Association" (*Oumei tongxuehui*), the "Europe-America Fellow Student Association's Entrepreneurial Society" (*Oumei tongxuehui qiyejia lianyihui*), and the "Association of Qinghua Entrepreneurs". As he told us, his position in the second and third organization give him easy access to the political leadership of Shenzhen and Guangdong Province.[113]

(b) Clubs and Circles (*quanzi*)

China also has a large number of elite clubs and *quanzi* (cliques or circles of friends), that is, informal membership associations with shared interests and strict membership rules. Some of these center around hobby and leisure activities for entrepreneurs linked by common industries, shared experiences, social interests (e.g. the environment), etc. Among the most prominent clubs are the Taishan Association (泰山会), the Chinese Entrepreneurs' Club (中国企业家俱乐部), Zhenghedao (正和岛), and the Chang'an Club (长安俱乐部). The core members are mostly renowned entrepreneurs.

The exclusive "Taishan Association", for instance, was founded in 1993 by four prominent entrepreneurs in order to discuss business issues at least once a month. It invites only a few persons per year to become new members. In addition, famous scholars and politicians such as economist Wu Jinglian or Hu Deping, the influential son of the former CCP chairman Hu Yaobang, act as senior advisors to this club. The annual membership fee is several hundred thousand yuan. Social status and professional experience are important for becoming a member. Feeling that the number of members had grown too high, however, a group of 16 big-company entrepreneurs established a new, separate organization in 2005.

"Zhenghedao" (Zhenghe Island) is the most influential private Internet platform and social network of the Chinese business elite. Founded in 2010 by Liu Donghua, who was then chief editor of the journal "Chinese Entrepreneurs" (*Zhongguo Qiyejia*), it had more than 5,000 members at the end of 2015. To gain admission, the entrepreneur must come from a company with an annual turnover of at least 100 million yuan and must

112 Interview, Qingdao, 19 February, 2015.

113 Interview, Shenzhen, 22 September, 2015.

make a substantial contribution to society and social development. In addition, membership is given only after an institutionalized membership approval process. The members constantly exchange views and news in the form of blogging and at gatherings, conferences, and banquets which bring politicians, scholars and opinion leaders together.[114] The network is also concerned with the principal issues of social responsibility such as poverty alleviation, climate change, improvement of the environment, and ecological issues. Recently, prominent members of the network campaigned against the ivory trade.[115] The Internet platform shifted in a more political direction in 2013 in support of the emergence of "citizen entrepreneurs", i.e. entrepreneurs wishing to contribute to civilizational competence and the development of civil society; this has meanwhile been dropped, however, since the term "civil society" was banned in 2014.[116] *Zhenghedao* as an autonomous organization now focuses on promoting a new value system of communication and cooperation among its members based on trustworthy entrepreneurs, trustworthy social contacts, and "civilized" business behavior. According to its founder Liu Donghua, the basic idea of *Zhenghedao* is to inform the general public that entrepreneurship is trustworthy, acts in the interests of a progressing society, works to develop globally oriented entrepreneurs, and hopes to function as a bridge between the demands of the entrepreneurs and the requirements for public goods provided by governments.[117]

A cursory perusal of this influential entrepreneurial club's internal member journal "Juece" (决策), in which leading entrepreneurs express their personal views, reveals that they are concerned not only with personal and business issues but also with social and political development. Articles in the December, 2014 issue, for instance, discussed the next reform steps (limiting local governments' interference in company activities, giving private enterprises greater liberty etc.) and demanded tax reductions for Chinese enterprises rather than for foreign ones, pointing out that many Chinese dynasties were overthrown due to extremely high tax rates. And the January, 2012 issue emphasized that entrepreneurs seek reforms but not revolution and that revolution can only be prevented through reforms.

Tightly knit entrepreneurial networks sometimes form cooperatives like credit alliances or advisory bodies for entrepreneurs.[118] A more recent development involves different types of local credit cooperatives established by private entrepreneurs as "Foundations" or "Federations" to provide mutual help for privately-owned companies (*Minying qiyejia huzhu jijinhui or Minying qiye huzhu lianhehui*). These cooperatives organize a kind of crowd funding in which each member deposits a certain amount of money which may then be lent to other members in case of need.[119]

The clubs also function as important advisory bodies which support their members in solving major business or management problems, at times even establishing a "private board of directors" (*siren dongshihui*) made up of experienced club or *quanzi* members who counsel an entrepreneur at confidential meetings.[120]

114 Interview, Beijing, 23 February, 2016.

115 Interview, Beijing, 3 March 2015; On recent activities of *Zhenghedao* see: https://www.zhisland.com/introduce/ret_official_en (accessed 15 February, 2016).

116 Gongmin qiyejia zhan zai shizi lukou (Citizen entrepreneurs standing at a crossroad). In: Nanfang Renwu Zhoukan (Southern persons weekly), 2 August, 2013.

117 Interview, Beijing, 23 February, 2016.

118 See e.g. "Pengyou quan" shengji xinyong lianheti (Circles of friends turn into credit alliances). In: 21Shiji Jingji Baodao (Economic Reports in the 21st Century), 6 July, 2014.

119 Interview, Hangzhou, 26 February, 2015. See exemplary the case of Luoyang: http://www.chinadaily.com.cn/hqcj/zxqxb/2014-05-28/content_11758792.html (accessed 15 February, 2016).

120 Interview, Beijing, 3 March, 2015.

Other activities by private entrepreneurs like the "China Entrepreneurs Forum" bring together hundreds of the most influential Chinese entrepreneurs to exchange ideas and to discuss issues of sustainable development in Chinese society and corporate social responsibility.[121]

While it is hard to measure the policy impact of these entrepreneurial clubs some of them are very influential due to their direct access to high level government and party leaders. The networks open up informal channels for political lobbying and the expansion of individual networks.

Private entrepreneurs also use the internet and maintain chat groups at both the local and national level. Government cadres may join these chat groups (a means of ensuring both state control and cooperation) within a widely-knit network structure which serves the dissemination of information and the organization of offline activities of entrepreneurs. While this form of networking purposely abstains from any kind of political involvement, it nevertheless fosters a collective identity among private entrepreneurs.

Ostensibly, these entrepreneurial clubs and networks try to keep politics and business separate from one another. This at times leads to conflict among the members, however, since many believe that leading entrepreneurs should become more politically active.[122]

Some well-known big-company entrepreneurs even dare to criticize government policies publicly. In February 2016, for example Ren Zhiqiang,[123] a retired, outspoken real estate tycoon and party member, used his blog to take the increasing restrictions on media reporting to task. At his instigation, a meeting of prominent entrepreneurs complained that the actions of the party leadership reminded them of "a new Cultural Revolution". As a result, the newspaper of the Communist Youth League demanded that Ren Zhiqiang's party membership be revoked. Some days later, the Chinese Cyberspace Administration closed down his blog, which had more than 38 million followers. The incident shocked China's business elite, who recently came under investigation for corruption.[124] The current rigid political environment therefore impacts heavily on China's business elite.[125]

Depending on their own interests, most entrepreneurs are members of various associations and clubs (see Table 2 above), each of which has its own strengths in shaping strategic decisions. Here, however, entrepreneurs must be careful to avoid activities that might be viewed as too political. As a leading member of an entrepreneurial club noted, "We must be careful, since we know that we are closely watched and monitored by the authorities for dissident tendencies which may be evolving."[126] Another noted:

> "If an entrepreneur attempts to influence politics, it is easy to put him out of action: they may accuse him of tax fraud or corrupting officials. Accordingly, our capabilities for exerting influence are rather limited."[127]

121 Interview, Beijing, 4 March, 2015.

122 Interview, Beijing, 3 March, 2015.

123 On Ren and his independent thinking see Hurun Baifu, 11/2015: 36–39.

124 Global Times, 26 February, 2016; Ben Bland & Tom Mitchell: Beijing muzzles tycoon critic known as The Cannon. In: Financial Times, 28 February, 2016, http://www.ft.com/intl/cms/s/0/e9cdc8ce-de0e-11e5-b67f-a61732c1d025.html#axzz41WYCF8A4 (accessed 29 February, 2016).

125 In early March Xi Jinping expressed its strong support of the private sector and its development in order to calm down growing apprehensions among Chinese entrepreneurs that the private sector might be more strictly constrained in the future. See http://finance.sina.com.cn/roll/2016-03-09/doc-ifxqafrm7345622.shtml (accessed 10 March, 2016). In his "Report on the Work of the Government" to the Session of the National PC in 2016 Premier Li Keqiang also underscored that the Chinese leadership intends to support private sector development more strongly, http://house.china.com.cn/apple/fullview_823253.htm (accessed 28 March, 2016).

126 Interview, Beijing, 25 February, 2016.

127 Interview, Beijing, 16 February, 2015.

Private entrepreneurs may therefore be classified not only as a potential strategic group but also as a "weak strategic group".

(c) Lobbying

Lobbying is a means of promoting private interests in politics and society by means of personal connections; it impacts not only on government and party bodies but also on public opinion. Many regard it as illegitimate because its success often results from corruptive strategies and tactics. In fact, Chinese scholars differentiate between legitimate (*youshuo*) and illegitimate lobbying (*guanshuo*). Nevertheless lobbying is becoming increasingly accepted in Chinese politics, and one important reason for entrepreneurs to seek positions as PC delegates is that this facilitates the lobbying process.

Lobbying is grounded less in personal relations than in relations between organizations. Particularly prominent lobbying is carried on by entrepreneurs in interest groups, in legislative bodies such as the PC or PCC, and by means of Chambers of Commerce (*shanghui*) and trade associations (*hanghui*), primarily in the interest of small and medium-sized enterprises which rarely have direct access to governments.

Big-company entrepreneurs are prominent above all at the provincial and national level. One well- known case of lobbying took place, for example, in 2004 when entrepreneurial deputies at PC and PCC sessions lobbied other delegates to support 18 proposals for a revision of the Company Law (*gongsi fa*). 601 delegates of the PC and 13 PCC deputies jointly submitted these suggestions with the support of 544 further PC delegates. In the initial stage, the entrepreneurs hired lawyers who sent modified drafts directly to the Standing Committee of the National PC. At the same time they attempted to underscore the arguments for modification by sending out expert academic assessments to delegates and journalists and by posting these assessments on the Internet. Entrepreneurs, lawyers and persons close to entrepreneurs (including staff members of enterprises) directly approached members of the two legislatives by letters or phone calls in order to persuade them to support these drafts. The drafts were also discussed at conferences organized by entrepreneurs to which both the officials concerned and influential members of the PC and the PCC were invited, along with specific members of the relevant PCC committees. The Legal Office of the State Council alone received more than 1,000 motions in total and finally decided to revise the law in August 2004.[128]

Sometimes larger industrial companies collaborate in lobbying. In 2013, for example, ten of the roughly three million private express delivery firms turned to the Law Commission of the PC concerning the regulation that private firms were not permitted to deliver letters weighing more than 350 grams. They demanded a change, and finally succeeded. Similarly, in numerous other examples, businesses attempted to bring about legal changes in their own interests, e.g. in the Labor Law or the Labor Contract Law, or in the rules for determining emission levels in the automobile industry, etc.[129]

In another prominent example, entrepreneurs lobbied for lifting the ban imposed by the National Commission of Development & Reform (*fagaiwei*) in 2001 on producing plastic dishes. 10 leading enterprises in this industry provided 4.5 million yuan to fund lobbying for the abolition of this regulation. They mobilized their respective business associations in light industry and the plastics processing industry, commissioned public relation firms to propagate the social and

128 Pang Jiaoming (庞皎明): Ge liyi jituan youshui "gongsi-fa" (Interest groups lobbying the company law), http://finance.sina.com.cn/g/20050430/17041565752.shtml (accessed 18 February, 2016).

129 See, e.g.: Youshui zai Zhongguo: Zhongguo shangye youshui baitai (Lobbying in China: All kinds of patterns), http://finance.sina.com.cn/g/20060928/13182954856.shtml (accessed 20 February, 2016).

ecological usefulness of plastic dishes, recruited retired former high officials for support, and hired lawyers, promising to pay them four million yuan if successful. With the help of media reports, press conferences, scientific reports and expert assessments in favor of plastic dishes, and meetings with PC and PCC delegates, etc. they finally succeeded and the Commission lifted the ban in 2013.[130]

Wang Shaoguang (王绍光) and Fan Peng (樊鹏) have also described lobbying activities by the Chinese Pharmaceutical Association in the form of media reports, pharmaceutical conferences attended not only by entrepreneurs but also by decision-makers from the respective authorities, research reports directed to the Ministry of Health, and the use of personal relations with PC and PCC delegates.[131]

Young, well-educated, and globally oriented entrepreneurs conceive of lobbying as a legitimate instrument of entrepreneurial behavior. A 28-year-old businessmen in the food industry told us:

> "We have to lobby in order to develop. For instance, I saw in foreign countries that kitchens in restaurants are not separated from customers by a wall but being transparent through a large window. Every customer can watch how meals are prepared and if the kitchen is clean. This, however, does not suit to China's fire prevention regulations. Therefore, we had to lobby among local officials to change the rules. We organized workshops with academic experts, informed them about the advantages of transparent kitchens and the effects for our restaurants, showed them restaurants with transparent kitchens, and finally succeeded in convincing them to change the rules."[132]

Time and again, entrepreneurs have demanded changes in the monopoly of state-owned firms on private investments in industrial sectors. As they point out, private investment in such sectors benefits not only entrepreneurs but also China's overall development in terms of efficient economic development. One entrepreneur who complained about the negative effects of the labor contract law on enterprises informed us that this law would soon be revised due to lobbying in the PC and the PCC.[133] Only two days later, major Chinese newspapers reported that the minister of finance had criticized this law and demanded its revision due to its one-sided protection of worker interests, its detrimental effects on enterprises, and its negative effects on enterprise development.[134]

Another interviewee said that the endeavors of scattered entrepreneurs resulted in less discrimination against the private sector under the 13th Five-Year Plan.[135] Surprisingly, the "Proposal of the 13th Five-Year Plan" decided upon by the Central Committee of the CCP in October 2015

130 Zhong qing bao xiang du shuide zui? – Ping xin Zhongguo di yiqi hefa youshuo an (Whose mouth will The Chinese Youth Daily shut? – On the first legal lobbying case in new China), http://www.guancha.cn/MaPing/2013_03_31_135470.shtml (accessed 22 February, 2016); Dalu youshui jituan diaocha (Study on Mainland's lobbying corporations), http://www.360doc.com/content/13/1111/12/88761_328347055.shtml (accessed 22 February, 2016). Detailed report of various lobbying cases: Zhongguo minjian fuxian youshui jituan, duo qudao xiang Renda suqiu quanyi (Emerging of Chinese private lobbying companies, multi-channel to submit interest proposals to the People's Congresses), http://zazhi.meide.org/2009/0313.htm#MAILLISTDOC2 (accessed 22 February, 2016).

131 Wang Shaoguang & Fan Peng: Guonei liyi tuanti yingxiang yigai zhengce zhiding de jiben qudao yu fangshi (Channels and methods of Chinese interest groups to influence health policies), http://www.guancha.cn/WangShaoGuang/2013_08_24_160893.shtml (accessed 18 February, 2016).

132 Interview, Beijing, 25 March, 2016.

133 Interview, Beijing, 18 February, 2016.

134 See, e.g., Beijing Qingnian Bao, 20 February, 2016.

135 Interview, Beijing, 26 September, 2015.

emphasized that private enterprises should be permitted to enter and invest in industry sectors previously off-limits to them – thus acceding to this long-held demand of entrepreneurs and entrepreneurial organizations.[136]

Both Deng & Kennedy and Yu et al. have argued that privately established associations have less access to state agencies and lobby less frequently than those which are created from the top down and have "privileged access" to decision-making bodies due to their good connections with the government.[137] As a result, the former, lacking such channels and mechanisms, are less successful.

The close relationship of some trade associations with local governments facilitates individual lobbying by small and medium-sized enterprises. Larger firms, in turn, lobby through their own "public relation departments" (*gongguan bumen*) or "Departments for relations to government" (*zhengfu guanxi zhuguan*). Increasingly, such in-house public relations are being outsourced to separate public relation agencies which offer professional lobbying services.[138] The PR agencies develop public relation strategies for enterprises, act as company spokespersons, organize conferences in order to lobby government officials, arrange visits by leading officials, and work to ensure a positive in-company environment.[139] As the Chinese business environment increases in complexity, *guanxi* to government officials no longer suffices and is being replaced by the *guanxi*-building activities of external agencies.[140] According to the 2014 Chinese Report On the Public Relations Industry in China, the turnover of this industry grew 11.5 % to 38 billion yuan in 2015.[141]

An interesting case of private enterprise lobbying is that of Alibaba, the big Chinese e-commerce company, which has established a "Taobao[142] University" and offers specific e-commerce courses for leading county cadres. These courses are held within party schools. By the end of 2015, 1,572 leading county cadres had already been trained in issues of e-commerce.[143] This example illustrates that influential private enterprises can harness existing structures (e.g. party schools) to find acceptance by the party-state leadership and thus enhance their own business interests and influence. In doing so, Alibaba reaches many local leading cadres and helps to expand their technical consciousness and their awareness of private enterprise activities. This in turn contributes to both acceptance of the private sector and a change of the institutional setting in which private enterprises are

136 Zhonggong Zhongyang guanyu zhiding guomin jingji he shehui fazhan di shisange wunian guihua de jianyi (Proposal on the 13th Five-Year Plan for economic and social development), http://news.xinhuanet.com/fortune/2015-11/03/c_1117027676.htm (accessed 28 December, 2015).

137 Deng & Kennedy: 119; Jianxing Yu, Kenichiro Yashima & Yongdong Shen: Autonomy or Privilege? Lobbying Intensity of Local Business Associations in China. In: Journal of Chinese Political Science, Vol. 19 (2014), No. 3: 315–333.

138 See Gongguan gongsi yu qiye gongguan bumen de 5 dian qubie (Five differences between PR agencies and enterprises' inhouse PR), https://www.prnasia.com/blog/archives/4563 (accessed 1 February, 2016).

139 Interview, Beijing, 3 March, 2015.

140 See Gongguan anli yu saishi (Public relation cases and competition), http://pr.shisu.edu.cn/s/19/t/38/0b/68/info2920.htm (accessed 2 February, 2016).

141 Zhongguo gongguan guanxi hangye 2014 niandu diaocha baogao (Research Report on China's public relation sector in 2014), http://www.chinapr.com.cn/templates/T_Second/index.aspx?nodeid=97&page=-ContentPage&contentid=9590 (accessed 1 February, 2015).

142 Taobao refers to Alibaba's "Taobao online shopping service".

143 Interview, Beijing, 20 February, 2016. Details of this program: Qianming xianguan Alibaba peixun ji: you guanyuan zhi erweima wen zhe shi sha (On training a thousand county officials: Some officials ask what QR code is), http://www.guancha.cn/society/2016_02_04_350362.shtml (accessed 19 February, 2016).

operating. Concurrently, networks are appearing not only among local cadres but also between Alibaba and leading local officials.

(d) Government capture

The symbiosis between the local state and local enterprises is particularly important in less developed areas where the private sector is the main source of income. In such cases, private entrepreneurs can easily "capture" local governments and influence local policies. Entrepreneurs even provide public services (e.g. financing the police or other offices and paying bonuses to local officials). Here, private entrepreneurs and local cadres form an interest community.[144] For example, the so-called "acquaintance economy" (*shouren jingji*) has such widespread, close relations with local cadres that it can "capture" government offices so as to influence local decision-making and policies in the interests of individual businesses.[145]

7.3 COLLECTIVE INTERNET ACTIVITIES OF ENTREPRENEURS = CONNECTIVE ACTION

The Internet has generated new patterns of collective action and behavior whereby "online technologies function as connectivity-enhancing tools and have prompted the search for novel or inherently different collective formations and actors on the web".[146] Collective activities organized by means of Internet blogging are now scientifically classified as "connective action". This is based on "individual engagement using technologies to carry personal stories" and functions as a platform for creating new types of networks.[147] These networks are sometimes labeled "E-communities of interest"[148], referring to communities linked by shared interests and across specific locations. Online chat networks are "flexible organizations" which provide "online meeting places", coordinate "offline activities", and create "interpersonal trust".[149] They offer a venue for personalized communication which can help solve all sorts of individual business problems without state interference. Such activities are also not directed towards changing the political system but are rather concerned with sharing information about personal and business grievances, entrepreneurial lifestyles, problem-solving, individual views, and strategy development for the promotion of individual company interests. Concurrently, such chat rooms provide a community or group with a new, higher and more visible profile. By bundling grievances and helping to solve problems collectively, these chat rooms engender a specific kind of collective action termed "connective action". This kind of networking does not aim at changing the political system or challenging the power arrangements of the political system but rather at stable development of the private sector and thus the political system as a whole.

As an entrepreneur in Beijing noted:

> "Such kind of networks do not change the system but rather the entrepreneurs' perception of it ... This finally contributes to the survival of the system since it provides us with assistance and self-support."[150]

144 See e.g. the report Jingti minying ziben yu difang zhengfu de "miyue xianxiang" (Be vigilant of the "honeymoon" phenomenon between private capital and local governments). In: Zhongguo Jingji Kuaisu Zhoukan (China's Economic Newsflash Weekly), http://www.sx-sme.com.cn/w/shanxi/article-6de7d759-e366-4899-bb45-a98b020a3897.html (accessed 14 December, 2015).

145 Interview, Jinjiang, 5 September, 2012.

146 Dolata & Schrape 2014: 3.

147 W. Lance Bennett & Alexandra Segerberg: The Logic of Connective Action. Digital Media and the Personalization of Contentious Politics. Cambridge and New York (Cambridge University Press), 2013: 196.

148 Dolata & Schrape 2014: 16.

149 W.L. Bennett & A. Segerberg: The Logic of Connective Action. In: Information, Communication & Society, Vol. 15 (2012), No. 5: 753.

150 Interview, Beijing, 7 September, 2015.

The same entrepreneur informed us that he had established his own Internet platforms which now house as many as 800 chat groups (including digital chambers of commerce), have fixed memberships, and are independent of government organizations. He himself regularly and actively participates in the activities of only four of these chat groups – which, he told us, have their own, member-elected boards and have formulated a code of conduct for members. The discussions primarily concern the search for solutions for business-related problems, such as finding loans, building relationships with politicians, consulting experts and business leaders, and seeking general business advice.[151]

Another businessman told us that younger entrepreneurs above all are increasingly selling their products via the Internet and therefore have little interest in developing *guanxi* to local governments. He said:

> "By means of the Internet we can regulate more issues among ourselves at a distance from the government. Our online networks also promote mutual support and collaboration in terms of investment, marketing, enterprise mergers, business advice or credits".[152]

Connective action is therefore also a strategy for gaining more independence from the government. Another interviewee, a graduate of the Changjiang Business School in Shanghai, told us in referring to his classmate group of 52 people:

> "There is a strong group feeling and distinct trust existing among us. Through Wechat [a Chinese smartphone app and platform for chatting and communicating, one of the most important platforms for networking and exchanging views (*the authors*)], we are communicating with each other about everything important almost on a daily basis: our grievances, life, hobbies, entrepreneurial and enterprise problems and how to solve these problems. It is a kind of an internal IT and advisement club. We grant each other loans, even without interest, invest in classmates' companies and collaborate wherever possible. If a member of the network is looking for a prominent entrepreneur or a leading figure of a bank he or she will first of all ask the members of its personal MBA network. If this fails we shall ask the professors of the school to establish such contacts via the big network of the entire school. Therefore, these schools are not only training organizations but rather life-long network platforms of cooperation, not only in reality but also virtually".[153]

However, the chat entrepreneurs also organize collective action campaigns. For example, the 2012 collective campaign of entrepreneurs in Zhejiang mentioned above was first organized via chat platforms.

A Chinese report on the Internet activities of private entrepreneurs found, however, that there are major differences among them according to age and level of education. About 62 per cent of the entrepreneurs surveyed frequently or sometimes use Weixin or Wechat to communicate with their networks, but merely one third actively participate in blogging activities.[154]

151 Interview, Beijing, 7 September, 2015.

152 Interview, Qingdao, 2 March, 2016.

153 Interview, Beijing, 18 February, 2015.

154 Lü Peng & Fan Xiaoguang: 2015 nian Zhongguo siying qiyezhu hulianwang xingwei diaocha fenxi baogao (Internet behavior characteristics and preferences among private business owners). In: Li Peilin, Chen Guangjin & Zhang Yi (eds.): 2016 nian Zhongguo shehui xingshi fenxi yu yuce (Analysis and Forecast of China's Society 2016). Beijing (Shehui kexue wenxian chubanshe) 2015: 319–328.

8 CONCLUSIONS

Until the 1990s the state rigidly controlled private enterprises and curbed their development. The latter were heavily dependent on local governments and their good will. Since then, and in accordance with the marketization of the Chinese economy, the balance of power between the local state and private entrepreneurs has changed. Effectively developing the private sector has become critical for leading local cadres in their efforts to receive positive performance evaluations and promote their career prospects. During the last decade, the role of the local state vis-à-vis the private sector has shifted from 'leadership' (*lingdao*) to 'guidance' (*yindao*) and 'service provision' (*fuwu*). Today, the interests of private entrepreneurs as the most important source of taxes and employment must be seriously taken into account by local governments in order to promote the development of their locality. The entrepreneurs may also threaten to move somewhere else if their requirements in terms of government services and support are not met. Larger and more important companies are in fact taking the lead here. If a major enterprise moves to another location, its suppliers often soon follow suit, thus causing tremendous economic damage within a locality and jeopardizing the chances of leading local cadres for receiving a positive assessment of their performance. Leading local cadres and private entrepreneurs clearly share a common interest in successful private sector development within their county or township, and are 'doomed' to close cooperation, given the particular institutional environment they face.

In this paper we have argued two points: First, that private entrepreneurs in China display initial forms of collective action and collective consciousness, arguably created by non-collective, i.e., un-coordinated and widespread strategic action and a similar habitus that informs their thinking about themselves. Private entrepreneurs not only interact with local governments on an individual basis but have already established patterns of collective action. Relations between local governments and private entrepreneurs have become more horizontal in recent years due to the rising importance of private sector development for local economic progress, thus strengthening the bargaining power of private entrepreneurs vis-à-vis local governments. However, it is equally clear that even in those areas where private sector development has been successful, private entrepreneurs are bound by a symbiotic but concurrently asymmetric relationship to the local state which they cannot and do not wish to challenge.

Second, we have shown that entrepreneurs are not carriers of political system change but are rather stabilizing the system. This has to do with (1) the institutional environment in which private entrepreneurs in China must operate; (2) the high-level competition between counties that makes it advisable for the bulk of small and medium-sized enterprises to cooperate closely with their local government in order to gain market leverage; and last but not at least (3) the continuing power of the party-state to rein in any effort to challenge the basic parameters of the political system. Only by acknowledging the power of the party means is it possible to enjoy the privileges and opportunities this brings to doing business in China.

> "The driving-force of our entrepreneurship is not money but rather a kind of self-fulfillment. We like challenges. An enterprise is like a kind of game. We don't fear anything but just do it. In fact, we are not interested in such abstract things as 'democracy'. The party and the government are not our opponents. And if we need support we turn to our networks of friends, classmates, co-entrepreneurs. Thus, we are happy with this society in which we feel at ease."[155]

155 Interview, Beijing, 25 March, 2016.

In general, grievances and discontent in the Chinese business world are frequently concealed behind "politically correct" language and alleged conformity. As one entrepreneur in northern Changchun put it symbolically:

> "The Communist Party does not provide you with food and drink. The only thing it can provide for entrepreneurs is a good environment. It permits you to emerge and to perish on your own. If your enterprise runs well you are appreciated. If not, you will be appreciated by no one. Only the Party provides environment and policies for entrepreneurs."[156]

On the other hand, most entrepreneurs interviewed emphasized that as "patriots" they are strongly interested in developing their country. As one interviewee put it:

> "Meanwhile I have a US passport. I could of course remain in the US and live an easy and prosperous life as an entrepreneur. But I returned since I want to contribute to China's development and modernization. It is my home country which I deeply love, despite the difficult environment in which we entrepreneurs have to operate."[157]

Therefore, patriotism is an important mechanism by which entrepreneurs assist in stabilizing the political system.

In this paper we have shown that private entrepreneurs constitute a Strategic Group (SG) in the making. In Bourdieu's sense, they act as individuals with equal positions within a given field (the private sector) and a comparable amount of capital. A collective identity which binds its members together is developing in the sense that they see boundaries between themselves and other social groups. A broad variety of entrepreneurial organizations, clubs, and networks on the one hand and common action in the PC and the PCC on the other is also fostering the development of a common identity. A salient part of this "identity building" process is the existence of similar particularities such as collective experiences and challenges of entrepreneurs (entrepreneurial and market risks, pressure by state authorities and public opinion, group expectations and demands, the environment within which they operate), their professional expertise regarding enterprise management, market operation and business-government interaction (including entrepreneurial learning, role identity, etc.).[158]

Entrepreneurs in China also attempt to pursue their shared interests strategically by means of formal or informal institutions. They are increasingly turning to collective action to improve the institutional environment and to protect their business interests. Formal and informal organizations and networks play a crucial role in this. Big-company entrepreneurs are the forerunners and trendsetters at both the national and provincial level. Small and medium-sized company entrepreneurs in turn are focusing on the local level with particular dependence on chambers of commerce and trade organizations.

Four basic strategies are discernible: (1) *avoidance strategies*: to obtain more independence from authorities or the state (e.g. by means of the Internet); (2) *equality strategies* in order to gain equality according to the law and vis-á-vis state enterprises; (3) *influence strategies*, i.e. through lobbying, etc.; (4) *advantage strategies* in order to gain business benefits for the individual's company or industry. Currently, entrepreneurs are not pursuing a strategy of transforming the system. The strategies just mentioned are therefore incremental.

156 Interview, Changchun, 11 September, 2015.

157 Interview, Beijing, 18 February, 2016.

158 Cf., for instance, Dean A. Shepherd & J. Michael Haynie: Birds of a feather don't always flock together: 316–337.

We have also shown that, primarily in the field of policies, formal and informal organizations can alter the institutional setting in which entrepreneurs act. They are not system changers who want to alter the balance of power but are "thick embedded"[159] in the political system, which facilitates both their business interests and provides them with political protection. Moreover, private enterprises are crucial for local and regional economic development. Their behavior therefore contributes to stabilization of the political system and its structures. A significant recent development is that of "connective action", i.e. patterns of communication which are independent of the state and assist in finding business problem solutions without interference by state authorities. Their success even reinforces the state and thus the political system.

In conclusion: private entrepreneurs in China increasingly constitute a Strategic Group without any ambition of challenging the party-state. While this group is still somewhat weak in view of the state's hegemony, individual and unorganized behavior is part and parcel of collective action by these SGs, since the actions of their large numbers are impacting on decision-making, policy implementation, and institutionalization processes. Even if group activities are unorganized and uncoordinated, the individual actors act in the interests of the entire SG.

159 See e.g. Christopher A. McNally & Teresa Wright: Sources of social support for China's current political order: The "thick embeddedness" of private capital holders. In: Communist and Post-Communist Studies, Vol. 43 (2010), No. 2: 189–198.

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