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**Origin and Network: Examining the Influence of Non-local  
Chambers of Commerce in the Chinese Local Policy Process**

**Hua Wang MA (Hons), MSc**

Submitted in fulfilment of the requirements for the Degree of Doctor of Philosophy  
(Politics)



**University  
of Glasgow**

**College of Social Sciences  
School of Social and Political Sciences  
University of Glasgow**

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## Abstract

China's transition from planned economy to market economy (economic liberalization) has catalyzed the private sector's emergence and growth, as well as given birth to new forms of business associations within the private sector, such as Non-local Chambers of Commerce (NCCs, hereafter). NCCs emerged from mid-1990s, and have proliferated rapidly across China's localities and industries. Unlike traditional official business associations, NCCs have significantly participated in local governance and demonstrated new types of state-society relations. However, they have not yet reached the attention of scholarly researchers, and have been understudied within and outside of China.

At the same time, political scientists working on policy processes have begun to include China as a case to enrich their theory, but find it hard to adapt established models to China's policymaking system. Research on the Chinese policy process have gone from elite politics in the 1950-1960s, to "fragmented authoritarianism" in the 1970-1980s, then to "fragmented authoritarianism 2.0" after 2000. During the evolution of these theories, it has been noticed that more and more non-bureaucratic actors have been involved into the policymaking process if not being the prominent actors. There have been studies on "policy entrepreneur", environmental NGOs, international NGOs, Chinese think-tanks and different forms of business lobbying. However, within the spectrum of business lobbying, there is a gap in understanding business associations' influence in policy processes, especially the new type of so claimed "grass-roots" business associations.

This thesis sheds lights on this new type of private sector business association - NCCs and their influence in the local urban policy process. NCCs have been widely involved in local governance and political engagement. However, their political participation shows great variation due to differences in regions, organizational forms, industries and policy spheres. So the question of what lead to the variation of NCCs' policy influence has become the highlights of this research project. By using the empirical materials from participant observation and interviews, this thesis aims to answer two main questions: How did NCCs influence the local policy process and what explains the difference in their policy influence?

In this thesis, I develop a typology for NCCs by using the dimensions of "origins" and "networks". Thus all the NCCs have been categorized into four types: "Dependent NCCs", "Independent NCCs", "Coupling NCCs" and "Decoupling NCCs". Through in-depth case analysis, I argue that NCCs' networks and their ability to mobilize resources within their

networks determine their policy impact. In terms of NCCs' network orientation, the state networks of NCCs directly affect their access to policy lobbying, while the business networks directly affect the resources for their lobbying, thus determine NCCs' lobbying capacity in the local policy process. In terms of NCCs' network strategy, network span influences policy making while network intensity influences policy implementations. To be specific, NCCs with network span strategy could influence more general policy agendas and policy spheres, while NCCs with network intensity strategy could exert more influence in specific policies especially in the policy implementation stage.

# Table of Contents

<b>Abstract .....</b>	<b>2</b>
<b>List of Tables .....</b>	<b>8</b>
<b>List of Figures .....</b>	<b>8</b>
<b>Acknowledgements .....</b>	<b>9</b>
<b>Author's Declaration .....</b>	<b>11</b>
<b>Abbreviations .....</b>	<b>12</b>
<b>Chapter 1 Introduction and literature review .....</b>	<b>13</b>
<b>1.1 Introduction .....</b>	<b>13</b>
<b>1.2 Debate on business associations' role in state-society relations .....</b>	<b>16</b>
<b>1.3 Studies of the Chinese policy process .....</b>	<b>19</b>
<b>1.4 Policy process in the Chinese local context .....</b>	<b>22</b>
<b>1.5 External actors' influence in the local policy process .....</b>	<b>25</b>
1.5.1 Business lobbying.....	25
1.5.2 Environmental NGO's influence on policy change .....	27
1.5.3 Think-tanks and experts' influence on the policy process .....	29
1.5.4 Business associations' influence in local politics.....	29
1.5.5 Summary and comments .....	32
<b>1.6 Introducing the research object: Non-local Chambers of Commerce (NCCs) .....</b>	<b>33</b>
<b>1.7 Research questions and arguments .....</b>	<b>36</b>
NCCs' establishment initiatives.....	37
NCCs' network orientation.....	38
NCCs' network strategy.....	38
Argument of the thesis.....	39
<b>1.8 Methodology .....</b>	<b>40</b>
<b>1.9 Chapter outline .....</b>	<b>42</b>
<b>Chapter 2 NCCs in China: emergence, development and political engagement. 44</b>	
<b>2.1 NCCs' emergence in the 1990s.....</b>	<b>45</b>
<b>2.2 NCCs' development in China.....</b>	<b>49</b>
2.2.1 Wenzhou NCCs in China.....	52
2.2.2 NCCs in Tianjin.....	58
2.2.3 NCCs in Hangzhou .....	63
2.2.4 Comparison of NCCs in Tianjin and Hangzhou.....	66
2.2.5 Preliminary explanations of NCCs' regional variations .....	66

<b>2.3 NCCs' characteristics and features</b> .....	<b>68</b>
<b>2.4 Private sectors' political engagement</b> .....	<b>70</b>
2.4.1 As representatives in political organizations.....	71
2.4.2 Business lobbying in China.....	72
2.4.3 Joining in or setting up business associations.....	72
<b>2.5 NCCs' participation in the local governance and policy process</b> .....	<b>74</b>
<b>2.6 Conclusion</b> .....	<b>77</b>
<b>Chapter 3 Explaining NCCs' variation and NCCs' typology</b> .....	<b>78</b>
<b>3.1 NCCs in the chinese local administration system</b> .....	<b>79</b>
3.1.1 NCCs' registration.....	79
3.1.2 NCCs' position in the local administration.....	83
3.1.3 NCCs and local liaison office.....	86
3.1.4 NCCs' organizational structure.....	87
<b>3.2 NCCs' growth mode</b> .....	<b>88</b>
<b>3.3 NCCs' behavior strategies</b> .....	<b>89</b>
<b>3.4 NCCs' interaction with local states</b> .....	<b>90</b>
<b>3.5 Explaining NCCs' variation</b> .....	<b>94</b>
<b>3.6 Two dimensions to categorize NCCs: "Origin" and "Network"</b> .....	<b>98</b>
NCCs' establishment initiatives.....	98
NCCs' network orientation.....	99
NCCs' network strategy.....	99
<b>3.7 NCCs' typology</b> .....	<b>100</b>
3.7.1 Dependent NCC.....	104
3.7.2 Coupling NCC.....	104
3.7.3 Decoupling NCC.....	105
3.7.4 Independent NCC.....	105
3.7.5 The spectrum of NCCs.....	106
<b>3.8 Conclusion</b> .....	<b>106</b>
<b>Chapter 4 Coupling NCCs' lobbying in the local policy process - the case of</b> <b>Tianjin Shanxi NCC</b> .....	<b>108</b>
<b>4.1 The current situation of Shanxi NCC in Tianjin</b> .....	<b>109</b>
<b>4.2 The historical and cultural Context</b> .....	<b>112</b>
<b>4.3 Institutional context of Tianjin Shanxi NCC</b> .....	<b>114</b>
<b>4.4 Shanxi NCC's establishment initiatives</b> .....	<b>117</b>
<b>4.5 Shanxi NCC's network strategy</b> .....	<b>117</b>
<b>4.6 Comparative case analysis: Coupling NCCs' influence in the local policy process</b> .....	<b>119</b>

4.6.1 Case selection .....	119
4.6.2 Case 1: The proposal to change private sector's party member subordinate units .....	120
4.6.3 Case analysis .....	123
4.6.4 Case 2: Tianjin Shanxi NCC working as bridges to link local governments and local enterprises.....	125
4.6.5 Case analysis .....	126
<b>4.7 Comparison and analysis .....</b>	<b>128</b>
<b>4.8 Conclusion .....</b>	<b>129</b>
<b>Chapter 5 Independent NCCs' influence in the local policy process – the Case of Tianjin Guangdong NCC.....</b>	<b>130</b>
5.1 The current situation of Tianjin Guangdong NCC .....	131
5.2 The historical and cultural background .....	136
5.3 The institutional context of Tianjin Guangdong NCC .....	139
5.4 Tianjin Guangdong NCC's establishment initiatives.....	141
5.5 Tianjin Guangdong NCC's network strategy .....	142
5.6 Comparative case analysis: Independent NCCs' influence in the local policy process .....	143
5.6.1 Policy case selection .....	143
5.6.2 Case1 Tianjin Guangdong NCC's lobbying for Gree Electrics in seeking for land of the new plants in Tianjin .....	144
5.6.3 Case analysis.....	148
5.6.4 Case 2 Tianjin Guangdong NCC proposing to establish the Circum-Bohai-Sea Social Organizations' Economic Development Research Association.....	149
5.6.5 Case analysis.....	154
5.7 Comparison and analysis .....	158
5.8 Conclusion .....	159
<b>Chapter 6 Decoupling NCCs' lobbying in the local policy process – the case of Tianjin Zhejiang NCC.....</b>	<b>160</b>
6.1 The current situation of Tianjin Zhejiang NCC .....	162
6.2 The historical and cultural background .....	167
6.3 The institutional context of Tianjin Zhejiang NCC.....	169
6.4 Tianjin Zhejiang NCC's establishment initiatives.....	171
6.5 Tianjin Zhejiang NCC's network strategy .....	172
6.6 Comparative case analysis: Decoupling NCCs' influence in the local policy process .....	174
6.6.1 Case selection .....	174

6.6.2 Case 1 Blue-seal Household Registration Policy in Tianjin .....	175
6.6.3 Case analysis .....	180
6.6.4 Case 2 Tianjin Zhejiang NCC's new business initiatives in Tianjin.....	181
<b>6.7 Comparison and analysis .....</b>	<b>183</b>
<b>6.8 Conclusion .....</b>	<b>183</b>
<b>Chapter 7 Conclusion .....</b>	<b>185</b>
<b>7.1 How did NCCs emerge and develop .....</b>	<b>185</b>
7.1.1 NCCs' emergence and development.....	185
7.1.2 The variation of NCCs' development .....	186
7.1.3 NCCs' typology .....	186
<b>7.2 Main findings: NCCs' influence in the local policy process.....</b>	<b>187</b>
7.2.1 How do NCCs influence the Chinese local policy process .....	187
7.2.2 Origin and network: explaining the difference in NCCs' lobbying outcomes .....	188
<b>7.3 The limitation of existing studies.....</b>	<b>192</b>
<b>7.4 Other Interesting Points in the comparison of different types of NCCs.....</b>	<b>194</b>
<b>7.5 Research contribution.....</b>	<b>197</b>
<b>7.6 The implications of this research in China studies .....</b>	<b>198</b>
<b>7.7 Research limitations and future research .....</b>	<b>200</b>
<b>Appendix A: Sample interview outline .....</b>	<b>202</b>
<b>Appendix B: Sample information sheet.....</b>	<b>207</b>
<b>Appendix C: Sample consent form.....</b>	<b>209</b>
<b>Appendix D: List of interviews.....</b>	<b>210</b>
<b>List of references .....</b>	<b>213</b>

## List of Tables

<i>Table 2.1: Wenzhou NCCs' events in 20 years of development .....</i>	<i>55</i>
<i>Table 2.2: Overview of NCCs in Tianjin .....</i>	<i>60</i>
<i>Table 2.3: Overview of NCCs in Hangzhou .....</i>	<i>64</i>
<i>Table 2. 4: NCCs' developing situation in Hangzhou by 2009 .....</i>	<i>65</i>
<i>Table 3.1: NCCs' typology.....</i>	<i>102</i>

## List of Figures

<i>Figure 3.1: NCCs in the local administrative structure .....</i>	<i>83</i>
<i>Figure 3.2: Wenzhou Chamber of Commerce in the local administrative structure .....</i>	<i>84</i>
<i>Figure 5.1: The administrative divisions of Tianjin .....</i>	<i>147</i>
<i>Figure 5.2: The location of Bohai Economic Rim.....</i>	<i>150</i>
<i>Figure 5.3: The member citis of Bohai Rim Mayors' Joint Committee .....</i>	<i>157</i>
<i>Figure 5.4: The provinces of Bohai Sea area.....</i>	<i>158</i>
<i>Figure 7.1: The spectrum of NCCs' distance from the state.....</i>	<i>187</i>

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## Author's Declaration

I declare that, except where explicit reference is made to the contribution of others, that this dissertation is the result of my own work and has not been submitted for any other degree at the University of Glasgow or any other institution.

Signature \_\_\_\_\_

Printed name \_\_\_\_\_Hua Wang\_\_\_\_\_

## Abbreviations

BA	Business Associations
CAB	Civil Affairs Bureau
CCP	Chinese Communist Party
CPPCC	Chinese People's Political Consultative Conference
CSO	Civil Society Organizations
DRC	Development and Research Center
ECO	Economic Cooperation Office
GONGO	Government-organized NGO
ICF	Industry and Commerce Federation
MNC	Multinational Corporation
MCA	Ministry of Civil Affairs
NCC	Non-local Chamber of Commerce
NGO	Non-governmental Organization
NI	Network Intensity
NS	Network Span
NPC	National People's Congress
PRC	People's Republic of China
SME	Small and Medium Enterprises
SOE	State-owned Enterprises

## Chapter 1 Introduction and literature review

### 1.1 Introduction

The government of the People's Republic of China (PRC) has overseen economic reform and opening up since 1978. For the more than 30 year-long transition period from a centrally planned economy to a more market oriented economy, a number of private entrepreneurs and private enterprises have emerged and are now playing a critical role in the economic development of the PRC. According to national statistics, the number of private enterprises had reached 10 million and contributed over 60% to the total gross domestic product (GDP) in 2012<sup>1</sup>. In addition to its contribution to the GDP, the private sector's tax contribution had risen to 50 %, and provided 90% of the new employment.<sup>2</sup> According to figures released by Unirule Institute of Economics, the private sector (including private companies and the self-employed) in China employed around 235.4 million people until 2012, which was nearly four times the working population in State-Owned Enterprises (SOEs, hereafter).<sup>3</sup>

The private sector's development has experienced ups and downs since the establishment of PRC. It was eliminated during the Mao era from 1956-1978, but regenerated since the reform period began. Its development falls into three phases in the post-Mao period. The first phase, running from 1978 to 1986, was the initial stage of economic reform, when the private sector was positioned as a supplement to the socialist state-owned economy. In the second phase, from 1987 to 1996, the basic laws and regulations on private enterprises were enacted and the new concept of the "socialist market economic system"<sup>4</sup> was first introduced in 1992(The Fourteenth CPC Congress Report, 1992). In the third phase, from 1997 to the present, the private sector was upgraded to an "important component of the socialist market economy" (The Fifteenth CPC congress report, 1997) from its previous position as "supplement". In 2000, CCP launched the "Three Represents" (*Sange Daibiao*)

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<sup>1</sup>See 全国工商联主席王钦敏在 2012—2013 年中国民营经济发展形势分析会上透露,03/02/2013, <http://finance.people.com.cn/n/2013/0203/c1004-20414645.html>. last accessed on 27 June, 2016.

<sup>2</sup> More information, please see 中国国家治理现代化 - 国有和民营: 两条腿走路, <http://theory.people.com.cn/n/2014/0825/c388253-25532859.html>.

<sup>3</sup> More details , see 金融时报中文网 (Financial Times Chinese version), <http://www.ftchinese.com/story/001047949?full=y>, last accessed on 21 June, 2016.

<sup>4</sup> "The socialist market economic system" is the official term to describe the form of economies in the People's Republic of China after the reform and opening up. It was put forward by Deng Xiaoping in his Southern Tour Speech and finally established in the fourteenth CPC Congress in October 1992.

## Chapter 1

principle<sup>5</sup>, which straightened out the relationship between CCP and the private sector in China. Thus Communist Party membership was opened to private entrepreneurs in 2001 after Jiang Zemin's famous "1<sup>st</sup> July Speech"<sup>6</sup>. In 2004, the state constitution was also amended to protect private property rights (Constitution of the People's Republic of China, 2004). Coming into the 21st century, the economic and legal environment for the private sector has improved and the weight of private enterprises in the overall economy has continued to rise, making it an even more significant part of the national economy.

During the private sector's dramatic development over the past forty years, its economic contribution and social consequences have been widely recognized, and there have been a great amount of studies in this field. However, its political influence initially remained relatively low profile and little research was done (Yang, 2010; Fulda, 2015). More recently, along with the increasingly diverse demands of Chinese society for a role in policy making, more and more attention has been paid to business lobbying and the private sector's political engagement.

One important aspect of private sector's political engagement is joining or setting up business associations for expression of interest and collective action. Along with the private sector's development after the reform and opening-up policy, various business associations have flourished with growing numbers and diversified forms of organization. Quite a few new types of business associations have emerged and demonstrated significance in the local governance and policy process, with great variation across regions and industries. However, current studies of business associations mainly concentrate on state-affiliated business associations with a research focus on macro-level state-society relations (White, 1993; Unger, 1996; Foster, 2002; etc.). There is rarely empirical research focusing on the new types of business associations that emerged during the economic liberalization of the 1990s.

This thesis sheds light on Non-local Chambers of Commerce (*yidi shanghui*, NCCs hereafter), a new type of private sector business association. NCCs emerged in Kunming in

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<sup>5</sup> "Three Represents" is a guiding socio-political theory credited to Jiang Zemin, which was ratified by the Communist Party of China at the Sixteenth Party Congress in 2002, which can be translated as "Our Party must always represent the requirements for developing China's advanced productive forces, the orientation of China's advanced culture and the fundamental interests of the overwhelming majority of the Chinese people."

<sup>6</sup> Jiang's speech in the general assembly to celebrate 80 years anniversary of CCP's establishment on 1<sup>st</sup> July, 2001 first introduced the idea of absorbing qualified private entrepreneurs to join the party and this principle was finalized in the sixteenth CPC congress report in 2002.

## Chapter 1

1995, and have mushroomed in almost every city nationwide. By the end of 2010, there were 9103 NCCs registered in different level of Civil Affairs departments in China.<sup>7</sup> In the past twenty years, NCCs have revealed great potential and influence in the local governance and policy process. However, they are understudied due to their short history and the dearth of information readily available on them. This thesis aims to show the picture of NCCs' influence in the local policy process, mainly to provide answers to two questions: how did NCCs influence the local policy process, and what explains the variation of their capacity to influence policy? I argue that, NCCs' links with the state play an important but nonlinear role in their influence to local policy process. Based on my analysis of two dimensions - "networks" and "origins" - I categorize NCCs in China into four types: "Dependent NCCs", "Independent NCCs", "Coupling NCCs" and "Decoupling NCCs". Different types of NCCs adopt different network strategies to influence the local policy process: NCCs' "Network Span" influences local policymaking, while their "Network Intensity" influences local policy implementation. Thus NCCs with a Network Span strategy may influence more general policy agendas and policy sphere, while NCCs with a Network Intensity strategy may exert more influence in specific policies especially in the policy implementation stage.

This research makes three crucial contributions to current studies. First, this study of new type of business association, while based on the current studies of business associations, goes beyond the statist explanation and state-civil society debate. It explores what kind of role state linkages play in NCCs' influence to the local policy process and how their strategies make a difference to their influence. Second, this research concentrates on the external actors' influence in the local policy process in China, differing from central policy processes that previous studies have focused on. Third, this research provides much empirical evidence of NCCs' emergence and development, as well as local policy cases based on the first-hand fieldwork materials, which contributes to the understanding of the complexity of Chinese local politics and operational systems in local China.

This chapter first sets out the relevant current studies on business associations and external actors in the Chinese policy process. It then introduces the subject - NCCs - and the main concepts developed in this thesis. The following section explains how my research questions emerged from the empirical materials and a presentation of the main findings in

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<sup>7</sup> Source from "Research Report on Chinese Non-local Chambers of Commerce" (*Zhongguo Yidishanghui Yanjiu Baogao*) published by Chinese Research Group on 19<sup>th</sup> February, 2011.

## Chapter 1

relation to the two parts of the research questions. The final section explains the methodological approach as well as an outline of the remaining chapters.

### **1.2 Debate on business associations' role in state-society relations**

Regarding the evolution of business associations over the past 30 years, scholars specializing in China have paid quite a lot of attention, expecting to find signs of new state-society relations catalyzed from marketization reform. The history of the development of China's business associations is comparatively short. During the Mao era (1949-1978) business associations were tightly bound to particular ministries or specialized economic management departments. After 1978, a large number of business associations were founded, which still had close ties with government (Pearson, 1994; Bennett, 1995; Nevitt, 1996; Unger, 1996; Foster, 2002). By the 1990s, several kinds of bottom-up business associations appeared, and were recognized as a sign of potentially growing autonomy in Chinese social and economic life by some scholars (Chen, 2003; Chen & Wang, 2004).

Previous scholarship on business associations has examined where the initiatives for their formation come from; how much autonomy associations have from the state; and to what extent they can represent the interests of their members (White et al., 1996). Answers to these questions fall into two main types: on the one hand statist perspectives (corporatism) that emphasize state initiative and see associations as instruments of the state, and on the other hand a societal view (civil society) that highlights societal initiative and sees associations as new social organizations with the potential for expanding democracy.

The statist view found that the dominant role that the state played in establishing and running business associations is a new instrument of control in the environment of market economies (Shue, 1994; Pearson, 1994, 1997; White, 1994; Nevitt, 1996; Unger, 1996; White *et al*, 1996; Yep, 2000; Foster, 2002). As Unger and Chan (1996: 112) argue, "The more the economy decentralizes, the more corporatism gets established as subtle control mechanisms." This view sees either no or very limited autonomy for these associations in representing the interests of their members. Considering the fact that associations are embedded in state agencies, Foster (2002: 42) who investigated the business associations

## Chapter 1

in the coastal city of Yantai, thus concludes these entities are “in essence appendages of government or Party Organizations.” Hence, it is considered naïve to imagine any conflict between business associations and the state, or associations lobbying the government to change policy. However, researchers also found that the corporatist interpretation has faced challenges. For example, White et al. (1996) point out that the associations they came across in their research exhibit a diversity of relationships with the state, with some organizations being more autonomous and voluntary than others, so they are best described as forming an organizational continuum stretching from a state-dominated extreme to a civil society extreme. Similarly, Pearson’s comparison of three business associations shows that “Socialist Corporatism does not exist uniformly in all business sectors” (Pearson 1997, 134-135).

In contrast, the societal view captures business initiative in organizing associations and predicts more positive roles for them, though in changing state-society relations that are favorable for future democracy rather than influencing policy. The search for civil society in contemporary China is driven by an expected link between civil society and democratization (White, 1993). As Whyte (1992) observes, “To the extent that a civil society develops within a Leninist system, it will produce pressure on elites for democratic reform.” Business associations are frequently identified as candidates to fulfill the function of civil society because their constituents represent “new social forces” created by market reform. Business associations and their members are also seen to have resources that the state needs, and thus have special leverage in prompting political change (Pearson, 1997). Empirically, some scholars have found evidence that associations exhibit some societal initiative, enjoy certain autonomy, voice the interest of their members, and try to influence state policy (White, 1993; Pearson, 1994). However, the civil society framework, with its emphasis on autonomy of societal actors, has limitations in explaining business associations’ development in China. First, Chinese business associations have been observed enjoying limited autonomy from the state, and many of them are “in fact hybrid organizations in which state and society are interwoven” (Lu, 2009: 12). Second, the main view the civil society researchers hold, that civil society organizations are agents of democratization, does not square with the discoveries of researchers on the ground. As Howell pointed out, apart from the underground organizations, Chinese NGOs “have neither an explicit nor an implicit democratic programme” (Howell, 1998: 72). That is why

## Chapter 1

few scholars are particularly assertive when they embrace the societal view regarding the research of business associations in China.

The disputes between the two views above continue. Each of them can easily find evidence of a single case to support, which makes the debate lengthy and contentious, but with little significance. As the analytical value of both civil society and corporatism has been challenged, Ma (2006) proposes a way out: applying both concepts simultaneously. She argues that economic NGOs that are organized top-down fit the corporatism model, while those that are organized bottom-up should be viewed through the civil society lens. Ma's solution can be seen as a variation on the corporatism-civil society continuum thesis. It highlights the difficulties scholars have had in using either corporatism or civil society to explain the development of NGOs in China.

No matter whether they adopt the corporatism approach, civil society approach, or a particular mix of the two, most of the current studies on business associations in China fall into a "state-society paradigm" (Perry, 1994). These studies have three main shortcomings in understanding the real operation of business associations in China. First, in reality, the boundaries between state and society are often blurred, but under the state-versus-society framework, scholars become preoccupied with discussing the degree of autonomy of business associations from the state (Lu, 2009). Second, the state-versus-society dichotomy is unable to capture the complexity of the relations between business associations and the state. "A deep understanding of the nature and functions of Chinese NGOs requires that researchers disaggregate both 'state' and 'society' to take into account the diverse interests and goals within them" (Lu, 2009: 8-9). Third, most of the empirical cases in current studies are based on old type of state affiliated business associations, and there has been no injection of new empirical materials in the past ten years. In a transitional social and political environment as in China, the existing studies on business associations and the state-versus-society dichotomy research approach have been out of date and need to be updated. In this regards, I agree with Fulda's opinion (2012: 677) that "the analytical framework of civil society tends to overemphasize the ability of NGOs to protect their autonomy vis-à-vis the party-state. The corporatist framework on the other hand exaggerates the constraining power of existing political institutions on NGO agency. While both analytical frameworks are useful to capture parts of the bigger picture, they cannot

## Chapter 1

fully capture the fluidity of interactions between the Chinese party state and organized members of Chinese society.”

Reviewing the current studies on Chinese business associations, there is a lack of comparative and comprehensive research based on several cases that are geographically diverse in both English and Chinese academia, and in researching the state-society interaction, very few link them with the local policymaking structure and process. Although some studies examine business associations in a broader context (White, 1993; Unger, 1996; Foster, 2002), for the reasons noted above, they either fall into the contentious state-versus-society debate or are stuck in explaining the variations in the relationship between business associations and the state. In order to overcome these research constraints, we need to pay closer attention to the diverse interests of the different actors within “state” and “society”, and to explore the incentives, opportunities, strategies, and constraints that shape business associations’ behaviors in China, which is also the rationale behind this thesis.

This thesis will not fall into the debate of corporatism and civil society, but try to examine the interaction of NCCs as a type of private sector business association or economic NGO with local states. First, the concept of “civil society” has a lot of problems when being translated into Chinese and applied in the Chinese practice (Wang, 2013), and it is hard to define the connotation and extension of “civil society” in the Chinese context. Second, NCCs are still in the emerging stage. Whether they belong to the private sector, the third sector or being incorporated by the local state, still remains a question. However, NCCs has demonstrated a continuum relation with the local states at this stage, which provide a new angle for us to probe the state-society relations in contemporary China.

### **1.3 Studies of the Chinese policy process**

China’s policy process has been a main focus of China studies in western academia since the establishment of the People’s Republic of China, and research on various approaches to the policy process have been characterized by a number of issues that have parallels with the broader study of policy making and implementation. All the studies in this field can be divided into three periods. The first period is the pre-reform era, when the access to information in China was really limited. Most research in this period was based on the information available through official channels, official newspapers, and the testimonies of

## Chapter 1

those who had defected from Maoist China (for a discussion see Lieberthal and Oksenberg, 1988; Lieberthal, 1992). The most popular approach was the “rationality and power” model, which focuses on the role played by the political elites in the leadership of China. This explanation for policy did not view elites as atomized but saw them as groupings or factions with the conflicts between factions influencing policy outcomes. These studies have shown both the significance of elite leaders’ role in China’s policy process and the limitation of studying an authoritarian regime due to the lack of empirical evidence (Nathan, 1973,1976; Tsou, 1976; Harding, 1981; Doak Barnett, 1974).

The second period is the reform era. The reform process has opened up a variety of significant new opportunities for data collection and access to government agencies and bureaucrats. In this period, the significance of groups and bureaucracies in policy making has been salient, and researchers have merged the power, rationality and bureaucratic explanations of the policy process into one single model. This has become known as the fragmented authoritarian (FA) model, which argues that bargaining among a fragmented bureaucracy has led to the policy change and transition in China (Lieberthal and Oksenberg, 1988, Naughton, 1992, Lampton, 1987c, Lampton, 1992, Lieberthal, 1992). To date, the FA model is the most complete, coherent and influential theoretical attempt. However, the FA model could not explain all the policy sectors very well, and did not cover the non-bureaucratic actors’ influence in the policy process.

The third period of studies on the Chinese policy process then started around 2003 after Severe Acute Respiratory Syndrome (SARS)<sup>8</sup> outbreak in China. Since the reform and transition has got more in-depth and the demands for society as a role in the Chinese policy process has been motivated, more and more non-bureaucratic social groups have got involved in the policy process. Quite a few studies have supplemented the FA model, and ‘Fragmented Authoritarianism 2.0’ has been developed by incorporating “Policy Entrepreneurs” such as peripheral officials, non-governmental organizations and the media (Mertha, 2009). In addition, some studies have focused on other external actors’ influence in the policy process by adapting alternatively available policy process frameworks from general political science into China’s practice. These studies are far from prevailing, but indicate a new tendency for policy process studies in China. As Mertha indicated, “while the fragmented authoritarianism framework continues to define the major contours of the

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<sup>8</sup> This is severe infectious disease caused by member of Corona virus family.

## Chapter 1

policy-making process in China, the playing field is becoming increasingly crowded” (Mertha, 2009). Current research has shed light on media, environmental NGOs, international NGOs, Chinese think tanks and all different forms of business lobbying. (Kennedy, 2005 & 2010; Zhu, 2005 & 2009; Mertha, 2009).

Chinese scholars took a rather late start on the study of the Chinese policy process, compared to the western academia. As a middle range theory, the study of the policy process is restricted to a particular context of political institutions, basic variables, dimensions and other conditions, which need to be re-evaluated in the Chinese policymaking context. In recent years, quite a few Chinese scholars have realized the research demand for policy process theories based on China’s experience, and started to illustrate the Chinese policymaking model. For example, “Crossing River by Feeling the Stone” (*mozhe shitou guohe*) (Xu, 2002), “Integrated Democratic Decision Making Model” (*yitihua minzhu juece moxing*) (Hu, 1997), “six models of agenda setting in China’s public policy” (Wang, 2006), “Adapting by Doing Model” (*xuexi shiying moxing*) (Wang, 2008 & 2009), “Consensus-centered Model” (*gongshi juece moxing*) (Chen, Zhao & Xue, 2010), and etc.

Existing literature on the Chinese policy process has several key features. First, most studies have focused on the central policy process rather than local policy. As the local policy process has much variation among industries and regions, frameworks generalized from the central policymaking can hardly be adapted to the local policy practice. For example, Andrew G. Walder has noted that a potential flaw for the FA model is that whilst its explanation of the policy process for the center seems sound, the necessary fragmentation of authority within the bureaucracy in the local level does not appear to exist (Walder, 1992). Therefore, to examine the local policy process in China, it is essential to develop analytical framework based on the empirical evidence in the local policymaking. According the characteristics of Chinese policymaking in economic transformation, Heilmann (2008a, 2008b) has summarized the policy experimentation in China, which indicates that the government conducts experimental pilots in some areas first and then evaluates and scales up the pilots with the necessary changes following an evaluation. Thus he puts forward the pattern of central-local interaction in generating policy - “experimentation under hierarchy”. Heilmann’s research has gone beyond the central policymaking, but focused on the interaction between central and local, which reveals a

## Chapter 1

new paradigm to study Chinese policy process (See policy learning model by Wang, 2008). However, due to the practical limits on international researchers at the local level, like languages, and access to local bureaucrats, systematic research on the local policy process is still in the emerging stage and it seems more demanding than the central level.

Second, the diversity of external actors being studied is quite limited. As mentioned above, there has been a series of studies on non-bureaucratic actors' influence in the policy process. However, since the actors getting involved are increasing and diversified, quite a lot of other external actors have not been noticed by academia. A crucial gap exists in relation to NCCs, the focus of this thesis. Finally, current research has not revealed the different logics of external actors' influence in the policy process. Due to the nature of various external actors, they would develop their unique way to interact with the state and exert their influence. For example, business associations would take quite a different strategy and tactics to influence policy compared with environmental NGOs. Besides, not all the influence occurred in relation to specific policymaking, but more generally in the interaction with the local state and the local governance system.

This research on NCCs' influence in the policy process will fulfill the above mentioned research gap of the Chinese policy process studies. On the one hand, the new type of non-bureaucratic actor -NCC- will be explicitly studied, including its emergence, development, historical connection as well as the interaction with the local state. On the other hand, the local policy process in China will be carefully examined. The variation will be displayed through cases analysis and comparison, and the local state's role in the policy process as well as its flexibility and responsiveness will be systematically demonstrated in the thesis.

### **1.4 Policy process in the Chinese local context**

In the discipline of policy science, the policy cycle is the starting point to study policy process in general (Birkland 2005; Hill 2014). There have been various ways to break down the policy cycle into different key stages. These stages have changed over the years, and vary by country. However, the basic ideas remain the same. Generally speaking, the policy cycle includes agenda setting, policy formulation, decision-making, implementation, and evaluation (Howlett, Ramesh, and Perl 2009; Cairney 2014; Hill 2014; Wellstead and Stedman, 2015). The cycle is of a continuous process rather than a single event. The evaluation stage of a policy represents the first stage of another policy, as lessons learned

## Chapter 1

in the past set the agenda for choices to be made in the future. (Cairney, 2014) Within the five key stages of policy cycle, policymaking includes the stages of agenda setting, policy formulation and decision-making, which differentiate from policy implementation. However, in the Chinese local context, local policymaking and implementation has no clear boundary, and it is hard to distinguish various stages of policy cycle.

The policy cycle theory is widely applied in various political systems to explain the policy process, as it divides a complicated process into stages and explains what happens during those stages. The policy cycle has got a lot of criticism from academia due to its oversimplification of a complex world, still, it serves as a basic model to understand policy process in different context and examine the influence of external actors in different policy stages.

To overcome the shortage of stages approach, a number of other policy process approaches have emerged, such as the advocacy coalition framework (ACF) (Sabatier, 1988), multiple streams framework (MSF) (Kingdon, 1995), institutional rational choice, and punctuated equilibrium theory (Schlager and Blomquist, 1996; Sabatier and Weible, 2014), etc. These frameworks have enriched the studies of policy process in general, and also provided reference to study policy process in China. The question of whether these established frameworks could be applied in the practice of China, or new frameworks should be extracted based on cases of Chinese experience, categorize the research on China' policy process today into two directional genres. The former direction sees research on conditions to apply frameworks like ASF and MSF in the policy cases in China (Huang, 2012; Zhu, 2008; and etc.), and the latter direction has seen richer academic articles in recent years. Wang (2008) summarized the model of "Adapting by Learning" (*xuexi shiying moxing*) by studying the evolution of China's rural health care financing, and summarized the six models of agenda setting in the Chinese policymaking (Wang, 2006). Chen (2010) extracted the "Consensus-centered Model" (*gongshi juece moxing*) based on the study of Chinese health care reform program from 2005 to 2009. Heilmann (2008a, 2008b) pointed out the experiment-based policy process in China, and traced the origins of this unique policy process. He described this policy process as the central policy-makers encouraging local officials to try out new ways of problem-solving and then feeding the local experiences back into national policy formulation. The main methodology for policy experimentation includes "experimental points" (*shidian*) and "proceeding from point to

## Chapter 1

surface” (*youdian daomian*). All these efforts to search for analytical framework of policy process based on Chinese experience have not only fulfilled the area of China studies, but also the discipline of policy process in general.

However, reviewing all the aforementioned literature on Chinese policy process, most of them focus on national level or specific industrial policy sphere, and very few has shed lights on the policy process in the local level. For example, Lieberthal and Oksenberg (1988) focus on energy policy in their book *Policy Making in China: Leaders, Structures and Processes*, though they also reflect the feasibility of their theoretical framework to other policy areas; Mertha’s research (2009) focuses on the environmental policies in the central level; Kennedy (2005) concentrates his analysis of business lobbying in the steel, consumer electronics, and software industries in the national level as well. Heilmann’s work (2008a, 2008b) is significant as he reveals a pattern of central-local interaction in generating policy - “experimentation under hierarchy”. Though this pattern only exists in the policies related to economic transformation, yet it has started to unveil the vast complex of local policy process in China. In China, the regional variation is no smaller than industrial variation, due to its vast geographical differences and huge population. The local policy process involves more actors, incentives and constraints, which is why it is much more difficult than national policymaking process.

Local policy process in China has several important features. First, central state and national policy makers play a crucial role in the local policy process, sometimes speeding up or hindering the normal progress. As a centralized authoritarian state, central government is an inevitable role in the local politics, which made local governments have limited decision-making power, but substantial discretionary power. Second, stakeholders’ interests are very concentrated in the same localities, which are embedded in the interwoven local social network. Therefore, social networks (*guanxi*) demonstrate more significance in influencing the local policy process. Third, local policy making in China shows huge regional variations. Due to the difference in width and depth of local reform and opening-up, different local policy makers hold different attitudes towards the policy process, especially in terms of the responsiveness and tolerance to external policy participators. Finally, it is hard to distinguish policy-making and policy implementation in the local level. In order to achieve the optimal influence, NCCs try to develop their influential behavior against the background of the local policymaking features.

## Chapter 1

In this thesis, I will not distinguish between policymaking and policy implementation in the local level for the following reasons: First, in local governance, quite a few policy implementations (especially the implementation of central government's policy) are enforced in a way of specific policy or regulation making; second, reversely, very often local policymaking is another way of executing the central policy or some special policy.

In the Chinese local policy process, it is noteworthy that the external actors' network is more significant towards their policy influence than in the general policy process. This is based on the following reasons. First, in the local level, social capital and resources are much concentrate in a limited space, so the interwoven network could help external actors to mobilize the essential resources more efficiently. For example, through network, the local media can be utilized to arouse public awareness, thereby creating public pressure to policy change.<sup>9</sup> Second, personal ties are much stronger in the local level. Blood relations, colleague relations, fellow relations, comrade relations, etc. are widely distributed in the local governance network, which fulfills the scenario of external actors' interaction with local states. Third, the local policy making structure is not as institutionalized as the central policy making, which provides much more access points for external actors to lobby decision-makers.

### **1.5 External actors' influence in the local policy process**

#### **1.5.1 Business lobbying**

“Lobbying” refers to any activities undertaken to influence the decisions and actions of officials regarding national and local regulations and policies. Chinese views of what constitutes lobbying are consistent with this definition (Deng & Kennedy 2010). Lobbying in China is becoming more institutionalized (Deng & Kennedy 2010); not only are more channels being created or formalized, but the content and depth of lobbying is being re-evaluated. The fragmented nature of policy-making in China and the competing interests of the central government ministries provide multiple access points for interest groups to lobby decision-makers. In contrast to previous research, recent research suggests that business groups' lobbying in China may be somewhat more institutionalized (Deng & Kennedy, 2010) and resource-based than has been recognized (Popovic, 2014).

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<sup>9</sup> This could be illustrated in the policy case of “The blue print household” for Decoupling NCC in chapter 6.

## Chapter 1

Business lobbying in China demonstrates various facets among sectors and industries. Scott Kennedy mentioned in his book, *The Business of Lobbying in China*, that it is not possible to identify one all-embracing pattern or model. The variation in the ways government and business interact are related to varying economic circumstances of individual firms and sectors (Kennedy, 2005). He especially researched three sectors: steel, consumer electronics and software and found that the circumstances of individual firms (large or small) and the characteristic of sectors shape the business-government interactions. With business expanding its role in the policy process, his later research has showed that, first, companies across ownership forms and nationality lobby the national government on public policies in a similar fashion. Second, the lobbying style between large companies and business associations differs substantially because of the contrasting environments in which they operate - a competitive world for companies and a protected bubble for most associations. And third, instead of utilizing *guanxi* in their lobbying, companies and associations build their cases through providing information and strengthening their public standing (Deng & Kennedy 2010; Kennedy, 2011). Although it is not the whole picture of business lobbying in China, Deng and Kennedy's research asserted that lobbying in China is effective and that large companies and business associations are having a substantial effect on Chinese public policy.

Limited studies have been done regarding the factors that shape success of business lobbying, but research has shown that business associations' state links are significant towards their influence in lobbying with policy makers. In Kennedy's another research on industrial association, he carried out more in-depth research on the influential factors to their lobbying behavior (Kennedy & Deng, 2012) and found that the associations' attitude towards lobbying, the ages, the autonomy and the representative of industrial associations could exert significant influence on their lobbying behavior, while the size does not. Here, the "autonomy" means "autonomy from the state" and indicates the relationship between industrial associations and the states from the perspective of origin. Regarding the debate on whether "autonomy" has a positive impact on lobbying, Yu (2014) argues that business associations' lobbying in China does not rely on autonomy, but "privileged access". The "privileged access" here indicates the relationship between business associations and the states from the perspective of network building. Therefore, we could conclude that the state linkage of a business organization, whatever from origin or network, does play an important role towards its lobbying behavior and outcome.

### 1.5.2 Environmental NGO's influence on policy change

In the span of nearly three decades, approximately 440,000 officially registered non-governmental organizations - alongside a greater number of unregistered ones – have emerged (Hsu, 2014). Studies on Chinese NGOs' influence on policy have seen a fruitful academic debate, with a number of studies on environmental NGOs. (Yang, 2005; Johnson, 2009; Mertha, 2009)

Along with NGOs' rise and development in China, research on them has gone from NGOs' introverted features, such as their autonomy from the state, to their extroverted engagement, such as their influence on the policy process. Early stage research related to the rise and political participation of NGOs has been conducted in the political regime studies, and focus on whether the CCP's hold on power is stable or whether there are signs that a civil society is emerging to challenge the political status quo. (White et al, 1996; Saich, 2000; Yang, 2002; Whyte, 1992; Shambaugh, 2000; Ma, 2002 & 2006; Lu Yiyi, 2008). Due to the rising social challenges and developing space being created by the state, NGOs in China have developed dramatically and increased in number with increasing influence in governance and political life. Scholars in and outside of China have noticed this tendency and carried out more in-depth studies regarding this issue within the "local corporatist state" paradigm (Hsu, 2014). However, they could not fully address issues of NGOs' policy influence and explain the variation in influence.

Studies on NGOs are categorized by GONGO studies and civilian NGO studies. GONGO studies include official business associations, the Women's Federation, Youth League, Disabled Person's Federation, trade unions etc. Civilian NGO studies include economic NGOs, environmental NGOs, labor NGOs, migrant worker NGOs, international NGOs etc. It is noteworthy that most GONGO studies adopt the corporatism approach while most civilian NGO studies adopt the pluralism approach. Both frameworks evaluate NGOs based on their nature rather than specific activities. However, due to the characteristic of the reform era and pragmatism existing among Chinese NGOs, analysis only based on nature dichotomy, that is, whether government sponsored or grass-rooted, could not explain the variation of NGOs' activities. Some research has started to pay more attention to organizations' actual activities rather than being locked within the debate about the

## Chapter 1

“nature” of organizations (Zhu, 2012). That is why in this thesis, I recommend analyzing both the nature and actual behavior towards Non-local Chambers of Commerce.

Current studies on NGOs’ policy influence highlight environmental NGOs and there have been quite a few English language studies (Johnson, 2009; Yang, 2005; Mertha, 2009). Environmental NGOs are becoming increasingly visible players in China's environmental politics. In addition, they have also acted as significant “Policy Entrepreneurs”<sup>10</sup> in several key environmental incidents and milestone events<sup>11</sup>, though they are still subject to the vagaries of the Chinese political environment.

Although the logic of carrying out activities and yielding influence among different types of NGOs is unique and distinct from each other, the strategies of NGOs used to represent their members’ interests and channel their efforts into the policy process can be summarized as shown below (Chou, 2009):

- 1 bargaining, influencing or resisting political constraints through an alliance with the mass media;
- 2 developing independent sources of revenue;
- 3 expanding their sphere of activities through the use of the Internet;
- 4 appealing to the public and the international community through the prestige and social networks of organizational entrepreneurs;
- 5 tapping the expertise of international NGOs;
- 6 influencing government officials’ attitudes through research dissemination, the demonstration of alternative models and training courses for government leaders; and
- 7 legal mobilizations (Yang 2005).

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<sup>10</sup> Policy entrepreneurs can be defined as those who are willing to devote their time, energy, reputation, and money to make policy changes (Kingdon, 1995: p. 179; Mintrom, 1997; Hill, 2003).

<sup>11</sup> Events like Nu River Campaign in 2004; Revise of Environmental Protection Law; Yuanmingyuan Public hearing mechanism, etc.

### 1.5.3 Think-tanks and experts' influence on the policy process

Chinese think tanks can be defined as stable and autonomous organizations that research and consult on policy issues to influence the policy process (Zhu, 2009). Regarding the think tanks' influence in the policy process, Zhu (2009) argues that expert knowledge, government linkage, and personal ties are the factors that determine think tanks' influence in the Chinese policy process, while different types of think tanks exert influence through different mechanisms: by evaluating the internal and external resources that can be accessed, they select the roles either as advisors for the authorities or as advocates in the public sphere in influencing public policy (Zhu, 2007, 2009, 2011). Zhu's later research further clarified the involvement of experts in policy changes, and he argued that not just experts exert influence to policy changes, but the characteristic of policy changes would affect experts' way of policy participation. Expert participation is not only one of the causes leading to policy changes, but also a result of the inherent characteristics of policy changes in the Chinese policy process (Zhu, 2012).

Research on Chinese think tanks indicates that state linkage is important for think tanks to deliver their policy ideas. However, it doesn't mean think tanks without state linkage could not exert policy influence at all. As Zhu (2011) point out, different type of think tanks evaluates their internal and external resources to choose different ways and mechanisms to exert influence in the policy process, which are also under the constraints of policy characteristics and institutional context. Here most of their external resources are embedded within their wide spread social networks.

### 1.5.4 Business associations' influence in local politics

In China, business associations are the collective name for the social organizations<sup>12</sup> in business and economic area, which include industrial associations, trade associations, chambers of commerce, professional or united business organizations, and non-local chambers of commerce. Chambers of commerce are a sub-category of business associations<sup>13</sup>, so some studies about them were embedded in the business association

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<sup>12</sup> In Chinese Civil Affair departments' registration system, they do not use the term of NGO, but social organizations (*shehuizuzhi*). All the social organizations are categorized into four groups: academic, industrial, professional, and united (or alliance). This official category is convenient for governments' management, but not suitable of in-depth research, which has got quite a lot critic from academia.

<sup>13</sup> The term "chamber of commerce" in China has connotations relating to their civil character, and

## Chapter 1

studies. However, a great part of research on chambers of commerce employed different perspectives and approaches from the general business association studies. In this section, I do not distinguish research on chambers of commerce and other business associations, and combine all the existing studies both in English and Chinese.

Research on the role of chambers of commerce in the Chinese local governance is rare in the English language literature. Fewsmith has studied chambers of commerce in Wenzhou and argued that the growth of chambers of commerce and other trade associations have brought about the new form of state-society accommodation, but not challenged party rule. Thus, a new ruling elite composed of both party officials and private entrepreneurs seems to be emerging in Wenzhou and Zhejiang, which makes policymaking is more consultative and better reflects the needs of industry, though political authority still remains central to the operation of the system (Fewsmith, 2005).

Simultaneously, Chinese scholars have done some brief and descriptive studies in Chinese. One category of research on chambers of commerce in China focused on discussions of the mechanisms of how the chambers of commerce were produced. Scholars argue that they were generated in the process of businesses and governments' pursuit of profit (Jiang, 2008; Sun, 2008; Chen & Ma, 2007). Having a profit-driven nature, businesses need chambers of commerce to represent and safeguard their rights and interests. Meanwhile, because of the special role that chambers of commerce played in economic development, they became the object of local government to cooperate actively. Such rational choices of businesses and governments led to the rise of chambers of commerce and other trade groups. Another study has shown that their development is the result of local government cultivation (Alpermann, 2006). However, most of the current studies are based on the case study of the Wenzhou Chamber of Commerce, and are relatively descriptive by telling the story about how the Wenzhou Chamber of Commerce started and what role they played in the Wenzhou economy. Hence, there is a lack of theoretical generalization and comparative studies about chambers of commerce in different industries and geographical areas.

Another perspective to analyze the chambers of commerce in China is from an economic and market angle. This type of research is mainly about the roles that chambers of

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sometimes they could be called "non-governmental commercial chamber", although most of them have administrative links to governments.

## Chapter 1

commerce have played. Some articles have shown that chambers have become significant actors in local governance and are able to play a role in lowering transaction costs (Qin, 2003), compensating for government failure (Yu, 2002), co-operating with local governments (Li, 2005) and constructing institutionalized channels for expressions of interest (Chen, 2003 & Yu, 2004). These studies are comprehensive but no more than a general description at the macro level. Owing to a lack of original data and information, systematic qualitative analyzes based on case comparisons have not been conducted.

Finally, the new trend of researching chambers of commerce and other business associations' influence in recent years is focusing on their participation in the political process, including lobbying with policy makers and interaction with the political entities. Studies of chambers of commerce in the US have noted their influence on policy, both in relation to economic development and the welfare state (Friedman, 1947; Werking, 1978). These kinds of studies have started to emerge in Mainland China after 2005. A few descriptive studies have revealed the business associations' involvements and mechanisms in Chinese local governance at the micro-level (Yu, 2006; Chen & Ma, 2007). One study compares the different influence between business individual lobbying and organizational lobbying and argues that the lobbying style between large companies and industry associations differs substantially because of the contrasting environments in which they operate - a competitive world for companies and a protected bubble for most associations (Deng & Kennedy, 2010). Young scholars in China have started to pay more attention in this field as well. Wang's study (Wang, 2014) written in Chinese firstly adopted the concept of "Vertical Network" and "Horizontal Network" for industrial associations and aimed to look for the new approach to explain state-society interaction by using the micro mechanism. Huang (2013) has taken an alternative approach to examine how the local states' institutions and policy influenced entrepreneurs' lobbying behavior and outcome. These studies take an opposite research approach and highlight the role of state network and political institution's role towards the behavior and outcome of business lobbying. All these works in the Chinese scholarship show young scholars' efforts to explore new analytical approaches and frameworks to explain the transitional and diversified state-business relationship in China.

### 1.5.5 Summary and comments

Reviewing all these research, we could find that few studies have identified and explained how business associations participate in Chinese local governance and exert their influence in the policy process. This issue is difficult to study, because business association is an extensive and comprehensive concept that can be categorized by different dimensions, such as official versus unofficial, local versus non-local, or top-bottom versus bottom-up. Moreover, due to the wide range of variation, there is no established framework that can be adapted to explain the interaction between business associations and local governments. Existing studies focus on chambers of commerce in their native locality, but a growing number of NCCs are not being studied yet.

Moreover, it is clear to conclude from the existing studies that state links and network functions as significant factors in non-bureaucratic actors' policy influence. It was the common view among researchers before that the majority of business efforts to influence the policy process in China rely extensively on personal ties, so the voice of diffuse interests has been mostly ignored through the stages of the policy-making process (Popovic, 2014). With the evolution of business lobbying, apart from the asserting distinctive relationship between government and business, recent research has shown that informal interactions with the government are less frequent and valuable than they used to be (e.g. Judd 2007). Empirical evidence supports the view that business actors do not just depend primarily on *guanxi* to achieve their aims (Kennedy & Deng 2010). It needs to be pointed out that, as government-business interaction are strengthened and more and more informal behaviors are institutionalized, the connotation and denotation of "network" has been expanded, and is not limited to personal ties any more. Although the personal ties may not as significant as before, yet the state links of business associations and whatever other type of NGOs are still important for their influential power. For example, Yu (2014) asserts the significance of "privileged access" in business associations' political engagement. Kennedy (2012) demonstrates that industry associations' autonomy from the state directly affected their way of lobbying. Other studies on think tanks, environmental NGOs, and social organizations have implicitly mentioned or explicitly proved the role of state links towards their influence in the Chinese policy process (Zhu, 2009b, 2009c & 2011; Johnson, 2009; Fulda, 2012; Wang, 2014, Huang, 2013). Therefore, exploring how

## Chapter 1

networks work in relation to business associations' lobbying at the local level and uncovering the mechanisms is of great significance.

The significance of network towards external actors' policy influence has started to draw attention from academia. Fulda (2012) points out network governance approach adopted by a Civil Society Organization (CSO) in Beijing lead to their success in achieving influence in the local governance. By building the close network with First-in-Command (FIC) cadres the CSO manages to introduce ideas and initiate open-ended processes of communication, consultation and cooperation, which help promote cross sector collaboration between Chinese civil society organizations and local government agencies. Zhu's survey on think tanks nationwide (2009b) also emphasizes that that expert knowledge, governmental linkage, and personal ties are the factors that determine think tanks' influence in the Chinese policy process.

Non-bureaucratic actors are playing an increasing role in the Chinese policy process, though variations were revealed among different policy spheres and institutional context. Generally speaking, current studies on environmental NGOs and think tanks' policy influence are most based on the central or national policy process, while studies on business associations' political engagement are mostly based on the local level. This is primarily due to that the information of business lobbying in the national level is hard to access, and furthermore most business lobbying activities in China are embedded in the stat-business interaction, which are different from the independent lobbying as in western democratic countries.

### **1.6 Introducing the research object: Non-local Chambers of Commerce (NCCs)**

In this thesis I focus on NCCs, a type of chamber of commerce, to probe the state-business interaction and business associations' influence in the local policy process in China. NCCs are a kind of transformative chamber of commerce, which raises particular issues besides the ones that other chambers of commerce focus on. Taking NCC as a research object will be helpful to understand the most updated state-society relations in China, and accumulate to the knowledge of external actors' participation in the Chinese policy process. Although there has been no research directly regarding NCCs in the English literature, current

## Chapter 1

studies of other external actors provide very good starting points and reference. The lobbying of external actors demonstrates different behavior patterns but with a similar logic, which helps to understand NCCs' participation and involvement in Chinese local policy processes.

The developing path of how NCCs have started in China is quite clear. With the development of China's private economy and the opening up policy, more and more private capital began to flow between regions. Thus there appeared a large number of businessmen who did business widely outside their hometowns, who are called "non-local businessmen". "Non-local" indicates that locality is an important identification for citizens in China, and reflects the impact of the prevailing household registration system. The household registration system is an elementary national institution in current China, under which each person has household registration identification - Household Register "hukou". The "hukou" was highly significant for people during the Mao era, because it decided the unit where your basic living allowances came from, and it still plays a great role until now. If a person has a "hukou" in the city where she lives, she can be called "local"; she would be called "non-local" if she does not have it.

Since the 1990s, these non-local businessmen have begun to set up their own organizations - Non-local Chambers of Commerce. As mentioned in the beginning of this chapter, thirty years' economic development has catalyzed the private sector's emergence hence leading to private entrepreneurs setting up new types of business associations. Business associations, as representatives of private sectors, are more and more involved in the political life and policy scheme in the past twenty years. NCCs, as one of the new burgeoning business associations with unique features in the Chinese context, started in the mid-1990s, and have proliferated rapidly beyond localities and industries.

The definition of NCC has not been yet discussed in the scholarship. According to the existing provincial regulations, NCC is a kind of business association with the name of the original administrative region, and being initiated and established in the registration place voluntarily by the foreign invested enterprises (including individual industrialists and businessmen) from the same original region.<sup>14</sup> For example, businessmen who came from different provinces outside of Tianjin established the NCCs in Tianjin. There have been 36

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<sup>14</sup> From the rules on NCCs in Zhejiang province.

## Chapter 1

NCCs being established in Tianjin by the end of 2014.<sup>15</sup> After the first NCC -- Wenzhou Chamber of Commerce in Kunming - was established in 1995, thousands of NCCs proliferated in various locations nationwide in China. By December 2010, the number of NCCs registered in civil affairs departments at all levels had increased to 9103.<sup>16</sup> Most of them are located in the eastern and central parts of China, especially the provinces that have developed private economies, such as Zhejiang Province, Fujian Province, Guangdong Province, and Beijing and surrounding areas. Moreover, a tendency of expansion to the west has started during the past decade.

According to the definition of NCC, NCC is rather a private sector business association or economic NGO than a civil society organization, according to their organizational forms and goals. As quite a great number of NCCs arise from grassroots society, it has the characteristics of civil society organizations. However, the great variation within NCCs will reveal in this thesis. Some NCCs are closely bounded with local states, and some are more public interest based, while others are very oriented to the private sector. At this moment, it is difficult to define a clear boundary of NCCs as they are still in the emerging stage.

Due to the short history and the dearth of information readily available on them, the study of NCCs both internationally and domestically is still in its infancy and there is no systematic strand of literature on this topic. Until the present, there is only one English language paper mentioning this new organizational phenomenon written by Deng and Kennedy (2010), “The number of trade associations representing domestic and foreign companies has grown rapidly, with the greatest expansion recently seen in the proliferation of branches and municipal chambers of commerce outside their home localities (*yidi shanghui*)”. Only three published articles in Chinese have specifically focused on NCCs. Most of the related articles do not distinguish them from the general chambers of commerce. According to the literature, NCC is a type of economic NGO, and is considered by scholars as a special product of Chinese economic and social development (Leng, 2004; Yu, 2006; Chen & Ma, 2007). NCCs are not only a link between businesses and government like other Chambers of Commerce, but also a mechanism through which local economies open to non-local businesses (Yu, 2006). Besides the conventional functions of chambers of commerce, NCCs have become one of the primary channels for local

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<sup>15</sup> From transcription of interviews to Director Zhou in Tianjin economic cooperation office. June 2012.

<sup>16</sup> Reports on China Non-local Chamber of Commerce, 2011.

## Chapter 1

government to attract non-local investment. Hence NCCs could provide platforms for economic cooperation between local governments.

I choose NCCs as the objects of this study, mainly based on following two considerations. First, NCCs are a new type of business group resulting from private sector development, and they have already demonstrated enough political significance compared to other societal actors. Whether bottom-up or not, they mainly represent power outside the formal institutional framework. Second, NCCs are mainly composed of domestic migrants, which relates to one of the tightest institutional constraints for social policy reform in China - the household registration system. Examining how non-local people engage in the local policy process and generally the local governance helps to shed light on the difficulties in social policy integration and how to overcome the integration deficit across the whole country.

### **1.7 Research questions and arguments**

In the fieldwork to collect empirical materials for NCCs, I found that NCCs in China have proliferated rapidly and demonstrated increasing involvement and influence in local politics and governance, with huge variation among regions and industries, which will be shown in the following chapters. It is hard to understand this variation without an established analytical framework. Since this research is an inductive study and limited reference could be got from existing studies, I take the literature on business associations and external actors' influence in the Chinese policy process as a theoretical base and develop my research questions and key concepts.

In this sense, this thesis aims to show the picture of NCCs' emergence and development, as well as their influence in the Chinese local policy process, by answering two main questions: First, how do NCCs influence the local policy process (interact with the local state); and second, what explains the variation among their policy influences.

NCCs' involvement in the policy process is a new emerging phenomenon, with substantial resources and political support involved. If unveiled, it would doubtlessly trigger wider scholarly interest. First, as a grass-roots business group, NCCs arise with the features of both business associations and grassroots NGOs, yet it remains unknown whether their influence in the policy process is similar to business lobbying or NGO advocacy. Secondly, NCCs' growth mode and behavior pattern have demonstrated great variation among

## Chapter 1

regions, industries, organizational forms, and policy spheres, which created a huge demand for a comprehensive theoretical framework with some degree of explanation to illustrate these variations. However, there has been no English literature referring to NCCs' influence in the policy process, and even in the Chinese literature, most research has focused on general description and analysis, without substantial empirical evidence being provided.<sup>17</sup> Thus there is a big gap between the growth of NCCs both in number and size, and limited studies of them within and outside of China. Due to the deficit of research materials and existing data, I decided to carry out inductive research on NCCs' influence in the Chinese urban policy process.

In the research towards NCCs and their policy influence, I develop two key concepts: NCCs' "origin" and "network". NCCs' origin, indicates where the NCC comes from, from state's initiative or entrepreneurs' initiative, so in a certain degree, NCCs' origin reflects their state links. In this research, I define NCCs' origin as its establishment initiatives. NCCs' network refers to the network NCCs discreetly weave after establishment and can be categorized into state network and business network in this research. Hence there are two new developed concepts: network orientation and network strategy. Network orientation refers to the orientation of NCCs' network building that is state network oriented or business network oriented, while network strategy refers to the feature of network NCCs aim to achieve. Here in the following text I am going to introduce these three important concepts: establishment initiatives, network orientation and network strategy.

### **NCCs' establishment initiatives**

NCCs' establishment initiatives indicate the dominant power and state - society path during NCCs' emergence. In this thesis, it refers to NCC's original support gained for its establishment. NCCs are either initiated by the local state or by non-local entrepreneurs. This means they can generally be categorized as top-down and bottom-up. It seems easy to clearly define the boundary between top-down and bottom up modes. Nevertheless, some NCCs have got support from both the local state and membership entrepreneurs at the early stage of their establishment, which might confuse the division. In order to clarify this concept, this thesis defines the original initiatives to establish this organization as the key

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<sup>17</sup> Reference to Chen Shengyong, Yu Jianxing, Jiang Hua.

## Chapter 1

standard to distinguish between top-down and bottom-up types. If NCCs are initiated by non-local businessmen or entrepreneurs, I refer to them as the “bottom-up” type; if NCCs are initiated by government agencies or any organization with official background, either from home localities or host localities, I refer to them as the “top-down” type.

### **NCCs’ network orientation**

In this thesis, I define that NCCs’ network orientation as NCC’s orientation in building up their networks after their creation, which indicates NCCs’ preference in focal networks. NCCs’ networks mainly include business networks and state networks, where business networks refer to the network within business circles, and state network refers to the network within officialdom of host government, home government, and other levels of governments. Network orientation is a relative concept, and it can only indicate NCCs’ tendency in weaving their networks. Although most NCCs might simultaneously carry out activities to enhance both their state network and business network, eventually they develop a preference or orientation for the purpose of maximizing their interests. Therefore, NCCs’ network orientation can be divided into state network oriented and business network oriented. In practice, state network oriented NCCs and business network oriented NCCs demonstrated different characteristics, which will be specified in the following case study chapters.

### **NCCs’ network strategy**

NCCs’ network strategy refers to the strategy and methods of NCCs’ network building, and it indicates an NCC’s most valued feature of their networks. Based on the empirical evidence from this research, network strategies can be categorized into Network Span (NS) strategy and Network Intensity (NI) Strategy.

Network Span means NCCs focus on the breadth of networks they have built up. NCCs adopting an NS strategy make great efforts to expand their network coverage, and try to include as many social strata as possible in their external network. As mentioned in the case chapters, the Zhejiang NCC in Tianjin is a good example of an NCC taking the NS strategy. The Zhejiang NCC has built close relations with both its home government and

## Chapter 1

host government since the early stages of its creation.<sup>18</sup> It also has strong support from membership enterprises in both Zhejiang and Tianjin. Besides, it was the first to set up the public and media office and “Zhejiang merchant in Tianjin” exhibition among all the Tianjin NCCs, to effectively manage the relations with the media and the public, as well as the intellectuals in relevant areas.

Network Intensity means NCCs emphasize the depth and strength of networks. NCCs adopting an NI strategy focus on the key network they rely on, and make efforts to formally or informally enhance the established links within this network. A good example is the Sha’anxi NCC and the Guangdong NCC in the case chapters. The Sha’anxi NCC heavily depends on the Sha’anxi Province’s Tianjin Liaison office financially and personally. It does not have a separate office and team at all. However, due to the official linkage with the government, their network is much stronger than other NCCs’, which gives them more formal or informal channels to deliver ideas and expression although there is still doubt about their autonomy. While the Guangdong NCC is also focus the sole network, which is entrepreneurs’ business network. This is reflected in Guangdong NCCs’ motto “Based on the business and Managing Government”.

Network orientation and network strategy are important for NCCs. First, they directly affect how NCCs build up their external networks, and indicate their initiative in using networks and assemble the resources. Secondly, they demonstrate the differences between NCCs and conventional business associations. Rather than passively accepting the existing network, NCCs have operated proactively and independently on their preference of how to interweave their networks, in order to achieve the goal of lobbying.

### **Argument of the thesis**

This thesis will show how NCCs’ origin and network have played an important role in their policy engagement. The existing literature has shown that state links and network are key factors for organizations to exert their influence in policy process (Zhu, 2009; Bian, 2009, Lin, 1982; Zhou, 2000), but did not show how. This research will adapt this causal link in the case of NCCs, and examine how NCCs’ origin (state links) and network strategy affect their influence in the Chinese local policy process.

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<sup>18</sup> Refer to the note of Zhejiang NCCs founding diary in the author’s fieldwork diary.

## Chapter 1

After comprehensive and comparative case studies, this thesis argues that, NCCs' links with state is playing an important but nonlinear role in their influence to local policy process, and their network strategy show more robustness in influencing local policy process. Or it can be summarized as, NCCs' State links determines their channel to access policy agenda, while their network strategy determines the substantial strength and capacity of their policy influence.

Based on the two dimensions of "networks" and "origins", NCCs' in China are categorized into four types: "Dependent NCCs", "Independent NCCs", "Coupling NCCs" and "Decoupling NCCs"; Different types of NCCs adopts different network strategies to influence local policy process: NCCs' Network Span influences local policymaking, while Network Intensity influences local policy implementation. Or it could be interpreted that, NCCs with Network Span strategy could influence more general policy agendas and policy sphere, while NCCs with Network Intensity strategy could exert more influence in specific policies especially in the policy implementation stage.

### **1.8 Methodology**

The choice of research methods in this thesis was shaped by my research question and the nature of the information needed. Given the lack of previous research on NCCs and the open nature of the research question, I choose to use both inductive approaches to carry out a qualitative research based on comparative case studies.

The main purpose of this research is to show the full picture of NCCs' emergence and development in China, and examine their interaction with local state by answering two questions of how do NCCs influence the local policy process and what explains the variation of NCCs' influences through in-depth investigation of NCCs in selected case localities. Due to the lack of existing academic resources on NCCs, most of the information needs to be captured by first hand in the interviews, participant observations, internal reports, or relevant newspaper, magazines, internet news reports and NCCs' official website, etc. Therefore, this research has employed documentation analysis, individual in-depth interviews, participant observation and case studies. Documentations have been used to get knowledge of the background of NCC's emergence and development, while in-depth interviews and participant observation have been used to explore NCCs' lobbying strategies and behavior, and case studies have been taken to study

## Chapter 1

the variation among different types of NCCs or different behaviors of a specific NCC in different context.

I conducted three fieldwork trips to Tianjin respectively in June-July 2011, March-June 2012 and July 2013, and one fieldwork trip to Hangzhou in July 2012. In Tianjin, I did in total 49 interviews with more than 50 interviewees during the three fieldwork trips, and conducted participant observation in Tianjin Guangdong NCC for two weeks and Tianjin Shanxi NCC for one week in 2012. My interviewees include officials in Tianjin Economic Cooperation Office, Tianjin Civil Affairs Bureau, Tianjin Commercial Committee and in district level government departments, officials working in the liaison office of Guangdong, Zhejiang, Sha'anxi, scholars in universities and research institute, presidents and secretary-generals of NCCs as well as their NCC staff, the directors and representatives of NCCs' membership enterprises, etc. In Hangzhou, I did 11 interviews with 10 interviewees, including presidents and secretary-generals of NCCs as well as their NCC staff, officials in Hangzhou Development Research Center, Hangzhou Brand Building Center, Scholars in Zhejiang Provincial Party School and Zhejiang University, etc.

It is worth mentioning that I attended two academic symposiums where I presented my preliminary research when I did fieldwork in China. The first one was in Nankai University in June 2011, and the second one was in Nanjing University in June 2013. In these two occasions, I have received quite a few feedbacks from some established scholars and fellow researchers, which all contribute to the empirical materials needed for this research.

The documentations used in this research project include official documents, internal reports, NCCs' annual reports, NCCs' newspapers and magazines, and related official statistics. Most of the internal reports, NCCs' annual reports and statistics about NCCs ere acquired by myself in the field visit, while only small part of the general statistics and official documents are publicly published. Moreover, quite a substance of information was accessed online from NCCs' official website.

The in-depth interviews were conducted in a semi-structured way. In order to adapt to the requirement of different respondents, I designed three versions of interview questions list respectively towards to interviewees in NCCs, officials and scholars, which are slightly

## Chapter 1

different in the rhetoric of questions being asked and the emphasis of questions. In interviewing the officials and scholars, I used the mixed method of introduction through common friends and snowball sampling. Especially when interviewing the cases of NCCs' influencing local policies, snowball sampling method did help to restore the course of events.

The participant observation did the biggest contribution to the empirical evidence needed for this research. Most of the documentations needed were accessed during the participant observation period. Besides, most of the policy cases of Tianjin Shanxi NCC and Tianjin Guangdong NCCs were derived from the observation within the organization as well.

The case studies have been carried out in Tianjin and Hangzhou. However, in order to control the effects of local states, all the cases of NCC and the policy cases that I have selected in the following chapters are based in Tianjin. This way I can specifically examine how NCCs' establishment initiatives and network strategy influence their lobbying behavior in the situation of controlling the constant variables.

### **1.9 Chapter outline**

Chapter 2 is based on the empirical materials and examining the emergence and development of NCCs with a focus on Wenzhou NCCs, and NCCs' development status quo in selected case localities of Tianjin and Hangzhou. It then analyzes NCCs' characteristic and features, followed by NCCs' political engagement and policy participation in the local policy process.

Chapter 3 shows NCCs' variation in registration, position in the local administration system, growth mode and behavior strategy. In order to explain these variations, it then develops a typology of NCCs by using the dimensions of origin and network. Finally, it elaborates on the four types of NCCs: independent NCC, coupling NCC, decoupling NCC, and dependent NCC.

Chapters 4, 5 and 6 specifically introduce each type of NCC using in-depth case studies, and reveal the mechanisms of NCCs' lobbying and interaction with the local state. They will explore how establishment initiatives and network strategies affected NCCs' policy in the local policy process by comparing different policy cases.

## Chapter 1

Before drawing conclusions, Chapter 7 makes two comparisons. First, it compares four different types of NCCs and demonstrates the significance of NCCs state links and network strategy towards their influence in the local policy process; Second, it compares NCCs and other external actors, and illustrates in a broader sense the generality and individuality of external actors' influence in the policy process. Finally, it shows the implications and limits of the research.

## **Chapter 2 NCCs in China: emergence, development and political engagement**

Private sector development increased the numbers and diversified the forms of business associations in China. NCCs, as a new form of social organization, have extended the spectrum of business associations. However, since NCCs are newly burgeoning and there is a shortage of empirical data on them, they are heavily under-studied with scant research both in English and Chinese. This chapter will focus on the emergence and development of NCCs, and their political engagement in contemporary China. It will provide the basis for the analysis in the chapters that follow which examine NCCs' typology and their various influences in the Chinese local policy process.

Existing studies of NCCs in Chinese are brief and mainly based on descriptive introductions to single cases, with an empirical focus on the upsurge of Wenzhou Chambers of Commerce and their growing capacity to influence the local governance (Jiang, 2008; Yu, 2007 & 2012; Chen, 2010). But we know little about the big picture of NCCs' development in China and their regional variation politically and geographically. According to my fieldwork in Tianjin and Hangzhou for this research, NCCs' variation has not just been reflected in the way they have been established, but also in the whole process of their development and interaction with local states. Compared to other local business associations and trade groups in China, NCCs' relationship with state has been wide-ranging, which is why it particularly caught my academic interest. A detailed introduction of NCCs' history and development in China, as set out in this chapter, therefore not only helps us to understand the general picture and provides the basis for my own analysis; it also provides a foundation for further systematic research. This chapter thus contributes to filling this particular empirical research gap.

This chapter will be mainly based on first-hand data from my fieldwork research in China in 2011, 2012 and 2013. In addition, in order to update the existing literature and reflect important developments that have occurred in recent years, I also draw on a significant amount of primary material, including Chinese government policy documents and official communications, NCCs' annual reports, and a large amount of media coverage.

## 2.1 NCCs' emergence in the 1990s

With the initiation of the opening up policy in 1978, China's private economy began to develop after more than 30 years of prohibition, which led to profound changes in the Chinese economy and society. Subsequently in the 1990s, marketization catalyzed the flourishing of the private sector in China. The private sector's development has led to capital flowing and people migrating among regions. Inspired by Deng Xiaoping's 1992 Southern Tour Speech,<sup>19</sup> unprecedentedly large numbers of people from many professions jumped into the market and started their own business, something that was referred to as going "down to the sea" (*xiahai*) at that time.<sup>20</sup> These people became the first generation of entrepreneurs after marketization reform in China. Simultaneously, migrant workers and self-employed workers inland chose to seek opportunities in southeastern coastal areas and vice versa. This boosted the private sector's rapid development and accelerated business people's mobility, especially in the southeastern coastal area. At that time, 14 coastal open cities were enjoying preferential economic policies from the central government,<sup>21</sup> which attracted business people to these areas as they looked for the best soil to grow their own enterprises. The success of private business attracted more and more people to leave their home towns and become "non-local business people" (*yidi shangren*).

The direct consequence of the rise of non-local business people was the demand for an organization to protect their interests. In the beginning, non-local start-ups fought very hard to survive, and aimed to settle down in different host cities. With the constant change to the market environment, and fierce market competition, individual enterprises found it hard to take on this challenge alone. As one Wenzhou businessman put it: "A fist is much more powerful than five single fingers".<sup>22</sup> In this context, the demands to set up their own business associations became strong among non-local entrepreneurs. In order to achieve their goals, different non-local groups adopted various strategies and tactics, influenced in

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<sup>19</sup> Deng's Southern tour speech is famous in Chinese history, as it re-confirmed the "Reform and Opening Up" Policy and created a clear direction for market economy in China after the 1989 Tiananmen incident.

<sup>20</sup> In the late 1980s and early 1990s, there were also a great number of government officials who quit their jobs and got into the business sector, in order to pursue the big interests caused by "double track price system" (*jiage shuanggui zhi*).

<sup>21</sup> The 14 coastal open cities were promulgated in 1985 by the State Council. These are (from north to south): Dalian, Qinhuangdao, Tianjin, Yantai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou, Zhanjiang and Beihai.

<sup>22</sup> Source from a speech from a Wenzhou entrepreneur in Wenzhou NCC conference in Hangzhou, June 2012.

## Chapter 2

part by the support from their home governments and host governments<sup>23</sup> where they resided, as well as their own capacity in mobilizing resources.

Non-local business people started the lobbying process in order to successfully establish their own organizations, and there were different approaches being practiced. First, some entrepreneurs tried to seek support from their host government. According to the “Social Groups Management Registration Ordinance” (*shehui tuanti guanli dengji tiaoli*) promulgated in 1998, in order to establish a social group it is necessary to abide by the “Dual Management System”.<sup>24</sup> This means social groups need to find a supportive government agency to be their “Supervision Unit”,<sup>25</sup> in addition to registering in the local Civil Affairs Bureaus. However, due to the shortage of explicit legal provision and ambiguous rules, very few government agencies would like to take the risk, which made this route quite difficult for grassroots NCCs, but relatively easy for NCCs with an official background.<sup>26</sup>

Second, some entrepreneurs sought support from their home government. Take Wenzhou entrepreneurs, for example. Since Wenzhou entrepreneurs have long had bases in different localities around China, most of them have encountered difficulties in looking for a ‘mother in-law’.<sup>27</sup> Rather than focusing on the host governments, they therefore began to look for support to their home government in Wenzhou, which was more open and responsive than other city governments in the reform era. The Wenzhou government then began in 1995 to represent Wenzhou entrepreneurs to communicate and negotiate with different host governments, which facilitated the registration process of Wenzhou NCCs.<sup>28</sup>

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<sup>23</sup> In this thesis, “home government” refers to NCCs’ government of origin, which is the local government of the place where these non-local businessmen originally come from; “host government” refers to the government of the place where NCC get registered and resides. For example, Tianjin Wenzhou NCC’s home government is the Wenzhou municipal government, while its host government is Tianjin municipal government.

<sup>24</sup> The “Dual Management System” was and still is the main policy for Chinese Authorities to manage civil society organizations in China, though some reform of abolishing the “Supervision Unit” has been experimented in places like Guangdong, Beijing etc. since 2010.

<sup>25</sup> The “Supervision Unit” for NCCs could be any local government department in principle, but in practice, the local ICF, ECO or commercial committee were always being the targets for lobbying. The meaning of “supervision” here refers to “management in business”. (*shehui tuanti guanli dengji tiaoli*).

<sup>26</sup> NCCs with an “official” background refer to those NCCs with a “top-down” establishment initiative.

<sup>27</sup> It means their ‘business supervision unit’ in host localities.

<sup>28</sup> During the process of the first Wenzhou NCC’s establishment in Kunming, which is also the very first NCC in China, Wenzhou municipal government had been engaged in the negotiation with Kunming municipal government.

## Chapter 2

There is a third situation in some metropolitan regions. For example, in Beijing, the rule to find a supervision unit and get registered is more restricted compared to other cities. Therefore, non-local entrepreneurs have to lobby their home government's liaison office in Beijing, and try to seek help from them for registration.<sup>29</sup> In order to regulate the confusions during NCCs' registration, Beijing municipal government promulgated the decision in 2009, that all the provinces' Beijing liaison offices are the 'supervision unit' of different NCCs in Beijing. In practice, the liaison offices are not only responsible for NCCs' business, but sometimes get involved into the personnel arrangements relating to NCCs' administration. This special arrangement has made inroads on NCCs' independence, but it helped to build a strong state network with great political resources for NCCs in Beijing.

After much lobbying and negotiation, the first NCC was established in Southwest China in 1995. Wenzhou entrepreneurs in Kunming established Kunming Wenzhou NCC, which was the first NCC under legal registration in China. During the process of its establishment, Wenzhou entrepreneurs encountered many obstacles from legislation and registration. Mr. Zhang was the first president, and also one of founders in Wenzhou NCCs' preparatory phase. He recalled, "We had fireworks on the day when we got legally registered. It was such great news for us, since we had made numerous communications and negotiations over more than a year's preparatory time."<sup>30</sup> In the early 1990s, there had been more than 30,000 Wenzhou businessmen in Kunming, and their business strength and influence had increased fast. However, when it came to other spheres, such as public facilities, business conflict and social welfare policies, they found that they were weak in their ability to respond to and resolve businesses' problems. Then they developed the idea of setting up a business union to protect their own interests. However, their application to Kunming Civil Affairs Bureau was blocked. Some local authorities feared that Wenzhou businessmen would form gangs and monopolize the market. Meanwhile, the big worries about the politicization of economic organization as what happened in the Cultural Revolution period still widely remained. "We are afraid to be seen as illegal organizations and worried

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<sup>29</sup> Liaison office is a long-existing mechanism for different level of governments to realise intergovernmental communication and lobbying. The most significant liaison offices in China are local governments' Beijing liaison offices, which can be dated back to Tang Dynasty. However, most of the current ones are set up in the late 1980s, when the Tax Share System was implemented between central and local governments. Their main function is to do lobbying with central ministries for more preferable policies or transfer payments. Other functions include promoting local leaders' visits and stopping local petitioners from making petitions to the central government.

<sup>30</sup> More details see 南方周末：解密温州商会 娘家、伙伴与情报站, <http://finance.sina.com.cn>, 15<sup>th</sup> April, 2004.

## Chapter 2

to lose everything we have gathered”.<sup>31</sup> This is because the Social Groups Management Registration Ordinance did not encourage establishing social organizations like NCCs or associations of fellow townspeople. And there were no other explicit regulations to legalize NCCs’ existence and status. In the year of 1995, the initiators tried to lobby with each relevant department in the local authorities and repeatedly stated that they were just businessmen and the organized form would be in favor of better management for local authorities. Wenzhou Economic Cooperation Office also specially sent officials to Kunming to lobby on their behalf. Under the joint efforts of several parties, Kunming CAB finally approved the application.<sup>32</sup>

It is clear that the first NCC had broken the ceiling of institutional constraint in practice. However, it did not mean that the subsequent NCCs have not come across any obstacles like this. NCCs were distributed in different localities, and communication between them was very rare at the early stage, therefore, almost all the first NCCs in different localities were pioneers in breaking the existing institutional constraints and experienced large or small obstacles when they sought registration.<sup>33</sup>

NCCs’ emergence in the 1990s was not salient but significant, as it smoothed the grassroots associations’ registration path and methods of negotiation with the local state. After the first Wenzhou NCC was established in 1995, Wenzhou NCCs appeared in Shenyang, Harbin, Changchun, Tianjin, Ningxia, Inner Mongolia, Xi’an and other big cities in China in the following years. The development of NCCs was not limited to Wenzhou NCCs, either. Hundreds of NCCs from elsewhere proliferated in various locations. By December 2010, the number of NCCs registered in Civil Affairs departments at all levels increased to 9103 (Reports on China Non-local Chamber of Commerce, 2011).

According to interviews with NCCs’ leaders and relevant entrepreneurs, there are several different explanations of why NCCs emerged in the 1990s. Overall, there were three main forces pushing NCCs’ emergence. First, due to the policy of “reform and opening-up”, much more space was created for different kinds of social groups. Although different levels of governments still held strong a control over the whole society, societal vigor and enthusiasm were stirred up by the new policy. Second, the private economy’s development

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<sup>31</sup> Cited from interviewee’s talk in the Wenzhou NCC conference, 17/06/2012.

<sup>32</sup> Interview with WWC in Hangzhou.

<sup>33</sup> Interview with SWF from Guangdong NCC in Yunnan.

## Chapter 2

laid the economic base for NCCs' appearance. Unlike workers and staff members in state-owned enterprises and public sectors, private entrepreneurs did not have a fixed unit (*danwei*) to represent their interests; at the same time, they gradually gained significant financial power after years of expanding markets in different locations. Third, the household registration system acted as an obstacle for non-local businessmen to enjoy the same treatment as local people, which stimulated non-local entrepreneurs to explore new ways to represent themselves.

### 2.2 NCCs' development in China

NCCs' development during the past twenty years has shown a tendency to be unbalanced and diversified. "Unbalanced" referred to uneven development geographically and economically. Comparatively speaking, NCCs from Southeast China were more active in business and influential in local governance; while NCCs from North and West China were more conservative and dependent on state affiliation. These unbalanced features were also demonstrated in the same locality like Tianjin. "Diversified" referred to the variation of NCCs in growth mode, behavior, network building activities, interaction with membership enterprises and local state. This new burgeoning business organization was illustrating a spectrum in aspects of state-society relations and influence in the local policy process (Wang, 2010).

Since 1995, several events can be regarded as milestones in NCCs' development. The first event is the promulgation of "The Guidance about Relevant Problems of Non-local Chambers of Commerce Registration" (*Guanyu yidi shanghui dengji youguan wenti de yijian*) issued by the MCA in 2003. This guidance specifically illustrated the principles of NCCs' registration, and gave a guideline for local authorities to follow. Before 2003, NCCs' growth was informal and non-institutionalized, which could be reflected on their growth mode. Some NCCs evolved from fellow associations (*tongxianghui*), some were existing as the economic development association for the purpose of promoting economic communication and cooperation between home governments and host governments, and others were tangled with home governments' liaison offices in host localities in the aspects of finance and personnel. Generally speaking, NCCs as a whole had not demonstrated their significance in local governance before 2003 (Wang, 2010). However, Wenzhou NCCs' development in various locations was an exception. Due to their increasing economic strength and lobbying capacity, Wenzhou NCCs had blossomed everywhere in China from

## Chapter 2

1995 to 2003, not just covering the capitals of different provinces, but also the big prefecture-level cities. It was noteworthy, though, that due to the lack of explicit rules and regulations, the growth process of Wenzhou NCCs was always accompanied with constant haggling and negotiations, and even the “loopholes” (*zuankongzi*) phenomenon.<sup>34</sup> This referred to Wenzhou businessmen who made full use of the policy gap in various local institutional contexts. In this regard, Wenzhou businessmen became the precedent by virtue of their flexible skills and business mind, and significantly contributed to the development of the private economy.

Since 2003 when the guidance was issued, policies regarding NCCs’ registration have loosened. As a consequence, NCCs’ development diversified to a certain degree, where non-institutional factors continued to play a role, but institutional arrangements have appeared everywhere in the country.<sup>35</sup> During this period, some local governments realized the significant role of NCCs in promoting regional economic cooperation, and introduced appropriate policies and regulations to support the establishment and development of NCCs. The NCCs’ growth space was multiplied in this way. Since then, they have developed rapidly in China. It should be noted that the driving force for NCCs’ development in this period came not only from the business community, but also from the support of local states, or even the joint efforts of both parties. For example, the creation of the Guangdong NCC in Tianjin is mainly attributed to the push from the Guangdong business community, while the Zhejiang NCC in Tianjin and Shanxi NCC in Tianjin were created due to the joint efforts of both local state and non-local entrepreneurs.<sup>36</sup>

The second milestone event was the 2008 financial crisis. In 2008, many private enterprises were hugely affected by the financial crisis, and this was particularly severe for export-oriented small businesses. A huge number of small and medium enterprises (SME, hereafter) in the Pearl River Delta region were even bankrupted.<sup>37</sup> In order to resist the crisis, private enterprises needed to focus on the domestic market and transfer exports to domestic sales, where they urgently needed the information platform and sales channels

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<sup>34</sup> “Loopholes” here means the institutional gap that central policy and local regulations have not specified, which are the best lobbying space for non-local businessmen. Wenzhou non-local businessmen were good at looking for these “loopholes” in the local context, and successfully achieved their goals of establishing NCCs.

<sup>35</sup> More information, please refer to Hua Wang’s Master Dissertation in 2010.

<sup>36</sup> More details will be specified in chapter 3- NCCs’ typology and Chapter 4 and 5.

<sup>37</sup> See 金融危机对珠三角经济转型的影响, 11/05/2009, [http://www.china.com.cn/news/txt/2009-05/11/content\\_17758919.htm](http://www.china.com.cn/news/txt/2009-05/11/content_17758919.htm).

## Chapter 2

(Interview with HK, Tianjin Guangdong NCC). NCCs became an effective mechanism for doing this. At that stage, NCCs in different cities organized thousands of trade fairs and meetings individually or collectively, with the support of local governments. Some of them even established microcredit financial institutions within NCCs to deal with the problem of capital chains breaking. For example, Tianjin Zhejiang NCC advocated establishing the Zheshang Group within its membership enterprises in Tianjin and collectively responding to the challenge from international markets. After the financial crisis, quite a few NCCs saw their reputation improve due to what they had done in the emergency. Thus more and more non-local entrepreneurs found it essential to join in or set up NCCs to face challenges from central policies and external markets collectively with other private enterprises (Interview with ZL, Tianjin Zhejiang NCC).

The third event was the decision of the central government to cancel “the Dual Management System” for certain categories of social organizations in China. Although NCCs still needed to look for a “supervision unit” and had to be managed by the local Economic Cooperation Office (ECO, hereafter), this started the change within local institutions and more space was created for NCCs’ lobbying, something which had rarely happened before in local China.<sup>38</sup> As NCCs have got more public awareness from the business community and local states, their space for development has been widened. And at the same time, the conflicts between membership enterprises are also getting more and more serious (Interview with WSD, Jiangxi Guangdong NCC), as will be shown in following chapters.

NCCs’ geographical spread in China followed a sequential order of from East to West, and from South to North. In the early stage, most of the prominent and influential NCCs were from provinces like Zhejiang, Guangdong, Fujian, Beijing and surrounding areas. Gradually they spread to central China and north China, like Northeast area central China and the Yangtze River Area. The logic for non-local entrepreneurs’ flow is looking for comparative advantage in their host localities. In recent years, more and more NCCs have emerged in the western part of China, like Xinjiang, Gansu, Qinghai, and Sha’anxi. However, among the existing 9103 NCCs (until 2010), most of them were still distributed in the eastern part of China, especially the provinces that have more developed private economies.

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<sup>38</sup> This will be elaborately introduced in NCCs’ registration within Chapter 3.

## Chapter 2

In the process of NCCs' development, the significant difference from other grassroots NGOs is that NCCs have received unexpected support from local states. Generally speaking, under the authoritarian state system, local states at different levels are very sensitive to newly established social groups, especially the completely bottom up grassroots organizations (Qi, 2001). NCCs, however, have gained great support from host and home governments because their emergence coincided with the goal of local governments' development (Leng, 2004). First, with the development of marketization and GDP competition within local officials' Promotion Championship<sup>39</sup> in China (Zhou, 2007), the main goal of local governments has been to attract investment and achieve GDP growth locally. For the home government and host government, the NCCs' role in economic exchange and communication benefited both sides in terms of economic growth. Second, with the diversification of social needs, it is impossible for local states to cover every corner of society. Therefore, local states are facing various challenges in local governance, and they need governance partners from society to realize the multi-governance (Yu, 2006). This gives the space for NCCs to play a role in coordinating state-business relations and carrying out public participation in various facets of the local governance. That is why NCCs do not only focus on the business field, but are positively engaged in the general and broad policy process since the beginning of its emergence.

In order to better understand NCCs' emergence and development generally, in the following section I choose the most established NCCs in China – Wenzhou NCCs – to show the evolution of this particular group of organizations. Furthermore, in order to preliminarily explore various NCCs' development in a particular city and the mechanisms for them to wield influence in local policy processes, I choose one city in northern China - Tianjin - and another in the south – Hangzhou.

### **2.2.1 Wenzhou NCCs in China**

Wenzhou NCCs are the inevitable topic when talking about NCCs in China. Wenzhou has the most advanced business culture and tradition in modern China, where the history of chambers of commerce dates back about one hundred years. Wenzhou entrepreneurs not only pioneered the development of private business, but also the development of chambers

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<sup>39</sup> Local officials' Promotion Championship is a concept developed by a Chinese Scholar Zhou Li'an. It summarizes the Chinese local officials' promotion mode, and points out the relationship between economic growth and officials' promotion in China.

## Chapter 2

of commerce and other trade associations (Fewsmith, 2010). Regarding their contribution to NCCs' development, Wenzhou entrepreneurs started almost the first NCC in every city of China. For example, the first NCC in Tianjin was Tianjin Wenzhou NCC established in 1997; the first NCC in Sichuan was Sichuan Wenzhou NCC established in 1997.

Why did Wenzhou entrepreneurs initiate the first NCCs in China? The reasons can be traced back to several aspects: First, from an economic perspective, the private sector's early and rapid development in Wenzhou has nurtured the independent market players and mutual-benefited contractual relationships (Fewsmith, 2005). As a result, Wenzhou entrepreneurs got far more experience than any other group of business people elsewhere. This economic context provided the institutional space, economic resources and free-flowing social elites for NCCs' emergence. Second, from the local history perspective, in the revolution period from 1911 to 1945, Wenzhou was not taken over by armies, thus the leaders were more sympathetic to private business than elsewhere (Interview with HHJ, Tianjin Wenzhou NCC). After the PRC was established, the central government invested very little in the city, contributing to a smaller state-owned sector than in most places. In the reform era, the local authorities in Wenzhou did not intervene in the market too much. To the contrary, they took the lead to loosen regulatory control and change the policy to create opportunities for private enterprises. This unique history produced more entrepreneurs in Wenzhou than anywhere else in China in the early 1990s. Finally, from a cultural and traditional perspective, Wenzhou developed a unique dialect incomprehensible even to those living in cities not far away. This uniqueness in language held the people together and cultivated a certain "Us against the world" mentality, which fostered Wenzhou businessmen to form communities when they are away from the city (Fewsmith, 2005). In addition, Wenzhou has had a long history of entrepreneurship and the export of talent. Even during the Cultural Revolution, risk-takers from Wenzhou were still buying and selling (Fewsmith, 2005). Contemporary Wenzhou NCCs were built on these social economic structures and historical legacies.

By 2013, the number of Wenzhou NCCs around China reached 245,<sup>40</sup> and covered 74% of cities above prefecture level. Especially in the year 2012 to 2013, the number of newly established Wenzhou NCCs reached 37 within a year.<sup>41</sup> Below I list the significant events

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<sup>40</sup> In 2015, the number of Wenzhou NCCs reached 262, and covered 80% of the cities above prefecture level.

<sup>41</sup> See report in 温州异地商会花开全国 [www.china.com.cn](http://www.china.com.cn).  
<http://finance.china.com.cn/roll/20130926/1838019.shtml>.

## Chapter 2

and turning points of Wenzhou NCCs' development during the past twenty years. It is noteworthy that Wenzhou NCCs' development has demonstrated different features during different stages of development.

**Table 2.1: Wenzhou NCCs' events in 20 years of development**

Time	Events
The Initial Phase (1995-2000)	
28/08/1995	Kunming Wenzhou General Chamber of Commerce was established, which was the first legally registered NCC in modern China.
11/1997	Sichuan Wenzhou NCC was established, which was the first provincial level Wenzhou NCC in China.
11/1997	Xi'an Wenzhou NCC set up the first Party branch within their organization.
05/1999	Wenzhou NCCs' first annual conference was held in Kunming (nationwide).
18/06/1999	Jiaxing Wenzhou NCC was established, which was the first Wenzhou NCC in Zhejiang Province.
By the end of 2000, 39 NCCs had been established.	
The Promoting Phase (2000-2005)	
05/2000	Wenzhou municipal government issued twenty methods to urge NCCs' healthy development.
11/10/2003	The first World Conference of "Wenzhouren" was held in Wenzhou, with around 70 presidents of Wenzhou NCCs doing endorsement for Wenzhou.
17/11/2004	Ningbo Wenzhou NCC was established, which is the 100 Wenzhou NCCs.
28/08/2004	"China · Shenyang Wenzhou Day " was held in Shenyang, which is the first "Wenzhou Day" held outside of Wenzhou.
By 2005, 130 Wenzhou NCCs were established. Comparing with the previous five years, the annual increase is 18 at this phase.	
The Normalization Phase (2006-2010)	
27/11/2006	Shanghai Wenzhou NCC joined Shanghai ICF.
09/2006	Wuhan Weizhou NCC Party branch was upgraded to be party committee, which is the first party committee within Wenzhou NCCs.
05/2007	Beijing Wenzhou NCC was established.
05/2008	161 Wenzhou NCCs donated millions of dollars to Wenchuan Earthquake.
08/11/2008	The Second World Conference of "Wenzhouren" was held in Wenzhou, with 170 Wenzhou NCCs attending.
10/06/2009	The establishment of the "World Wenzhou Smile Alliance".
28/08/2010	The First World Conference of Wenzhou NCCs' Presidents was held in Kunming.
Until the end of 2010, 192 Wenzhou NCCs were established, with annual increase of 12.	
Enhancement and Transformation Phase (2011 -present)	
02/2012	The first World Conference of "Wenshang" was held in Wenzhou, with more than 1300 attendees.
27/08/2012	The China-Africa cooperation forum organized by Beijing Wenzhou NCC was held in Beijing.

## Chapter 2

25/10/2012	The first Party working committee of Wenzhou NCCs - CPC Wenzhou NCC Working Committee in Hunan was set up in Changsha.
20/12/2013	The first non-local Wenzhou Hall was opened in Xi'an.
05/03/2015	Suzhou "Wen business return" investment committee was established, becoming the first one focusing on the return of the Wenshang investment among all the 262 Wenzhou NCCs.
Until Apr 2015	262 Wenzhou NCCs have been established.

Source: The information and data in the table are cited from the website of China Brand (*zhongguo pinpai*), [www.pinpai.china.com.cn](http://www.pinpai.china.com.cn), accessed on 10/04/2015. The author has made the table.

In the table above, Wenzhou NCCs' development in China has been divided into four phases, with five-year as an interval. The phases were defined as the initial phase, the promoting phase, the normalization phase and the enhancement and transformation phase, according to the criteria of NCCs' development focus in different stages. In the initial phase (1995-2000), Wenzhou NCCs started to establish in different locations, most of which were bottom-up initiated by non-local Wenzhou entrepreneurs. In the promoting phase (2000-2005), Wenzhou municipal government took the step in to support NCCs development in various host places and started to interweave the network among all the non-local Wenzhou NCCs, which facilitate the process of registration and contribute to the increasing influence of Wenzhou NCCs in various local host places. In the normalization phase (2005-2010), some problems started to appear in Wenzhou NCCs' development, for example, vicious competition in the election of the second term president, and conflicts between membership enterprises in different industries. All these problems made the normalization an essential and only choice. In the process of Wenzhou NCCs' normalization, different host governments try to incorporate Wenzhou NCCs in different mechanisms. For example, Shanghai Wenzhou NCC joined Shanghai ICF as a group member of this government-sponsored business association, while Wuhan Wenzhou NCC was enhancing the party branch building within the organization. Finally in the enhancement and transformation phase, while continuing to be widely engaged and increase the influence of existing mechanism, Wenzhou NCCs tried to figure out their own orientation and engagement strategy so as to keep their capacity in mobilizing resources and lobbying.

From the above table, in addition to an obviously increasing growth rate, we can also see there are different prominent features in different phases of Wenzhou NCCs' development.

## Chapter 2

In the first and second phase (before 2005), Wenzhou entrepreneurs established Wenzhou NCCs in various locations and NCCs' geographical reach was significantly expanded; and in the third and fourth phase (after 2005), Wenzhou NCCs' development has got into the normalization stage, and the focus has been shift to “quality construction”, which means Wenzhou NCCs are not just focusing on the quantity of their organizations, but on the real influential strength in local business and society. During the whole process, it is noteworthy that the Wenzhou municipal government has played a very important role.

Wenzhou government has played a significant role throughout the whole process of Wenzhou NCCs' development. As early as in the early 1990s, Wenzhou ECO sent officials to lobby relevant host government departments, and facilitated Wenzhou NCCs' registration in different host localities. In 1995, when the first NCC in Kunming sought registration, Wenzhou ECO officials played a positive role in lobbying together with Wenzhou entrepreneurs. Later in 2000, the Wenzhou municipal government issued “Some opinions on strengthening the guidance of the Non-local Wenzhou Chamber of Commerce” (*guanyu jiaqiang dui yidi wenzhou shanghui gongzuo zhidao de yijian*) and specified the nature and function of Wenzhou NCCs, which made clear that Wenzhou NCCs were legal economic associations, and swept away the biggest worry from the host governments.<sup>42</sup> It also provided guidance to the construction of non-local Wenzhou NCCs and encouraged non-local Wenzhou entrepreneurs to invest back home.

Wenzhou ECO became the “Mother Home” of non-local Wenzhou NCCs. In particular, it initiated an innovation that each non-local Wenzhou NCC had two supervision units rather than one. It happened like this. In the early stage, Wenzhou NCCs came across difficulties in registration. Due to the suspects of NCCs' legitimacy among host government departments, no one would like to take the offer to be NCCs' supervision unit. In order to overcome this constraint, Wenzhou ECO proactively offered to be Wenzhou NCCs' supervision unit, to show the support from the home government. It finally became routine for all Wenzhou NCCs to have two supervision units: apart from the one in the host government, Wenzhou ECO became the other one. This mechanism seemly enabled Wenzhou NCCs to be under dual control from the state. However, in the early stage of Wenzhou NCCs' establishment, it helped to facilitate the procedure of NCCs' registration and created space for this new emerging social organization to develop.

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<sup>42</sup> More details, see from 温州市委、市政府出台的《关于加强对异地温州商会工作指导的若干意见》in 2000.

## Chapter 2

Apart from the substantial support in legislation and establishment, Wenzhou government also took actions to enhance the Wenzhou business culture and improve the cohesion among Wenzhou merchants. In 2013, the Wenzhou municipal government issued another local regulation “The Guidance on Wenzhou Hall Construction Nationwide” (*guanyu quanguo yidi wenzhou huiguan jianshe de zhidao yijian*), which encouraged different Wenzhou NCCs to construct their Wenzhou Hall in host localities and provide cultural gathering among non-local Wenzhou people in different places. Xi’an Wenzhou NCC took the lead and finished the first Wenzhou Hall in Xi’an. Subsequently dozens of Wenzhou NCCs in such cities as Chongqing, Shenzhen, Hangzhou, Wuxi, Chenzhou, Jiaxing and Qinhuangdao finished the construction of Wenzhou Halls, which helped to foster the sense of belonging of non-local Wenzhou businessmen, and expanded the influence of Wenzhou merchants nationwide.<sup>43</sup>

### 2.2.2 NCCs in Tianjin

The first NCC in Tianjin was Tianjin Wenzhou NCC established in 1997. By August 2015, Tianjin had 36 non-local organizations organized by non-local businessmen. Among these 36 organizations, there were 25 NCCs, and 11 other chambers of commerce focusing on specific industries, like the Bohai Area Financial Association and the Bohai Entrepreneurs Cultural Association (Interview with ZJ, Tianjin ECO). They were all registered with the Civil Affairs Bureau and supervised by the Tianjin Economic Cooperation Office. According to the information from Tianjin ECO, of these 25 NCCs, 10 NCCs were from eastern coastal areas, 6 from the middle parts and 5 from west areas (Annual report of Tianjin Economic Cooperation Office, 2011). Most of them were provincial level. By July 2011 when I visited Tianjin ECO for the first time, NCCs in Tianjin had covered 4253 membership enterprises and 9383 individual memberships in Tianjin.<sup>44</sup>

The development of NCCs in Tianjin has been comparatively slow, but has demonstrated great variation in the ways they were set up and their lobbying behavior (Wang, 2010). NCCs in Tianjin have two features that make them a good case study. First, NCCs in Tianjin were established throughout the whole period of NCCs’ development in China,

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<sup>43</sup> See 异地温州商会风雨 20 年“娘家人”呵护如今再升级, 温州网-温州晚报, <http://news.66wz.com/system/2015/04/03/104405584.shtml>.

<sup>44</sup> In 2011, Tianjin only had 18 NCCs, so the data here were based on the existing 18 NCCs by then. In 2015, the number of NCCs in Tianjin had increased to 25, and the memberships of enterprises and individuals were almost doubled according to an incomplete statistics of Tianjin ICF in 2015.

## Chapter 2

which made them a good sample of the overall situation in China. Second, more than 90% of NCCs in Tianjin were provincial level, which provides the essential condition for comparison and is suitable to conduct comparative case studies. The wide range of NCCs in Tianjin in terms of the date when they were established and their geographical reach makes Tianjin a better locality to examine NCCs' development and external engagement.

The table below lists all the current 25 NCCs in Tianjin as of 2015, with the date they were established and memberships.

**Table 2.2: Overview of NCCs in Tianjin**

Name	Date of creation
Tianjin Tibet Association	1992
Tianjin Wenzhou NCC	1997
Tianjin Zhejiang NCC	1998
Tianjin Shanxi NCC	1998
Tianjin Ningbo NCC	2004
Tianjin Fujian NCC	2005
Tianjin Liaoning NCC	2005
Tianjin Sha'anxi NCC	2006
Tianjin Jiangxi NCC	2006
Tianjin Anhui NCC	2006
Tianjin Guangdong NCC	2007
Tianjin Shandong NCC	2008
Tianjin Hubei NCC	2008
Tianjin Shanghai NCC	2008
Tianjin Sichuan NCC	2009
Tianjin Jiangsu NCC	2009
Tianjin Hebei NCC	2009
Tianjin Hunan NCC	2010
Tianjin Chongqing NCC	2011
Tianjin Xinjiang NCC	2012
Tianjin Guizhou NCC	2013
Tianjin Inner-Mongolia NCC	2013
Tianjin Heilongjiang NCC	2014
Tianjin Beijing NCC	2015
Tianjin Yunnan NCC	2015

Data source: The data in this table was update until August 2015, which was acquired by the author through telephone interviews with officials in Tianjin ECO in September 2015.

The distribution of the original places of NCCs in Tianjin was widespread, and covered 23 provinces and direct-controlled municipalities in China. According to the interview with officials in Tianjin ECO, the most active NCCs in Tianjin were those ones come from the south and east part of China. As seen in the above table, for example, Tianjin Zhejiang NCC, Tianjin Fujian NCC, Tianjin Guangdong NCC and Tianjin Wenzhou NCC are significant in their membership numbers (Interview with LX, Tianjin ECO, 2011). Apart from the variation in membership scales, NCCs' development in Tianjin also demonstrated various facets in the following aspects.

## Chapter 2

First, as shown in the table above, among the existing 25 NCCs in Tianjin, 23 of them came from different provinces and direct-controlled municipalities. However, there were three of them coming from the same province, which were Tianjin Zhejiang NCC, Tianjin Wenzhou NCC and Tianjin Ningbo NCC. Wenzhou and Ningbo were all municipal cities in Zhejiang province, but why this repeated arrangement had appeared in NCCs' institution in Tianjin? To answer this question, it is necessary to trace back to the history of NCCs in Tianjin. In 2003, the Ministry of Civil Affairs issued a policy towards NCCs' construction, "one province, one NCC" (*yisheng yihui*), which indicated that one province could only set up one NCC in the same host locality. But there was an exception, NCCs already established could have the choice to maintain status quo. Since Tianjin Wenzhou NCC was established in 1997 and Tianjin Ningbo NCC was established in 1998, which were both before the year of 2003, they were able to remain, but their attractiveness to membership enterprises and political resources have been subject to serious competition by Tianjin Zhejiang NCC since then (Interview with ZJ, Tianjin ECO). But it is noteworthy that quite a lot of Wenzhou or Ningbo entrepreneurs were not only the members of Tianjin Wenzhou NCC or Tianjin Ningbo NCC, but also enjoyed the membership of Tianjin Zhejiang NCC. Therefore, these three NCCs' networks in Tianjin were quite interwoven. For example, the current president of Tianjin Wenzhou NCC has simultaneously served as the vice president of Tianjin Zhejiang NCC (Interview with HSJ, Tianjin Wenzhou NCC).

Second, NCCs in Tianjin kept frequent connection and communications with their home governments, especially in relation to investment attraction. There were three types of interaction between NCCs and their home governments in this regard. The first one was, partnered with Tianjin urban district governments (*shiqu*), NCCs in Tianjin organized a group of Tianjin district officials to visit their NCCs' home place to carry out the investment attraction tour, where they introduce Tianjin's investment environment, preferential policy, tax rebates, and financial support policy from different level of governments in Tianjin. All these efforts of NCCs were aiming to assist local officials in Tianjin to achieve their investment task and then improve NCCs' influence in local governance (Interview with LX, Tianjin ECO, 2011). The second type of interaction between NCCs and their home governments was to apply for the financing for their activities or compete for reward in relation to their contribution in the intergovernmental cooperation. For example, Tianjin Guangdong NCC had gained substantial rewards from both Tianjin government and Guangdong government regarding their work in promoting

## Chapter 2

business cooperation between Guangdong enterprises and Tianjin government (Interview with WJS, Tianjin Guangdong NCC). The third form of interaction was not so common but did happen from time to time. NCCs' establishment and development in Tianjin was somehow closely related to the local top officials' position change between different localities. For example, the CCP official, Zhang Gaoli, used to be the top leader of Shandong province and transferred to Tianjin as the CCP party secretary in 2007. Along with his position change from Shandong to Tianjin, quite a number of Shandong enterprises started or expanded their business in Tianjin. And Tianjin Shandong NCC was established in 2008 (Interview with RSS, Tianjin Shandong NCC). Due to the lack of direct empirical evidence to support the causal link between officials' mobility and NCCs' development, I could not prove this link. However, this phenomenon reflected may reveal the tip of an iceberg of the complex political and business relations in contemporary China.

Third, NCCs in Tianjin constitute a social network context for non-local businessmen in Tianjin, and their activities revealed strong network effects. For example, if an NCC initiated a kind of activity with profound social influence and media coverage, it would be quick and easy to spread to other NCCs, as other NCCs would copy or follow this initiative in a short time. So the "policy learning and policy communication"<sup>45</sup> within NCCs are more immediate and straightforward than that within governmental departments. For example, when Tianjin Shanxi NCC initiated the party branch building experiment within its membership enterprises and got recognition from the Tianjin municipal government, NCCs such as Tianjin Zhejiang NCC and Tianjin Shanghai NCC, all started to build up the party branches within their organizations.<sup>46</sup>

Apart from what I have said about NCCs in Tianjin above, there were also other interesting phenomena like NCCs' preference in interaction with district governments, and the joint activities and platforms between NCCs in Tianjin. These will be elaborated in the case analysis chapters from chapter 4 to 6 when I illustrate the specific cases there.

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<sup>45</sup> "Policy learning" and "policy communication" are two concepts in the policy process studies to examine how a new policy being learned between different governments and spread to a wider region. Here I just use these two terms as a metaphor to describe the spread of behavior strategies within NCCs in Tianjin.

<sup>46</sup> This case will be elaborate in Chapter 4 about Coupling NCCs.

### 2.2.3 NCCs in Hangzhou

There were 19 NCCs in Hangzhou by June 2009<sup>47</sup>, which included 7 provincial level NCCs and 12 municipal level NCCs (Annual report of Hangzhou Economic Cooperation Office, 2011). The first NCC in Hangzhou was Hangzhou Wenzhou NCC initiated by Wenzhou businessmen in 2000. According to the statistics in Hangzhou ECO, these 19 NCCs had a total of 4244 membership enterprises. Hangzhou Wenzhou NCC had of the largest membership with 1020 enterprises, constituting 24% of the total membership enterprises of NCCs in Hangzhou. The second was Hangzhou Invested Enterprises Association<sup>48</sup> with 710 memberships, which took 16.7% of the total memberships of NCCs. For details see table below.<sup>49</sup>

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<sup>47</sup> Unfortunately, I did not get the most updated data about NCCs in Hangzhou.

<sup>48</sup> Hangzhou Invested Enterprises Association is a special kind of NCC, which gathered non-local entrepreneurs from different non-local places, rather than from the same home places like what other NCCs did.

<sup>49</sup> The tables from 2.3-2.6 are developed by the author based on the information from participated observation in Hangzhou Economic Cooperation Office, Hangzhou ICF and various NCCs in Hangzhou between March and June 2012.

**Table 2.3: Overview of NCCs in Hangzhou**

Name	Date of creation	Term length of the Council	Memberships
Wenzhou NCC in Hangzhou	Dec 2003	4 years	1000
Quanzhou NCC in Hangzhou	Dec 2004	3 years	400
Anji NCC in Hangzhou	Jun 2005	3 years	110
Deqing NCC in Hangzhou	Dec 2005	3 years	70
Anhui NCC in Hangzhou	Jun 2006	3 years	110
Hunan NCC in Hangzhou	Sep 2006	3 years	210
Confederation of Hangzhou Enterprises in Shanghai	Sep 2006	3 years (the first term 1 year)	170
HuBei NCC in Hangzhou	Dec 2006	2 years	120
Guangxi NCC in Hangzhou	Aug 2007	3 years	60
Henan NCC in Hangzhou	Dec 2007	3 years	130
Taizhou NCC in Hangzhou	Dec 2007	4 years	380
Jiangsu NCC in Hangzhou	Mar 2008	5 years	120
Chaoshan NCC in Hangzhou	Jun 2008	3 years	100
Quzhou NCC in Hangzhou	Nov 2008	3 years	90

Data source: The data in the table were updated until the end of 2008. The author acquired this data from Hangzhou Hubei NCC in March 2012.

**Table 2.4: NCCs' developing situation in Hangzhou by 2009**

Name	Memb ership	Enterp rises	Indivi dual	Directors	Executive directors	Full-time	Part-time
Hangzhou Hubei NCC	180	125	55	34	25	2	4
Hangzhou Anhui NCC	165	25	5	10		2	7
Hangzhou Henan NCC	94	92	2	21	6	1	8
Hangzhou Hunan NCC	165	162	3	23		2	1
Hangzhou Jiangsu NCC	208	205	3	33	21	2	2
Hangzhou Anji NCC	73	66	7	33	13	2	2
Hangzhou Jinhua NCC	100	99	1	48	13	2	
Hangzhou Chaoshan NCC	198	198	0	38	3	1	
Hangzhou Deqing NCC	62	59	3			0	1
Hangzhou Quzhou NCC	66	55	11	26	7	2	
Hangzhou Quanzhou NCC	482	482	0	101	40	3	0
Hangzhou Taizhou NCC	272	272	0	113	0	2	0
Hangzhou Guangxi NCC	52	49	3	19	12	1	2
Hangzhou Sha'anxi NCC	60	56	4			0	2
Hangzhou Suichang NCC	62	59	3	19	15	2	7
Hangzhou Lishui NCC	191	171	20	82	22	2	
Hangzhou Wenzhou NCC	1400	1300	30	132	4	2	
Hangzhou Shanghai Enterprises Federation	258	227	31	62	58	8	
Hangzhou Invested Enterprises Association	710			39	25	1	
Total	4798						

Source: The data in the table were updated until June, 2009. The author acquired this data from Hangzhou Hubei NCC in March 2012.

### 2.2.4 Comparison of NCCs in Tianjin and Hangzhou

Comparing the development of NCCs in Tianjin and Hangzhou, we can see obvious differences in terms of number and size. Due to the fact that Tianjin has a higher administrative hierarchy (it is a provincial level city) than Hangzhou (it is a prefecture level city), more provincial level NCCs could be established in Tianjin than in Hangzhou. In Hangzhou's case, provincial level NCCs like Hangzhou Hubei NCC, and Hangzhou Anhui NCC were established in the early stages, however, along with more and more local specification on NCCs, provincial level NCCs could no longer be established at the municipal level due to the limit of "one locality, one industry and one association" policy,<sup>50</sup> which was specified in 'Social Groups Management Registration Ordinance' (*shehui tuanti guanli dengji tiaoli*) promulgated by the State Council in 1998. In terms of administration system towards NCCs, NCCs in Tianjin are much more state-dominated and organized than those in Hangzhou. Rather than laying down various regulatory controls, the Hangzhou municipal government demonstrated much more flexibility in facilitating communication channels and cooperating with NCCs. In terms of government support, the Tianjin government provides more guidance work while the Hangzhou municipal government provides more opportunities and platforms for Hangzhou NCCs to participate in local governance. Finally, although sharing some similarities in NCCs' development, Tianjin and Hangzhou could not be rigorously compared, because the internal and external resources of NCCs in both localities demonstrate a wide variation. However, they did provide important information for us to understand NCCs' development in particular cities and the factors that influence their development.

### 2.2.5 Preliminary explanations of NCCs' regional variations

A number of factors lead to variation in NCCs' development in China. From the macro-institutional level, I found the important factors are different localities' economic structure, cultural context, and the policy context created by different local governments. Here I will take Tianjin and Hangzhou as example to illustrate how the macro factors shape NCCs' variation.

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<sup>50</sup> "One locality, one industry and one association" is a general policy towards social organizations' construction in China, which indicates that in one administrative area or one industry, it is only allowed to establish one association of the same nature and scope of business. This policy was designed to avoid duplication and waste of administrative resources.

## Chapter 2

In China, different localities have their own business tradition and socio-economic structure, which can be reflected in NCCs' growth mode and behavior strategies. Traditionally Zhejiang province had a prominent private sector and small and medium businesses. As the capital of Zhejiang, Hangzhou has gathered a greater number of private entrepreneurs from Zhejiang province. In Hangzhou, the proportion of private sector to the whole GDP is around 59.8% and employees working in the private sector were 37% of the whole workforce at the end of 2014. In addition, Hangzhou was among one of the first opening cities in early 1980s. Like the renowned Wenzhou entrepreneurs, Hangzhou businessmen have started to invest outside and carried out the economic and trade exchanges quite early in the reform era. All of these have provided a strong social base for Zhejiang NCCs' emergence inside and outside of Zhejiang Province. In comparison, Tianjin is a direct-control municipality and higher than Hangzhou in the administrative hierarchy. Due to the short distance from the political center – Beijing – reform and opening-up in Tianjin has been carried out more cautious and conservatively. According to a report, Tianjin's growth rate from 1980 to 1990 is among one the lowest province in China (Interview with GDJ, scholar in Nankai University). Among Tianjin's economic structure, the share of state-owned enterprises has taken up around 50% in 2012 (Interview with CX, Tianjin CAB) and private sectors' development has been prohibited by the uneven development of different sectors. The first group of non-local businessmen to Tianjin is from cities in Zhejiang, like Wenzhou, Ningbo, in mid-1990s, and Wenzhou business people established the first ever NCCs in Tianjin in 1997. Tianjin NCCs' development in other places, however, is quite small in size and little in quantity.

Another micro factor is business culture. In China, traditionally people from south are more willing to go outside to look for opportunities due to the limit of resources within hometown (Interview with ZDM, officials in Hangzhou DRC). However, people from north attach more influence to homeland with a custom of “an tu zhong qian”, which means, “Hate to leave a place where one has lived long” (Feng, 2003). This could also explain why Zhejiang, Wenzhou, Fujian, Guangdong NCCs have been growing so fast and exerted such prominent influence in policy processes, while Shanxi, Shandong, Tianjin or Beijing NCCs have kept a comparative slower pace in going out, not to mention their policy influences. In addition, the thinking “Official Standard” (*guan ben wei*) is much serious in the north, and this philosophy would to some degree prohibit the vigor of growing a bigger business network (Interview with ZSL, Tianjin Shanxi NCC).

## Chapter 2

The third factor is most important to NCCs' behavior strategies locally. Local policy context includes policymaking structure, local state's attitude towards NCCs' development, and the policy sphere that are open to external actors. For example, in Hangzhou, the government agencies have started to explore a series of methods to promote public participation to deal with social challenges, which has become the so-called "model of democracy construction" in local China. At the same time, bureaucrats in Hangzhou bear some "Scholar Bureaucrats" tradition, and have kept a comparative open mind to any external actors' involvement in policy process (Interview with SY, official in Hangzhou DRC). This structure has left spaces for NCCs' engagement and this explained why NCCs in Hangzhou are quite active in local governance and policy process in Hangzhou. In Tianjin, by comparison, for most of the time, the lobbying behavior was done indirectly and quietly. Due to a certain degree of political consideration and the long-existing conservative attitude of Tianjin bureaucrats, the policymaking structure in Tianjin is quite rigid, and no NCCs would like to talk about their real target in policy influence (Interview with GDJ, Nankai University). Thus in order to achieve their goal, NCCs in Tianjin have developed alternative ways to engage in local governance, like building state network, assisting government in investment attraction and trying to convert a high profile to policy influence at some stage indirectly, which surprisingly enriched NCCs lobbying behavior and provide this research a unique perspective.

To sum up, the explanation above from the macro level has given a picture of diversity in NCCs' development and the driving forces behind. However, it can only explain why NCCs in Hangzhou are more active than those in Tianjin, but could not explain why different NCCs still demonstrate no less variation even in the same localities, than that of among regions. Thus it is essential to explore the explanation from the micro level, which is what I do in Chapter 3 to develop NCCs' typologies based on NCCs' two important dimensions from micro level.

### **2.3 NCCs' characteristics and features**

From the introduction above of NCCs' emergence and development, it is noteworthy that NCCs have had quite different features, compared to traditional business organizations in China. The first important feature for NCCs is they consist of non-local people. Locality is much less important in western countries, but very important in China, which reflects characteristics of China's administrative control system – the household registration

## Chapter 2

system (*hukou*). An NCC is composed of non-local business people who come from the same province or district. Because they are non-local people who do not have the “*hukou*” in the city where they live, they cannot enjoy the same social welfare as the local people, in terms of social pension insurance, medical care, education, and so on.

Another feature of NCC is that they are “bottom-up”, which means NCCs developed either with an initiative of business entrepreneurs or the joint effort from both local governments and business elites (Chen 2007; Fewsmith, 2008). Because NCCs do not have the inherent linkage with the state, they need to establish their social network themselves. Actually, setting up an NCC is the first step for non-local businessmen to construct their social network. Due to the fact that most of them are “non-local” and “bottom up”, NCCs members show their identity collectively rather than individually, and in general they title themselves under a brand of places where they come from, like “Zhejiang Merchants (*zheshang*)” “Guangdong Merchants (*yueshang*)” “Anhui Merchants (*huishang*)”. They hope to build up their reputation in a wide range in this collective way, and thus to enhance their lobbying capacity.

Regarding personnel arrangements, before 2010, NCCs used to invite local retired high-level officials and celebrities mostly in the host places to be the Honorary President or Honorary Vice-president in order to raise their profile and improve their influence. Actually these kinds of presidents were not formal staff and could not get a salary for this job, but they found a place to continually exert their influence after stepping down from important official positions. NCCs fulfilled this gap and set up the informal relationships with officialdom through all these Honorary Presidents and Vice Presidents. However, this arrangement led to complicated and vague business-politics relations, and produces the official-business collusion and money politics to certain degree.<sup>51</sup> Although the central government has not initiated an explicit plan of social organizations’ reform, it encouraged local governments to explore suitable methods to regulate NCCs’ development within their jurisdictions. In March 2015, the Shandong Provincial government issued the new regulation towards NCCs in Shandong province - “Non-local Chamber of Commerce Administrative Methods” – and stipulated that retired civil servants are not allowed to take any position part time or full time in NCCs within three years of their retirement.<sup>52</sup>

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<sup>51</sup> Interview with ZDM in Hangzhou, Jun 2012.

<sup>52</sup> Cite from [www.people.cn](http://politics.people.com.cn/n/2015/0313/c70731-26690661.html), <http://politics.people.com.cn/n/2015/0313/c70731-26690661.html>, last entry on 13 Mar 2015.

## Chapter 2

Subsequently, such provinces as Guangdong, Jiangsu and Anhui have continuously promulgated similar regulations, and specified the local administration of NCCs and other kinds of social groups.<sup>53</sup>

Another prominent feature of NCCs is their flexibility and pragmatism. The emergence of NCCs is a new phenomenon among the third sector in China, and they exist in a constantly changing and specific political environment. Some scholars recognize them as a possibility of growing autonomy in Chinese social and economic life (Chen, 2003; Chen & Wang, 2004). However, despite the fact that NCCs have grown out of civil society, there has been no institutionalized channel for them to contact the government (Yu, 2006). Because China's rapid economic transition has brought many uncertainties to businesses, including political and administrative uncertainty (Guthrie, 1997), NCCs made up of non-local businessmen have to be very flexible when they engage in the policy process for the sake of their own interests. Through fieldwork in Tianjin and Hangzhou, I found that in different policy circumstances, NCCs change their roles very swiftly. This reflects that in economic and business issues, NCCs act as equivalent of interest groups to negotiate with and lobby policy makers through formal or informal methods. On the other hand, when it comes to social issues, like social welfare, they are much more like a force of social movement, and regard themselves as the vulnerable group to fight for the same treatment as the local people. These extraordinary behaviors are mostly rooted in the dramatically changing social environment of China. However, this thesis has uncovered significant variation in different localities and even between different NCCs in the same locality. These variations are examined in the following chapters to explain why NCCs' influence in the local policy process varies.

### **2.4 Private sectors' political engagement**

NCCs have demonstrated significant motivation to participate in local governance and the local policy process. There are at least two reasons for this. First, NCCs are composed of private enterprises. Unlike state-owned enterprises and multinational corporations, private enterprises in China have fewer political resources and are usually small and operate in a single locale. Their attention is also typically directed at their interaction with local

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<sup>53</sup>全国首个社会组织地方性法规即将在广东出台, cite from China Daily, last entry 27 August 2015  
[http://www.chinadaily.com.cn/hqgj/jryw/2015-07-31/content\\_14061850.html](http://www.chinadaily.com.cn/hqgj/jryw/2015-07-31/content_14061850.html).

## Chapter 2

government rather than the central government in Beijing.<sup>54</sup> Comparatively speaking, the local policy process is more accessible and useful to NCCs. Second, the members of NCCs are non-local people, who have a stronger motivation to get more attention in social policy making. If they want to enjoy the same treatment as local people, they have to set up some connections directly with the host government or indirectly with their home government.<sup>55</sup> Regarding this, private entrepreneurs in NCCs have diverse strategies and mechanisms.

In the following section, I will summarize the three most common ways of private entrepreneurs' political participation, drawing on both the existing literature on the private sector in China and empirical evidence from my fieldwork observation.

### **2.4.1 As representatives in political organizations**

Private entrepreneurs actively participate in political entities like the National People's Congress (NPC) and the Chinese People's Political Consultative Conference (CPPCC). According to the existing studies, the primary motivation for private sector participation is economic, in other words to protect and promote their economic interests through close relationships with various authorities (Yang, 2010; Chen, 2003b). In connection with this, it should be noted that market intervention by authorities deeply affects the economic activities of entrepreneurs, and results in bribery and corruption among bureaucrats (Chen, 2010; Yu, 2004). Second, political motivations are also significant to private entrepreneurs' willingness to join political entities, for example gaining promotion to senior governmental positions and being recognized as prestigious members of society (Yu, 2004).

Since the private sector got legal status from state law in 1992, there has been increasingly active participation by private entrepreneurs in political organizations. According to the "Fifth sample survey on private enterprises" in 2002, 17.4% of private entrepreneurs become representatives of the NPC, and the ratio of Party members to total private entrepreneurs rose from 19.8% in 2000 to 29.9% in 2002. It should be noted that here 'entrepreneurs' includes managers of privatized SOEs (Toshiki Kanamori & Zhijun Zhao, 2004). However, businessmen care more about business than politics according to their preference. The aim of their participating in political processes is to get access to political resources and then serve their own business. So in spite of joining the party or becoming

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<sup>54</sup> Interview with W in Guangzhou NCCs conference held in Changchun, May 14-15, 2012.

<sup>55</sup> From the inner report of Zhejiang NCCs' Development in Tianjin, June, 2012.

## Chapter 2

the representatives of CPC or CPPCC, they also keep demands for establishing business organizations for protection (Yu, 2004; Jiang 2008). There is a survey finding that although private entrepreneurs had become active participants in formal political processes, once their businesses developed, their interest in politics seemed to diminish (Feng, 2003).

### **2.4.2 Business lobbying in China**

Business lobbying is a common phenomenon in western countries, but it is still a new term in the Chinese political dictionary. Nevertheless, during the past decade, business lobbying entered the stage from behind the scenes, and there is a growing recognition that business lobbying is an integral part of the country's policy process at both the local and national levels (Deng & Kennedy, 2010). The organizations involved in business lobbying include state-owned companies, multinational corporations, private companies and all kinds of business associations and chambers of commerce. They are becoming active in every stage of the public process, from setting the agenda to identifying policy options and shaping regulatory implementation.

Studies of business lobbying in China started to emerge in the 21<sup>st</sup> century. For private businesses, lobbying plays an important role in operations. Compared to State-Owned Enterprises (hereafter SOEs), private businesses lack the natural linkages to policy makers within the governmental system; and compared to Multinational Corporations (hereafter MNCs), Chinese local private businesses cannot enjoy tax-free and preferential policies. Thus private business has much more motivation to do business lobbying if conditions permit. Nevertheless, private business' lobbying has encountered various hinders in formal institutionalized channels, thus quite a lot of informal ways of lobbying have been revealed, such as bribery and corruption. Consequently, small and medium private businesses lack the resources and institutionalized channel to do lobbying on their own, which leads them to join in or set up organizations to lobby collectively.

### **2.4.3 Joining in or setting up business associations**

The Chinese private sectors' development catalyzed the emergence of different business associations in the third sector. These business associations gradually demonstrate their potential political significance in the contemporary Chinese policy process. Private entrepreneurs are inclined to join in or set up organizations to collectively push for better

## Chapter 2

government service and to seek advantages. Compared to a state-owned enterprise or multinational corporations, a private company is generally smaller in size and weaker in power, and most of the private businesses are located at the local rather than the national level. Thus it is much more difficult for them to exert influence in the policy process. But they have their own advantages, of which the primary one is that they are flexible and creative, and easily adapt to different environments (Zheng & Yang, 2009). There are two options for private entrepreneurs to become a member of an organization: either choosing to join in the official or semi-official business associations like the Federation of Industry and Commerce (FIC), the Private Enterprises Association (PEA) and the Self-Employed Laborers' Association (SELA) or trying to found new bottom-up business associations along with other advocators, like Non-local Chamber of Commerce (NCC). The usual practice of large-scale private companies tends to be to initially join the FIC to gain official status in the business association system, and then tries to set up their own associations to protect the membership interests by working together (Kennedy, 2005).

Other research has also mentioned the reasons why private entrepreneurs seek political engagement. It was in 1997 that the Fifteenth National Congress of the CPC explicitly confirmed that the non-public sector was an important constituent of the Chinese socialist market economy, signifying a breakthrough in ownership theory and cognition of the non-public economy.<sup>56</sup> Then private entrepreneurs got recognition and legal status from the state. Due to the transitional feature of China's economy, entrepreneurs need to depend on various levels of government in many ways, including accessing critical resources such as land and opportunities. At the same time, the government is not always accountable and the abuse of power is not uncommon. This situation creates uncertainties for private business (Zhang & Zhang, 2005). Private entrepreneurs thus have a strong motivation and interest to participate in the political process and exert their political influence. As outlined above, the main ways in which private entrepreneurs get connected to politics are by becoming representatives in local and national legislatures and consultative bodies, by lobbying governments, and by joining or setting up business associations.

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<sup>56</sup> Cite from a discussion paper of Hongliang Zheng, 'Chinese private sector development in the past 30 years: retrospect and prospect.' The University of Nottingham, China Policy Institute.

## **2.5 NCCs' participation in the local governance and policy process**

NCCs are a new phenomenon among the third sector in China, and they exist in a constantly changing and specific political environment. NCCs emergence in 1990s and their development afterwards was recognized as a possibility of growing autonomy in Chinese social and economic life by some scholars (Chen, 2003; Chen & Wang, 2004). Thus, examining NCCs' participation in the local policy process is of great significance in the aspects of theory and practice. During the fieldwork in Tianjin and Hangzhou from 2011 to 2013, I found much more methods are used by NCCs to participate in local governance of different localities, apart from the ones that other business associations have already adopted.

Generally speaking, all these tactics NCC adopted could be divided into three categories. The first was building the internal capacity and enhancing the internal resources, which included attracting more members from their original localities, improving professional expertise to provide market information and advice to relevant policy making departments. The second category was establishing and enhancing social networks (*guanxi*). As NCCs held a transitional position from business to governments, from the local economy to non-local investors, social networks become more essential and significant for them to build their influence. Here the social network refers to the relationships with the local government and the home government as well as other types of business associations, but it also refers to relationships with social elites, the media and the public. The third category is building their brand and reputation through different layers of platforms. During the past ten years, NCCs located in different provinces tended to cooperate with each other and held their annual conference or high-level forum by inviting distinguished officials, scholars and celebrities. The outstanding conference brand like "The World Zheshang Conference", "The World Wenshang Conference" has attracted entrepreneurs from all over the world to attend. The cross-regional cooperation among NCCs was more and more prosperous. Starting from 2005, there was a tendency for NCCs that come from the same places of origin to organize the national president annual meeting or secretary-general annual meeting. Most of these meetings were initiated by their common home governments, however, this mechanism was revealed its effectiveness in coordinating

## Chapter 2

business cooperation and dealing with major crisis in NCCs' development, as will be illustrated in Chapter 5. (Interview with WJS, Tianjin Guangdong NCC).

During the participatory and engaging behaviors of NCCs, they formed their own style to deal with the relations with the local state. According to NCCs' self-positioning about the relationship between themselves and the state, together with their practice, I preliminarily describe different kinds of NCCs with various focuses. The first kind of NCCs focused on rear service provision. NCCs pay attention to the requirement of memberships and provide some rear services, in order to satisfy all the memberships and enhance their internal solidarity. For example, Tianjin Shandong NCC. The second kind of NCCs focused on attracting investment. All the NCCs' activities were centered on attracting investment from their place of origin. They worked with the commerce committee or merchant groups in the local host government to go back to their home places to do the investment attracting promotion. For example, Tianjin Guangdong NCC. The third kind of NCCs worked as a business elites club. This kind of NCC focused on the social activities among memberships, rather than carrying out a lot of political activities. They acted as an active coordinative role in harmonizing the relationship of different member enterprises, and provided a platform for the non-local enterprises to establish their social network in this way. For example, Qingdao Guangdong NCC. This is a very rough description based NCCs' performance from the surface, and each NCC properly includes all the three kind of behaviors. A more detailed categorization based on the nature and action of NCCs will to be made in the following chapter.

I was fortunate to carry out participant observation in Changchun during the Guangdong Chamber of Commerce presidents meeting from 30 provinces or cities on 17<sup>th</sup>-19<sup>th</sup>, May 2012. There are several findings from the observation. First, I found that the Guangdong provincial government gave substantial support to the Guangdong NCCs' establishment in different places. An interviewee from the Guangdong NCC in Qingdao told me that NCCs' interaction with the government has changed the officials' behavior pattern to some degree (Interview with LZM, Qiangdao Guangdong NCC). However, the institution of president annual meeting or secretary-general annual meeting try to discuss and solve some tricky problems encountered by NCCs, which is an effective way to regulate their development (Interview with LZM, Qingdao Guangdong NCC). Second, internal conflicts are more prominent over time. Most of the Guangdong NCCs were established from 2005 to 2010, with the first president selected from the initiators. After four or five years' (one

## Chapter 2

presidential term) development, when it comes to the term of office change, some conflicts between presidential candidates have become evident, and there are some cases showing the cutthroat competition among the candidates, which in some cases has weakened the NCCs' influence.<sup>57</sup> Apart from Guangdong NCCs, such conflicts also appeared in other NCCs in different localities (Interview with LM, Zhejiang Guangdong NCC). Third, it is hard to look for a suitable secretary-general for quite a lot of NCCs I have interviewed. The secretary-general is a very important role in the growing influence of NCCs'. Currently, almost 70% of the NCCs' secretary-generals are retired people from government in Tianjin, party organizations and military committees. Because of this, NCCs can make use of their social capital to establish the contact with government officials easily. However, this kind of person is hard to find and it is hard to convince them to work for the NCCs for a long period, as they can just get a low salary.<sup>58</sup>

NCCs' participation in local governance has some achievements, and I will elaborate all these points in the later chapters.

- Preference policy or policy exception
- Accumulate social and political capital
- Policy influence or change

In Tianjin, most of NCCs have the target to get policy exceptions in the aspects of land lending or tax exemption, as in the context of strong government management, they do not even think about the policy change. In Hangzhou, the city has promoted a lot of mechanisms to call for social cooperation. As a result, the NCCs have opportunities to work with other social organizations, such as universities, media, and other civil society organizations, to improve their influence. To some extent, they are demonstrating their power in influencing the policy process by different way of interaction (Duckett & Wang, 2013). Moreover, in both, Tianjin or Hangzhou, they are accumulating their social and political capitals by initiating or participating in a lot of activities, which will be illustrated in the case analysis chapters. During this process, their political significance is displayed in different aspect of social lives.

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<sup>57</sup> Interview to Shi Wanfeng, the secretary-general of Guangdong NCC in Yunnan.

<sup>58</sup> Interview to Wang Jingsheng, the secretary-general of Guangdong NCC in Tianjin.

## 2.6 Conclusion

This chapter has provided a comprehensive analysis of the emergence of NCCs and their development since the early 1990s, as well as their characteristics and historical connections in Chinese history. Finally, it has also illustrated NCCs' wide engagement in political life and local governance.

NCCs' emergence is a break-through in the institutional system in the 1990s and their vital development and spreading out nationwide has shown their potential in lobbying and local governance. By pointing out Wenzhou NCCs' development within the past twenty years, I traced back the evolution of NCCs' in China. And by comparing NCCs' development in Tianjin and Hangzhou, I highlighted the influence of different localities on NCCs' emergence and development.

Throughout the whole process, NCCs have shown their uniqueness and characteristics. Apart from the obvious feature of being "non-local" and "bottom-up", NCCs' features are also exemplified by their flexibility, pragmatism and shifting role between "consultants" and "advocators" (Zhu, 2009)

It is doubtless that NCCs have demonstrated great vitality and significance in the private sector's political influence; however, they are still constrained by the lack of legislation, resources, as well as the disorder within their own organizations. Most importantly, their relations with local governments hugely affect their behavior. That is also why they are showing great variations among different localities and even different NCCs in the same locality.

## **Chapter 3 Explaining NCCs' variation and NCCs' typology**

As mentioned in the previous chapters, NCCs have proliferated in China over the past twenty years and have been participating and demonstrating influence in the local policy process, with huge variations showing among different NCCs. This chapter will focus on these variations and explain why these variations occurred, and it will then develop an explanatory typology for NCCs. In order to show all aspects of NCCs' variation, I will elaborate on Hangzhou and Tianjin as case localities, where I have done substantial field research. Before coming to the variation in NCCs' policy influence, this chapter will first introduce NCCs' registration, organizational structure, as well as growth mode and behavior strategy. By illustrating all these variations, we can understand NCCs' emergence and development in more depth and get a clearer picture of NCCs' interaction with local state in China.

To explain NCCs' variations, it is necessary to comprehensively consider all the relevant factors from various perspectives. In Chapter 2, I have provided the preliminary explanations from the macro level – the environment in which NCCs work. However, in order to understand deeply the spectrum of NCCs' variation, it is essential to focus on the micro level – the NCCs themselves – to explore the underlying causes. As outlined in Chapter 1, existing studies have revealed that state links and network play a significant role in non-bureaucratic actors' lobbying in the policy process. My empirical studies in Chapter 2 also show that NCCs' networks with local governments and business are significantly correlated to their capacity of lobbying. Hence in this chapter, I take NCCs' "origins" and "networks" as the two main dimensions to develop a typology of NCCs in China.

The main contribution of this chapter is to develop an analytical framework for the whole thesis by addressing two important issues in: NCCs' variation and their typology. Based on the understanding and analysis of NCCs' variations, I developed NCCs' typology based on my inductive and deductive studies. By referring to the existing literature on other external actors' influence in the Chinese policy process and empirical observation on NCCs in the field research, I developed several concepts regarding NCCs' typology: NCCs Establishment Initiatives, Network Orientation, and Network Strategy, which include Network Span strategy and Network Intensity strategy, as well as four type of NCCs of

## Chapter 3

Independent, Coupling, Decoupling and Dependent. The second part of this chapter will elaborate on these concepts.

### 3.1 NCCs in the Chinese local administration system

#### 3.1.1 NCCs' registration

NCCs have been growing fast both in quantity and quality nation-wide in China during the past decades, with great variations among each other. Until 2011, there have been 9103 NCCs registered in civil affair bureaus at different levels (Report on Non-local Chamber of Commerce in China, 2012)<sup>59</sup>. However, due to the vagueness of their legal status and insufficient direct connections with public life, public awareness of this new type of business association is still limited. NCCs' registration has been plagued with problems throughout the journey since 1995. One reason is that the relevant regulations of NCCs are limited, and another reason is that NCCs' development is fast with various changes in organizational forms and procedures.

Current laws and regulations at the national level towards NCCs are limited, and there are only two national official guidelines relating to the establishment of NCCs. The first one regarding NCCs' registration - "Opinions on Relevant Problems of Non-local Chambers of Commerce Registration" (*Guanyu yidi shanghui dengji youguan wenti de yijian*) was promulgated by the Ministry of Civil Affairs in 2003. It is the first and only national level official document focusing on NCCs (Interview with LWK, official in Tianjin CAB). It stipulates three principles for NCCs' registration: first, the registration of NCCs at the provincial level must be controlled by the provincial Civil Affairs Bureaus, and provincial level NCCs are not allowed to develop district branches within the same province. Principally NCCs can only accept enterprise membership, but not individual membership. Second, it encourages provincial governments to initiate pilot projects regarding NCCs' registration when conditions permit. Third, those who have started the registration pilot project should further facilitate NCCs' relations with their "supervision units".

Another official document is the Social Groups Management Registration Ordinance (*shehuituanti dengji guanli tiaoli, the Ordinance, hereafter*) that applies to the

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<sup>59</sup> There was no nation-wide statistics about the total number of NCCs in China after 2012, so I could not get the most updated data.

### Chapter 3

registration of all NGOs in China.<sup>60</sup> Guided by these two documents, different provinces subsequently promulgated their own specific policies towards NCCs' registration. For example, Tianjin issued the specification in 2005 and 2008; Shandong, Zhejiang and Yunnan issued their own specifications respectively in 2009. In these specifications, such things as the title of NCCs, their organizational structure, registration procedure, the conditions to develop branches, the reporting policy for major events, and party branch building policy were specifically illustrated. However, because the legislation was far behind NCCs' actual development, these terms could not be applied to current NCCs effectively, and were hard to implement. For example, the rule of "one province, one NCC" in these specifications regulated that one province could only establish one NCC from the same place of origin (provincial level), but many NCCs had been established far before this rule was promulgated. In Tianjin, there were three NCCs from Zhejiang province: Tianjin Zhejiang NCC, Tianjin Wenzhou NCC, and Tianjin Ningbo NCC (Interview with LWK, official in Tianjin CAB).

In late 2013, the MCA announced it would relax the "dual management system" on four categories of social organizations,<sup>61</sup> including guild and chambers of commerce; scientific NGOs; philanthropic NGOs; and NGOs that provide community services within urban and rural areas. The Minister of Civil Affairs, Li Liguo, explained in the press conference that these four categories of social organizations can be directly registered at the Civil Affairs departments and do not need to find a "supervision unit". This policy will be implemented progressively both at the national level and the local level with pilot projects being prioritized and then spreading out.<sup>62</sup> It indicates that the principle of "dual management system", which has existed for 25 years, has been loosened and this might trigger the reform in policies towards social organizations in China. In response to this central decision, provincial governments have taken actions to issue relevant regulations to implement this policy in the registration of social organizations at the local level. Shanxi Province enacted interim measures towards the direct registration of social organizations<sup>63</sup> in July 2015, and specified the different ways of registration among these four categories. Guangxi Autonomous Region formulated interim measures as well and allowed "one

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<sup>60</sup> The State Council issued this regulation in 1998.

<sup>61</sup> Social organizations here are equivalent to NGOs. The definition of social organizations in China, see Yang Guobin, 2005.

<sup>62</sup> From Chinanews site 05/12/2013, <http://www.chinanews.com/gn/2013/12-05/5583640.shtml>. Last entry at 08/09/15.

<sup>63</sup> 山西省四类社会组织直接登记管理暂行办法, cite from <http://www.ngocn.net/column/364106.html>, last entry 08/09/2015.

### Chapter 3

industry, several associations” (*yi ye duo hui*). It means that more than one organization may be established within the same industry, in order to promote moderate competition and break the monopoly of resources.<sup>64</sup> Shandong Province promulgated a regulation towards NCCs’ management - “Administration of non-local chambers of commerce in Shandong Province” in late 2014, and stipulated that the retired civil servants are not allowed to take any position part time or full time in NCCs within three years of their retirement.<sup>65</sup>

However, when it comes to the registration of chambers of commerce and guilds, this policy came across a series of obstacles when being implemented. First, the Ordinance limits associations to a single group, dealing with one industry, in only one locality (“one locality, one industry and one association”, *yidi yiye yihui*). It prohibited the competition of business associations within the same industries and localities. Although the registration process has been simplified, local Civil Affairs Bureaus could also deny the new applications on the account of the already existing associations in a similar industry or locality.<sup>66</sup> Second, after calling off the supervision unit, some local Civil Affairs departments classified social organizations internally and attributed their registration duties to different divisions respectively within the bureau, which increased the workload of the local CAB and reduced efficiency.<sup>67</sup> Third, the contradictions between different policies brought about difficulties in the implementation of local policy. The State Council promulgated the Ordinance in 1998, which has been the only national law for the registration of NGOs in China. Since it is quite outdated, the State Council has announced to start the revision since 2009. However, the revision had not been completed when the MCA made the decision on loosening the “Dual Management System” on four categories of social organizations in late 2013. The MCA’s administrative level is lower than the State Council, so if its policy contradicts with the existing Ordinance, it would be really hard to implement in practice as a result of lacking relevant supporting policies and specifications (Interview with ZJ, Official in Tianjin ECO).

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<sup>64</sup> 广西省四类社会组织直接登记管理暂行办法, cite from <http://www.ngocn.net/column/364106.html>, last entry 08/09/2015.

<sup>65</sup> Cite from Shandong Government net. [http://www.shandong.gov.cn/art/2015/3/5/art\\_286\\_663.html](http://www.shandong.gov.cn/art/2015/3/5/art_286_663.html), last entry 08/09/2015.

<sup>66</sup> Refer to the twelfth session CPPCC proposal No. 0873 <http://www.cppcc.gov.cn/zxww/2015/03/06/ART11425612693671137.shtml>.

<sup>67</sup> Refer to interview to Yangtuan, 社会组织登记“开闸” 15/04/2015, <http://www.xuehuile.com/blog/4f00906448cb4525ada660223c5505be.html>.

### Chapter 3

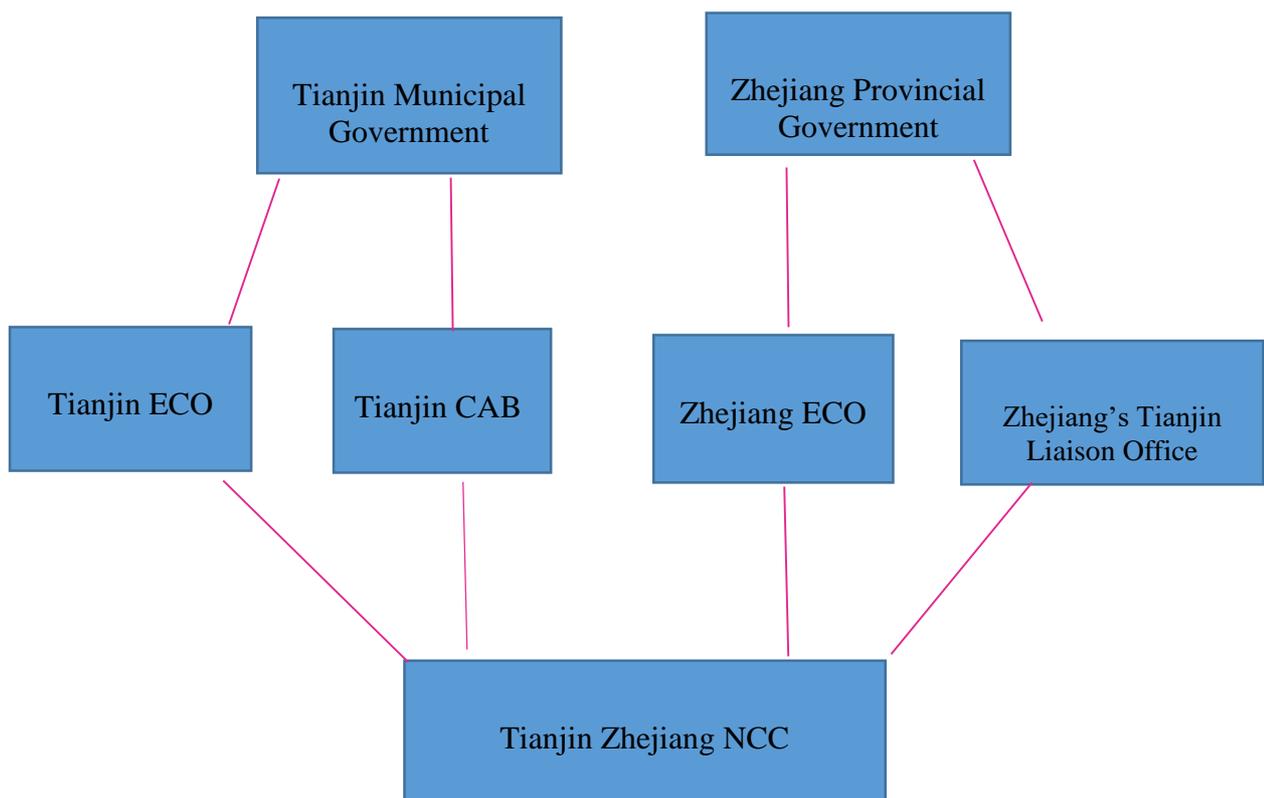
The registration of NCCs still follows the “Dual Management System”, although there have been reforms underway. To establish a NCC, non-local entrepreneurs need to register in the Civil Affairs Bureaus in the registration locality, and at the same time they have to find a “mother-in-law” (supervision unit) to supervise its daily business and administration. At the initial stage, NCCs have quite a lot of options in choosing their supervision unit, from the ICF to the home governments’ liaison office. However, this was dealt a setback in February 2002 when the MCA promulgated the “Notice Re-Confirming the Management Units for Social Groups” (*Guanyu chongxin queren shehui tuanti yewu guanli danwei de tongzhi*). This regulation gave the authority to supervise social groups to 22 departments, but not to the ICF (Fewsmith, 2008). Currently, NCCs’ supervision units also show regional variations. Some previously established NCCs are subordinated to local ICFs, some other NCCs are supervised by local commerce bureaus, and the most newly established ones are managed by the economic cooperation departments (Interview with XXX, official in Hangzhou ECO). For example, Guangdong Economic and Information Commission supervised NCCs in Guangdong; Tianjin Economic Cooperation Office subordinated NCCs in Tianjin; and NCCs in Beijing are under the management of different provincial liaison offices in Beijing (*zhujingban*).

The variation of NCCs’ registration and their relationship with supervision units directly reflects the feature of NCCs’ state networks, though the intensity of these state networks needs to be illustrated in the following case studies. NCCs’ registration was plagued with lots of problems, and it was the first lobbying case with local states for most of NCCs. Due to the variation in support and controls from supervision units, NCCs did show a variation in lobbying for registration. For example, as the Guangdong government loosened the registration procedure and it was comparatively easy and straightforward to register an NCC, NCCs in Guangdong were selective when approaching local states. They intentionally kept distance from the general Guangdong local bureaucracies, but maintained a close relationship with the Guangdong Economic and Information Commission and the Guangdong Liaison Office in relevant districts, because NCCs could seek financial support from these two departments, which had the budget to reward outstanding NCCs for their work in attracting investment (Interview with YDF, official in Guangdong Economic and Information Commission). NCCs in Tianjin were more inclusive in approaching local bureaucracies when seeking registration. Apart from the interaction with the Tianjin ECO, they also approached the Tianjin ICF and local business

committee at different levels in order to facilitate all the stages of the registration (Interview with LX, official in Tianjin ECO).

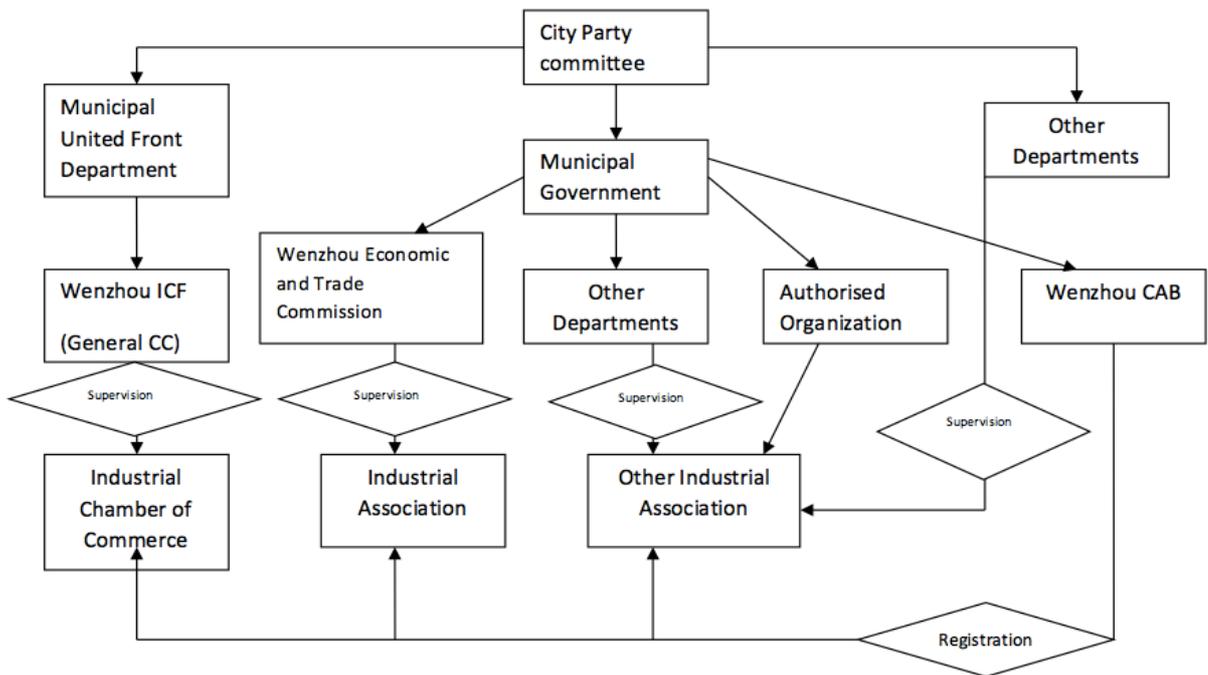
### 3.1.2 NCCs' position in the local administration

NCCs are positioned in a complex administrative context. Due to their “bridge” function between home governments and host governments, they have to be more capable to coordinate the different requests from both home and host governments, as well as both home and host society. This is reflected in their organizational features. Figure 3.1 takes Tianjin Zhejiang NCC as an example to show NCCs' position within the local administrative structure, and for comparison, Figure 3.2 shows the position of local chambers of commerce in Wenzhou's administrative structure.



**Figure 3.1: NCCs in the local administrative structure**

Source: author's elaboration



**Figure 3.2: Wenzhou Chamber of Commerce in the local administrative structure<sup>68</sup>**

Source: Yu 2006, pp. 68.

Comparing Figure 3.1 and 3.2, we can see that the biggest difference between NCCs and other local business associations is their position in the intergovernmental relationship. Through the local administrative links with local bureaucratic departments, NCCs successfully connected their home governments with host governments. In Figure 3.1, Tianjin Zhejiang NCCs are supervised by Tianjin ECO and registered in Tianjin CAB, while at the same time; they are under the guidance of Zhejiang ECO and Zhejiang government's Tianjin Liaison office (Tianjin Zhejiang NCC was initiated by this liaison office in 1997). It seems like NCCs are under double supervision from both home governments and host governments, although there is still sufficient developing space due to the "Intergovernmental Gap". The "Intergovernmental Gap" here refers to the developing space arising from the asymmetry of information and policy differences between different local governments. The concept of "Intergovernmental Gap" was put up

<sup>68</sup> Wenzhou chambers of commerce in the thesis include industrial associations and conventional chambers of commerce. They are all registered in civil affair bureaus, but subordinate to different supervision units. Cite from 郁建兴等：《民间商会与地方政府——基于浙江省温州市的研究》，经济科学出版社，2006，P 68.

### Chapter 3

the first time by the author. Due to the information asymmetry and policy difference, local government always come across gaps when dealing with intergovernmental relations, which leads to poor communication or failed cooperation. I define these kinds of gaps as “Intergovernmental Gap”. In Figure 3.2, Wenzhou has developed the most completed structure to manage business associations so far in China. The industrial chambers of commerce are under the supervision of Wenzhou ICF or as members of the Wenzhou General Chamber of Commerce, and the industrial associations are under the supervision of the Wenzhou Economic and Trade Commission or other authorized organizations. However, all these local business associations are registered in Wenzhou CAB. This administrative structure has made clear the relationship between local Chambers of Commerce and government departments as well as other external actors, which has fostered the prosperity of the Wenzhou Chamber of Commerce and the development of the private sector in Wenzhou. Unlike the local Chamber of Commerce, the administrative structure for NCCs was still far from perfect, which to some degree has left space for NCCs to develop their own growth mode and behavior strategy, but at the end it has hindered the further development of NCCs in local China (Interview with Wang, Scholar in Zhejiang Provincial Party School).

Apart from sharing some general features with other business associations, NCCs also have their own unique specialties regarding their organizational structures: First, NCCs are not only links between local business and states, but also links between the local governments and foreign investments. Second, in addition to the conventional functions of chambers of commerce, NCCs have also opened new windows for economic cooperation between different local governments. This means they connect the economy of their home localities with the host locality’s economy. Third, NCCs have demonstrated a great diversity in behaviors. Because of the difference in NCCs origins and networks, as well as the institutional context created by the different local governments, some NCCs have focused on the provision of public services and information support for members; some on promoting economic cooperation between the governments, and others focus on political engagement and influencing local policy.

### 3.1.3 NCCs and local liaison office

In China, the local government's liaison office is an important mechanism to gather policy information, coordinate intergovernmental relations, and carry out intergovernmental lobbying on behalf of its government. The most prominent liaison offices are local governments' Beijing Liaison Offices (*zhujingban*). Due to the centralized political system and unbalanced central-local authority in China<sup>69</sup>, the Beijing Liaison Office has been an important institution for local governments to lobby for more political and financial resources and preferential policies from central ministries and committees. At the same time, it has become a hotbed for corruption as a result of the unrevealed informal negotiations. According to recent statistics, until 2010, the number of liaison offices in Beijing was 971, which included 50 liaison offices at the level of deputy provincial and above, 304 municipal level liaison offices and 374 county level liaison offices, as well as the liaison units of government departments at all levels, state-owned enterprises and universities, etc.<sup>70</sup> In order to regulate the misconduct of local governments' liaison offices, the State Council issued "The Guidance to Strengthen and Standardize the management of Local Governments' Beijing Liaison Offices" on January 19, 2010. According to the Guidance, 625 liaison offices needed revocation within six months. However, because of the institutional soil of "lobbying central ministries to get resources" (*paobu qianjin*) still existing<sup>71</sup>, the Guidance could not be effectively implemented. By 2011, some liaison offices had claimed to be abolished; however, the local governments set up other institutions in other names like investment attraction office, etc. and still kept their substantial presence in Beijing

Apart from the Beijing liaison office, local governments also set up other liaison offices in different cities based on the needs of liaison services, especially in big cities like Shanghai and Shenzhen. As a result of the close geographical distance between Beijing and Tianjin, some provincial governments did not set up liaison offices in Tianjin, but entrusted their Beijing liaison offices to cover the liaison business in Tianjin. For example, the Zhejiang

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<sup>69</sup> In 1994, China has started the "Tax Sharing System", which gave the central government and especially some central ministries and committees great flexibility in managing and distributing the transfer of disbursement funds. In order to seek more resources, a large number of local governments set up their liaison offices in Beijing.

<sup>70</sup> Data from the Caixing Net: 裁撤“驻京办”能否一劳永逸? 27/01/2010 <http://opinion.caixin.com/2010-01-27/100189520.html>, last entry on 4<sup>th</sup> July, 2016.

<sup>71</sup> The central ministries and committees are still holding great power in the management and allocation of disbursement funds, and the whole approval process is not transparent at all. Besides, there is no effective mechanism to supervise the whole policy making process at the central level.

## Chapter 3

government had its liaison office in Tianjin, while the Guangdong government only had a liaison office in Beijing, and entrusted its Beijing Liaison office to be in charge of the coordination issues in Tianjin.

Local governments' liaison offices had a direct effect on NCCs' establishment and development. Some NCCs were initiated by liaison offices. For example, the Tianjin Zhejiang NCC was initiated by the Zhejiang government's Tianjin Liaison Office. Some NCCs got financial support from the liaison office in the development process, which can be exemplified by the Tianjin Guangdong NCC. Some NCCs were under one roof with liaison offices and sharing the staff and office area. For example, Tianjin Sha'anxi NCC were under one roof with Sha'anxi Province's Tianjin Liaison Office, even the office director also served as the president of Tianjin Sha'axi NCC. Some other NCCs might not keep close relationship with liaison offices, or there were not even any liaison offices in their host cities. However, the role of liaison offices in NCCs' establishment and development was inevitable, and it also provided the links for NCCs to enhance their connections with home governments.

The relationship between NCCs and liaison offices demonstrated great variations, which were reflected to be the regional variation and individual differences. Regarding the regional variation, generally speaking, Beijing liaison offices took more political functions to supervise NCCs in Beijing, especially in terms of maintaining stability (*weiwen*). Therefore, NCCs' development in Beijing was under more control than in other places. Liaison offices in other places were more business-oriented. Regarding the individual difference, for example, in Tianjin, different NCCs showed various relationships with their home government's liaison office as outlined above. These differences stemmed from historical and institutional factors, and also from different NCCs' behavior preferences and strategic choices. To systematically understand and explain this variation, we need to develop our analysis from the micro level.

### **3.1.4 NCCs' organizational structure**

Generally speaking, the complete organizational structure of NCCs is composed of several essential parts, which include the member congress, president, council, board of supervisors, and the Secretariat. The member congress is the top decision-making body and elects the president, vice-president, council members, and board of supervisors. The

## Chapter 3

council is the executive body of the member congress, and can represent the member congress to implement decisions being made in the member congress. If the members of the council have reached a specified number, the standing council can be set up. The Secretariat is in charge of routine administrative operations, and can be elected by the member congress or appointed by the council or member congress. Another part with Chinese characteristics is the Communist Youth League branches within NCCs, which started around 2000, with the function of “uniting young employees in the private enterprises”.<sup>72</sup> In recent years, there is a tendency of party cell building within social organizations. Patricia Thornton has carried out research on this phenomenon and developed the concept of Party-organized NGOs or PONGOs (Thornton, 2013).

### 3.2 NCCs’ growth mode

Although most NCCs arise from the bottom-up and have got great support from non-local businessmen at the emerging stage, the dominant driving forces differ between NCCs. The success of non-local Wenzhou chambers of commerce can be attributed to both, the pioneering spirit of non-local Wenzhou entrepreneurs and the Wenzhou government’s full support. However, not all the regions in China have the conditions to effectively copy the Wenzhou model. In the process of development, NCCs from other places have developed their own growth mode.

Due to the difference of driving force in the process of NCCs’ emergence, NCCs can be divided into a top-down mode, bottom-up mode, and interim mode (Wang, 2010). As the name suggests, top-down mode means that NCCs are established on the initiative of industry authorities or government agencies, while bottom-up mode means the initiative of establishing NCCs comes from private entrepreneurs or non-local migrant businesses. Interim mode is in-between top-down and bottom-up mode, and combines the private initiative together with substantial support of local agencies. In the following case analysis, the representative for top-down mode is Tianjin Shaanxi NCC, and bottom-up mode is Guangdong NCC, and interim mode includes Tianjin Shanxi NCC and Tianjin Zhejiang NCC.

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<sup>72</sup> Interview with SWP in Tianjin Zhejiang NCC, 14/05/2012

### 3.3 NCCs' behavior strategies

NCCs' behavior strategy means a series of actions, thinking and choices carried out by NCCs in the development process in order to achieve their goals. The ultimate goal for NCCs is seeking to maximize benefits for their membership enterprises through a variety of ways and methods, like collective expression, business lobbying, providing services, etc., as claimed in their constitutions (Wang, 2010). Nevertheless, NCCs in China are still in an emerging stage, and bearing with lots of characteristics of transitional society. Some NCCs originated in the government's authorization. For example, Tianjin Sha'anxi NCC was transformed from the Sha'anxi liaison office in Tianjin in 2010. Other NCCs originated from the business group demands on collective lobbying. For example, Tianjin Wenzhou NCC was established in order to collectively express their interest in building up a clothing and shoes 'city' within the Central Business District (CBD) area in Tianjin. There are also some other NCCs that originated from single enterprises, and then expanded to cover more memberships progressively. Due to the variation in the origin, NCCs in China do not have common goals and have different directions in their behavior strategies.

According to the findings from the fieldwork research, I summarized the orientations of NCCs' behavior. One direction of their behavior is to serve government requests. NCCs proactively provide services for local government departments, like constructing a platform and mechanisms for intergovernmental cooperation, becoming partners with local governments in attracting investments, and advising government policymaking. Most prominently in practice, the role of NCCs in investment attraction has been very much valued by local agencies. In this scheme, NCCs' activities focus on attracting investment for the host government. They work with the commerce committee or merchant groups in the local government to go back to their home places to promote the investment opportunities in host cities.

The second direction of NCCs' behavior goes to serving the interests of their members. In order to achieve this, they collectively lobby for government resources, and provide members with public service and information support. Focusing on the requirement of memberships, NCCs provide any rear services to satisfy all the memberships and enhance their internal solidarity. The first and second directions appear in the early stage of NCCs' development, when NCCs have not yet stabilized to develop their own independence.

## Chapter 3

The third direction of NCCs' behavior is on influencing policy. This is the most aggressive strategy, but it is not being extensively used by NCCs. When NCCs have developed to a certain level and have stabilized their income and structure, they aimed to increase their power and finally exert influence in policymaking and policy implementation. That is why this research started from NCCs' influence in policy process in the early stage.

The final direction is to serve a small group people, like a business elite's club. This kind of NCC focuses on the social activities among memberships, rather than carrying out a lot of political activities. They act in an active coordinative role in harmonizing the relationships between different member enterprises, and provide a platform for the non-local entrepreneurs to establish their social networks.

This is a general categorization, and in practice each NCC engages in all the four types of behaviors. However, the categorization is valuable because it helps us to understand the variation of NCCs' actions and the different development stages of NCCs in China. The emergence and development of NCCs shows various facets of transitional China, which make it a hard subject to study. However, it has provided a highly interesting field to examine the evolution of state-society relations in China. In the following section, a categorization based on NCCs' nature and action will be elaborated.

### **3.4 NCCs' interaction with local states**

Empirical evidence has shown that NCCs' lobbying strategies and behaviors have their own characteristics, which is to some extent different from business lobbying and other NGOs' lobbying (Kennedy, 2005; Popovic, 2012; Yang 2008). Through interviews and participant observation carried out in Hangzhou and Tianjin in summer 2012, I found some significant characteristics and great variations in NCCs' interaction with local states.

NCCs have demonstrated different roles in the interaction with local states regarding different issues. There have been reasons for that. NCCs have grown out of civil society, but there has been no institutionalized channel for them to contact the government (Yu, 2006). Due to China's rapid economic transition, which has brought many uncertainties to businesses, including political and administrative uncertainty (Guthrie, 1997), NCCs made up of non-local businessmen have to be very flexible when they engage in the policy

### Chapter 3

process for the sake of their own interests. Empirical evidence in this research<sup>73</sup> shows that in different policy circumstances, NCCs change their roles and range swiftly. It reflects that on the one hand in economic and business issues, NCCs act as the equivalent of interest groups to negotiate with and lobby policy makers through formal or informal methods. On the other hand, when it comes to social issues, like social welfare, they regard themselves as a vulnerable group to fight for the same treatment as local people, which is similar to grass-root NGOs.

In addition, NCCs have engaged in a vast range of social activities in order to increase their influence. In Tianjin, since 2008, NCCs started to engage in education, media, philanthropy, corporate social responsibility, public advocacy and social welfare issues. In Hangzhou this trend started earlier. The increase of social protests has given local governments much more pressure and force them to be more responsive to public requests, and even promote public participation in local governance. As a result, more space has been created for non-bureaucratic actors to get involved in a wide range of local issues. Like other social organizations, NCCs need to engage widely so as to raise their profile and improve their influence. Within these engagements, huge variation has been observed in different localities and even between different NCCs in the same locality. NCCs have developed their own discourse to interpret their relations with local states during the lobbying process.

*“Assisting Government”*. NCCs’ activities are government centered, and most of their attention is put on assisting local government, aiming to establish a close link with official institutions. There are still two ways of doing it: One focuses on the rear service to both local government and membership enterprises, such as assisting receptions of high-level officials’ visits, providing information and survey data to decision makers in the local bureaucracy, and help local officials to organize meetings with private enterprise directors, etc. But these NCCs never take initiatives or dominate in any projects. Another type focuses on investment attraction for commercial departments in local governments, based on their sound understanding of local demand. The representative example is Shandong NCC and Shanxi NCC in Tianjin. As a member of the Shanxi NCC in Tianjin explained:

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<sup>73</sup> These empirical evidences will be elaborated in chapter 4-6 when talking about the cases of NCCs’ influencing local policy.

### Chapter 3

“As a social group, we might embed our interest into the local state, by this way we could get more support from them, and you know, most of us came from the governmental departments, and we are also trying to get financial support from both home and host government”. (Interview with Shanxi NCC in Tianjin, May 15, 2012)

An interviewee from the Shandong NCC in Tianjin outlined:

“We are valued by the Tianjin government, just because we can bring lots of investment from Shandong. Since Zhang Gaoli (the former Shandong Party Secretary) took his office in Tianjin, hundreds of enterprises followed him here. This is good for us, as we will be credited for this achievement” (Interview RRS and MJH with Shandong NCC in Tianjin).

*“Managing Government”*. NCCs regard both governments and enterprises as their consumers, and their function is docking the resources from both sides. As government is the biggest resource owner, they concentrate on governments, and try to seek more resources for membership enterprises. Guangdong NCC in Tianjin is a perfect demonstration of this kind of NCC:

“What we are doing now is being smart and flexible. Do I listen to the government? No. The truth is they need us as a tool, and we need them as a platform. Do I listen to the enterprises? Not exactly. Of course, we need to represent and protect their interests collectively. But to some degree, we are making business with each member. Most importantly, they are quite happy with it, as this way could really solve their problems genuinely.” (Interview with WJS in Guangdong NCC in Tianjin)

*“Entrepreneurial Cooperation”*. NCCs are inclined to build up their own social network and accumulate social capital, rather than relying on the resources from local states. As one interviewee explained:

“We just focus on what we are doing now, and seize each opportunity to expand our market. Although we are not so involved in political activities, we are quite interested in policy change or even just a tiny adjustment in local

### Chapter 3

regulation, which we think would be good opportunity to make money”  
(Interview with HHJ from Wenzhou NCC in Tianjin)

“We are now having a museum on Zhejiang NCC’s development in Tianjin, where you could see most of the successive top leaders having come to visit us. However, it is not because of our PR job, but the local government finds it essential and important to include us in the local development.” (Interviews from the seminar held in the museum of Zhejiang NCC in Tianjin)

Most of the NCCs in this discourse are from places where the private economy is developed and cooperation in the market is very common. Non-local businessmen in the NCCs are not good at establishing social networks with governments, and they do not think governments can be quick enough to respond to their requirements, thus they form a very solid cooperation between members and realize self-governance. This group of NCCs is relatively independent. The cooperation is manifested in many shades of economic life, like joint companies, bank service, etc. However, they believe that after they have enough influence and reputation, based on the collective power, the door that provides access to local governments will naturally open. Business people from Zhejiang enjoy a high reputation around China and even in the world. Wenzhou people in particular are good at establishing and enhancing their networks in business. In this sense, Zhejiang NCC in Tianjin and Wenzhou NCC in Tianjin show their uniqueness and specialty from other NCCs.

*“Ideology propaganda and promotion”*. NCCs work closely with the propaganda departments in local governments and attach great emphasis to establishing party organizations within their membership enterprises. Shanxi NCC has been given many awards at the municipal and national level as a result of their work in the specific area. As one interviewee explained:

“We are the first NCC ever in China who has innovated the method of establishing party organizations in private enterprises, and we have already had more than 30 party groups among our membership enterprises. At the beginning, there were no rules to follow, but we created effective principles and rules. Since we were awarded the ‘excellent social organization’ title

## Chapter 3

from the Ministry of Civil Affairs, other NCCs have started to visit and learn from us.” (Interview with GSP in Shanxi NCC in Tianjin)

Most of the NCCs in this discourse probably have a president or secretary-general who is a retired official and inherited the way of working with the local bureaucracy and who is good at social mobilization. Definitely it is a good way to improve influence in the city and even around the nation. As the most important goals for contemporary local governments are GDP and maintaining stability, these NCCs just cover the gap that is hard to reach for local governments - the non-local private sector. By establishing the branches of party organization or the communist youth league, NCCs help local governments to become more accessible to the group of non-local people and enhance their control power. An example is the Shanxi NCC in Tianjin.

### **3.5 Explaining NCCs' variation**

The factors leading to NCCs' variation in their way of interaction with local states can be better examined from the micro level, which is the approach taken by this thesis. In order to demonstrate the importance of taking a micro level approach, I will provide an overview of the current relevant research as a basis for my following analysis.

As I mentioned in chapter 1, the emergence of bottom-up business associations has drawn much attention from scholarship in recent years, with an empirical focus on the upsurge of the Wenzhou Chamber of Commerce's growing capacity in local governance (e.g. Yu, 2004a, 2004b, 2006; Jiang, 2008; Chen, 2007 & 2003c). Unlike traditional emerging routes for businesses associations, NCCs developed either as an initiative of business entrepreneurs or the joint effort of both local governments and business elites. This development intrigued a broad range of scholars doing China studies. The “Civil Society” school, which usually holds an optimistic view on China's civil society, claimed that the emergence and political involvement of a civil chamber of commerce was a milestone for the development of civil society in China (White, 1993; He, 1997; Brook & Frolic, 1997; Hayhoe & Zhong, 1997; etc.). However, the “Corporatism” school gathered evidence from the Wenzhou Chambers of Commerce and argued that they are just another form of extension of governmental agency and the new phenomenon is still restricted within the realm of “corporatism” (Wank, 1995, 1998; Saich, 2000; White, 1993, 1996; Ma, 2007). With the development of business associations in China, researchers found limitations with

### Chapter 3

both approaches (Lu, 2006; Fulda, 2012; Wang, 2014; Huang 2013). In the transitional era of China, neither the macro theory, whether Corporatism or Pluralism, could give a comprehensive explanation of state-society relations in China, nor could the political structure and institution analysis explain the variety of new emerging political phenomena. Therefore, research on state-society interaction needs to be shifted from “structure dispute” to “action research” (Zhang Jingen, 2012). Therefore, to analyze NCCs’ rapid spread and development, as well as their variations, I need to shift from the grand theory to micro logics and mechanisms.

Different business associations could exert various levels of influence during their political engagement, which would provide a reference for us to study NCCs’ influence in the local policy process of China. To explain NCCs’ influence in the local policy process, the key question is what are the determinants that shape NCCs’ different ways of lobbying and lobbying success or failure. Reviewing the existing studies on business associations, researchers have found that the state links or official network is the key resource for business associations or other social organizations to improve their capacity and increase influences over government policy. Wang (2014) has talked about how provincial and municipal industrial associations use vertical and horizontal state networks to carry out the interaction between local state and society. Kennedy (2005) also mentioned that the national industrial associations did policy lobbying based on the networks that have been discreetly weaved. Zhu (2009a) argued that expert knowledge, governmental linkage, and personal ties are the factors that determine think tanks’ influence in the Chinese policy process, and in another article (Zhu, 2009b) he argued that *guanxi* (personal network) with bureau chiefs is the most important network resource for policy experts in China’s think tanks seeking to exert influence over government policy-making in contemporary China. Fulda (2012) used a case study to reveal the network governance approach for Chinese civil society associations to take in order to realize good governance at the local level. All these studies have revealed the positive role of state links of social organizations for their influence over government policy. However, whether this finding applies to NCCs or not, still remains a question. This is the main issue I am going to examine in this thesis.

NCCs’ internal capacity and resources may attribute their success in influencing policy to some degree. However, my fieldwork suggests that for most NCCs the biggest source for NCCs’ influence comes from outside, especially their external network, and the resources

### Chapter 3

that they can mobilize within these networks. This point was confirmed by Huang Dongya in her research on private entrepreneurs' influence in local policy process (Huang, 2013). Compared to other kinds of business associations, industrial associations, or even individual enterprises, NCCs possess more choices to weave their networks, due to their unique position and special traits in local governance.<sup>74</sup> Examining relations between NCCs' lobbying behavior and their influence on policy outcomes, I can indicate that *guanxi* (personal network) is no longer the only and key resource,<sup>75</sup> but a toolkit extended from this social connection has shown a strong relevance between lobbying and policy outcomes.

The origin and network of an NCC directly determine its state links. In this thesis, NCCs' origin indicates where an NCC comes from, from state's initiative or entrepreneurs' initiative. An NCC's network refers to the network they discreetly weaved after their creation, which can be dichotomized into state network and business network in this research.

The different origins of NCCs can be regarded as a spectrum from bottom-up to top-down. Different from other government-sponsored business associations, NCCs' relationship with the state is not definite from the very beginning. Some NCCs have developed as an initiative of business entrepreneurs, some have stemmed from the joint effort of both local governments and business elites, and some others may come solely from the local governments' initiative. These differences in NCCs' origin lead to NCCs' variation in the interaction with local states in their later development. Therefore, the origin of an NCC is an important factor to explain their variation in policy influence.

The network context of NCCs is unique among all the business associations. Unlike other types of business associations, NCCs face double the amount of networks that other business associations have, due to their relations with the host governments and society, as well as their home governments and society. This means NCCs are part of a complex network context. NCCs' networks include the innate network when they were established, and also the network that they endeavored to build and expand in their development.

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<sup>74</sup> Here this refers to NCCs' position in linking the original government and the local government, as well as linking the local state and the market, which leads to a broader space than other business association to yield abilities and exert influence.

<sup>75</sup> Examining the literatures on business associations and the empirical evidence from field research are the source for this indication. Specific details see literature review in chapter 1.

### Chapter 3

Supported by the empirical evidence of this thesis, NCCs' network is far more significant than that of other types of business associations. It not only covers the extensive state network with both home government and host government, but also includes the extensive business and societal network. The current study on business associations and other NGOs leads to the hypothesis that NCCs' orientation and strategy towards network building directly affects their engagement in local governance and the way they interact with local states. For example, state network oriented NCCs have more channels to get access to the political process, while business network oriented NCCs have to find an indirect way to make their voice heard. Therefore, systematically examining NCCs' network will help to understand the variation of NCCs in exerting influence in the local policy process.

In the process of NCCs' expansion, the role of a group of activists cannot be underestimated. These people with pioneering spirits are willing to devote their time and energy to promote NCCs' growth and development. Their role is crucial at the stage of NCCs' emergence, when there are lots of negotiations with both home and host governments. It is also important at the developing stage when there are significant changes in policy context, organizational structure and development strategy. These individuals or group of people will be defined as "NCC activists" in this thesis. They could be the president or secretary-general of some NCC, or local officials in the local bureaucracy. The common feature of NCC activists are that they have directly or indirectly raised the profile of NCCs' influence and engaged NCCs to be active actors in local governance.

In order to explain NCCs' variation in policy influence, we need to consider the macro factors like regional difference, policy area, institutional context, as well as industrial focus, etc. However, these factors could not reveal the real mechanism of NCCs' lobbying in the local policy process and then answer the question of what shapes NCCs' success in lobbying. That is why this research is taking the micro-level approach to examine NCCs' origin and network, and how these two important factors contribute to their influence in the Chinese local policy process. Nevertheless, it is worth mentioning that NCC's development is still at an early stage, with lots of problems entangled. It is far more challenging and far too early to develop an overarching framework to explain all the variations. After combining the current study on business associations and other NGOs, as well as comprehensively analyzing all the lobbying activities from fieldwork research, this

## Chapter 3

thesis defines NCCs' origin and network as the two main dimensions to explain NCCs' various policy influences. Yet, other factors like NCC activists, and institutional context will be mentioned in the analysis as well. In order to illustrate how these factors affecting NCCs' policy influence, a typology for various NCCs is developed in the following sections.

### **3.6 Two dimensions to categorize NCCs: “Origin” and “Network”**

Using the dimensions of origin and network to categorize all the NCCs in China, I need to develop measurable variables to represent NCCs' origin and network. An NCC's origin, as mentioned above, indicates where the NCC comes from, from state's initiative or entrepreneurs' initiative. So in this research, I define NCCs' origin as its establishment initiatives. An NCC's network refers to the network NCCs discreetly weaved after establishment and it can be categorized into state network and business network in this research. Hence there are two new developed concepts: network orientation and network strategy. Network orientation refers to the orientation of NCCs' network building, which is state network oriented or business network oriented, while network strategy refers to the feature of network that NCCs aim to achieve. Here in the following text I am going to introduce these three important concepts: establishment initiatives, network orientation and network strategy.

#### **NCCs' establishment initiatives**

NCCs' establishment initiatives indicate the dominant power and state - society path during NCCs' emergence. In this thesis, it refers to NCC's original support gained for its establishment. NCCs are either initiated by local state or non-local entrepreneurs. This means they can generally be categorized as top-down and bottom-up.

It seems easy to clearly define the boundary between top-down and bottom up modes. Nevertheless, some NCCs have got support from both the local state and membership entrepreneurs at the early stage of their establishment, which might confuse the division. In order to clarify this concept, this thesis defines the original initiatives to establish this organization as the key standard to distinguish between top-down and bottom-up types. If NCCs are initiated by non-local businessmen or entrepreneurs, I refer to them as the 'bottom-up' type; if NCCs are initiated by government agencies or any organization with

## Chapter 3

official background, either from home localities or host localities, I refer to them as the ‘top-down’ type.

### **NCCs’ network orientation**

NCCs’ network orientation refers to NCC’s orientation in building up their networks after their creation, which indicates NCCs’ preference in focal networks (Wang & Zhang, 2012). NCCs’ networks mainly include business networks and state networks, where business networks refer to the network within business circles, and state network refers to the network within officialdom of host government, home government, and other levels of governments. Network orientation is a relative concept, and it can only indicate NCCs’ tendency in weaving their networks. Although most NCCs might simultaneously carry out activities to enhance both their state network and business network, eventually they develop a preference or orientation for the purpose of maximizing their interests. Therefore, NCCs’ network orientation can be divided into state network oriented and business network oriented. In practice, state network oriented NCCs and business network oriented NCCs demonstrated different characteristics, which will be specified in the following case study chapters.

### **NCCs’ network strategy**

NCCs’ network strategy refers to the strategy and methods of NCCs’ network building, and it indicates a NCCs’ most valued feature of their networks. Based on the empirical evidence from this research, network strategies can be categorized into Network Span (NS) strategy and Network Intensity (NI) Strategy.

Network Span means NCCs focusing on the breadth of networks they have built up. NCCs adopting an NS strategy make great efforts to expand their network coverage, and try to include as many social strata as possible in their external network. As mentioned in the case chapters, Tianjin Zhejiang NCC in is a good example of an NCC taking the NS strategy. Tianjin Zhejiang NCC has built close relations with both its home government and host government since the early stages of its creation.<sup>76</sup> It also has strong support from membership enterprises in both Zhejiang and Tianjin. Besides, it was the first to set up the

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<sup>76</sup> Refer to the report of Zhejiang NCCs founding diary in the author’s fieldwork diary.

## Chapter 3

public and media office and “Zhejiang merchant in Tianjin” exhibition among all the Tianjin NCCs, to effectively manage the relations with the media and the public, as well as the intellectuals in relevant areas.

Network Intensity means NCCs emphasize the depth and strength of networks. NCCs adopting an NI strategy focus on the key network they rely on, and make efforts to formally or informally enhance the established links within this network. A good example is the Sha’anxi NCC and the Guangdong NCC in the case chapters. The Sha’anxi NCC heavily depends on the Sha’anxi Province’s Tianjin Liaison office financially and personally. It does not have a separate office and team at all. However, due to the official linkage with the government, their network is much stronger than other NCCs’, which gives them more formal or informal channels to deliver ideas although there is still doubt about their autonomy. Tianjin Guangdong NCC also focuses the sole network, but differing from Tianjin Sha’anxi NCC, their network is entrepreneurs’ business network. This is reflected in Guangdong NCCs’ motto “Based on the business and Managing Government”.

Network orientation and network strategy are important for NCCs. Firstly, they directly affect how NCCs build up their external networks, and indicate their initiative in using networks and assemble the resources. Secondly, they demonstrate the differences between NCCs and conventional business associations. Rather than passively accepting the existing network, NCCs have operated proactively and independently on their preference of how to interweave their networks, in order to achieve the goal of lobbying.

### **3.7 NCCs’ typology**

As indicated above, two characteristics of NCCs – their origin and network - do make a difference to their policy influence. Thus this thesis develops a theoretical framework based on the existing literature on business associations (Kennedy, 2005, 2011 & 2012; Wang, 2012; Huang, 2013; Yu, 2014) and my own empirical studies by using NCCs’ “Origin and Network”, which were operationalized as Establishment Initiatives and Network Orientation in the process of classifying NCCs. Empirically, Establishment Initiatives include top-down mode and bottom-up mode, and Network Orientation shows two trajectories of “local state network oriented” or “business network oriented”.

## Chapter 3

Following these two dimensions, four types of NCCs have been categorized: Dependent NCCs, Coupling NCCs, Decoupling NCCs, and Independent NCCs.

**Table 3.1: NCCs' typology**

Typology of NCCs		Establishing Initiatives	
		Top-down	Bottom-up
Network Orientation <sup>77</sup>	Local State network oriented	A: Dependent (依赖型) Sha'anxi NCC	B: Coupling (挂钩型) Shanxi NCC
	Business network oriented	C: Decoupling (脱钩型) Zhejiang NCC	D: Independent (独立型) Guangdong NCC

Note: In order to control the constant factors, all the four NCCs in the table are based in the same locality Tianjin. Source: The author developed this typology for NCCs in China.

The classification of NCCs shown in table 3.1 is based on two important features of NCCs: their origin and network. Hereby the “Origin” refers to whether NCCs are bottom-up initiated or Top-down initiated, and it reflects an NCCs’ nature from its creation; while the “Network”, including both, Network Orientation or Network Strategy, reflects NCCs’ action in their development. This classification combines two dimensions of NCCs’ nature and action, which effectively overcomes the limitations of using only one dimension.

NCCs’ nature could no longer solely account for its various interactions within local state and society. Most of the previous research on business associations took a structure analysis approach and focused on business associations’ nature such as their official linkage and background, to show how the state has controlled and encroached their autonomy. This approach can easily adapt the model of corporatism in China, but it cannot display more in-depth logics and mechanisms of state-business interactions. Hereby, more recent research has shifted to micro action researches based on empirical studies. (Zhu, 2009, 2012; Yu, 2014; Huang, 2014). NCCs’ origin alone cannot provide answers to questions like why even some top-down NCCs are so eager to be engaged with business networks and improve their representativeness among membership enterprises, like

<sup>77</sup> For the network orientation, there is no accurate measurement to see how much they are oriented towards the local state network or business network, just an indicator for their tendency.

### Chapter 3

Zhejiang NCC in Tianjin; and why some bottom-up NCCs have endeavored to be linked with official institutions, like the Shanxi NCC in Tianjin. Therefore, in order to give a comprehensive understanding to NCCs' variation in political engagement and policy influence, we have to include "action" factors in the explanation.

However, an analysis only focusing on NCCs' "action" factors could also hardly give a full picture. Unlike the pure grassroots NGOs, the function of NCCs in the local economy has driven them to be the objects of cooperation for local states in China. Although they have their own interest independent of the local state, they do not enjoy absolute autonomy due to local state' penetration. Therefore, the role of the local state in NCC' policy influence is significant and cannot be underestimated. In this thesis, analysis only using NCCs' network could explain why NCCs with a broad social network and resources hardly get access to local policy process, due to the limit of channels, while dependent NCCs could have a comparatively strong but invisible voice in the local policy process.

This framework combines NCCs' nature and action factors – NCCs' Origin and network, which will overcome the limitations of taking solely one factor into account.

Divided by NCCs' establishment initiatives and network orientation, all the NCCs can be categorized into four types: Dependent NCCs, Coupling NCCs, Decoupling NCCs, and Independent NCCs. The concepts of "Coupling" and "decoupling" reflect the movement where NCCs try to attach to or detach from the local state. The term "Decoupled" was first used in the Public Service Unit reform (normally called PSU reform, *shiye danwei gaige*), which has been experimented by local authorities in the past ten years (Interview with FXZ & LJY, Tianjin CAB). The aim of the PSU reform is to promote the decoupling movement and break the administrative and financial linkage between local bureaucratic agencies and GONGOs, especially industry associations and other business associations with an official background. As the movement is a moving process rather than a stabilized state, I take the concept of "Coupling" and "Decoupling" to illustrate those NCCs that are trying to extend their network from state to society or from society to state.

Before elaborately describing and analyzing the four types of NCCs with empirical cases in the following chapters, I will introduce the main features for each type of NCCs and provide some examples as well.

### 3.7.1 Dependent NCC

Like traditional business associations, the dependent type of NCC was initiated by host or home government departments, and had the natural linkage with official institutions. They are mostly combined with non-local liaison offices (*zhuwai banshichu* or *zhuwai bangongshi*), a system called “two names (organizations), one management team”. As a consequence, their functions are mainly focused on dealing with inter-governmental relations, including cooperation, official visits, regional negotiation etc. Due to the specified obligation and financial and personnel dependency, they are highly dependent on their home government and act as an extension of bureau agencies. However, because of this natural linkage with the home government, dependent NCCs have more channels within the system to get access to local policy processes. Through hidden lobbying, they can exert a certain level of influence in local policy processes especially in policy implementation, although this is hard to examine for scholars.

Regarding the network building, dependent NCCs adopt the network intensity strategy (NI strategy).

### 3.7.2 Coupling NCC

‘Coupling’ refers to the process where bottom-up NCCs try to attach themselves with local states, and endeavor to build up a strong link with local bureau agencies. This type of NCC was initiated by non-local entrepreneurs, scholars or retired officials (They are defined as NCC activists in this thesis) voluntarily. Initially their functions are quite similar to hometown associations (*tongxianghui*) or Guild Hall (*huiguan*), which provides life and information support to townsmen from the same region. With the increase of economic exchange and business cooperation among regions, they have developed the interest to play much more important roles in host localities’ local governance. In order to engage in a more extensive policy agenda and express collective interests, Coupling NCCs seek ways and take actions to enhance the link with the local state. Coupling NCCs have the wide basis of non-local communities’ support, and make an effort to extend their network within the local bureaucracy, so as to raise the profile in local political processes.

Regarding network building, dependent NCCs adopt the network span strategy (NS strategy).

### 3.7.3 Decoupling NCC

Decoupling NCCs act just the opposite way as coupling NCCs. Decoupling NCCs develop from the local bureau agencies or they are initiated by both home and host governments' Economic and Cooperation Offices (*jingji hezuo bangongshi*, Hereafter ECO). Some of the early-established ones even had an official status before 2000. As a result of official support, they are developing very fast with increasing influence in local governance. As a result of the call of Public Service Unit reform<sup>78</sup>, they had to give up their official status, and "detach from the state". In order to maintain their influence, decoupling NCCs multiplied their efforts to build up networks within business and the market. In spite of giving up their official status, decoupling NCCs still keep frequent connections with local state bureaus. However, different from dependent NCCs, they do not rely on the governmental resources, but expand their network within non-local entrepreneurs and private sectors.

Regarding network building, dependent NCCs adopt the network span strategy (NS strategy).

### 3.7.4 Independent NCC

Independent NCCs develop from the market, and run like profit-driven enterprises. They function like agents, doing business with local governments and membership enterprises. Independent NCCs try to fill the gap between the market and the state, but detach themselves from both. 'Managing government', 'managing membership enterprises' are principles for them to deal with related relationships. Apart from the routine work, they also seek opportunities to make profit by themselves. Among all the four types of NCCs, they are most independent and flexible, either financially or in terms of personnel, but hardly exert substantial collective influence in policymaking, or probably never thought about this.

Regarding network building, dependent NCCs adopt the network intensity strategy (NI strategy).

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<sup>78</sup> The recent reform is a new decision by the MCA after the 18<sup>th</sup> party conference, which stipulates that four types of GONGOs need to be gradually separated from the state. This includes industrial and business association, scientific NGOs, Charitable NGOs and community service NGOs.  
<http://www.mca.gov.cn/article/mxht/mtgz/201312/20131200556602.shtml>.

### **3.7.5 The spectrum of NCCs**

This thesis aims to demonstrate and analyze the spectrum of NCCs in current China. I have already described NCCs' variation in registration, organizational forms, growth mode and lobbying behaviors in the first part of this chapter, where we can see the wide range of NCCs. These variations provide the outer framework where the actual mechanism is embedded. A good theoretical framework will help us to uncover the underlying causes that lead to NCCs' variation, and understand the wide spectrum of NCCs' behavior.

These four types of NCCs will be subsequently discussed in the following three chapters. Each chapter will focus on one type with a specific case of an NCC in Tianjin. The analysis will focus on NCCs' nature, network building, lobbying behavior and policy influence, and try to explore the causal mechanism between NCCs' features and their influence in local policy processes. In this thesis, I will not distinguish between policy making and policy implementation for the following reasons: First, in local governance, quite a few policy implementations (especially the implementation of central government's policy) are enforced in a way of specific policy or regulation making; second, reversely, very often local policymaking is another way of executing the central policy or some special policy.

### **3.8 Conclusion**

NCCs develop in a complex context in the transitional era in China. Due to great regional variation, culturally, politically and economically, it is difficult to draw more general conclusions regarding NCCs just based on one locality's empirical data and material. Consequently, more empirical studies from different regions in the field are needed in order to understand the growth modes and behavior patterns for NCCs in different localities better. In order to develop a more systematic understanding of NCCs' variation, and to conduct a more in-depth analysis in the following chapters, this chapter elaborately introduced NCCs' variation in registration, organizational forms, growth mode and behavior strategy and then categorized all the NCCs by two dimensions. Finally, it explained the inherent differences as well.

Two issues mentioned earlier in this chapter have been dealt with. NCCs' variation is reflected by various phenomena existing in different localities. To understand these

### Chapter 3

variations, macro level explanations, like geographical localities, industry, the local political context, economic structure and cultural tradition, are not adequate to give a satisfactory answer to the research questions. In order to better understand NCCs' lobbying in local China, I developed a typology of NCCs based on two dimensions at the micro-level: NCCs origin and network strategy. Due to the interaction between NCCs' origin and network, four types of NCCs emerged: Dependent NCCs, Coupling NCCs, Decoupling NCCs and Independent NCCs. These four types of NCCs behave differently in lobbying and exert various types and levels of influence in local policy processes, which will be displayed in the following case analysis chapters.

This chapter has therefore linked empirical data with a theoretical framework. Since there is no established research on NCCs, this thesis has taken an inductive research approach. Hence a detailed empirical study will provide the basis to develop a good theoretical framework. In chapter 2, I have introduced NCCs' emergence and development, as well as their historical connection and political participation. In this chapter, I have systematically described NCCs' registration, organizational form, and growth mode as well as behavior strategies. Based on these empirical data and analysis, I developed a theoretical framework according to two of their important features: origin and network. The typology of NCCs has been created, including four types of NCCs respectively representing four different modes of state – society relations.

## **Chapter 4 Coupling NCCs' lobbying in the local policy process - the case of Tianjin Shanxi NCC**

Coupling NCCs, as mentioned in chapter 3, are NCCs with strong bases in local society, but which are in the process of building up their network with officialdom in order to achieve more influence in social governance. As shown in NCCs' typology, Coupling NCCs were bottom-up established and local state network oriented. Compared to other types of NCCs, Coupling NCCs are very politically engaged, and demonstrate an interesting interaction with local states. In order to show how Coupling NCCs engage with local policy process and exert influence, this chapter will use Shanxi NCC as an example.

Shanxi NCC in Tianjin is a classic Coupling NCC. There were several reasons why it was chosen as a case to illustrate Coupling NCCs' interactions with the local state. First, Shanxi NCC in Tianjin was established in 1997 and has an almost 20-year history. It is a good example of NCCs' development at different stages. Second, Shanxi NCC in Tianjin has transformed from a pure grassroots organization "Tianjin Shanxi Economic Development and Promotion Association" (*Tianjin shanxi jingji fazhan cujinhui*) in 2004 into an organization with strong local state links, and it has also build up a strong network within Shanxi provincials and business community. Third, Shanxi NCC has proactively practiced its political engagement in the local state, and has enormously enhanced its profile with local officialdom. All these features made Shanxi NCC in Tianjin the most representative of the Coupling NCCs I identified.

This chapter will set out the emergence and development of Tianjin Shanxi NCC in with their historical and cultural context, followed by an outline of Shanxi NCCs' two main dimensions of establishment initiative and network strategy, and finally do an analysis of specific policy cases to examine how Tianjin Shanxi NCC was engaged into the local policy process and exerted policy influence. Through case analysis, I found that Coupling NCCs exerted influence both in the local policymaking and policy implementation, but their influence in policymaking was constrained within a specific policy area, and their influence in policy implementation was weak and limited. This variation was attributable not only to their origin (state links), but also its state-network oriented strategy. Moreover, by analyzing how NCCs' establishment initiative and network strategy functioned in the process of NCCs' interaction with the local state, I argue that Coupling NCCs' network

## Chapter 4

strategy of binding with local party-state did broaden the channel for their participation in local policy process. However, due to the fact that the channel only covered specific issues, Coupling NCCs' influence was quite limited within specific policy areas and could not exert influence more widely.

### 4.1 The current situation of Shanxi NCC in Tianjin

Tianjin Shanxi NCC, as the earliest Shanxi NCC domestically, was established in 1997, and has become the biggest and most influential Shanxi provincial NCC in Mainland China.<sup>79</sup> It has a membership of over 1000 enterprises and individual members, and included six branches by 2014,<sup>80</sup> including a construction industry branch, a logistics branch, the Jinzhong branch, a construction materials branch, an Enterprise Economic Development Branch and a Young Entrepreneur Branch (Interview with GSP, Tianjin Shanxi NCC). The establishment of Tianjin Shanxi NCC was proposed by a group of Shanxi Provincials in Tianjin, including entrepreneurs, officials, military carders and other professions. Originally, it was named “Tianjin Shanxi Economic Development and Promotion Association” (*Tianjin shanxi jingji fazhan cujinhui*), and was aimed at promoting economic communication and cooperation between Shanxi and Tianjin. In 2004, under the current leadership, it changed to “Tianjin Shanxi NCC” and has expanded its membership range since. Currently, its membership is open to Tianjin entrepreneurs from Shanxi province and people who have worked or studied in Shanxi before, as well as any to other entrepreneurs who are willing to acknowledge their organizational constitution and join (Ibid.). The enterprise members range from new energy, environmental science, E-commerce and software service outsourcing, to modern logistics, biomedicine, modern finance and IT. Their investment in Tianjin had reached 100 billion yuan RMB by 2013.<sup>81</sup> By 2014, Tianjin Shanxi NCC had 29 full time staff, and over 1300 square meters of office space. The organization was structured into a Secretariat, Membership Department, Department of Economic Cooperation, Department of Rights Protection, Department of

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<sup>79</sup> Report on North Net (*beifangwang*) [www.enorth.com.cn](http://www.enorth.com.cn), last log in on 14<sup>th</sup> April, 2014.

<sup>80</sup> Source from Shijie Jinshang Wang (世界晋商网), <http://www.wsxm.net/article-22007-1.html>, last log in on 8<sup>th</sup> April, 2016.

<sup>81</sup> Online interview with the President of Tianjin Shanxi NCC-ZSL, cite from <http://www.022net.com/2013/7-13/515448232870817.html>, last accessed on 2<sup>nd</sup>, May, 2016

## Chapter 4

Propaganda, Department of Finance, Department of Party Committee, Department of Youth League Committee, and Transitional Development and Information Centre.<sup>82</sup>

Tianjin Shanxi NCC developed a preference for hiring retired officials in Tianjin for presidents, which was an important strategy for them to connect with Tianjin officialdom and get access to local politics. The first ever president for the first session of Shanxi NCC in 1997 was a previous member of Tianjin Municipal Party Standing Committee<sup>83</sup>; the second president was the head of Transportation and Industry Committee, with a very high appointment in the official rank of the party municipal committee. The third and also current president is ZSL. He came to office in 2004, and is still in post. ZSL is the previous deputy director of HD district,<sup>84</sup> which is one of the six districts in the urban area of Tianjin. He was also given the glory title of “national model worker nationwide” in 1980s, just after the reform and open-up policy commenced in the urban areas, and has been granted a meeting-up by the top leaders Deng Xiaoping in 1986 and later Jiang Zemin in 1990.

Shanxi NCC has experienced a three-stage development (Interview with ZSL, Tianjin Shanxi NCC). The first stage was from 1997 to 2004, when Shanxi NCC (then “Tianjin Shanxi Economic Development and Promotion Association”) acted as a townsmen group and most of the memberships were individual members. The association got some limited support from the Shanxi’s liaison office in Tianjin, but did not have full-time staff and independent office space.<sup>85</sup> It mainly convened influential Shanxi provincials working in Tianjin, and tried to inspire them to help with the economic communication between Shanxi and Tianjin. That is why it mainly focused on cultural and recreational activities, like getting together to celebrate Spring Festival or Mid-Autumn Festival, and introduce new members to each other. Generally speaking, Shanxi NCC was based at that time on informal networks and was far from institutionalised and systematised. Though the range and influence of their activities were limited, they have built up a very good membership base and social networks within Shanxi provincials in Tianjin.

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<sup>82</sup> Source from Shijie Jinshang Wang (世界晋商网), <http://www.wsxm.net/article-22007-1.html>, last log in on 8<sup>th</sup> April, 2016.

<sup>83</sup> The Municipal Party Standing Committee is composed of several important and powerful officials in a city, who are the main policy makers for key policies and decisions in the city.

<sup>84</sup> The city of Tianjin includes 6 urban districts, 4 suburban districts and 5 counties, while HD district is one of the urban districts there.

<sup>85</sup> Shanxi’s Liaison office was set up in 1990s. For information about the liaison offices’ main functions, please refer to Chapter 3 about the relations between NCCs and the liaison offices.

## Chapter 4

The period from 2004 to 2010 is the second stage of Tianjin Shanxi NCC's development, when there was an effort to enhance the interaction with the local party-state, create attachments to officialdom and build up formal and institutional channels for participation. In 2004, ZSL became the president and initiated change in the Shanxi NCC's operation. He said that NCCs could not achieve political influence without binding their operation in line with local state's development. Due to his official background, ZSL explored various methods to build up Shanxi NCC's internal capacity, and explored possible paths and channels connecting with local state externally. Among the tactics he adopted, the most important and efficient way to raise their profile was namely they adopted the same discourse as the local party state, and to convince them that Shanxi NCC was an important and efficient organization to manage private economy in Tianjin.<sup>86</sup> For example, Shanxi NCC developed quite a few activities for its membership enterprises, like the "Three Representativeness" study tour from enterprise to enterprise of Shanxi NCC<sup>87</sup>, and workshops on "Scientific Development Perspective of Hu Jintao". The latter were compulsory for public servants and party members only.

Shanxi NCC's development entered its third stage from 2010. In this stage, more NCCs have been established and operate actively by different group of provincials in Tianjin. They have also demonstrated various ways of networking with the local state. Shanxi NCC has encountered unprecedented challenges in an increasingly competitive environment. Until July 2015, 36 NCCs had been established in Tianjin.<sup>88</sup> Some of them came with strong economic capacity, like Tianjin Wenzhou NCC and Tianjin Guangdong NCC, or strong state linkages, like Tianjin Zhejiang NCC and Tianjin Shaanxi NCC. In order to maintain their political influence in local governance, Shanxi NCC proactively set up the party organizations within the NCC and membership enterprises, which drew the attention of the central party committee to local party organizations. Shanxi NCC was rewarded with titles and prizes for this initiative, and became the model for other social groups. Although under the leadership of ZSL, Shanxi NCC is still trying to keep its character and exert influence in this new era, its operation with strong ideological propaganda and bureaucratic features have been challenged by its members' resistance and by the external

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<sup>86</sup> Interview with ZSL in Tianjin, 14 May 2012.

<sup>87</sup> The concept of "Three Representativeness" is the main contribution of Jiang Zemin, which tries to enhance party members' awareness of Communist party's advancement.

<sup>88</sup> Refer to the reports of Tianjin Economic Cooperation Office official website, [http://www.jjhz-tj.gov.cn/hzjl/shfc/20150716/t20150716\\_11480.html](http://www.jjhz-tj.gov.cn/hzjl/shfc/20150716/t20150716_11480.html) last log in on 7<sup>th</sup> April, 2016.

economic environment. This has made their influence in the local governance more limited, rather than engaging with broad policy agenda.

## 4.2 The historical and cultural Context

In China's economic history, Shanxi merchants (*JinShang*) were a prominent business group since the Song Dynasty, more than 1000 years ago, but they reached their peak during the Ming and Qing dynasties with a symbol of establishing Shanxi Guild Halls around the country. They creatively initiated the first banking institutions (*Piaohao*) in China in the early 19<sup>th</sup> century, which was the prototype of China's modern finance industry.<sup>89</sup> They have been regarded as one of the five prominent merchant groups in Chinese history together with Zhejiang merchants, Canton merchants, Anhui merchants and Suzhou merchants.<sup>90</sup>

Shanxi province enjoyed a long history of business investment. The trade emerged in the southern part of Shanxi even before the Qin Dynasty (221-206 BC). According to accounts of the period: "The market starts at midday, when people from all directions meet together with all kinds of commodities. People trade with each other until everybody gets what he or she wants."<sup>91</sup> After centuries of development, the rise of Shanxi merchants could be dated back to the "Kai Zhong Policy" in Ming Dynasty,<sup>92</sup> in which government officials commissioned merchants to transport food supplies. Besides, Shanxi had rich mineral resources, while the handicraft and manufacturing industries also achieved considerable scale, which provided a substantial base for the merchants' development. At the same time, due to the dense population in southern Shanxi, merchants had to travel to other parts of China to gain their living. As a result, Shanxi merchants could be found all over China. Around the year of 2000, there was a saying in Beijing that "Most of the rich merchants in Beijing come from Shanxi." Business competition became ever more furious over time. So in order to strengthen their own power, Shanxi merchants began to organize into merchant groups. Although Shanxi merchants emerged as a regional group during the Ming Dynasty, yet it was during the Qing Dynasty that they particularly flourished, with

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<sup>89</sup> More details about the history of Shanxi merchants and their initiative in Chinese finance, see 黄鉴晖: *山西票号史*, 1998.

<sup>90</sup> China Central Television created an eight-episode documentary about Shanxi merchants in 2006, which is also mentioned in GSP's interview on 15/05/2012.

<sup>91</sup> Source from A Brief History of Shanxi Merchants, [http://www.chinaculture.org/gb/en\\_madeinchina/2006-02/20/content\\_79460.htm](http://www.chinaculture.org/gb/en_madeinchina/2006-02/20/content_79460.htm), last log in on 10<sup>th</sup> April, 2016.

<sup>92</sup> Refer to 明洪武（1368-1398）初年为了供应北部边防粮食供应而实施纳粮中盐的开中法.

## Chapter 4

the set-up of the guildhall as a symbol. The guild hall was designed for the communication and connection of Shanxi people at the beginning; later it became an organization of self-protection for the merchants.<sup>93</sup>

Shanxi merchants became one of the, if not the most, successful and powerful merchant groups in China in Qing Dynasty. The development of business not only brought people wealth, but also changed the traditional belief of "He who excels in study can follow in the career of an official." The saying went that, "It's better to have a connection in a teahouse than to have a large amount of money" and "To be a government official is not as good as to work in a teahouse or bank."<sup>94</sup> Teahouses and banks were both hot industries at that time. In the Qing Dynasty, Shanxi merchants were listed at the top of merchant groups in China, with a good reputation in Asia and even Europe. They were excellent especially in three industries: camel teams, ship teams, and draft banks.

The history and business culture of Shanxi merchants have left today's Shanxi NCC great heritage and legitimacy to inherit, especially in Qing Dynasty, the institution of Shanxi guildhalls around China have set up a great model for today's Shanxi NCCs to follow. In history, Shanxi guildhalls as an organization of self-protection for Shanxi merchants have played a great role in connection and communication among Shanxi merchants doing business in different places; and they also functioned as a platform to build up links with Qing's officialdom (Zhu, 2010). However, they were different from other merchant groups from East China or South China. Shanxi Guildhalls were not enthusiastic about promoting democratic revolution in late Qing China, but sponsored the Qing government to repress the revolutionary movement and peasant uprisings.

Shanxi merchants in history had showed strong state links as it had unusual mutual trust relationship with Qing governments. These links had been demonstrated in several aspects. First, they approached Qing officials, partnership with them in a special political and business collusion and monopolised several key industries due to the privilege given by Qing Government, Second, they sponsored the military spending of Qing government and worked as a main tool for Qing Government to implement their fiscal policy. Third, the profits Shanxi merchants had achieved were not being used to investment or reproduction,

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<sup>93</sup> The main points here source from Zhu Ying, "商会与近代中国" and "近代中国商人与社会", "近代中国商会、行会及商团新论".

<sup>94</sup> See more details in A Brief History of Shanxi Merchants, in Zhu Ying, The Merchant Groups and Contemporary China, 1996.

## Chapter 4

but returned to their hometown to repair their houses or buy land. Therefore, as the feudal government went to collapse, Shanxi merchants could not be able to sustain their prosperity and also declined.

### 4.3 Institutional context of Tianjin Shanxi NCC

After the introduction about Shanxi merchant group's historical and cultural background, this section will focus on the current institutional environment of Shanxi NCCs in Tianjin, which will provide a good base for us to understand the political context where Tianjin Shanxi NCCs try to interact with local states and exert influence in the local governance.

Since 1990s, the Chinese central government started to attach importance to improving the policymaking democratization and scientificness (*juece minzhuhua kexuehua*)<sup>95</sup> and encouraged local governments to explore new ways of improving public participation. Public participation in policy process started with the implementation of “Price Law of People’s Republic of China” on the 1<sup>st</sup> May 1998, which specified public hearing as the format of public participation on pricing utilities and public services.<sup>96</sup> Price public hearings drew great attention and subsequently the mechanism of public hearings has been expanded to other public services that directly related to public interests. Until now, public participation has been institutionalized in the areas of public sector pricing, urban planning, environmental protection, social construction and management. Besides public participation, the institutional context also gave non-political actors more channels and opportunities to get involved into the local policy process. Even though the breadth and depth of their influence in policy process is still very limited, and even though China is still keeping a high degree of authoritarianism, the process of policy making is not only confined to elite groups any more.

NCCs as a new emerging non-political actor in local governance have been given more opportunities in government consultation and political participation. As local governments claimed to include more actors into the policy process, more opinions and voices got heard

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<sup>95</sup> “Policy making democratization and transparency” was firstly put forward by Wan Li in July 1986, when he made a speech on “Policy making democratization and transparency is an important subject for political institution reform” on a work forum of National Science Committee; And this policy has been confirmed in 2004年9月中共十六届四中全会通过的“中共中央关于加强党的执政能力建设的决定”.

<sup>96</sup> Source from 刘淑妍, 朱德米: “当前中国公共决策中公民参与的制度建设与评价研究”, *中国行政管理*, 2015.

## Chapter 4

from society, which led to a more vibrant lobbying phenomenon in NCCs' sphere. NCCs have been "feeling the stones" to experiment various strategy and tactics of lobbying in this context. Tianjin Shanxi NCCs, like any other NCCs around the country, was enhancing the links with both their home government and host government in order to realise more successful lobbying. However, the smooth and successful lobbying was not only attributed to NCCs themselves, but was also very much depended on the institutional context in which the NCCs were based. Hereafter, I will set out Tianjin Shanxi NCC's institutional context from the perspectives of its home government and host government, which are Shanxi provincial government and Tianjin municipal government.

Shanxi Government attached importance to promoting Shanxi NCCs' development in other localities nation-wide. By 2009, there were five million Shanxi merchants doing business outside Shanxi province, and 29 Shanxi Chambers of Commerce located in 22 provinces.<sup>97</sup> As a bridge of cooperation and communication between Shanxi Governments and other governments where they were located, Shanxi Chambers of Commerce convened the Shanxi merchants in all these provinces, and transformed Shanxi merchants' ways of doing business from "individual operations" to "group operations".<sup>98</sup> As in the Ming and Qing Dynasty, the traditional successful Shanxi Merchants were based on family-owned businesses, which were much individually operated. However, this way of doing business is not adaptable in the new era for the new Shanxi merchants. Among all the 29 Shanxi NCCs in Mainland China, Shanxi NCCs in Tianjin got the award of "China's top ten most expressive Chambers of Commerce" from China General Chamber of Commerce in 2010. According to the local officials in Tianjin, the Economic Cooperation Office said that Shanxi Chamber of Commerce has played an important role in Tianjin's Opening Policy and regional economic cooperation.<sup>99</sup>

The Shanxi Board of Investment Promotion (*shanxi touzi cujin ju*) is the supervisory management unit for all the Shanxi NCCs located in different places, and has a strong focus on attracting non-local Shanxi merchants to come invest in Shanxi. It is a newly established government department, which integrates the investment function from Shanxi

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<sup>97</sup> Cited from Shanxi News site 04/09/200, 服务 500 万在外创业的山西人,异地山西商会在并座谈, [http://www.sxrb.com/sxjjrb/yiban\\_0/2821231.shtml](http://www.sxrb.com/sxjjrb/yiban_0/2821231.shtml), last entry 24/06/2015.

<sup>98</sup> This is just a metaphor to describe Shanxi merchants' way of doing business from separation to cooperation.

<sup>99</sup> Interview with Tianjin ECO officials, 20<sup>th</sup> May, 2016.

## Chapter 4

Economic Commission and Shanxi Department of Commerce.<sup>100</sup> The Shanxi Board of Investment Promotion (Provincial level) together with the municipal Investment Bureau made efforts to do better service for Shanxi merchants with investment capacity and willingness, as well as other substantial investors, to attract them to making investments in Shanxi. They combined to be the “mother home” of all Shanxi NCCs around the country. From the empirical evidence collected, it was easy to conclude that Shanxi Government’s policy towards Shanxi NCCs was much focused on investment attraction and other related areas.

Tianjin government had an open but not proactive policy towards NCCs development in Tianjin. Due to the distance with Beijing geographically and politically, Tianjin government was more conservative in policy innovation compared to some provinces in East China and South China, like Zhejiang and Guangdong. However, as a response to the rapid development of NCCs both in number and size in the Tianjin municipal area, the CPC Tianjin Municipal Committee and the Tianjin Municipal Government jointly issued “the Opinions on further accelerating the development of private economy” in late 2013<sup>101</sup>, which specified the concrete measures to promote the development of private economy in Tianjin. Among all the measures, they specially emphasize the role of non-local chambers of commerce in Tianjin, and offer more favorable policies regarding financial allowance, lands, banking service and tax refunding issues.

Tianjin Economic and Cooperation Office (ECO) is the supervisory administration unit for all the NCCs in Tianjin, and it promulgated the implementing of regulations for all the NCCs and lower level investment bureaus.<sup>102</sup> It further illustrated the clear investment attraction targets for all the relevant department and groups. Tianjin ECO is a deputy prefectural level department and its approach towards NCCs includes: support and encouragement to NCCs in Tianjin to carry out the investment attraction work together with local government; rewards and subsidies to the outstanding NCCs that provided good services to private economy and assisted the local government in investment attraction; support and encouragement to NCCs to purchase or construct Chamber of Commerce

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<sup>100</sup> See the website of Shanxi Board of Investment Promotion, <http://www.shanxiinvest.com>.

<sup>101</sup> Tianjin Government official site, 中共天津市委、天津市人民政府关于进一步加快民营经济发展的意见,09/12/2013, [http://www.tj.gov.cn/zwgk/zcjd/bdzc/201312/t20131209\\_226167.htm](http://www.tj.gov.cn/zwgk/zcjd/bdzc/201312/t20131209_226167.htm).

<sup>102</sup> [http://www.tjdpc.gov.cn/fzgggz/tzgl/tzzc/201407/t20140701\\_51715.shtml](http://www.tjdpc.gov.cn/fzgggz/tzgl/tzzc/201407/t20140701_51715.shtml) 市合作交流办贯彻落实《中共天津市委 天津市人民政府关于进一步加快民营经济发展的意见》的实施细则, 01/07/2014.

## Chapter 4

headquarter buildings with preferential policy; and lastly, support to the NCCs to improve the ability of coordinating complaints and to build up their own mechanism of complaints coordination to solve the reasonable demands within membership enterprises of NCCs.<sup>103</sup>

### **4.4 Shanxi NCC's establishment initiatives**

Tianjin Shanxi NCC was established from the bottom-up mainly by Shanxi Entrepreneurs in Tianjin in 1997. According to the interviews with staff in Tianjin Shanxi NCCs, the significant efforts during the establishment of Shanxi NCCs came from active Shanxi entrepreneurs and some retired government and military officials living in Tianjin. Though there was some evidence that some Tianjin Officials proposed the original name of Tianjin Shanxi NCC<sup>104</sup>, there was not enough evidence on how much substantial support they got from both Tianjin government and Shanxi government when they firstly set up. In the period from 1997 to 2004, Shanxi NCC did not have much public and political engagement with local governance, and its function mainly focused on convening the Shanxi merchants in Tianjin and any people who had worked or studies in Shanxi before, in order to provide a platform for knowledge and information exchange. Before 2004, Shanxi NCC had limited financing of activities that mainly came from membership fees and some members' donations. At that stage, most of the memberships were individual members, and the frequency of activities was not intense. However, due to nostalgia and shared local accent the network of members was very much enhanced through this platform and a lot of Shanxi merchants had found very helpful business information and even long-term business partners. (Interview GSP and ZSL in Shanxi NCC, May 2012)

### **4.5 Shanxi NCC's network strategy**

NCCs' network strategy indicates the key networks for NCCs to build up, and the methods they employ to enhance the networks in this thesis.<sup>105</sup> Network strategy is important for NCCs, as it directly affects how they build up their external networks and subsequently influences their lobbying behaviour. In this thesis, as stated in Chapters 3, network strategy

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<sup>103</sup> The same source as above.

<sup>104</sup> One staff of Tianjin Shanxi NCC mentioned this in a workshop, organized by Tianjin ECO on June, 2012.

<sup>105</sup> The concept of Network Strategy is put forward by the author to describe NCCs' effort to build up their networks.

## Chapter 4

includes NCCs' orientation in their network building, either local state oriented, or business oriented, as well as their focus on Network Span or Network Intensity.

Before 2004, Tianjin Shanxi NCC had a clear orientation towards business networks, which is reflected on their routine activities at early stages. At that stage, they had not engaged with governmental activities due to their limited capacity in mobilizing resources and official networks. One retired part-time staff of Shanxi NCC recalled the history of that time:

“All of us have our own job, and we just use some spare time to organize activities. You know, the money is limited, so we have to spread the words to all our members, to see who could offer the venue for the coming events. It was hard to have a clear plan and strategy at that time. We were doing it out of interests and the love to our hometown.”<sup>106</sup>

However, the situation changed after ZSL became the president of Shanxi NCC and started the reform, which led Shanxi NCCs go towards local state network orientation. Therefore, Shanxi NCC's development demonstrated a significant personal style that ZSL has brought along.

In approaching their local state network strategy, Shanxi NCC has successfully found an efficient way to build the connection: hiring retired officials as their president. The president and the secretary general are the two most important positions within NCCs. Most of the time, the president acted as the bridge to connect the networks with local state and business. ZSL is a classic 'charismatic leader' in Chinese context. He used to work in a state-owned factory in the planned economy era before reform and the open up policy, and was promoted to be the factory director before coming to work in the district government. He finally retired from the position of deputy-director of HD district of Tianjin, and came to Tianjin Shanxi NCC as the president<sup>107</sup>. Thanks to his enthusiasm and resources, Shanxi NCC got its first ever full time staff and fixed office area, and the organizational operation got onto the right track. Later in the process of reforming the Shanxi NCC, ZSL made full use of his personal “guanxi” to mobilise the official resources and raised the profile of

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<sup>106</sup> Details from interview with JXW on 24 April, 2013.

<sup>107</sup> ZSL was originally from Shanxi province and had strong connections with Shanxi, but moved to Tianjin when he was young.

## Chapter 4

Shanxi NCC in Tianjin local officialdom. As he used to be the old generation of CCP cadre before 1978, and continued to stay in the officialdom during the reform era in 1980s and 1990s, his personal leadership style inevitably bore strong ideological characteristic. This style had also been replicated in Shanxi NCC's operation, which formed the unique style of today's Tianjin Shanxi NCC, and explained why they are so much focused on the work of party building and Youth League building in NCC and their membership enterprises.

To sum up, Tianjin Shanxi NCC's network strategy was local state network oriented with a focus on network span rather than network intensity. Shanxi NCC was bottom-up initiated and born with a strong base of business network. In its early stage, Shanxi NCC had focused on the construction of formal and informal business network, which benefited their membership enterprises and individual members quite a lot. In its later stage after 2004, in order to realize bigger influence in the local governance, ZSL proactively started the reform and shifted its orientations from local business network towards local state networks. This process is described as "coupling" in this thesis. The "coupling" process successfully connected Shanxi NCC's business network with its new established state network and enormously expanded their network span. In the following section, I will undertake case analysis to discuss how this expanded network span helped Shanxi NCC to engage with much broader local policy agenda, and how successful it could be.

### **4.6 Comparative case analysis: Coupling NCCs' influence in the local policy process**

#### **4.6.1 Case selection**

Tianjin Shanxi NCC' bottom-up establishment initiatives and network span strategy have affected their way of lobbying with the local state. Before coming to the case analysis, we should be aware that, unlike the way lobbying takes place in western democratic countries, in China it is much related to the attitude of state and the institutional context. At the local level, the local state's attitude and policy towards NCCs' participation in policy process enormously affects the outcome of lobbying. Therefore, in order to control the effects of local states all the cases I have selected here and in the following chapters are based in

## Chapter 4

Tianjin. This way, I can specifically examine how NCCs' establishment initiatives and network strategy influence their lobbying behavior.<sup>108</sup>

I have chosen two cases regarding Tianjin Shanxi NCCs' engagements in the local political process in Tianjin. The first one is the Shanxi NCC's proposal to change the party subordinate units of private enterprise party members in Tianjin. This policy is actually a policy related to party organization, not a typical local policy as scholars assumed. However, this policy had a wide range influence on all the party members working in private enterprises in Tianjin. This case showed the successful engagement of Shanxi NCC in the whole process and the ways in which they promoted policy change, indicative of the kind of influence they exerted. In contrast, the second case is the proposal of amending the rules for the implementation of "The Labor Contract Law of People's Republic of China", which was a failed case in the local policy process, where Shanxi NCC did not find the best strategy and tactics to exert policy influence. Through the comparison of these two cases, I hope to get some interesting findings regarding NCCs' involvement in policy change.

### **4.6.2 Case 1: The proposal to change private sector's party member subordinate units**

Party building has been an important task for local party committees in China. Before the 1990s, due to unit management system, all party members were subordinate to the party committee or party branch within their working unit or residential community unit. In 1990s, with the development of market economy, a great number of people migrated to work in non-local areas while their household registration and party relationship still remained in their previous work place. In 2001, Jiang Zemin made the famous "1<sup>st</sup> July speech" in the general assembly to celebrate 80 years anniversary of CCP's establishment and decided to allow qualified private entrepreneurs to join the party.<sup>109</sup> This decision enormously boosted the number of party members in the private sector. However, the policies regarding party membership management in the private sector were still lagging behind, especially in the non-local private enterprises.

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<sup>108</sup> In this thesis, NCC's lobbying behavior includes their lobbying to local state and also the lobbying to local party organizations, as in local China, the decision making power is not just limited within state institutions.

<sup>109</sup>江泽民在庆祝中国共产党成立八十周年大会上的讲话 (full text), 01/07/2001, <http://www.china.com.cn/chinese/jianghua/43378.htm>.

## Chapter 4

In Tianjin, problems with party membership management in private sectors were prominent around 2005. Quite a lot of party members working in non-local private enterprises could not find the appropriate local party committees to affiliate, and they had to carry their party relationship<sup>110</sup> with them wherever they went. These people were called “Pocket Party Members”, which indicated the floating status of their party relationship. Under central party guidance, local party committees were seeking ways to cover the management of party members in the private sectors by setting up party branches in enterprises, or encouraging them to join the party committee in local ICF or other state-affiliated business associations. But these efforts did not have good effects, as party members in the private sector were quite scattered and hard to coordinate in the same platform.

As introduced above, Tianjin Shanxi NCC shifted their orientation in approaching local authorities and enhanced the interaction with local party-state after 2004, when ZSL became the president. ZSL had a good political sensitivity and realised the party management problems that local party committees were faced with. He recalled:

“I was just retired from the position of vice-director of Hedong District government and appointed to be the president of Shanxi NCC. To be honest, I did not have a clue how to lead this organization, as it had nothing, no money, no staff, and no office. But I know, to move this organization forward, I had to build a good relationship with local government and party committees. How to achieve that? Like what we did to membership enterprises, we could get trust only after we tackled the practical problems for them. It also applied to the local officials. We needed to do something to get the recognition from them.”  
(Interview with ZSL, Tianjin Shanxi NCC)

In this light, ZSL carried out investigations in the membership enterprises and found that the immediate problems within these enterprises were the existence of “Pocket Party Members”. He then realized this would be a chance to link non-local enterprises with the local party-state. Then in 2006, Shanxi NCC drafted a proposal to Tianjin ECO in order to set up the first party branch within an NCC in Tianjin.<sup>111</sup> The proposal was soon approved,

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<sup>110</sup> The party relationship is a document that specifies the party members’ basic information, the time when they have joined the party and previous party relationship changes in the previous working places.

<sup>111</sup> Source from inner report of Shanxi NCC 01/2006.

## Chapter 4

and ZSL became the party secretary of Shanxi NCC Party Branch. Tianjin ECO paid considerable attention to this initiative and even the director attended the inaugural ceremony of Shanxi NCC party branch's establishment. After the party branch was set up, Shanxi NCC took a great number of activities to coordinate the party members within membership enterprises and filed their party relations within Shanxi NCC party branch. In 2008, with the expansion of party members, Tianjin Shanxi NCC party branch was updated to be a party committee<sup>112</sup> that included three general party branches and 30 enterprise party branches. The total number of party members was 146.<sup>113</sup> By 2008, Shanxi NCC had achieved full coverage of party organizations, and all the grass-roots party members in membership enterprises were fully integrated into the management. From 2008 to 2011, Tianjin Shanxi NCC sent party-building instructors to 75 membership enterprises that were not qualified to set up party branches, and encouraged the small enterprises to set up provisional party groups. Thus, Tianjin Shanxi NCC achieved the comprehensive cover of all its membership enterprises regarding party members' management and party building.<sup>114</sup>

Shanxi NCCs' initiative in managing and integrating private sector party members quickly got recognized by the local government and the central government and party committee. Tianjin ECO drafted a report about Tianjin Shanxi NCC's practice to Tianjin Party Committee. Then the Party Committee regarded Tianjin Shanxi NCC as the model of innovation in aspects of social organization party building, and they tried to promote its successful experience to other NCCs and social organizations in Tianjin. This trend was soon spread at the national level. In September 2009, Xinhua News Agency issued an internal reference to the central party committee about the practice of scientific development in Tianjin Shanxi NCC. In October 2009, the Ministry of Civil Affairs issued a briefing to the Party's central study practice leading group and to the Vice Premier Hui Liangyu on Tianjin Shanxi NCC's practice of strengthening grass-roots party building. In November 2009, this briefing was transferred to President Xi Jinping and other top leaders in Party Central. Finally, in February 2010, Tianjin Shanxi NCC was awarded as "National Advanced Social Organization" (*quanguo xianjin shenghui zuzhi*) and "The advanced unit

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<sup>112</sup> The Party Constitution regulates that only when party membership is over 100, can the party branch be qualified to be upgraded to a party committee.

<sup>113</sup> 天津山西商会党委书记、会长张世伦在市非公有制企业党建工作座谈会上的发言, <http://www.tjfic.com/jyj/115470.jhtml> 10/04/2012; 天津市河东区着力构建社会组织党建工作新格局 <http://dangjian.people.com.cn/GB/15656407.html> 14, September, 2011 中国共产党新闻网. Last accessed on 15 May, 2016.

<sup>114</sup> Ibid.

## Chapter 4

in social organizations in-depth study and practice the scientific concept of development activities”(shehui zuzhi shenru xuexi shijian kexuefazhanguan huodong xianjindanwei), and ZSL as the representative of Tianjin Shanxi NCC was met with the top leaders in Beijing Great Hall.<sup>115</sup>

As a model in social organization party building, Tianjin Shanxi NCC's profile was raised up by extensive media coverage, and it took this opportunity to build up a strong state network with Tianjin municipal government and party committees, especially the Organization Department and the United Front in Party Committees, Tianjin ICF, as well as some district governments. Based on their successful experiment and the support from Tianjin Local Party Committees, Tianjin Shanxi NCC drafted the proposal to change the party members' subordinate unit within private sectors, and integrated all the “pocket party members” into “Attribution Management”, which means no matter where the private sector employees' household registration is, and where their previous party relationship attached, they could all be subordinated into the NCC party committee's management, and enjoy the equivalent treatments as local party members in Tianjin.<sup>116</sup> This policy proposal would help Tianjin local governments and party committee to strengthen their management of and penetration in private sectors, and also benefit private sector employees to create additional channels for interest expression. So it soon became a decision within Tianjin Party Committee to promote Shanxi NCC's practice and spread their success within all the NCCs in Tianjin. In July 2011, this decision was issued to all the NCCs,<sup>117</sup> then NCCs in Tianjin started the upsurge of establishing Party branches within their organizations and learning Tianjin Shanxi NCC's experience in coordinating party members' management within their membership enterprises.

### 4.6.3 Case analysis

The case above was not a typical case of NCC influencing policy making in local China. First, the “policy” mentioned was not a “policy” as defined in the common sense, but a practice in local party building. Second, the party decision making process was taking a different mechanism from local policy process, so talking about the party decision making

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<sup>115</sup> 红色晋商张世伦, 中国联合商报, 26/11/2010,

<http://finance.sina.com.cn/leadership/crz/20101126/19539017600.shtml>. Last accessed on 15 May, 2016.

<sup>116</sup> Interpretation by GSP in the interview.

<sup>117</sup> 各省区驻津办党委发出学习我商会“四无三提高”通知, 21/07/2011,

<http://www.sct.com.cn/news/index/id/1683.html>. Last accessed on 15 May, 2016.

## Chapter 4

process may not illustrate the local policy process. However, at the provincial and municipal level of China, local governments and local party committees were more interweaved than those in the central level, and the local party committee had an inevitable role in the local policy process.<sup>118</sup> In studying NCCs' influence in the local policy process, I included all the interaction between NCCs and local party-state, in order to illustrate in full NCCs' influence on local governance. Therefore, the case above helps us understand the wide engagement of NCCs in the local China.

In this case, Tianjin Shanxi NCC made full use of its business network and newly established state network in exerting their influence to change the policy. First, Shanxi NCC's business network was based on its establishment initiatives. Due to its bottom-up initiative, it had a strong and supportive business network, which made its experiment of party building welcome in the membership enterprises, and helped Shanxi NCC become the model of social organization party building in Tianjin, and later in China. Second, Shanxi NCCs' state network was not innate, but accumulated with their increasing media coverage and public awareness. When Shanxi NCC's initiative of party building in private sectors got noticed by local government and party committees, they took every chance to enhance the interaction with local party-state and tried to stand by the perspective of local government to "manage bosses"<sup>119</sup> in private enterprises. By doing so they established good relationships with Tianjin ECO, Tianjin ICF, and Organization Department and United Front Department in the Party Committee, which provided channels for Tianjin Shanxi NCC to deliver their successful experience and other policy ideas. For example, Tianjin ECO was the first official department to report Shanxi NCC's practice in managing private sector party members to the upper level bureau, and departments in Tianjin Party Committee made Tianjin Shanxi NCC as a local model of party building to seek credits from central government, which gave Tianjin Shanxi NCC the chance to boost their influence on the interaction with the local party-state. Therefore, the fact that Tianjin Shanxi NCCs' practice in changing private sector party members' subordinate unit became Tianjin's local policy in managing private sector party members demonstrated Tianjin Shanxi NCCs' successful lobbying based on their establishment initiatives and local state network oriented strategy. This case demonstrated the whole process and mechanism of Shanxi NCC' lobbying and interaction with membership enterprises and local party state, which reflected the complexity and characteristics of local policy process in China.

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<sup>118</sup> There is no much study about the role of local party committee in the local policy process yet.

<sup>119</sup> "Manage bosses" was mentioned several times in the interview with ZSL in 2012.

## Chapter 4

However, we could not simply say that Shanxi NCC had strong lobbying capacity in the interaction with local state just based on the case above. There are three reasons for this. First, Shanxi NCC did not have a clear lobbying target in this case. The case of enhancing private sector party building was just a way for Shanxi NCC to build up and expand their state networks. Second, Shanxi NCC did not demonstrate independent lobbying based on the members' interests. All the activities it undertook were aiming to meet the interest of local party state and hook up with the state. Third, this policy change took place in a specific area of party building, which contained many elements of ideological and political mobilization and differentiated from the local policy process in the general sense. In order to probe more about Coupling NCCs' influence in the local policy process, we need to compare more cases in the following section.

### **4.6.4 Case 2: Tianjin Shanxi NCC working as bridges to link local governments and local enterprises**

Looking through all the cases of Tianjin Shanxi NCC's engagement in the local governance, it was hard to find a typical policy case of Tianjin Shanxi NCC influencing the local policy process. However, its engagement in the local politics was not less but much more than other NCCs. What they had mostly participated in was centered on working as the bridge between local governments and their membership enterprises, with the focus on assisting local governments to manage local business. Below I will introduce some examples to illustrate how Tianjin Shanxi NCC has worked with the local government to straighten out the relationship between government and enterprises.

The first example of Tianjin Shanxi NCCs' bridging local government and enterprises was helping local district government to organize "one-stop field service day"<sup>120</sup> meetings with enterprises in Hedong District of Tianjin (Interview with GSP, Tianjin Shanxi NCC). Along with the private business' development in Hedong district, the private entrepreneurs had higher requirements towards the management and services that local government should provide. Besides, different districts in Tianjin faced fierce competition on investment environment and attraction to foreign investors. So in order to keep private

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<sup>120</sup> "One-stop service" is one of the consequences of "public service oriented government construction" reform in China. Before, citizens and enterprises need to go to different government office to deal different issues in terms of household registration, tax rebate etc. In order to improve the efficiency, local government gathered all the offices from different government departments in the same place, and carried out the public service to citizens and enterprises.

## Chapter 4

business staying in the district, the local district government had to improve their service in terms of enterprises registration, essential documents for operation, taxation procedures, etc. Tianjin Shanxi NCC's office was located in Hedong district, and it kept a good relationship with Hedong District Government. Moreover, the president of Tianjin Shanxi NCC used to be the deputy-director of Hedong District government before retirement. In 2011, Tianjin Shanxi NCC proposed to the Commercial Committee of Hedong District Government to carry out some field service to Shanxi NCC's membership enterprises, in order to closer the relationship between government and enterprises (Ibid). The Commercial Committee then passed on this idea to the deputy-director of Hedong District who was in charge of business. This proposal was quickly responded with feedbacks from government office, which designated Tianjin Shanxi NCC to organize this "one-stop field service day" to Shanxi NCCs' membership enterprises in Hedong District, and asked relevant government departments to provide necessary assistance (Ibid). Therefore, later in 2011, this "one-stop field service day" activity was carried out among membership enterprises of Tianjin Shanxi NCC.

In this "one-stop field service day" activity, Tianjin Shanxi NCC was responsible to select sites, promote the activities among membership enterprises, inquiry with enterprises to understand their business requirement and finally coordinate public servants from relevant government departments to the field service site. This activity was usually held in a big hall or public place. On that day, the membership enterprises got direct feedbacks or answers of the questions from officials in the relevant department, and established good communication atmosphere between two sides. And the government department got to understand the needs of business more efficiently, and gathered the first-hand business information from private enterprises. As same as the first case in this chapter, the "one-stop field service day" initiative also became a routine event for Hedong District government and Tianjin Shanxi NCC afterwards, and this practice was spread to other NCCs and district government in the following several years as well (Interview with ZSL, Tianjin Shanxi NCC).

### **4.6.5 Case analysis**

In the above case, Tianjin Shanxi NCC bridged the local government and enterprises through coinciding their interests and requirement. In the policy area focusing on policy

## Chapter 4

implementation and alike, Tianjin Shanxi was very skilled in approaching local government and exerting its influence. In the interaction with local government, Tianjin Shanxi NCC secured its role in the local governance and the limited influence in the local state-business relations. However, this was not policy lobbying in represent of membership enterprises' interests.

In practice, Tianjin Shanxi NCC summarized their way of survival in the Chinese local political ecology. They were active in assisting local governments to “manage the bosses” (Interview with ZSL, Tianjin Shanxi NCC) in private sectors. Based on their state network oriented strategy, they frequently cooperated with local governments to improve the level of management and service towards private enterprises, and smoothed the state-business relationship on the local administrative level. However, their partnership with local governments also helped local governments to enhance the state's control to private sectors, which to a certain degree hindered private sector's long-term development.

There was another case to show that Tianjin Shanxi NCC tried once to influence policy making in the case of proposing to amend the “Rules of Implementation of “The Labor Contract Law of People's Republic of China”” (*zhonghua renmin gongheguo laodonghetongfa shishi tiaoli*) (the New Rules, hereafter) in 2009,<sup>121</sup> but it failed. In that case, some representatives of membership enterprises of Tianjin Shanxi NCC reflected in NCCs' regular meeting that the New Rules promulgated in 2008 by the State Council was hard to implement in practice, and some items in the New Rules were contradicting with the existing system. And they proposed to let Tianjin Shanxi NCC to draft a report regarding this issue to Tianjin Government and legislature bodies. Tianjin Shanxi NCC took this offer but did not put this work into priority. It took quite a long time for them to finish the report. At the end, they did not find an appropriate government department to submit this report, and this proposal was suspended (Interview with RJH, members of Tianjin Shanxi NCC).

From the above case, it was easy to see that Tianjin Shanxi NCC did not have attempts to lobby policy makers, which reflected the insufficient incentives to push them to conduct lobbying activities. Though Tianjin Shanxi NCC was initiated bottom-up and had a strong base in Shanxi business circle, yet in its “coupling” process with state, its independence

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<sup>121</sup> See details in 中华人民共和国劳动合同法实施条例（全文），中国网 china.com.cn, 2008-09-18 [http://www.china.com.cn/policy/txt/2008-09/18/content\\_16501695.htm](http://www.china.com.cn/policy/txt/2008-09/18/content_16501695.htm), last accessed on 28<sup>th</sup> July, 2016.

## Chapter 4

was gradually eroded by local state's advancement, which eventually lead to the decreasing of their lobbying motivation and capacity.

### **4.7 Comparison and analysis**

Comparing the case 1 and case 2, some characteristics of Coupling NCCs' lobbying in the local policy process could be summarized as follows.

First, Coupling NCC did not demonstrate a typical independent lobbying in the local policy process. Due to "coupling" process, Coupling NCC got too close to the state, which wrecked Coupling NCC's lobbying motivation and capacities. Though Coupling NCC had a "bottom-up" establishment initiative, yet its network strategy was very much state network oriented, so the essential resources for lobbying embedded in Coupling NCC's network were limited. This explained why Coupling NCC could not exert independence influence towards the local policy process.

Second, Coupling NCC exerted influence in both policymaking and policy implementations in the above cases, however, its influence in policy making was constrained within a special area, and its influence in policy implementation was embedded within the interaction with local states. As outlined in case 1, Coupling NCC influenced the policy change in relation to private sector's party member subordinate units, but it was one special case regarding party policy, and the mechanism and logics were quite different from the normal local policy process. Therefore, Coupling NCC's strategy and tactics used in this case might not be able to adapt in other local policy cases. Moreover, as outlined in case 2, Coupling NCC's influence in the policy implementation was limited and embedded within its cooperation with local governments, and it was hard to distinguish whether it was an influence in policy implementation or just an influence toward local government's practice.

Third, Coupling NCC's network span contributed its success in influencing local policy making as showed in case 1. Coupling NCC's network span including business network and state network, and the resources within these networks helped Coupling NCC to exert influence in the party management policy in Tianjin. However, Coupling NCC did not focus on network intensity, so Coupling NCC did not have close partnership relations or links within both their state network and business network. This also explained why

## Chapter 4

Coupling NCC could only exert limited influence in the policy implementation, as there was no close sponsor to help push forward its policy ideas.

### **4.8 Conclusion**

This Chapter has systematically introduced the representative of Coupling NCCs -Tianjin Shanxi NCC and its engagement in the local policy process. Tianjin Shanxi NCC was established with a “bottom-up” initiative, but developed its state-network oriented strategy in the interaction with local states. In terms of the features of its network, Tianjin Shanxi NCC had a broad network span but weak network intensity.

Regarding Tianjin Shanxi NCCs’ influence in the local policy process, there are rare cases to show Tianjin Shanxi NCC to do lobbying in represent of membership enterprises. Most of the time, Tianjin Shanxi NCC assists local government to improve the level of management or service to enterprises, which might not be an influence towards the local policy influence but a kind of political engagement in the local governance. Through in-depth case analysis, it is evident that Tianjin Shanxi NCC has demonstrated its influence in both policymaking and policy implementations. However, its influence in policymaking is constrained in a specific policy area, while its influence in policy implementation is limited. This variation could be explained with Tianjin Shanxi NCC’s establishment initiative and network strategy. To be specific, Tianjin Shanxi NCC’s “bottom-up” establishment initiatives determines its connection with business circle, and its state-network oriented strategy enhances its “hook” with local states and secures the channel for their influence.

Coupling NCCs kept in line with the advancement of party-state’s penetration in order to achieve more influence. However, they are losing the autonomy and legitimacy from their membership enterprises in this coupling process with local party-state (Yang, 2012a). It does not work when it is too close to state, as the consequence of being too close to the state was erosion by the state, especially in the lobbying independence (motivation) and lobbying capacity (Thornton, 2013). Therefore, Coupling NCCs’ network strategy of binding with local party-state did broaden the channel for their participation in local policy process. However, due to the fact that the channel only covered specific issues, Coupling NCCs’ influence was quite limited within specific policy areas and could not exert influence more widely.

## **Chapter 5 Independent NCCs' influence in the local policy process – the Case of Tianjin Guangdong NCC**

Independent NCCs, as the name suggests, are the most independent type among all categories. Their operation is comparatively independent from the local state and business networks. This type of autonomy is mainly reflected in two NCC features: first, most Independent NCCs are bottom-up initiated with high independence from local states. Second, Independent NCCs run their activities with flexibility and freedom, with the aim of keeping business for business. In other words, Independent NCCs are more like business agents with their own profit seeking activities, and they can choose both local states and membership enterprises as their clients. Unlike other types of NCCs, independent NCCs do not have a clear aim of influencing the local policy process, but they expand their business network within local state and market. In the context of local state competition in GDP growth and investment attraction, Independent NCCs' function has been highlighted and enhanced. In order to illustrate Independent NCCs' existence, development and their interaction with local states, as well as their engagement in the local policy process, this chapter will choose Tianjin Guangdong NCC to exemplify this type of Independent NCCs.

Tianjin Guangdong NCC is a classic independent NCC. It was established by Guangdong provincials and townsmen in Tianjin in 2007, and it is currently under the supervision of Tianjin Economic Cooperation Office and registered in the Tianjin Administration Bureau of Social Organizations. It is further guided by the Guangdong Economic and Informatization Committee and the Guangdong Government's Beijing Liaison office. Guangdong NCC does not have a long history in Tianjin, but achieves great influence especially in attracting investment and business coordination between Tianjin and Guangdong. Compared to other types of NCCs, Guangdong NCC demonstrated several distinct characteristics in Tianjin's local context. First, in contrast to Shanxi NCCs introduced in chapter 4, Guangdong NCC is much more business oriented with its own profit-seeking activities. Second, Guangdong NCC is comparatively financially independent and has independent personnel. Third, most of the Guangdong NCC members are established entrepreneurs with strong economic strength. Rather than getting access to local officials through the channel of Guangdong NCC, they are most frequently the targets of incorporation for Tianjin local officials. Therefore, coordinating business cooperation for both sides has become the focus of Tianjin Guangdong NCC's work.

## Chapter 5

Finally, Guangdong NCC is not interested in exerting influence in the local policymaking and promoting policy change. It would rather concentrate its efforts on achieving preferential policies for membership enterprises or promoting regional business cooperation, so as to improve its capacity in professional service.

In this chapter, I will outline the current situation of Guangdong NCC in Tianjin, as well as its cultural, historical and institutional context. Then the two main dimensions of Guangdong NCC in Tianjin will be explicitly introduced – namely the establishment initiatives and their network strategy, followed by comparative case studies in order to show how Guangdong NCCs interact with local state and be engaged in the local policy process. Through a comparison of different policy cases that Guangdong NCC has engaged, I will argue that Independent NCCs have exerted some but restricted influence on the local policy process, especially in local policy implementation. However, they have become an increasingly important broker in regional business cooperation.

### 5.1 The current situation of Tianjin Guangdong NCC

Guangdong NCC in Tianjin was established by Guangdong provincials and townsmen in Tianjin in June 2007<sup>122</sup>, and evolved from its predecessor of Tianjin Guangdong Association of Fellow Provincials (*Tianjin Guangdong tongxiang lianyihui*), which was a bottom-up initiated voluntary fellow organization. Tianjin Guangdong NCC acts like a civil chamber of commerce, which pays attention to service provision to membership enterprises. It had more than one hundred member enterprises in 2012,<sup>123</sup> ranging from real estate, construction and decoration materials, electromechanical equipment, automobile dealing, household supplies, food and beverage service, logistics, financial service, telecommunication and creative advertising. Their investment in Tianjin reached more than 10 billion RMB by 2012 (Ibid). Since its establishment, Guangdong NCC insisted on providing good service to Guangdong enterprises located in Tianjin, and endeavored to solve the practical problems of member enterprises. In 2007, Tianjin Guangdong NCC got the ISO9001 Great Wall quality management system certification,<sup>124</sup> and became the first

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<sup>122</sup> Source from Tianjin Guangdong NCC's establishing diary from WJS: “天津市广东商会在广东省驻京办事处的指导下, 于 2006 年 4 月开始发起筹备工作, 2007 年 6 月 6 日成功召开了天津市广东商会第一届会员代表大会” (internal report).

<sup>123</sup> 广东商会在津投资数千亿, 天津日报, 2012-03-20

[http://www.tjcoc.gov.cn/html/2012/shangwuyuaowen\\_0320/645.html](http://www.tjcoc.gov.cn/html/2012/shangwuyuaowen_0320/645.html), last accessed on 27<sup>th</sup> July, 2016.

<sup>124</sup> This is an international-standard certification in terms of the quality of management and services that

## Chapter 5

social organization that complied with the international standards to building and improving member service management systems in China.<sup>125</sup> Thanks to hard work and great efforts, it was awarded “The Advanced Unit for Two-way Services” (*shuangxiang fuwu xianjin danwei*) in 2008 and 2009 respectively. In 2009, it initiated ‘the national committee of secretary-generals of Guangdong NCCs’ together with Shanghai Guangdong NCC, and held the first meeting in Shanghai, which indicated the start of a higher-level cooperation and communication among all the Guangdong NCCs nation-wide.

By June 2012, Tianjin Guangdong NCC had 4 full-time staff, including the Secretary-general.<sup>126</sup> Unlike the Shanxi NCC, the Secretary-general, rather than the president, is the key person in Tianjin Guangdong NCC’s development. WJS is the first Secretary-general of Tianjin Guangdong NCC and he is still in post. He used to work in a government-run enterprise and developed comprehensive skills to deal with public relations with governments. He was born in Guangdong province where his parents originally came from, but grew up in Tianjin. Therefore, his knowledge of and affection for both places motivated him to initiate the Tianjin Guangdong NCC together with other Guangdong entrepreneurs in Tianjin in 2006 and 2007.<sup>127</sup>

Tianjin Guangdong NCC experienced 16 months’ preparatory time before its official establishment. The proposal to establish Tianjin Guangdong NCC was put forward in a Chinese New Year catch-up of Guangdong Fellow Association members, most of who were Small and Medium Enterprises (SME) business people. Due to lack of network resources with officialdom, they had to approach and cooperate with other important figures with Guangdong connections in Tianjin, so as to smooth out the process of administrative approval and registration. According to data I have collected from their annual report, they have approached around 35 people during the period from 25 February 2006 when the proposal was put forward, to 6<sup>th</sup> June 2007 when the first Tianjin Guangdong NCC general assembly of members was formed.<sup>128</sup>

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social organizations provide.

<sup>125</sup> Jinyue Jiayuan Newsletter, the first issue 津粤家园.

<sup>126</sup> Information from Tianjin Guangdong NCC’s official website: <http://www.tgcoc.com/info/12-499.html>. Last entry 09/04/2015.

<sup>127</sup> Ibid.

<sup>128</sup> The data was sourced from the annual inner report of Tianjin Guangdong NCC in 2006 and 2007.

## Chapter 5

Guangdong NCC in Tianjin has kept a low profile in its daily operation and activities. Compared to other influential NCCs, it has kept its influence within the range of business circles rather than in the public affairs and local governance. “Keeping business within business” is its motto in its engagement with local affairs, which can be reflected on the following operational aspects: first, Guangdong NCC sets itself as a service provider or agent to membership enterprises and local governments and their departments. Therefore, it pursues a certain amount of profit in its business service. For example, it has a specific commission rate in coordinating business cooperation between membership enterprises or business between two localities in Tianjin and Guangdong. In this sense, it regards itself as equal market players as enterprises.

Second, it has a clear target within the interaction with local bureaucracies. In the context of local governments’ competition for GDP growth, local bureaucrats especially in the business departments have been designated specific investment tasks. In order to maximize their influence in business cooperation between local government and non-local enterprises, Guangdong NCC endeavored to get access to the business departments at the municipal and district levels respectively. By introducing potential business cooperation projects, not only did they meet the requirements of local bureaucracies, but they also enhanced their lobbying capacity for Guangdong business clients.

Third, as a harbor of business information and policy orientation from both Tianjin and Guangdong, Tianjin Guangdong NCC developed the resources to become an important “broker” in promoting regional business cooperation. Guangdong Province, as the pioneer of reform and opening up, has the most flourishing private business in China, and their investment beyond Guangdong Province and nation-wide is ranked top in 2015.<sup>129</sup> Relying on the strong economic strength of Guangdong Province, most Guangdong NCCs in China have become the objects of cooperation for local business departments, which gave them prestigious status in business lobbying (Interview with WW, Official in Guangdong ICF). However, rather than expanding influence in a wide range of local governance, Tianjin Guangdong NCCs’ local engagement has not exceeded beyond business and the economic arena. They show preferences to staying in a more controllable range of policy stages and sphere, and abiding by the principle of “Keeping business within business” (Ibid.).

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<sup>129</sup> Data from the “Chinese Corporate Globalization Report 2015” *中国企业全球化报告(2015)*, issued by 中国与全球化智库及社科文献出版社 on 9<sup>th</sup> Nov, 2015.

## Chapter 5

Tianjin Guangdong NCC developed in two main stages and in 2012 it reached a milestone. From 2007 to 2012, it focused on inner capacity building. For example, on 16<sup>th</sup> May 2007, even before the official launch of Tianjin Guangdong NCC, the secretariat started the certification-training program of ISO 9000 international quality standard, which indicated the level of their professional service for membership enterprises.<sup>130</sup> Another example was all the staff working in Tianjin Guangdong NCC had to get the training and pass the examination of social worker for civil organizations by 2013. The second stage ran from 2012 until present, when Guangdong NCC tried to develop its outreach activities and expand its influence to a wider range, though its efforts were hampered by reality. Guangdong NCC's influence kept decreasing with less and less public engagement. Since my fieldwork was completed in 2012, I did not collect information about Guangdong NCC after 2012. However, through secondary material and information online, it is evident that Guangdong NCC's development was far from satisfactory. One of the reasons may be that along with the increase of individual enterprises' lobbying capacity, they did not need Tianjin Guangdong NCC as the platform anymore. At the same time, due to Guangdong NCC's profit driven activity, its reputation was greatly affected. It seemed impossible for Guangdong NCC to maintain its independent status in the interaction with local state and business society.

In the summer of 2012, I spent two weeks in Tianjin Guangdong NCC to conduct participant observation. Therefore, I reviewed the process of Tianjin Guangdong NCC's operation and its interaction with local state and membership enterprises. Guangdong NCC's business orientation was very obvious, which was not just reflected on its business network building with membership enterprises and Guangdong private enterprises, but also reflected on its position in state-business relations. As the Secretary-general WJS said, the NCC would like to achieve the targets of "managing government" and "managing enterprises". This could be interpreted as follows - when cooperating with local states, it would help the state to attract more investments, and tackle the administration problems of local business; but when cooperating with enterprises, it would help the business to negotiate with local states for preferential policy or policy exception. Whatever position it was in, it sought to maintain the independence and liberty to prioritize its own interests. Unlike other NCCs, it took local governments as its clients rather than patrons, which to

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<sup>130</sup> Interview with HK, 14<sup>th</sup> May, 2012.

## Chapter 5

some degree broke the traditional relationship between grass-root NGOs and local state, and also explained the decline of Tianjin Guangdong NCC after 2012.

Tianjin Guangdong NCCs' organizational structure was simple but functional, as shown in Figure 5.1. The president (part-time) was the Chairman of the board of a famous private real estate company in 2012. Due to the limited number of full-time working staff, Guangdong NCC just kept the essential departments, like Department of Administration, Department of Service and Rights Protection, Department of Cooperation and Communication, which were all accounting to the Secretariat. Guangdong NCC's membership size and industry coverage were relatively small scale, but it was starting to attract more big enterprises with strong economic strength to join it. For example, in 2010, it had successfully preached China Guangfa Bank, China Minsheng Bank, and Shenzhen Development Bank as its vice-presidential membership unit, which were all state-owned or state holding companies, different from Guangdong NCC's other member enterprises. In addition, it had opened the membership qualification to Tianjin local small and medium enterprises (SME) in order to promote more business cooperation within membership enterprises and boost its influence in business service, like providing platform for business information, introducing local governments' preferential policy on investment, etc.



Figure 5.1 The Organizational Structure of Tianjin Guangdong NCC

To sum up, Tianjin Guangdong NCC is a very young NCC in Tianjin, but has achieved substantial influence, especially in attracting investment and bridging the economic communication between Tianjin and Guangdong. This will be illustrated in the following case analysis. Among all the activities Guangdong NCC has engaged in and promoted, coordinating the relations between local government departments and entrepreneurs has been always their focus, but have never endeavored to engage into the wide local policy process.<sup>131</sup>

## 5.2 The historical and cultural background

Guangdong merchants have been nourished and very much influenced by Guangdong business culture. As the pioneer for foreign trade and reform and opening up policy, Guangdong has created an unparalleled private sector in China, and Guangdong private entrepreneurs have been doing business throughout the world.

For centuries, Guangdong has been the frontier of Chinese foreign trade. Its trade history started during Tang dynasty, or even earlier.<sup>132</sup> In mid-Tang Dynasty, since the Silk Roads

<sup>131</sup> Refer to the conversation with WJS, the Secretary-general of Tianjin Guangdong NCC on the way to Changchun for Jilin Guangdong NCC's fifth anniversary.

<sup>132</sup> Some historians argued that Guangzhou's trade with foreign countries started in the 3<sup>rd</sup> century in Jin Dynasty when the Han people migrated to Guangdong area and promoted the trade between inland China and foreign countries. This had made Guangzhou become the most important harbor for maritime trade since then in the Chinese history. Source from 黄秋菊, "六朝时期广州对外贸易的发展", 中国评论学术出版社.

## Chapter 5

had been blocked inland, the Maritime Silk Road started to develop. As one of the most important starting points of Maritime Silk Road, Guangzhou had gradually become the center for foreign trade and business. In 1684, the Emperor Kangxi gave four harbors the permission to allow foreign businessmen to do business within their jurisdiction, which were Guangzhou in Guangdong province, Fuzhou in Fujian province, Ningbo in Zhejiang Province, Songjiang in Shanghai. This policy catalyzed the business culture in east and south coastal area of China. However, this policy did not last long. Later in 1757, in the mid-Qing period, the Emperor Qianlong abolished the four harbors' trade policy and only reserved Guangzhou as the only one harbor for foreign trade, which was historically called "One Port for Trade" (*yikou tongshang*).<sup>133</sup> At that time, all the foreign firms from European and American countries were located in the Thirteen Firm Street that was 300 yards from the Pearl River, and the Qing government had designated "Guangzhou Shisan Hang" as the only institution to be in charge of the whole country's foreign trade affairs. The "One Port for Trade" policy then made Guangzhou the only city to monopolize China's foreign trade, and rapidly gain international reputation. Guangzhou became the third biggest city in the world, just below Beijing and London.<sup>134</sup> Though the Opium War had shaken Guangzhou's monopoly status in foreign trade in mid-nineteen century, Guangdong's business culture continues to date.

Reviewing the history of Guangdong merchants, this group of people has played a significant role in the political arena, especially in the Republican era. Since Guangdong had accumulated the majority of the country's private capital, and had the biggest number of private entrepreneurs, it enjoyed the relative freedom of thought, compared to the inland, which made it become the birthplace of the revolutionary ideas in late nineteenth and early twentieth century. Great thinkers and political philosophers like Kang Youwei, Liang Qichao, Sun Yat-sen all came from the Guangdong province and then spread their ideas around the whole country. On the other hand, Guangdong merchants sponsored a large number of revolutionary activities in modern China, and had been very active in engaging with Chinese politics. However, no matter the level of cooperation they developed with states, they always endeavored to sustain their own independence and set their business as the priority in the era of great change.

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<sup>133</sup> Source from Guangdong Museum website: "十三行"-广东海外贸易, [http://www.gdmuseum.com/edu\\_text.php?blogid=1565&title=广东历史&classid=73](http://www.gdmuseum.com/edu_text.php?blogid=1565&title=广东历史&classid=73)

<sup>134</sup> Source from "Top 10 Cities of the Year 1800" on the website of [www.about.com](http://www.about.com).

## Chapter 5

Guangdong merchants have a long history of doing business home and abroad. The most famous period is Hong merchant from mid-Qing Dynasty. During the period known as the Canton trade system (1757–1842), Hong merchants acted as exclusive liaisons between foreign traders and the Chinese. Holding the license to trade issued by the Chinese government, the Hong merchants enjoyed considerable power. All foreign trade was required to be channeled through them. They purchased most of the imports, arranged exports to foreign countries, and made sure Westerners followed customs and duty regulations. The Hong merchants cultivated close relationships with Western traders and provided them with valuable guidance. The system devised by the Chinese for carrying on the foreign trade was a masterpiece of wisdom. In no part of the world could operations of such magnitude be carried out with so much ease. The only merchants allowed to do business with foreigners were the Hong merchants.<sup>135</sup>

Apart from doing business with foreign traders, Guangdong merchants also started the trade with inland provinces from early on. The history of Guangdong merchants in Tianjin dates to 300 years ago, when the great canal connected the south-north trade, and most of the riverboats parked in Tianjin port came from Guangdong, Chaozhou and Fujian area. The trade was very popular with Guangdong Merchants everywhere around Tianjin port. In order to facilitate the business and convene more Guangdong merchants, they raise the funds to build up the “Fujian and Canton Guild Hall” in Tianjin<sup>136</sup>, which became one of the earliest Guild Halls in China. With the increasing number of Guangdong merchants in Tianjin, Tang Shaoyi, who came from Guangdong and worked at the Tianjin Custom at the time, proposed to raise funds in order to establish the Tianjin Guangdong Guild Hall in the downtown of Tianjin in 1903. Relying on the contributions of Guangdong merchants, the Guangdong Guild Hall was build up in 1907, and its main function was to provide accommodation and other relevant services when Guangdong merchants firstly arrived at Tianjin. They then helped them to seek business opportunities using the guild hall as a platform. In those times, the guild hall was not only the place for residence, but also an important venue for business cooperation, fellow party and holiday entertainments. Along with the establishment and development of Tianjin Guangdong Guild Hall, Guangdong merchants together with their business associations, like various merchant groups, and chambers of commerce, became the very important part of Tianjin’s water transport culture and business culture.

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<sup>135</sup> Refer to Haward Business School website, <http://www.library.hbs.edu/hc/heard/canton-trade.html>.

<sup>136</sup> Tianjin Guangdong Guild Hall: <http://baike.baidu.com/view/67597.htm>.

### 5.3 The institutional context of Tianjin Guangdong NCC

Guangdong provincial government has been doing well in social reform and policy innovation, with a clear aim to become a responsive government. Besides complying with the central governments' policy on social innovation, they would always try to tailor the inner-provincial policy in accordance with their discretionary power (Interview with GYK, Guangdong ICF). With reference to social organizations' administration, Guangdong government initiated the cancellation of supervision units for social organizations, and designated the civil affairs departments to unify the process of registration and administration of social organizations in 2006.<sup>137</sup> This made Guangdong the first province to comprehensively break the shackles of "Dual Management System" in China. This policy move reflected that Guangdong government was a pioneer in social organization's administration reform and explained why it kept an open attitude towards Guangdong NCCs' development nation-wide.

Guangdong government supported the Guangdong NCCs' development in an unprecedented way. First, it delegated Guangdong Liaison Offices in different regions to help Guangdong merchants build up their own organization, comply with different situation in various localities and make full use of the Canton cultural heritage. For example, Tianjin Canton Guild Hall was built more than 100 years ago and has become the national cultural relic protection unit and historical tourism spot. Sun Yat-sen visited Tianjin Guangdong Guild Hall on 24<sup>th</sup> August 1912 and made a famous speech after he was elected president of the Republic of China. When Tianjin Guangdong NCC prepared to be established, it connected this heritage with Guangdong merchants' current development in Tianjin, which enhanced the sense of identity of Guangdong NCC members in Tianjin (Interview with WTH, the vice-president of Tianjin Guangdong NCC). Second, all the Guangdong NCCs nation-wide had the same supervisory unit in the government of origin - Guangdong Economic Informatization Committee (EIC hereafter). Unlike in other provinces, EIC was an information coordination department that was good at integrating economic information from all over the country and become an essential information platform for Guangdong NCCs. This mechanism could profoundly limit the vicious horizontal competition of same level bureaucratic organizations and improve

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<sup>137</sup> Source from the "Blue Book of Civil Organizations (2011-2012)", *民间组织蓝皮书: 广东率先全面突破双重管理制度束缚*, [http://www.ssap.com.cn/web/c\\_0000000100120002/d\\_28837.htm](http://www.ssap.com.cn/web/c_0000000100120002/d_28837.htm), last entry on 16<sup>th</sup> May, 2016.

## Chapter 5

Guangdong Government's efficiency to deal with different Guangdong NCCs' requests. Thirdly, Guangdong government even gave financial support to Guangdong NCCs, which was quite unusual among all the bottom-up NCCs. Especially in the establishment period, Guangdong government had budget to support Guangdong NCCs in different host places to run their activities without prohibiting/interfering with their freedom and independence in operation.

Generally speaking, the Tianjin government did not have any special policies towards the Guangdong NCC's development, and Guangdong NCC kept a relatively low profile in government initiatives but maintained a prominent business network within their membership enterprises. Rather than building links with the Tianjin municipal government, Guangdong NCC preferred to interact more with district level governments, so as to access the updated economic information and preferential policies. From this point of view, Guangdong NCC was "practical and flexible"<sup>138</sup> in building up its official networks; "Keeping distance with politics but getting close to government"<sup>139</sup> became Guangdong NCC's motto in Tianjin. Guangdong NCC achieved satisfactory result from it. Thanks to the outstanding performance in coordinating Guangdong enterprises' investment in Tianjin<sup>140</sup> and directly helping with Tianjin's investment attraction work, it was awarded as "the Advanced Unit for Two-way Services" (*shuangxiang fuwu xianjin danwei*) in 2008 and 2009<sup>141</sup> respectively, and "The Advanced Unit in Introduction of 500 Competitive Domestic Enterprises" (*yingjin guonei wubaiqiang qiye xianjin danwei*) in 2009 (Official website, Tianjin Guangdong NCC). Among all the NCCs in Tianjin, Guangdong NCC significantly kept its independent status and adopted a different philosophy compared to other NCCs. Yet, it showed a strong capacity in business cooperation and business lobbying in some specific projects.

Because of the interests of Tianjin bureaucrats in attracting investment from Guangdong enterprises, Tianjin Guangdong NCC became the target for Tianjin business departments to cooperate. Moreover, some local bureaucracies could get interest dividends by taking advantage of Guangdong NCCs.<sup>142</sup> In Tianjin, the whole city was composed of 6 districts,

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<sup>138</sup> From the interview with Tianjin Guangdong NCC membership enterprise-legend Culture. 13/06/2012.

<sup>139</sup> Speech from WJS at the Secretary-general seminar in Changchun, Jilin Province. 19/05/2012.

<sup>140</sup> This will be introduced in the first policy case in this chapter.

<sup>141</sup> This award was especially designed for those organizations that contributed greatly in interprovincial communication and regional cooperation in Tianjin.

<sup>142</sup> This "interest dividends" idea was mentioned in the interview with WJS, but he has not come to the details. Explain more.

## Chapter 5

4 suburb districts, and 5 counties, and each district level government was given investment attraction tasks, which directly related to the district leaders' promotion prospects. In this context, the districts were faced with fierce competition when there was a big potential investment project from Guangdong coming to the city. In order to get useful negotiation information, Guangdong NCC usually became the target of different district governments to cooperate. At the same time, Guangdong NCC needed to negotiate with district governments to fight for the best policy for potential investors and best commission rate for themselves. Therefore, Tianjin Guangdong NCC and local bureaucracies' interests coincide in the aspects of investment attraction and business cooperation (Interview with WJS, Tianjin Guangdong NCC).

### **5.4 Tianjin Guangdong NCC's establishment initiatives**

Tianjin Guangdong NCC was absolutely bottom-up initiated, even though Guangdong's liaison office in Beijing did give substantial guidance and assistance during its establishment. It evolved from a pure grass-roots fellowship association (*tongxianghui*) in 2007, and the Secretary-general of Guangdong NCC was the key person in the process of its establishment.

Whether a NCC is bottom-up or top-down initiated is judged by its source of finance. Tianjin Guangdong NCC had three sources of income. First, it had its own income-generating service, such as the ISO 9000 certification project, the social worker for civil organizations training program, etc. Tianjin Guangdong NCC charged service fee by providing these services to its membership enterprises or other social organizations. Besides these, they also charged commission for the services they provided in coordinating business cooperation. Second, the membership fee also contributed to Guangdong NCC's revenue. As most of the membership Guangdong enterprises' economic volume was of considerable scale, their membership fee contribution and other donations would help Guangdong NCC to get through the most difficult establishing period (Interview with HK, Tianjin Guangdong NCC). Third, rewards were received from both host government and home government towards Guangdong NCC's outstanding job in investment attraction. As all the local governments in China had budgets for rewarding organizations that contributed to the local investment attraction work, Guangdong NCC's effort in promoting

business cooperation would pay off in this respect (Participant observation in Tianjin Guangdong NCC, May 2012).

### **5.5 Tianjin Guangdong NCC's network strategy**

NCCs' network strategy indicates what the key networks are for NCCs to build up, and what methods they use to enhance their networks. Network strategy is important for NCCs, as it directly affects how they build up their external networks, and subsequently influences their lobbying behavior. In this thesis, as stated in Chapter 3, network strategy refers to NCCs' orientation in their network building, either local state network oriented, or business network oriented.

Tianjin Guangdong NCC had an obvious business network orientation since its establishment, even though it had tried to build up its state network but failed. Deeply influenced by the Canton business culture, the new Guangdong merchants still held a strong mercantile tradition. They ran their business pragmatically and flexibly, but were not as good at interweaving expansive networks with non-local states. However, the intensity of their business network among Guangdong entrepreneurs was quite strong. According to internal statistics in Tianjin Guangdong NCC, Guangdong NCCs' success rate of business cooperation within membership enterprises was the highest among all the NCCs in China (Interview with WW, 14<sup>th</sup> May 2012).

“We Guangdong entrepreneurs are different from those from Zhejiang and Fujian. Most of them came to Tianjin to make money, while we are different. We came here with money, with investment. That is why they are so keen to know the local official, but we don't have to.”

“Another difference is that they [Zhejiang entrepreneurs and Fujian entrepreneurs]” all compete for the position of president or vice-president of Non-local Chamber of Commerce, while Guangdong entrepreneurs seldom do this way. You could see that, the most powerful Zhejiang entrepreneurs are always the president of Zhejiang NCCs and have a big business and state network, while the most powerful Guangdong entrepreneurs are always mysterious, and you do not know who they are. Zhejiang and Fujian people like business Baotuan (抱团), but we

## Chapter 5

like to work alone or with a few trusted partners” (Interview with a Guangdong Entrepreneur in the five year anniversary ceremony of Jilin Guangdong NCC in Changchun 18<sup>th</sup> May, 2012).

According to the interview above, we can probe the reason of Guangdong NCC’s insistence on business network. Guangdong entrepreneurs have developed their own philosophy in business operation and lobbying. They do not believe that the local states would help them in business expansion, but that would most definitely interfere with their liberty through cooperation. However, their business networks within Guangdong merchants are very strong. The best examples to prove this are the internationally renowned Chaoshan merchants (*chaoshan shangbang*) and Hakka merchants (*kejia shangbang*) originally from Guangdong Province. The intensive Guangdong merchant business network has helped Guangdong entrepreneurs to expand their business kingdom all over the world and to grow into the most influential merchant group in China nowadays (Interview with HXM, the vice-president of Jilin Guangdong NCC on 17<sup>th</sup> May 2012).

To sum up, Tianjin Guangdong NCC’s network strategy was business network oriented with a focus on network intensity rather than network span.

## **5.6 Comparative case analysis: Independent NCCs’ influence in the local policy process**

### **5.6.1 Policy case selection**

Tianjin Guangdong NCC’ bottom-up establishment initiatives and network strategy affect its way of lobbying with local state. Before coming to the case analysis, we should be aware that, unlike the way of lobbying in western democratic countries, lobbying in China is much related to the role of local state and institutional context. At the local level, the local states’ policy towards NCCs’ participation in the local policy process enormously affected their outcome of lobbying. Therefore, in order to control the effects of local states, all the cases that I choose here and in the following chapters are based in Tianjin. This way I can specifically examine how NCCs’ establishment initiatives and network strategy influence their lobbying behavior in the case of controlling the constant variables.

## Chapter 5

I selected two cases regarding Tianjin Guangdong NCCs' interactions with the local state in Tianjin. The first one was the case of Gree Electrics in seeking for land in Tianjin for new plants, where Tianjin Guangdong NCC was the most important broker and factor in the final decision-making stage. It significantly demonstrated Guangdong NCC's lobbying capacity in business negotiation and coordination. In contrast, the second case was the proposal to establish the Circum-Bohai-Sea Social Organizations' Economic Development Research Association in Tianjin, which was a failed case in the local policy process. Tianjin Guangdong NCC did not find the best strategy and tactics to exert influence on local policy makers, or even did not get the right place to submit its proposal. Through the comparison of these two cases, I would expect to get some interesting findings regarding how the establishment initiatives and network strategy affected NCCs' influence on the local policy process.

### **5.6.2 Case1 Tianjin Guangdong NCC's lobbying for Gree Electrics in seeking for land of the new plants in Tianjin**

Guangdong merchants, based in the most advanced private economy in China, have been good at seeking investment opportunities beyond their hometown, like mainland China, Southeast Asia, etc. In the process of these private enterprises negotiating business deal with non-local host government or potential business partners, Guangdong NCCs have been greatly engaged and played an important role in promoting the business cooperation based on their robust business network and negotiating strategy. In the following cases, we could see that the bottom-up establishment initiatives of Guangdong NCCs made it easy to access and accumulate business information from membership enterprises. Further, the business oriented network intensity strategy improved its capacity in lobbying the deal with local states on some specific policies.

Due to the policy advantages of Guangdong since early 1990s, it has produced many enterprises with famous brands. After years of development and business expansion in Mainland China, some large Guangdong enterprises decided to relocate their production headquarters to other locations based on the consideration of reducing the cost and increasing the market. Gree Electric and Openin Kitchen are two examples in this case. Gree Electric Appliances Inc. (*Zhuhai Geli Dianqi Gufen Youxian Gongsi*) is a Chinese major appliance manufacturer headquartered in Zhuhai, Guangdong province. It was the

## Chapter 5

world's largest residential air-conditioner manufacturer in 2009.<sup>143</sup> Gree had been the leading enterprise in the air-conditioning industry. It offered two types of air conditioners: household and commercial air conditioners, and their business income reached 100 billion in 2012.<sup>144</sup> In the process of choosing new plantation locations around China, Gree Electric tried to get the best deal in land usage price and other preferential policy, but they had limited energy and knowledge of negotiation as well as limited contacts with different local governments. In this situation, Guangdong NCCs located in different localities became the priority of their choice to partnership.

Tianjin Guangdong NCC's bottom-up establishment initiatives indicated its strong base within business networks both in Guangdong and Tianjin. As mentioned before, the secretary-general of Tianjin Guangdong NCC - WJS, was born and spent his childhood in Guangdong, but had lived and worked in Tianjin for more than forty years. Due to his past working experience in foreign trade industry, he was very sensitive to local governments' business promotion policy and investment opportunities. Besides, he insisted on going to China Import and Export Fair (Canton Fair) every year, where he got to know investment information from representatives in Gree Electrics in his Guangdong merchants' business network in 2009. After rounds of conversations, in 2010, Guangdong NCC was formally entrusted by Gree Electric to carry out the preliminary investigation and seek locations of new plantation as its production headquarters in North China. Tianjin Guangdong NCC started investigation and negotiation with district governments in Tianjin after they agreed. Their activities could be divided into three stages. First, they carried out the informal meeting with officials in district Commercial Bureau (*Zhaoshang Ju*) and Commerce Committee (*Shangye Weiyuanhui*) respectively, and inquired about the willingness and the best offer they could make. Second, they liaised with the commercial departments in Guangdong Provincial Government or Guangdong government's non-local liaison offices, and explored their support in the aspects of promoting economic cooperation with Tianjin. In this case, Tianjin Guangdong NCC successfully got supportive funding from their home supervision department---Guangdong Economic and Informatization Committee (*Guangdong Jingji yu Xinxihua Weiyuanhui, Guangdong EIC*). Third, after these preliminary investigations, Tianjin Guangdong NCC shortlisted the best two choices for Gree Electrics to do the final decision. They accompanied the decision-makers of Gree Electrics to organize more field investigations and formal meeting with district bureaus. In

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<sup>143</sup> See [www.businessweek.com](http://www.businessweek.com) Guangdong Visions: Forging China's Future. Retrieved on 2009-08-11.

<sup>144</sup> Source from Gree Electric's official website: <http://www.gree.com.cn>.

## Chapter 5

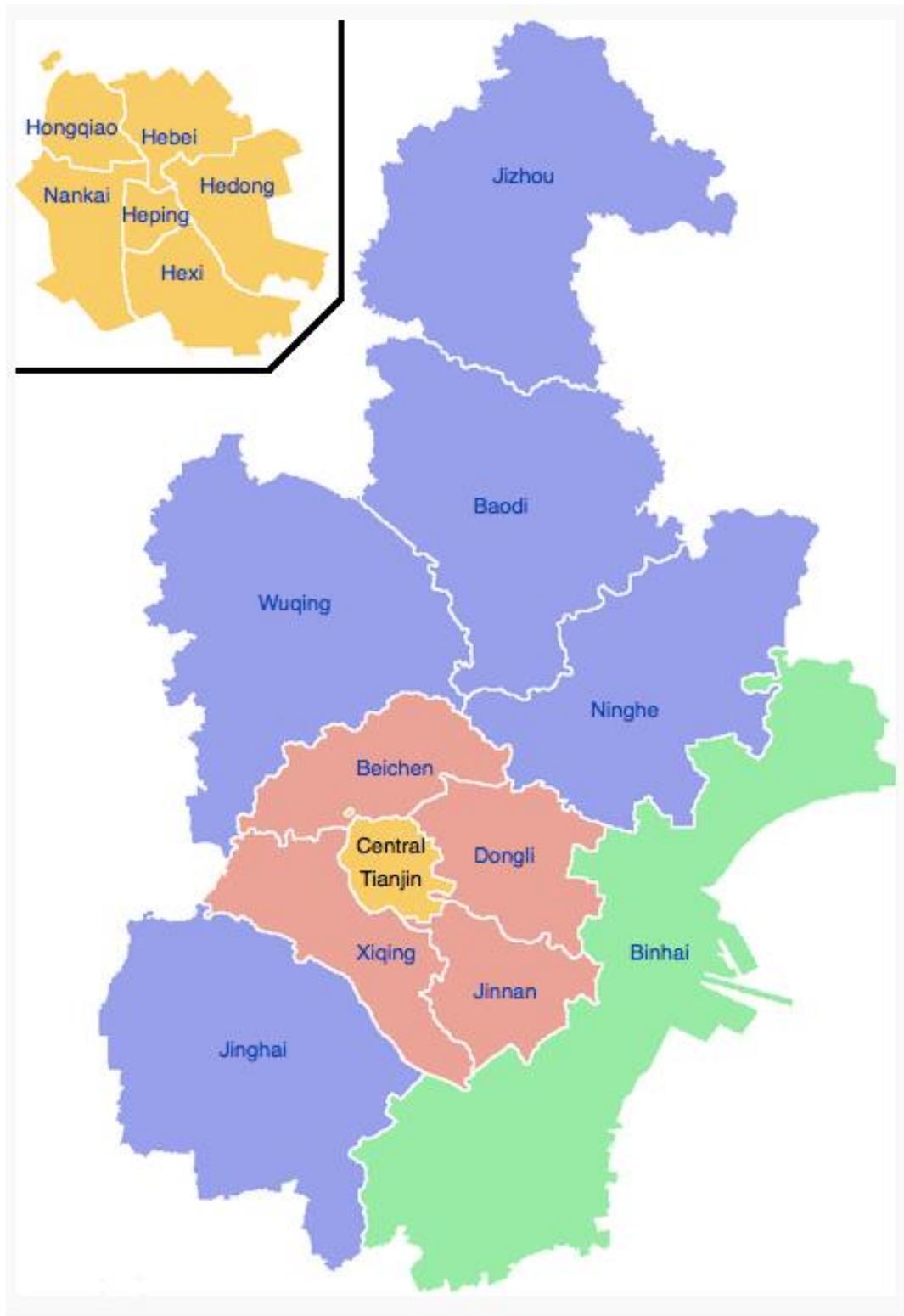
this final decision-making process, Tianjin Guangdong NCC did exert quite substantial influence to the final deal between enterprise and local governments, which was claimed as ‘managing governments’ (*jingying zhengfu*) by them.<sup>145</sup>

Tianjin Guangdong NCC’s strong business network in Tianjin helped it gather all the necessary information for the final negotiation process, while its independent status made it a distant but efficient negotiator in the lobbying process. In the final list that Guangdong NCC submitted to Gree Electrics, the two suggestions for the new plantation location were made namely, Beichen District and Jinghai District, which were two districts within Tianjin jurisdictions. Due to the existence “Promotion Tournament Model”<sup>146</sup> (Zhou, 2004 & 2007) among local officials in China, all the district-level government officials were given investment attraction assignments from municipal government each year, which directly influenced their promotion path. So there appeared vicious competition among different district governments when facing the same investment projects. Tianjin Guangdong NCC absolutely understood this situation and advised Gree Electric to slow down the process of making final decisions and leave time for Tianjin Guangdong NCC to do the final round of negotiations. During this period, Guangdong NCC gathered information from its local business network regarding the preferential policies that other enterprises had been given, and also organized informal meetings with government officials to inquire about the bottom-line offer of each district. At the beginning of the negotiations, both Beichen and Jinghai district governments gave similar quotes for the land and tax rebate policies. Gree Electrics was inclined to choose Beichen district, based on its geographical advantage and preferential policies. However, at the same time, Guangdong NCC was still continuing the informal negotiation with Jinghai District. At the end, Jinghai Government offered zero-price land usage and satisfactory supporting infrastructure surrounded to Gree Electrics, and they also offered the preferential policy in employee’s social welfare rather than just economic preferences, such as building the school and hospitals within development zone, the opening of new bus lines, etc. After considering all the compressive factors, Gree Electrics finally chose Jinghai District as the location for production headquarters just several days before signing the contract with Beichen District.

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<sup>145</sup> Interview with WJS.

<sup>146</sup> This academic concept will be detailed introduced in chapter 6.



**Figure 5.1: The administrative divisions of Tianjin**

Source: "中华人民共和国行政区划沿革 (1949-2006)"(the history of administrative divisions in People's Republic of China). [www.gov.cn](http://www.gov.cn), official website of the Government of the People's Republic of China.

In this case, Tianjin Guangdong NCC demonstrated great potential in business lobbying based on the resources it could mobilize. Tianjin Guangdong NCCs' bottom-up initiatives determined its natural link with enterprises, so they could understand the request from investment companies, and quickly formed a partnership coalition. In this case, when the Secretary-General WJS got to know Gree Electric's investment demands, he immediately provided the useful information and professional service for their needs. Besides, Tianjin Guangdong NCC's independent status and business-oriented network helped it to fully display its lobbying capacity. Guangdong NCC was comparatively independent and kept distance with local states apart from business issues, so they could keep their flexibility and principles without being assimilated when they approached district governments and other government departments. As a result of Tianjin Guangdong NCC's contribution on this project, it was awarded 200,000 RMB from Tianjin municipal government as a prize for attracting investment for Tianjin<sup>147</sup>. Apart from it, they also got the operating funds from Guangdong Government and the high commission fee from Gree Electric.

### 5.6.3 Case analysis

The above case revealed the significant lobbying capacity and great potential of Tianjin Guangdong NCC in promoting business cooperation between non-local enterprises and local governments. When the Secretary-General was describing the process of liaising local governments and enterprises, or host government and home government, he used the term 'Managing Governments'. This term was interpreted by him that, based on the interests of membership enterprises, Tianjin Guangdong NCC used the multi-sourced information and wide-spread network to negotiate with different levels of governments, so as to get the best offer for membership enterprises. Therefore, "Managing Governments" could be summarized as the method of business lobbying of Tianjin Guangdong NCCs.

Tianjin Guangdong NCCs' success in "Managing Governments" in this case was attributed to its "bottom-up" establishment initiatives and business-oriented network strategy. As outlined in the above case, "bottom-up" establishment initiatives demonstrated its strong base within business networks both in Guangdong and Tianjin, which helped Tianjin

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<sup>147</sup> Source from Tianjin Guangdong NCCs' official website in 15 June, 2010.

## Chapter 5

Guangdong NCC to perceive and acquire first-hand investment demands from membership or non-membership enterprises. Its in-depth understanding of business logic enabled it to flawlessly make decisions and take action to the next step, which reflected its professionalization in brokering business cooperation. Moreover, its business-oriented network contributed to its lobbying success by gathering all the essential information in the final negotiation process, while making independent but efficient negotiation with local state departments. In the whole process, it was noteworthy that the Network Intensity strategy, which Tianjin Guangdong NCC adopted, was proven significantly useful in brokering and promoting business cooperation.

### **5.6.4 Case 2 Tianjin Guangdong NCC proposing to establish the Circum-Bohai-Sea Social Organizations' Economic Development Research Association**

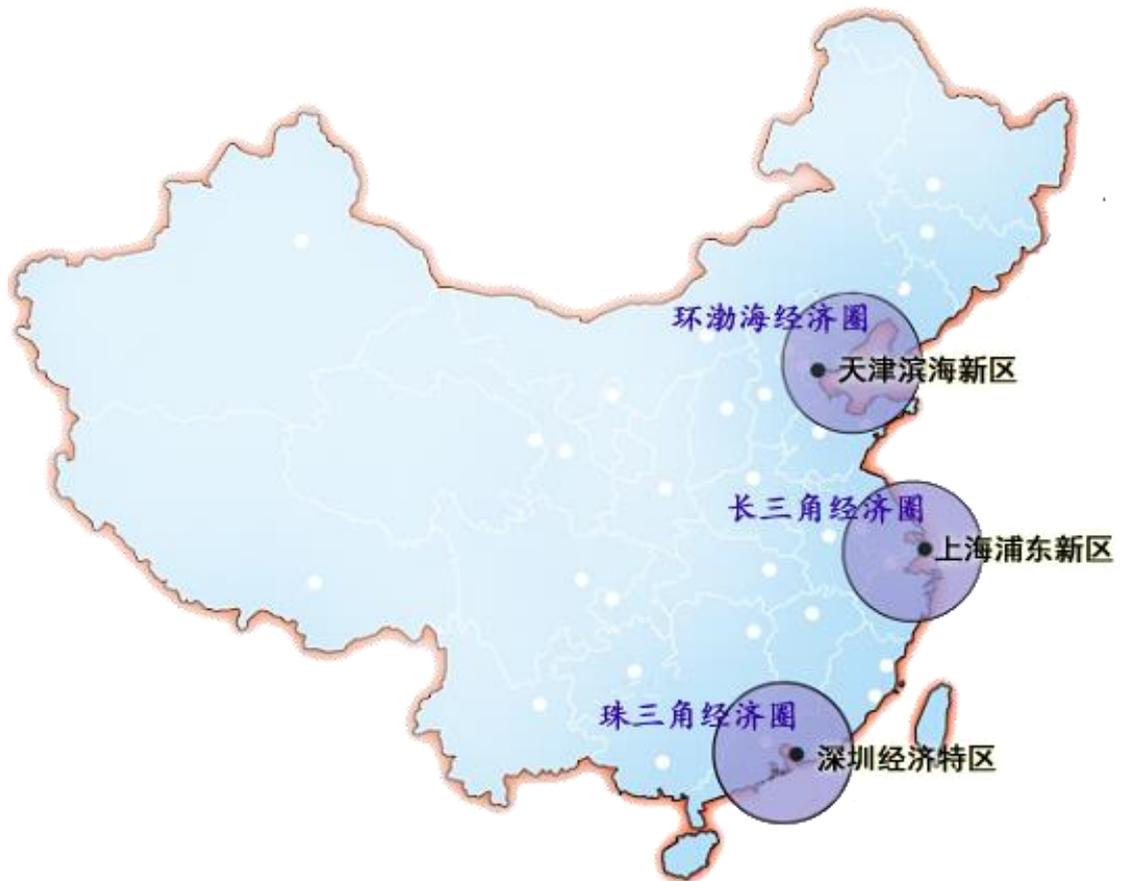
Based on the various successful experiences of coordinating business cooperation between enterprises and local states, Tianjin Guangdong NCC developed an idea on how to establish a research association based on the existing formal mechanism Circum-Bohai-Sea Regional Cooperation Mayors' Joint Committee (*Huanbohai Shizhang Lianxihui*). However, due to Guangdong NCC's limited connections with officialdom and limited resources to mobilize within its network, this proposal was suspended at the drafting stage.

The Bohai Economic Rim (BER) is the economic region surrounding Beijing and Tianjin. It also includes areas in Hebei, Liaoning and Shandong that surrounds the Bohai Sea. This region has gone through major economic changes and changes in infrastructure. This emerging region is rising as a northern economic powerhouse and rivals the Pearl River Delta in the south and the Yangtze River Delta in the East.<sup>148</sup> Since 2005, the central government has made it a priority to integrate all the cities in the Bohai Bay rim and foster economic development. This includes building an advanced communications network; better highways, offer increased education opportunities and scientific resources as well as tapping natural resources off the Bohai rim<sup>149</sup>. The Bohai Economic Rim as an economic region has been supported by many administrative cooperation mechanisms.

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<sup>148</sup> "Foreign investment shows trend of "moving northward"". china-embassy.org. 2004-05-14. Retrieved 2015-01-09.

<sup>149</sup> Gain a strategic advantage in the Bohai Bay region sdic.com.cn 2007-06-11, last entry 2015-01-16



**Figure 5.1: The location of Bohai Economic Rim**

In the Bohai Economic Rim, there has been an effective regional cooperation mechanism: Circum-Bohai-Sea Regional Cooperation Mayors' Joint Committee (the Mayors' Joint Committee hereafter), which was the first regional cooperation organization among local governments in domestic China and initiated by Li Ruihuan<sup>150</sup> in 1986. In the initial stage, it included 14 member cities that are mainly the cities in the coastal area. During the past thirty years, the Mayors' Joint Committee was devoted to eliminating administrative barriers and reducing the impact of local protectionism, and the number of its membership cities increased to 45 in 2013.<sup>151</sup> Due to the work of the Mayor's Joint Committee in promoting and facilitating cooperation among members of the Cities, until 2011 it had cumulatively facilitated more than 12,000 cooperation projects among member cities, and amounted to more than 410 billion Yuan.<sup>152</sup> With the active participation of the membership city governments in the Bohai Sea region, this regional cooperation

<sup>150</sup> Li Ruihuan was the Mayor of Tianjin then in 1986.

<sup>151</sup> 衡水等四城市申请加入环渤海区域合作市长联席会, 中国经济新闻网 2013-07-08.

<sup>152</sup> 冯娟. 环渤海区域合作成果. 新华网. 2011-5-23, June 1, 2011.

## Chapter 5

mechanism was aimed at constructing a diversified, multi-level, and multi-field regional cooperation mechanism with increasing cohesion and growing influence. It has become one of the most influential regional cooperation organizations with the largest membership size and most extensive coverage.<sup>153</sup> By 2013, the member cities of the Mayors' Joint Committee included Tianjin, Shenyang, Dalian, Yingkou, Jinzhou, Panjin, Huludao, Fuxin, Chaoyang, Dandong in Liaoning province, Shijiazhuang, Qinhuangdao, Tangshan, Cangzhou, Chende, Xingtai, Langfang, Baoding, Handan, Hengshui in Hebei province, Jinan, Binzhou, Dezhou, Dongying, Yantai, Weihai, Qingdao, Zibo, Weifang, Liaocheng, Rizhao, Zaozhuang in Shandong Province, Taiyuan, Changzhi in Shanxi Province, Huhehaote, Tongliao, Hulunbeier, Manzhouli, Erduosi, Baotou, Chifeng, Wulancha, Xilinguole from Inner Mongolia, and Anyang, Puyang from Henan Province.

In the context of regional cooperation in Bohai Sea area since the early 2000s, Tianjin as the central city in this area was under the spotlight and showed great potential in leading regional cooperation. In 2005, the Bohai Sea coastal part of Tianjin – Binhai New Area was included into the eleventh “Five Year Plan” (*shiyiwu guihua*), and the national development strategy. Since then, this central part of Bohai Sea area has become the national level new area with the great support from the State Council. Under this background, quite a few of social organizations came up with new initiatives to raise their profile in the regional cooperation process of Bohai Sea area. Tianjin Guangdong NCC was one of them. In early 2012, Tianjin Guangdong NCC came up with the idea of establishing the Circum-Bohai-Sea Social Organizations' Economic Development Research Association (*Huanbohai shehui zuzhi jingji fazhan yanjiuhui*<sup>154</sup>), aiming to be the first initiator to promote the social organizations' regional integration in this area. According to the explanation of General-secretary of Tianjin Guangdong NCC, this new proposed association aimed at promoting regional cooperation among social organizations in the Bohai Sea area, by way of providing consultancy to membership city governments on how to respond to social requests from society, deal with social crisis, and integrate social organizations into local governance. Besides, they also proposed to establish a training center for staff working in social organizations in Tianjin, in order to improve the professional level of the service they provided. They also introduced a research team to

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<sup>153</sup>See 衡水等四城市申请加入环渤海区域合作市长联席会, 中国经济新闻网, 2013-07-08.

<sup>154</sup> 环渤海社会组织经济发展研究会.

## Chapter 5

study the problems in NCCs' development and explore more ways to pursue profits (Interview with WJS, Tianjin Guangdong NCC).

What Tianjin Guangdong NCC proposed was to establish a new social organization with a main focus on doing research and consultancy. The reasons why I selected it as a policy case to illustrate Tianjin Guangdong NCC's engagement in the local policy process will be presented here. There were two reasons for my selection. First, it was noteworthy that the focus of Tianjin Guangdong NCC's initiative was to attach this new proposed association to the existing high-level mechanism of the Mayors' Joint Committee, and make it a subordination or extension of this long existing successful regional cooperation mechanism. (Ibid.) To achieve this goal, it was essential to get the top leaders' approval in Tianjin and possibly include some other membership cities in the Mayors' Joint Committee. Second, this proposed association related to the regional cooperation of social organizations in the Bohai Sea area, so it needed the cooperation of various parties in Tianjin and beyond. This new proposed organization would target social policy' making and implementation in this region. Therefore, this proposal was leaning more towards a local policy initiative rather than being a normal administrative issue.

The reasons why Tianjin Guangdong NCC came up with this proposal were more than it publicly stated. First, as an independent NCC, Tianjin Guangdong NCC did not have strong links with local states, which made its influence more and more marginalized beyond the field of business cooperation. In order to maintain its strength and expand the range of influence, they set up a goal to become the pioneer in social organizations' professionalization building in Tianjin. Similar to what they did to acquire the ISO9001 Great Wall quality management system certification, they would like to explore more professional functions suitable for NCCs' long-term development. In the interviews, staff working in Tianjin Guangdong NCC also mentioned that their plan was to become the training base for all the social organization workers in Tianjin, and even the Bohai area.<sup>155</sup> Second, Tianjin Guangdong NCC had been successful in promoting intergovernmental and regional business cooperation, but its influence was confined within this special area and hard to maintain. When the local officials were replaced or policy context towards social organizations changed, Guangdong NCC had to adjust its way of behaving and strategies.

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<sup>155</sup> Staff mentioned that employees working in the social organization needed to be professionally trained before work, as specialized skills and strategy were essential for this coordinating job especially in NCCs. The current situation of employees in Tianjin social organizations was far behind satisfactory.

## Chapter 5

To bid farewell to this unstable environment and passive way of working, it had to explore new independent activities to guarantee its revenue for daily operation. Third, though NCCs existed in China for many years, its role had not yet been recognized by the public. Tianjin Guangdong NCC drafted the proposal to establish this research association about social organizations, aiming to improve public awareness, and at the same time to raise its own profile and acquire the attention from top leaders in Tianjin (Interview with HK, Tianjin Guangdong NCC).

In order to get this proposal onto the local policy agenda, Tianjin Guangdong NCC carried out the following activities. First, it invited scholars from universities and research institutes to give feedback. According to my participant observation in the fieldwork, they inquired with scholars from Nankai University, Tianjin University of Finance and Economics, Tianjin Academy of Social Sciences to comment on the proposal. Because the proposal was brief and did not make clear the specific mechanism and key missions of this research association, feedback from scholars varied and they could not reach an agreement. However, this did not affect Guangdong NCC's moving to the next stage. According to the Secretary-general, they did not have enough time to re-consider each suggestion and advice from different scholars, as they were aiming to meet the deadline in submitting their proposal, which was just after the new top leader's arrival in Tianjin in November 2012 (Interview with WJS, Tianjin Guangdong NCC). Second, Tianjin Guangdong NCC kept informal communication with its "supervision unit" Tianjin ECO and other NCCs in Tianjin in order to gain extensive support from them. Officials in Tianjin ECO showed interest in this initiative in the beginning, but suggested that this association being proposed would be a social organization with a nature of research and consultancy, which was beyond their official functions. So they suggested Tianjin Guangdong NCC to discuss this idea with Tianjin CAB for more advice (Interview with LX, officials in Tianjin ECO). Regarding the communication with other NCCs in Tianjin, Tianjin Shanghai NCC, Tianjin Sha'anxi NCC, and Tianjin Inner-Mongolia NCC showed oral support to Tianjin Guangdong NCC, but without signing their names in the policy proposal being submitted (Interview with HK, Tianjin Guangdong NCC).

Finally, after rounds of efforts in amending the proposals according to scholarly suggestions and coordinating various parties, in January 2013, Tianjin Guangdong NCC submitted this policy proposal to Tianjin Municipal Government Office, which was the

## Chapter 5

main department to directly in contact with top leaders in Tianjin Municipal Government<sup>156</sup>. Tianjin Guangdong NCC, then considered to have finished the procedural work, and had to wait for the response from Tianjin Municipal Government Office. However, from the perspective of Government Office, due to the busy administrative business in daily operation, they could not spare time to interpret each policy proposal to top officials, since it was not an emergency issue (Interview with GDJ, scholar in Nankai University). Therefore, the proposal was delayed in the Municipal Government Office for a few months. During this period, Tianjin Guangdong NCC did not exert any more efforts and missed the most important timing to push forward the process of getting this proposal on the local policy agenda. Along with the new leader who was also engaged in increasingly busy work schedule and policy-making, the chance to put this policy proposal of establishing the mechanism to promote social organizations' cooperation and research into local policy agenda was missed. Therefore, Tianjin Guangdong NCC's attempt to influence this local policy decision failed.

### 5.6.5 Case analysis

In the case above, Tianjin Guangdong NCCs did not successfully deliver their policy idea to the policy makers in Tianjin, and put it on the policy agenda. According to the empirical evidence in the case, I will try to probe and analyze the causes for their failure in lobbying.

First, Tianjin Guangdong NCC did not engage in this kind of policy issue before, and had neither experience about the efficient way of how to put their policy ideas onto the policy makers' agenda, nor the strategy of mobilizing within NCCs in Tianjin and manufacturing the network effect. As outlined in the first case of this chapter, Tianjin Guangdong NCC was very skilled and experienced in lobbying local officials regarding business cooperation and investment attraction. However, its negotiating skills were not transferred to the case of regional political or administrative cooperation. For example, when delivering its policy proposals, it selected the Tianjin Municipal Government Office, which was not the best choice. As Government Office was the main government department to assist the top leaders in Tianjin to deal with the more important administrative issues, they did not spare time and energy to push forward this policy proposal without enough incentives. Besides,

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<sup>156</sup> The main function of Tianjin Municipal Government Office is to assist government leaders to deal with the requests, decisions and policies from central government, and inquiries regarding policy implementation from lower level district government. At the same time, it also deals with the intergovernmental visits of other provincial level officials in other regions.

## Chapter 5

Tianjin Guangdong NCC did not exert more effort to push this proposal onto policy agenda after they submitted it to the Government Office. In practice, the period of time after publicly putting forward a policy idea is a very important time to do mobilization through media, public and social networks (Zhu, 2008; Chen, Zhao & Xue, 2010).

Second, the mechanism of social organizations' cooperation in the Bohai Sea area was a big systematic project and needed efforts from various government departments within different provinces, as well as support from social organizations in this area. It is essential to undertake years of preparatory work, negotiation and coordination in advance. In this case, it was too rushed to prepare and submit the proposal in such a short time. Moreover, Tianjin Guangdong NCC put up with this policy idea by itself without acquiring enough endorsements from other NCCs, social organizations and local government departments. The extent to attract attention from local decision makers was too limited, and local top leaders did not pay attention to the proposal.

Third, the proposal itself had several prominent problems and the key concepts were not well elaborated. First of all, the name for the proposed association - the Circum-Bohai-Sea Social Organizations' Economic Development Research Association was hard to understand. It could be interpreted as an association focusing on social organizations or regional economic development. In the consulting stage, scholars had significantly pointed out this problem, but did not catch the attention of Tianjin Guangdong NCC (Interview with LMY, scholar in Tianjin University). Moreover, how this proposed association would be organized, what were the key missions for this new association, and would its service area cover Tianjin or the whole Bohai area, were all questions that remained unanswered by Tianjin Guangdong NCC. Further, they appeared unable to make them clear in the proposal.

Finally, what is most important, the bottom-up establishment initiative and business-oriented network of Tianjin Guangdong NCC were not fully utilized in this case. It was doubtless that the biggest strength of Tianjin Guangdong NCC was its connection with business circle since establishment and its strong business network. However, in this case, their business network was not fully utilized to produce the mass effect. According to Kingdon's Multiple Streams Framework, when the problem stream, the political stream, and the policy stream converge, new public policy can emerge and policy change can occur (Kingdon, 1995 & 2003). The problem stream recognizes the problems and their

## Chapter 5

nature. The policy stream generates solutions to the problems. The political stream refers to people engaging in political activities, which generate the 'national mood' (Lv, 2015). Analyzing this case, the problem stream and policy stream existed, since there were lots of social issues entangled the future of Bohai Sea area's regional cooperation, and the proposal raised by Tianjin Guangdong NCC was a kind of solution aiming at addressing these problems by doing some research. However, the political stream was absent in this case, as Tianjin Guangdong NCC did not have a strong state network to help with the promotion of this policy idea, and its business network did not have sufficient channels to influence in this policy sphere regarding regional administrative cooperation. Further, Network intensity strategy did not help in this case.





Figure 5.3: The provinces of Bohai Sea area

## 5.7 Comparison and analysis

Comparing these two cases, we can find that in different policy area and different stage of policy process, Tianjin Guangdong NCC behaved dramatically different.

Tianjin Guangdong NCC's engagement in the local policy process is centered on the business cooperation policy area. By providing professional coordinating services, Tianjin Guangdong NCC successfully promotes the business cooperation between different regions and between foreign enterprises and local governments. It has demonstrated great

## Chapter 5

potential in business cooperation and negotiation. However, when it comes to the regional administrative cooperation, like the administrative cooperation in the Bohai Sea area, as showed in case 2, it cannot exert the same influence as in the business cooperation sphere. It is noteworthy that Tianjin NCC keeps distance from the local states in order to maintain its independence and efficiency in serving their membership enterprises and protecting their own profit. “Managing governments”<sup>157</sup> has indicated what the main features of its lobbying approach are in the local policy process.

There are two more features about Tianjin Guangdong NCC’s lobbying need to be pointed out through the comparison of two cases. First, Tianjin Guangdong NCC is not interested in exerting influence on the local policymaking and promoting policy change. They would rather concentrate on their efforts in achieving preferential policies for membership enterprises or promoting the regional business cooperation, so as to improve their capacity in professional service. Second, Tianjin Guangdong NCC’s influence in the local policy process mainly focus on the local policy implementation especially in the business policy sphere. As outlined, in the case of Gree Electrics when looking for a site for new plantation in Tianjin it became an increasingly important broker in regional business cooperation, but its lobbying strategy and capacity did not work in other policy areas, such as the regional administrative cooperation.

### 5.8 Conclusion

Comparing and analyzing Independent NCCs dramatically different performance in different policy areas and different stages of policy process, I can see that Independent NCC’s business-oriented network secures its resources for lobbying, but its distance from local states does not help to build up channels for its lobbying in the local policy process. However, local business cooperation policy is an exception. That is because, in business policy area, Independent NCCs meet the demands of local officials’ performance in growing local GDP. Due to that, Independent NCC’s interests coincide with the interests of local governments. They always become the target of cooperation for local governments rather than the other way around. Therefore, Independent NCC’s limited state links but powerful business networks make it exert some but restricted influence on the local policy process.

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<sup>157</sup> This term was mentioned in the interview with WJS, the secretary-general of Tianjin Guangdong NCC.

## **Chapter 6 Decoupling NCCs' lobbying in the local policy process – the case of Tianjin Zhejiang NCC**

Decoupling NCCs, unlike Coupling NCCs introduced in Chapter 4, are NCCs with an intrinsic state linkage and a strong business network relying on both their political and economic resources to engage in local governance and the local policy process. Decoupling NCCs' state linkage is intrinsic, because they are mostly top-down initiated with support from their governments of origin or host government. They try, however, to separate from their official status and build up strong business networks in their later development. Because of their strong initial state connections and acquired network building strategy, Decoupling NCCs have become one of the most influential types of business associations in China.<sup>158</sup>

Decoupling NCCs are the most influential NCCs among all the four types, and their influence was reflected on the following aspects: First, Decoupling NCCs kept close connections with both home governments and host governments, through numerous membership entrepreneurs serving in the local NPC (National People's Congress) and local CPPCC (Chinese People's Political Consultative Conference). This enabled Decoupling NCCs to have more chances and channels to engage in local policy process. Second, Decoupling NCCs were founded on a strong business network, embracing the enterprises with strong economic strength, which indicated that Decoupling NCCs could mobilize a large amount of economic resources and demonstrate the collective economic advantages in the state-business cooperation and negotiation; third, besides their engagement in local politics and business, Decoupling NCCs were also active in trying to improve their influence in the local social policy process, with focus on public media, philanthropy and social advocacy. In this sense, Decoupling NCCs could influence broader policy agenda than other types of NCCs. All these features made Decoupling NCCs a promising external actor to the local policy process. However, there were still constraints on their independence and limits of their participation in certain policy stages. This chapter focuses on Tianjin Zhejiang NCC to exemplify the Decoupling NCC type and illustrate its interaction with local state.

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<sup>158</sup> Interview with WW, YW, in Zheshang Annual conference in Hangzhou, June 2012.

## Chapter 6

Tianjin Zhejiang NCC was a classic Decoupling NCC with interweaving political and business network both in Tianjin and Zhejiang, and engaged actively in Tianjin local governance and policy process. Tianjin Zhejiang NC was initiated and established by Zhejiang's Provincial Government's liaison office in Tianjin in 1998, registered in Tianjin Municipal Bureau of Social Organizations, and mainly composed of representatives of Zhejiang entrepreneurs with their business located in Tianjin. It accepted the 'guidance' (*zhidao*) from both Tianjin Economic Cooperation Office and Zhejiang Economic Cooperation Office, which means these two departments supervising Tianjin Zhejiang NCC in business. Tianjin Zhejiang NCC was regarded as the most influential NCC in Tianjin, and its influence was derived from its capacity to mobilize political and economic resources within its established network. Tianjin Zhejiang NCC was chosen as an example of a Decoupling NCC, for the following reasons. First, Tianjin Zhejiang NCC was top-down initiated by the Zhejiang's Tianjin liaison office, which indicated their close relations with both Zhejiang government and Tianjin government, and also guaranteed their access to policy makers. Second, Tianjin Zhejiang NCC decoupled from government agencies in terms of finance, personnel, and administrative hierarchy in 2003, but retained its informal links to officialdom, which enabled it to develop its business network without restriction whilst retaining their political resources at the same time; third, Zhejiang NCC successfully developed its state network and business network, where the state network guaranteed the channel for lobbying and the business network guaranteed the resources for lobbying. This was quite special in NCCs' lobbying, and also the main characteristic of Decoupled NCCs' interaction with local states.

This chapter will outline the current state of Tianjin Zhejiang NCC, with its historical, cultural and institutional context, followed by two dimensions of Zhejiang NCC--- its establishment initiatives and network strategy. Finally, specific comparative cases will be discussed to show how Zhejiang NCC engaged in the local governance and policy process. Through case studies, I argue that Decoupling NCCs' top-down establishment initiatives and network strategy with both local state and business contributed to their success in exerting influence in the local policy process. To be specific, their connections with local states both in origin and network helped to expand the chances and channels of access to policy agenda, while their connections with business actors contributed the largest sources of resources for lobbying.

## 6.1 The current situation of Tianjin Zhejiang NCC

Tianjin Zhejiang NCC started from 1998, and evolved from the “Tianjin Zhejiang Economic Development Association” which was initiated by the Zhejiang Tianjin Liaison Office together with other enterprises and institutions. In 2005, it was officially named “Tianjin Zhejiang Economic Development Association - Tianjin Zhejiang Chamber of Commerce”. Tianjin Zhejiang NCC was registered with Tianjin Administration Bureau of Social Organizations and under the supervision of Tianjin Economic Cooperation Office. By 2016, it had around 3000 registered memberships including 2,500 membership enterprises, and set up branches like the lighting branch, the Yueqing branch and the Taizhou branch,<sup>159</sup> which were industrial and regional branches respectively. Tianjin Zhejiang NCC exerted great influence in coordinating business cooperation between Tianjin and Zhejiang over the past 18 years, and had become the first five-star social organization in Tianjin in 2008.<sup>160</sup> It actively participated in attracting investment, serving members and involving in charitable activities, and other aspects of local governance. Since 2004, it had been designated by Tianjin Government as the representative of business attraction in Tianjin and consecutively won the “Special Award of Business and Investment Attraction in China”, the “Two-way Service Advanced Unit”, the “Advanced Association” and other honorary titles. Besides its engagement in business and politics, Zhejiang NCC also actively engaged in welfare causes and other non-profit activity, for example it created a 10-million RMB Zhejiang Merchant (*Zheshang*) special education fund, and set up golf, painting, calligraphy and photography clubs in order to enrich the leisure life of Zhejiang businesspeople in Tianjin.

Since China’s reform and opening up in late 1970s, Zhejiang businessmen started to come to Tianjin and set up their business. By 2013, there were more than 7,000 enterprises set up by Zhejiang entrepreneurs and over 260,000 Zhejiang businessmen working in Tianjin, which invested accumulatively 400 billion RMB and contributed 12 billion RMB of tax and 700,000 posts for Tianjin.<sup>161</sup> Their businesses ranged from real estate, finance, and light industry to trade and logistics, high-tech and other fields. Some of them are even

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<sup>159</sup> Lighting branch was an industrial branch that focused on lighting industry in Tianjin, while the Yueqing branch and the Taizhou branch were all regional branches, as Yueqing and Taizhou were both names of municipal cities in Zhejiang province.

<sup>160</sup> See more details in 天津浙江商会积极建设新型异地商会, from 中华工商时报 2016-06-02, <http://www.zytzb.gov.cn/tzb2010/S1818/201606/25b7f6858c5946c59a34efc8f79f2179.shtml>, last entry 06/06/2016.

<sup>161</sup> From Tianjin Economic and Cooperation Office’s statistic yearbook, 2014.

## Chapter 6

famous brands and large enterprises nationwide.<sup>162</sup> Among all the migrant business groups in Tianjin, Zhejiang group ranked No.1 both in quantity and size.<sup>163</sup> Tianjin Zhejiang NCC's mission, according to their constitution, was to unite Zhejiang business people in Tianjin, pass on the Zheshang business spirit, deepen Zhejiang business culture and make innovative improvement in servicing membership enterprises and two governments in Tianjin and Zhejiang.<sup>164</sup>

Zhejiang NCC's development could be separated into two stages with the year of 2003 as a milestone. From 1998 to 2003, it had official status and was a de facto GONGO. Since Zhejiang NCC was established by Zhejiang's Tianjin Liaison Office, it not only got political support from the official bodies, but also received financial support from Zhejiang Economic Cooperation Office.<sup>165</sup> During that period, Zhejiang NCC (It was actually called Tianjin Zhejiang Economic Development Association then) was working together with Zhejiang's Tianjin Liaison office, with the mission of promoting economic cooperation between these two places. Tianjin Zhejiang NCC shared the office, personnel and finance with Zhejiang government's Tianjin Liaison Office, placed its president from officialdom. Tianjin Zhejiang NCC and Zhejiang government's Tianjin Liaison Office overlapped in most important practices and operations, such as coordinating the economic cooperation, assisting provincial-level officials' visit, and promoting the investment environments of Tianjin and Guangdong. Thus Tianjin NCC lacked the capacity and the resources to independently initiate activities. Much of their work was focused on arranging the reception of senior leaders' visits from Zhejiang to Tianjin. In 2003, there appeared quite a few voices within academic and official institutions nation-wide to propose the "Decoupling Reform" between government agencies and business associations, including trade associations and local industrial chambers of commerce.<sup>166</sup> In response to this, Zhejiang's Tianjin Liaison Office carried out the "Decoupling Reform" with Zhejiang NCC. Thus Zhejiang NCC got its independence in terms of personnel and finance. Especially it had the first ever election within membership enterprises, and elected its first

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<sup>162</sup> Source from Tianjin Zhejiang NCC's official website, last entry 30/05/2016.

<sup>163</sup> From Tianjin Guangdong NCC Website, last entry 20/05/2015.

<sup>164</sup> Ibid.

<sup>165</sup> Interview with Tianjin Zhejiang NCC SWP 27/06/2012.

<sup>166</sup> This discussion appeared around the country along with the on-going administrative reform in China at that time. During that administrative reform, a lot of local industry bureaus were cancelled, thus the trade or industry associations affiliated to these bureaus had to give up their administrative status and became social organizations. Because there was no official central policy towards this issue, different provincial governments responded to this discussion differently, some governments like Zhejiang government took actions the first time, while other government took a rather late action.

## Chapter 6

entrepreneurial president and vice-presidents. However, most of them had already held the representative position of Tianjin NPC and CPPCC committee, and had close connections with officialdom. Since 2003, Tianjin Zhejiang NCC had entered into a new stage to realize operational independence and improve influence. It initiated a great amount of networking activities to build up the connections with Zhejiang entrepreneurs and promoted investment opportunities to Zhejiang investors and new start-ups. It also developed new services for Zhejiang enterprises and business people, like market research, assistance with the child care of Zhejiang business people, as well as elderly care. By doing this, Zhejiang NCC accumulated great business resources and networks and exerted increasing influence on business cooperation between Tianjin and Zhejiang. However, Zhejiang NCC had remained in close relations with the Zhejiang's Tianjin Liaison Office and even inherited the traditional function of arranging receptions for high-level leaders' visit to Tianjin. In other words, Zhejiang NCC had successfully kept its original state connections in a informal way and greatly expanded its business network within Zhejiang entrepreneurs from 2003 to present.

Tianjin Zhejiang NCC developed its organizational structure following the guidance of 'The Provision about Tianjin Non-local Social Groups' Application for Establishment and Registration' (*yidi zaijin shehui tuanti shenqing choubei chengli dengji shishi banfa*),<sup>167</sup> which were composed of the general assembly, the president, the board of directors, the standing boarder of directors, and the secretariat. Under the secretariat, there were five departments in charge of all the routine work, which covered investment, legal rights, memberships, promotion and advertisement, and members training. Among all the components of Zhejiang NCC, only the secretariat had full-time staff, which made it the key department to liaise with all other parts of the NCC. The secretariat was in charge of membership management, legal services, public relations, coordinating business cooperation, receiving visitors, and organizing meetings and conferences for the Zhejiang NCC and other ones designated by Tianjin or Zhejiang governments. In addition, the secretariat made great efforts to engage in the liaising activities between enterprises and officialdom as well as coordinating the membership enterprises to take initiative in policy advocacy and publicity in recent years.

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<sup>167</sup> See more details in “异地在津社会团体申请筹备成立登记实施办法”.

## Chapter 6

The Secretariat was a permanent institution in Tianjin Zhejiang NCC, responsible for daily work and routine activities, and had 22 full-time staff in 2015.<sup>168</sup> Zhejiang NCC set up its full-time secretariat in 2003 and was the first NCC in Tianjin to be professionally managed by a full-time team. The current Secretary-general ZL started her term of office in 2003. Before her position as the Executive President and Secretary-General of Zhejiang NCC, she also held posts in several official bodies and “United Front”<sup>169</sup> (*tongyi zhanxian*) institutions. For example, she served as the member of National Youth Committee, as the Vice-President of Tianjin Youth Federation, as a member of Tianjin CPPCC Standing Committee, and as a member of the Democratic National Construction Association in Tianjin. Interestingly, she was also one of the Executive Directors in Zhejiang Investment Holdings Limited.<sup>170</sup> The Secretary-general had positions ranging from the official bodies to individual enterprises, which also indicated the network strategy of Zhejiang NCC as a whole. From membership enterprises to the institutional settings, Zhejiang NCC endeavored to build up a strong network within local state and business.

Zhejiang NCC’s emphasis on building up extensive networks with the state side and the market is important. On the one hand, Zhejiang NCC has strong linkage with officialdom, which enables them to get access to the policy arena much more easily than any other bottom-up NCCs. It was one of the first NCCs established in Tianjin, and initiated from the top down by the Zhejiang Government Tianjin Liaison Office. Due to this historical government-linked structure, Tianjin Zhejiang NCC kept close relations with both home and host governments, which made it convenient for them when dealing with the organization’s quotidian operational issues, like the organization’s annual inspection by the Tianjin Civil Affairs Bureau (CAB), and activities applications to the Tianjin Economic Cooperation Office (ECO). On the other hand, after 2003 Zhejiang NCC started to shift its focus to membership enterprises rather than solely maintaining contact with the state. It established four key priorities in its routine work: opening to the outside world, attracting investment, serving membership enterprises and devoting to philanthropy. The Secretary-general and Executive-president ZL, used a metaphor to describe Zhejiang NCC’s role:

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<sup>168</sup> Interview with SWP of Zhejiang NCC on 27/06//2015.

<sup>169</sup> The United Front Work Department is an agency under the command of the CCP of China. Its main function is to manage relations with the non-Communist Party elite, including individuals and organizations holding social, commercial, or academic influence, or who represent important interest groups, both inside and outside China. In so doing, this institution seeks to ensure that these groups are supportive of and useful to Communist Party rule. The United Front work departments were set up in different levels of local governments in China,

<sup>170</sup> Source from Tianjin Zhejiang NCC’s official website:

<http://www.tzcc.net.cn/bencandy.php?fid=95&id=783>, last entry 06/06/2016.

## Chapter 6

“As a bridge of connecting enterprises and governments and a ligament between enterprises, Zhejiang NCC acted as a liaison to pass the thread through the eye of a needle and connected all the Zhejiang enterprises in Tianjin which were like the scattered pearls, shining separately but without collective effect”.<sup>171</sup>

Another way Zhejiang NCC was dedicated to extending its network was to jointly interweave a strong ‘Zheshang’ national network with other Zhejiang NCCs in other provinces. Relying on the significant political support from local governments, Zhejiang NCCs put great efforts in knitting their local, national even international ZheShang business network. Since 2010, Zhejiang Government started to encourage and sponsor Zhejiang entrepreneurs to do investment return in their hometown. Thus it supported the Zheshang assembly at different levels. For example, the World Zhejiang Entrepreneurs Convention (*shijie zheshang dahui*) was the largest and most influential Zheshang event, and it was the most important initiative of a strategic platform for the Zhejiang government to support innovation and attract investment return. This convention was held biennially since 2011, and in 2015 the third convention, the Zhejiang Entrepreneur Federation (*Zheshang Zonghui*) was established and the executive chairman of Alibaba Group Ma Yun was elected to be the first president of the Federation.<sup>172</sup> Mechanisms like the World Zhejiang Entrepreneurs Convention helped Zhejiang NCCs in different places to enhance their national even international business network. On top of this, Zhejiang NCCs also organized quite a few meetings and conferences every year with the support of the Zhejiang Economic Cooperation Office and Zhejiang Federation of Industry. For example, the national regular work meetings of the Zhejiang NCCs Secretary-general were held annually in different cities and Tianjin Zhejiang NCCs just organized the meeting in May 2016.<sup>173</sup> Tianjin Zhejiang NCC tried to cooperate with the huge national and even international Zheshang Network in order to improve their lobbying capacity and general influence. Whether they did the brand building or consolidated Zhejiang merchants’ (*zheshang*) business culture in Tianjin, Tianjin Zhejiang NCC benefitted a lot from the great Zheshang network. By strengthening their influence based on business networks and substantial economic power as well as the resources they could mobilize in the officialdom,

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<sup>171</sup> Interview with ZL on 27/06/2012.

<sup>172</sup> Source from the official website of World Zhejiang Entrepreneurs 世界浙商网, <http://www.wzs.org.cn>, last entry on 06/06/2016.

<sup>173</sup> Source from Tianjin Zhejiang NCC news <http://www.tzcc.net.cn/bencandy.php?fid=1&id=1455>, last entry on 06/06/2016.

## Chapter 6

Tianjin Zhejiang NCC exerted significant influence on the local policy process, which will be discussed in the following section.

### 6.2 The historical and cultural background

Zhejiang merchants have been regarded as the first merchant group in contemporary China, and they have been known as most innovative Chinese merchant group in the European business circle. There were more than eight million Zhejiang merchants doing business outside Zhejiang by 2012, and the GDP they generated was equal to that of Zhejiang province annual total GDP. For centuries, Zhejiang merchants have greatly contributed to China's economic development.<sup>174</sup> Zhejiang merchants (*Zheshang*), together with Guangdong merchants (*Yueshang*), Shanxi merchants (*Jinshang*), Anhui merchants (*Huishang*) and Suzhou merchants (*Sushang*), were collectively known as the "Five Merchant Groups" in Chinese history (Wu, 2008).

Zhejiang Province in east China is regarded as the country's cradle of private enterprise and contains the country's largest cluster of small and medium-sized private companies. Thanks to the prosperous private sector, "Zhejiang Model" has been recognized within and outwith China, and become a new experience of promoting economic development. Zhejiang merchants are renowned around the country for their entrepreneurship, hardworking attitude and great market knowledge. Zhejiang merchants could be found virtually everywhere. Beijing has a "Zhejiang Village" where Zhejiang businessmen sell various inexpensive products. In Shanghai, there are more than 50,000 Zhejiang enterprises.<sup>175</sup> Zhejiang merchants have also established businesses in Europe, Africa, and the Middle East. As a group, these businessmen are, to a certain degree, synonymous with the business concepts of shrewdness, fortitude and success.

Even though Zhejiang merchants only became well known during the last few decades, their history dates back to 473 BC. Fan Li, the earliest ancestor of Chinese merchants, was a famous government official of the Yue state (from 473BC to 306 BC), and was located on the site of today's Zhejiang province (Zhu, 2005). Since the Tang Dynasty, China's economic center moved to the south near today's Jiangsu and Zhejiang provinces. Commodity economy started to emerge and there appeared the earliest seeds of capitalism.

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<sup>174</sup> Source from 浙商网 <http://biz.zjol.com.cn>, last accessed on 27<sup>th</sup> June, 2016

<sup>175</sup> Nanhua news, 05/03/2013 doc \*5.

## Chapter 6

In Qing Dynasty and early Republic era, Zhejiang merchants became the backbone of Chinese industry and commerce. Later in period of the Republic of China, the Zhejiang merchant group was the economic foundation of the National Government (Zhu, 2005). Since the 18th century, the emergence of capitalism in China and the Shanghai port operation opened up the region to the outside world and provided a good opportunity for Zhejiang merchants to trade with outside world. Merchants from Ningbo were representative of the Zhejiang merchants from an early stage. Rising in prominence during the 19th century, they are considered to be the most powerful regional group of merchants following the Hui and Shanxi merchants. Their work ethic, their willingness to take risks, and their pragmatic approach to business helped them stand out in China's business sector. Other parts of Zhejiang, such as Wenzhou, Yiwu, and Taizhou, also boast a tradition of business and commerce. It is commonly believed that people in Zhejiang are born conscious of market principles and business in general (Wu, 2008).

Yang Yiqing, the executive director of the Zhejiang Merchants Research Association, said that even though there were many differences between each and every individual businesspeople from Zhejiang, they all shared one common characteristic:

"If we have to use one phrase to summarize the general character of Zhejiang merchants, I guess 'grass-roots business people' would be the most appropriate. Most of the successful Zhejiang businessmen have humble beginnings; nearly 80 percent of them are from farming families, and 70 percent only hold middle school diplomas. They start from the bottom of society and have experienced many hardships along the way."<sup>176</sup>

She explains that just as a camel finds an oasis in the desert by instinct, Zhejiang merchants have a similar instinct for discovering markets; hence why they are so good at making money.

"This has a lot to do with the regional culture of Zhejiang, which attaches great importance to trade and business from ancient times. Secondly, Zhejiang merchants are thought to be pragmatic, low-key, smart and honest when conducting business. They are also courageous in taking risks."

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<sup>176</sup> Interview with YYQ in Hangzhou, 06/07/2012.

## Chapter 6

Over the years, Zhejiang merchants played the role of both cooperators and competitors for other traditional merchant groups in the country, such as Shanxi, Hui and Chaozhou merchants. They have proven successful in learning from other merchant groups and have managed to retain their own uniqueness. Zhejiang province covered only 1.06% of the national territory, with its population taking up 4.06% of the whole population in China, but it contributed 6.7% to the total GDP, and ranked the fourth highest within the country.<sup>177</sup>

### 6.3 The institutional context of Tianjin Zhejiang NCC

Tianjin Zhejiang NCC has developed very fast and exerted substantial influence in Tianjin's local governance. Its development could not be separated from the support from its home government and host government. Talking about the institutional context of Tianjin Zhejiang NCC will help us understand how institutional arrangement and policy affects NCCs' lobbying in the local context (Wang, 2014).

Zhejiang government was known for its innovation and reform in China. It initiated several unprecedented policy innovations in China, including the "County directly administrated by province" in financial policy and "Promoting public participation in policy process" policy (Interview with YJX, Zhejiang University). As early as 1990s, Zhejiang provincial government and its municipal city governments started to set up liaison offices and economic development associations in different provinces. For example, Zhejiang's Tianjin Liaison Office was set up quite early in 1990s, and Zhejiang NCC's predecessor Tianjin Zhejiang Economic Association was set up in 1998; Ningbo government set up the Tianjin Ningbo Economic Development Association in November 1990.<sup>178</sup> These institutions had played a significant role in coordinating regional cooperation and helped with the private sector's development and spread nationwide in the early stages of market economy. The local states in Zhejiang province kept an open approach to outside world, which adapted to the trend of Zhejiang businessmen's migration around the world, and also smoothed the channel for them to explore the new market and start their business (Interview with SY& ZDM, Hangzhou Development and Research Center).

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<sup>177</sup> From [www.cribeyondbeijing.com](http://www.cribeyondbeijing.com), 2011-11-08 11:24:35.

<sup>178</sup> Source from Tianjin Ningbo NCC website <http://www.tjnbcc.org/index.php?case=archive&act=list&catid=8>, last entry on 06/06/2016.

## Chapter 6

Zhejiang government adopted quite flexible policies towards Zhejiang NCCs' development nation-wide. Zhejiang's case was quite special in NCCs' development, due to its innovative business culture and prosperous merchant groups in various municipal cities. Zhejiang province produced the earliest NCCs in China, like Wenzhou NCCs and Ningbo NCCs. When they started to emerge in different cities, there had been no rules and regulations to follow. For example, in Tianjin, Tianjin Wenzhou NCC was set up in 1999 and Tianjin Ningbo NCC was set up in 2001, and they were all established before Tianjin Zhejiang NCC in 2003. The rule of "one place one association" in "Administrative Measures of Non-local Chamber of Commerce" promulgated in 2001<sup>179</sup>, ruled that municipal NCCs in the provincial level established before 2004 could be exempted from the rule of "one place one association"; for the future municipal NCCs, it could only be established in the same administrative level, or as exist as a branch in the provincial level NCC. For example, if Tianjin Wenzhou NCC was established after 2004, it could only be the Wenzhou Branch under Tianjin Zhejiang NCC. Therefore, this rule in 2001 did not apply in Zhejiang's case. That was why Tianjin Ningbo NCC, Tianjin Wenzhou NCC and Tianjin Zhejiang NCC coexist in Tianjin. Under the coordination of the Zhejiang government, these three NCCs realized effective cooperation in Tianjin, in holding conferences, sharing business information, and constructing platforms for business cooperation. Tianjin Zhejiang NCC even invited Tianjin Wenzhou's NCC's president to be the Honorary President of Tianjin Zhejiang NCC.<sup>180</sup>

The Tianjin government substantially supported Zhejiang NCCs' development, as reflected in the following aspects. First, high-level leaders attended Tianjin NCC's anniversary celebration and other important events. For example, Zhejiang NCC could successfully invite the vice-mayor or Chairman of ICF for their annual membership assembly, which was rare in other NCCs' cases. As Zhejiang NCC had inherited the official duties, such as the reception of Zhejiang officials' visit, and providing assistance to Zhejiang's liaison office in Tianjin and Beijing, it kept a frequent and close interaction with Zhejiang officialdom. In order to maintain the good intergovernmental relationships with Zhejiang government, the Tianjin local government also emphasized Zhejiang NCC as an important platform (Interview with ZJ, official in Tianjin ECO). Second, Zhejiang entrepreneurs were the most active and influential merchant group in Tianjin with a high proportion of

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<sup>179</sup> 2001 年颁布的异地商会管理条例, check?

<sup>180</sup> Interview with SWP on 27/06/2012.

## Chapter 6

Tianjin NPC and CPPCC representatives. For example, the president of Zhejiang NCC LLG held simultaneously the positions of member of national CPPCC, vice-president of Tianjin ICF and member of the standing committee of the Democratic National Construction Association in Tianjin. Being the earliest migrant business group in Tianjin, Zhejiang merchants started to come to Tianjin in the late 1980s and early 1990s, and most of them had established successful industry by 2000. Later they showed interest in local politics and started to acquire political status within local legislative bodies, such as the local NPC, CPPCC, United Front bodies, and other democratic parties (Interview with LLG, the president of Tianjin Zhejiang NCC). Third, Tianjin government entrusted Zhejiang NCC with administrative issues. Zhejiang NCC is a flagship of Tianjin NCCs' development and has always been designated as the representative of Tianjin NCCs in experience sharing and policy advocacy. It had become an assistant of Tianjin ECO in managing and coordinating private sectors' development in Tianjin (Interview with LX and ZJ, officials in Tianjin ECO).

As discussed above, Zhejiang NCC developed an open and flexible relationship with both sides, namely Zhejiang and Tianjin. As the flagship and cradle of private economy in China, Zhejiang government has been open-minded and supportive of institutional innovation and policy participation, while, the reason why Zhejiang NCC has got a comparative open and democratic environment is due to its nature and behavior coinciding with local interests of government agencies.

### **6.4 Tianjin Zhejiang NCC's establishment initiatives**

Tianjin Zhejiang NCC was top-down initiated by the Zhejiang Government Tianjin liaison office, named initially Tianjin Economic Development Association (1998 -2003), and presided by officialdom. In the beginning, Zhejiang NCC was dominated by the Zhejiang's Tianjin Liaison Office in operation, finance and personnel, and did not have close connections with Zhejiang entrepreneurs. In the period between 1998 and 2003, Tianjin Zhejiang NCC was financially dependent on Zhejiang's Tianjin Liaison office, and the membership fee only contributed a small proportion to its total revenue. The president was designated by the Liaison Office, and there were no full-time staff working in the Secretariat (Interview with XXX, official in Zhejiang ECO). At this stage, Tianjin Zhejiang NCC had significantly promoted intergovernmental cooperation between Tianjin

## Chapter 6

and Zhejiang, yet most of the negotiation took place at official level, where Tianjin Zhejiang NCC operated as a de facto GONGO. In 2003, in response to the transformation of government functions and streamlining of government agencies, Zhejiang's Tianjin Liaison office decided to decouple from Tianjin Zhejiang NCC, and give back the autonomy to this social organization. The "Decoupling" reform in 2003 gave Tianjin Zhejiang NCC the so called "independent" status; however, the strong connection with officialdom and state networks remained. This enabled Zhejiang NCC to have more opportunities and channels to access policymakers and exert influence on local policy process (Interview with ZL, Tianjin Zhejiang NCC).

### **6.5 Tianjin Zhejiang NCC's network strategy**

NCCs' network strategy indicates the focus and range of NCCs' network building. Taking the focus of network building as the criteria for classification, NCCs' network strategy could be classified as state network oriented and business network oriented. Taking the range of network building as the criteria for classification, NCCs' network strategy could be divided into network span and network intensity. For example, if an NCC just focused on one type of network, such as state network, its network strategy would be state oriented with a focus on network intensity.

Echoing Tianjin Zhejiang NCC's development process, its network strategy was also divided into two stages. From 1998 to 2003, Tianjin Zhejiang NCC focused on state network building, with little attention to liaising with businessmen and the rising Zhejiang entrepreneurs. After 2003 when it decoupled from the official liaison office, Tianjin Zhejiang NCC shifted its focus on expanding their business network. At the same time they retained some of the official duties such as keeping close connections with officialdom. Currently, we could see that Tianjin Zhejiang NCC attached importance to both state network and business network, just as the vice-secretary-general SWP said in 2012:

"We are becoming the indispensable assistant for Tianjin government to manage private sectors, which saved quite a lot of energy for them. And at the same time we have got great support from private business, and have become the representative to voice their opinions, we are happy to build up the mutual trust with our membership enterprises."

## Chapter 6

In order to realize its network strategy in practice, Tianjin Zhejiang NCC strengthened their network building capacity, and undertook unprecedented activities to enhance these networks.

Regarding the state network building, Zhejiang NCC strengthened its political lead, responded to political slogans, and especially enhanced the political and ideological work, setting up party branch and youth league branch within the organization. Since 2002, the CPC started developing party organizations within private sectors, and tried to absorb the private entrepreneurs to expand their range of party members. In 2012, the 18<sup>th</sup> party congress promulgated the No. 11 document regarding party building work among private sectors (non-public economic organizations) and social organizations (two new organizations – *liangxin zuzhi*).<sup>181</sup> Since then, many NCCs started party branch building work. Business network oriented NCCs like Tianjin Guangdong NCC were not into these political proposals; while NCCs with state network orientation, like Tianjin Shanxi NCC and Tianjin Zhejiang NCC, took this as an opportunity to enhance their political connection with local states. Therefore, Tianjin Zhejiang NCC established the party branch and Youth League branch in 2010, and enriched its function in uniting party members and Youth League members within membership enterprises (Interview with SWP, Tianjin Zhejiang NCC). On top of this, Tianjin Zhejiang NCC emphasized the political status of NCC's leadership. Among its current leadership, there were four people who served as vice-presidents of Tianjin ICF, one as a member of national CPPCC, and three as members of Tianjin CPPCC Standing Committee. By doing all this political work, Tianjin Zhejiang NCC achieved substantial influence within the political arena, and smoothed the channels for it to exert policy influence on the local policy process (Interview with ZL, Tianjin Zhejiang NCC).

Regarding the business network building, Tianjin Zhejiang NCC also explored new ways to consolidate the connections with business circles both in Tianjin and Zhejiang. It gradually constructed eight platforms to serve Zhejiang and Tianjin entrepreneurs, including platforms for investment attraction, financing service, legal service, credit check services, technology services, young start-up services, “Internet” service and internationalization services. It was noteworthy that some of these services did help membership enterprises to survive during difficult periods. For example, after the 2008

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<sup>181</sup> Source from the Communist Party Congress news website:  
<http://cpc.people.com.cn/GB/67481/89000/89001/100587/101410/>, last entry on 08/06/2016.

## Chapter 6

economic crisis, many private enterprises faced financial problems. Due to restrictions to bank loans, lots of enterprises were at the risk of capital chain breaking. In this situation, Tianjin Zhejiang NCC established the long-term cooperation with banks such as the Bank of Zheshang and the ICBC to offer guarantees for membership enterprises, and helped them to successfully get loans to achieve the transformation and upgrading (Ibid.). Another example was that it timely grasped the youth entrepreneurship through providing a platform for new start-ups and mature investors. Since 2014, China entered into the era of mass entrepreneurship, and thousands of young entrepreneurs appeared to demonstrate potential in the future market. Different from the old generation of Zhejiang merchants, these young Zhejiang entrepreneurs were more adaptive to Internet usage, globalization and high-tech industries (Ibid.). To adapt to this new situation, Tianjin Zhejiang NCC pragmatically tailored their financing and internationalization services for young entrepreneurs and helped them connect with the ideal investors. These young Zhejiang entrepreneurs also enriched Tianjin Zhejiang NCC's business network (Interview with TML, the member of Tianjin Zhejiang NCC).

To sum up, Tianjin Zhejiang NCC undertook a network span strategy focusing on both state and business network building. It simultaneously adopted state a network oriented and business network oriented strategy, and tried to expand its network span between state and society in order to maximize its ability to mobilize resources within these networks.

## **6.6 Comparative case analysis: Decoupling NCCs' influence in the local policy process**

### **6.6.1 Case selection**

Tianjin Zhejiang NCCs' top-down establishment initiatives and network span strategy have affected their way of lobbying with the local state. Unlike Shanxi NCC and Guangdong NCC introduced in Chapters 4 and 5, Zhejiang NCC has held sustainable political channels and political resources, which demonstrated a significantly different mechanism of lobbying in the specific policy cases. Generally speaking, Zhejiang NCCs' engagement in the local policy process is much broader in policy areas and policy stages. However, its participation is to a certain degree dominated by governmental agencies and political orientation.

## Chapter 6

In this section, I choose two cases to show Tianjin Zhejiang NCCs' interaction with local policymakers in Tianjin. The first one is the Blue-seal Household Registration Policy in Tianjin, where Tianjin Zhejiang NCC worked together with the media and individual lobbying to get the case on the policy agenda. The second case is Tianjin Zhejiang NCCs' interaction with local governments in putting their business initiatives into practice, where Tianjin Zhejiang NCC demonstrated its influence in local policy implementation, especially in the business policy sphere.

### 6.6.2 Case 1 Blue-seal Household Registration Policy in Tianjin

The Blue-seal household registration policy (*lanyin hukou*) was introduced in Tianjin in 1994. As discussed in chapter 2, the household registration (*hukou*) is very important for people living in China, as it determines whether they can enjoy the residential treatment and welfare in the cities they live in, in terms of social pension insurance, medical care, education, etc. The Blue-seal household registration was a household registration in-between temporary household registration and official household registration. As the Public Security Bureau used a blue-seal to stamp this kind of household registration, it became known as “Blue-seal Household Registration”. According to “the Interim Provisions on the Blue-seal household registration management”<sup>182</sup> promulgated in 1995 in Tianjin, the scope of Blue-seal household registration in the initial stage only included one type, that is the introduction of talent. In order to attract talented people to work in Tianjin, Tianjin government offered a Blue-seal household registration to this group of non-local people. Later on, around 2000, the scope of Blue-seal household registration applicants was expanded to include non-local entrepreneurs with large investment in Tianjin, and people who purchased properties in Tianjin to settle there (Interview with ZL, Tianjin Zhejiang NCC). In most cities that carried out Blue-seal policy, the Blue-seal household registration holder could apply for the official household registration after two years of residence in the city without any criminal record or the violation of “one child” policy.<sup>183</sup>

China's first Blue-seal household registration appeared around 1992, and initially most of them existed in the small and medium-sized cities. After 1994, cities like Beijing, Shanghai, Shenzhen, Tianjin and Guangzhou started to implement this policy. In many

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<sup>182</sup> See details of this provision, refer to “the Interim Provisions on the Blue-seal household Management”, [http://news.xinhuanet.com/house/tj/2013-12-23/c\\_118670650.htm](http://news.xinhuanet.com/house/tj/2013-12-23/c_118670650.htm), last accessed on 27<sup>th</sup> July, 2016

<sup>183</sup> In 1990s, the “one child” policy was the policy redline, its implementation was connected with lots of other policies at the local level in order to ensure the enforcement of this policy.

## Chapter 6

places, this policy became one of the means of real estate sales. For example, the Blue-seal household registration policy introduced in Guangzhou in 1998 was initially intended to contribute to reducing the backlog of vacant commercial housing in Guangzhou, to stimulate the real estate market, and thus boost local economic development.<sup>184</sup> However, after 2000, since the big cities encountered problems of population overload beyond their carrying capacities, Beijing, Shanghai, Guangzhou, Shenzhen and other places started to cancel this Blue-seal household registration policy.<sup>185</sup> Besides, in recent years, the central government has gradually liberalized the city policy of settling in small and medium-sized cities, and the city house buyers can be settled through applying directly for official household registration (Interview with HSJ, Tianjin Wenzhou NCC). This indicated that the Blue-seal household registration policy, which had been implemented for almost 20 years, was coming to an end. By 2012, Tianjin was the only city retaining the Blue-seal account policy in China.<sup>186</sup>

Similar to other cities, the maximum demands of Blue-seal household registration came from the immigrants for College Entrance Examination (*Gaokao*) and medical care.<sup>187</sup> According to recent data, during the past twenty years, Tianjin government approved a total of 312,687 applicants of various types of Blue-seal household registrations.<sup>188</sup> But why did Tianjin become the only city to have kept this Blue-seal household registration policy? The reasons could be traced back to the institutional context in Tianjin and stakeholders' significant lobbying towards the maintenance of this policy. It was noteworthy that Tianjin Zhejiang NCC was one of the most influential stakeholders in this policy case. On the one hand, from the perspective of local governments, compared to other big cities like Beijing, Shanghai and Guangzhou, the economic development rate of Tianjin was relatively low. In order to boost economic development, Tianjin municipal government utilized the existing policy and introduced new policies to stimulate the local economy. As the Blue-seal household registration policy significantly contributed to real estate sales in Tianjin, Tianjin government was reluctant to cancel it following other cities'

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<sup>184</sup> Source from 蓝印户口被重提以救房市 支持反对者各半, <http://www.sina.com.cn> 25<sup>th</sup> October, 2008

<sup>185</sup> Source from 天津蓝印户口馅饼变陷阱, 想转常住户不容易, 2013年07月27日 经济观察报, <http://finance.sina.com.cn/china/20130727/002516258450.shtml>, last accessed on July 27, 2016.

<sup>186</sup> Ibid.

<sup>187</sup> The immigrants for College Entrance Examination (*Gaokao*), is called "gaokaoyimin" in China, which means the students and their parents migrating to another city for the benefits of Gaokao through buying houses in the target city. The logic for people seeking for medical care is the same.

<sup>188</sup> Source from 天津蓝印户口实行近20年: 已演变为“升学利器”, 2014年04月20日, 新华网, <http://www.chinanews.com/gn/2014/04-20/6084153.shtml>, last accessed on June 12, 2015.

## Chapter 6

steps. However, this policy started to contradict with the city's development and Tianjin residents' interests and thus there were many problems in the implementation process, which will be introduced below (Interview with LWK, Tianjin Social Organization Management Bureau). On the other hand, from the perspective of stakeholders, which mainly included the current Blue-seal household registration holders and other non-local people who wanted to apply for this, these stakeholders carried out quite a lot of lobbying activities to stop this policy from being abolished in Tianjin. In this process, Tianjin Zhejiang NCC became a lead in this policy campaign.

As outlined before, Tianjin Zhejiang NCC was quite broadly engaged in the social activities and local governance in Tianjin. There were more than 200,000 Zhejiang people residing in Tianjin in 2012, some of them already acquired the official household registration, some held the Blue-seal household registration, and the rest of them did not have the household registration "hukou". As individual membership of Tianjin Zhejiang NCC or the employees in the Zhejiang NCCs' membership enterprises, these non-local Zhejiang people took Tianjin Zhejiang NCC as a platform to collectively express their interests and voice their opinions. As an organization representing the interests of membership enterprises, Tianjin Zhejiang NCC mobilized all the resources within their state network and business network to exert influence on this specific policy process (Interview with ZL, Tianjin Zhejiang NCC).

In 2009, after the 2008 financial crisis, the Blue-seal household registration policy became the focus of discussion in Tianjin. This was because the Tianjin government relaxed the policy of Blue-seal household registration in 2009 to stimulate the sluggish real estate market, but this action to rescue the property market was criticized by public opinion.<sup>189</sup> One interviewee said:

“Such a policy will lead to problems in employment, health care, education and other issues, in particular, will lead to reduction of occupancy of educational resources and educational opportunities, which is both unfair to the people of Tianjin. Moreover, Tianjin will come across increasing urban pressure in the next few years or ten years” (Interview with DJY, a resident in Tianjin).

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<sup>189</sup>Source from 特别调查:蓝印户口天津独舞, 2012年04月18日, 法治周末, [http://news.ifeng.com/shendu/fzzm/detail\\_2012\\_04/18/13978961\\_1.shtml](http://news.ifeng.com/shendu/fzzm/detail_2012_04/18/13978961_1.shtml), last accessed on July 27, 2016.

## Chapter 6

It was evident that abandoning the Blue-seal policy helped the real estate market, stimulated the economy, and attracted talented people to work in Tianjin, but it also contradicted the interests of Tianjin residents. It was at this time that this policy had been criticized as a policy that hindered the reform of household registration system in China. Under internal and external pressure, Tianjin Municipal Government decided to convene the relevant government departments to restart the assessment of this long-existing policy (Interview with ZJ, official in Tianjin ECO).

From 2010, Tianjin Zhejiang NCC started to engage in this policy case and exerted significant influence on the interaction with local state and society. In the following text I chronologically introduce Tianjin Zhejiang NCCs' lobbying behavior and outcome. There are few written materials about Tianjin Zhejiang NCCs' engagement in this case, thus most of the empirical evidence used here were based on the interview and observation I conducted in the fieldwork between 2011 and 2012.

First, in early 2010, Tianjin Zhejiang NCC organized a workshop among member enterprises regarding this issue and invited local journalists to report the discussion on the meeting (Interview with SWP, Tianjin Zhejiang NCC). As introduced before, Tianjin Zhejiang NCC had its own public relations office, which was in charge of coordinating the media coverage in this case. Due to its coordination, the mainstream media coverage of this workshop was towards the direction of affirming the positive role of this Blue-seal policy. As a result of Tianjin NCCs' engagement in the discussion of the policy, more debates appeared in the Tianjin's local media and online forums, and it became the focus of public opinion and part of a heated debate again.

Second, after the success in organization the workshop, Tianjin Zhejiang NCC delegated a research team to carry out an investigation survey among individual members and membership enterprises, which mainly focused on gathering the opinions towards the Blue-seal household registration policy from non-local entrepreneurs and employees. Then based on the survey data, the research team drafted a white paper report, which systematically analyzed the advantages and disadvantages of abolishing or retaining this policy from the point view of foreign investors and non-local entrepreneurs. This report was initially forwarded to Tianjin Wenzhou NCC, Tianjin Ningbo NCC, Tianjin Fujian NCC, etc. seeking advice and feedback. After acquiring other NCCs' signature support, the report was quickly submitted to Tianjin Land Resources and Housing Bureau, Tianjin

## Chapter 6

Public Security Bureau, Tianjin ECO, and Tianjin CAB respectively, in the name of “providing consulting information for future policy making” (Interview with ZL, Tianjin Zhejiang NCC).

Third, after submitting the investigation report to all relevant government departments, Tianjin Zhejiang NCC started to lobby within its state network. First of all, they contacted the officials of their closest partner and initiator – Zhejiang Government’s Tianjin Liaison Office, and secured their support in relation to this policy issue. Most importantly, the Liaison Office, acting as an intermediary, introduced Tianjin NCCs’ investigation report to Tianjin Government Office.<sup>190</sup> The Tianjin Government Office was the main department to promulgate and supervise the implementation of this Blue-seal household registration policy. Until then, Tianjin Zhejiang NCCs’ policy idea was successfully delivered to the key policymakers in the main government department. However, their efforts did not stop there; they continued to keep informal meetings and communications with relevant departments, like the Tianjin Land Resources and Housing Bureau, Tianjin Public Security Bureau, Tianjin ECO, and Tianjin CAB, etc. to seek their views on the Blue-seal household registration policy and enlist their support. As mentioned by interviewees in Tianjin ECO and Tianjin CAB, Tianjin Zhejiang NCC kept them updated with the progress made from submitting the report until the decision of sustaining Blue-seal policy was finally made at the end (Interview with ZJ in Tianjin ECO, and FXZ in Tianjin CAB).

At the end of 2012, a decision was made to retain the existing Blue-seal household policy until the conditions<sup>191</sup> no longer permitted. Tianjin Zhejiang NCCs successfully lobbied in this policy case by significantly utilizing its state network and business network together. It should be noted that the Blue-seal household registration policy in Tianjin was finally abolished on May 31st, 2014, as Tianjin has established multi-level access channels to household registration. The new residence-permit system and points settled policy started to be implemented from January 1st, 2014.<sup>192</sup> On the 30<sup>th</sup> of July 2014, the State Council promulgated “Opinions on Further Promoting the Reform of the Household Registration System” (*guanyu jinyibu tuijin hujizhidu gege de yijian*), which announced the official end

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<sup>190</sup> One function of Tianjin Government Office was to deal with the high-level officials visit from other provinces, which coincided with one of the most important functions of Zhejiang’s Liaison office in Tianjin. Therefore, these two department kept very good relations during daily operations.

<sup>191</sup> Conditions like new law or regulations being promulgated are contradicting this Blue-seal Policy and do not allow it to continue exist.

<sup>192</sup> 天津5月将取消蓝印户口政策, 或引发津郊楼市降价, 2014年04月18日, 京华时报, <http://politics.people.com.cn/n/2014/0418/c1001-24914910.html>, last accessed on 20<sup>th</sup> June, 2016

## Chapter 6

of the Blue-seal household registration policy nationwide.<sup>193</sup> By then, the Blue-seal household registration that had existed in China for more than twenty years finally bid farewell.

### 6.6.3 Case analysis

In the case of Blue-seal household registration policy, Tianjin Zhejiang NCC showed a skillful lobbying strategy and behavior in terms of creating public opinion effect, looking for alliances and directly contacting decision-makers. During the whole lobbying process, Tianjin Zhejiang NCCs' top-down establishment initiatives and its network strategy focusing on both state network and business network played the determining role towards its success in the lobbying.

First, in order to pressurize decision-makers within the government, Tianjin Zhejiang NCC used its strength in public relations management to manufacture the media effect and cause public discussion. In this way, the public had a strong awareness regarding this policy, and the decision-makers were under the spotlight and had to make decisions and respond to public concerns in a short period of time. Thus, this social mobilization through media coverage created a favorable atmosphere for Tianjin Zhejiang NCC.

Second, Tianjin Zhejiang NCC successfully found the alliances to jointly submit their investigation report to relevant government departments. Seeking for endorsement from other NCCs, not only improved the intensity of the proposal, but also reduced the risk of being blamed from its members and the local government. More importantly, with the signature supports from quite a few NCCs in Tianjin, this investigation report represented to a certain degree the voice of non-local business associations. As non-local entrepreneurs were very important resource for local economic development, the Tianjin government was forced to seriously consider their suggestions and eventually did not make decisions at the cost of the local economic interests.

The reason why Tianjin Zhejiang NCC could finish the investigation report and gain supports from peer NCCs was attributed to its strong network in the local business circle.

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<sup>193</sup> 蓝印户口正式退出历史舞台 天津最后一个终结此政策, 2014年08月03日, 中国青年报, [http://news.xinhuanet.com/finance/2014-08/03/c\\_126826467.htm](http://news.xinhuanet.com/finance/2014-08/03/c_126826467.htm), last accessed on 27<sup>th</sup> July, 2016

## Chapter 6

In this case, Tianjin Zhejiang NCC did policy lobbying in order to represent the interests of non-local entrepreneurs and employees in Tianjin (not just limited within Zhejiang immigrants), which indicated its close relationship with membership enterprises and individual members. Through this case, Tianjin Zhejiang NCC received unprecedented reputation among membership enterprises and business networks (Interview with LY, Tianjin Wenzhou NCC).

Third, Tianjin Zhejiang NCC's strategy of mobilizing its state network significantly contributed to the good result of this lobbying approach. Zhejiang Government's Tianjin Liaison office as the most important state network of Tianjin Zhejiang NCC, played an indispensable role in this lobbying case. As the initiator and sponsor of Tianjin Zhejiang NCC, the Liaison Office successfully connected Tianjin Zhejiang NCC with the key decision-makers in Tianjin Government Office. This was the direct channel to deliver policy ideas in this case. Accompanying with other indirect channels through Tianjin Land Resources and Housing Bureau, Tianjin Public Security Bureau, Tianjin ECO, and Tianjin CAB, Tianjin Zhejiang NCC made full use of its state network in this case. Therefore, we could conclude that Tianjin Zhejiang NCC's state network secured the channels to have its policy proposal reached the policy makers and eventually led to policy changes.

### **6.6.4 Case 2 Tianjin Zhejiang NCC's new business initiatives in Tianjin**

On top of their wide engagement in local governance and social policy, Tianjin Zhejiang NCC was a pioneer in introducing new business initiatives and putting them into practice. For example, Tianjin Zhejiang NCC was the first NCC in Tianjin to build up its own building - Zhejiang Merchants Building (*zheshang dasha*), and the first NCC to initiate to establish the commercial bank for Zhejiang merchants –Zheshang Bank (*zheshang yinhang*) (Interview with LX, officials in Tianjin ECO). Different from Guangdong NCC in promoting business cooperation between enterprises and local governments, Tianjin Zhejiang NCC focused on improving cohesion and cooperation among Zhejiang merchants in Tianjin, aiming to build up the increasingly influential “Zhejiang Merchant (*Zheshang*)” Brand. In the process of putting up with these business initiatives and realising these ideas, Tianjin Zhejiang NCC interacted with local government departments and district level government frequently, and influenced the local policy implementation.

## Chapter 6

One example of Tianjin Zhejiang NCC's positive role in putting up new business initiatives was the experiment of establishing mutual-aid type of financial institutions within their membership enterprises. After the 2008 financial crisis, quite a number of small and medium-sized Zhejiang enterprises (SME) in Tianjin were hit with challenges in manufacturing and sales. Some of them faced the serious problem with corporate finance. In order to avoid the risk of funding strand breaks, these SMEs asked help from Tianjin Zhejiang NCC. Tianjin Zhejiang NCC had always been very good in responding membership enterprises' requests, and organizing workshops or seminars on the issues that membership enterprises were struggling with. In this case, facing the requests from membership enterprises, Tianjin Zhejiang NCC initiated the establishment of microcredit financial institutions within NCCs to deal with enterprises' financial problems. In 2010, a small cooperative financial institution – Tianjin Zheshang Financial Group was established within membership enterprises of Tianjin Zhejiang NCC. This small financial institution exclusively provided financial services to Zhejiang enterprises and entrepreneurs, with the mission of collectively responding to the challenges from external and international markets. The operation of this small financial institution was like this: when a membership enterprise encountered financial problems and needed to raise funds from this financial group, it needed to apply both at the Tianjin Zhejiang NCC and the Tianjin Zheshang Financial Group. Tianjin Zhejiang NCC was responsible for checking its member credit history and decided whether they wanted to be this enterprise's guarantor in this lending relationship. The financial group could lend the funds only on condition that the Tianjin Zhejiang NCC was the guarantor. In this way, membership enterprises helped each other to survive in the most difficult time and minimized any risks through Tianjin Zhejiang NCC. This was one example of “doing big things by holding together”, as stated by the president of Tianjin Zhejiang NCC (Interview with LLG, Tianjin Zhejiang NCC).

Another example was the construction of Zhejiang Merchant Building (*zheshang dasha*) in the Binhai New Area. In this case, they negotiated with local district government to get the central piece of land, and their plan for this area was integrated into the national plan for Binhai CBD area in Tianjin.

In the above two examples, Tianjin Zhejiang NCC sought support from the local government, especially their preferential policy in terms of tax rebate, infrastructure

## Chapter 6

service, etc., and demonstrated significant influence on the interaction with local states in relation to policy implementation.

### **6.7 Comparison and analysis**

Tianjin Zhejiang NCC's influence on the local policy process is much broader in policy areas and policy stages. Its policy engagement is not just limited within the business area, but expanded to a wide range of social policies, such as household registration and other social welfare issues. Besides, its influence in the local policy process is not constrained within the stage of local policy implementation, but extended to creating policy agendas and influencing policymakers' decisions.

Among all the four types of NCCs, only this Decoupling NCC - Tianjin Zhejiang NCC has demonstrated the typical policy lobbying. Tianjin Zhejiang NCC has successfully influenced the local policymakers to sustain the controversial Blue Seal household registration policy in Tianjin. And it has interacted extensively with local government in local business policy implementation in terms of putting its new business initiatives into practice. This indicates that Tianjin Zhejiang NCC has been exerting influence on both local policymaking and policy implementation, and demonstrates the potential of Decoupling NCC to become a promising external actor in the local policy process. However, there are still great constraints on their independence and limits to their participation in certain policy area and stages.

### **6.8 Conclusion**

Why do the Decoupling NCCs develop a strong lobbying capacity and exert influence? The reason can be explored in terms of their origins and networks. Decoupling NCCs focus on building both state and business networks. In the process of exerting their influence on the local policy process, their state network guarantees the channels for lobbying, and their business network guarantees the resources for lobbying. To be specific, Decoupling NCCs' state links from "origin" and "network" secure the opportunities and multi-channels for them to access the local policy process and approach local policymakers. Moreover, their acquired strong business networks secure the biggest resource to be mobilized in the

## Chapter 6

lobbying process. This special mechanism can also be summarized as the main characteristic of Decoupling NCCs' interaction with local states.

## **Chapter 7 Conclusion**

The final chapter of this thesis will draw together the discussion and provide an answer to the question of what NCCs are, how they exert influence on the local policy process and what explains the variation of their influence. This chapter is set out as follows: First, it will briefly present NCCs' emergence and development in China, and the variation of their development. Second, it will illustrate the main findings of this research by discussing how NCCs influence the Chinese local policy process and what explains the difference in NCCs' lobbying outcomes. This will be followed by a discussion of the limitations of previous studies. Third, it will introduce other interesting points through the comparison of different types of NCCs. Then I will detail how my study of NCCs contributes to an understanding of NCCs' lobbying in China and how it contributes to existing studies of external actors' influence on the Chinese local policy process. Further, I will outline how my thesis contributes to the understanding of China's local policy process. Finally, I will demonstrate the limitations of this research, and the thesis will finish with some final comments and suggestions on future research.

### **7.1 How did NCCs emerge and develop**

#### **7.1.1 NCCs' emergence and development**

As a new burgeoning business association, NCCs started to emerge in China in 1995. NCC's emergence was one of the consequences of private sector development in China, but the direct cause can be attributed to the push efforts from non-local business people and support from Chinese local governments. The interests of non-local entrepreneurs coincided with the interests of local governments, which led to the rapid development of NCCs around China during mid-1990s. Nevertheless, NCCs' emergence was still plagued with obstacles and involved negotiations with their home and host local governments. This initial lobbying led to variation in NCCs' development in terms of their growth mode and behavior strategies.

NCCs' emergence in China follows a trajectory from south to north, from east to west. Non-local Wenzhou NCCs were the pioneers of all NCCs in China, in terms of legislation, relations with local states, lobbying behaviors and network building activities. In this piece

## Chapter 7

of research, Wenzhou NCCs have been introduced as an example of the earliest and most prominent NCCs in China nation-wide, where the role of their home government - Wenzhou government has been discussed as well.

In spite of the factors of non-local business people and support from their home governments, the local institutional context is also a significant factor in NCCs' development. In order to show how regional factors affecting NCCs' development, Tianjin and Hangzhou, which represent a more state-dominated economy versus a more private sector economy, were chosen as two case localities to illustrate NCCs' development in China.

### **7.1.2 The variation of NCCs' development**

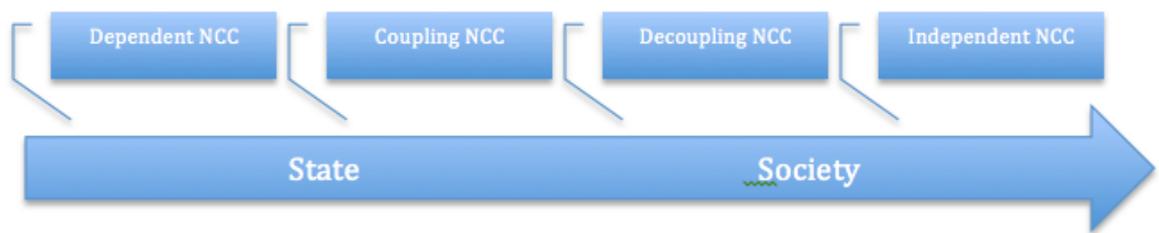
NCCs' development in China has demonstrated great variation. This variation is not just reflected on the aspects of their registration, organizational structure, growth mode and behavior strategy, but also reflected on their interaction with local states, as well as their political engagement. NCCs political engagement varied according to the changes in regions, industries and policy spheres. In order to understand and explain this variation, a theoretical framework is needed.

### **7.1.3 NCCs' typology**

Based on the existing literature on business lobbying and empirical findings from my fieldwork, this research has developed a typology based on NCCs' two important dimensions – "Origin and Network". According to these two dimensions, all the NCCs are categorized as four types: Independent NCC, which was illustrated using the case of Tianjin Guangdong NCC; Coupling NCC, illustrated using the case of Tianjin Shanxi NCC; Decoupling NCC, illustrated using the case of Tianjin Zhejiang NCC; and Dependent NCC with a representative of Tianjin Sha'anxi NCC, that was not illustrated in case chapters, but will be explained later in this chapter.

NCCs in China range along a spectrum in terms of their relationship with the local states. For example, among the above four types of NCCs, Dependent NCCs are the closest NCC to the local state whilst Independent NCCs are the furthest NCC from local state. Coupling NCC and Decoupling NCC are the ones in-between. Existing studies have showed that

state links play an important role in these organizations' influence on the policy process. Yet, it still remains unknown what kind of state links can exert the biggest influence; would it be the closest links or the ones neither too far nor too close? In this research, I used case studies to examine the influence of different types of NCCs on the local policy process, aiming to explore the kind of relationship the grass-root NCCs keep with the local states, in order to maximize their influence of lobbying.



**Figure 4.1: The spectrum of NCCs' distance from the state**

## **7.2 Main findings: NCCs' influence in the local policy process**

The main research questions for this thesis are: how do NCCs influence the Chinese local policy process and what explains the differences of their lobbying outcome. Further I set out to explain what shapes their success in lobbying. In the following section I embark on answering these questions.

### **7.2.1 How do NCCs influence the Chinese local policy process**

NCCs have developed unique ways to influence local policy process, which is different from that of environmental NGOs, think tanks, and national level state-affiliated business associations. Besides, the local level of policy process in China is different from that in the central level. In the local policy process, it is rare to see obvious and grand policy change, but lots of policy changes take place at the implementation stage, thus external actors' influence on the local policy process was hard to examine.

NCCs' influence on the local policy process was embedded in the interaction with local states. This complexity has brought challenges for researchers. Yet examining the process of NCCs' interaction with local states would fulfill the details of local policy process and

## Chapter 7

elaborate on how policy influence has taken place at the local level. In their interaction with local states, different type of NCCs take different approaches to exerting influence, focusing on how they interweave the networks and mobilize resources. In summary, based on the different historical and institutional context, different types of NCCs are looking for the best method to maximize their influence. Coupling NCCs sacrifice their autonomy, Decoupling NCCs give up some of their state links, and Independent NCCs try to focus on a specific goal or limit their influence on a specific policy sphere and area. For example, as outlined in previous chapters, Tianjin Shanxi NCCs sacrificed their autonomy in the “coupling” process, Tianjin Zhejiang NCC gave away part of their state links in the “decoupling” process, and Tianjin Guangdong NCC limited their lobbying behavior within the area of business cooperation and negotiations.

### **7.2.2 Origin and network: explaining the difference in NCCs’ lobbying outcomes**

Variations of NCCs’ influence are revealed. Some NCCs demonstrate success in lobbying while others do not, even if in the same policy sphere. Some NCCs exert more significant influence than others, even if in the same local context. Independent NCC demonstrate strengths in some policy areas; for example, Guangdong NCC is more capable of influencing regional business cooperation, but silent in political or administrative cooperation. Coupling NCCs and Decoupling NCCs engage in much broader issues in local governance and policy process, like household policy (Zhejiang NCC’s case on Blue Seal household registration), private sector’s employee welfare policy (Shanxi NCC’s case on labor law’s local implementation). However, Coupling NCCs do not deliver successful lobbying due to their close links with the local states, while Decoupling NCCs demonstrate potential and strength in both local policymaking and policy implementation.

#### *Coupling NCCs’ influence in the local policy process*

Coupling NCCs are engaged in the local policy process by binding with the local party-state in terms of party cell organization construction as demonstrated in chapter 4, assisting local government to straighten out the state-business relations, etc. As outlined in Chapter 4, “Managing the bosses”<sup>194</sup> summarizes the character of Coupling NCCs local political

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<sup>194</sup> This term was mentioned and emphasized several times in the interview with ZSL, the president of Tianjin Shanxi NCC.

## Chapter 7

engagement. However, Coupling NCCs do not carry out the typical independent lobbying in the sense that we would usually think of it. In their interaction with the local state, Coupling NCCs have gained influence and raised their influence in the local governance. For instance, Shanxi NCC has been chosen by the local state as the model of “social organization construction in the new era”.<sup>195</sup>

Nevertheless, Coupling NCCs’ influence on the local policy process is not successful. First, the leadership of Coupling NCCs do not have strong incentives and motivation to influence the local policy. Second, its network resources to be mobilized for lobbying are limited. Most importantly, due to the state-network oriented strategy, Coupling NCCs get too close to the state, which has wrecked their lobbying motivation and capacities. Hence, even though Coupling NCCs are established as a “bottom-up” initiative with a grass-root base, their network strategy has directly affected their capacity to influence the Chinese local policy process.

Therefore, as outlined in Chapter 4, Coupling NCCs’ influence on the local policy process is summarized as follows: Coupling NCCs’ strategy of binding with local party-state did broaden the channel for their participation in the local policy process. However, due to the fact that the channel only covered specific issues, Coupling NCCs’ influence was quite limited within specific policy areas and could not exert influence more widely.

### *Independent NCCs’ influence in the local policy process*

Independent NCCs’ engagement in the local policy process is centered on the business cooperation policy area. By providing professional coordinating services, Independent NCCs successfully promote the business cooperation between different regions and between foreign enterprises and local governments. They have demonstrated great potential in business cooperation and negotiation. However, when it comes to the regional administrative cooperation, like the administrative cooperation in the Bohai Sea area, as showed in chapter 5, they cannot exert the same influence as in the business cooperation sphere. It is noteworthy that Independent NCCs keeps distance from the local states in order to maintain its independence and efficiency in serving their membership enterprises

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<sup>195</sup> Interview with ZJ, official in Tianjin ECO.

## Chapter 7

and protecting their own profit. “Managing governments”<sup>196</sup> has indicated what the main features of their lobbying approach are in the local policy process.

There are two more features about Independent NCCs’ lobbying need to be pointed out. First, Independent NCCs are not interested in exerting influence on the local policymaking and promoting policy change. They would rather concentrate on their efforts in achieving preferential policies for membership enterprises or promoting the regional business cooperation, so as to improve their capacity in professional service. Second, Independent NCCs’ influence in the local policy process mainly focuses on the local policy implementation especially in the business policy sphere. As outlined in chapter 5, in the case of Gree Electrics when looking for a site for new plantation in Tianjin, Tianjin Guangdong NCC became an increasingly important broker in regional business cooperation, but its lobbying strategy and capacity did not work in other policy areas, such as the regional administrative cooperation.

Comparing and analyzing Independent NCCs’ dramatically different performance in different policy areas and different stages of policy process, I can see that Independent NCCs’ business-oriented network secures their resources for lobbying, but their distance from local states does not help to build up channels for their lobbying in the local policy process. However, local business cooperation policy is an exception. That is because, in business policy area, Independent NCCs meet the demands of local officials’ performance in growing local GDP. Due to that, Independent NCCs interests coincide with the interests of local governments. Independent NCCs always become the target of cooperation for local governments rather than the other way around. Therefore, Independent NCCs’ limited state links but powerful business networks make it exert some but restricted influence in the local policy process.

### *Decoupling NCCs’ influence in the local policy process*

Decoupling NCCs influence on the local policy process is much broader in policy areas and policy stages. Among the four types of NCCs, the Decoupling NCCs are the only type that has done the typical independent lobbying that scholars assume. As outlined in chapter 6, the Decoupling NCCs have become one of the most influential kinds of business association in China. Their policy engagements are not just limited within the business

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<sup>196</sup> This term was mentioned in the interview with WJS, the secretary-general of Tianjin Guangdong NCC.

## Chapter 7

area, but expand to a wide range of social policies, such as household registration and other social welfare issues. Besides, their influence in the local policy process is not constrained within the stage of local policy implementation, but extended to creating policy agendas and influencing policymakers' decisions.

Decoupling NCCs can influence the broader policy agenda and more policy stages than other types of NCCs. As demonstrated in Chapter 6, Tianjin Zhejiang NCC has successfully influenced the local policymakers to sustain the controversial Blue Seal household registration policy in Tianjin. And it has interacted extensively with local government in local business policy implementation in terms of putting its new business initiatives into practice. This indicates that Decoupling NCCs have been exerting influence on both local policymaking and policy implementation, and demonstrated the potential of Decoupling NCCs to become promising external actors in the local policy process. However, there are still great constraints on their independence and limits to their participation in certain policy area and stages.

The reasons why the Decoupling NCCs develop strong lobbying capacity and influence are attributed to its network strategy, which focuses on building both state and business networks. In the process of Decoupling NCCs' influence to the local policy process, their state networks guarantee the channels for lobbying, and their business networks guarantee the resources for lobbying. To be specific, Decoupling NCCs' state links from "origin" and "network" secure the opportunities and multi-channels for them to access the local policy process and approach local policymakers. And their acquired strong business networks secure the biggest resource to be mobilized in the lobbying process. This special mechanism can also be summarized as the main characteristic of Decoupling NCCs' interaction with local states.

### *How "Origin" and "Network" explain NCCs' policy influence*

How to explain the variation of NCCs' policy influence in local China? After examining all the factors affecting NCCs' influence and analyzing cases of lobbying by three different types of NCCs, NCCs' "Origin" (establishment initiatives) and "Network" (network orientation and network strategy) are pulled out to contribute to the explanation.

## Chapter 7

“Origin” works towards their influence — NCCs establishment initiatives directly affect their access to the policy arena (Important finding 1).

“Network” works towards their influence — NCCs network strategy directly affects their capacity to influence policy, as resource-based lobbying indicates that network with resources is very important to NCCs. (Important finding 2).

According to the analysis to Tianjin Shanxi NCC, it is concluded that the distance with local state affects NCCs’ lobbying motivation and capacity; and according to the analysis of Tianjin Guangdong NCC and Tianjin Zhejiang NCC, it is concluded that the state links of NCCs directly affect the access (channel) of their policy lobbying, while their business links directly affect the resources that they can mobilized in the lobbying, which to some degree determines the capacity and outcome of their lobbying in the local policy process.

Based on existing studies of business lobbying in China, Therefore, this research confirms that state links affect NCCs’ influence in the local policy process, as the existing studies on business lobbying and other NGO’s policy influence have indicated; Besides, this research also contributes the new argument that NCCs’ strategy also played a import role in NCCs’ policy influence. This is the important finding in this thesis to respond to the current literature and existing studies.

More implicitly, this study has introduced the concepts of Network Span and Network Intensity, and argue that NCCs’ network span influences policy making, while network intensity influences policy implementation. To be more specific, NCCs with Network Span strategy could influence more general policy agendas and policy sphere, while NCCs with Network Intensity strategy could exert more influence in specific policies especially in policy implementation stage.

### **7.3 The limitation of existing studies**

Current studies on business lobbying in China fall into two categories. Scott Kennedy, Deng Guosheng and Yu Jianxing represent the first group (Kennedy, 2005 & 2011; Deng, Kennedy, 2010 & 2012; Yu, 2014). Their studies focus on national industrial business

## Chapter 7

lobbying, with lobbyists being mainly big enterprises, like State-Owned Enterprises (SOE) and Multi-National Corporations (MNCs), and industrial associations. However, these studies do not shed light on business associations' lobbying at the local level. Deng and Kenney (2010) compare the lobbying of big companies and industrial associations but they used quantitative method and thus could not fully illustrate the mechanisms of business associations' lobbying in China. Another study of theirs (2012) affirms that industrial associations' "autonomy" affected their lobbying behavior. Different from their point of view, Yu (2014) asserts that business associations' lobbying in China does not rely on autonomy, but "privileged access". Whether "autonomy" or "privileged access", they are explaining business lobbying behavior from the perspective of organization's relationship with states.

Therefore, the main limitations of their studies are first the fact that they focus only on the national level industrial policy, but do not explain the process of business lobbying at the local level; second, their explanations of business lobbying are restricted within the factors of business organizations' nature, rather than their actual behavior, such as their lobbying strategies.

The second category of studies is led by the new generation of Chinese scholars (Wang, 2014; Huang, 2013). They focus on how the local state's institutions and policy influenced entrepreneurs' lobbying behavior and outcomes. This group of studies examined the main factors that shaped lobbying behavior of private entrepreneurs or business associations. They take the reverse approach and highlight the role of state network and political institutions in the behavior and outcome of business lobbying. They contribute to an understanding of the variation of business associations' behavior. However, the main limitation of their studies is that they do not discuss how business associations' internal features influence their lobbying motivation and capacity. Moreover, their studies focus on either a specific business association or one policy area, but do not systematically research the underpinning factors and mechanisms that shape the business associations' lobbying behavior.

Finally, the biggest limitation for current studies is that no systematic research has been conducted on NCCs' influence in the local policy process. Research on NCCs is limited, and current studies focus on either a single case study or just brief descriptive introduction on this new burgeoning business organization and some phenomenon around them.

## Chapter 7

This thesis has developed a framework based on research about NCCs in China. NCCs establishment initiatives help create channels of engagement in the local policy process, while NCCs' network strategy leads to the variation of NCCs' policy influence. More specifically, network span strategy broadens the policy issues that NCCs can engage with, and network intensity helps in the specific policy area and stages such as local policy implementation. All these findings fill the research gap about NCCs and contribute to the substance of current studies on business lobbying and business associations in China.

### **7.4 Other Interesting Points in the comparison of different types of NCCs**

According to the two dimensions of "Origin" and "Network", all NCCs are categorized in four types: Independent NCC, Coupling NCC, Decoupling NCC and Dependent NCC. By comparing these four types of NCCs, more interesting findings are revealed, which will be demonstrated below.

By comparing the six cases in chapters four, five and six, I summarize other interesting findings besides the main argument, especially in terms of how different NCCs approach the local policy makers, how they put forward their proposal about local policies, and what is the main role NCC leaders played in the whole process.

#### *Distinguishing Coupling NCCs and Decoupling NCCs*

In this thesis, Coupling NCCs and Decoupling NCCs are NCCs with strong connections with both state and business, and both adopt the network span strategy in the process of influencing local policy process. However, the differences between these two types of NCCs in terms of their policy influence and network strategy are evident.

Regarding NCCs' influence on the local policy process, Coupling NCCs' influence reflects on the area of political propaganda and advocacy, and it is in this process that they gradually gain more influence from the government rather than exerting influence to the government. Decoupling NCCs' influence was much broader in various kinds of local

## Chapter 7

policy, but their final goal was to improve their influence in the business circle, benefit their members and in the end exert wide range influence on businesses.<sup>197</sup>

Regarding their Network Span Strategy, Coupling NCC and Decoupling NCC also have different focus. Coupling NCCs sacrifice part of their autonomy to develop closer links with the state, while Decoupling NCCs give up part of their state links to acquire more business connections. Therefore, in the end, Coupling NCCs are comparatively more state-network oriented and Decoupling NCC more business network oriented.

### *The Liaison Office's role in NCCs' interaction with local state*

The Liaison Office is a special mechanism of local governments in China, with its main function being bridging different regional governments. The former has played important roles in some NCCs' emergence and development. For example, Zhejiang Government's Tianjin Liaison Office initiated Tianjin Zhejiang NCC; Guangdong Government's Beijing Liaison Office provided great financial and policy support to Tianjin Guangdong NCC. During NCCs' interaction with local states, the Liaison Office acted as a sponsor to lead and protect NCCs' development in the host places. However, it inevitably eroded NCCs' independence when NCCs kept a very close relation with it. An example of this is the Dependent NCC - Sha'anxi NCC, which will be briefly introduced below.

### *Future direction of Independent NCCs' development*

In this research, Independent NCC demonstrates great significance in brokering business cooperation between different localities. However, its influence is restricted within specific business areas, and it is very hard for Independent NCCs to go beyond the influence in business cooperation. Therefore, it is doubtful whether Independent NCCs can maintain the momentum of development in the future. They may develop towards service-oriented enterprise, or sustain their status as business associations with marginal influence towards local policy process, which is worth studying in the future.

### *The characteristics of local policymaking in China*

Analyzing all the policy cases in the case analysis chapters, it is evident that all the policy proposals are intended to be submitted or are already submitted to local administrative

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<sup>197</sup> Interview with LLG, the president of Tianjin Zhejiang NCC.

## Chapter 7

departments, rather than the local legislative department. This indirectly indicates the weak and awkward position of local legislative departments in the Chinese local policy process. There are very few and limited lobbyists trying to deliver their policy proposals through the legitimate channels like the local NPC (National People's Congress) and the CPPCC (Chinese People's Political Consultative Conference), considering the efficiency and effectiveness of these channels. Through this, I can discern the characteristics of Chinese local policymaking: a significant part of local policymaking and local decision making are carried out by the local governments' administrative departments, which are embedded within in the process of local policy implementation.

### *NCC activists' role towards NCCs' policy influence*

As introduced in Chapter 1, NCC activists refer to the people who devote their time and energy to promoting NCCs' growth and development with pioneering spirits and innovative courage. Most of the time, NCC activists are the presidents or secretary-generals of NCCs, and sometimes they can be local officials in the government bureaucracy. The common feature across NCC activists are that they have directly or indirectly raised the profile of NCCs' influence and engaged NCCs to be active actors in local governance. Personal social capital has been used to build up NCCs' social network. In this case, Shanxi NCC used ZSL's personal political resources to build up the connections with local state. To what extent is the lobbying success due to things like individual activists' resources, rather than to the network intensity and span of the NCC? It remains to be further investigated.

### *The type of Dependent NCCs- Tianjin Sha'anxi NCC*

Like traditional business associations, the Dependent NCCs are initiated by a host or the home government agencies and has intrinsic linkage with officialdom. It is closely related with non-local Liaison Offices (*zhuwai banshichu* or *zhuwai bangongshi*). More often than not the Dependent NCC and the Liaison Office are combined as "two names (organizations), [with] one management team" (*liangkuai paizi, yitao banzi*).<sup>198</sup> As a consequence, the Dependent NCC's functions are mainly focused on dealing with inter-governmental relations, including cooperation, official visits and regional negotiations. Due to the obliged duty and its financial and personnel dependency, it is highly dependent

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<sup>198</sup> “两块牌子，一套班子”。

## Chapter 7

on their home government and acts as the extension of bureau agencies. However, because of the strong linkage with the home government, dependent NCCs have more channels within the political and institutional system to get access to local policy process. Through the internal channels, they can exert certain influence on the local policy process especially in policy implementation, which it is hardly examined by scholars though.

Regarding network building, the dependent NCC is very state network oriented and adopts the network intensity strategy. However, keeping a very close relationship with states, the Dependent NCC still distinguishes from other government organized business associations in terms of function and operation<sup>199</sup>.

Dependent NCC's binding with home government's Liaison office inevitably eroded its own independence and flexibility, in terms of the content and function. Rather than saying it is a NCC with top-down initiatives, it is more accurate to define it as a government sponsored business association or GONGO (government organized NGO). Due to lack of empirical evidence and it being beyond the scope of this research<sup>200</sup>, I do not include an in-depth analysis of Dependent NCC in this thesis.

### **7.5 Research contribution**

As outlined in Chapter 1, this research makes three key contributions to current studies. First, this research on NCCs' influence on the Chinese local policy process goes beyond the statist explanation and state-civil society debate. It has shown that state linkage affected NCCs' influence on the local policy process, which also existing studies on business associations and other NGOs have shown. Beyond this, this piece of research also highlights what kind of state linkage that works best for NCC's influence and how their strategies make a difference to their influence.

Second, this research concentrates on the external actors' influence on the local policy process in China, differing from central policy processes that previous studies have focused on. Chinese local policy process has been rarely systematically studied in the English literature, so this thesis contributes to this research gap in current studies.

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<sup>199</sup> This chapter will not expand on this point.

<sup>200</sup> Research about Dependent NCCs should focus on government-organized or government-sponsored business associations, while this research mainly focuses on external actors with grass-root bases towards the local policy process.

## Chapter 7

Moreover, I studied the external actors' interaction with local states in the Chinese local policy process. Using NCCs as an example of external actors, this thesis showcases the mechanisms and procedures of these interactions. Considering the large-scale regional variations in local policymaking and implementation, this thesis develops a theoretical framework for explaining external actors' influence in the Chinese local policy processes.

Third, this research provides much empirical evidence about NCCs as well as local policy cases based on first-hand fieldwork material. Since NCCs are a new type of business groups understudied both in western and Chinese academia, the present thesis demonstrates the full story of NCCs' emergence and development in China. This contributes to the understanding of the complexity of Chinese local politics and operational systems in local China. These rich empirical materials on NCCs and local policy cases expand our understanding of NCCs and the local policy process in China. Empirical evidence on how NCCs emerged and developed, their regional development variations as well as their interaction with local states and political engagement are all new knowledge about NCCs even in Chinese academia. These empirical materials contribute to knowledge about business associations in China.

Finally, this thesis examines how NCCs, as an external actor in the local policy process and private sector business association, incorporate with other actors and expand their network in order to enhance their influence in the local policy process and exert political significance. The thesis therefore also makes a further important contribution to understanding other important issues in transitional China, such as the role of private sector in political participation, and etc.

### **7.6 The implications of this research in China studies**

This research on NCCs' interaction with local states has not just revealed the state-society relations and business lobbying in current China, but reflected on the complexity of Chinese political ecology, which has some implications for current China studies within and outside China.

First, NCCs' influence on the local policy process is an on-going process. As outlined in this piece of work, this on-going process has demonstrated certain degree of vulnerability and unsustainability. The timeframe of this research covers the period between 1995 and

## Chapter 7

2013, so it does not cover further developments in NCCs' influence on local policy process after 2013. As indicated in the online news and reports about NCCs, the national top leaders change and the central policy context may have a significant effect on NCCs' interaction with local states. When President Hu Jintao and Premier Wen Jiabao were on stage, the space for NCCs' development was more open and flexible. However, since the new president Xi Jinping took power in 2012, the space for NCCs and other social organizations has been restricted due to the implementation of more conservative central policies. Therefore, it is evident that external actors' influence on the local policy process is much subject to the change of national top leaders and central policy context.

Second, Chinese business lobbying is under the penetration from local party – state, so the relationship between CCP and NCC is a two-way relationship. Not just NCCs try to influence the decision-making from local party state, but reversely the local CCP departments are influencing NCCs' function and activities as well. As outlined in Tianjin Shanxi NCC's case, the consequences of Coupling NCC getting too close to the state is the state's erosion of its lobbying independence (motivation) and lobbying capacity. In this thesis, Tianjin Shanxi NCC even though it has a "bottom-up" grass-roots base, it proactively approached the local state actors and proposed to set up party branches within social organizations. This is the example of Party-penetration. But in the case of Tianjin Guangdong NCCs, the penetration process is more passively through local officials' active approach to Guangdong NCCs, based on the consideration of their local economic interests. This is an example of state penetration. Generally speaking, most of grass-rooted business associations lose their initial target either due to party-state penetration or due to individual economic interests. In an authoritarian state, where the state holds the majority of economic resources, business associations refrain from being independent and autonomous. NCCs in China started with an optimistic and promising future. However, due to institutional obstacles, local state's involvement and their organizational limits, they are showing various facets with pessimistic outlook. This preliminary finding resounds to the current scholarly attention on the upsurge of PONGO (Party-organized NGO) building within social organizations in China (Thornton, 2013).

Third, there are some implications for other external actors in the local policy process. Unlike general or national policy change, local policy process is complex with no clear boundaries. Therefore, it is hard to distinguish policy-making and policy implementation,

## Chapter 7

which also makes it hard to examine the actual mechanism NCCs' use to influence the local policy process; as the influence is embedded in the interaction with the local states. Therefore, the implications for other Chinese local policy process studies are using case analysis with fulfilled empirical evidences to show the whole policy process in the local level.

Moreover, despite continuing criticism on the Chinese authoritarian political system, the range of participants in the decision-making process has widened, with different social actors now playing an increasingly important role in the Chinese policymaking process (Zhu, 2010). This research on NCCs has confirmed this point of view and contributed to highlighting another significant external actor in the Chinese policy process to the academic discussion.

### **7.7 Research limitations and future research**

However, this research has some limitations. Understanding these limitations will help carrying out further studies in the future. First, NCCs' influence in the local policy process is an on-going changing process, but this research is restricted within a time frame from 1995 to 2013. How much has changed since the main investigation for this thesis took place in 2012, we need to explore.

Second, The influence of NCCs in the policy process is hard to measure. It is possible that NCCs' real influence is less than what the interviewees working in NCCs expected and interpreted. Moreover, there is not enough evidence to prove a causal relationship between NCCs' lobbying behavior and the outcomes in policy change. As in the local context, there are so many possible and potential factors could lead to change local policy. There is no way to control all the variables in this research apart from the geographical localities and institutional context.

Third, the selection of case localities and policy cases is constrained by the researcher's time and energy. Due to limits in research time and lack of empirical material, I gave up the locality of Hangzhou, and only selected Tianjin as the only case locality to examine four different types of NCCs. In this way, I have controlled the variable of geographical locality and institutional context, but given up the regional comparison among different types of NCCs. Moreover, some of the policy cases in the core case analysis chapters are

## Chapter 7

not rich and complete. As most of the policy case material was based on my interviews and participant observation in the fieldwork, different interviewees sometimes gave inconsistent answers and I could not do multi-party verifications. That may explain some of the incoherence in introducing some of the case policies.

Finally, due to lack of relevant studies on Chinese local policy process, my understanding towards the actual operational mechanism of local governments in China has limitations and constraints. This affected my analysis towards the case policies in the core case chapters.

Regarding the implications for future research, this study also indicates future directions.

- Lack of time and energy to expand the analysis on Network Span, Network Intensity and Chinese local policy implementation. They all reserve for further study.
- This thesis has developed a framework to analyze NCCs' influence in the local policy process. It would be interesting to test how this framework applies in other type of external actors in the local policy process in the future studies.
- This research only focuses on Tianjin, a north and high state-controlled city in China, but whether this finding would be apply in other cities like Hangzhou and Guangzhou, which needs to be further researched.
- I did not manage to sample and interview all NCCs - discuss whether there could be some kind of bias to the kinds of NCCs I studied. Could there be other 'types' or examples that I have not identified? Could there be other dimensions to the NCCs that I have not been able to identify? All these limitations could only be overcome with more in-depth studies about NCCs in different regions of China.
- The insufficient empirical evidence led to the deficit in illustrating the casual link of the influencing mechanisms, especially in terms of how NCCs' internal structure and operation affect their lobbying behavior and outcomes. Therefore, more investigations need to be carried out to explore the relations between NCCs' internal factors and external factors towards their influence in the local policy process.

## **Appendix A: Sample interview outline**

### **Proposed Individual Interview Themes - for academics**

1. The characteristics of business lobbying in China
2. How do you find the phenomena of NCCs' emergence? Do they have influence on the local policy making?
3. The space of NCCs' participation into the local policy process
4. The strategy and behaviour mode of NCCs' influence on local policy process. (Formal or informal, directly or indirectly, which policy areas, which stage of policy circle)
5. The structure of local governance and policy making process.
6. Compared to the normal business association, what are the pros and cons of NCCs in lobbying?
7. How will you define NCC? Could it be defined as the grass rooted civil society in China?
8. Can you forecast the developing trend of NCCs in the next 10 years?

## Appendix

### **Proposed Individual Interview Themes -for secretary-generals or presidents of NCCs**

#### **For your organization:**

1. How did your NCC get established? Did you get support from original or local governments? Which kind of barriers did you overcome?
2. How do you recruit members? How do you make it attractive among non-local enterprises?
3. Do you have routine mechanism to contact with original or local governments?
4. Which kind of issues do you concern when you have a chance to communicate with local officials?
5. Does your NCC have industrial focus here in this city? And how important is it to the local economy?
6. Do you cooperate with other NCCs? Which kind of activities do you work on together?
7. Are there any institutional channels for proposing and reflecting problems related to the organization and members to local government?
8. How do you manage the relationship with media?
9. How do you build your NCC's influence? (Financial power, reputation, expertise, social network, and which is more important?)
10. Compared to the normal business association, what are the pros and cons of your organization?
11. How do you assess the developing situation and policy environment of NCCs? Can you anticipate the future of NCCs?

#### **For you individually:**

1. What is the motivation for you to be the president of NCC?
2. Are you a party member? Have you been trying to be a representative in the local People's Congress or local CPPCC?
3. How did you expand and enhance your social network?
4. Have you been invited to a policy consultancy meeting by local government? Do your suggestions work?

## Appendix

5. Have you considered inviting some local celebrities to join your NCC?
6. Which kind of charity work did you do in recent years?
7. As a non-local businessman, what kind of policy do you concern most? How did you try to make your voice heard?
8. If you can't make a successful proposal to the government, what other ways will you think of to use? Illustrate it with examples.
9. Do you think you and your organization's efforts have influenced the policy making?

## Appendix

### **Proposed Individual Interview Themes - For ICF and Economic Coordination Office**

1. Introduction of your department and its affiliation to business association (especially NCC, how many memberships)
2. How many NCCs in Tianjin now? How much investment did they bring from outside in 2010? (More data)
3. Are there special policies or regulations for NCCs' development nationally and locally?
4. How is the relationship among NCCs, their original locality government and your department? (Did you take NCCs as a channel to communicate with their original governments?)
5. How many routine mechanisms do you have to interact with NCCs? How have they been carried out? (Monthly meeting, consultancy meeting or public hearings)
6. Is NCC an effective actor in interest expressing? How did they do it? (Interest representation)
7. Which policy areas do NCCs concern? How do they show their concern? Please give some examples.
8. Do you think NCCs' participation could influence policy? Can you give an example?
9. Did you keep good relationships with some presidents of NCCs? Did you often attend their activities? (I think this one maybe a little sensitive)
10. What is your opinion on the NCCs' participation in the local governance?
11. Can you forecast the developing direction of NCCs in future?

## Appendix

### **Proposed Individual Interview Themes (For social departments of government)**

1. Introduction of your department briefly. Which kind of policy-making is your department responsible to? Does it relate to NCCs?
2. Does your department have involvement with NCCs or non-local people? Please give some example of your dealings with NCCs.
3. How many routine mechanisms do you have to interact with NCCs? How have they been carried out? (Monthly meeting, consultancy meeting or public hearings)
4. Which specific policy areas do NCCs concern? How do they show their concern? Please give some examples.
5. Is NCC an effective actor in influencing policy? How did they do it? Do their actions work?
6. Did you keep good relationships with some presidents of NCCs? Did you often attend their activities?
7. What is your opinion on the NCCs' participation in the local governance?
8. Can you forecast the developing direction of NCCs in future?

## Appendix B: Sample information sheet

### Consent to be interviewed for PhD project

#### ‘The Influence of Non-local Chambers of Commerce in Chinese Policy Process’

#### Information for the Interviewee - Please read this sheet carefully before completing the consent form

The aim of this PhD project is to develop a framework to explain Chinese local policy process and examine the influence of Non-local Chambers of Commerce in policy-making, which intends to find the casual link between NCC’s lobbying and the outcome of policy. The focus of the study is the NCCs in Tianjin and Hangzhou and their participation into the policy process. The main research questions are on how NCCs influence policy process and why influence varies under different conditions. The purpose of the interview is to gather information of specific influential behaviors of NCCs and their interaction with policy makers in the formation of local policy. The data gathered from this interview will only be available to the investigator and the investigator’s PhD supervisor (contact details below).

The accompanying consent form offers three degrees of anonymity with relation to use of data gathered from the interview in future work. The consent form relates to the immediate PhD project and planned publication of the thesis and journal articles written over the course of the project. If recording is consented to, the interviewee has the option to request that the data gathered from the interview is destroyed once the interviewer has transcribed the interview (from which the interviewee will not be identifiable).

#### 异地商会在地方政策过程中的影响力研究

尊敬的被访谈人：

您好，我是英国格拉斯哥大学社会与政治科学学院的博士生王华（HUA WANG），感谢您配合我的调研工作。

本研究的目的是通过考察异地商会在地方政策过程中的影响力，为中国地方政策过程提供一个解释框架。调研重心是考察天津和杭州地区的异地商会并观察他们在政策过程中的参与行为。研究的核心问题是异地商会如何参与政策过程，以及什么因素影响到其影响力的发挥。本次访谈的目的是通过与您的交流得到异地商会自身内

## Appendix

部建设以及与政策互动的基本情况，调研所得数据资料严格保密，仅限于访谈人王华及其导师 Jane Duckett（联系方式见下方）。

### **Contact Details**

Please find below relevant contact details for the investigator and the investigator's supervisor. If you have any queries or questions about the research or the interview process, please do not hesitate to make contact to discuss the issues. Professor Duckett is able to handle queries or complaints that you may have about the investigator or the interview process. 以下是访谈者及其导师的联系方式。如果您对研究或访谈过程有任何的疑问，请联系。Jane Duckett 教授负责处理所有的咨询和投诉。

### **Investigator**

#### **Hua Wang**

PhD Researcher

Department of Politics, University of Glasgow

email: [h.wang.3@research.gla.ac.uk](mailto:h.wang.3@research.gla.ac.uk)

710 Adam Smith Building, 40 Bute Gardens, Glasgow, G12 8RT  
phone: +44 (0)141 330 8236

### **Ethics officer**

Dr Valentina Bold

College of Social Sciences ethics officer

email: [valentine.bold@glasgow.ac.uk](mailto:valentine.bold@glasgow.ac.uk)

### **Investigator's Supervisor**

#### **Jane Duckett**

Professor of Chinese & Comparative Politics

Department of Politics, University of Glasgow

email: [jane.duckett@glasgow.ac.uk](mailto:jane.duckett@glasgow.ac.uk)

1202 Adam Smith Building, 40 Bute Gardens, Glasgow, G12 8RT  
phone: +44 (0)141 330 2871

## Appendix C: Sample consent form

**Consent to be interviewed for PhD project  
'The Influence of Non-local Chambers of Commerce in Chinese Policy Process'**

**Please read the accompanying information sheet before completing this form.**

### INTERVIEWEE INFORMATION

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Organization: \_\_\_\_\_

Location: \_\_\_\_\_

### INTERVIEWEE CONSENT

Please tick one as appropriate

I give permission to quote me by name in published work unless I specify otherwise

I give permission to quote or paraphrase me in published work, but without attribution unless I specify otherwise

### PERMISSION TO RECORD INTERVIEW

Please tick one as appropriate

I give my permission for this interview to be recorded

I decline to give my permission for this interview to be recorded

### PERMISSION TO STORE INTERVIEW DATA

Please tick one as appropriate

I give my permission for the interviewer to retain a copy of the data indefinitely

I request that the recording is erased and once the interviewer has transcribed the interview

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Appendix D: List of interviews**

Interviewees	Organizations	Date
<b>Tianjin</b>		
ZSL	Tianjin Shanxi NCC	17/06/2011 & 12/05/2012
GSP	Tianjin Shanxi NCC	12/06/2011 & 12/05/2012 & 15/05/2012
HSJ	Tianjin Wenzhou NCC	19/06/2011
RSX	Tianjin Fujian NCC	20/06/2011
NXY	Tian TEDA Administration Office	22/06/2011
GRB	Tianjin TEDA Chamber of Commerce	23/06/2011
LYH	Tianjin TEDA Chamber of Commerce	23/06/2011
CX	Tianjin TEDA Chamber of Commerce	23/06/2011
ZM	Tianjin TEDA Chamber of Commerce	23/06/2011
LYZ	Tianjin Association of Entrepreneurs	28/06/2011
LWK	Tianjin Administration Bureau of Social Organizations	03/07/2011
FXZ	Tianjin Administration Bureau of Social Organizations	03/07/2011
TWH	Tianjin Fujian NCC	13/07/2011
ZTH	Tianjin Hubei NCC	07/05/2012
MZ	Tianjin economic association	24/04/2012
WJS	Tianjin Guangdong NCC	14/05/2012 & 17/05/2012 & 22/05/2012
KLZ	Tianjin Shanxi NCC, Industrial Branch	24/05/2012
WW	Tianjin Government's Guangzhou Liaison Office	14/05/2012
YD	Tianjin Beichen district government	14/05/2012
GJY	Tianjin Inner-Mongolia Chamber of Commerce	20/06/2012
XXX	Tianjin Sha'anxi NCC	20/06/2012
ZX	Tianjin Shanghai NCC	20/06/2012
SWP	Tianjin Zhejiang NCC	27/06/2012
ZL	Tianjin Zhejiang NCC	27/06/2012
GYL	Tianjin Shanxi NCC, Jinzhong Branch	27/06/2012
LLG	Tianjin Zhejiang NCC	28/06/2012
RSS	Tianjin Shandong NCC	29/06/2012
MZH	Tianjin Shandong NCC	29/06/2012
WWQ	Tianjin ICF	30/06/2012

Appendix

LJY	Tianjin CAB	04/07/2012
GDJ	Nankai University	17/06/2012 & 05/07/2012
LMY	Tianjin University	05/07/2012
CXL	Tianjin Party School	06/07/2012
LBL	Nanjing University	25/06/2013
WM	Qinghua University	25/06/2013
ZJ	Tianjin ECO	10/07/2013
LX	Tianjin ECO	10/07/2013
ZL	Tianjin CAB	12/07/2013
<b>Changchun</b>		
CMX	Jilin Guangdong NCC	17/05/2012
HXM	Jilin Guangdong NCC	17/05/2012
LHX	Shandong Guangdong NCC	17/05/2012
TH	Heilongjiang Guangdong NCC	18/05/2012
YH	Guangdong General Chamber of Commerce	18/05/2012
GYK	Guangdong Informatization and Cooperation Office	18/05/2012
LZM	Qingdao Guangdong NCC	18/05/2012
CXQ	Inner-Mongolia Guangdong NCC	19/05/2012
SWF	Yunnan Guangdong NCC	19/05/2012
QW	Jiangxi Guangdong NCC	19/05/2012
WJ	Guangdong Government's Liaison Office in Beijing	20/05/2012
GDX	Guangdong Government's Liaison Office in Shanghai	20/05/2012
YDK	Guangdong Government's Liaison Office in Northeast Region	20/05/2012
LM	Zhejiang Guangdong NCC	20/05/2012
XY	Sha'anxi Guangdong NCC	20/05/2012
<b>Hangzhou</b>		
FQZ	Hangzhou Taizhou NCC	25/03/2012
XXX	Hangzhou Hubei NCC	26/03/2012
RDM	Hangzhou Silk Industry Association	13/07/2012
LYC	Zhejiang/Hangzhou Hunan NCC	13/07/2012
GDD	Human Resources Association of Zhejiang Province, Overseas Center	18/07/2012
ZL	Hangzhou Henan NCC	19/07/2012
CHQ	Zhejiang Chongqing NCC	19/07/2012
MB	Zhejiang Guangdong NCC	29/03/2012
WWC	Hangzhou Brand Association	29/03/2012

## Appendix

SXM	Tian Tian Kai Xin Association	30/03/2012
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