

# **INTER ASIA PAPERS**

**ISSN 2013-1747**

**n° 31 / 2013**

## **THE PROBLEM OF GOVERNANCE IN CHINA**

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**Grupo de Investigación Inter Asia**

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## **EDITA**

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Centro de Estudios e Investigación sobre Asia Oriental  
Bellaterra (Cerdanyola del Vallès) Barcelona  
Universitat Autònoma de Barcelona

ISSN 2013-1739 (versión impresa)

Depósito Legal: B-50443-2008 (versión impresa)

ISSN 2013-1747 (versión en línea)

Depósito Legal: B-50442-2008 (versión en línea)

Diseño: Xesco Ortega

# **The Problem of Governance in China**

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## **Resumen**

El artículo nos aproxima a la esfera pública en China a través del ámbito del comercio, que es un espacio clave en la emergencia de la sociedad civil. El autor analiza el surgimiento de la esfera pública y la sociedad civil en China desde finales de la dinastía Qing hasta la actualidad. Por lo que se refiere a la contemporaneidad, el artículo examina el desarrollo de las cámaras de comercio en Wenzhou, un lugar donde la actividad asociativa y el desarrollo de la economía privada han tenido un papel predominante en China. Finalmente el artículo analiza hasta qué punto y qué tipo de institucionalización se está desarrollando en China.

## **Palabras clave**

Sociedad civil, esfera pública, gobernanza, China

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## **Abstract**

The paper discusses the public sphere in China by looking at the commercial area, which is a key area in the emergence of civil society. To do that, the paper highlights the situation of public sphere and civil society from the late Qing to the present. Regarding the contemporaneity, the paper analyzes the development over the past few years of chambers of commerce in Wenzhou, where associational activity, like the development of the private economy, has gone well beyond other places in China. Finally the paper reflects on the notion of institutionalization by focusing on what type and how much institutionalization is taking place in contemporary China.

## **Keywords**

Civil society, public sphere, governance, China



# THE PROBLEM OF GOVERNANCE IN CHINA<sup>1</sup>

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There are many different dimensions to governance –elite politics, the provision of public services, the incorporation or non-incorporation of societal interests, etcetera.– but the way I think of governance issues is essentially the way power *is* or *is not* constrained at various levels. Of course, the way power is or is not constrained is directly related to institutionalization on the one hand and the way societal interests are able to be expressed on the other. Interestingly, the way power is or is not constrained at one level is quite related to the way it is or is not constrained at another level. The two levels that most interest me are elite politics and that space between state and society that is usually known as the “public sphere”. In this paper, however, I only have space to discuss the public sphere, and I will do so primarily by looking at the commercial area, which is the area in which one might expect the emergence of civil society because this area is the least threatening to the state. And I would like to do so by looking not just at contemporary China, but at the public sphere from the late Qing to the present.

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<sup>1</sup> Publication of this paper has been authorised by CIDOB-Barcelona Centre for International Affairs.

## Introduction

In modern Chinese history, the emergence of the public sphere might be traced back to the elite activism that Mary Rankin (1986) has studied so well. In post-Taiping Zhejiang province, local elites were made up of a combination of traditional gentry and the emergent merchant class, and there was less and less distinction between these two groups over time. These elites undertook a wide range of activities, including reconstruction efforts, philanthropic activities, and educational activities that exceeded the bounds that China's traditional elites had played. Given the weakness of the late Qing state, local elites took on a public role that eventually challenged the authority of the state. Rankin argues that the rise of the press helped mobilize public opinion in the late 19<sup>th</sup> century and provide a critical voice for local elites that eventually undermined the legitimacy of the Qing. Nationalism provided an ideological focus for this emerging critical voice. The issue that eventually mobilized this local elite in opposition to the state was the decision of a newly activist state—under the New Policies of the late Qing—to borrow money from Britain to build a railroad in Zhejiang. The effort to extend the power of the central state clashed with the mobilized opinion of local society and eventually undermined the legitimacy of the Qing state. This demonstration of the power of the emergent public sphere, however, did not lead to a new, vigorous associational life that might have reshaped state-society relations along pluralist lines. This was in part because the organization of local elites in Zhejiang had taken place under a state structure that made autonomous organization illegal. The result was that local organizations never had the legitimacy that might have led China along a more liberal democratic path (Rankin, 1986: 25, 263-298, 306-307).

Up the coast a bit, elite activism, including associational activity, was thriving in Shanghai. The presence of foreign

concessions, while an assault on Chinese sovereignty, brought new ideas and new models of governance, while the crumbling of state authority brought freedom from higher levels of Chinese officials who would stifle autonomous organizations. This combination of forces brought at least two developments worth remembering. One was the formation of the Shanghai General Chamber of Commerce in 1903. The chamber of commerce brought together the leading merchants of the city as they began to articulate their own interests as merchants and as citizens. Like chambers of commerce elsewhere, the Shanghai General Chamber of Commerce formed a merchant militia to help preserve social order in the city. Eventually this merchant militia expressed the political leanings of the members when it joined the republican forces in the Revolution of 1911.

The other was the formation of the Shanghai City Council in 1905 in Nanshi. This was perhaps the most democratic government to appear on mainland Chinese soil to this day. Councilors were elected, and they debated the issues of the day on a basis of equality. The Chinese administered part of Shanghai was autonomous from higher levels of administrative authority (Elvin, 1969: 41-665).

This flurry of governmental self-organization and associational activity slowed in the wake of the failure of the Second Revolution. Yuan Shikai moved to consolidate his power by ending the autonomy of the Shanghai City Council and by eliminating the merchant militia in 1914. These efforts to curb the emergence of societal interests ended, at least for a while, with Yuan Shikai's death and the descent into warlordism, though the Shanghai City Council never reopened.

The Shanghai General Chamber of Commerce flourished in the warlord period, but the absence of effective state authority limited its usefulness. The chamber tried to organize

discussions among competing warlords to end the constant warfare, but the chamber hardly had the influence to achieve such an ambitious goal. It also lobbied for tariff autonomy, but the absence of state power made such appeals ineffective. It supported the election of Chinese to the British dominated city council in the International Settlement, though, again, it was unable to achieve its goal. And its members, while hardly populists, were nationalists, supporting the May Fourth Movement in 1919 and the May Thirtieth Movement in 1925. And, of course, the chamber, or at least several of its leading members, supported the Nationalist Revolution that brought Chiang Kai-shek and the Nationalist Party to power. Labor unions also grew up in this period, particularly in the wake of the May Fourth Movement, and, of course, they were the leading force in the May 30<sup>th</sup> Movement.

The re-emergence of effective state power, at least in the lower Yangzi valley, however, curbed this growing associational activity. The Nationalist Government promulgated a set of laws that articulated a corporatist framework for organizing state-society relations. Fundamentally these laws, and much of Nationalist Government policy, were demobilizing, intended not to provide channels for interest articulation but to stop the organized expression of interests. This was especially true of labor unions, but it applies to merchants associations as well. Private interests could still be expressed privately, of course, but the private expression of interests could not solve the larger problem of governance. Associations, whether of merchants or workers, could hardly constrain political power. And government policy seemed to view autonomous associations as threats to the exercise of political power. If they could not be suppressed altogether, they could at least be organized into state dominated, and largely ineffective, channels that, among other things, took up organizational space and prevented the emergence of other associations.



It is of more than passing interest to inquire as to why civil society did not emerge in this era. Perhaps the simplest and most direct answer is that the Nationalist movement was a revolutionary movement, and like most revolutionary movements it had a solipsistic ideology that recognized no legitimate curbs to its authority. The constitutional framework it established, as Nathan has shown, was full of qualifications that really did not limit the authority of the State (Nathan, 1985). But it is also true that society was weak. Shanghai may have been a bourgeois city, but China was not a bourgeois country. The result was that society could work with the state, but it could not resist the state.

If the Nationalist era was characterized by a state corporatist framework, the PRC implemented a Leninist monistic system in which chambers of commerce, quickly redubbed Federations of Industry and Commerce (*gongshanglian*), became the “transmission belts” forwarding the latest policies of the party/state, just as the Women’s Federation and the All-China Federation of Labor Unions did in their respective areas of society. In fact, the *Gongshanglian* were in even worse shape than the Federation of Labor Unions and Women’s Associations, for the task of the *Gongshanglian* was to eliminate the class that it presumably represented. Not only could civil society not appear in this period, even *minjian shehui* (usually translated “folk society”) survived only with great difficulty.

After reforms began in 1978, *minjian shehui* began to re-emerge quickly. Even the “transmission belt” United Front organizations began to articulate at least some of the interests of their constituents. In the area of chambers of commerce, in 1988 the re-established *gongshanglian* began to write “chamber of commerce” on the other side of their signboards. Then, it was actually the *gongshanglian*, in search of members to

govern, that began to organize subordinate chambers of commerce. In other words, the initial effort was a top-down effort to organize an already emergent *minjian shehui*. Chambers of commerce were rather heavy handed, bureaucratic organizations that had little in common with either *minjian shehui* or civil society, and in many places they remain that way. They also adopted a corporatist framework –one association, one trade, one administrative division– that had the affect of blocking the rise of associations that could actually articulate the interest of their members –such organizations exist, but they do so only informally.

I have begun looking at the development of chambers of commerce in Wenzhou, where associational activity, like the development of the private economy, has gone well beyond other places in China. In other words, if there is any place in China where one might expect to see civil society develop, it would be Wenzhou. Of course, Wenzhou has many special characteristics, including its history, dialect, and unique local culture, so it is not clear that its experience could be replicated elsewhere. Still, it suggests a sort of outer limit to the development of civil society and is therefore worth exploring as a test case.

It is interesting that chambers of commerce did not develop in Wenzhou as a natural outgrowth of the private economy. On the contrary, as in other places in China, they were brought into being through government effort. When the *Gongshanglian* was established in Wenzhou, it needed to have chambers of commerce to justify its own existence. This was an organizational need, not a societal demand.

Perhaps the most interesting example of the formation of an early trade association is that of the Lucheng District Shoe Industry Association –Lucheng being a district in Wenzhou–.

In 1987 5.000 Wenzhou-made shoes were burned in protest against their poor quality. But this was not a civil disturbance; it was the Lucheng District Government itself that carried out this “protest”. And it was not the shoe industry that took the lead in organizing in response but rather the Lucheng District government that organized the Lucheng District Shoe Industry Association. The district government, in consultation with industry representatives, drew up a set of industry standards and, in good corporatist fashion, ordered that all shoe producers to join the new association. The association was given enforcement functions, but it was clearly government standards that were being enforced on behalf of the government. This was an effort that supported the interests of the local shoe manufacturing industry, particularly the larger manufacturers, but it nevertheless was inaugurated from the top.

Even two decades later, the relationship between the Lucheng District Shoe Association and the local government remains very close. The requirement for all shoe producers to join the association has been dropped and many of the smaller manufacturers have dropped out of the association –to avoid paying dues–, though they are still required to follow the association’s rules with regards to standards and after-sales service.

Despite the early appearance of the Lucheng District Shoe Industry Association and a few others, it was only after Deng Xiaoping’s “Southern sojourn”, which was heartily applauded in Wenzhou, that large numbers of chambers of commerce and industry associations were organized, suggesting again the importance of politics in the organization of society. Although the state again took the lead, at least many of these associations reflected their members’ needs and interests. Unlike in most places in China, the Wenzhou government does not allocate funds for such associations; they are self-supporting through

membership fees, training, and associational activities such as industrial expositions. They may remain under the supervision of the government, but they elect their own leadership, sometimes in hotly contested elections.

Although the framework governing their activities remains corporatist, industry associations have increasingly found ways to get around such restrictions. For instance, in the shoe industry, there are at least five different associations –covering leather, shoe heels, shoe materials, etc.– registered at the municipal level, and there are at least five different provincial associations (*tongxianghui*) registered with the Wenzhou government. So associations are more plural and tend to cross administrative boundaries more than a corporatist model would lead one to expect.

Moreover, Wenzhou merchants have also been terrifically successful in extending their organizations throughout China –and, indeed, the world–. There are now over 130 Wenzhou chambers of commerce –or industry associations– in different cities in China –known as *yidi shanghui*–. This pattern fits neither a corporatist model nor a Leninist model. Such associations represent all Wenzhou merchants in a particular area, not just one industry, and they are clearly organized horizontally, not in the nice, neat vertical lines favored by Leninist systems. What they resemble more than anything else is the guild associations of traditional China.

Like the guilds of traditional China, these associations increase predictability in an uncertain world in which legal institutions remain poorly developed. Indeed, precisely because their standing in these various locales is largely dependent on informal relations, serving the interests of both the locale in question –by bring in investment– and the Wenzhou merchants –by providing channels to the local government and

information about investment opportunities for each other—, both the local government and the Wenzhou associations have a common interest in cultivating the mutual interests and understandings that allow each to prosper. And that often means denying opportunities to others—for instance, not allowing associations from other areas to register—and not promoting legal institutions—which would dilute the importance of informal relationships—. The result, then, is a thickening of the social relationships—that is, social capital—that make up *minjian shehui* but not the development of civil society.

## **Institutionalization**

Institutionalization seems to be the buzz word in the China field, but there has been little attention to what type and how much institutionalization is taking place. In general, Chinese scholars in China are very cautious about their use of the term institutionalization, preferring instead the term “quasi-institutionalization” (*zhun zhiduhua*). Obviously, by using the term “quasi-institutionalization” these scholars are suggesting that the processes that have taken place in China fall short of full institutionalization. This usage is rather in accordance with the way Western scholars discuss institutionalization, or at least formal institutionalization. Western scholars identify formal institutionalization in part by the presence of third-party enforcement. The existence or absence of third-party enforcement speaks volumes about the difference between civil society as it is known in the West and the development of social capital or *minjian shehui* as it has developed in China, either historically or in the present. Without third-party enforcement, including an independent judiciary and a legal framework to define state-society relations, one can only have quasi-institutionalization.

Although the term quasi-institutionalization is used in the Chinese literature, it is rarely defined. It is not easy to assert that the term quasi-institutionalism is appropriate or not; perhaps informal institutionalism would be better. But in any event, we are going to describe some of the relevant characteristics of quasi-institutionalism.

First, because quasi-institutionalization lacks third-party enforcement, it is ultimately an informal arrangement based on an implicit understanding of the rules of the game –and such understandings can be manipulated–. Therefore, it is not binding.

Second, the legitimacy of non-state institutions, such as associations, is not based on law or other understandings that exist independently of the state, but rather on the state itself. Although quasi-institutionalization suggests that the state cannot, except at high cost, abolish non-state institutions altogether, it can certainly restrict their activities and can interfere if individual leaders prove difficult. If an organization's activities would be expanded to a broader, more political, goal, its legitimacy could be revoked by the state. The very uncertainty of the association's status provides incentives not to challenge state authority.

Third, the missions of institutions are narrow, and the state gets to define whether they are allowed to expand or not.

Fourth, the weakness of associations encourages informal relationships between individual members –the better off members– and the state.

Fifth, the very informality of quasi-institutions that provides benefits for both the state and the association suggests that both have an interest in preserving the informal status of the

relationship –and thus a common interest in preventing either the emergence of pluralism or the rule of law which implies the growth of third-party enforcement–. This means that one can have a rather vigorous growth of *minjian shehui* without the development of civil society. And that is what it happens in China today. As this historical review suggested, the institutional arrangements are quite consistent with what it was in the past. When the state is strong, the independence of associations is limited. It is difficult for such associations to constrain government in any meaningful sense.

Finally, these characteristics suggest that quasi-institutionalization is not marking progress on the path to institutionalization but rather a bulwark against institutionalization. It is *sui generis*, not a step on a path toward something else, and it is rather stable.

## Conclusion

China today is very different than the traditional China with its network of guilds or late Qing society with the emergence of a public sphere. It is far more industrialized and urbanized, and the party-state is far stronger. The Chinese economy is now deeply imbedded in the global economy, and there has been an important growth of a middle class that may –over time– significantly challenge patterns of governance. Yet the central state has been reluctant to yield its totalistic claims, the legal framework is neither independent nor genuinely constraining of political authority, and *minjian shehui* has grown up in ways that either accommodate or avoid the state. Rather than developing the *pouvoirs intermediares* that DeTocqueville saw as providing an essential buffer between state and society, China has continued to rely on the sort of informal relations that allow society to organize itself without delimiting the power of the state. The tenaciousness of these patterns of

organizing state-society relations over an extended period of time, through very different political regimes, is really quite striking.

Do these patterns provide for good governance? Certainly they have not inhibited the growth of the economy, either in traditional or contemporary times, and it can be argued that China is as well governed –despite significant problems– as other countries at comparable levels of economic development. But there are trade-offs. The way state-society relations are organized reflects weak bureaucracy, with a diminished capacity for the sort of regulation that seems essential in the contemporary world, and a correspondingly weak legal order. It also reflects a rather decentralized socio-political order in which the local state reaches accommodations with local society, often at the expense of central authority. This has given Chinese society tremendous flexibility, as the growth of the “Wenzhou model” suggests, but it also suggests that the state-building project, begun over a century ago, has a long ways to go.

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