

Week 2

Readings

Chan Chen village and its leaders Lieberthal Maoist Era Gallaher Hegemony Gilmartin Ideology

PPT

Why Did Great Leap Forward Movement Fail?

CCP's problems in 1949 - Economic problems: ravaged country, collapsed monetary system, economic breakdown - Political problems: lack of support from coastal and southern China - Social problems: dislocation, poverty, crimes
CCP's first steps to recovery - Construct a socialist country - Secure alliance with Soviet Union - 1950: begin of campaigns against certain social groups: Intellectuals, Capitalists, Landlords Former bureaucrats

Land reforms (1950-1952) - Million of landlords were killed - Three Anti (san fan) Anti corruption, waste, and bureaucracy

- The agricultural cooperatives purchased grain with very low price.
- The Party-state used hukou scheme to exclude peasants from welfare programs interlocked to 'work units'.
- **Ideology:** helps analyse how the authorities inculcate ideas and beliefs that serve to legitimize the authorities' interest into people's mind through consent and manipulation (Gilmartin 2009:136-137).
- **Hegemony** describes a form of power gained through consent and coercion
- The failure of top-down approach to developing technology and economy in a totalitarian regime.
- What worked out in Soviet Union does not necessarily work out in China.
- The excessive use of coercive means to consolidate one-party rule (local cadres, technicians, and intellectuals were too afraid to tell the truth)
- The stress of socialist ideology also undermined the leadership's and the experts' evaluation of technology policies.

Week 3

Readings

FROM O'NEILL: Centralization: federalism – decision making devolved to regional bodies asymmetric federalism – decisionmaking devolved unevenly unitary state – combined at federal level devolution – moving towards decentralization

Strong states can fulfill basic tasks, weak states can't very well, failed states are failed states.

SAICH 2011: deng –introduction of market forces with tight political control deng attempted to undermine Mao personality cult Chen Yun 陈云 – eight elders, deng ally 11th plenum: downplay of ideology and class struggle, emphasized economic modernization undermine hua guofeng, support Deng and Zhou increase in market forces But: ducked question of cultural revolution and Mao

some devolution Change was rapid in rural sector restructuring of agriculture to make household basis of production local experimentation township govts replaced communal Government Decentralization Cause China's Economic Miracle?' World Politics 58(4): 505-535. es

Industrial sphere had less rapid change Democracy Wall movement Solidarity was a sign of loss of control Deng and 4 basic principles: and leadership of party 1985 and grain quotas came back inflation in 1985 hit urban economy Zhao Ziyang hit by pressure over grain pricing urge for political reform Hu Yaobang was purged 1986 Anhui demonstrations, thres support behind deng and hu little support within broader society some elders moved into central advisory commission military's influence reduced, ideology kept out of politics

inflation in 1988 affected farmers, workers, and urban professionals. higher visibility of corruption Hu Yaobang died, students protested, found resonance with urban working class Zhaoziyang dismissed

Jiang and Deng's platform: modernization economic reforms no political reform

Asian financial crisis:

Major reform measures: ending grain subsidies investment system overhauled tax collection overhauled Rising unemployment Economic slowdown political activism Suharto collapse worried China Frictions over Taiwan

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Week 4

Reading

Globalization Past relationships were "thin," but globalization means thicker connections. The internet, UN, nonstate organizations are examples

Can states maintain sovereignty? In one scenario, states will be bound to organizations for capacity, leading to hollow states. War will become too risky, and will undermine international institutions.

Harder to hide actions from others, as in ICC.

Others see a fractious democracy But also gives rise to intl criminal organizations.

No way to keep organizations from regrouping.

Economic globalization Bretton Woods – IMF, GATT → WTO, World Bank "Washington Consensus" – privatization and weakening state control Multinationals can control global markets FDI increasing

Social, Economic and Political Transformation of Chinese Society China and Globalization Modernization and China becoming a world power Some scholars say it was inevitable Will have deep impacts, e.g. food, consumer goods Fossil fuels, need for bonds to underwrite debt,

"In addressing these questions, I take two extreme positions in this book. "privatization is not a necessary part of a transition to a market economy and, by extension, that private property is not a necessary cornerstone of a functioning market economy."

"Second, democracy is an inevitability in China. The basic argument here is that capitalism and democracy are systems that must be learned over time."

research into socialist transitions one side: markets revolve around private incentives second side: markets are fundamentally Political systems

Culture and capitalism Chinese society shapes its capitalism capitalism requires ingrained practices Example: Information as a commodity in command economies

Social consequences: 1. transition to market system requires destruction Emphasizing personal networks

Elite Politics in an era of Globalization and Nationalism Late 1990s conservatism Jiang didn't have Deng Jiang consolidated power Pushed against ML

"Without democracy, there can be no socialism and no socialist modernization." Although Jiang stopped well short of endorsing anything resembling Western-style democracy, his repeated use of the word "democracy" (some 32 times) prompted hopes of greater opening up.

Books – China Can Say No Crossed Swords Beijing University's Tradition and Modern China China Will Not Be "Mr. No"

Questions: SOEs? Foreign Ownership? Isolationism?

Just as the Korean economy was dominated by a small number of large-scale chaebol, so too would a relatively small number of enterprise groups dominate the Chinese economy. Moreover, just as management of the Korean economy was highly centralized, the Chinese plan eliminated the multiplicity of bureaucratic interests, centralizing control in the SETC. Finally, just as small-scale enterprise was left to the market in Korea, so the central state would retreat from ownership and management of most industry in China.

Jiang Zemin had long been a supporter of China's entry into the WTO, as a way both of tying China's economy more closely to the world's and of demonstrating his ability to enhance China's status as a world power. However, many bureaucracies in China feared the impact of joining the trade organization, and Li Peng had effectively blocked serious negotiations.

The reaction in China to the failed WTO agreement and to the publication of details was both strong and immediate. Wu Jichuan, Minister of Information Industries (which includes telecommunications), reportedly tendered his resignation (which was not accepted).

In the wake of the WTO failure and the embassy bombing, Zhu Rongji was abused mercilessly by public opinion. Articles on the Internet and student demonstrators labeled him a "traitor" (maiguozei) following the embassy bombing.

– book China's Road under the Shadow of Globalization.

The result, Fang concluded, was that "whether from a macro-perspective or a micro-perspective, the United States' cultural expansion is bound tightly with its economic expansion, so that in the course of economic exchange it [cultural expansion] can achieve the effect of 'politics in command' (zhengzhi guashuai)."

Reforming China's Embedded Socialist Compromise: China and the WTO

the deal that was finally signed by the Chinese is in some ways a mirror image of these motivations, in that it entails the opening up of markets that will threaten the interests of many domestic producers, while providing other states with considerable protection from a possible rise of Chinese imports.

I suggest, then, that a study of China's WTO entry negotiations reveals a shift in what I call the 'embedded socialist compromise' that dictates the relationship between domestic economic reform and international institutional norms in the Chinese polity.

Notwithstanding the significance of nationalism, the largest area of concern, and the biggest source of domestic political opposition to entry, came from more pragmatic fears over the implications of entry for key sectors of the Chinese economy.

In urban sectors, the palliative was to gradually replace the provision of grants through the planning system to maintain production in state-owned enterprises with the extension of loans through the banking and financial system. In the countryside, the provision of subsidies for producers has also been more recently supplemented by the extension of loans through the financial system, particularly as many small-scale township and village enterprises turned from being engines of economic growth to drains on the financial system in the late 1990s.

It might be true, as a 1995 report in *The Economist* put it, that 'Were it any average-sized developing country, China would have been admitted years ago'.²⁷ It is also true that China 'has, in many ways, a more open economy than, say, Japan or South Korea at a comparable stage of development'.²⁸ But this is beside the point. China is not just an average-sized developing country. It is a large state, with a potentially lucrative market, which ran large trade surpluses with the EU and the United States throughout the negotiation process. It is also a state with a human rights record that is the subject of considerable criticism from sections within the major industrialized states.

Far from being a great success in negotiation, the Chinese deal appears to be one of the most, if not the most, restrictive of all new entry deals.

First, and perhaps most clearly, globalization adds more actors to the policy process in developing states, and, it could be argued, increases the power of 'external' actors over state policy. In Payne and Gamble's words, 'States now have to recognise the power not only of other states and international organisations ... but also of international capital, the banks, and foreign exchange markets'.⁶² Second, globalization leads to the recomposition of and renegotiation of relationships between state actors within the national sphere. As Sassen argues, the effects of economic globalization often 'materialize in national territories'⁶³ and 'the strategic spaces where global processes are embedded are often national; the mechanisms through which new legal forms, necessary for globalization, are implemented are often part of national state institutions'.⁶⁴

Sassen's main emphasis was on the shifting balance of power between different ministries and agencies within

government. For instance, the financial agencies might gain power and influence while others may lose.

Those industries and sectors that stand to lose most, even under rosy assumptions, are those where the hand of the state—or the hand of the old style of state control—still dominates. Those that stand to gain most, in particular clothing and textiles, are sectors where the new quasi-private sector and foreign ownership dominate.

PPT

The rise of Jiang Zemin China's accession to WTO The impact of WTO membership on China's technological developments

The rise of Jiang Zemin • Post-Tian'anmen - Passed down the legacy of Deng's southern Tour in 1992 • Weak foundation of power • Competed with conservative reformers (Li Peng) and promoted Zhu Rongji

China's accession to WTO • Deepening reforms (GDP growth 10 % during the 1980s, 12 % during the 1990s) • Negotiated 15 years • Joining WTO would lead to massive changes in the way China's domestic economy functions

China's commitments under its WTO accession accord • Reductions in tariffs and in non-tariff barriers • Dropping rules that discriminate against foreign enterprises • Expanding the array of economic segments in which foreigners can invest and operate and also expanding the permissible geographical scope of foreign economic activities • Creating transparency in the policy process and rules and regulations issues that can affect foreign trade • Increasing protection for trade-related intellectual property rights

WTO Incentives: Vastly increase the amount of foreign direct investment and solidify China's role as the manufacturing centre of Asia, Decrease the chances that China's growing exports will provoke protectionist measures elsewhere, Bring in financial services that will help China utilise its scarce capital more efficiently, For moving up the global supply chain ladder to higher value-added capabilities

Has China played fair in international trades because of WTO membership? • Evidence of China's trade behaviours deviated from WTO principles 1) Use joint ventures to 'force' technology transfers from foreign companies 2) Vast subsidies in renewable energy companies 3) 'Techno-nationalism'

It could also be argued that.... • China is no worse than other developing countries. ØMore open than Japan and South Korea as developing countries. ØTariffs are capped at 10 %, compared to Brazil's 30 %.

Class

Is globalisation good? Yes - Buys debt, less change of war, new middle class, new area for FDI NO, geopolitical danger, weak environmental policies

Why did China enter WTO? Jiang wanted to consolidate power Wanted to establish China as a global power China needed capital

China's size slowed negotiations Already large surpluses with US and EU Need for arbitration

Week 5

Readings

This week's readings focused on public participation within the Chinese government. Tony Saich's "Political Participation and Protest" provides an overview of political participation in China in different eras of the PRC. In the Mao era, the principal of the mass line allowed consultation with the masses in policy formulation, but this still required adherence to revolutionary ideals, severely limiting potential policy choices. The cultural revolution and Gang of Four eras meant a return to more centralized control, and later movements led to a system of limited public consultation, as long as it did not threaten Party hegemony. (Saich pp. 180-183) In the post-Mao era, economic growth has surpassed class struggle as a policy metric, and some controlled opposition such as United Front parties and limited unionization have been allowed to exist (Saich pp. 185-187). Some workplaces and villages have limited electoral politics, and protests are tolerated. Andrew Mertha's "Fragmented Authoritarianism 2.0" describes social groups who gained more space to criticize government policy; officials in government agencies, those in the news media, and those inside non-governmental organizations; these policy entrepreneurs must work within the regime to amplify and articulate new policy proposals through different framings of an issue. (Mertha p. 999) From the perspective of the State, they need to provide an outlet for citizen discontent, as well as obtain new ideas and

policies with minimal expenditure. The author brings up hydropower as an illustration of these processes, in which experts, the news media and environmental activists all contended for the fate of the Nu river valley. It finally became a subject of national debate, and the project was ultimately scrapped. This, in contrast to the failure of opposition to the Pubugou hydropower project, was able to show the potential influence of non-state actors. (Mertha pp. 1002-1007) The author extends this concept to industry advocacy and the cooperation between industry and government in international trade negotiations. Finally, Shi Shih-Jiunn discusses China's social security systems, and the interactions between the policy coordination of the central government and the financial responsibilities of localities. There is increased variation in local policies, stemming from increased autonomy afforded by the central government and an appetite for policy exploration. (Shi pp. 74-75) This decentralization manifests in competitive solidarity – contention within large markets without protectionism or reliance on redistribution. Regional protectionism still exists, for example, in the form of restrictions such as the Hukou system. These institutional dynamics show that the forces in Chinese government are both between people and the State and between different regional governments.

PPT

Hu Jintao and Wen Jiabao • Social welfare reforms • Public participation • Fragmented authoritarianism (strong local state actors) • Rising non-state actors in policy making

Productivist social welfare system • Employment-based insurance programs • Economically marginalised groups remain disadvantaged in social welfare programs • This is common in East Asian developmental states, but China shows three distinct features 1) Hukou system interconnected to social welfare → rural/urban divide 2) Fragmented 3) Decentralized

Fragmented authoritarianism 1.0 in policy-making

Social decentralisation (Shi 2017) • Local governments' essential roles in reforming and implementing social welfare reforms • Shoulder the financial burden of the part of social pooling

Urban areas • Reforms in the 1980s: move the burden of contributing to pension from SOEs to social pooling and individual contribution • 2005 social pool + employer + individual account • Differentially applied to migrants • Different scheme for SOE workers

Rural areas • No pension until 2009: A New Rural Pension System • Traditional system of intergenerational contract

Social assistance (The Dibao System) • Anti-poverty program: guarantees minimum standard of living • Several rounds of state investigation/inquiry • Administered by several governmental units at the grassroots levels • Payment to fill the gap between applicants' current income and poverty line.

Rising non-state actors NGOs Netizens Private enterprises

Week 6

Reading

ONEIL Authoritarianism – many forms of nondemocratic rule totalitarianism – highly centralized nondemocratic rule modernization – “no middle class, no democracy”

Elites are less willing to share power when they fear losing economic opportunities in the process.

Studying the Chinese Policy Process in the Era of ‘Top-Level Design’: the Contribution of ‘Political Steering’ Theory
Gunter Schubert 1 & Björn Alpermann 2

Chinese policy process has mostly been concerned with individual policy instruments or various modes of policy-making so far instead of looking at how these are interconnected. In this article, we propose ‘political steering theory’ as an integrative theoretical framework to fill in this gap.

‘Political steering’ theory goes back to the work of German sociologist Renate Mayntz and political scientist Fritz Scharpf starting in the 1970s. From the outset, they described ‘political steering’ as a mode of policy-making that attempts to resolve identified social, economic and political problems within a given society by purpose-driven and goal-oriented state intervention or guidance of policy-implementation at all administrative tiers of a political system in a top-down fashion.

China developed its distinctive mode of 'multi-level steering' in which local governments are 'steering objects' from the perspective of the center, but 'steering subjects' in their own right vis-à-vis their subordinate jurisdictions.

We also distinguish between 'steering capacity' on the part of the state and 'governability'²² on the part of the 'steering objects'. At an abstract level, the latter term refers to steering objects' overall amenability to steering efforts by upper levels and encompasses avoidance strategies (coping, shirking) and counter-steering strategies (see below) they employ. Defined in this way, it becomes clear that steering capacity and governability are but two sides of one coin: the former is conditioned by the latter and vice versa.

We distinguish between four ideal types of steering modes (hard steering, negotiation, competition, soft steering), an open list of steering instruments, a number of steering tactics – including coalition-building and political campaigning [41] – and different actors involved in political steering (or counter-steering), including state and corporate, collective and individual social actors.

We argue that under Xi Jinping the hierarchical mode has been revitalized and made more central to policymaking under 'top-level design', i.e. the meta-steering approach has been recalibrated. First, several high-powered 'leading small groups' (LSGs) have been added to the central party organization, most notably the one on 'comprehensively deepening reforms' with its nearly unlimited remit.

First, several high-powered 'leading small groups' (LSGs) have been added to the central party organization, most notably the one on 'comprehensively deepening reforms' with its nearly unlimited remit.

Second, the control aspect of hierarchical steering has been systematically strengthened since the takeover of Xi Jinping. Obviously, the whole anti-corruption drive and heightened ideological mobilization are means to enhance the steering subject's control capacity [48]. From the perspective of steering theory, these are necessary and complementary measures and instruments applied by the central state to improve its meta-steering capacity: As a steering subject, the political center needs to be able to effectively monitor local state actors' behavior and enforce its policy line.

A third aspect of 'top-level design' is that policy fields, which are in themselves already complex and multifaceted, are recombined into even larger macro-policy fields for which longer-range and highly ambitious plans are being crafted. The idea is to overcome fragmentation between different vertically organized administrations (xitong) by providing an authoritative blueprint that stipulates policy goals, if not the concrete measures to achieve them.

Integrated Fragmentation and the Role of Leading Small Groups in Chinese Politics Wen-Hsuan Tsai and Wang Zhou*

Seen from another perspective, China, as an authoritarian state, is unlikely to let fragmented authoritarianism thrive, unless it suffers a loss of central authority. So there is likely to be a mechanism for holding departmental interests at bay so that superiors' policies can be promoted effectively. We believe that leading small groups (领导小组 *lingdao xiaozu*) are an important mechanism to accomplish this end.⁶

In the past, academics have had little access to information on leading small groups, mainly because their structures and operations were not made public. But we did know that the CCP government has frequently used leading small groups to implement its policies.

Leading small groups consist of four main elements. First, there is the group leader, the choice of whom reflects the leading small group's importance. Second, there are the constituent departments, of which there may be many, depending on the nature of the group's tasks. The heads of these departments become members of the leading small group. Third, there is the lead department, the most important of the various constituent departments in the leading small group. Finally, there is the group office—the organization that performs the day-to-day tasks and routine administrative work of the leading small group.

the replacement and promotion of Chinese bureaucrats is mostly managed by the Party, meaning that higher-level officials control the appointment of lower-level officials.²¹ Some scholars believe that the nomenklatura system is the most important way in which high-level officials get their subordinates to carry out their wishes,²² as group leaders often are able to exert power over the future careers of department heads.

Another method of punishment is to submit a "report" (通报 *tongbao*) on the offender. Such reports are one of the ways in which the CCP maintains discipline within its organizations.

Another formal source of authority for group leaders is their administrative rank. For leading small groups with important and/or sensitive tasks, the CCP is most likely to select high-level officials as group leaders.

The creation of cross-system leading small groups clearly shows that the Chinese government is aware that if it is to tackle tough issues in its reform agenda, it must establish consolidated high-level organizations. In CCP

terminology, they must establish “decision-making and coordination institutions” (决策议事协调机构 juece yishi xiediao jigou).⁴⁹ This also implies that China’s reforms can no longer progress merely by “crossing the river by feeling for stones.”

he New Model of Group Politics and High-Level Decision Making After Xi Jinping came to power in 2012, he personally took over the key positions in several of the most important leading small groups. In addition to leading the Central Commission for Comprehensively Deepening Reforms, the Central Cyber-security and Informatization Commission, the National Security Commission, and the Central Financial and Economic Affairs Commission, he made sure that some of his most trusted associates were appointed heads of leading small groups or directors of cross-system leading small group offices. The leading small group system is the most important coordination and decision-making mechanism that the CCP uses to integrate the work of various government departments.

In conclusion, high-level policy making in Xi’s period shows features that are at considerable variance from what prevailed during Jiang’s and Hu’s administrations. The new form of leading small group politics is founded on and promotes Xi’s unrivaled power, undercutting the Politburo and State Council, and carries heavy overtones of one-man rule and a personality cult.

PPT

• The rise of Xi Jinping • Political system and process in China • How is fragmented authoritarianism ‘integrated’ in Xi’s term? • Impacts of recentralisation of power of the political regime on technological developments

Class

Has been rebuilt from ground zero in the late 1970s • Contradictions within the legal system of China (Saich 2010: 123) - Influences from European Law in regard to the state - From US law in terms of international trades Dual-class share structure VIEs - Longer-term inheritance from Soviet practice and Marxist theory that subjugates the law to the needs of the state

How is fragmented authoritarianism ‘integrated’ in Xi’s term? • Strengthening the mechanism of leading small groups → Strengthening of xitong (system) and weakening of tiao-kuan tensions

Leading small groups/coordination groups • Integrating the work of different departments (Tsai and Zhou 2016) • Integration: Ensuring that the consensus opinion of subordinate departments is in line with the wishes of the Party leadership and overseeing that departments obey and implement the leadership’s favoured policies.

1. The establishment of cross-system leading small groups to promote ‘top level design’.
2. Personally led by Xi
3. Albeit integrating fragmentation, but also allows Xi to monitor several departments at once more closely

Week 7

Kuruvilla, Sarosh. (2011). ‘Introduction and Argument.’ In Sarosh Kuruvilla et al. (eds). **From Iron Rice Bowl to Informalization: Markets, Workers, and the State in a Changing China.**

Zhang, Lu. (2011). **The Paradox of Labour Force Dualism and State-Labour-dCapital Relations in the Chinese Automobile Industry.**

Chapter 1 of *From Iron Rice Bowl to Informalization: Markets, Workers, and the State in a Changing China* (Kuruvilla, 2011) explains how and why informal labor in China expanded along with its economic growth. This move to informal employment occurred in three phases. First, “denationalization,” increased autonomy for state-owned enterprises (SOEs), led to increased flexibility in who managers could hire. This also created a stronger profit motive for these enterprises, who wanted to attract foreign and private investment. The need for leaner business models led to an increased dependence on informal labor. Second, the 1995 National Labor Law permitted short-term contracts and reduced the responsibilities of enterprises to provide for those under their employ, and made it easier to fire people, this “smashing the iron rice bowl.” In the third phase, the Chinese government attempted to mitigate the problems caused by these short-term contracts and preserve social security in the public (pp.4-7). In response to this decades-long shift, there has been resistance from the working class, with strikes and demonstrations concentrated around foreign-owned enterprises and SEZs (p. 7).

The State benefits from decentralization and the pro-Capital environment, as decentralized industries reduce costs for the central government, and this shifts the burden of regulation to local governments, which have handled it

with uneven competence (p.8). News laws offering new protections are expensive to the government, and this is intertwined with an expansion in social insurance and social welfare, as fewer workers can rely on the iron rice bowl and retirement pensions (p. 10). Flows of capital have led to more power being held at the local level, where municipalities can extract rents from pension payments, contending with local advocacy organizations.

Chapter 6 of the same book (Zhang 2011) focuses specifically on the auto industry, which follows the trend laid out in chapter 1. Automakers faces increasing outside competition in the 1990s, and cut costs, relying on temporary workers and migrant labor. This created a system of labor force dualism, where some workers held good jobs, and many with precarious employment (p. 108-109). This led to resistance and protest, improved conditions, and a new state-labor-capital relationship. The automobile industry was regarded as a “pillar industry” in China (p.110), and initially closely controlled by the central government, but structural changes brought it into the market economy, with looser barriers to entry and more joint ventures. This brought labor-intensive manufacturing techniques, a separation between State workers and those on informal labor contracts through agencies. Production workers were hardest hit by short-term contract work, and pushed back to gain more representation within the industry (pp. 123-125). This was followed by the 2008 Labor Contract Law, which attempted to crack down on the shadier practices from agencies, but the labor-capital-state triangle still skews towards the latter two participants.

PPT

- Labour politics across different CCP leadership
- Rising labour costs in the late reform era
- Causes of rising labour costs
- Consequences of rising labour costs

The narrative (fact) of the end of cheap labour in China From 2002 to 2009, labour costs for blue-collar workers in Guangdong rose by 12 % a year In Shanghai, 14 % a year

1. Shrinking workforce population
2. Rising labour protests
3. China's courts handled more than 280,000 labour disputes in 2008.
4. In 2009, from May to July, Guangdong had 36 strikes.
5. Strikers in Honda's suppliers returned to work with a pay rise of 47%.

Led to changed labour policy and legislation

Were they signs of class awareness of manufacturing labourers? Were they manipulated by local governments against foreign factory owners under the name of nationalism?

Were protest workers against foreign capital manipulated by the local Party-state?

Consequences of rising labour costs in coastal China Migration of domestic and foreign labour-intensive factories inland e.g. Chongqing: - established defense industry in the Mao era - construction of logistics infrastructure - ambitious regional CCP leader

Migration of domestic labour-intensive factories abroad (cont) e.g. Africa

Segmented labour market labour-intensive industries in the inland (and Africa) and high tech industries in the coastal areas

Week 8

Readings

Q1. What factors are contributing to the rapid growth of China's fintech industry? How has China become the leading country in the translation process? Q2. Who are the focal actors that have been successfully translated in China's fintech industry, and how have they done so? Q3. What are the policy implications? How can Chinese policy regarding the fintech industry be defined?

ANT is rooted in science and technology research conducted during the 1980s.

As an industry that remains under governmental control, the primary players represented are the central bank, the

Big Four, second-tier commercial banks, and city commercial banks. China's accession to the World Trade Organization (WTO) in 2001 led to successful IPOs (Initial Public Offerings) of commercial banks, state-owned institutions, and foreign financial institutions, as well as increased autonomy.

Third-party payment (TPP) is the core enabler of e-commerce development. TPP refers to payment service providers that are independent from merchants and banks. In many countries around the world, customers use credit cards to make online purchases. However, Chinese customers prefer cash payment, which has made China's e-commerce unique. In addition to credit cards and debit cards, third-party online payment and cash-on-delivery (COD) are commonly accepted methods. In particular, third-party payment has been very important for Chinese consumers.

. Problematicization (before 2003): State-owned banking system Before 2000, the Chinese financial industry was lagging behind those of many other countries, and facing various significant problems

However, the biggest obstacle facing these Internet companies was the payment system. At that time, transferring money offline was done only through the two popular banks (i.e., ICBC and CMB) or the post office. Online payment had the same problem. China was a strong "cash society," with COD being a common payment method in China. The credit system was not mature enough, and credit cards were not yet widely used or accepted in China (Wang, 2014).

Interessement (2003 # 2009): Infant stage of online payment system (TPP) Callon, 1986). The year 2003 was a milestone for the development of both payment systems and e-commerce in China. At that time, Alibaba decided to start its customer-to-customer (C2C) marketplace Taobao. It operated under the same business model as eBay, providing an online marketplace, payment solutions, and technological infrastructures to match buyers and sellers. However, Alibaba was not equivalent to eBay in terms of revenue, brand recognition, or management team. Up until then, Alibaba was merely an e-commerce site for SMEs conducting business online (Wang, 2014). Based on this situation, Alibaba entered into a partnership with the Industrial and Commercial Bank of China and the China Construction Bank in 2009 to help facilitate loans to domestic small business customers in China. Given that 85% of all loans went to other state-owned enterprises (SOEs), leaving little for private companies and particularly SMEs (Marr, 2015), Alibaba's strategy represented a potentially effective way of forming an actor network with SMEs. SMEs became interested in the solution proposed by Alibaba because Alibaba's interest was not different from those of them.

PPT

- Developments of Internet infrastructure and information technology across different CCP leadership
- Policies for developing IT
- Networked Authoritarianism

China in 2000 • 8.9 million Internet users • 48,000 domain names in China (¾ commercial) • 125 million telephone lines • 150 million foreign investments in Internet content-providers and e-commerce start-ups

Internet coverage: 61.2% until 2019, Internet users are mobile internet users

Supportive policies and funds for developing internet infrastructure since 1995, expanding the scale since 2008 - Support home-bred tech firms and ban foreign IT - Expand internet and telecommunication infrastructure nationwide • 2001: has legally allowed tech firms' to receive FDI • 2000-2010: granted much freedom to e-commerce and fintech start-ups

Networked authoritarianism reflects CCP's regime resilience • The CCP regime is increasingly responsive and resilient based on the scholars' observation of China between the 1990s and 2010s (Nathan 2003, 2008). - The regime has become more institutionalized. 1. Norm-bound succession politics 2. The increase in meritocratic as opposed to factional considerations in the promotion of political elites 3. Differentiation and functional specialisation of institutions within the regime 4. The establishment of institutions for political participation and appeal that strengthen the CCP's legitimacy among the public at large.

Week 9

Readings

Liu, Lizhi and Weingast, Barry. (2018). **Taobao, Federalism, and the Emergence of Law, Chinese Style**. On the one hand, the insufficiency of the regulatory institutions in the e-commerce industry causes slacks, so the PONCs are able to explain those incomplete institutions, which in turn causes the local government to make biased choices

based on these slacks.

OTHER CHINESE READING

PPT

The Relationship between the Chinese Internet Giants and the Party-State

China's middle-class households reached 140 million in 2017, accounting for 30% of the total households in China.

Why was Alibaba delisted from Hong Kong exchange in 2012? • Before 2018, Hong Kong exchange did not allow Dual-Class Share Structure. • But this policy has changed since 2018, so Alibaba Group Holding Limited has been re-listed in Hong Kong in 2019 exchange again.

Political context of the boom of e-commerce • Dissemination of ICT infrastructure nation-wide, but lacked a reliable online payment system. • Alibaba solved the problem of fragmented payment system that the state had not been able to do so (Liu and Weingast 2019). • In the meritocracy-based cadre promotion system, local governments take initiatives developing local e-commerce • From 2014 onwards, many local governments have cooperated with Alibaba to expand rural e-commerce, exemplified by the dramatic growth of Taobao villages. • Zhejiang government chose to support Alibaba over a provincial-level SOE when developing local e-commerce • Alibaba was consulted when e-commerce law was drafted (Liu and Weingast 2019).

Class

China's e-commerce boom: lack of state capacity cooperating between local govts and private enterprise influx of foreign capital need to compete with other countries success of extant internet companies

Week 10

Readings

Julian Gruin Financializing authoritarian capitalism: Chinese fintech and the institutional foundations of algorithmic governance

technology as a mechanism for achieving Leninist social management ... blurs divisions between public and private, and the laying of responsibility for overall social development upon the citizenry, party members, commercial enterprises, social organizations, and government officials alike (Thornton, 2007). The outcome is a form of 'cyber-Leninism' (Creemers, 2017b) that has in turn undergone substantial upgrading since the start of the Xi administration, a turning point in the CCP's approach to utilizing and exploiting technology to restructure the Party's governing framework.

Its impact arises from the interaction of four factors: the emergence of big data credit scoring technologies, an economic growth model demanding a more open and efficient financial system, a retail market environment primed for the uptake of digital financial services, and an authoritarian and ideologically robust state apparatus seeking to maximize new opportunities for socio-economic development whilst minimizing related threats to systemic stability and authoritarian control.

Julian Gruin & Peter Knaack Not Just Another Shadow Bank: Chinese Authoritarian Capitalism and the 'Developmental' Promise of Digital Financial Innovation

Our core argument is that the underlying political economic priorities of Chinese developmentalism – deeply rooted in China's CCP-led authoritarian capitalism – have shaped the policy response to financial innovation and regulatory arbitrage in the post-crisis financial system.

Economist In Fintech, China shows the way Advanced technology, backward banks and soaring wealth make China a leader in fintech

How did fintech get so big in China? The short answer is that it was the right thing at the right time in the right place. Even after Chinese banks tucked away their abacuses, they remained remarkably unsophisticated for a high-speed economy.

Today 95% of China's internet users go online via mobile devices

WeChat's mobile wallet is usable internationally, mostly in Asia for now. Ant has invested in mobile-finance companies in India, South Korea and Thailand.

And the biggest lesson of all: it is not upstarts versus incumbents but rather a question of how banks absorb the fintech innovations blossoming around them. China, an early adopter of the abacus, is, after a long period of dormancy, once again blazing a trail in finance.

Class

Authoritarian capitalism interactions between authoritarian state and corporations

Authoritarian capitalism: Weak rule of law State intervention Limited public participation

Key point of Gruin and Knaack:

- SOCB model is outdated; shadow banking and fintech emerged formed after restrictions from the financial crisis bailouts
- shadow banking is not really in the shadows; WMPs and internet banking and other fintech are a form of "stealth liberalization" but still subject to CCP authority and goals.
- CCP's goals are manifest in bounds of fintech; economic development and political control

Why AC not SC? - state capitalism implies

Why is authoritarian capitalism a more useful capitalism more useful than state capitalism when analyzing the interactions between fintech firms and Chinese authorities?

Authoritarian capitalism implies Weak rule of law: "Stealth liberalization" means that the State is not in control of the whole problem Private companies are choosing to cooperate with the government, instead of following gov't initiatives

PPT

- Development of fintech in China
- The centralising regulatory framework towards the fintech industry
- The lens of authoritarian capitalism

From 2000-2009: laissez-faire approach Potentially inspires the Western practice of 'Fintech Regulatory Sandbox'

2010 'Regulation towards Non-Bank Institutions regarding Providing Payment Services' (Directive of People's Bank of China [2010]No.2). Must apply Digital Payment Licences granted by the central bank. In May 2011, 27 firms (mostly TPP firms) received licences.

Foreign-invested fintech firms had little chance of obtaining licences until a new regulation in 2018

- Jack Ma separated AliPay from Alibaba Group
- TenPay and China UnionPay Merchant Services sold foreign shares
- From March 2015 to June 2020, the number of TPP licences declined from 270 to 237, meaning that 33 TPP service providers lost their licences. • Causes: money laundry, embezzlement of escrow money, forged annual financial and business reports

2017 • The Fifth National Financial Work Conference • Has required payments of TPP companies which previously processed bilaterally with commercial banks to be transferred into a centralised clearance system (wanglian).

The lens of authoritarian capitalism

- Witt and Redding (2014): authoritarian capitalism in China • Focuses on the financial system, business system and interactions between the authoritarian state and corporations. • Features: 1. Weak rule of law 2. State intervention 3. Limited public participation