

From the Fringe to the Center: The Political Emergence of Private Entrepreneurs in China

JAE CHEOL KIM

The emergence of private entrepreneurs in China, which is one of the most dramatic changes that China's economic reforms have engendered, has largely been evaluated from an economic perspective. Most scholarly research on private entrepreneurs, dominated by whether they pursue democratic political change or not, underestimates the political impact of their emergence. In contrast, by examining the changes that have occurred in the political status of private entrepreneurs, this article suggests that their emergence is important politically, too. In the reform era, private entrepreneurs have increasingly pursued political representation, taking posts in various political organizations. In addition, they have developed their voice and asserted their interests by exploiting the political positions they hold. Playing an important role in the policy process and exerting influence over the policies and regulations that affect themselves, private entrepreneurs have moved from the fringe to the center of the Chinese political system.

KEYWORDS: private entrepreneurs; political status; autonomy; voluntary cooperation; new elite with Chinese characteristics.

JAE CHEOL KIM teaches Chinese politics and China's international relations at the Catholic University of Korea. His research interests include Party reform, political economy of reforms in post-Mao China, and China's international relations. The author appreciates professors Zhu Guanglei, Chun Sung-Heung, and anonymous reviewers for their helpful comments on earlier drafts of this article. Professor Kim can be reached at <jckim@catholic.ac.kr>.

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The emergence of private entrepreneurs is one of the most dramatic changes that China's economic reforms have engendered. Owing to state policies that permitted and even promoted the expansion of the private sector, private entrepreneurs, who had been swept away in the wake of the socialist transformation in the early 1950s, reappeared in China in the reform era. After two decades of rapid growth, they emerged as a major social stratum that embodied social success and upward mobility. This was vividly reflected in such phenomena as state officials quitting their jobs to join the private sector.

Over the past decade or so, the emergence of private entrepreneurs in China has triggered a great deal of interest among scholars. Scholarly research generally focuses on whether they seek political change or not. While a few have pointed out that China's private entrepreneurs "are interested in the political power" and are likely to be a "force for political change within the Party,"¹ most posit that China's private entrepreneurs are passive and submissive politically in that they do not seek democratic political change. Criticizing observers who see the growth of the private sector of the economy as the forerunner of eventual democratization, Bruce Dickson asserts that the growth of the private sector has not led to political change. He suggests that business associations in China cannot influence the implementation, even less the making of policy because they do not seek autonomy from the state.² Kellee S. Tsai, while noting that a fraction of private entrepreneurs is assertive in the sense that they file a complaint with a local state agency, write to a newspaper, join the Chinese Communist Party (CCP), or run for a position on the village committee, also points out that China's private entrepreneurs do not "engage in collective

¹ Zhaohui Hong, "Mapping the Evolution and Transformation of the New Private Entrepreneurs in China," *Journal of Chinese Political Science* 9, no. 1 (Spring 2004): 36; and Kristen Parris, "Local Initiative and National Reform: The Wenzhou Model of Development," *The China Quarterly*, no. 134 (June 1993): 261.

² Bruce J. Dickson, *Red Capitalists in China: The Party, Private Entrepreneurs, and Prospects for Political Change* (Cambridge: Cambridge University Press, 2003).

action to push for democratic political change."³ The political impact of the emergence of private entrepreneurs in China, therefore, is underestimated.

The main reason why the political impact of the emergence of China's private entrepreneurs is neglected is that the interests of scholars are dominated by whether China's private entrepreneurs promote democratization or not. As they do not seek an independent political agenda of democratization, their emergence has not been regarded as meaningful politically. China's capitalists, some hold, have little political influence and their political significance is questionable.⁴ This picture of their political impact, however, does not fit with Chinese reality, in which the entrepreneurs' political presence has begun to be felt as they have increasingly assumed posts in formal political organizations at various levels. A growing perception within the Party that not admitting them into its ranks could trigger a crisis, which in turn has helped the Party leadership allow them Party membership, further demonstrates the growing political weight of private entrepreneurs as well as their economic influence.

This article explores the political impact of the emergence of private entrepreneurs in China. Focusing on whether private entrepreneurs promote democratic political changes is not the only proper way to examine the political impact of their emergence. While capitalist bourgeoisie was once regarded as an agent of democracy, recent research suggests that the bourgeoisie champions democratic change only when the change is perceived to promote its own interests.⁵ In practice, too, in developing countries like Korea, Taiwan, and many Latin American countries, private entrepreneurs gained political influence without pursuing democratic po-

³Kellee S. Tsai, "Capitalists without a Class: Political Diversity among Private Entrepreneurs in China," <http://www.jhu.edu/polysci/faculty/tsai/capitalists.pdf> (accessed May 27, 2005).

⁴He Li, "Middle Class: Friends or Foes to Beijing's New Leadership," *Journal of Chinese Political Science* 8, nos. 1 & 2 (Fall 2003): 87-100.

⁵See Eva Bellin, "Contingent Democrats: Industrialists, Labor, and Democratization in Late-Developing Countries," *World Politics* 52, no. 2 (January 2000): 175-205; and Ziya Onis and Umut Turem, "Entrepreneurs, Democracy, and Citizenship in Turkey," *Comparative Politics* 34, no. 4 (July 2002): 439-56.

litical change. Seen from this perspective, that China's private entrepreneurs do not pursue democratic political change does not mean that their emergence is not important politically.

Instead of examining whether private entrepreneurs pursue democratic political change, this article focuses on the changes that have occurred in the political status of private entrepreneurs and suggests that their emergence in China is important politically. In the reform era, some private entrepreneurs have pursued political representation, showing an interest in participating in politics and assuming political positions. In addition, they have developed their voice and asserted their interests by exploiting the political positions they hold. Playing an important role in the policy process and exerting influence over the policies and regulations that affect them, private entrepreneurs have moved from the fringe to the center of the Chinese political system.

One caveat is in order. This article does not suggest that private entrepreneurs have become an independent political force in China. Unlike the classic bourgeoisie of the West that pursued autonomy from the state, private entrepreneurs in China have opted for cooperation with the Party. They have sought positions in the existing political organizations and generally attempted to be delegates to these organizations through the Party's arrangement.⁶ The cooperative relationship that China's private entrepreneurs have formed with the Party has served their interests in that it has led the Party to accommodate their emergence and development.⁷

The focus of this article is on private entrepreneurs who own or invest in *siying qiye* (私營企業), privately-owned businesses employing eight or more people.⁸ Given that the influence of private entrepreneurs has been

⁶Here, this article may sound not to differ from other works discussed earlier. Although it follows conventional wisdom that private entrepreneurs have generally been in a cooperative relationship with the Party, it sees the cooperative strategy as being driven by private entrepreneurs for their own interests. This differentiates it from the works that treat private entrepreneurs as a mere object of the Party's preemptive incorporation policy.

⁷This is not to suggest that private entrepreneurs have forced the Party to change its policies against its will, but to suggest that their strategy of cooperation has left the Party with no other option than to modify its policies.

⁸The term "*siying qiye*" is often used interchangeably with "*minying qiye*" (民營企業,

steadily growing in the reform era, documenting the change that has occurred in their political status is important in understanding the possibility and direction of political change in China. This article begins by presenting a detailed account of the changes that have taken place in the political status of private entrepreneurs in China. It then examines underlying factors that have contributed to the changes, and finally discusses the implications that the changes have had for Chinese politics.

Rising Political Status of Private Entrepreneurs

In his speech celebrating the eightieth anniversary of the founding of the CCP on July 1, 2001, General Secretary Jiang Zemin (江泽民) stressed that businesspeople from the non-state sector who met key conditions should be admitted to the Party.⁹ His speech officially opened the doors of the Party to private entrepreneurs, which in turn laid the basis for more private entrepreneurs participating in politics than at any other time in Communist China. The decision to admit private entrepreneurs to the CCP, China's ruling party and the self-styled vanguard of the working class, vividly illustrates the changes that have been taking place in the political status of private entrepreneurs in China.

Before Jiang's address, the political status of private entrepreneurs was uncertain. When they began to emerge in the 1980s, there was no official policy toward them. Without directions from the Center, some local Party organizations unofficially recruited them, especially those who were prosperous.¹⁰ The local Party cadres believed that an entrepreneur with Party membership would be easier to control than other-

people-managed enterprises). However, they are different from each other in that the latter include many hybrid forms of enterprises which are neither private nor wholly state-owned (國有, *guoyou*) in addition to *siying qiye*.

⁹*Renmin ribao* (People's Daily), July 2, 2001, 1.

¹⁰Dorothy J. Solinger, "Urban Entrepreneurs and the State: The Merger of State and Society," in *State and Society in China: The Consequences of Reform*, ed. Arthur L. Rosenbaum (Boulder, Colo.: Westview, 1992), 123.

wise.¹¹ However, the political status of private entrepreneurs deteriorated when the Party officially barred them from joining its ranks after the Tiananmen (天安門) incident in 1989, seeing them as a threat to social and political stability. In his speech to the national conference for directors of Party organization departments on August 21, 1989, Jiang Zemin stressed that private entrepreneurs could not become Party members.¹² About a week after this, the CCP Central Committee issued a notice (Central Document No. 9) that officially prohibited private entrepreneurs from joining the Party.¹³

Private entrepreneurs were defined instead as targets of the Party's united-front policy. The Party's Central Document No. 15, issued in 1991, stipulated that private entrepreneurs were objects of its united-front policy, which needed to be "united, helped, guided, and educated" by the Party.¹⁴ From then, the Party began to incorporate private entrepreneurs into its political order by arranging for them to participate in people's congresses (人民代表大會), the nation's legislative bodies, and political consultative conferences (政治協商會議, PCC), advisory bodies for the Party whose role is to represent a range of interests in society, at various levels. In 1993, over 5,400 private entrepreneurs were selected for membership of people's congresses at county level or above and 8 of them joined the Eighth National People's Congress (NPC), the national legislative body (see table 1). In addition, 8,600 private entrepreneurs were selected for the less influential PCCs at county level or above and 23 of them became members of the Eighth National Committee of the Chinese People's Political Consultative Conference (CPPCC).

¹¹ Yia-Ling Liu, "Reform from Below: The Private Economy and Local Politics in the Rural Industrialization of Wenzhou," *The China Quarterly*, no. 130 (June 1992): 296.

¹² Zhongyang wenxian yanjiushi (Central Party Literature Research Office), ed., *Xinshiqi dang de jianshe wenjian xuanbian* (Selected documents on Party building in the new era) (Beijing: Renmin chubanshe, 1991), 442.

¹³ "Zhonggong zhongyang guanyu jiaqiang dang de jianshe de tongzhi" (A Central Committee notice on strengthening Party building), *ibid.*, 456.

¹⁴ Jiang Nanyang, "Tongyi zhanxian yu fei gongyoushi jingji renshi" (United front and personages of the non-public economic sector), in *Zhongguo siying qiye fazhan baogao*, no. 2 (A report on the development of private enterprises in China, no. 2), ed. Zhang Houyi and Ming Zhili (Beijing: Shehui kexue wenxian chubanshe, 1999), 322.

Table 1
Number of Private Entrepreneurs in Political Organizations

Year	People's Congress		PCC	
	County level and above	National level	County level and above	National level
1993	5,400	8	8,600	23
1998	9,065	48	32,025	46
2003	N.A.	55	N.A.	65

Sources: *Zhongguo siying jingji nianjian 1996* (Yearbook of private businesses in China 1996), 95; "Entrepreneurs Turned 'Socialist Builders'," *Beijing Review*, March 6, 2003, 27; Lu Xueyi, ed., *Dangdai Zhongguo shehui jieceng yanjiu baogao* (A research report on social stratification in contemporary China) (Beijing: Shehui kexue wenxian chubanshe, 2002), 222; and Zhang Houyi, "Jinru xinshiqi de Zhongguo siying qiye zhu jieceng" (China's private entrepreneurs enter into a new era), in *2004 nian: Zhongguo shehui xingshi fenxi yu yuce* (Analysis and forecasts on China's social development, 2004), ed. Ru Xin et al. (Beijing: Shehui kexue wenxian chubanshe, 2004), 318.

The number of private entrepreneurs in formal political organizations further increased when the new five-year-term people's congresses and PCCs were established in 1998. The number of private entrepreneurs who were selected to serve on people's congresses at county level or above surged to 9,065 in 1998, i.e., an increase of 68 percent. In particular, the number of representatives from the private sector to the Ninth NPC increased to 48. Similar changes occurred in the PCCs, too. The number of those who were selected to PCCs at county level or above was 32,025 (46 of them being members of the Ninth CPPCC), almost four times as many as previously. Getting elected to the people's congresses and the PCCs continued to bolster the image of private entrepreneurs in China in that they began to be incorporated into the formal political order. In addition, as they were allowed to have formal representation in political organizations, they gained a better understanding of government policies related to them.

However, private entrepreneurs were still prohibited from joining the CCP, which remained the central political organ in China. As has often been the case in China during the reform era, this does not necessarily mean that they were totally barred from joining the Party. Despite a formal ban on recruiting private entrepreneurs into the Party, grass-roots Party

organizations continued to recruit them in order to exploit their potential contribution to economic development. Private entrepreneurs usually joined the Party in a covert way—i.e., formally resigning from their posts as chairman and/or manager of their enterprises while continuing to control their companies through close relatives or confidants appointed in their stead. According to one survey, in Zhejiang Province (浙江省) alone the number of private entrepreneurs who joined the Party in this kind of covert way was about 1,500, which accounted for 27 percent of the 5,500 private entrepreneurs who had Party membership.¹⁵ As a result, the percentage of Party members among private entrepreneurs has steadily grown: 13.1 percent in 1993, 17.1 percent in 1995, 16.6 percent in 1997, 19.8 percent in 2000, and 29.9 percent in 2002.¹⁶

Given that private entrepreneurs were in practice able to join the Party, Jiang's speech that formally opened the doors of the CCP to private entrepreneurs could be regarded merely as an official ratification of what had been going on for some time in China. The speech, however, was groundbreaking since it formally ended the ban on private entrepreneurs, thereby further opening the doors to their political participation. Following the speech, private entrepreneurs began to be selected as representatives to Party congresses at various levels. In early 2002, private entrepreneurs were selected for the first time as representatives to the Party congress in Guangdong Province (廣東省).¹⁷ In addition, a small number of private entrepreneurs were selected as representatives to the CCP's Sixteenth National Congress in November 2002. As the Party has not disclosed information about the composition of the deputies to the congress, it is

¹⁵ Shi Zhongquan et al., "Guanyu youxiu qiyezhu rudang wenti de diaocha" (Investigation on the question of admitting outstanding entrepreneurs to the Party), *Zhonggong dangshi yanjiu* (Studies on the History of the CCP), 2002, no. 3:67.

¹⁶ Zhang Houyi, "Jinru xinshiqi de Zhongguo siying qiyezhu jiecheng" (China's private entrepreneurs enter into a new era), in *2004 nian: Zhongguo shehui xingshi fenxi yu yuce* (Analysis and forecasts on China's social development, 2004), ed. Ru Xin et al. (Beijing: Shehui kexue wenxuan chubanshe, 2004), 318-19.

¹⁷ Eight private entrepreneurs (along with three businessmen from joint ventures and seven from joint-stock companies) were among 880 representatives at the Ninth Party Congress of Guangdong Province. Sohu at <http://news.sohu.com/58/28/news200952858.shtml>.

hard to know exactly how many private entrepreneurs were selected. Press reports suggest that there were at least 7 private entrepreneurs among the 2,100 delegates at the Sixteenth Party Congress.¹⁸ Only a week after the end of the Sixteenth Party Congress, which amended the Party's constitution to allow private entrepreneurs to join, about 1,700 out of the more than 110,000 private entrepreneurs who had submitted applications for Party membership were actually admitted.¹⁹

Outside the Party, too, owing to the policy change that allowed them Party membership, not only did the number of private entrepreneurs who took political posts grow but also the level of posts they took increased. On the heels of the Sixteenth Party Congress, which defined private entrepreneurs as "builders of socialism," entrepreneurs were selected to provincial/municipal leadership posts for the first time since China launched its reform and opening-up policy in the late 1970s. On January 12, 2003, Yin Mingshan (尹明善), chairman of Lifan Industrial Group (力帆集團) and one of the most politically engaged private entrepreneurs in China, became vice chairman of the Chongqing (重慶) Municipal Committee of the PCC, with the rank of vice governor.²⁰ About a week later, Xu Guanju (徐冠巨), forty-two-year-old chairman of Chuanhua Group (傳化集團), was appointed vice chairman of the Zhejiang Provincial Committee of the PCC, also with the rank of vice governor.²¹ Their selection to leadership posts foreshadowed further increases in the number of private entrepreneurs taking formal political positions.

In the formation of people's congresses and PCCs that followed the Sixteenth Party Congress, the number of private entrepreneurs who were selected as deputies to formal political institutions increased to an unprecedented level. Private entrepreneurs gained a greater presence in the

¹⁸See "Jiang's Address a Welcome Fillip for Private Business," *China Daily*, November 9, 2002; "Building a Shield for Private Property," *Beijing Review*, January 9, 2003, 18-19; and "Capitalists Welcome, But Suspicion Remains," *South China Morning Post*, November 18, 2002.

¹⁹*Zhengming* (Contending), December 27, 2002, 27.

²⁰*Zhonghua gongshang shibao* (China Business Times), January 13, 2003, 1.

²¹Xinhua at http://news.xinhuanet.com/newscenter/2003-01/22/content_702508.htm.

nation's legislative body and its political advisory body that held their meetings in March 2003. There were 55 private entrepreneurs among the 2,985 delegates to the Tenth NPC and 65 private entrepreneurs among the 2,238 delegates to the Tenth CPPCC.²² Similar trends occurred at provincial/municipal level. In Chongqing, for instance, the number of delegates to the two institutions from the non-state economic sector went up by 30 percent.²³

In the reform era, after decades of exclusion and denigration, private entrepreneurs have finally reemerged as an important component of China's political community. Not only have more private entrepreneurs taken up posts in China's political organizations, but they have also been steadily elevated to positions of political prominence. By taking up political posts, private entrepreneurs now have institutional channels through which they can link their interests to the policymaking process. This means that they have become full participants in Chinese politics. We now need to explore how their political status has been able to rise in the reform era.

Explaining the Change

Given the central role that the CCP plays in China's political system, it is tempting to attribute the changes that have occurred in the political status of private entrepreneurs to the Party and its leadership. For instance, Bruce Dickson maintains this position by arguing that the Party leadership has decided to incorporate private entrepreneurs into the Party in order to prevent them from becoming an opposition force,²⁴ treating private entrepreneurs as mere objects of the Party's preemptive incorporation policy. There is no doubt that the rise in the political status of private entrepreneurs has been made possible because the Party decided to accommodate them.

²²*China Daily* (Online edition), March 3, 2003; and *South China Morning Post* (Online edition), March 3, 2003.

²³See note 20 above.

²⁴Dickson, *Red Capitalists in China*, 166.

However, given that the Party imposed a ban on the admission of private entrepreneurs into the Party thirteen years ago, this explanation still begs the question: Why has the Party changed its policies toward private entrepreneurs? In order to understand why private entrepreneurs have been able to rise, we need to explain why the Party leadership decided to end its ban. Given that there has been no leadership change between the two periods, we need to pay attention to factors other than the Party and its leadership.

Here, we explore the possibility of the change in the Party's policies toward private entrepreneurs being influenced by entrepreneurs themselves. To be specific, two developments related to private entrepreneurs in China—the growing economic significance of the private sector in China's overall economy and the growing political orientation of private entrepreneurs—have led the Party to modify its policies toward them. This is not to suggest that private entrepreneurs forced the Party to change its policies. It rather suggests that the developments have left the CCP with no other option than to modify its policies in the sense that had the Party clung to the ban, the CCP would have difficulty not only in enforcing the ban but also in preventing private entrepreneurs from developing into an opposition force.

Growing Economic Significance of the Private Sector

In the reform era, the structural power of the private sector has expanded. The private economy has become the engine for China's rapid economic development, which underpins its political stability. Since 1992, when Deng Xiaoping (鄧小平) visited southern China to emphasize the necessity of developing the economy, China's private economy has recorded an average annual growth rate of over 15 percent.²⁵ At the end of 2002, there were 2.43 million private enterprises, with 6.22 million investors. This is a seventeen-fold increase over 1992, when there were 139,000 private enterprises.²⁶ China's private assets surpassed 11 trillion *yuan*, ex-

²⁵"A Bright Future for Private Enterprises," *Beijing Review*, February 20, 2003, 30.

²⁶*Zhongguó siying jingji nianjian 2000-2001* (Yearbook of private businesses in China), 554.

ceeding state assets by about 1 trillion *yuan* by the end of 2002.²⁷ Owing to its fast and continuous growth, the private sector of China's economy has steadily grown in significance. For instance, it now accounts for more than 30 percent of China's gross domestic product (GDP).²⁸ The significance of the private economy is especially conspicuous in some highly industrialized regions. In Zhejiang Province, the private sector along with individual household businesses (个体户, *getihu*) accounts for 45 percent of GDP.²⁹ In some cities, especially those located in the eastern coastal provinces where the private economy is highly-developed, the private sector accounts for over 60 percent of local GDP.³⁰ The level of the development of the private sector, therefore, is an important indicator of the level of development of the whole economy in a specific region.

The private sector has created an increasing number of jobs. While it accounted for merely 4.1 percent of jobs in 1992, its share jumped to 11.1 percent in 2002. In 2002, 34.09 million people worked in the private sector, while state-owned enterprises (SOEs) employed 69.24 million.³¹ It has become an important provider of jobs to workers who were laid off from the SOEs. The number of employees in SOEs dropped from 107.66 million in 1997 when a program of privatization of SOEs was announced to 69.24 million in 2002. Over the same period, the number of employees in private enterprises rose by 20.69 million.³² We do not have exact data on how many workers who now work in the private sector were previously laid off by SOEs, but available data suggest that the expanding private sector has become a major provider of jobs to laid-off workers, absorbing 65 percent

²⁷ *China Daily* (Online edition), January 4, 2004.

²⁸ See note 24 above. However, it is difficult to know exactly how important the private sector is to the overall economy because much of the private sector does not report income to the government in order to avoid tax.

²⁹ Xinhua, March 1, 2003. In addition, the private sector is the largest source of fixed-asset investment with its share reaching 63 percent in 2002. <http://www.china.org.cn/english/2002/Mar/28701.htm> (accessed April 5, 2003).

³⁰ "A Bright Future for Private Enterprises," 30-31.

³¹ *China Statistical Yearbook 2003*.

³² *Ibid.*; and *China Statistical Yearbook 1998*.

of laid-off workers by the end of 2003.³³ By reemploying a significant portion of redundant workers from the dwindling state sector, the private sector has contributed to easing the pressure on employment.

In addition, with the growth of the significance of the private sector in the overall economy, the size of individual private enterprises has grown. The average registered capital of private enterprises grew from 1.15 million *yuan* in 1996 to 2.5 million *yuan* in 2001, an increase of 2.1 times over the period. According to a 2002 national sample survey of private enterprises, 18.8 percent of them had more than 10 million *yuan* of capital.³⁴ This indicates that a group of relatively large enterprises has emerged in China.³⁵ The emergence of large private enterprises was made possible by the transformation (改制, *gaizhi*) of SOEs, which began in the early 1990s. This is not to suggest that the transformation of SOEs was the only way through which large private enterprises emerged in China, although it is the most important. Some have developed from individual household businesses by accumulating capital.³⁶ However, as many SOEs accumulated heavy deficits under market competition, the government embarked on a reform to overhaul their ownership structure. The basis for the change was laid by the shareholding system reform, which provided the private sector with an opportunity to take over SOEs formally. Although the reform began in 1993, a major boost came in 1997 when the Fifteenth Party Congress announced a program of partial privatization of

³³<http://www.nanfangdaily.com.cn/southnews/zmzg/200410210951.asp> (accessed June 7, 2005).

³⁴Zhongguo siying qiye yanjiu ketizu, "2002 nian Zhongguo diwuci siying qiye chouyang diaocha shuju ji fenxi" (Data and analysis of the fifth national sample survey of private entrepreneurs in 2002), in *Zhongguo siying jingji nianjian 2000-2001*, 128. The 2002 national survey refers to the fifth national survey of private entrepreneurs that was conducted jointly by the United Front Work Department of the CCP Central Committee, the All-China Federation of Industry and Commerce, and the China Federation of the Private Economy. Previous surveys were done in 1993, 1995, 1997, and 2000, respectively.

³⁵There are no firmly established criteria for designating relatively big enterprises, such as sales revenue or numbers of workers. The relatively big private enterprises in China generally refer to those which achieve management of scale.

³⁶According to the 2002 national survey, 15.11 percent of private entrepreneurs were former owners of individual household businesses, while 25.8 percent were previously state- or collective-owned. See *Zhongguo siying jingji nianjian 2000-2001*, 129, 140.

SOEs.³⁷ The transformation of ownership of SOEs and collective enterprises was at its height in 1997-2000 when many SOEs were leased, merged, or transferred. Specifically, by the end of November 2000, more than 40,000 small and medium-sized SOEs had been transformed into non-public enterprises.³⁸

Transformation of SOEs worked as a channel through which state assets were transferred into private hands. The shares of SOEs were sold at cheap prices to managers or bureaucrats who often had government ties. In addition, unlike in the original plan, as shareholding reform was mostly introduced in major enterprises that were in good financial condition, these former managers and bureaucrats were able to gain control over relatively big businesses.³⁹ The reform of the ownership system of SOEs, therefore, has contributed to the emergence of a group of large enterprises, which are capable of competing with the remaining SOEs.

The private sector's newfound economic strength has contributed to strengthening the status of the private sector. As the sector has been able to deliver the economic benefits required to maintain the state's power, the state has increasingly recognized its importance. In addition, the state has become more open to private entrepreneurs in an effort to promote economic growth and create jobs. In other words, as the state has benefited from the private sector, it has felt the necessity of responding to the private sector's interests. This was especially true for local governments and their officials. In an effort to get help from the private sector for economic development, which in turn was used as the main indicator to judge their performance for promotion, they have devised economic policies favorable

³⁷See Shu Y. Ma, "The Chinese Route to Privatization: The Evolution of the Shareholding System Option," *Asian Survey* 38, no. 4 (April 1998): 379-97; and Yi-min Lin and Tian Zhu, "Ownership Restructuring in Chinese State Industry: An Analysis of Evidence on Initial Organizational Changes," *The China Quarterly*, no. 166 (June 2001): 305-41.

³⁸Xinhua, December 21, 2000. According to David Zweig, perhaps 90 percent of small and medium-sized SOEs were privatized soon after the Fifteenth Party Congress. See David Zweig, "China's Stalled 'Fifth Wave': Zhu Rongji's Reform Package of 1998-2000," *Asian Survey* 41, no. 2 (March/April 2001): 242.

³⁹Ray Yep, "The Evolution of Shareholding Enterprise Reform in Rural China: A Manager Empowerment Thesis," *Pacific Affairs* 74, no. 1 (Spring 2001): 55.

to private entrepreneurs and given them opportunities for political participation. At the same time, for their part, a growing number of private entrepreneurs who run relatively big enterprises have shown an increasing interest in participating in politics.

Growing Political Orientation of Private Entrepreneurs

Contrary to the dominant perception that China's private entrepreneurs are apolitical and merely concerned with making money, a small but increasing number of them have exhibited a political orientation in the reform era, attempting to transform their economic strength into political power. As is clearly noted in an internal investigation report which was prepared in May 2001 by the CCP Central Committee Organization Department, their demand for rising political status has increased with the growth of their economic power.⁴⁰ In addition, they have increasingly shown a desire to participate in the political process to articulate their interests.

What is worth noting is that, instead of forming their own organizations, private entrepreneurs have sought positions in existing political organizations, such as the people's congresses and PCCs at various levels. Surveys show that the proportion of private entrepreneurs who want to be delegates to people's congresses and PCCs varies. According to the 2002 national survey, the rate was 25.2 percent. However, a survey of 136 private entrepreneurs in eight cities of Hebei Province (河北省) found that 37.5 percent of private entrepreneurs wanted to be delegates to people's congresses and PCCs.⁴¹ Private entrepreneurs believe that, as they have more experience and are more capable than ordinary people in managing

⁴⁰ *Guangjiaojing* (Wide Angle), May 2002, 17.

⁴¹ Chen Guangjin, "Siyang qiyezhu de shehui laiyuan, jiecong yishi yu zhengzhi-shehui canyu fenxi" (An analysis of social origins, stratum consciousness, and politico-social participation of private entrepreneurs), in *Zhongguo siying qiye fazhan baogao* (A report on the development of private enterprises in China), no. 4, ed. Zhang Houyi et al. (Beijing: Shehui kexue wenxian chubanshe, 2003), 39; and Yan Zhimin, ed., *Zhongguo xianjieduan jieji jiecong yanjiu* (A study of classes and strata in contemporary China) (Beijing: Zhongyang dangxiao chubanshe, 2002), 202.

enterprises, they are better qualified to be delegates to people's congresses and PCCs.⁴²

They generally attempt to be delegates to these organizations through the Party's arrangement, and the economic contribution they have made to their communities has led the Party and its officials to arrange political posts for them. In addition, they also attempt to be delegates by winning elections. In Zhejiang Province, for instance, private entrepreneurs have participated in and won elections to people's congress and PCCs. In Taizhou City (台州市), 95 out of the 404 delegates to the second municipal people's congress (or 23.5 percent) came from non-public sectors.⁴³ Over time, however, they have become disappointed with these organizations.⁴⁴

They have naturally expressed their wish to join the Party, the central organ of Chinese politics. The percentage of private entrepreneurs who wanted to join the Party varies across surveys, too. For instance, a 1997 national sample survey of private enterprises showed that 24.1 percent of private entrepreneurs wanted to join the Party.⁴⁵ In a 2002 national survey, the proportion went down to 11.1 percent.⁴⁶ In some places, however, the proportion was higher and has gone up over time. In the city of Chengdu (成都市), for instance, it was over 70 percent.⁴⁷ In Zhejiang Province, it

⁴²Chen, "Siyang qiye zhu de shehui lai yuan," 46.

⁴³Zhonggong Zhejiang shengwei zuzhibu ketizu, "Jingji liyi tiaozheng he shehui biange zhong de renmin neibu maodun diaocha" (Investigation on contradictions among the people during the period of economic adjustment and social transformation), in *Zhongguo diaocha baogao 2000-2001* (Investigation report on China), ed. Zhonggong zhongyang zuzhibu ketizu (Beijing: Zhongyang bianyi chubanshe, 2001), 158.

⁴⁴According to a survey, less than one-third of private entrepreneurs said that they were able to express their political wishes through these organizations. See Li Baoliang, "Cong shehui wang de jiaodu kan siyang qiye zhu de zhengzhi guannian he xingwei" (Political ideas and behavior of private entrepreneurs: a social network perspective), *Dangdai Zhongguo yanjiu* (Modern China Studies), no. 63 (1998), <http://www.cgarden.net/StubArticle.asp?issue=980404&total=63> (accessed November 11, 2004).

⁴⁵Zhongguo siyang qiye yanjiu ketizu, "1997 nian quanguo siyang qiye chouyang diaocha shuju ji fenxi" (Data and analysis of the 1997 national sample survey of private enterprises), in *Zhongguo siyang qiye fazhan baogao*, no. 1 (1978-1998), 164.

⁴⁶Chen, "Siyang qiye zhu de shehui lai yuan," 39.

⁴⁷"Chengdushi siyang qiye zhu rudang yiyuan de diaocha he fenxi" (Investigation and analysis of the wishes of private entrepreneurs for joining the Party in the city of Chengdu), <http://www.chinasociology.com/rzgd/rzgd014.html> (accessed January 30, 2004).

increased from 16.2 percent in 1995 to 23.8 percent in 1999.⁴⁸ In practice, as noted earlier, the percentage of Party members among private entrepreneurs has also steadily grown. The percentage is higher than that of other occupational groups with the exception of government officials and military officers.⁴⁹ Therefore, far from being apolitical, Chinese private entrepreneurs have increasingly shown a political orientation in the reform era. As their economic strength grew, they revealed their intention to participate in, and actually participated in, politics.

The reason why they wanted to participate in politics is largely twofold. They have firstly sought political positions for reasons of personal prestige. By participating in politics, they hope to raise their social and political standing. In the reform era, despite the improvement of their economic status, entrepreneurs are still in a precarious political situation, and the gap between their economic and political status has widened. The issue of raising their political status, therefore, has become one of the most important concerns for private entrepreneurs. They realized that the way the Party treated them influenced their personal fate directly. Chinese history, which had seen them and their families excluded and even persecuted and their descendants discriminated against in such matters as entering schools and getting jobs, suggested to them that they would suffer if they were listed as politically undesirable. They therefore wanted to be recognized as an important component of socialism. In other words, they looked for political relevance. They realized that being able to participate in politics would contribute to raising their political status, and this is why they wanted to join people's congresses and PCCs instead of forming their own organizations. This is also why they have attempted to join the Party. For

⁴⁸Jie Liping et al., *Zhejiang siying jingji yanjiu* (A study on Zhejiang's private economy) (Hangzhou: Zhejiang renmin chubanshe, 2000), 204. Moreover, in Zhejiang Province, about 4,000 private entrepreneurs, which accounted for 2.2 percent of private entrepreneurs, applied for admission to the Party only for the week following Jiang's address of July 2001. See Shi, "Guanyu youxiu qiyezhu rudang wenti de diaocha," 67.

⁴⁹The percentage of private entrepreneurs among all Party members, however, cannot be very high because they represent only a small percentage of the whole population. The number of private entrepreneurs who are Party members is 948,000. See "Hu's Anniversary Speech Sets Tone for Political Shake-up," *South China Morning Post*, July 2, 2004.

private entrepreneurs, being Party members meant that they were recognized as an important component of the system. In this regard, the words of a Party secretary of a private enterprise are revealing: the reason why private entrepreneurs were interested in whether they were allowed to join the Party or not was not because all of them personally wanted to join it, but because they regarded the matter as an indicator of how the Party treated them.⁵⁰

The second reason why they were interested in political participation was to acquire political support to protect their economic interests and rights. Economic growth generated an incentive for political involvement among them; increased economic stakes prompted them to pay attention to politics in an effort to articulate and advance their interests. In the reform era, they needed the political protection that could create a favorable environment for economic development. As they were unsure whether the development of the private sector would continue to be permitted, they sought a predictable and stable business environment. They believed that participating in politics would help them secure the favorable environment that was critical for them in developing their enterprises. In other words, by participating in politics, they wanted to discover channels through which they could convey their interests to decisionmakers and secure their interests in policymaking. This was particularly the reason for their wanting to join the Party. Given that the Party controls immeasurable quantities of people, wealth, and materials, being a Party member means having influence in policymaking. Furthermore, by entering the Party organizations, entrepreneurs could get the authority to manipulate policies at local level. By joining the Party, they hoped to have a more direct channel through which they could exert influence in policymaking.

Private entrepreneurs who show a political orientation are largely those who run large or medium-sized enterprises. Surveys reveal that the bigger the enterprise they run, the more likely private entrepreneurs are to be interested in politics. A 1995 national survey shows that the

⁵⁰Shi, "Guanyu youxiu qiyezhu rudang wenti de diaocha," 73.

proportion of private entrepreneurs who wanted to be deputies to people's congresses was higher by more than 10 percent among those whose assets exceeded 10 million *yuan* than those whose assets were less than 500,000 *yuan*.⁵¹ The situation was similar with regard to joining the Party. Those who applied for admission to the Party were mainly those who ran large or medium-sized enterprises. In other words, they were "representative personages" who ran relatively big enterprises which in general were designated as "key enterprises" (重點扶持企業, *zhongdian fuchi qiye*) by local authorities. Moreover, the political posts private entrepreneurs took depended on the size of the enterprises they ran; most private entrepreneurs who ran major enterprises in certain sectors and regions generally had some political position or other assigned to them by the Party. According to one Chinese scholar, the percentage of private entrepreneurs who are actively engaged in politics is estimated to be around 10 percent of all private entrepreneurs.⁵²

In sum, as their economic strength grows, some private entrepreneurs have shown an interest in participating in politics and taking political positions. As they have become more determined in pursuing power and interests through political means, it has become difficult for the Party to prevent them from participating in politics.

New Elite with Chinese Characteristics

In the reform era, private entrepreneurs in China have emerged politically. As they have increasingly taken posts in various political organizations including the CCP, they have acquired institutionalized and direct representation in China's formal political order, through which they can

⁵¹Jiang Nanyang, "Lun siying qiyezhe de zhengzhi canyu" (On political participation of private entrepreneurs), in Zhang and Ming, *Zhongguo siying qiye fazhan baogao*, no 1:108.

⁵²Dong Ming, *Zhengzhi geju zhong de siying qiye zhu jieceng* (The stratum of private entrepreneurs in China's political structure) (Beijing: Zhongguo jingji chubanshe, 2002), 284-87.

access decisionmaking. This represents a clear departure from the Mao era when they were not even allowed to exist.

Many analysts, however, do not regard this change as meaningful politically because private entrepreneurs do not pursue autonomy from the Party/state. True, China's private entrepreneurs have not sought all-out autonomy vis-à-vis the state. They have not opposed the Party's policies, nor have they attempted to assert themselves as an organized political actor in the policymaking process. The Party/state officials, or the ruling elite, make decisions and private entrepreneurs follow them. China's private entrepreneurs or capitalists, who are perceived to be the strongest advocates of autonomy in the civil society model, rather prefer cooperation with the state to autonomy from the state. They, in other words, have pursued the strategy of voluntary cooperation that Kevin O'Brien discovers in the legislation.⁵³

Several factors explain why private entrepreneurs have pursued cooperation with the state. As in other late-developing countries, they owed their emergence to the state. Xu Guanju, for instance, has bluntly said that the development of his enterprises would have been impossible without the help of the Party and the state.⁵⁴ Private entrepreneurs have therefore supported and followed the state. In addition, they believe that their interests and demands, which are largely utilitarian, could be better pursued through cooperation with the state than through collective efforts.

Furthermore, even after two decades of reform, cozy collaboration with the state elite is still instrumental for private entrepreneurs. State officials retain discretionary control over the distribution of resources, such as bank credit, tax breaks, and protectionist measures, which are critical to the private sector. In other words, the state still retains the discretion to give rewards or to destroy an individual enterprise. Maintaining ties with powerful bureaucrats is functional for them in developing their enterprises.

⁵³Kevin J. O'Brien, "Chinese People's Congresses and Legislative Embeddedness: Understanding Early Organizational Development," *Comparative Political Studies* 27, no. 1 (April 1994): 80-109.

⁵⁴Beijing Xinhua at <http://www.bj.xinhua.org/zhuanli/lianghui/0033.htm>.

Private entrepreneurs worry that the state could encroach on their assets if they pursue autonomy.⁵⁵ This nurtures a culture of compliance. As far as an individual enterprise is concerned, it is rational to pursue favors from the state in the implementation of policies rather than to organize the kind of collective action that the state abhors. Successful entrepreneurs, therefore, are eager to work with the state. Instead of pursuing autonomy, they invite officials to become managers, triggering the phenomenon of state officials getting mixed up in private business. In addition, as they have benefited from the regime, their interests lie in the continued political dominance of the ruling party.

As they have pursued cooperative relations with the Party, private entrepreneurs have participated in politics directly instead of asserting themselves as an organized political force by forming their own associations. Private entrepreneurs, especially those who have a high profile and are successful, have become politicians while still being involved in the management of their enterprises, reflecting the merger of economic and political power in China. Private entrepreneurs who are elected to political posts are typically those who are close to, or wish to be close to, the Party and government, and who usually received honorary titles from them.⁵⁶ In this sense, they could be regarded as more, rather than less, political than their counterparts in other countries.

The cooperative relationship that China's private entrepreneurs have built with the Party, however, has not necessarily served the interests of the Party alone. The flow of influence has been two-way. On the one hand, the cooperative relationship has worked in favor of the Party because it helped secure the loyalty of private entrepreneurs. On the other hand,

⁵⁵After tolerating his illegal "creative financing" for almost a decade, the government arrested and prosecuted one private entrepreneur when he began to criticize the government. He criticized the state "for neglecting the countryside and squandering rural savings on urban development projects." See "Financial Enterprise in China at Odds with Party Politics," *Washington Post* (Online edition), January 2004. He also argued that a ban on new parties should be abolished. See *Yazhou zhouban* (Asiaweek), November 16, 2004, 31.

⁵⁶"Fei gongyouzhi daibiao renshi zhuyao zhi naxieren?" (Who are representative of the non-public economic sector?), *Zhongguo tongyi zhanxian* (China's United Front), 2001, no. 3: 40.

private entrepreneurs could also make use of their relationship with the Party to suit their own purposes. For private entrepreneurs, the cooperative relations that they formed with the Party have worked as a channel through which they can access the Party and policymaking.⁵⁷

China's private entrepreneurs have actively pursued their interests through the cooperative mechanism they have built with the Party. An expanding private business elite which has participated in formal political organizations has shown its intention to use its posts and wherewithal to exert influence on the policymaking process. Private entrepreneurs who are delegates to various institutions have shown their willingness to speak on behalf of the private sector. A delegate to the CCP's Sixteenth National Congress from Zhejiang Province did this when he said that entrepreneurs had asked him to express their concern over the security of private property.⁵⁸ Others were more direct in their intention to speak out for private entrepreneurs. A newly-elected representative to the Beijing Municipal People's Congress, who was a private entrepreneur, said that he needed to listen and convey the suggestions and voices of the private sector and transfer its opinion into the state's will. Yin Mingshan, after being elected vice chairman of the Chongqing Municipal PCC, also said that he would continuously strive to develop the non-state economy.⁵⁹ Yin even revealed that he would use his position to lobby for securing equal treatment for private businesses. He said that he was interested in allowing big private entrepreneurs more access to the sectors of the economy which had been closed to them, for example, automobile manufacturing.⁶⁰ This suggests that, contrary to the observation that private entrepreneurs are too heterogeneous to have group consciousness, a sense of belonging and identity (認同, *rentong*) among private entre-

⁵⁷David L. Wank also suggests that private entrepreneurs in China are in a mutually dependent relationship with cadres. See David L. Wank, *Commodifying Communism: Business, Trust, and Politics in a Chinese City* (New York: Cambridge University Press, 1999).

⁵⁸"Building a Shield for Private Property," *Beijing Review*, January 9, 2003, 18-20.

⁵⁹*Zhonghua gongshang shibao*, January 24, 2003.

⁶⁰*Far Eastern Economic Review*, March 27, 2003, 31.

preneurs began to emerge in the reform era.⁶¹

In addition to individual efforts by private entrepreneurs, a Party-dominated association has also tried to articulate and convey the demands of the private sector. The All-China Federation of Industry and Commerce (ACFIC, 中華全國工商業聯合會) has increasingly worked as a communication channel between the Party and the private sector. The Federation has attempted to advance the interests of the private sector by persuading the Party to revise policies or formulate new ones. ACFIC's Special Committee for Participation in Administration and Discussion of State Affairs has worked as a lobbying institution for the private sector.⁶² Officially, the Federation is supposed to collect ideas and suggestions as well as problems from the private sector and then convey them to various formal political institutions. As the economic significance of the private sector has grown, the Party has paid increased attention to the voice of ACFIC.

The common concern of entrepreneurs has largely focused on issues related to business and therefore they have been active on those issues. Most notably, private entrepreneurs have exerted their influence to place legislation protecting private property rights on the national political agenda. This became their common interest in the reform era. As they came to play a more important role in China's economy, their demands for legitimate protection also increased, and they conveyed their concern and expressed their suggestions on the protection legislation. ACFIC lobbied for constitutional amendments to protect private property rights for four consecutive years from 2001. In July 2001, encouraged by the calls for greater representation for private entrepreneurs in Jiang Zemin's address, Jing Shuping (經叔平), then chairman of ACFIC, publicly raised the necessity of amending the country's Constitution to protect private property rights.⁶³ In March

⁶¹For the argument that China's private entrepreneurs increasingly began to be aware that they have common interests, see Lu Xueyi, ed., *Dangdai Zhongguo shehui jieceng yanjiu baogao* (A research report on social stratification in contemporary China) (Beijing: Shehui kexue wenxian chubanshe, 2002). For the contrary argument that they do not have "a common basis for identity," see Tsai, "Capitalists without a Class."

⁶²<http://www.china.org.cn/english/2002/Mar/28701.htm> (accessed April 15, 2003).

⁶³"Pledge to Back Private Businesses," *China Daily*, July 19, 2001.

2002, ACFIC once again submitted a proposal for legislation protecting private property to the Fifth Session of the Ninth NPC.⁶⁴ The protection of private property rights was finally included in the Constitution for the first time since 1949 when the NPC formally approved a constitutional amendment in March 2004.⁶⁵ The amendment reflected the growing economic and political strength of the private sector. A Chinese legal expert who participated in discussion of the amendment argued that it "incorporated opinions of the ACFIC as well as theorists, legal experts, and economists."⁶⁶

ACFIC's concern, however, was not limited to economic issues. It began actively to pursue the private sector's interests on other issues, including political ones. For one, it called for private entrepreneurs to be able to join the Party. In 1999, Xia Yichang (夏益昌), secretary of the Party core group of the Zhejiang provincial branch of ACFIC, organized a work group and prepared a report on the situation of the private sector in the province.⁶⁷ Noting that many private entrepreneurs had already joined the Party and many others were eager to join, the report raised the necessity of bringing them into the system.⁶⁸ ACFIC claims that this report contributed to the Party leadership's decision to allow private entrepreneurs Party membership.⁶⁹ We do not have "smoking-gun" evidence to verify the truth of this claim, but circumstance suggests that Zhejiang Province played an im-

⁶⁴See note 55 above.

⁶⁵"Private Property Obtained Legally Shall Not Be Violated," *China Daily*, March 15, 2004.

⁶⁶"Top Legislature Considers New Amendment," *ibid.*, March 9, 2004.

⁶⁷The move was initiated from above in the sense that the subject of the report was assigned to the Zhejiang branch by ACFIC. Author's interview with an official in the Zhejiang branch of ACFIC who participated in the preparation and writing of the report, February 2004, Hangzhou (杭州).

⁶⁸"Zai canzheng yizheng zhong zhanshi diwei he zuoyong" (Reveal status and function through participation in administration and discussion of state affairs), *Zhonghua gongshang shibao*, December 11, 2002.

⁶⁹*Ibid.*; and "Siyiing qiyezhuzhu keyi rudang' yuanyu shanghui yifen baogao," (The decision of admitting private entrepreneurs to the Party originated from an investigation report of CC), http://www.acfic.org.cn/acfic/12_xw/12-2/6-5.htm (accessed December 20, 2002). In addition, in interviews in Shanghai and Tianjin in January 2003, Chinese officials told this author that private entrepreneurs had wanted to join the Party and that was the main reason why the Party decided to admit them.

portant role in making the decision. In May 2000, both Hu Jintao (胡锦涛) and Jiang Zemin paid visits to Zhejiang in order to inspect Party building in private enterprises. In particular, Jiang visited seven private enterprises and even heard reports from a private entrepreneur who was not a Party member on Party building in a private enterprise.⁷⁰ Given that Jiang was seeking evidence to help him solve controversial issues including admitting private entrepreneurs into the Party, we can reasonably conclude that this visit, which may have been prompted by the above-mentioned report, contributed to him allowing private entrepreneurs to join the Party.⁷¹

As noted earlier, private entrepreneurs have actively participated in various political elections at various levels. Their presence has been strongly felt in grass-roots level elections. In one city area, private entrepreneurs were elected village committee chairmen in 168 out of 643 villages.⁷² Local Party officials have supported entrepreneurs getting elected to political posts because the latter have controlled economic resources and have had expertise in economic management, which could contribute to economic development. As they began to participate in elections actively, elections became more competitive, especially in economically developed areas. In order to win elections, private entrepreneurs have formed alliances among themselves, made economic donations, and even attempted to buy votes.⁷³

In sum, private entrepreneurs in China have begun to play an important role in the policy process and to exert influence over the policies and regulations that affect them. Their active involvement in politics is instrumental in ensuring the adoption of policies that serve their interests. The

⁷⁰*Renmin ribao*, May 16, 2000, 1.

⁷¹According to a researcher who works in the Central Party History Research Center, Jiang's "July 1 speech" that allowed private entrepreneurs Party membership was the result of "massive research done for two years," suggesting that the contents of the "Three Representatives" (三個代表) theory was formed after he had raised it in early 2000. See *Shehui kexue bao* (Social Science Daily), March 7, 2002.

⁷²Zhang, "Jinru xinshiqi de Zhongguo siying qiye zhu jieceng," 319.

⁷³Kristen Parris, "The Rise of Private Business Interests," in *The Paradox of China's Post-Mao Reforms*, ed. Merle Goldman and Roderick MacFarquhar (Cambridge, Mass.: Harvard University Press, 1999), 274.

opinions and demands of private entrepreneurs are largely accommodated in the policymaking process and in some areas they exert quite a powerful influence in the making and implementation of policies. This in turn suggests that China's private entrepreneurs have become the new elite in the reform era. They enjoy privileged access to the policymaking process and to leaders, especially compared with other societal sectors and groups. In China, a wide spectrum of disadvantaged groups, like farmers and workers, are unable to voice their interests in the policymaking process. Private entrepreneurs in China therefore have entered into the center of China's political system.

Conclusion

The political status of private entrepreneurs in China has undergone significant change in the reform era. Not only have more private entrepreneurs been elected to the people's congresses and the people's consultative conferences at various levels but also they have been allowed to join the Party. In addition, they have increasingly shown the will to air their opinions and advance their interests. Owing to these changes, private entrepreneurs can exert influence over the making and implementation of policies and regulations that affect them. China's private entrepreneurs, therefore, have moved from the fringe to the center of China's political system. Their political emergence has been possible due to changes in the Party's policies. This change, however, was not merely the result of the Party's preemptive incorporation policy. The increasing economic significance and political assertiveness of the entrepreneurs themselves have contributed to the Party leadership's recognition of the necessity of incorporating them into its political order.

This in turn suggests that the CCP has shown flexibility toward private entrepreneurs, incorporating the demands of private entrepreneurs for political status regardless of the fact that Leninist ideology would forbid the Party from accommodating the private sector. For their part, private entrepreneurs have, through their cooperation, been able to lead the Party

to adjust its political order to incorporate a newly rising force. The change that has occurred to the political status of private entrepreneurs shows that the CCP is no longer repressing all demands for political participation by non-state forces. Even though it has not wanted to be influenced by an outside force, the Party has eventually been influenced by a social force.

The political impact of the entrepreneurs' emergence, however, is different from that in the West and in other East Asian countries. Unlike the classic Western bourgeoisie that pursued autonomy from the state, entrepreneurs in China have not asserted themselves as an autonomous and organized political force. Rather, by seeking a cooperative relationship with the Party, they have led the Party to accommodate their emergence and development. Through this cooperative relationship, they have been able to advance their interests. The Chinese experience suggests that pursuing autonomy is not the only way for private entrepreneurs to gain political prominence. The political impact that their emergence has had is also different to what is known as the East Asian experience. Chinese private entrepreneurs get involved in politics more directly. In China, they have directly assumed posts in formal political organizations. This is clearly different to the experiences of other East Asian countries such as Korea and Taiwan during their authoritarian periods, where the business community had little direct representation either in formal political institutions or in the ruling party.⁷⁴ The Chinese experience, in conclusion, suggests that relations between the state and private entrepreneurs could be more complex than generally assumed.

Looking to the future, this trend of change is sure to continue, further strengthening the political status of private entrepreneurs. There are many factors that could be conducive to the further enhancement of the private sector's influence. Given that China's leaders are determined to expand the role of the private sector in developing the economy, which underpins

⁷⁴In Taiwan, for instance, the business elite was on the fringe of the power structure during the authoritarian years. See Yun-han Chu, "The Realignment of Business-Government Relations and Regime Transition in Taiwan," in *Business and Government in Industrializing Asia*, ed. Andrew Macintyre (Ithaca, N.Y.: Cornell University Press, 1994), 117.

political and social stability, its economic significance will continue to grow.⁷⁵ With the growth of the private sector relative to China's economy as a whole, the influence of entrepreneurs could be further strengthened. As the private sector plays an important role in developing the economy and solving employment problems, officials at various levels may allow it a greater voice and role in the decisionmaking process. Some officials may even attempt to ally with private entrepreneurs in an effort to pursue their personal interests.

This is not to suggest that private entrepreneurs could become the ruling elite in China, replacing or competing with Party/state officials. Given that they have not gained support from other social forces,⁷⁶ their further emergence cannot but be incremental. Nor does this suggest that entrepreneurs could pursue autonomy from the state in the near future. Of course, as their economic power grows, they could raise demands for more authority from the state and be critical of the state's direct involvement in the economy. This, however, does not necessarily mean that they will actually pursue autonomy from the state. They have no reason to pursue political change as long as they get benefits from cooperation with the Party/state.

The mode of their political involvement, however, could change gradually. Given that their political status is now secure and their representative organization is becoming more active in articulating their interests, private entrepreneurs may choose to pursue their interests in more indirect ways such as through business associations, instead of participating in formal political institutions directly. In other words, once they believe that they can secure their interests through indirect means, their interest in political involvement may diminish. If and when this occurs, the distinc-

⁷⁵The head of ACFIC predicts that the number of private entrepreneurs could reach 40 million by 2010. See *South China Morning Post*, June 21, 2004.

⁷⁶According to one survey, only 5.3 percent of respondents believed that private entrepreneurs got rich by legitimate means. They have been blamed for much of the corruption and profiteering deplored by the public. See *Far Eastern Economic Review*, March 27, 2003, 30.

tiveness that now differentiates China's private entrepreneurs from their counterparts in many other countries could diminish also.

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