Understanding the Model of Governance in China: Party-state's Integration with Business Entities

The project has analyzed how economic elite mobility between the party-state and business entities has been utilized by the CCP to improve state capacity and also to stabilize the regime by incorporating the economic elites (also private companies) into the party-state system (co-optation strategy).

There has been a lot of confusion about the role that the executives of Chinese state-owned enterprises (SOE) play in the Chinese political system - are they independent profit-oriented actors or are they executors of official policies both domestically and overseas.

The project has analyzed how economic elite mobility between the Chinese party-state and Chinese business entities has been utilized by the Chinese Communist Party (CCP) in its strategy to improve state capacity, specifically to govern SOE system-related matters, and also to stabilize the regime by incorporating the economic elites (not only from SOEs but also private companies) into the party-state system (co-optation strategy).

This research exposes how the nexus between the party-state and business in China has contributed to the stability of the single-party regime. It also enhances our understanding of how to evaluate Chinese SOE activities overseas and better understand private business relations with the party-state.
1. 研究開始当初の背景

It has been known that the Chinese party-state has strengthened its links with the business elites even though the state-owned enterprise (SOE) reform has formally separated business from the state. Yet, it is still not clear what role this evolving state-business relation has played in the broader strategy of the regime and its governance model. Moreover, as it has created vested interests often said to be impeding necessary reforms in China, would those particular state-business relations in China undermine the stability of the single-party regime?

2. 研究の目的

The main purpose of this research was to explore the model of governance that has emerged in China since the beginning of economic reform focusing on a specific aspect of the system – the party-state’s integration with business entities.

3. 研究の方法

This project originally was designed to adopt a social network analysis approach but later there occurred a shift in focus from social networks between companies and the party-state to the actual role of the career transfers between the companies and the party or state institutions in the regime’s broader governing and also survival strategy. This was deemed to be more informative about the single party regime’s governing strategy. Career mobility of economic elites in China to party-state institutions was traced based on the researcher-collected datasets on SOE executives, but later the research scope was expanded significantly. At the very late stage of the project an already-existing extensive database on the executives of all Chinese publicly listed companies was discovered and acquired (Corporate Governance Database under the China Stock Market and Accounting Research Database (CSMAR)) (thus, some important parts of the analysis are still in progress and will be finalized for publication within 2020).

4. 研究成果

(1) The analysis has revealed that SOE executives with good managerial record at their companies were recruited to the state institutions, mainly those in charge of the SOE system in China. This trend was the strongest under Hu Jintao administration. In this way, the party-state has sought to bridge the gap in expertise that emerged as a result of separating business from the state in the course of economic reform. In a nutshell, it can be stated that business elites from SOEs only were integrated into the state in an attempt to boost state capacity to govern effectively. When it comes to state institutions, no such observation was made in regards to the economic elites from private companies – the analysis of career backgrounds of the top leaders of China’s State-owned Assets and Supervision Commission (SASAC) as well as the chairmen of China’s large central SOEs did not indicate any individual recruited from the private sector.

(2) The regime has also attempted to boost its governing capacity at the local level, since SOE managers were appointed as provincial governors or deputy-governors. The appointment of corporate managers to provincial leaders emerged as a trend around 2000-2003, strengthening further after 2007. Often, the same person would hold both the post of the provincial governor and its party secretary at the same time or consecutively. Nonetheless, company managers were appointed to provincial leaders as their industry professionals rather than party cadres who had been sent to a company temporarily. Literature already indicates that former corporate managers are one of the five groups of provincial governors recently in China (the other four groups of provincial governors are former Youth League cadres, those who spent their entire careers in local government and advanced through the system, those with extensive experience of the central party or government apparatus, and a number of former academics). But the interesting observation from this research is that the executive’s industrial background appears to be the major explanatory factor with a particular pattern displayed by the data. For example, in 2000, an executive from the oil industry was appointed as a governor of Qinghai province, one of the major locations of China’s oil and natural gas deposits. The manager of China National Offshore Oil Corporation (CNOOC) was reportedly selected as the governor of Hainan Province in 2003 due to the central government’s intention to develop the oil and gas resources in the South China Sea. He had decades of experience in the industry and had successfully led the company. An executive of Aluminum Corporation of China Ltd. Transferred to Guangxi Zhuang Autonomous Region to become deputy governor in 2004 and then governor in 2008. Guangxi province is the major site for China’s bauxite, the main source of aluminum. A general manager from the China FAW Group Corporation was appointed to Jilin provincial
government, where automobile production is one of the dominant industries. There was similar practice appointing provincial party secretaries. The pattern observed indicates that the regime has created a particular party-state and business nexus (yet, in this case apparently limited to the SOE sector – needs to be confirmed with the extensive new dataset, see below) aimed at supporting the regime's economic development strategy. And again, this is the most visible practice under Hu Jintao's term. Until around 2012, there is a high correlation between an executive’s experience in a particular industry and the location of their province-level appointment. In the later period, inter-system appointments were drawn predominantly from the aerospace or defense industry, which strengthened under the current administration of Xi Jinping. Under his administration, former managers from these industries were appointed to senior positions in the governments of Chongqing and Tianjin municipalities, Guangdong, Hubei, Hunan, Liaoning, Zhejiang province, and Ningxia Hui Autonomous Region, marking a significant expansion of the number of provinces under former managers as the top leaders.

Generally, the SOE executives have been brought closer to the party-state through their membership in the CCP Central Committee and also delegating them to the National People's Congress (NPC) as well as Chinese People's Political Consultative Conference (CPPCC).

(3) Since the comprehensive economic elite database was acquired in the latest part of the project, some important parts of the analysis are still in progress and will be finalized for publication within 2020. Among others, the work currently in progress is (I) the business elite representation in China’s NPC, and (II) the analysis of China’s economic statecraft in abroad. The (I) analysis examines the industrial representation of business executives (both from the state and private sectors) in the NPC overtime. It was found that around five percent of the delegates to the 13th NPC (2018-2023) are business executives, the large majority of them being from manufacturing industries, although real estate development, financial companies are also represented. Considering the benefits that NPC membership may bring to those individuals, likely this is a part of the regime’s cooptation strategy. Economic elites are incorporated into the system in an attempt to avoid their alienation from the party state and in this way to stabilize the regime. However, two tasks still remain. One is to see how industrial representation at the NPC has changed over time, the second – to evaluate the actual activities of these delegates at the NPC.

(4) The analysis (II) evaluates China’s economic statecraft abroad by mainly surveying the shareholder structure of the Chinese companies investing in the EU member states.

It was observed that inter-system career transfers play a significant role in the regime’s attempt to enhance its governing capacity, both at the stage of policy making and policy implementation. That was surely the case with the state sector but it needs to be further verified based on the new dataset (see above) whether the economic elites from the private sector have been mobilized for this purpose too.
5．主な発表論文等

(雑誌論文) 計1件

(学会発表) 計4件 (うち招待講演 件ノうち国際学会 件)

1．発表者名

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*Macikenaite, Vida. “China’s Economic Political Elite: Political Mobility of Business Executives in China since 1992” (accepted)*