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**Big Business and Industry Association Lobbying in China:
The Paradox of Contrasting Styles**

by

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Abstract

There is a growing consensus that industry influences economic policy in China, but there is little understanding of the specific tactics and strategies used and the extent to which they are effective. This paper reports the findings of the most systematic surveys yet to be conducted of large-scale companies and national industry associations in China. It finds that companies across ownership forms all are more active and use a broader array of tactics than industry associations, but that the latter at first glance appear much more influential. An analysis of the data and additional evidence from interviews and other sources suggest that paradox is more apparent than real.

Big Business and Industry Association Lobbying in China: The Paradox of Contrasting Styles

I. Introduction

In spite of China's continued authoritarian political institutions and the formal monopoly on power by the Chinese Communist Party (CCP), there is growing recognition that business lobbying is an integral part of the country's policy process at both the local and national levels. As thousands of economic regulations and laws have become key determinants of the fate of industry, all types of companies – state-owned and private, Chinese and foreign – have become active in every stage of the policy process, from setting the agenda to identifying policy options and shaping regulatory implementation. Whereas interacting with officialdom used to be the responsibility of an enterprise's senior leader, it is increasingly common for companies to have a defined position or team in charge of government affairs.¹ The number of trade associations representing domestic and foreign companies has grown rapidly, with the greatest expansion recently seen in the proliferation of branches of municipal chambers of commerce outside their home localities (*yidi shanghui*).² There is also a growing cadre of Chinese public affairs consultancies. Whereas Chinese Mainland scholars and journalists previously only used the term “lobbying” (*youshui*) to refer to the behavior of companies in capitalist countries or multinational companies (MNC) in China, the term is now associated with domestic companies'

¹ US-China Business Council, “Conducting Governments in China: Best Practices” (Washington, DC: September 2008).

² Pan Zhiliao, “Yidi shanghui danren ‘meipo’” *Fujian ribao* (Fujian daily), August 5, 2004; Shen Changwei, “Cong Neimenggu Quanzhou shanghui de fazhan kan yidi shanghui zai xibu minying jingji fazhanzhongde zuoyong he diwei,” *Neimenggu tongzhan lilun yanjiu* (Inner Mongolia united front theory research), May 2005, pp. 37-38; Mu Jia. “Fujian yidi shanghui fazhan weihe ruci pengbo” (Why is development of Fujian extra-regional associations so thriving), *Zhonghua gongshang shibao* (China business times), 16 May 2006.

behavior at home.³ The discussion of “interest groups” (*liyi jituan*) is even more common.⁴

Not only has engagement of officialdom risen, equally important, there is growing sentiment that lobbying pays off. Policies for different sectors and the broader economy have been shaped by corporate influence.⁵ In some sectors, such as energy, it appears that the basic trajectory has been determined less by a coherent government plan than by companies who have manipulated government to adopt policies consistent with their interests.⁶ Lobbying affects both domestic and foreign economic policies, and companies lobby successfully for greater protection

³ Zhang Yaojie, “Minjian youshui yu lifazhi hudong” (interaction between popular lobbying and lawmaking), *Dandai zhongguo yanjiu* (modern China studies), Vol. 11, No. 3 (2004), pp. 73-80; Cheng Hao, Huang Weiping, and Wang Yongcheng, “Zhongguo shehui liyi jituan yanjiu” (research on interest groups in Chinese society), *Zhanlue yu guanli* (strategy and management), No. 4 (2003), pp. 63-74; and Tian Zhilong and Gao Haitao, “Zhongguo qiye youshui xingwei jiqi lunli guifan yanjiu” (Research on Chinese enterprises’ lobbying behavior and their ethical criteria), *Guanli xuebao* (Chinese journal of management), Vol. 3, No. 5 (September 2006), pp. 560-568, 579.

⁴ Yang Zhi, “Qiye ruhe youshui zhengfu?” (how do companies lobby government?), *Quanqiu caijing guancha* (global business observer, February 28, 2005; Pang Jiaoming, “Ge liyi jituan youshui ‘gongsifa’” (various interest groups lobby the company law), *Shangwu zhoukan* (business weekly), 19 April 2005; Gu Jun, “Zhixiaofa jiu tuo bujue, zhong jutou juhui beijing youshui” (Direct sales law delayed without decision, many heads meet in Beijing to lobby), *Dongfang zaobao* (Eastern morning news), 12 January 2005; Jiang Tong, “Jingtong bumen liyi pengzhang” (Guard against the expansion of departmental interests), *Liaowang* (outlook), 9 October 2006. To view a blog devoted to lobbying in China, visit <http://www.lobbychina.org>.

⁵ Scott Kennedy, *The Business of Lobbying in China* (Cambridge, MA: Harvard University Press, 2005).

⁶ Phillip Andrews-Speed, *Energy Policy and Regulation in the People’s Republic of China* (London: Kluwer Law International, 2004); Erica S. Downs, “China’s Quest for Overseas Oil,” *Far Eastern Economic Review*, September 2007, pp. 52-56; Edward A. Cunningham, “China’s Energy Governance: Perceptions and Reality,” *The Audit of the Conventional Wisdom Series*, MIT Center for International Studies, Vol. 7, No. 4 (March 2007).

from imports and for increased liberalization.⁷

Nevertheless, although we know that industry is more active and sometimes successfully shapes policy, there is much less information about how industry engages policymakers. Companies lobby directly and via associations, but we have only a rudimentary knowledge of the actual strategies and tactics they employ and their rate of success. Some observers have emphasized the importance of personal connections (*guanxi*); but *guanxi* can be manifested in multiple ways.⁸ Recent private-sector analyses report that *guanxi*'s currency is less valuable than in the past.⁹ Yet if so, what other tools are being utilized? And do different kinds of companies or associations engage government differently, and with different results?

This article takes a step in developing a more comprehensive and systematic way to analyze business lobbying in China in order to better understand the tactics and strategies that companies and associations employ as they seek to influence national Chinese public policy. In doing so, we adapt the theoretical framework and methods used to study corporate political activity in advanced economies to the Chinese context. In particular, we report the results of recently conducted surveys of very large companies and national industry associations in China.

⁷ Scott Kennedy. "China's Porous Protectionism: The Changing Political Economy of Trade Policy," *Political Science Quarterly*, Vol. 120, No. 3 (Fall 2005), pp. 407-432; "CNPC, Sinopec Lobby for Oil Products Import Tariff Cut, Report," Xinhua News Agency, 18 March 2008.

⁸ David L. Wank, *Commodifying Communism: Business, Trust, and Politics in a Chinese City* (Cambridge: Cambridge University Press, 1999); Scott D. Seligman, *China Business Etiquette: A Guide to Protocol, Manners, and Culture in the People's Republic of China* (New York: Grand Central Publishing, 1999).

⁹ Elizabeth Judd, *Good Guanxi: Managing Government Relations in China* (Washington, DC: Foundation for Public Affairs, 2008); US-China Business Council, "Conducting Government Affairs in China: USCBC Survey Results," (Washington: November 2007); US-China Business Council, "Conducting Governments in China: Best Practices," September 2008.

The findings indicate surprising commonalities in lobbying behavior across a wide variety of companies yet identify equally unexpected differences between companies and business associations.

In the next section, we review the extant research on government-business relations in China to identify progress to date and the reason for continuing gaps in our knowledge. We then outline the research strategy employed here, with a description of the overarching framework, the design of the surveys, and the composition of the sampled companies and associations. The paper then turns to a four-staged discussion of the findings. We identify the main strategies and tactics of company lobbying, highlight the contrasts with associations, explain the sources of their differing behavior, and then consider alternative explanations for their differences in influence. We conclude by considering the implications of our findings for how to envision government-business relations in China and sketch out a future research agenda that could shed light both on China and broader theories about corporate political activity.

II. Beyond Regime Studies

There is a growing literature on government-business relations in China, but much of it is oriented in such a way that it does not fully address these questions. In what could be classified as “political regime studies,” this stream of research is directed at determining whether the CCP’s hold on power is stable or whether there are signs that a civil society is emerging to challenge the political status quo.¹⁰ As a result, these studies focus on the behavior and views of

¹⁰ Wank, *Commodifying Communism*; Bruce J. Dickson, *Red Capitalists in China: The Party, Private Entrepreneurs, and Prospects for Political Change* (Cambridge: Cambridge University Press, 2003); Bruce J. Dickson, *Wealth Into Power: The Communist Party’s Embrace*

those most likely to be vehicles of political change, private entrepreneurs. State-owned enterprises and multinational corporations (MNC) are disregarded because they are not expected to be political vanguards. Relatedly, since private companies are usually small and operate in a single locale, attention is typically directed at their interaction with local governments and not the central government in Beijing. The main substantive issues usually concern enterprise-specific problems such as onerous regulations or the need for licenses or financing. Moreover, the unit of analysis of these studies is the individual entrepreneur and not the company as an organization.¹¹ The key behavioral yardstick is to determine whether entrepreneurs and their associations have a cooperative (coopted) relationship with officialdom or whether they display substantial autonomy.

This research agenda has proven invaluable in debunking the notion that China's capitalist transition is generating pressure for democratization from business. Yet by their design these studies do not sufficiently address questions about non-state actors' influence on public policy. One cannot compare and contrast the political behavior of firms of different ownership forms, nationalities, and sizes unless they are in one's sample. One cannot extrapolate from local state interaction to how firms may behave in national policy debates. With a focus on

of China's Private Sector (Cambridge: Cambridge University Press, 2008); Kellee S. Tsai, *Capitalism Without Democracy: The Private Sector in Contemporary China* (Ithaca: Cornell University Press, 2007).

¹¹ Pearson is an exception in that she examines MNCs; however, she is most concerned not with MNCs as institutions but with the behavior of the individual Chinese employees who work in them. Her goal is to see if the group of Chinese who are institutionally and economically most autonomous from the state are more likely to behave in a way that could challenge the state politically. She finds they are not. See Margaret M. Pearson, *China's New Business Elite: The Political Consequences of Economic Reform* (Berkeley: University of California Press, 1997).

individuals, one cannot consider how companies (or industry associations) may mobilize their staff and various departments to promote the company's corporate interests as a whole. And if autonomy is the lone benchmark of behavior, that leaves unattended an analysis of many potentially effective strategies and tactics.

Though less noticed, there is an emergent literature that examines the policy involvement of companies in China. This work has its origins in the "corporate political activity" (CPA) studies popular in American and European business schools. This scholarship explores the methods companies use to affect policy, who their primary targets are, whether companies' behavior varies by size or sector, how companies' internal organization and staffing shapes their lobbying, how governments and political institutions shape the nature of corporate political activity, and how MNCs participate in the policy process abroad.¹² The vast majority of these studies examine CPA in wealthy capitalist democracies, but work on China has recently emerged. The earliest wave of studies focused on how MNCs in China attempt to overcome their "liability of foreignness" in order to receive company-specific benefits as well as influence laws and regulations.¹³ These studies have been joined by a new wave of work focused on the

¹² Two excellent summaries and analyses of this literature are Jean J. Boddewyn, "The Internationalization of the Public-Affairs Function in U.S. Multinational Enterprises: Organization and Management," *Business & Society*, Vol. 46, No. 2 (June 2007), pp. 136-173; and Amy J. Hillman, Gerald D. Keim, and Douglas Schuler, "Corporate Political Activity: A Review and Research Agenda," *Journal of Management*, Vol. 30, No. 6 (December 2004), pp. 837-857.

¹³ Rajib N. Sanyal and Turgut Guvenli, "Relations between Multinational Firms and Host Governments: The Experience of American-Owned Firms in China," *International Business Review*, Vol. 9, No. 1 (February 2000), pp. 119-134; Yadong Luo, "Toward a Cooperative View of MNC-Host Government Relations: Building Blocks and Performance Implications," *Journal of International Business Studies*, Vol. 32, No. 2 (Third Quarter 2001), pp. 401-419; Yi-Ru Regina Chen, "Effective Public Affairs in China: MNC-Government Bargaining Power and

behavior of domestic Chinese companies.¹⁴ The main contributors are PRC-based scholars who publish in Chinese and Western academic business journals. Somewhat surprisingly, there is no research on business lobbying being published by Chinese political scientists.¹⁵

Although they utilize a different approach, their findings are largely consistent with political regime studies. The general impression given is that Chinese and foreign companies lobby differently. In contrast to lobbying in Western countries, these studies conclude that Chinese enterprises do not provide information to officials in formal settings, do not participate in hearings, and do not commission research projects or provide position papers.¹⁶ Nor do Chinese companies try to influence media coverage on issues relevant to policy.¹⁷ Domestic

Corporate Strategies for Influencing Business Policy Formation,” *Journal of Communication Management*, Vol. 8, No. 4 (2004), pp. 395-413; Yongqiang Gao, “Institutional Environment and MNEs’ Strategy in Transitional China,” *Managing Global Transitions*, Vol. 6, No. 1 (Spring 2008), pp. 5-21.

¹⁴ Gao Yongqiang and Tian Zhilong, “How Firms Influence the Government Policy Decision-making in China,” *Singapore Management Review*, Vol. 28, No. 1 (January 2006), pp. 73-85; Tian Zhilong and Xinming Deng, “The Determinants of Corporate Political Strategy in Chinese Transition,” *Journal of Public Affairs*, Vol. 7, No. 4 (November 2007), pp. 341-356; and Wei Wu, “Influence of Political Relationship Building on the Business Activity of Firms in China,” *Singapore Management Review*, July 2008.

¹⁵ Experts on China’s national economic policies typically write more about the substance of policy rather than analyze the process by which policies are adopted. For a tame discussion of “consultative mechanisms” with society, see Zhu Qinjun, “Zhongguo zhengzhi wenming jianshe zhongde xieshang minzhu tanxi” (Exploration of construction of Chinese political civilization’s consultative democracy), *Zhengzhixue yanjiu* (political science research), No. 3 (2004), pp. 58-67.

¹⁶ Yongqiang Gao, “Corporate Political Action in China and America: A Comparative Perspective,” *Journal of Public Affairs*, Vol. 6, No. 2 (May 2006), pp. 117-118.

¹⁷ Tian Zhilong, Gao Yongqiang, and Wei Wu, “Zhongguo qiye zhengzhi celue yu xingwei yanjiu” (research on Chinese enterprise political tactics and activity), *Gongshang guanli lilun luntan* (theoretical forum on business management), No. 12 (2003), pp. 98-106, 127.

enterprises tend to be passive and primarily engage officials to address company-specific problems. In doing so, they depend heavily on *guanxi*, which according to some, is a product of the country's Confucian heritage.¹⁸ MNCs do have to utilize *guanxi*, but they draw on a larger toolkit that includes leveraging their technological expertise and their home-country governments.¹⁹

Although it may be comforting that these studies confirm earlier perceptions, pervasive methodological weaknesses limit their potential contribution. Many of the articles offer little empirical data, and instead provide illustrative anecdotes or case studies.²⁰ The examples are not chosen with reference to a broader theoretical framework that justifies why some cases are discussed as opposed to others.²¹ One contribution compares three companies of different ownership forms, but it does not use the cases to make larger claims about the effect of ownership.²² Several studies employ surveys, but they either use an extremely small sample (less than 40 firms), or they inappropriately obtained their sample. One scholar used the “snowballing” technique (having companies she surveyed recommend others to include), which

¹⁸ Gao, “Institutional Environment and MNEs’ Strategy in Transitional China.”

¹⁹ Luo, “Toward a Cooperative View of MNC-Host Government Relations”; Chen, “Effective Public Affairs in China”; and Yi-Ru Regina Chen, “The Strategic Management of Government Affairs in China: How Multinational Corporations in China Interact With the Chinese Government,” *Journal of Public Relations Research*, Vol. 19, No. 3 (May 2007), pp. 283-306.

²⁰ Gao and Tian, “How Firms Influence the Government Policy Decision-making in China.”

²¹ Chen, “Effective Public Affairs in China.”

²² Tian Zhilong, He Yuanjiong and Gao Haitao, “Zhongguo qiye feishichang culue yu xingwei yanjiu” (Research on Chinese enterprises’ nonmarket tactics and behavior), *Zhongguo gongye jingji* (China industrial economy), No. 9 (September 2005), pp. 82-90.

may be appropriate for indepth interviews and comparative case studies but not for formal surveys. In another case, professors surveyed entrepreneurs who were students in their e-MBA courses.²³ Both approaches introduce major biases (and ethical dilemmas) into the samples that are difficult to overcome.

As a result of research design problems, one has to be cautious in interpreting these findings and recognize the need for further research. In addition to reconsidering their conclusions, there are two new areas that can be addressed. First, lobbying research, in general and with regard to China, has not paid sufficient attention to measuring the extent to which political activity pays off.²⁴ We need to more directly analyze industry's actual influence on policy. And second, although companies and industry associations are both commonly studied, their behavior is rarely compared explicitly.²⁵ There is an assumption that companies and associations lobby similarly in any given political setting or sector. That assumption is worth testing because it seems possible that different types of organizations operate differently and such contrasting behavior may yield differences in their relative influence over public policy.

²³ Chen, "The Strategic Management of Government Affairs in China"; and Tian Zhilong and Xinming Deng, "The Determinants of Corporate Political Strategy in Chinese Transition," *Journal of Public Affairs*, Vol. 7, No. 4 (November 2007), pp. 341-356.

²⁴ Most studies try to measure business influence by comparing financial contributions to politicians to the benefits provided to an industry, such as fiscal support, or to their economic performance. For example, see Jin-Hyuk Kim, "Business Lobbying Revisited," *Business & Politics*, Vol. 10, No. 2 (May 2008), Article 3.

²⁵ For interesting case studies, see Li Xiufeng and Zeng Wenyuan, "Hangye xiehui dui zhengce xingchengde yingxiang" (policy influence formed by industry associations), *Guojia xingzheng xueyuan xuebao* (national administration college journal), No. 3 (2006), pp. 76-78; and Cheng Hao, Huang Weiping, and Wang Yongcheng, "Zhongguo shehui liyi jituan yanjiu" (research on interest groups in Chinese society), *Zhanlue yu guanli* (strategy and management), No. 4 (2003), pp. 63-74.

III. Research Design

In light of previous research and with the goal of addressing new issues, parallel surveys of companies and associations were carried out in the summer of 2007 in China. To ensure as accurate a picture as possible, company respondents were executives responsible for government affairs, and associations respondent were the secretaries-general, the person in charge of daily operations.²⁶ The company survey focused on firms with annual sales of at least RMB 500 million per year with an office in Beijing staffed with at least one person responsible for government affairs (GA). The sample was limited to the country's largest firms with GA staff working in Beijing in order to examine the group of companies most likely to be active in national economic policymaking. There is extensive comparative research indicating that size is a key factor in determining firms' political activism, yet at least one study argues that only including the largest companies in studies does not so severely distort the picture of government-business relations as to make broader generalizations impractical.²⁷

Companies were selected through a "probability sample with quotas" process in order to have adequate representation of firms of different ownerships and nationalities. Of the 131

²⁶ All of the company surveys were administered in person. Half of the association surveys were based on face-to-face interviews, and the other half from mailed questionnaires.

²⁷ Lester M. Salamon and John J. Siegfried, "Economic Power and Political Influence: The Impact of Industry Structure on Public Policy," *American Political Science Review*, Vol. 71, No. 3 (September 1977), pp. 1026-1043; Boddewyn Jean J. and Thomas L. Brewer, "International-Business Political Behavior: New Theoretical Directions," *Academy of Management Review*, Vol. 19, No. 1 (January 1994), pp. 119-143; Douglas A. Schuler, Kathleen Rehbein, and Roxy D. Cramer, "Pursuing Strategic Advantage through Political Means: A Multivariate Approach," *Academy of Management Journal*, Vol. 45, No. 4 (August 2002), pp. 659-672; and Jeffrey M. Drope and Wendy L. Hansen, "Does Firm Size Matter? Analyzing Business Lobbying in the United States," *Business and Politics*, Vol. 8, No. 2 (August 2006), Article 4.

companies surveyed, 84 were (64.1%) were Chinese, 43 were foreign (32.8%) and 4 (3.1%) were from Hong Kong. In terms of ownership, 46 (35.1%) were state-owned enterprises (SOE), 38 (29.0%) were domestic private companies, and 47 (35.9%) foreign or from Hong Kong. The ownership distribution differs from the actual national average – 12.8% for SOEs, 66.5% for privately-run firms 66.5%, and 20.7% for foreign-invested firms – but there is no data on ownership distribution of firms of this size; but it is likely that they are predominantly SOEs and foreign firms.²⁸ The companies are from a wide assortment of sectors, with 90 (68.7%) focused on a single industry and 41 (31.3%) diversified in multiple sectors. Lastly, there was wide variation in their government affairs staff. Many companies had just one or two designated government affairs staffers, with the most being seven. A slight majority (57.3%) did not have a government affairs staffer who had previously worked in the CCP or government.

The association survey is based on a sample of national-level Chinese industry associations, which were also selected through a probability quota system.²⁹ In contrast to the companies, the sample is reflective of the general population of associations in terms of the organization to which they are affiliated (*guakao danwei*) and their relative degree of autonomy vis-a-vis the government. 42.9% of the country's 711 national associations are affiliated with the State-owned Assets Supervision and Administration Commission (SASAC), compared to 49.3% of the survey sample. Another 36.6% of associations are affiliated with a ministry or

²⁸ *China Statistical Yearbook 2007* (Beijing: National Bureau of Statistics of China, 2007), available online at: <http://www.stats.gov.cn/tjsj/ndsj>.

²⁹ Author Deng Guosheng hired the Horizon Research Consultancy Group to carry out the company survey and the polling firm Peking Sinowitts Management Consulting to conduct the association survey.

commission, compared to 32.9% in the survey. 3.9% of the country's national associations are affiliated with the All-China Federation of Industry and Commerce (ACFIC) and 2.9% with the China Council for the Promotion of International Trade (CCPIT), compared to 5.5% and 2.7% of the sample, respectively. The remaining 9.6% of the surveyed associations have no direct supervising authority to which they are accountable.³⁰ Associations in the sample also varied in terms of their composition of their membership (company size, ownership, and representativeness of the sector) and the composition of their government affairs staff. Under half (42.5%) have two or less GA staff; whereas only a slight minority of companies had GA staffers with CCP or government work experience, 63% of associations had former officials in their ranks.

The company questionnaire sought answers to three sets of questions. The first involved background information about the company's basic characteristics and its GA staff. The second area revolved around the company's lobbying behavior vis-a-vis the national and local governments. It tried to determine whether companies take a more proactive or passive approach in dealing with officials and policy issues. Adapting the framework that Hillman and Hitt employ with regard to American and European firms, the survey asked a series of questions concerning their lobbying strategies and tactics. The three strategy categories – Information, Public Relations, and Trust – refer to the underlying motivational mechanism a company uses to

³⁰ A Tsinghua study found that only about 14.2% of industry associations nationally were genuinely founded at the initiative of their members. Huang Mengfu, *Zhongguo shanghui fazhan nianbao* no. 2 (China chamber development annual report no. 2) (Beijing: Social Sciences Academic Press, 2008), p. 8.

persuade an official to accept their position.³¹ Specific Information tactics include the provision of oral or written policy-relevant information in both informal settings such as private meetings and in formal situations such as public hearings. The Public Relations strategy refers to company efforts to improve the company's popular image and generate media coverage that is consistent with the company's policy preferences. The Trust strategy suggests efforts by companies to influence policymakers by gaining their personal trust, which is another way to say build *guanxi*. Companies were then asked about the frequency with which they engaged officials in ministries and commissions under the State Council, the National People's Congress (NPC), the Chinese People's Political Consultative Conference (CPPCC), and local governments. Respondents were also asked about their views and use of industry associations. The last set of questions focused on the results of lobbying. Respondents were asked to gauge the policy influence of industry generally as well as their own company's influence vis-a-vis the central and local governments. The association questionnaire was almost identical, except for including more questions about associations' appropriate role and course of action in certain circumstances (for example, when

³¹ Hillman and Hitt divide behavior into informational, constituency-building, and financial strategies. Constituency strategy involved grassroots efforts to attract popular support for elections and policy mobilization campaigns. The questions in this survey were modified to be about company's policy-relevant public relations behavior. The financial strategy involved making contributions to politicians running for office. No questions in this survey were asked about financial incentives because Chinese officials do not need to raise funds for campaigns, and it was deemed too sensitive to ask in a formal survey about other material inducements companies may make toward officials. Instead, questions were asked about efforts to build personal trust with officials. Amy J. Hillman and Michael A. Hitt, "Corporate Political Strategy Formulation: A Model of Approach, Participation and Strategy Decisions," *Academy of Management Review*, Vol. 24, No. 4 (October 1999), pp. 825-842. Another study on China that borrows from Hillman and Hit uses six strategy categories, but there does not appear to be a consistent logic in how the strategies were conceived. See Tian and Deng, "The Determinants of Corporate Political Strategy in Chinese Transition."

its members and the government disagree, which side should the association support).

The survey design not only provides insight into how respondents participate in policymaking but, more importantly, permits identification of linkages between company and association characteristics, their activities, and their influence. And since companies and associations were both surveyed, these two groups' behavior can be systematically compared. However, the survey has at least two weaknesses. First, although larger than most other CPA surveys in China, the sample is still small enough that multivariate regression analysis is difficult to utilize; hence, we depend heavily on bivariate cross tabulations to identify correlations between firm and association characteristics, lobbying methods, and policy influence. And second, no questions directly ask about financial inducements, legal or otherwise, because this was deemed too sensitive a topic for a formal survey. Hence, an important area of inquiry was put aside and awaits future studies.

IV. Companies' Government Affairs Work: Working Every Angle

The survey suggests that elite companies in China are highly engaged with officials in the policy process. Less than 7% of those surveyed said they wait until a problem arises before developing plans to influence the government. Over 90% of companies report that they regularly engage the government in a number of ways during the course of the year. In terms of strategic approaches, as others have found, companies do engage in trust-building, for example, by hosting banquets. And almost 70% of respondents agree with the statement that “*guanxi* is the key to influencing public policy.” On the other hand, 80% of companies agree that “good *guanxi* with local government is more important than with the central government.” Moreover, by dint

of their other activities, companies reveal they depend on much more than connections to shape policy.

[Insert Table 1: Company Ownership and Nationality: Do They Matter?]

First and foremost, companies in the sample attempt to influence policy by shaping the substantive views of officials. (see Table 1) Firms routinely provide information in oral and written forms, and host policy-related meetings with policymakers. Over 85% of firms participate in legislative or administrative hearings, and three-quarters support scholarly research on policy-related matters. Companies also routinely use public relations in support of their policy goals. Engaging the media involves much more than providing “red envelopes” (*hongbao*) to generate good attendance at press conferences and positive stories. Almost all surveyed companies submit policy-related articles to the media, and almost 90% hold press conferences that touch on policy issues.³² Somewhat fewer, but still a sizeable majority (59.6%), run training sessions for journalists. And 83.2% of the sample engage in philanthropy. Others have found that MNCs use these strategies, but this survey found that such activities are not limited to the supposedly more sophisticated foreign sector.³³ In terms of frequency, information-oriented

³² For a study that reports how the car company Geely uses the media to push for greater policy benefits for auto sector, see Tian Zhilong and Gao Haitao, “Zhongguo qiye de youshui xingwei jiqi lunli guifan yanjiu,” p. 563.

³³ The US-China Business Council survey found similar results; 77% of their members engage with PRC scholars and researchers as part of policy advocacy. US-China Business Council, “Conducting Government Affairs in China: USCBC Survey Results.” Judd reports that

tactics are most common. Almost 60% of companies provide policy information in written form at least twice per year and 15.3% do so at least once per month. Public relations efforts are the second most common, with over 60% of companies submitting articles to the media at least twice year and 12.2% at least once per month. About 60% of companies host a banquet once per year, and 27.5% do so at least twice annually.

[Insert Table 2: Targets of Company Lobbying]

In addition, companies engage all parts of the government. Ministries and commissions under the State Council and local governments are the most frequently contacted. (see Table 2) This makes sense because national ministries have the greatest role in drafting regulations, and local governments most directly regulate companies' quotidian operational issues. But in addition, the NPC, the CPPCC, and their deputies are also commonly contacted by companies. This is particularly surprising for the CPPCC since it has no authority to issue regulations; but because its members still have a formal consulting role that gives them an institutionalized voice in the deliberative process, companies appear to find them worth meeting.³⁴

Aside from direct interaction, companies also engage government through intermediaries.

MNCs extensively engage the media. Judd, *Good Guanxi*, pp. 21-22. One MNC executive we interviewed following the survey reports that he and others in industry regularly “pay for research [that fits our views] and have it delivered to the government.” Interview, Beijing, November 2008.

³⁴ Similar findings are reported by Tian and Gao, “Zhongguo qiyede youshui xingwei jiqi lunli guifan yanjiu”; Cheng, Huang, and Wang, “Zhongguo shehui liyi jituan yanjiu”; US-China Business Council, “Conducting Government Affairs in China: USCBC Survey Results”; and “Lobbyists Target China Legislators,” *Wall Street Journal*, 9 March 2006.

The most common are industry associations and chambers of commerce. Companies belong to anywhere between two and nine industry groups, with the modal number being five. A minority of companies use alternative intermediaries to reach policymakers, with the most being law firms (27.5% said they had within the last year), followed by government affairs consultancies (14.5%), public relations firms (7.6%), and general consulting companies (6.9%).

One of the most surprising findings about company lobbying is that firm ownership and nationality have very little effect on reported behavior. (see Table 1) All types of companies draw on a range of informational, public relations and trust-building tactics. They all are members of industry associations and chambers of commerce, but they are infrequent users of newly emerging intermediaries (such as law and lobbying firms). SOEs have slightly more frequent contact with officials across organizations, but the differences appear to be of degree and not kind. Although SOEs somewhat more commonly use associations as intermediaries to interface with officials, they have somewhat less confidence in associations' policy influence than private-sector firms. And SOEs give slightly more credence to industry influence, but the differences with their private and foreign counterparts are not that dramatic. These similarities, discussed in more detail below, reflects the common need to be active on policy matters as well as likely learning from each other about what tactics are available and effective.

With so much activity one might expect companies to be highly influential. Respondents did agree that industry as a whole has become more influential, and they agreed that larger companies are more influential than smaller ones, SOEs are more influential than private companies, and that even foreign-invested firms have become more influential of late. However, when asked about their own influence, companies gave quite a different picture. Only seven of

131 (5.3%) companies surveyed said that had ever successfully influenced the central or local governments to adopt a certain policy, and only two (1.5%) said that had ever successfully had the central or local government revise or discontinue an existing policy. This self-reported limited influence is consistent with state-centric views of China's policy process, but as will be shown below, there are other ways to interpret the data.

V. Industry Associations: Less Active but More Influential

If the similarities in lobbying behavior across firms is unexpected, even more surprising is the stunning contrast between firms and associations on just about every aspect of lobbying. Despite the fact that they operate in the same political environment, the manner in which they engage policymakers and the outcome of their interactions differ starkly. There is no precedent for these differences in other countries. In fact, the assumption of consistency between company and association behavior is so ingrained that it has not merited any other research to date. Hence, that the distinction is so high in China is quite puzzling.

Industry associations are proactive, but not to the degree displayed by elite companies. Whereas only 6.9% of companies wait for a problem that directly affects their interests to arise before contacting the government, 28.8% of associations do so. 93.1% of companies “pro-actively” give company and industry information to the government, compared to 78.1% of associations. And 91.6% of companies regularly contact the government to obtain policy information, whereas only 67.1% of associations do so. It would be unfair to call associations passive, but there appears to be less urgency in their work.

[Insert Table 3: Contrasting Lobbying Behavior]

The contrasts become even clearer when one compares strategies. (see Table 3) Companies use all three strategies and within each a variety of tactics. They provide policy-relevant information through multiple channels, they attempt to build the public image of their firm and sector through the media and engaging in philanthropy, and they try to build trust with officials, particularly at the local level. Associations more often provide policy information orally, but on every other measure, they trail companies. The latter more often provide written reports, testify at public hearings, and support scholarly research. Associations commonly contribute articles to the media, but otherwise they have little interaction with the press, and they rarely donate to social causes. Creating a broader environment sympathetic to their sector is a low priority. Moreover, association officials do not agree with their enterprise cousins that building personal trust with officials is highly relevant; however, they believe they have such good relations with government despite their limited attention to developing such ties.

[Insert Table 4: Contrasting Lobbying Targets]

The differences are equally obvious when it comes to which parts of the government are targeted. Both industry associations and companies lobby ministries and commissions under the State Council, with 97% of both doing so at least once per year. Associations are more intensive in their interaction, with 52.1% interacting with State Council agencies at least once per month, compared to just 5.3% of companies. However, such contact comprises most of association

interaction with officialdom. A majority of associations contact local governments, though no more than a quarter do so monthly. And over 70% of the associations surveyed have never interacted with the National People's Congress or Chinese People's Political Consultative Conference. On the other hand, companies routinely interact with these other parts of the national policy structure. Moreover, they interact with local governments even more frequently than they do with State Council agencies.

[Insert Table 5: Lobbying Influence]

The final distinguishing characteristic of company and industry lobbying is the contrasting judgments about policy influence. Companies and associations largely agree about industry's policy influence in general, with both believing that industry's effect on policy has risen over the past three years. Companies and associations also agree in the highest proportions that large companies regardless of ownership or nationality are particularly influential. Their main disagreement at an abstract level concerns the foreign sector, with over three-quarters of companies believing that foreign companies have "important influence on central government economic policies and regulations," compared to only 31.5% of associations concurring. This difference is not a consequence of having MNCs in the company survey and only domestic associations in the association survey; SOEs and domestic private companies have the same opinion about MNC influence.

But the more stark – and ironic – difference concerns respondents judgments about their own policy influence. Whereas only 7 of 131 (5.3%) survey companies reported that they had

successfully lobbied to have a policy adopted, over 67% of associations report such influence. And over 47% of associations said they have persuaded the central or local governments to revise or halt a policy, compared to only 1.5% of companies making the same claim.³⁵ These gaps are surprising given that companies are more proactive, draw on a wider range of strategies, and interface with a broader spectrum of the national and local governments. Despite their narrower focus and more deliberate posture, associations appear to be highly effective and efficient lobbyists.

The following section attempts to explain the differences in lobbying styles and outcomes. There is a straightforward explanation for why the companies and associations in the survey behave differently in the contemporary Chinese context. However, there are multiple and conflicting interpretations regarding the reported contrasts in influence.

VI. Contrasting Behavior: Competition Matters

In searching for answers to explain the sharp differences between firms and associations, the first possibility to consider is that the differences in behavior are a function of our sample. In addition to SOEs, there are also domestic private firms and MNCs, while all of the associations are domestic. Perhaps the inclusion of non-state firms and, in particular, MNCs skewed the

³⁵ There is little quantitative data on policy influence in China. In a survey of provincial-level social organizations, in which industry associations composed the largest group, almost 20% of respondents said they had influenced the national or local government to adopt a policy, and 6% said they had persuaded government to revise or halt a policy. Li Jingpeng and Yuan Ruijun, "The Development of Civil Society in Transitional China: An Analysis from the Perspective of Local Social Organizations," presented at the "International Conference on Civil Society Development in Transitional China," Peking University Center for Civil Society Studies, Beijing, October 2005.

results of the company survey. One could hypothesize that if the survey had just included Chinese companies or SOEs, then the differences between companies and associations would decline. Although enticing, it does not reflect the patterns in the data. As shown in Table 1, companies of all types, regardless of ownership and nationality behave similarly with each other and differently from associations. Moreover, it is *state-owned* companies that differ most sharply from Chinese industry associations, not private firms or MNCs.

Instead of ownership, the explanation lays in another quality about the companies and in a key difference in the environment companies and associations find themselves. The first key factor is company size. The survey intentionally was limited to industry elites, and as a result, the survey reflects the most active slice of industry. As is the case elsewhere, larger firms have more financial and human resources to devote to government affairs than smaller firms, and perhaps more than industry associations. The sample was subdivided into two groups according to their annual sales, and the larger companies interact more frequently with the NPC, CPPCC, and local governments that is statistically significant.³⁶ The larger contingent of companies were consistently somewhat more active over the range of lobbying tactics, although usually not by a statistically significant degree (likely a consequence of the small sample size).³⁷

From the perspective of associations, one explanation for their less active posture vis-a-

³⁶ The statistical significance for targets were: NPC, $p=.019$; CPPCC, $p=.053$; and local government, $p=.059$.

³⁷ This finding is consistent with Zhang Jianjun and Zhang Zhixue, “Zhongguo minying qiyejiade zhengzhi zhanlue” (Chinese private entrepreneurs’ political strategy), *Gongshang guanli liun luntan* (theoretical forum on business management), No. 7 (2005), p. 102. For an alternative conclusion, see Tian and Deng, “The Determinants of Corporate Political Strategy in Chinese Transition,” p. 348.

vis companies could lay in the composition of their memberships in terms of their ownership, size, or representativeness. But none of these factors appear to matter much. Associations which have a high proportion of SOEs as members use the same tactics at essentially the same rate as associations with fewer SOEs. The only differences are that those with few SOEs have somewhat more contact with the CPPCC and are more likely to engage in philanthropy, but on both scores at rates still far below that of companies. Associations composed of large companies do not appear to be any more active than associations composed primarily of smaller firms. And associations which represent a larger proportion of an industry's total number of firms or total sales generally behave similarly to less representative associations.

Another possibility is that associations do not have the same human resource capacity as large companies. But in actuality, associations are not at a disadvantage in this regard. The average number of GA staff for associations is 4.5 persons compared to 2.9 for large companies. There is, though, a difference in distribution patterns. Over 70% of companies have either 2 or 3 people responsible for interacting with the government on policy issues, whereas associations vary widely in the number of GA staff. Over 41% have either 1 or 2 GA staffers, but 26% have 9 or more such employees.³⁸ And for both companies and associations, their policy activism increases as the size of the GA staffs grow. They meet with officials more frequently, and are

³⁸ The standard deviation for companies (1.2) is much lower than for associations (3.2). The actual question was: "On related economic policies, how many employees does your company (association) have responsible for maintaining contact with the central government?" The varied responses may be a function of differing interpretations of the question. Some respondents appear to have interpreted the question to mean the number of employees whose primary responsibility is government affairs, whereas others also included employees for whom government affairs is only an ancillary part of their responsibilities. It is possible that associations were more likely to use the broader interpretation, but further research is needed.

more likely to support scholarly research and hold policy-related meetings. Yet companies with more GA employees are still more active than well staffed associations. For example, even well staffed associations still primarily only have contact with State Council ministries and commissions.

The internal characteristics of firms and associations seem to be less important than a key distinguishing feature of the respective environments. In China, companies operate in an economically competitive climate, while most industry associations do not. And the pressure to survive, or lack of it, appears to define how companies and associations varyingly engage the policy process. Although China did not encourage the privatization of existing SOEs until the late 1990s, promoting greater competition has been a constant theme of the Reform Era. Even in industries dominated by SOEs, there is rarely one company with a monopoly; instead, at least limited competition is fostered.³⁹ When faced with competitive pressures, even state-owned companies have adapted.⁴⁰

The same logic that applies to corporate business behavior seems to hold true for their GA activity. Companies of all ownership and nationality stripes are in a competitive environment, and government regulations and policies affect their well-being; hence, they all engage the process and draw on a wide variety of tools in doing so. Despite having a close connection to the state, SOEs still court the weaker parts of the government (the NPC and

³⁹ Barry Naughton, "China's Industrial Capitalism: Is There a Distinctive System? Can It be a Model for Others?" paper presented at the "6th International Symposium of the Center for China-US Cooperation," University of Denver, Denver, Colorado, May 30-31, 2008.

⁴⁰ Edward Steinfeld, *Forging Reform in China: The Fate of State-Owned Industry* (Cambridge: Cambridge University Press, 1998).

CPPCC) and participate in associations as much as their private and MNC counterparts. And conversely, private companies and MNCs hire former officials and try to develop *guanxi* to gain leverage which SOEs are endowed with naturally.

By contrast, most Chinese national industry associations still lead a sheltered existence with limited competitive pressures. The regulations adopted in the 1980s and 1990s that limit competition among industry associations and other social organizations are still in force.⁴¹ Many national associations are still largely extensions of some branch of a State Council ministry or commission, and they have easy access to that part of the government. And that is who they primarily serve and engage. Not surprisingly, the great majority of association representatives who have government experience overwhelming came from a national government agency, whereas most company GA staffers with government experience worked in local government agencies. As creatures of government institutions facing limited competition, industry associations largely hew to traditional ways of engaging policy discussions and less frequently engage the broader public or scholarly specialists. Whereas market pressures have pushed companies to evolve, national associations have yet to face such pressures.

[Insert Table 6: Low- Versus High-Autonomy Associations]

This point is driven home by the distinctive behavior of the minority of associations with

⁴¹ The key current regulation governing associations is the 1998 “Regulations on the Registration and Regulation of Social Organizations” (*shehui tuanti dengji guanli tiaoli*), which replaced a 1989 law of the same name. The 1998 version, issued 25 October 1998, is carried in *Fazhi ribao* (Legal daily), 4 November 1998, p. 3.

high autonomy.⁴² 60 of the 73 associations in the sample are affiliated with a national government body, whereas the 13 others were either affiliated with the All-China Federation of Industry and Commerce (ACFIC), the China Council for the Promotion of International Trade (CCPIT), or were unaffiliated with any other organization. The 1998 regulations on social organizations stipulates that there should be only one association per industry, but the regulation does not apply to the CPPCC, a “people’s organization” and its affiliated bodies. The ACFIC is under the CPPCC, and in the last decade entrepreneurs have used this loophole to successfully register 25 national sectoral chambers of commerce (*shanghui*) and over 7,800 regional chambers even when there is an existing standard industry association.⁴³ At the national level, the chambers typically are in less prominent sectors. These high-autonomy associations and chambers behave differently than their low-autonomy counterparts and more like companies because they have to serve their members, and they have no original relationship with the state. If they do not use a variety of tools, they will not survive.

Hence, high-autonomy associations have a wider range of government targets. 90% of low-autonomy associations never contact the NPC, whereas 60% of high-autonomy associations

⁴² The survey measured four types of autonomy: who initiated the association (the government or association members), the location of association’s secretariat (within the government buildings or not, the proportion of their budget from the government, and their affiliated unit (government agency, a chamber of commerce, or no affiliation). An association’s founding initiative, office location, and budget composition have no affect on their behavior. Some very independent minded associations seek space in government buildings to be close to officials, and very few associations formally depend heavily on government for their budgets; membership dues and consulting fees are their main sources of income. And even associations affiliated with government agencies often report that the creation of the association was at the initiative of their membership.

⁴³ At one point there were 28 such national chambers, but three have closed. Huang, *Zhongguo shanghui fazhan nianbao*, p. 649.

have contact with the NPC. And 88.5% of low-autonomy associations have never contacted the CPPCC, whereas over half of high-autonomy have.⁴⁴ Said one survey respondent from an association under the ACFIC, “Every year we collect ideas, conduct research and analysis, and then put forward suggestions in the form of resolutions to the two annual meetings (of the NPC and CPPCC], and it is relatively effective.” Table 6 shows that the gap in behavior between high-autonomy associations and companies (Column G) is often lower than the gap between low-autonomy associations and companies (Column F). The main reason why the differences between the two columns is not even more stark is that there is wide variation amongst high-autonomy associations. Some are quite active and use a wide range of tactics and influence policy in their favor, whereas others have become more passive after trying and failing to influence the government, and as a result have turned their attention away from policy influence. The secretary-general of an independent association in manufacturing told the survey interviewer, “We exist in a small segment of the [...] industry. The government does not take this area seriously and has not adopted any specific policies in this area. Some times we tried to push the government to issue supportive policies, but the government absolutely did not care about us. So our association mainly emphasizes self-discipline, providing information and service, and rarely contacts the government.”⁴⁵ Those areas in which high-autonomy associations are not more active than high-autonomy associations (hosting policy-related meetings, support scholarly research, and host banquets) are most challenging because they require substantial financial

⁴⁴ Both differences are highly statistically significant: for the NPC, $p=0.011$; for the CPCCC, $p=0.03$.

⁴⁵ The industry has been left out to protect the confidentiality of the respondent.

resources.

Low-autonomy associations do not face the challenges of high-autonomy associations, not because their proposals are more regularly accepted, but because they continue to have institutionalized access to at least their government affiliate regardless of their worthiness and the absence of challengers. The rule of “one industry, one association” is not rigidly followed, but the competition that exists among companies has yet to permeate associations; and hence, the differences in behavior.⁴⁶

VII. Weak Companies and Powerful Associations?

But if companies tend to engage officials more frequently using a wider array of tactics, then we are left with a puzzle: these active companies report that they individually are uninfluential, while the relatively less assertive associations report that they regularly influence government policy. If we take all the respondents at their word, this means that companies’ GA staff are getting very little return for their policy involvement, or that they are engaging in poor strategies which their association counterparts avoid. And if the industry elite are uninfluential, it would indicate that smaller companies would have essentially no chance whatsoever to influence public policy. Taken together, the implication would be to reinforce the state-centric view of China’s economic policy process.

There are several reasons why this conclusion may have merit. The first is intuitive: a company only represents itself, whereas an association represents an entire industry. An entire

⁴⁶ For an excellent article that highlights that association reform lags behind company reform, see Hu Libo and Song Yang, “Hangye xiehuide zhongguo zhi lu” (China road for industry associations), *Gongyi shibao* (philanthropy times), 29 January 2008.

industry carries more economic clout and its broader representation likely imbues their advocates with more credibility and authority in the minds of officials. In addition, many public policy issues affect an entire sector, and it makes sense that associations would be the most effective voice for industry.⁴⁷ Second, many national industry associations are still closely connected to government and have natural access to officials. This is why 90% of associations could report they provide policy information orally to officials, whereas only a quarter of company respondents do so. That intimacy, even if not reflected in detailed written reports, may make a huge difference. Third, the clearest factor to affect associations' influence is the size of their GA staff. 67.7% of those with three or more such employees said they had influenced government policies, whereas only 36.7% of those with two or less GA staffers said they had been influential ($p=0.035$). Although we do not have a similar pattern in the company survey because so few companies reported influence, as noted above, associations on average have slightly larger GA staffs than do companies. Fourth, the associations report that the great majority of their GA staff with government experience were from the national government, whereas the reverse is the case with the company respondents. By dint of who they hire, companies may reveal they have greater concern with policy implementation rather than policy adoption. And fifth, in the survey, just over 50% of company respondents said that they joined associations to receive these organizations' help with policy influence, and an identical number disagreed that on policy matters associations do not play an important role.

⁴⁷ In a separate survey, the GA staff for MNCs report that government affairs officials are in general skeptical of viewpoints of individual companies and uncomfortable with direct company lobbying, especially by MNCs. US-China Business Council, "Conducting Governments in China: Best Practices," p. 2.

Yet as commonsensical as the above analysis is, the opposite may also be true. It is possible that the respondents were systematically not forthright in answering questions about their own influence. To put it more bluntly, many of them may have been purposely disingenuous. Clues from the survey data of companies and associations and from other sources suggest that companies under-report their influence and associations over-report their own. Companies have a large disincentive to admit to being politically influential. Because the Chinese government does not want to be seen as subject to lobbying because it may imply their vulnerability to pressure, the adoption of policy based on particularistic interests, or even impropriety, companies want to maintain a low profile and avoid the spotlight. Representatives from three companies which were not part of the survey but interviewed subsequently revealed that they would never admit to having policy influence in a formal survey. Said one source, “A company would have to be stupid to admit influence in a survey.” Another explained, “It would be unwise and potentially too risky to openly claim you are effectively lobbying because you could be singled out by the government as a troublemaker and as threatening to them.”⁴⁸

Several pieces of information corroborate this perspective. First, as noted above, on the less sensitive question, a large majority of companies agree that companies, whether large, state-owned, or foreign, wield substantial policy influence. They likely feel they can faithfully report the behavior they observe without admitting to their own influence. And second, in studies based on indepth interviews, companies have revealed how they regularly shape economic policies, broad and narrow, at both the national and local level.⁴⁹ Given the sensitivity of the issues, it is

⁴⁸ Interviews, Beijing, October and November, 2008.

⁴⁹ Kennedy, *The Business of Lobbying in China*.

possible that even with the promise of confidentiality, respondents feel less comfortable in formal surveys than in interviews, something Mayfair Yang argues is true when trying to understand the importance of *guanxi*.⁵⁰

Whereas companies have an incentive to minimize their role, associations have good reason to exaggerate their own. One of their recognized roles is to participate in policy discussions. They need to justify their existence to their members, and admitting to being irrelevant in policy debates would be detrimental to their interests. There is some evidence to support this theory. Associations report that they have good *guanxi* with officials, but only one-third of them acknowledge that the government takes the associations seriously (*hen zhongshi*). Tellingly, only 7% of surveyed associations have been invited to testify in government-hosted public hearings, compared to 85% of polled companies. If the government so valued associations, one would expect their opinions would be more regularly sought. In addition, in the survey, only 26% of associations agree that when “association members and their supervisory (government) department do not share the same point of view, the association should persuade the government to accept its member’s position.” Instead, 47.8% believe that in this case, the association should seek a compromise between the two. If achieved, this could constitute influence, but it would result in only a limited change in the government’s position. This may be why companies do not depend heavily on associations for government affairs work. Although many join hoping associations will influence government policies in their favor, only 31% regularly use associations to contact the central government about policy matters. An

⁵⁰ Mayfair Yang, “The Resilience of Guanxi and its New Deployments: A Critique of Some New *Guanxi* Scholarship,” *China Quarterly*, No. 170, (June 2002), pp. 459-476.

overwhelming proportion of companies (93.8%) join associations in order to help their public image. And only 16% of company respondents said their policy influence would deteriorate if existing associations disappeared.

Tellingly, a recent separate survey of 96 American MNCs regarding their lobbying behavior around the world painted a similar picture. When asked to rank the effectiveness of different groups in China, the company's own government affairs personnel was ranked first by 51% of respondents, followed by the company's other in-country personnel (27%), consultants/contract lobbyists (16%), coalitions of firms (5%), law firms (5%), and, coming in last, industry associations (3%). And associations in China were the least likely to be ranked first in effectiveness of any region of the world, including compared to Africa and the Middle East.⁵¹

Most likely, the truth falls somewhere in the middle of these extremes. Associations may be more influential than companies, but the gap is likely far smaller than that reported in the surveys. The actual state of affairs may be able to be captured if a wider array of questions about different elements of influence are asked and worded in way that is not politically incorrect. On the other hand, it may be impossible to fully capture influence because the respondents may genuinely not know when their lobbying pays off. There are usually many actors involved in the process, and identifying the significance of any one is difficult even with the benefit of hindsight. This is particularly true in China where the process is not transparent.

VIII. Conclusions

⁵¹ *International Government Relations: Benchmarking Report* (Washington, DC: Public Affairs Council, June 2007), pp. 16-19.

As long as China is authoritarian, there will be interest in measuring industry's autonomy from the state and in the political attitudes of individual private entrepreneurs. However, such studies limit our ability to fully appreciate corporate political activity in China. When the lens is expanded to include a wider swath of industry and the focus is turned to the government affairs activities of companies as organizations, one gains a new perspective on business's expanding role in the policy process. In contrast to most earlier studies, the article concludes that companies across ownership forms and nationality lobby the national government on public policies in a similar fashion. At the same time, the lobbying style of companies differs substantially from that of associations because of the contrasting environments in which they operate – a competitive world for companies and a protected bubble for associations. Associations may be more influential than companies, but the gap is likely much less than that obtained through direct questioning of participants' own behavior because of the strong likelihood of biased answers.

Others have found that utilizing *guanxi* is the key to influence in China, and as a result, they assert that government-business relations in China is distinctive. The findings here indicate that although *guanxi* is widely recognized as important by companies and associations alike, the behavior of industry reveals that they do not depend primarily on *guanxi* to achieve their aims. Instead, companies and associations build their cases through, among other things, providing information and strengthening their public standing. Although hiring former officials is common among companies and associations, such staffers are more valued for their knowledge of the inner workings of the political system than their relationships with specific individuals in office.⁵² Thus, to some degree, lobbying in China is becoming more institutionalized. This does

⁵² Interviews, Beijing, October and November, 2008.

not mean that the shape of government-business relations in China is converging with the United States, western Europe, or elsewhere. It is likely that the lack of competitive national elections, the prominence of the executive branch, and constraints on associations and transparency shape how lobbying occurs in China, but the black-and-white contrasts between China and elsewhere may be less helpful than at first thought.⁵³

These findings may differ from earlier studies because of the distinctive research design employed here. The conclusions are based on a sample of extremely large companies across a range of ownership forms and nationalities. They were chosen because they are the most likely to have policy influence. Not only are they probably much more active than the smaller firms that are the focus of other studies, their size and abilities may mean they do not have to draw on *guanxi* as much in order to reach and persuade policymakers. And with a focus on national instead of local issues, policy decisions typically involve multiple actors over an extended period, reducing the salience of any individual personal relationship and raising the relevance of other sources of influence.⁵⁴

The story regarding associations, by contrast, sounds all too familiar. The central government has debated since at least the late 1990s whether to open up national associations to genuine competition, and to date, conservatives worried about uncontrollable social forces have

⁵³ For an initial comparative effort, see Scott Kennedy, “Fragmented Influence: Lobbying in China in Comparative Perspective” in Scott Kennedy, ed., *Beyond the Middle Kingdom: Comparative Perspectives on China’s Capitalist Transformation* (manuscript, currently under review).

⁵⁴ For other studies that indicate the declining importance of *guanxi*, see US-China Business Council, “Conducting Government Affairs in China: USCBC Survey Results,” p. 9; and Judd, *Good Guanxi*, p. 7.

forestalled sweeping reform. Pronouncements that encourage national-level reform consistently stop short of challenging the monopoly status of associations and their links to government authorities.⁵⁵ At the same time, change among associations is quietly expanding locally and among newly created associations and chambers with no direct government affiliation which have to survive through serving their members' interests. As with economic reform, a competitive environment appears to be just as important as changes in ownership in how industry behaves in the policy process.

Although these findings are robust, more research – with a broader range of firms and associations and more nuanced measures of influence – is still needed. The sample of companies need to be expanded to include firms of varying sizes from different sectors across regions and associations and chambers of commerce from different regions as well as foreign-based organizations which operate in China. There needs to be greater probing of material incentives, legal and illegal, which seem to be pervasive yet difficult to pinpoint. We need to more fully explore influence beyond the shaping of regulations and their implementation to include the normative and ideational power of business. And China needs to be examined more systematically in comparative perspective. Only then will we have a full picture of business lobbying in China and more definitively demonstrate that the paradox of contrasting lobbying styles and influence between companies and industry associations is more illusory than real.

⁵⁵ For a recent policy statement, see “Guowuyuan bangongting guanyu jiakuai tuijin hangye xiehui shanghui gaige he fazhande ruogan yijian” (state council office ideas on speeding up and pushing forward reform and development of industry associations and chambers), State Council, No. 36, 13 May 2007, available online at <http://politics.people.com.cn/GB/1026/5825218.html>. National associations are still required to have a supervisory government unit, and although government officials are not supposed to serve as association leaders, associations can apply to be exempt from this rule.

Table 1: Company Ownership and Nationality: Do They Matter? (%)¹

	All Companies	State-Owned Companies	Private Companies	Foreign Companies
Lobbying Target				
Interacts with State Council ministries and commissions	96.9	95.7	100.0	95.7
Interacts with NPC	82.4	84.8	81.6	80.9
Interacts with CPPCC	54.9	72.7	55.3	38.3
Interacts with local govt	96.9	95.7	100.0	95.7
Lobbying Methods				
Contacts the State Council to obtain policy information	93.8	97.8	94.7	88.9
Provides company/industry information	93.8	97.8	92.1	91.3
Hosts policy-related meetings	96.1	100.0	94.7	93.3
Supports scholarly research on policy	74.8	82.6	81.6	61.7
Submits articles to media	98.5	97.8	100.0	97.9
Engages in philanthropy	83.2	89.1	78.9	80.9
Hosts banquets w/ officials	95.9	100.0	88.6	97.7
Influence				
Agrees industry influence risen in last three years	68.4	71.7	58.6	71.8
Agrees SOEs more influential than private	67.2	78.3	71.0	53.2
Agrees FIEs influential	76.3	84.7	71.0	72.3

Notes:

1. For activities, figure is cumulative percentage of respondents in each category who said they engaged in the activity at least once per year.

Table 2: Targets of Company Lobbying
 (Minimum frequency of interaction, % of companies)

	Never	Once/ year	Once/ half-year	Once/ month	Once/ week	Total Contact, Combined
State Council Agencies	3.1	74.0	17.6	4.6	0.8	96.9
NPC	17.6	67.9	13.7	0.8	0	82.4
CPPCC	45.0	47.3	7.6	0	0	54.9
Local Governments	3.1	19.1	61.8	16.0	0	96.9

Table 3: Contrasting Lobbying Behavior (%)

	Companies	Associations	P-value ³
Information Strategy¹			
Provides policy information in written form.	99.2	86.3	0.078*
Hosts policy meetings, invites officials to attend	96.1	76.6	0.000***
Participates in public hearings	87.5	8.0	0.000***
Supports scholarly research about the industry	74.8	58.6	0.035*
Orally provides policy information	25.2	90.2	0.000***
Public Relations Strategy¹			
Submits policy-related articles to the media	98.5	89.7	0.026*
Hosts press conferences on policy issues	89.3	17.5	0.000***
Engages in philanthropy	83.2	23.3	0.000***
Runs policy-oriented training sessions for media	59.6	7.7	0.000***
Trust-Building Strategy²			
Hosts banquets with officials	95.9	47.0	0.000***
Good <i>guanxi</i> with the local government most important	80.1	17.0	0.000***
Good <i>guanxi</i> is the key to policy influence	70.0	58.2	0.029**
Has very good <i>guanxi</i> with central govt officials	18.5	63.3	0.000***

Notes:

1: Respondent was asked if they engaged in these behaviors at least once every year, half-year, month, or week, or never. The figures reported here combine all responses where there was behavior of at least once per year.

2: The banquet question asked about frequency of holding banquets. For the other three questions in this section, respondents were asked if they “completely agree,” “generally agree,” “neither agree nor disagree,” “generally disagree,” or “completely disagree” with these statements. The reported figure here combines those who responded “completely agree” and “generally agree.”

3: Two-tailed t-test to determine if the differences in responses between companies and

associations are statistically significant. The lower the p-value, the higher the significance.
*p<0.1, **p<0.05,***p<0.01.

Table 4: Contrasting Lobbying Targets (%)¹

	Companies	Associations	P-value ²
State Council Agencies	96.9	98.6	0.488
NPC	82.4	18.0	0.000***
CPPCC	54.9	18.0	0.000***
Local Governments	96.9	70.5	0.001***

Notes:

1. Respondents were asked if they interact with different parts of the government at least once per year, half-year, month, week, or day. The figure here is the combined total of interaction.

2. Two-tailed t-test to determine if the differences in responses between companies and associations are statistically significant. The lower the p-value, the higher the significance.

*p<0.1, **p<0.05, ***p<0.01.

Table 5: Lobbying Influence (%)¹

	Companies	Associations	P-value ²
<i>Industry Influence</i>			
Larger companies are more influential than smaller ones.	78.6	91.3	0.011**
Industry's influence has risen over the past three years.	68.4	52.9	0.034**
Foreign industry has important policy influence.	76.3	38.3	0.000***
SOEs are more influential than private companies.	67.2	57.6	0.196
<i>Your Own Influence</i>			
Has your company (association) successfully influenced a central or local government policy?	5.4	67.3	0.000***
Has your company (association) successfully influenced the central or local government to revise or halt a policy?	1.5	47.5	0.000***

Notes:

1. Respondents were asked if the “fully agreed,” “generally agreed,” “neither agreed nor disagreed,” “generally disagreed,” or “completely disagreed” with the general statements. They were asked dichotomous yes-no questions about their own policy influence.

2. Two-tailed t-test to determine if the differences in responses between companies and associations are statistically significant. The lower the p-value, the higher the significance.

*p<0.1, **p<0.05,***p<0.01.

Table 6: Low- Versus High-Autonomy Associations (%)¹

	(A) All Companies	(B) All Assns	(C) Low- Autonomy Assns	(D) High- Autonomy Assns	(E) A-B	(F) A-C	(G) A-D
Lobbying Target							
Interacts with State Council ministries and commissions	96.9	98.6	100.0	90.0	-1.7	-3.1	6.9
Interacts with NPC	82.4	18.0	9.8	60.0	64.4	72.6	22.4
Interacts with CPPCC	54.9	18.0	11.5	55.6	36.9	43.4	-0.7
Interacts with local govt	96.9	70.5	71.2	66.7	26.4	25.7	30.2
Lobbying Methods							
Contacts the State Council to obtain policy information	93.8	71.0	70.7	72.7	22.8	23.1	21.1
Provides company/industry information	93.8	81.4	80.0	89.0	12.4	13.8	4.8
Hosts policy-related meetings	96.1	76.6	78.2	66.7	19.5	17.9	29.4
Supports scholarly research on policy	74.8	58.6	60.4	50.0	16.2	14.4	24.8
Submits articles to media	98.5	89.7	89.5	90.9	8.8	9.0	7.6
Engages in philanthropy	83.2	23.4	20.8	42.9	59.8	62.4	40.3
Hosts banquets w/ officials	95.9	47.0	47.3	44.4	48.9	48.6	51.5
Influence							
Agrees industry influence risen in last three years	68.4	52.9	50.8	63.7	15.5	17.6	4.7
Agrees SOEs more influential than private	67.2	57.6	58.9	50.0	9.6	8.3	17.2
Agrees FIEs influential	76.3	38.3	36.5	50.0	38.0	39.8	26.3

Note:

1. For activities, figure is cumulative percentage of respondents in each category who said they engaged in the activity at least once per year.