

## Inheritors of the Boom: Private Enterprise and the Role of Local Government in a Rural South China Township\*

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Relations between the rural populace and the grass-roots levels of government vary enormously across China. A key reason, we have discovered during research in a range of rural districts, is that the very nature of the power wielded by a local rural government today is strongly influenced by the extent of local industrialization and, just as importantly, by the *type* of factory ownership that prevails locally.

Thus far, most studies have concentrated on rural districts where the officials of villages and former communes have engineered the development of publicly owned, not privately owned, industry.<sup>1</sup> (Sally Sargeson and Jian Zhang describe precisely such a district in this issue of *The China Journal*.) Jean Oi, who has written a good deal about such local areas, states that their “local governments have taken on many of the characteristics of a business corporation, with officials acting as the equivalent of a board of directors”.<sup>2</sup> Since they control the revenues from the publicly owned factories, local officials can shift new investments and resources from one enterprise to another, and to non-industrial parts of the public sector as well, much as a conglomerate shifts resources between its subsidiaries. Local officials also control access to coveted employment in factories, and through this and their control of revenues they can build patronage relationships

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<sup>1</sup> E.g., Minchuan Yang, “Reshaping Peasant Culture and Community: Rural Industrialization in a Chinese Village”, *Modern China*, vol.20, no.2 (April 1994), pp.157–79; Jean Oi, “The Role of the Local State in China’s Transitional Economy”, *The China Quarterly*, no.144 (December, 1995), pp.1132–49; Nan Lin, “Local Market Socialism: Local Corporatism in Action in Rural China”, *Theory and Society*, vol.24 (1995), pp.301–54; and John Wong, Rong Ma, and Mu Yang (eds), *China’s Rural Entrepreneurs: The Case Studies* (Singapore: Times Academic Press, 1995). An excellent recent detailed examination of this phenomenon, focusing on a township in Shandong Province, is Ray Yep, “Rural Entrepreneurs and the Changing State-Society Relationship in China in the Reform Era” (PhD Dissertation, Oxford University, 1998).

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<sup>2</sup> Jean Oi, “Fiscal Reform and the Economic Foundations of Local State Corporatism in China”, *World Politics*, vol.45, no.1 (October 1992), p.100. Also see her new book *Rural China Takes Off* (Berkeley: University of California Press, 1999). Also Victor Nee and Sijin Su, “Institutions, Social Ties, and Commitment in China’s Corporatist Transformation”, in John McMillan and Barry Naughton (eds), *Reforming Asian Socialism: The Growth of Market Institutions* (Ann Arbor: University of Michigan Press, 1996), p.120.

with large numbers of local constituents. Gregory Ruf, who has examined a Sichuan village where such village-owned factories flourished starting in the 1980s, notes that a class system has developed there based upon differential access to official favour. Clusters of families who are related to officials through kinship or friendship have come to occupy the village's economic and social upper crust, and the village's other families comprise a dependent lower stratum.<sup>3</sup>

A second genre of rural industrialization is exemplified by the counties lying adjacent to Hong Kong, where an enormous amount of investment in rural factories has been undertaken by Hong Kong and Taiwanese corporations.<sup>4</sup> In Chen Village, a community that we have studied, there is practically no indigenously owned industry today, either collective or private, since the village government and the local people alike feel incapable of competing successfully against the experienced, well-capitalized foreign investors. The Party secretary of Chen Village controls sizeable funds by renting out public land and buildings to foreign companies, and through the rental fees he has been able to construct a new village school and other public facilities and to develop a substantial personal patronage system. But the village government here has become a one-man show, dominated entirely by the Party secretary, since as a simple rent-collector he has no need for any additional personnel.<sup>5</sup>

A third variant is found in the parts of the hinterlands that have experienced almost no industrialization. After de-collectivization and a return to family farming, village officials there no longer directly control any economic resources. Some of these villages find it hard to extract revenues from recalcitrant householders. In such villages, usually situated in relatively remote inland areas, public services are under-financed and village schools are sometimes near collapse. In a village that one of us visited in Yunnan province, a site without any natural water supply, funds had been raised by the village in the early 1970s under the Mao-era collectives to install a system of pipes leading from a spring a mile away. When in the mid-1980s the pipes began to leak badly, the village government could not raise enough money from the households to fix the pipes; and the farmers once again have had to laboriously haul buckets of drinking water from the spring by shoulder pole.<sup>6</sup> Bereft of industry or other local sources

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<sup>3</sup> Gregory Ruf, *Cadres and Kin: Making a Socialist Village in West China, 1921–1991* (Stanford: Stanford University Press, 1998); also see his “Managing Interests: Collective Property Rights and Village Enterprise in Rural Sichuan”, in Jean Oi and Andrew Walder (eds), *Property Rights and Economic Reform in China* (Stanford: Stanford University Press, forthcoming). Information also based on personal correspondence with Ruf.

<sup>4</sup> These districts include the former Bao'an county and Dongguan and Huizhou counties.

<sup>5</sup> On this see Anita Chan, Richard Madsen and Jonathan Unger, *Chen Village Under Mao and Deng* (Berkeley: University of California Press, 1992), pp. 316–320.

<sup>6</sup> This and similar villages are discussed in Jonathan Unger and Jean Xiong, “Life in the Chinese Hinterlands under the Rural Economic Reforms”, *Bulletin of Concerned Asian Scholars*, vol.22, no.2 (April 1990), esp. pp.13–14.

of revenue, such a village suffers from a weakness of leadership and a loss of community cohesion.<sup>7</sup>

A very different scenario is evident, finally, in rural communities where private industry predominates. One such area is Wenzhou prefecture in Zhejiang.<sup>8</sup> Another, and the focus of this paper, is Xiqiao township in Guangdong province. One of the reasons for a boom there in private enterprise involves Xiqiao's location. It sits on the edge of Nanhai county<sup>9</sup> in the heart of the Pearl River delta, sufficiently accessible to the city of Guangzhou (Canton) to share in Guangdong's industrial boom. Yet in terms of land transport routes to Hong Kong, this area of the delta lies on the far side of Guangzhou, and the friction of distance has prevented Xiqiao and neighbouring rural townships from being overwhelmed by foreign enterprise. At the same time, Nanhai county's circumstances have been quite unlike the counties right next door to Guangzhou that come under the direct administrative control of the city, and which have not always been allowed to pursue development strategies in their own interest. Lying outside that zone, Nanhai county's leadership has had greater leeway to carve out its own development path, and in doing so the county gave a tacit go-ahead in the early reform period for the development of both collective and private rural enterprise.<sup>10</sup>

A very large number of entrepreneurial villagers in rural Xiqiao township in the mid- to late 1980s responded to the new opportunity and started small private textile factories from scratch. Today, remarkably, this former commune of 135,000 people boasts more than 1,600 textile manufacturing firms (as well as several hundred other factories). Practically every one of these textile factories is

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<sup>7</sup> On such villages, see Kevin O'Brien's description of what the Chinese call "paralysed villages", in his "Implementing Political Reform in China's Villages", *The Australian Journal of Chinese Affairs*, no.32 (July 1994), pp.51–3.

<sup>8</sup> Wenzhou prefecture, comprising a city and eight counties in Zhejiang province, has been much studied as a whole, but less so at the grass-roots level from within local townships and villages. In this respect, the writings on Wenzhou are not parallel to the paper you are reading. Good general studies of Wenzhou include Keith Forster, "The Wenzhou Model for Economic Development: Impressions", *China Information*, vol.5, no.3 (Winter 1990–91), pp.53–64; 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), pp.293–316; Allen Liu, "The Wenzhou Model of Development and China's Modernization", *Asian Survey*, vol.32, no.8 (August 1992), pp.696–711; Kristen Parris, "Local Initiative and National Reform: The Wenzhou Model of Development", *The China Quarterly*, no.134 (June 1993), pp.242–263; and Peter Nolan and Dong Furen (eds), *Market Forces in China: Competition and Small Business—The Wenzhou Debate* (London: Zed Books, 1990).

<sup>9</sup> Nanhai was elevated in 1992 into the status of a county-level "city" as a reward for its rapid industrialization. But in English this Chinese administrative term "city" is a misnomer, as much of Nanhai remains an area of villages surrounding rural towns, interspersed with expanses of agricultural activity. In recognition of this, in this paper we continue to refer to Nanhai as a county.

<sup>10</sup> John Fitzgerald, "Autonomy and Growth in China: County Experience in Guangdong Province", *Journal of Contemporary China*, vol.5, no.11 (March 1996), p.20.

privately owned by local residents. As will be seen, the very nature of this private industrial development has affected the texture of relations between the local Party-state and residents.

Few rural districts can be expected to experience Xiqiao's phenomenal industrial growth or develop the numbers of private factories that have sprung up there, but a strong argument can be made that as time passes, more and more rural districts will similarly contain a preponderance of private enterprise.<sup>11</sup> During much of the past decade, the private rural industrial sector has been growing at a much quicker rate than the collectively-owned sector. As a result, by 1997, according to official statistics, the value of production of private industry in the countryside reached 300 billion *yuan*, almost as large as the total production value of China's rural collective industry (360 billion *yuan*), and the total profits of the private sector already stood higher.<sup>12</sup> In light of this growth trend in private industry, Xiqiao township may point the way to how local government institutions will operate in future in much of rural China.

The paper's conclusion will analyse the signal differences between the shape of local governance today in districts like Xiqiao as against rural districts where other patterns of industrialization thus far have predominated. A second major theme will also be explored. It involves the important distinction that needs to be made between the operations of different *levels* of rural government. As a general example, a large number of authors presume that the publicly owned TVEs (township and village enterprises) comprise a single category of enterprise, as if the question of what level of local government owns and administers an enterprise were of no consequence. But as will be seen, such writings ignore the different financial constraints at each level of government, the different types of officials overseeing the operations of local industry—private firms and TVEs alike—and the different constituencies and influences faced respectively by the different local levels of governments. In this paper, we will examine, in turn, how all of this very differently affects the operations of the village governments, the former agricultural production teams, and the township government in Xiqiao.

Our findings about Xiqiao are largely based on extensive interviewing during the spring of 1997 with local factory owners and with village and township officials. The township government graciously opened its doors to us and allowed us to interview at length every one of the township and village officials whom we requested to meet, from the Party secretary/township head on down. These included the various officials in charge of industry, commerce, labour and agriculture, and the officials of the businesspeople's associations. During our stay in Xiqiao, we were able to wander throughout the township

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<sup>11</sup> This trend is evident even in the type of rural area dominated by collective industries that Jean Oi has studied. See her recent "The Evolution of Local State Corporatism", in Andrew Walder (ed.), *Zouping in Transition* (Cambridge, Mass.: Harvard University Press, 1998), pp.35–61.

<sup>12</sup> *Zhongguo xiangzhen qiye nianjian 1998* [1998 Chinese Rural Enterprise Yearbook] (Beijing: Zhongguo Nongye Chubanshe, 1998), p.107.

unimpeded and unsupervised, going into villages and factories and homes to interview, in private, local factory proprietors and other local residents.

### The Local Background to a Private-Enterprise Economy

Silkworm cultivation, silk reeling and silk weaving traditionally thrived in Xiqiao as a cottage industry. A local merchant with a strong mechanical bent, Chen Qiyuan, revolutionized this in the early 1870s by inventing steam-driven silk-reeling machinery and establishing a factory in Xiqiao. In the process he reputedly became the earliest native modern industrialist in China.<sup>13</sup>

The modern silk-reeling and weaving industries that developed in his wake in Xiqiao were ultimately devastated by the world economic depression of the 1930s and then by the war with Japan, and by the time the Communist Party's armies swept into Guangdong in 1949, only some ten small silk-weaving factories remained in business. When collectives were established in the latter half of the 1950s, these factories were amalgamated by the new government into three commune-owned factories located in two of the commune's villages. Alongside this modern industry, weaving on wooden hand-loom continued at home as collectively run efforts of agricultural production teams. Indeed, the state required the teams to fulfil production quotas. Due to this cottage industry, during the two and a half decades of the Maoist period most local women gained some knowledge of textile weaving. Herein lay one of Xiqiao's comparative advantages once China again opened the door to private rural factories. In a great many of today's family-owned factories, it is the wife who oversees loom production.

In 1984, several technicians and workers from the commune's three silk-weaving factories were the first to set up tiny private textile enterprises with a few electric looms, and when these proved profitable, neighbours followed suit. These enterprises were sometimes no more than large jerry-built sheds located in the courtyards of homes or in dilapidated village storehouses. Even today, the very smallest enterprises are of this sort, but these are gradually being squeezed out of business as competition tightens. In this winnowing process, production increasingly is dominated by enterprises that have expanded into genuine factory premises with many dozens of up-to-date new looms.

Xiqiao township quickly began to specialize. It soon no longer manufactured any silk cloth at all: for rising labour costs and pollution curtailed and finally halted the production of silk-worm cocoons. Some of the first factories had started off manufacturing artificial silk fabrics, and before long they and the other factories in the township switched to using other chemical fibres along the lines of nylon and rayon. Within a few years every textile factory in the township was concentrating on making such cloth for China's domestic clothing market.

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<sup>13</sup> A detailed history of Chen's achievements is contained in *Chen Qiyuan yu Nanhaixian fangzhi gongye shi* [Chen Qiyuan and the History of the Textile Industry in Nanhai County] (Nanhai: Renmin Zhengzhi Xieshang Huiyi, 1987). Also see a description of Chen and illustrations of his inventions in Sucheta Mazumdar, *Sugar and Society in China: Peasants, Technology, and the World Market* (Cambridge: Harvard University Press, 1998), pp.362–4.

As this boom in small textile factories took off, information and ever-improving technical know-how very easily circulated within the bounds of the local township, but did not so readily spread beyond the township's localized set of networks. So, too, in an industry that must adjust rapidly to changes in fashion and to the shifting seasonal buying patterns of wholesalers, knowledge of the national market became centred in Xiqiao. As the first locale in south China to produce large quantities of synthetic-fibre cloth for the open market, Xiqiao rapidly had attracted purchasing agents from garment factories from throughout the country.<sup>14</sup> By the 1990s they were arriving each year by the thousands, and they became the eyes and ears of Xiqiao's factory owners, enabling local producers to keep abreast quickly of market trends across China. This former commune had carved out a lucrative manufacturing niche in which it held an increasingly competitive advantage. Today it is one of the most important manufacturing centres in China of cloth from artificial fibres.

Xiqiao exemplifies "location theory" with a vengeance. The localized technical know-how and knowledge of the wider market keeps Xiqiao's enterprises invaluable steps ahead of the competition in what Paul Krugman, in a study of similar localized geographic specializations around the world, has called "the locking in of transitory advantages".<sup>15</sup>

### Severing Links Between Private and Collective

The local textile industry is today entirely a private-sector activity, not directly controlled by the village and township governments. Previously, however, in the 1980s, a number of private concerns in Xiqiao preferred to take shelter from taxes and regulatory impositions by paying village governments to register them

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<sup>14</sup> A street filled with restaurants to feed the buyers, opened by immigrant restaurateurs from throughout China, reflects the diverse regions of China from which the buyers arrive. Several Sichuanese restaurants that cater almost exclusively to buyers from that province squeeze alongside restaurants that cater to Hubei, Hebei, Zhejiang, Jiangsu and Shandong tastes.

<sup>15</sup> Paul Krugman, *Geography and Trade* (Leuven and Cambridge: Leuven University Press and MIT Press, 1991), p.10. Each of the other rural townships in Nanhai county has similarly developed a special niche in which it has become pre-eminent. One rural Nanhai township is awash with tanneries; another specializes in aluminium frames for windows, dominating the Guangdong market; another township specializes in shoes and socks. The township directly next door to Xiqiao concentrates on ceramic tiles and is crammed with hundreds of large and small ceramic tile factories, private and collective enterprises alike. In Zhejiang province's Wenzhou prefecture—which not coincidentally is famous in China as a bastion of private production—one rural township produces 70 per cent of all the buttons in China and another township produces 40 per cent of China's low-voltage electrical switches. Nor is China alone in this phenomenon of a concentration of mutually competitive enterprises in one locality. America's Silicon Valley provides just one of many similar examples around the world.

falsely as collective enterprises.<sup>16</sup> The arrangement was known as *guakao* (attached dependency), and it has been widely practised in China. But the tax breaks for new collective enterprises were eliminated by the government during the first half of the 1990s, and so a *guakao* registration no longer holds any advantages in Xiqiao or similar districts. In fact, the enterprises that were registered as collectives found that they need far more approvals from various government departments than do private enterprises; and the proprietors of such firms had reason to worry that their false registration put the legality of their ownership in an ambiguous status. They consequently wanted a way out of their arrangement. At the same time, the village governments in Xiqiao realized their own vulnerability in such a relationship—that they could become legally liable for any debts incurred by these falsely registered companies. In point of fact, one of the village governments in Xiqiao found itself sued for a million *yuan* when one of these *guakao* enterprises defaulted on its debts. In 1996–97 the county administration finally moved to legally terminate the tangled *guakao* arrangement, and all eighty *guakao* firms in Xiqiao were redesignated as entirely and openly private.

Studies of township and village enterprises (TVEs) in China make widely divergent assumptions about the prevalence of this *guakao* system. For instance, Kate Xiao Zhou presumes that almost all of the rural collective factories are really private *guakao* firms in disguise;<sup>17</sup> while Jean Oi and several others write as though practically all of the collective TVEs are the genuine article. It is therefore of interest to observe that the official investigations in Xiqiao in 1997 identified 38 per cent of the 210 ostensibly publicly-owned TVEs as actually being *guakao* firms. It should be noted, though, that in Xiqiao these phoney collective firms were considerably smaller in size than the genuine collective enterprises. According to local statistics, the value of production of the average private industrial enterprise in Xiqiao is only one-twentieth that of the average collective enterprise. If we assume that the *guakao* enterprises were approximately the same size as other privately owned firms in Xiqiao, they would have accounted for only about 2 per cent of the collective sector's reported production.

In Xiqiao today, after the removal of the *guakao* category, private and public have become entirely distinct and separate. In this environment, what roles do the several levels of local government play *vis-à-vis* local industry? Do they help out the 2,000-plus local private manufacturing firms<sup>18</sup> in the capacity of a local

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<sup>16</sup> To encourage the development of collective enterprises the national government decreed during the 1980s that new collective enterprises would be granted tax concessions: no taxes the first year, at only half the normal rate the second year, and at a reduced rate the third.

<sup>17</sup> Kate Xiao Zhou, *How the Farmers Changed China: Power to the People* (Boulder: Westview Press, 1996).

<sup>18</sup> In addition to the 1,600-plus textile weaving factories, several hundred other private factories have been established in the township, in some cases related to the textile trade, as with spinning and dyeing factories, but in many cases not.

“developmental state”;<sup>19</sup> or are the local authorities antagonistic to private industry? Are the authorities entrepreneurial on their own account, establishing new publicly-owned factories in competition with the private ones? Or are the local governments essentially parasitical and a burden upon the local populace? Are the various levels of local government strong or weak? Do they, indeed, make much difference at all to local development?

The short answer to these questions is that the local administrations in Xiqiao, at both the village and township levels, do play a developmental role. But the intensity and efficacy of these efforts vary considerably between villages and between administrative levels, for reasons that will be observed. We shall first examine the village governments (formerly, under Mao, called production brigades), then the sub-village economic co-operatives (the former agricultural production teams), and finally the Xiqiao township government (formerly the commune administration).

### Village Governments

Xiqiao’s twenty-six village governments (in Guangdong province, until this year, these were officially called “management districts” [*guanli qu*]),<sup>20</sup> have good reasons to serve as promoters of private industrialization. Not just the local populace’s prosperity but also a good part of the village-level revenues depend upon this. But some of the village leaderships hustle to help develop industry far more entrepreneurially than others. It is a question partly of village histories and opportunities and partly of the personalities and capabilities of village leaders. This can be illustrated by focusing on two villages in the township, Lianxin and Jiancun.

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<sup>19</sup> This term has been common in the literature on East Asian capitalist development, referring to a government that actively seeks to create the conditions for economic development by protecting and encouraging key sectors of the economy, by facilitating investment, and by itself investing in needed infrastructure. More recently, the term has also been applied to China. For instance, Marc Blecher and Vivienne Shue posit that a Chinese county government which they have studied successfully functions as a local developmental state. See their *Tethered Deer: Government and Economy in a Chinese County* (Stanford: Stanford University Press, 1996).

<sup>20</sup> When the countryside was de-collectivized in the 1980s, the title of this level of administration was changed in Guangdong from *dadui* (brigade) to *guanli qu* (management district), but to clarify matters this paper will consistently refer to the *guanli qu* as villages, as that is what they are. In some other rural townships in Guangdong, several adjoining small villages or hamlets were combined by the government into one “brigade”, and after de-collectivization these remained administratively combined under a single Party branch and “management district” government. But all of the so-called “management districts” that we visited in Xiqiao are coterminous with a single large natural village. In 1998 the Guangdong provincial government announced that this “management district” title would be abandoned starting in February 1999, apparently because it denoted top-down government, and would be replaced everywhere in Guangdong by year’s end by the title “villager committee” (*cunmin weiyuanhui*). *Ming bao* (Hong Kong), 16 September 1998.

During the first half of the 1980s Lianxin was among the very first villages to witness an explosion of private entrepreneurship in the textile industry. The village had a significant advantage, in that one of the three commune-owned textile mills was located in the village, and thus a sizeable number of the households there had gained crucial experience working with electric looms and large-scale textile production. But a second important factor was that the village government did not try to hinder private enterprise during the mid-1980s, when Beijing had not yet made it clear whether private factories would be politically tolerated over the long term. In that climate, the village officials were risk-takers and leased out factory sites to anyone who wanted to set up their own weaving establishment. Given a double head start—experience in the weaving industry and early access to private manufacturing—a great many villagers joined in the scramble to establish small factories. At the height of the rush in the latter years of the 1980s, as many as 450 such factories had opened in the village.

Even today, after the smallest and least capable have been weeded out, this village of 920 local families (3,550 people in all) contains more than 300 textile manufacturing firms—mostly family-owned enterprises, but including a large number of partnership firms.<sup>21</sup> All told, then, close to half of the households in the village wholly or partly own factories. These contain more than 2,500 looms and employ more than 6,000 migrant workers. From this industry, the village government collects substantial revenues.

At the same time, the Lianxin village government, rather than just content itself with such revenue-collecting, has also sought actively to develop publicly owned industry. In 1991 a new village Party secretary decided to make his mark through this. He did not attempt to compete with the private textile factories: it was not feasible for a collective enterprise to try to match their efficiencies in production.<sup>22</sup> Instead, he looked across to the township next door. While Xiqiao township was concentrating on textile production, Nanzhuan township, just across a narrow river, had developed a very different specialization in floor and wall tiles. From very small beginnings in the early 1980s, Nanzhuan township had come to dominate the south China market. Seeing this success, the Lianxin village Party secretary had the village government borrow close to a hundred million *yuan* in bank loans to erect a vast tile factory. He imported sets of advanced machinery from West Germany and hired specialists in ceramic tile manufacture from other parts of China. We toured the facility, and it is of truly awesome size, with huge halls containing computerized conveyor-belt kilns the length of football fields. In the early 1990s a property boom was in full swing in

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<sup>21</sup> The differences in the operations of family-owned and partnership firms are discussed in Jonathan Unger, “The Rise of Private Business in a Rural Chinese District: The Emerging Characteristics of Entrepreneurship in the PRC”, *Asian Research Centre Working Paper No.90* (Perth: Murdoch University, 1999).

<sup>22</sup> This type of decision not to compete head-on with the private sector is commonplace throughout Nanhai county. A book on Nanhai’s rural industrialization is clear on this point. See Wang Ying, *Xin jitizhuyi: xiangcun shehui de zai zuzhi* [The New Collectivism: Rural Society’s Reorganization] (Beijing: Jingji Guanli Chubanshe, 1996), p.33.

Guangdong, generating a voracious demand for construction tiles. Whatever was produced by the new factory could be sold for a good profit, and so the village government took out a series of additional huge loans to erect a further three gigantic tile factories in quick succession, within less than two years. A number of other village governments in Xiqiao have scrambled to follow suit. By 1997 the township contained twenty-three behemoth tile factories.

Whereas cloth manufacture in Xiqiao has become an entirely private endeavour, tile manufacture has become the local village governments' speciality and the focus for the local officials' entrepreneurship. The concentration of these tile factories in a small area, similar to the concentration of private textile enterprises, gives them an edge over the isolated factories of other regions. Taking advantage of this, as of 1997 1.8 billion *yuan* had been invested in this industry by village governments in the township—constituting fully six-sevenths of these governments' total industrial assets.<sup>23</sup> With textile and tile production both expanding dramatically in this entirely bifurcated pattern of entrepreneurship, Xiqiao development races, as it were, on two legs.

In Xiqiao, what counts the most for officials' personal prospects is doing well economically, and Lianxin village's Party secretary was rewarded for his success. He was elevated in 1995 to serve simultaneously as the Party secretary and head of government of Xiqiao township—the new local political kingpin. In departing Lianxin, he essentially was able to select his own successors: and for the posts of village head and village Party secretary he chose two local businessmen who had done very well in textile manufacturing.<sup>24</sup> The criteria for success in private enterprise and in public office are beginning to converge—a process that is deeply modifying the nature of village Party cells.

Jiancun, a village of 2,360 residents in 680 households, provides a counterpoint to Lianxin. Jiancun was the native village of the 19th century inventor/industrialist Chen Qiyuan, and he had built his famous silk-reeling factory inside the village. Silk reeling, rather than weaving, continued to predominate in the village through the first half of this century, and thus when the Communist regime chose where to locate the three collective weaving factories, Jiancun lost out. Consequently, when the door was thrown open to private textile manufacture in the early 1980s, the villagers here were less well positioned to exploit the opportunity in terms of their experience and know-how.

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<sup>23</sup> While tile manufacture dominates village-level investment, some of the village governments also participate in other types of ventures. In addition to the four tile factories, the Lianxin administration also owns a cloth dyeing factory (these tend to be collective enterprises in Xiqiao). A different example is the village next door to the township market town, whose village government owns not only a huge tile factory, but also a rubber factory, a watch parts factory, and a construction firm. When that village's administration is approached to sell or lease land, it negotiates to have the new building projects handled by its own construction firm.

<sup>24</sup> In interviews with Lianxin's two new leaders, it transpired that they continued to own the textile enterprises, and relatives run the businesses for the duration of their tenures in office.

But it was also a question of village government attitudes. Over the past few decades the political leaders of Jiancun have been a cautious lot. It is a leadership that has been stable since collective days: all three of the village leadership posts have been occupied for more than a decade and half, in rotation, by the same tight-knit group of three people. Though the old Party secretary decided to semi-retire in 1992, he continues to be among the ruling trio, in charge now of supervising agriculture and land rentals. Over the past two decades, again and again he and his colleagues have waited to see how other villages fare before they themselves contemplate any new ventures.

A bit over a dozen years ago, in 1986, we spent several days in Jiancun. During that 1986 visit, we interviewed a young former production-team head who had jumped into the private textile boom two years earlier—but not in his own village of Jiancun. The village leaders had denied him permission in 1984 to establish a factory in the village; and so he had gone into partnership with his brother-in-law from Lianxin to build a textile factory in Lianxin. Today, times have changed, and the Jiancun government is anxious to attract textile weaving factories to the village so as to increase village revenues. But the late start has hurt. The village now contains only forty-odd textile factories (an eighth the number of Lianxin), and only sixty manufacturing enterprises of all types.

Collective-sector enterprises seemed politically safer in the early years of the Deng era, and the Jiancun village government set up its own textile factory in 1983. But the venture failed and the village government pulled out in 1988. It leases the plant today to a local private businessman for an annual rent. The village government in fact no longer operates any collective factories at all. As the village Party secretary confides: “We’re more inclined toward renting out land and our old buildings and getting people to invest. We trust in rent.” When other villages plunged into massive investments in tile factories, the Jiancun government held back: “We’ve felt that setting up collective enterprises is difficult—too risky. It would have meant taking out enormous loans, and would have required us to construct huge buildings, and the enterprises would have been hard to operate. Others offered to assist us to set up a tile factory—specialists came—but we refused. We ourselves don’t have the skills to oversee that type of operation. Collective enterprises are bound to fail.”

Still, the village leadership does not stand literally 180 degrees removed from the entrepreneurial leadership of Lianxin village. In its own more modest way, Jiancun tries to be entrepreneurial. For example, recognizing that an expanding private textile industry means local prosperity and higher village revenues, the Jiancun government, like other village governments in Xiqiao, goes out of its way to obtain loans for village factories that wish to upgrade their equipment. Using its influence as an official organ, thus far it has borrowed seven million *yuan* from banks and from the township finance bureau at rates of interest in 1997 of 15–17 per cent, and the village government then re-loans these funds at the same interest rates to local enterprises. The explicit policy is to give priority to “assisting the strong, the big and the finest” of the enterprises, partly on the grounds that these can best guarantee repayment of the loans, but even

more so because they are the most likely to succeed over the long term and to provide the village with the highest potential revenues.

The villages of Xiqiao today compete with one another to rent out land for private-sector factory sites. In doing so, they no longer think in terms of favouring just local applicants. As one example, by offering slightly better terms than the other villages in Xiqiao, the Jiancun village Party secretary succeeded in wooing an investor from Heilongjiang province—a former textile wholesaler who used to frequent the Xiqiao market—to set up a new Y4 million textile factory in Jiancun and to settle there with his family. The rent he pays for his factory site and his local business taxes and fees are set at the same rate as for other manufacturers in the village, and the village government re-loans investment funds to him on the same terms as to other local borrowers. Xiqiao's eagerness to remain at the cutting edge of the domestic textile market has, in other words, begun breaking down traditional parochial attitudes toward "outsiders".

#### *Village Levies, Fees and Services*

Every month a village's public-security officer goes door to door to each factory to collect a "management fee" (for the textile factories, a charge of Y90–100 per operating loom, depending on the village). In some of the villages that do not own tile factories, such as Jiancun, this levy is the village administration's main form of revenue.

The village public-security officer also collects the bulk of the industrial taxes and fees on behalf of the township and county,<sup>25</sup> and most of these similarly are based on how many operating looms each textile factory possesses. When the village's own "management fee" of Y90–100 is included, the total package amounts to approximately Y700 of levies per month per loom. From our rough calculations based on the estimates of factory owners regarding their profits per metre of cloth and the speed of production of an average loom, the combined taxes and fees would amount to some 15–20 per cent of their monthly profits.

But in their efforts to spur industrial expansion, village officials in Xiqiao are careful to reduce even this modest impost. The method is simple. Regulations state that if a factory is going through a slow period, the idle looms are not taxed. Village cadres and local factory owners alike confided to us that every month the village officials deliberately under-report the numbers of looms in operation, and do so even-handedly, across the board, for all of the factories. Every village for

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<sup>25</sup> In Xiqiao, the enterprises need to pay a total of thirteen taxes and fees each month. Two are dubbed taxes (*shui*)—a national tax and a regional tax that gets divided up between Guangdong province and Nanhai county—while all the local township taxes are labelled "fees" (*fei*). In China, the revenues that are needed to support each of the local government bureaus are not bunched together into a single omnibus government fee; instead, each local organ of government imposes its own separate fee: a fee for the township education authorities, one for the fire department, one for sewage, one to support township development, one to support the township commerce bureau, etc. To limit the inconvenience, however, almost all of these taxes and township and village fees are collected from the enterprises in one lump sum by the village public-security officer.

which we obtained information carries out this under-reporting to just about the same degree.

By doing so, they are undercutting not just village revenues, but also the township and higher-level governments' revenues. The township's leaders are well aware of this under-reporting, yet they approvingly turn a blind eye. One leading township official explained to us that taxes and fees need to be kept below the levels permitted under the national government's tax and fee regulations, so as to keep Xiqiao's textile factories competitive with other textile districts in China. Reinvestment in increasingly better machinery, we were told, depends upon keeping funds in the factory owners' hands through low tax and fee levels. The officials are anxious, at all levels of local government, not to kill the geese that lay the golden eggs.

To be sure, the village officials also gain some personal monetary benefits from this method of collecting fees. Two interviewees who own factories in Xiqiao (they come from villages other than Lianxin and Jiancun) confided that every month, under the table, they pay the village official who inspects their factory a modest amount for each of the looms that escapes taxation. Every factory owner in their villages, they noted, gives the same standard rate of pay-off, which apparently is then shared out among the village's other officials. These factory owners do not see the payments as evidence of the local officials' corruption, however. Generally, as will be seen, factory owners do complain about officials' corruption, but this particular payment is regarded more as a gratuity.

One reason for this perception may be that this under-reporting of looms is often financially disadvantageous to the village officers, even when the pay-offs are taken into account. Under directives from the county, the Xiqiao township government determines the village officialdom's salaries each year by six criteria, which largely weigh how much revenue they have generated through fee and tax collections.<sup>26</sup> Yet this strong monetary incentive to boost the collection of fees does not seem to outweigh in village officials' minds the longer-term importance of expanding the village-based industries. The pressures from within the village apparently are sufficient to keep them to this course, as is their knowledge that strong industrial expansion will raise their own income base in *future*. They can look across to Lianxin, the village with the best record of prior industrial expansion, where the top three officials' salaries averaged Y190,000 apiece in 1997. In Jiancun, in comparison, the top three officials' salaries averaged Y43,000.

Y190,000 would be considered a princely sum in most parts of China. In China as a whole, the average rural household income was only Y8,100 in

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<sup>26</sup> The six criteria that the township's Village Enterprises Office uses to determine the salaries of the leading officials of a village are: the village government's total revenues; the difference between this year's revenues compared to last year's; the amount of "management fees" collected; the ratio of depreciation to total output in any village-owned industry (low is good); the village government's fulfilment of Party and administrative directives; and its fulfilment of tax-collection duties.

1996.<sup>27</sup> But Xiqiao is far richer than other parts of the country. In Lianxin village, the average household's net income amounted to Y80,000 in 1996, according to the village government's official calculations—and successful businesspeople earn far more than that. The two businessmen who took over the Lianxin village leadership in 1995 were able to take the pose that they were making a financial sacrifice to fulfil their civic duty.

The extent of the township's economic boom is such that even with the lowered fees from factories, village government revenues in Xiqiao are comfortably high, even in Jiancun. The fees plus the rents from fish ponds and from the ten village enterprises that the Jiancun village government leases out generate, altogether, enough revenue for it to picture itself as a benefactor in providing village services. Jiancun recently spent Y100,000 to equip the village primary school with a computer lab, a further Y60,000 on the school library, Y100,000 for the school's music room, and Y300,000 to renovate the village nursery school. It finances an old people's home and supports a small medical clinic. Lianxin village goes further, with an even better-equipped school, four nurseries containing more than 400 toddlers and a health clinic that boasts three doctors. Yet even taking account of these expenditures, enough revenues are available from village-level rents and endeavours that none of the local governments in Xiqiao feel a need to levy any general taxes on village households.<sup>28</sup> Again, the situation here is very different from China's less well-off rural districts, where reports suggest very heavy local tax impositions.

### *Businesspeople's Attitudes toward Village Officials*

Despite the efforts of the village and township governments to serve as benefactors, to keep taxes and fees on businesses modest, and to promote local industrial development through loans and other services to local enterprises, most of the factory owners whom we interviewed in Xiqiao consider the local governments as, essentially, of very limited and tangential importance to the success of their businesses. They obtain their inputs entirely on the market, and themselves must scramble to sell their textiles in a highly competitive national market. They hire their own work-force off the street and, despite the local officials' programs to help secure bank loans for them, very largely raise their own capital through reinvestment of profits, borrowings from relatives and friends, and direct bank loans. Interviewees indicated that they felt little need to wine and dine officials, or to ply the local officials with gifts to secure their

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<sup>27</sup> *Zhongguo nongcun jingji nianjian 1997* [1997 Rural Economic Yearbook of China], pp.51, 280. The yearbook does not directly list the average rural household income, so this figure was derived from the yearbook's separate listings of the average per capita rural income and the average rural household size.

<sup>28</sup> Specific fees for services on a user-pays basis are nonetheless still imposed for families wishing to avail themselves of these. For instance, school pupils need to pay an annual tuition fee, and in one village in the township parents complained that each student's family was being asked to contribute Y1,500 to build a new junior high school. The township similarly imposes a variety of user fees such as an annual road-use fee for motorcycles.

patronage, nor did they feel it to be of any particular advantage to subordinate themselves to the officialdom in other ways in order to survive and prosper in their businesses. In all of this, the textile-factory owners of Xiqiao appear to act quite differently from the owners of medium-sized businesses who have been studied in a number of other locales in China, both urban and rural.<sup>29</sup>

In line with the feelings of Xiqiao businesspeople that they can operate without any assistance from their village government, they tend to view local officials in essentially negative terms. Indeed, interviewees in the villages repeatedly claimed to us that the village officials are almost all corrupt. They complained that the village governments' accounts are not transparent and that expenditures by the village governments to support village services are inadequate compared to the presumed revenues. The implication is that the funds are disappearing into the pockets of the officials. The villagers may well be right in their accusations, but local corruption is not as blatant as in other parts of the Chinese countryside that we have visited. Indeed, interviewees in Xiqiao find it difficult, when voicing their suspicions to us, to pinpoint specific instances of any corrupt diversion of village funds or any unexplained high living-standard among the village officials. Whatever the extent of corruption here may be, it needs to be kept well hidden from a non-complaisant populace.

Attitudes toward alleged corruption in Xiqiao contrast sharply with the districts nearer to Hong Kong such as the Chen Village region. There, gifts and pay-offs are regularly and often openly presented to village and township officials in pursuit of a very broad range of favours, and graft in the use of public funds also appears to be widespread. But officials there are not considered corrupt by villagers unless they grossly overstep the amounts that other local officials take for themselves.<sup>30</sup> There is no such view in Xiqiao. Quite the contrary. Even in the absence of concrete evidence, the officials as a group are assumed to be corrupt—intolerably so—and to be indecently squandering public moneys. A large independent business community that sets the tone of local opinion is flexing its muscles through such talk. In the court of local public opinion in Xiqiao, the officialdom has been placed decidedly on the defensive. The private-sector constituency has expanded to the point where it not only

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<sup>29</sup> See David Wank, "Private Business, Bureaucracy, and Political Alliance in a Chinese City", *The Australian Journal of Chinese Affairs*, no.33 (January 1995), pp.55–71, and Wank's "Bureaucratic Patronage and Private Business: Changing Networks of Power in Urban China", in Andrew Walder (ed.), *The Waning of the Communist State* (Berkeley: University of California Press, 1995), pp.153–84; also Ole Bruun, "Political Hierarchy and Private Enterprise in a Chinese Neighborhood", in *ibid.*; Dorothy Solinger, "Urban Entrepreneurs and the State: The Merger of State and Society", in Arthur Rosenbaum (ed.), *State and Society in China: The Consequences of Reform* (Boulder: Westview Press, 1992), pp.121–42; Jean Oi, "Rational Choices and Attainment of Wealth and Power in the Countryside", in David Goodman and Beverly Hooper (eds), *China's Quiet Revolution: New Interactions Between State and Society* (Melbourne: Longman Cheshire, 1994), pp.68–9, 71; Susan Young, *Private Business and Economic Reform* (Armonk: M.E. Sharpe, 1995), pp.67–92.

<sup>30</sup> On this see Anita Chan, Richard Madsen and Jonathan Unger, *Chen Village Under Mao and Deng*, p.287.

carries substantial economic weight but also, as seen here, social and (albeit passively) political weight.

In many parts of China, newly prosperous businesspeople can be seen regularly flaunting their wealth through extravagantly expensive restaurant meals and ostentatious consumerism. It is partly that they feel a need to fête officials, and partly too a *nouveau riche* mentality, augmented by a feeling, carried over from the 1980s, that it is better to spend one's gains before these get milked.<sup>31</sup> Not so in Xiqiao. With continued success dependent upon repeated upgrading of machinery and reinvestment in their enterprises, an ethic of frugality has prevailed locally. Prosperous businesspeople build decent houses for themselves; and some successful factory owners gratify their egos by setting up young mistresses in second homes. But on the whole, Xiqiao's businesspeople do not squander money on ostentatious living. Compared to what observers have become accustomed to seeing in other parts of China, there are, for example, surprisingly few up-market restaurants in the township.

The local community holds its officials to the same standards of frugality. In Jiancun, for example, the village leaders are careful not to dine ostentatiously or to buy fancy new official automobiles using public funds; and for many years they delayed building a new village headquarters and remained in an old dank run-down building inherited from the Maoist period.

Distrusted nonetheless by many of their fellow villagers, they have been reluctant to convene village-wide meetings. As a woman who owns a factory in Jiancun told us, "If they call a meeting we'll go to bawl them out; but now they won't call meetings any more". The village officials have been able to govern without villagers' involvement because the Guangdong provincial government has been slow to introduce the villager committee elections that have been inaugurated elsewhere in rural China.<sup>32</sup> Rather than put village officials to the test of public opinion, bureaucratic solutions have been preferred, and thus the county and township have turned to mechanisms for the direct supervision of village administrations from above. In 1995, for instance, using a Mao-era technique, the

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<sup>31</sup> This consumerism was true even of the district in China best known for private enterprise, Wenzhou prefecture in Zhejiang province. Businesspeople in Wenzhou apparently felt less secure than in Xiqiao that they could retain reinvested private assets over the long term: "Another response to potential risks posed by doing private business within a state socialist context is reflected in a decision on the part of many peasant entrepreneurs to engage in a high level of consumption rather than reinvestment in and expansion of the enterprise. Wenzhou became known in the late 1970s and 1980s as a region where people spent their money extravagantly not only on housing and clothing but also on weddings, funerals and grave sites." (Kristen Parris, "Local Initiative and National Reform", a paper presented at the Association for Asian Studies convention, 1992, p.25).

<sup>32</sup> On such village elections, see Kevin J. O'Brien, "Implementing Political Reform in China's Villages" and Susan V. Lawrence, "Democracy, Chinese Style", both in *The Australian Journal of Chinese Affairs*, no.32 (July 1994), pp.33-59, 61-68; Daniel Kelliher, "The Chinese Debate over Village Self-Government", *The China Journal*, no.37 (January 1997), pp.63-86; and Jorgen Elklit, "The Chinese Village Committee Electoral System", *China Information*, vol.11, no.4 (spring 1997), pp.1-13.

county government dispatched cadre work-teams into each village to investigate the village administrations and to remove errant village officials by way of “guided elections” that were elections only in name.<sup>33</sup>

This top-down system was in its last days when we conducted our fieldwork. In mid-1998 the Guangdong provincial government announced that elected villager committees would gradually be established.<sup>34</sup> The repercussions, in an area such as Xiqiao with such a large constituency of independent businesspeople, could be significant. The weight of their opinion, which already influences the village officials’ operations, seems bound to grow.

### The Former Production Teams and the Institution of a New Village-wide “Shareholding System”

The rapid industrialization of Xiqiao has already affected the grass-roots administrative structure in another important respect. To accommodate to the changes in the village economy, in recent years the former agricultural production teams have been collapsed into a village-wide organization.

Under Mao, the production teams were arguably the most important level of organization so far as farmers were concerned. Each team, comprising a village neighbourhood, owned a share of the village’s agricultural land, and the member households of a team planted these fields together and shared in the harvest yields. In the early 1980s, after the fields had all been distributed to individual households to farm independently, the teams largely lost their original purpose and functions. But they continued to exist as legal entities. Renamed “economic co-operatives” (*jingji hezuoshe*) in the early 1980s, they continued to own their original share of the agricultural land. During the 1980s and early 1990s, when land was rented out for fish ponds or factory sites or agri-business,<sup>35</sup> these so-called economic co-operatives divided the proceeds among their members each year. In short, a sharp distinction was maintained between the assets owned by the former brigade (the village government), whose revenues go into improving village services, and the landed assets of the former production team (the

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<sup>33</sup> On the work-teams’ operations in Xiqiao, see *Foshan ribao* [Foshan Daily], 17 August 1995, p.1. The work-teams removed one or more cadres from office in 70 per cent of Xiqiao’s villages. In line with national policy, they placed a stress on removing cadres who were old or had inadequate educations. A result was that the average age of village officials in Xiqiao dropped from 47 years to 40, and the senior high school graduation rate among officials rose from 22 per cent to 50 per cent. Throughout the county, the cadres who were eased from office received retirement “subsidies” as compensation.

<sup>34</sup> “Guangdong Villages Set for Self-rule”, *South China Morning Post*, 30 July 1998.

<sup>35</sup> To ensure that the cities of Guangzhou and Foshan are well supplied with fresh vegetables, the provincial government allows the district to concentrate on these rather than grain, and specialist farmers from as far away as Hunan and Guangxi are among those who make bids to lease farmland. Some 10 per cent of all the agricultural fields in Xiqiao have been leased out in this fashion to people who are not native to Xiqiao.

“economic co-operative”), the rents from which have largely been distributed among its constituent households.<sup>36</sup>

But this latter system began to run into problems in Nanhai county due to industrialization. Land-use planning was introduced by the county, with each village allowed by the government to zone only one or two specific large blocks of agricultural land for industrial purposes. As a result, an “economic co-operative” whose land happened to lie in the village’s zone for industrial use could reap high revenues by renting out factory sites, while an “economic cooperative” whose land lay in a zone designated for agriculture would lose out. Tensions mounted over this. The township government, in response, finally decreed in 1994 that all of the land of each village would be combined into a single village-wide co-operative that would entirely absorb the separate remaining assets of the former production teams.<sup>37</sup>

The township government’s decision coincided in time with, and was implemented in combination with, a set of directives from the Nanhai county government in 1993–94 ordering that a “village co-operative shareholding system” (*nongcun gufen hezuozhi*) be instituted.<sup>38</sup> Under this, the system of “economic co-operatives” would be reconstituted so that each resident would receive stock-shares and annual dividends from the land rentals. At first blush, the new terminology suggests that the former production teams’ assets are being “corporatized” and that the stock-shares that have been handed out to each individual villager represent a form of privatization.

But this is not at all what has occurred. Instead, as will be seen below, the values and cohesion of the village community as a social collectivity are being reasserted in a new and more egalitarian shape than before. At the same time that the assets of all of the “economic co-operatives” were combined into a single village-wide “village co-operative shareholding system”, each village in Xiqiao was given leeway to decide who was eligible to receive how many shares. The effect, interestingly, has been very similar to what membership in the village

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<sup>36</sup> In this particular rural township, 75 per cent of the land rent is distributed to the villagers. The village governments, which take responsibility for collecting the rents, retain the other 25 per cent.

<sup>37</sup> One of the anonymous referees for this paper writes that he or she conducted research at a neighbouring township where many of the “economic co-operatives”, and the production teams before them, are separate small natural villages or hamlets. The villagers there successfully opposed the combining of their co-operatives’ landed assets at the level of the administrative village (*guanli qu*), claiming that the money would be embezzled by the *guanli qu* cadres and that they themselves would lose property rights over their own small natural village. In Xiqiao, in comparison, the sense of village community coincides with the administrative designation of it, and so opposition to combining the assets of the “economic co-operatives” was far more muted.

<sup>38</sup> The two relevant directives were republished in Nanhaishi nongcun gaige shiyanqu bangongshi [Nanhai County Office for Village Reform Experimental Districts], *Nanhaishi nongcun tudi gufen hezuozhi lunwen ji* [Collected Treatises on Nanhai’s Village Land Shareholding Co-operative System] (Nanhai: no publisher listed, 1995), pp.334–45. The national Ministry of Agriculture first started promoting this system at selected sites in 1990.

brigade and production teams used to entail in the Maoist collective era—with a twist that is in line with traditional Confucian principles of respect for age.

In Jiancun, for example, each infant whose parents are native to the village receives one share at birth (long-term immigrants and their descendants are completely excluded, not to speak of the migrant workers who hold only temporary resident status). The native young people hold one share up to the age of 17; those between the ages of 18 and 35 hold two shares; those between the ages of 36 and 55 have three shares; and every native community member over 55 holds four shares.<sup>39</sup> A person's shares disappear when he or she dies, and a woman loses her shares when she marries out of the community, though she gains an equivalent amount of shares in her husband's village as she enters it. A village family that moves away similarly loses its shares and dividends—village residence is necessary to remain part of the community—but the shares reappear if the family moves back and thereby re-enters community life.

All of this is similar to how production teams used to determine who shared in the pool of team assets in the days of Mao. Children born to team members gained a share in the team assets and were entitled to a given portion of grain each year, with adults allotted a higher portion. Women who married out of the team lost team membership and their share of team assets, as did families who moved away, or people who died. In short, with the economic reforms and industrialization in Xiqiao, the lowest-level structures of economic community and its entitlements have not been replaced by a system of permanent, saleable, and inheritable asset shares. Rather, the new system perpetuates the community values and the definitions of community membership of the collective era.

In some of the other counties in the Pearl River delta, the assets of the former production teams have similarly been transformed into village-wide "shareholdings" in the land.<sup>40</sup> So, too, as other rural districts in China industrialize, they may well move in the same direction as Xiqiao, toward a village-wide "shareholding" system. But if so, we should not assume that Chinese landholdings are being privatized into property companies. Rural China marches to its own drumbeat.

With the annual dividends, it is now better in Xiqiao to be registered as a village resident than to hold an urban or market-town residence certificate, and the villages guard their official residence status (*hukou*) jealously. The investor from Heilongjiang who poured ¥4 million into a textile factory in Jiancun was

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<sup>39</sup> At another village in Xiqiao, we were told that the village leadership had decided that each child between the ages of 1–7 holds one share; two shares between the ages of 7–12; 2.5 shares for ages 12–20; and up to four shares for each village member over 60. It should be noted that the new system's premium on age distinctions in all of Xiqiao's villages is in line with a pre-revolution practice. Traditionally in Guangdong villages, lineage groups used to distribute pieces of pork to each male lineage member at solemn ceremonies held annually. In many lineages, the male elders received additional pork portions as a show of Confucian respect for age.

<sup>40</sup> This was so, for instance, in Humen, about half way between Xiqiao and Shenzhen, which one of us visited in 1996.

allowed to build a large house there and to bring his family to live in the village permanently, but the village has barred him from purchasing a village *hukou* even for a large sum of money.

The cash distributions to households in Xiqiao township in 1996 from the “shareholding co-operative system” ranged from some Y1,000 to more than Y10,000. This wide variation was due partly to the large differences in the revenues obtained in each village from leasing out factory sites, fish ponds, and agricultural fields.<sup>41</sup> In Lianxin, the size of the annual dividends to households is some 3–4 times higher than in Jiancun. Villagers, it is obvious, today hold a direct vested interest in local economic development.

In each village, a management board oversees the new village-wide “shareholding co-operative system”. This board is composed of an elected representative from each of the former “economic co-operatives”. But the board is normally chaired by the village Party secretary or village head, and the system appears to have come under the effective control of the village-wide leadership. Some of our interviewees expressed a suspicion that a portion of the funds from leases were being illicitly diverted by their village’s officials, in line with their suspicions about the overall probity of local cadres. Valid or not, such suspicions make village officials feel even more on the defensive. In Jiancun, without prompting, the Party secretary and other village leaders sought to reassure us more than once that the land-lease dividends were being appropriately distributed, and they noted, too, that the amount of money distributed would need to be raised soon in order to allay villagers’ qualms about the new shareholding co-operative’s board.

### The Township Government—Developmental or Ineffective?

Like the village governments, the Xiqiao township government today is strongly in favour of local private business. However, a key question is whether the township authorities’ programs and investments, overall, have been effective or not.

#### *Pushing Private Industrialization*

Certainly, on the plus side, the Xiqiao township authorities put in the effort. In fact, in order to push along any village governments that might be laggard in spurring local development, the township head has established a system whereby the deputy township heads and other top leaders are each assigned to keep a close eye on the development of a few specific villages.

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<sup>41</sup> Some villagers in Xiqiao no longer want to obtain an allocation of land, and they are not obliged to do so. This leaves tracts of agricultural land available for rent. People from other parts of China who want to come to Xiqiao in order to raise vegetables and other high-priced produce for the nearby urban markets are allowed to bid for large stretches of this land on the same terms as native villagers. They are permitted to move into the village with their families, but again cannot obtain a local *hukou*. Given this, they pay higher fees for their children’s schooling and other village services than do the local villagers.

One consequence is that the Jiancun village government finds itself in ongoing disagreement with one of the deputy township heads who has been assigned to oversee the village. He is pushing energetically for a rapid expansion of paved road linkages criss-crossing village territory—to be financed largely at village expense. In an interview he portrayed himself as a modernizer seeking on behalf of the Jiancun village populace to overcome the sluggish parochialism of village cadres. But the village authorities in contrast portray themselves, when interviewed, as representing local opinion against a profligate higher authority which seeks to saddle their village with one type of expense after another.

The township government also sees itself as responsible for the local textile industry's research and development, and some years ago it established a Technology Analytical Service Centre to disseminate advanced technical advice to Xiqiao manufacturers.<sup>42</sup> Among its functions, the Centre was supposed to analyse high-quality cloth from Hong Kong and elsewhere to figure out its technical properties. But when we stayed in Xiqiao in 1997, no-one from the township government, nor any businessperson, mentioned the Service Centre. It had apparently closed, its operations insufficiently cost-effective. So, too, the township government's efforts to tap the expertise of specialists brought in from Guangzhou to lecture is unappreciated by factory owners, who complain that the lecturers speak in generalities and provide little information of any practical use to their businesses.

The township officials are not readily deterred from their efforts to lend a hand in promoting improved technologies. Worried that Xiqiao might lose its standing in the national textile market, they keep a watchful eye on the major centres elsewhere in China that produce chemical-fibre cloth. In 1995 a group of township officials led by the township head took an investigative trip to the textile centres in Zhejiang, Xiqiao's major competitors, and returned with warnings that these were gaining on Xiqiao. Anxious for Xiqiao to strengthen its competitive edge, the township authorities decided to subsidize purchases by Xiqiao factory owners of a new generation of looms that cost some Y120,000 apiece. The Xiqiao government now provides a low-interest soft loan of Y20,000 for each new machine. In this and other programs to provide support to the private sector, the township administration (similar to the village governments) generally favours the more prosperous, larger entrepreneurs, feeling that they have the best chance of expanding local production against outside competition.

Two of the avenues through which the township reaches out to the most successful local businesspeople are the Nanhai Textile Chamber of Commerce (*Nanhaishi fangzhi tongye shanghui*), which the county government helped to initiate in late 1995 and whose headquarters lies in Xiqiao,<sup>43</sup> and the Xiqiao branch of the Non-Governmental Entrepreneurs' Civic Association (*Minjian qiyejia gonghui*), which the township government helped establish in 1994.<sup>44</sup>

<sup>42</sup> Wang Ying, *Xin jitizhuyi*, p.99. This is a book on the rural scene in Nanhai county.

<sup>43</sup> For information on its founding see *Foshan ribao* (Foshan Daily), 10 December 1995.

<sup>44</sup> Both associations are part of the national association for owners of large private businesses, the Federation of Industry & Commerce (*Gongshanglian*). The Civic Association contains

Both were provided with free offices by the township government and are staffed by government-paid officials. These are elite associations, with membership limited to a few dozen of the most prosperous businesspeople. The status and independent wealth of the members is reflected in the fact that gradually the two associations, albeit founded and partially funded by the authorities, are becoming vehicles for the expression of this larger-scale business constituency's views and interests.

The most successful businessman of them all, who serves simultaneously as chair of the Textile Chamber of Commerce and as deputy chair of the Civic Association, noted to us that "We use these to build up contacts between us and the local government and to establish lines of communication and negotiation." The executive board of the Chamber, which consists of a few of the leading businesspeople and the Chamber's secretary (who is a township government official), meets weekly for a Cantonese-style breakfast (*yumcha*) to keep these contacts alive. In turn, when the township government embarks on initiatives to further the interests of private businesses, it tends to turn first to the Chamber and Civic Association memberships—as in the scheme to subsidize the purchase of expensive, technically advanced textile looms.

Most recently, the township officials have been dangling subsidies to persuade some of the Textile Chamber of Commerce members to purchase considerably more expensive looms from Belgium at Y230,000 each, and state-of-the-art computerized looms for Y460,000. The businesspeople, however, look askance at the latter proposal, feeling that the township government is encouraging them to over-reach their own technical capacities and finances. One of the largest manufacturers confided to us, "From my experience, some of the big state factories in textiles fail because they use technology that's beyond their capability. Here in Xiqiao, who could repair computerized looms? And we businesspeople have to take into account whether an investment will pay off. Even if I were to import these machines, such very high-quality cloth isn't in demand today in the Chinese market." The businesspeople are sceptical about the

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prosperous businesspeople in a variety of trades, but the memberships of the two associations nonetheless overlap considerably since textile manufacture is locally so dominant. The Nanhai Textile Chamber of Commerce contained 53 carefully selected members in 1997, of whom fully 38 were Xiqiao residents; and a majority of the latter simultaneously belonged to the Civic Association, which was itself limited to 70 members. The secretary of the Chamber, an official who is seconded from the county propaganda department, also serves as deputy secretary of the Civic Association, and the secretary of the Civic Association reciprocally serves as deputy secretary of the Chamber. On the workings of the elitist Federation of Industry & Commerce and its subsidiary Chambers of Commerce (*Shang hui*) and their complex relationship with the government, see Jonathan Unger, "Bridges: Private Business, the Chinese Government, and the Rise of New Associations", *The China Quarterly*, no.147 (September 1996), pp.795–819). A study containing interesting material on the Entrepreneurs' Civic Association in Nanhai county is Sun Bingyao, "Xiangzhen shetuan yu Zhongguo jiceng shehui" [Rural Township Associations and Grass-roots Chinese Society], *Zhongguo shehui kexue jikan* [Chinese Social Science Quarterly] (Hong Kong), no.9, Autumn 1994.

pragmatism of a township officialdom that has far less experience than themselves with manufacturing and the realities of the market.

At the same time that Xiqiao's leaders seek to persuade the owners of the largest local businesses to upgrade and expand, the township authorities are not enthusiastic about wooing foreign investment. In this they differ from township officials in the counties close to Hong Kong, who make this their utmost priority. The Xiqiao authorities, based on their own local experience, pursue the strategy that so long as local private industry is developing rapidly it is better to keep the profits at home. As of 1997, the township contained only twelve foreign or joint-venture enterprises, and five of these were joint ventures with local private individuals. Textile weaving remains solidly in the hands of Xiqiao residents, with no foreign participation whatsoever.

### *Township Policy toward the Migrant Work-force*

The township government also sees itself as firmly behind local interests *vis-à-vis* the 70,000 temporary migrant workers from poorer parts of China who have flooded into Xiqiao. These migrants today comprise about half of the township's total work-force,<sup>45</sup> predominantly as manual labourers. Practically every one of the women who tend the textile looms and the great bulk of the men working at local construction sites are migrants, as are 70 per cent of the work-force in the collective tile factories.

The township government, in keeping with its self-image of actively supporting local industry, allows the local enterprises to violate national labour laws. This is the case, too, so far as we know, with almost all local governments in south China. National laws stipulate that workers must be paid overtime rates 50 per cent higher than their normal wages, and 36 hours of overtime work has been set as the legal maximum per month.<sup>46</sup> Yet a majority of the migrant textile workers in Xiqiao labour at the looms twelve hours a day, seven days a week, far in excess of the legal maximum limit. And they receive piece-rate wages without any bonuses or premiums for overtime work, again in violation of the national statutes. The township authorities can benignly ignore these violations, knowing that few workers complain. Interviews with the young women weavers revealed that they sometimes prefer to work the longer hours in order to earn some Y800-Y1000 a month. Their strategy is to exhaust themselves for a few years in order to bring more money home with them when they finally quit industrial work.

The township authorities also turn a blind eye to the fact that most of Xiqiao's factories retain the first several weeks of a worker's wages as a "deposit" (*yajin*). Any worker who quits within less than a year sacrifices the full amount. This so-called deposit obliges workers who are unhappy with an employer to remain there, sometimes under onerous conditions. Bonding labour in this way is against national labour laws. Yet in most of south China it is

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<sup>45</sup> The total native population of Xiqiao amounts to 135,000, and about half of them are children or retired elderly or for other reasons not part of the local work-force.

<sup>46</sup> See the Labour Law of the People's Republic of China, adopted at the 8th National People's Congress, 5 July 1994 (*Jingji ribao* [Economic Daily], 6 July 1994, p.2).

commonplace.<sup>47</sup> In Xiqiao, a woman worker who resigned from her job and thereby lost the “deposit” lodged a complaint with the labour bureau, but the head of the bureau explained to us that he had sided with the owner because the owner was the one who paid labour management fees to the bureau and other local taxes, not her.<sup>48</sup> Whatever the national statutes, the township government looks after its own clientele.

Notwithstanding this, the migrant labour force in Xiqiao is less poorly treated than in many other districts in Guangdong. Since the local populace depends on migrant workers to do most of the production-line work in the textile and tile factories, they want to be sure of a continued steady flow of capable workers into Xiqiao. Again and again, we were told by local residents that people from outside the district are welcomed, a sentiment echoed by the township government. In contrast, in many other districts in the delta the migrants are resented and harassed by both the local populace and the local governments. In the rural townships that lie between Hong Kong and Guangzhou, for example, local people complain that the migrants are responsible for rising crime rates and that they will swamp the local population if their numbers are not controlled. In those districts, the migrant workers’ temporary residence cards and work permits are regularly checked by local police in the streets, and if they cannot produce a card they are often beaten up and forced out of the district.<sup>49</sup> The reason, we believe, is that in these districts the bulk of the local industry is foreign-owned and foreign-run, mostly by Hong Kong and Taiwanese manufacturers, and thus the local populace and local governments have no vested interest in maintaining the influx of factory labour, let alone making them feel welcome.

Not so in Xiqiao. In the street, migrants told us that relations in the township are relatively relaxed. Whereas migrants elsewhere fear to be caught in the streets without a temporary residence card, in Xiqiao the authorities are blasé about the regulation, and some workers do not even bother to apply for one. Since the township administration is anxious that Xiqiao should have a good reputation as a place to work, it will even protect workers against those employers who blatantly violate the accepted local practices. The labour bureau received 1,600 complaints in 1996, mostly from workers in small private factories, and ruled, in the words of the labour bureau’s head, that “in 60 to 70 per cent of the cases the workers were in the right and the factory in the wrong”. But the reason for the bureau’s sense of fairness is quite strategic. As the bureau head observes, “labour conflicts of this kind cause migrants not to come back to Xiqiao. They feel, ‘If you don’t treat me fairly, why should I come back?’ Usually one worker brings in a whole string of people from back home, so if we didn’t act, such problems could have a

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<sup>47</sup> On this see Anita Chan, “Globalization, China’s ‘Free’ (Read Bonded) Labour Market, and the Chinese Trade Union”, *Asia-Pacific Business Review*, vol.6. no.3 (spring 2000).

<sup>48</sup> Employers pay an annual labour management fee of Y48 to the township’s labour bureau for each migrant worker (none is required for local workers).

<sup>49</sup> On local attitudes and police treatment toward the migrants in those districts, see Anita Chan, Richard Madsen and Jonathan Unger, *Chen Village Under Mao and Deng*, pp.300–308.

wider effect on Xiqiao.” Factory owners whom we spoke with seemed sympathetic to that position, afraid that Xiqiao, and thus they themselves, might otherwise face a shortage of in-coming workers.

### *The Township Government’s Own Brand of Entrepreneurship*

Like the village governments, the township government makes no effort to participate directly in textile production alongside the private enterprises. Township officials readily state that in the family-owned firms, without layers of staff on their payrolls and without pensions to pay, production costs are considerably lower than a township-owned collective factory would face. Thus, rather than compete head on, the three textile-weaving enterprises that the commune (township) operated under Mao have switched to other avenues of revenue: two have been leased out to private operators; and the third factory has turned to producing spare parts for the local industry.

The township instead has sought to develop its own specific niches for township government investment. It has converted the money-making enterprises that are owned by the government into six public conglomerates, whose assets include the single largest tile factory as well as a further 34 enterprises in a range of industrial and commercial endeavours. Unlike the village officials, who feel pressures to seem publicly frugal, those in charge of these conglomerates feel more insulated, with less need to win residents’ approval. As just one illustration of this, the semi-retired head of the township conglomerate that runs the township government’s hotel has been assigned a luxury Lexus sedan and chauffeur.

Among all of its areas of investment, the township level principally looks to develop a fiefdom in tourism. Xiqiao is dominated physically by a large craggy mountain that rises dramatically from the flat delta. It is a curiosity in a region with few similar landmarks, and for centuries was a visiting site for the delta’s wealthy. Guangdong province’s ongoing boom has generated a new large moneyed stratum, and the township and county governments decided some years ago that Xiqiao could cash in on this by developing a tourist trade. In 1994 the township was declared a Tourist Holiday District and its boundaries were expanded to encircle the mountain on all sides—in the process absorbing half a dozen additional villages.<sup>50</sup> The former township Party secretary, an old Party bureaucrat with no business experience, started spending money with a vengeance to develop the mountain into a dazzling tourist mecca.

In pursuit of this, an artificial lake was engineered half way up the mountain, linked to the lowlands by an aerial tramway. In the centre of the lake an elaborate water screen devised from a row of high-jet fountains, using special equipment imported from France, was installed to project a 3-D film documentary extolling Xiqiao. The state-of-the-art equipment has cost some Y13 million, yet few

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<sup>50</sup> This expansion has raised the local population of Xiqiao to 135,000, which is extremely large for a Chinese township. In recognition of this, the township has been elevated to the status of a *zhen* (town). On the establishment of the Xiqiao Tourist Holiday District and the consequent restructuring of the township, see a long three-part article that was serialized in *Foshan ribao* on 22, 26 and 28 July 1994.

visitors bother to attend the showings. Elsewhere on the mountain, vast elaborate gardens were planted for tourists to wander through. At a vista near the peak, an extraordinary many-stories-high bronze statue of the goddess Guan Yin has been erected—indubitably one of the largest metal statues in the world. At the base of the mountain, an equally huge concrete statue has been constructed of the redoubtable Wang Daxian, a Taoist sage of Guangdong legend who enjoys the status of a popular god. How all of this extravagant construction work is to translate into township-government earnings is not entirely clear, as even one of the officials in charge of the investment concedes. It is doubtful that the vast sums of money that have been lavished to convert the mountain into a tourist showpiece will ever be recouped. The project bears the earmarks of political leaders who are not accountable for their expenditures. The glory of a high-profile accomplishment seems more important to the project's creators than the project's bottom line.

This grandiose new tourism scheme has already had an adverse impact on Xiqiao residents in one important respect. Traditionally, families buried their dead in scattered tombs on the vast slopes and ridges of Xiqiao Mountain, at sites considered propitious in terms of geomancy. The thousands of tomb sites seemed unbecoming to an officialdom intent on tidying up the mountain for the tourist trade, and the claim was laid that the incense burned during the yearly "sweeping the tombs" festival posed a fire hazard to the mountain forests. So in the name of modernization and development, a large imposing cemetery was constructed at the foot of the mountain, and orders were issued that all households should relocate their family tombs to the new site. Adding insult to injury, they were required to pay for the new burial plot. Each relocation cost upwards of Y20,000, more than many families could readily afford, and those which had to relocate more than one ancestral grave were placed in dire straits. Township residents and village officials alike were vociferous in their complaints to us, united in a common anger at what they saw to be the effrontery and ruinous exactions of upper-level bureaucrats. In October 1997, several months after we completed our fieldwork, Xiqiao gained international news coverage when thousands of angry protesters besieged township government offices and clashed with police after the authorities had, at last, begun forcibly removing graves from the mountain.<sup>51</sup> If residents hold suspicions about the usefulness and probity of village officials, they feel far more estranged from the township officialdom.

They can point in particular to another township government project that they consider wastefully expensive—and again at their own expense. The township administration has borrowed large sums to erect a new wholesaling district just outside town for the Xiqiao textile industry. The new district consists of many hundreds of adjoining three-storey buildings, all alike, each containing a wholesale outlet downstairs and offices upstairs. Until the latter part of 1997, the private factories had rented small, run-down, relatively cheap shop-fronts along

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<sup>51</sup> *China News Digest*, 24 October 1997, citing Agence France-Presse and the Hong Kong daily newspaper *Ming Bao*. In the riot's aftermath, we have learned, the officials ultimately rescinded their order that the tombs be relocated.

the downtown streets, alleyways and courtyards. Factory owners spent much of their time there negotiating and chatting with purchasing agents and wholesalers from throughout China. The old town contained 800 of these shop-front factory outlets, some of which exhibited bolts of cloth from a single enterprise, and some the merchandise of two or three small factories that shared shop-front premises to save money. The scene was too backward and untidy for the taste of the township authorities. As the new wholesaling district neared completion, they issued a regulation in the name of urban planning that required the factories to close down their downtown sales outlets. Factory owners complain that purchasing or renting space in the new wholesale district adds to their business expenses while making no difference to their volume of sales. To them, the project looks like just another drain on local resources, from which only the township government will profit.

### Conclusions

The accountability of local governments to the pressures of popular opinion obviously differs considerably in Xiqiao. Though the township government does feel the weight of popular pressure from below—enough so that it strives to prove itself a facilitator for local private business—it nonetheless is far enough removed from the direct pressures of public opinion to expend money in wastefully unpopular ways and to impose unpopular decrees. In comparison, the village governments are exposed more directly to grass-roots opinion, which is dominated by a large local constituency of independent businesspeople.

Writers on the rural political and economic system in China do not usually focus on this important distinction between the different levels of rural government. To cite just one example among many, Jean Oi has written that “Somewhat akin to a large multi-level corporation, the county can be seen as being at the top of a corporate hierarchy as the corporate headquarters, the township as the regional headquarters, and the villages as companies within the larger corporation”.<sup>52</sup> Such a perception of a unified top-to-bottom government machinery does not take account of the very different positions occupied by village, township and county governments, the different constituencies they need or do not need to pay heed to, and the divergent institutional interests, divergent strategies, and frequent differences of opinion (and occasional antagonisms) between the local governments of different levels.

A second, equally important factor to take into consideration when addressing China’s rural political scene is that, as earlier noted, the circumstances in different districts differ considerably. For instance, whereas the behaviour of village cadres in Xiqiao is constrained by public opinion, many other rural districts appear to differ in this respect. Where village officials hold the great bulk of the village-level industry in their own hands in the form of collective enterprises, as in the villages that Jean Oi and others have studied, they have the wherewithal to dominate village life and opinion. Similarly, village cadres in the districts where foreign-financed factories predominate are able to control the

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<sup>52</sup> Jean Oi, “The Role of the Local State in China’s Transitional Economy”, p.1138.

rents from the factory sites. These rents are a major source of residents' incomes, and through this the officials there also hold a strong hand in their communities.

In both of these latter types of villages, an important mechanism of control centres on the patronage the officials are able to dispense, through which they are able to establish local political machines based upon concentric circles of patron-client dependency. This especially appears to be the case in the villages with a large degree of collective industry, where access to jobs as well as funds lies at the discretion of the local cadres.<sup>53</sup> In contrast, much of the populace in Xiqiao, including the bulk of the most influential residents, are financially and occupationally independent of the local government, so patronage mechanisms there are correspondingly weak. This comparison between different types of rural districts is summarized in Table 1, below.

In all these three types of locales—those where private industry, collective industry, and foreign-financed industry predominate—local officials have sought to provide improved public services such as schooling, old people's homes, etc. In all three types of areas, officials feel an obvious need to serve as public benefactors in order to bolster residents' support for the local administration. Here a stark contrast exists with impoverished villages (also listed in Table 1) that possess little revenue from industry or other sources. The officials there do not have the material means to serve either as patrons or as community benefactors. The Chinese government has referred to some of these as "paralysed villages", containing "cadres with low spirit and energy who do not put their hearts into village work".<sup>54</sup> While village cadres retreat from their duties and village services decline, the township and county officials in such districts are apt to resort to coercive methods to extract taxes and fees from a hard-pressed peasantry. They take on the attributes of a predatory state.<sup>55</sup>

In sharp contrast, the village governments in Xiqiao are "developmental", seeking actively to expand the local productive base rather than passively neglect their duties or rapaciously bleed the local economy. As has been seen, they become facilitators for private business in the process, seeking to provide improved infrastructure and low tax regimes for the private sector. But our focus on two villages in Xiqiao—Lianxin and Jiancun—reveals two very different "developmental" strategies at work. In Lianxin, as has been observed, in addition to fostering private industry the village officials have greatly expanded the village-owned industrial sector by way of heavy investments in tile manufacture.

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<sup>53</sup> On this, see the sources cited in footnotes 1 to 3.

<sup>54</sup> Quoted by Kevin O'Brien in "Implementing Political Reform in China's Villages", *The Australian Journal of Chinese Affairs*, no.32 (July 1994), p.51. Also see Unger and Xiong, "Life in the Chinese Hinterlands", pp.13-4.

<sup>55</sup> As an example of this, a study of two poor rural counties in Guizhou province found that the local governments, short of their own sources of income, acted in a coercive, predatory fashion toward the farmers, forcing them to grow tobacco at a loss in order to replenish local government coffers. See Yali Peng, "The Politics of Tobacco: Relations Between Farmers and Local Governments in China's Southwest", *The China Journal*, no.36 (July 1996), pp.67-82.

The Lianxin officials are acting as risk-taking public entrepreneurs in a fashion similar to the rural areas that Jean Oi and others have studied, where collectively owned industry has flourished. Jiancun meanwhile has eschewed that route, its officials preferring instead simply to provide an infrastructure that is attractive to industry in order to gain the bulk of its revenues through rentals and fees. In this regard, the Jiancun government have fallen back on a more passive “developmental” strategy similar to what prevails in the counties adjoining Hong Kong, where village administrations actively seek to be land developers and rentiers rather than engage in industry directly.

**Table 1: Rural Communities by Predominance of Enterprise Ownership Types**

	<b>Private Industry</b>	<b>Collectives</b>	<b>Foreign Industry</b>	<b>No industry</b>
<b>Societal pressure on officials</b>	High in villages, less so at township	Low	Low	Medium in villages, higher levels sometimes predatory
<b>Local government control of patronage</b>	Limited	High	Medium	Low
<b>Welfare services</b>	Yes	Yes	Yes	Barely
<b>“Developmental”</b>	High (Lianxin) Medium (Jiancun)	High	Medium	Low

Notably, though, the officials in both Lianxin and Jiancun, as seen above, are akin in one signally important respect: they similarly seek to nurture local private industry. This goes against the findings of most previous observers of the Chinese scene—that local officials (i) give priority and advantages to publicly owned industry over private industry and (ii) insist on relationships in which private entrepreneurs are subordinate and dependent on them. In other local areas in China, researchers have perceived efforts by the local bureaucracy to corral

and control private entrepreneurs, and they have observed the efforts made, in response, by private businesspeople to do favours and cement personal bonds with the local officialdom.<sup>56</sup> Xiqiao village governments, Lianxin and Jancun alike, point to a very different scenario, one that very likely is already becoming increasingly widespread in China as the numerical weight of private proprietors increases. It is a scene in which, as in Xiqiao, local governments that seek faster local development actively encourage private industry<sup>57</sup>—and where, in turn, an independent constituency of local businesspeople begins to tilt the balance in its own favour in terms of influence at the village level. In the years to come, this is bound to have very substantial ramifications *vis-à-vis* local Chinese politics and society.

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<sup>56</sup> Both urban and rural studies portray these efforts and the corresponding efforts of private businesspeople to ingratiate themselves with officials, sometimes to the point of volunteering for political duties in order to secure needed political connections. See, e.g., David Wank, "Private Business, Bureaucracy, and Political Alliance in a Chinese City", *The Australian Journal of Chinese Affairs*, no.33 (January 1995), pp.55–71; Ole Bruun, *Business and Bureaucracy in a Chinese City*, Ch.5; Ole Odgaard, "Entrepreneurs and Elite Formation in Rural China", *The Australian Journal of Chinese Affairs*, no.28 (July 1992), pp.89–108; Susan Young, *Private Business and Economic Reform in China* (Armonk: M.E. Sharpe, 1995).

<sup>57</sup> Jean Oi, who conducted research in the 1980s in a Shandong county where collectively-owned rural industry received an overwhelming priority in what she dubbed "local state corporatism", returned to her research site during the 1990s to discover a shift in precisely the direction we describe. She observes that "by the end of the decade it was no longer economically advantageous to rely exclusively on collectively owned township and village enterprise", and she notes that "By the early 1990s, private firms became a new target of local plans, and the sector began to receive the kind of preferential treatment earlier reserved for public firms." Jean Oi, "The Evolution of Local State Corporatism", p.36.