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From "state control" to "business lobbying": The institutional origin of private entrepreneurs' policy influence in China

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EAST ASIAN STUDIES

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From 'State Control' to 'Business Lobbying': The Institutional Origin of Private Entrepreneurs' Policy Influence in China

Preface and Introduction by
THOMAS HEBERER

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CONTENT

Thomas Heberer
Preface and Introduction: Strategic Action of Private Entrepreneurship 4

Dongya Huang and Minglu Chen
From 'State Control' to 'Business Lobbying':
The Institutional Origin of Private Entrepreneurs' Policy Influence in China 11

ACFIC as a Political Co-Optative and Corporatist Institution 14

Policy Demand in CPPCC Collective Proposals 16
- Whose Policy Demand? 16
- Which Policy Demand? 21

The Private Entrepreneurs' Policy Influence in an Authoritarian State 23
- A Proposal's Actual Policy Influence 23
- Who is More Influential? 25

The Institutional Origin of Policy Influence 27
- More Access to the Policy-Making Process 27
- Buffering the Conflict between State Control and the Business Lobby 30

Conclusion 31

Bibliography 33

PREFACE AND INTRODUCTION: STRATEGIC ACTION OF PRIVATE ENTREPRENEURSHIP

BY THOMAS HEBERER

Dongya Huang and Minglu Chen address a crucial topic still widely under-researched in China Studies: the political impact of private entrepreneurs on policy shaping and political decision-making, particularly from the perspective of the role of the "All-China Federation of Industry and Commerce". The latter is an official organization under the umbrella of the United Front departments of the Communist Party of China from the central to the local level. Moreover, it is the umbrella organization of the chambers of industry and commerce. Huang and Chen's article examines the behavior of entrepreneurs by taking the "Chinese People's Political Consultative Conference", i.e. an advisory board to the government, as a specific case study. Following Scott Kennedy's seminal book *The Business of Lobbying in China* (2009), they attempt to identify lobbying strategies private entrepreneurs are adopting to impacting upon policies.

Until the 1990s, the state rigidly controlled private enterprises and curbed their development. Private enterprises were heavily dependent on local governments and their good will. Since then, and in accordance with the marketization of the Chinese economy, the balance of power between the local state and private entrepreneurs has changed. Effectively developing the private sector has become increasingly critical for leading local officials in their efforts to receive positive performance evaluations and enhance their career prospects.[1] During the last decade, the role of the local state vis-à-vis the private sector has shifted from 'leadership' (*lingdao*) to 'guidance' (*yindao*) and 'service provision' (*fuwu*). Today, the interests of private entrepreneurs as the most important source of taxes and employment must be taken seriously and considered by local governments in order to promote the development of their locality. After all, private entrepreneurs can threaten to move somewhere else if their requirements in terms of local government services and support are not met. Larger and more important companies are in fact taking the lead here. If a major enterprise moves to another location, its suppliers often follow suit, thus causing tremendous economic damage within a locality and jeopardizing leading local cadres' chances of a positive performance assessment. Leading local cadres and private entrepreneurs clearly share a common interest in successful private sector development within their area, and are 'doomed' to close cooperation, given the particular institutional environment they face.

Undoubtedly, private entrepreneurs in contemporary China do not yet constitute a homogeneous social constituency. On the contrary, they form a very heterogeneous group characterized by significant differences in terms of origin, educational background and behavior. Even more significant differences are found in terms of company size, business significance, and socio-political and geographical background.

Due to their resources, owners of bigger companies act differently from those in smaller and medium-sized enterprises, owners in 'promising' industries and services differ from those in traditional sectors, and urban firms from rural ones. Moreover, among the different types of entrepreneur, we find a diversity of preferences. The 'impetus' and reasons for turning to entrepreneurship are also diverse: *push*-entrepreneurs are dissatisfied with their previous living conditions and *pull*-entrepreneurs are attracted by business opportunities. Briefly, some are driven by opportunity, others by necessity.

There is also considerable heterogeneity in terms of their political impacts: 'The greater an

1 Zhou Li-an: Governing China's local officials: an analysis of promotion tournament model. In: *Economic Research Journal*, July 2007: 36–50.

enterprise's contribution to society, the greater its input into policy', as Scott Kennedy argues.[2] However, while large enterprises and small and medium-sized enterprise owners both influence political decision-making in order to protect or enforce their interests, the latter's impact is more issue-oriented and less continuous. In addition, large entrepreneurs are more inclined to act individually by making use of their personal relationships with local, regional or even central leaders, whereas medium and smaller entrepreneurs, lacking such networks or patronage protection, are more inclined to take collective action via business associations.[3]

We found that it is mainly the owners of large companies who assume public functions and play the role of 'intelligent key players', as the management literature calls it.[4] For instance, owners of large enterprises are more likely to be members of People's Congresses (PCs) and the People's Political Consultative Conferences (PPCCs) at the higher administrative levels where they, at least sometimes, participate in drafting laws and regulations. They are also prominent voices in industrial and trade associations. This entrepreneurial segment is more self-confident than smaller entrepreneurs and also more likely to initiate strategic action, and thus has greater political clout. The members of this group accordingly constitute a core elite within the social group of private entrepreneurs and are becoming increasingly prominent as its recognized spokespersons and representatives; they are arguably positioning themselves, consciously or unconsciously, to push the political agenda of private entrepreneurship in contemporary China.

Businesses with greater economic and financial resources are also more likely to be involved in individual-based political activities than small and medium-sized firms with fewer resources. This internal differentiation encourages the emergence of a core group of 'opinion-leading activists' among large entrepreneurs.[5] The members of this core group consist of entrepreneurs playing a twofold role as economic *and* political entrepreneurs in pursuing collective goals.

Due to their fieldwork in various Chinese provinces, Thomas Heberer and Gunter Schubert argue that private entrepreneurs develop a specific "strategic" behavior constituting a "Strategic Group".[6] Based on data from our recent fieldwork, I argue that private entrepreneurs at the local level in China constitute a "Strategic Group" (SG) in the making. Private entrepreneurs develop different forms of collective strategic action in order to safeguard their group-specific interests. And while the local state still enjoys wide-ranging, though diminishing, independence from the private sector, we also found that private entrepreneurs form an important constituency for local officials to secure economic development and make fiscal ends meet. This importance has undoubtedly increased since the late 1990s and raises questions about the future trajectory of entrepreneurial agency.

2 Scott Kennedy: *The Business of Lobbying in China*. Cambridge and London: Harvard University Press, 2009: 170.

3 Interview, Beijing, 4 March 2015.

4 Christopher Jahns: *Integriertes strategisches Management. Neue Perspektiven zur Theorie und Praxis des strategischen Managements*. Sternenfels: Verlag Wissenschaft und Praxis, 1999.

5 Ulrich Dolata and Jan-Felix Schrape: *Masses, Crowds, Communities, Movements. Collective Formations in the Digital Age*. SOI Discussion Papers (2), University of Stuttgart, 2014: 18.

6 Gunter Schubert and Thomas Heberer: Private Entrepreneurs as a "Strategic Group" in the Chinese Polity. In: *The China Review*, Vol. 17, 2 (2017): 95–122. On entrepreneurship and strategic groups see also Thomas Heberer: *Private Entrepreneurs in China and Vietnam. Social and Political Functioning of Strategic Groups*. China Studies published for the Institute for Chinese Studies, University of Oxford, Leiden: Brill 2003. On the concept of strategic groups see Thomas Heberer and Gunter Schubert: County and Township Cadres as a Strategic Group. A New Approach to Political Agency in China's Local State. In: *Journal of Chinese Political Science*, Vol. 17, No. 3 (2012): 221–249.

Owners of large businesses in particular, as leading members of active business associations and entrepreneurial clubs, already display a strong group identity and also see themselves as the forerunners of economic development in China. Most entrepreneurs we have interviewed perceive themselves as a social group distinct from others. And most of them share similar experiences in their past of private entrepreneurship and thus express collective sentiments and ideas, which display a certain unity in terms of understanding the contemporary world. This suggests that a collective identity is indeed developing among private entrepreneurs. Entrepreneurial identity is also nurtured by the feeling of 'distinctiveness' in China's society and a 'need for belonging' in order to overcome the vicissitudes of life in China's turbulent economy.[7]

Understanding Strategic Action

Entrepreneurs influence policy-making in a variety of ways. One strand of the literature describes strategic action on the part of entrepreneurs as 'corporate political action' (CPA), defined as 'any deliberate company action intended to influence governmental policy or process'. CPA also includes 'business response to government action'.[8] This differs from 'corporate political strategy' (CPS), i.e. the use by an 'organization of its resources to integrate objectives and to undertake coherent actions directed toward the political, social, and legal environment in order to secure permanent or temporary advantages and gain influence over other actors in the process'.[9]

In undertaking CPA, entrepreneurs must behave in ways not classified as 'political' by either the party-state or themselves in order to avoid the impression of acting like a pressure group and/or attempting to influence the political process. Moreover, this behavior must abide by the rules of Chinese political correctness. As a result, the political interests of entrepreneurs primarily come into play in the sense that 'business must make sure that its interests are not unknown to policy makers'.[10] Some entrepreneurs are dissatisfied with existing policies and policy implementation and therefore resort to corporate political action in order to safeguard their interests. Sometimes firms establish sporadic coalitions with other actors in order to have an impact on specific policy issues. Such coalitions may 'differ from trade association activities in that coalition partners can be drawn from among all groups interested in the issue'.[11]

Corporate political strategies, on the other hand, are 'employed by firms to influence the formulation and implementation process of government policies and regulations in order to create a favorable external environment for their business activities.'[12] The aim is to impact upon political decision-making and to achieve political and economic objectives beneficial to enterprises. Zhang Wei is therefore correct in arguing that private entrepreneurs pay attention to politics, but do not conceive of themselves as carriers of political change.[13] Wu in turn distinguishes tangible resources (money) from intangible ('political image and reputation') and organizational and relational resources ('relationship of enterprises with customers, government, and soci-

7 See, for example, Dean Shepherd and J. Michael Haynie: Birds of a Feather Don't Always Flock Together: identity management in entrepreneurship. In: *Journal of Business Venturing* (24) 2009: 316–337.

8 Kathleen A. Getz: Research in Corporate Political Action. Integration and Assessment. In: *Business and Society* 36 (1) 1997: 32–33.

9 John F. Mahon: Corporate Political Strategy. In: *Business in the Contemporary World* 2 (1), 1997: 51–52.

10 Getz 1997: 35.

11 Getz 1997: 42.

12 Wu Wei: The Relationship Among Corporate Political Resources, Political Strategies, and Political Benefits of Firms in China: Based on Resource Dependence Theory. In: *Singapore Management Review*, 28 (2), 2006: 86.

13 Zhang Wei: *Shichang yu zhengzhi: Zhongguo minshang jieceng lianpu* (Market and Politics: the face of the Chinese business community). Beijing: Zhongyang bianyi chubanshe 2015: 1.

ety').[14] Entrepreneurs are thus confronted with both market and non-market environments and are constrained to develop separate strategies for each.[15]

An entrepreneurial SG develops such strategies 'to influence the formulation and implementation process of government policy and regulation in order to create a favorable external environment for their business activities'.[16] In China, this applies most of all to large firms, which are more prone to develop political strategies 'because they will be affected by changes in government policy to a greater degree than small subsidiaries because of their significant investment'.[17] In contemporary China, state authorities intervene with a heavy hand in private enterprises, whose success thus depends substantially on the state and its policies. Entrepreneurs therefore have no choice but to attempt to influence political decision-making in order to create a more favorable environment for their businesses. This is particularly true of companies that rely on state resources or depend heavily on government procurement. However, by strategies we do not mean 'grand strategies' only, i.e. strategies that change basic institutions and structures. Entrepreneurs are mostly 'strategizing in the small' and less frequently 'in the large', i.e. focusing on specific localities and industrial sectors and not on overarching patterns of action.[18]

Certainly, firms with more resources possess a strategic advantage over smaller companies, which have fewer opportunities to coordinate and pursue such courses of action and tend to rely on the influence which can be brought to bear by industrial and trade associations. Since the choice of strategy depends on the specific environment in which private entrepreneurs operate, their strategies will vary across localities and industries. However, different strategies can produce similar outcomes, eventually resulting in group coherence across space and time.

Dongya Huang's and Minglu Chen's article takes formal 'collective action' with regard to the PPCCs as a case study. Collective action here refers to those activities that entrepreneurs collectively undertake in the PPCCs.

The party-state exerted itself at the beginning of the reform process to include private entrepreneurs in the decision-making processes of People's Congresses and the PPCCs. A fixed number of seats in both organizations is reserved for businessmen. Meanwhile, the number of entrepreneurial delegates to PCs, PPCCs or even the Party Congresses at all levels has been continuously rising. A Chinese sample survey among private entrepreneurs conducted in 2009 revealed that more than 51.1 % of all private entrepreneurs surveyed were members of a PC or a PPCC. It was also found that PC or PPCC members have increasingly taken over political positions such as that of vice chairman of a provincial or prefectural city's PPCC, or a vice party secretary of a municipality. In some places, entrepreneurs can become leading government or party cadres at county or township level (e.g. a vice bureau head, *fukeji*) if their annual tax payment exceeds a certain amount.[19] Lang Peijuan

14 Wu Wei 2006, 93–94.

15 Zhang Jianjun: *Zhongguo minying qiyejia de zhengzhi zhanlüe* (Political strategies of Chinese private entrepreneurs), http://www.mianfeiwendang.com/doc/4bbc7a9c9f02cfdc495d784e (accessed 1 July 2017).

16 Zhilong Tian and Deng Xinming: The Determinants of Corporate Political Strategy in Chinese Transition. In: *Journal of Public Affairs* 7 (4), 2007: 341–356.

17 Yongqiang Gao and Zhilong Tian: How Firms Influence the Government Policy Decision-making in China. In: *Singapore Management Review* (28) 1, (2007): 342.

18 On the difference of both strategies see Kenneth A. Shepsle: *Analyzing Politics. Rationality, Behavior, and Institutions*. New York and London: W.W. Norton and Company, 2010: 180–183.

19 *Di baci quanguo siying qiye chouxiang diaocha shuju fenxi zonghe baogao* (Report on data analysis of the 8th national sample survey on private entrepreneurs), http://www.china.com.cn/economic/txt/2009-03/26/content_17504790.htm (accessed 20 July 2017). These figures, however, appear to be highly exaggerated.

has shown that private entrepreneurs at the 12th National People's Congress (2013–17) constituted the second largest group of delegates (23 %) after the group of party cadres (64 %). Indeed, private entrepreneurs constituted more than 30 % of the delegations of the provinces of Shandong, Hebei, Hunan, Liaoning and Henan.[20] In 2014, 52 entrepreneurs serving in PCs and 42 entrepreneurs delegated to PPCCs were listed in the 2013 annual Forbes China Rich List and had total assets of more than one trillion Rmb.

As official delegates, entrepreneurs are entitled to submit proposals, motions, criticisms and suggestions via the Standing Committee of their respective PC. This input, which informs governments about the concerns and interests of specific social groups – including entrepreneurs – is passed on by the Standing Committee of a PC to the relevant government bodies which, by law, must respond within three months.[21] In the PPCC, delegates fulfill their duties mainly by submitting "proposals" (ti'an, 提案); these proposals are then passed to the relevant PC or to government bodies by the Standing Committee of the PPCC.

Minglu Chen's fieldwork in one city showed that more than 25 % of all proposals to the PPCC were submitted by private entrepreneurial delegates, who held 28.5 % of the seats. Apart from issues of general concern, such as the environment, food security or the provision of public goods, entrepreneurial delegates also raised issues related to the lifestyle of the economic elites (lack of parking spaces, problems of gated communities, etc.), and more than one fifth (28 of 144) were concerned with issues important for private sector development (private investment in state monopoly sectors, loans, innovations, private property rights, and the creation of more channels to allow entrepreneurs to assert their opinions and influence the political process).[22]

Most of the motions submitted concerned issues of public services in fields such as urban and rural infrastructure, education, science and technology, culture and sports. Those directly related to the private sector were few in number.

As a rule, entrepreneurs use their nominations to political institutions such as local (or translocal) PCs, PPCCs and Party Congresses to raise issues that are relevant to the majority of the population, rather than individual, entrepreneurs. Proposals submitted to a PC or PPCC at the county, city, provincial and central levels concern similar issues. PC and PPCC recommendations regarding entrepreneurial interests are similar in most locations and relate to the following issues: access to land and loans, tax reduction, upgrading of the production structure (premiums and awards for innovations, support for improved management and professional staff training), fairness in market access (investment by private enterprises in businesses still monopolized by state-owned firms), business organizations (more autonomy), stronger support for the development and innovation of small and medium-sized enterprises, protection of the rights of enterprises, the organization of workshops on issues of private sector development to be attended by entrepreneurial delegates and party and government leaders during the annual meetings of the two legislative bodies, labor issues (better professional training for workers and other staff, wages), suggestions for improved implementation of central policies by private entrepreneurs, con-

20 Lang Peijuan: Qiyejia Renda daibiao canzheng guancha' (Observation of political participation of entrepreneurs in People's Congresses). In: *Renmin Luntan* (People's Forum) (2) 2015: 22–25.

21 According to the local People's Congress in Shenzhen, government offices are punished by point deductions in the annual cadres' evaluation process, if PC or PPCC delegates are not satisfied with a government offices' responses. Interviews, Shenzhen, 7 and 9 March 2016.

22 Minglu Chen: From Economic Elites to Political Elites: private entrepreneurs in the People's Political Consultative Conference. In: *Journal of Contemporary China*, 24 (94), 2015: 613–627.

tinuing education (for entrepreneurs at institutions of higher learning), etc.[23] These issues are raised not through collective, organized action but spontaneously or in discussions of grievances and issues in entrepreneurial networks, clubs and associations. To avoid presenting too many particularistic demands in the legislative bodies, private entrepreneurs frequently employ the strategy of linking their interests to those of the general public or to issues of local or national development.

Lobbying is a means of promoting private interests in politics and society by making use of personal connections. It targets not only government and party bodies but also public opinion. Many governments still regard it as illegitimate because its success often results from corrupt strategies and tactics. In fact, Chinese scholars differentiate between legitimate (*youshui,* 游说) and illegitimate lobbying (*guanshuo,* 关说). Nevertheless, lobbying is becoming increasingly accepted in Chinese politics, and one important reason for entrepreneurs to seek positions as PC and PPCC delegates is that this facilitates the lobbying process. Lobbying is grounded less in personal relations than in relations between organizations. Particularly prominent lobbying by entrepreneurs is undertaken in China's legislative bodies, the PCs, and advisory bodies, the PPCCs, and by trade and industrial associations (*shanghui, hanghui*), primarily in the interests of small and medium-sized enterprises with limited access to party and government authorities.

Entrepreneurs do not aim to change the political system but to bargain with governments at all levels to create favorable conditions for private sector development, and to gain legal protection. They are well aware that their advancement and destiny are strongly connected to the party's policies towards the private sector and that the role of this sector remains crucial for both the development of this country and solving China's economic and employment problems. They are more innovative and efficient than the state-owned sector, although the government is hovering between protecting less efficient state enterprises which remain an important employment sector and developing the private sector. Yet private entrepreneurs are also aware that they are still acting on uncertain and unstable terrain between predatory behavior of local governments and a still weak legal environment. Political engagement remains sensitive and the absolute majority of entrepreneurs are not interested in challenging the party-state but in contributing to the development of the nation. They thus expect the party-state to support them in improving the institutional setting in which they have to operate.

23 Interviews with PC and with delegates to PCs and PPCCs in Fujian, Jiangsu, Hubei, Zhejiang, Yunnan, Guangdong, Hainan, and Shandong. See also the case of Fujian province: Xing Jianhua: *Fujian siying qiyezhu jiecengde zhengzhi canyu* (Political participation of the class of private entrepreneurs in Fujian). Beijing: Shehui kexue wenxian chubanshe 2013: 182/183.

DONGYA HUANG / MINGLU CHEN

From 'State Control' to 'Business Lobbying': The Institutional Origin of Private Entrepreneurs' Policy Influence in China

WORKING PAPERS ON EAST ASIAN STUDIES, NO. 118, DUISBURG 2017

Abstract

Existing scholarship regards the collusion between the Chinese government and the private sector as 'informal' and a series of 'economic alliances', without considering the private sector's institutionalized participation in the process of government policy formulation. This article takes an alternative perspective and examines such institutionalized efforts in interest expression and policy promotion. In the authoritarian regime, state institutions that previously functioned to co-opt and corporatize the private sector have also become forums in which private entrepreneurs can have an impact on policy-making. This change results from the state's initiative in developing formal channels of participation based on the united front work remnant and interaction between 'state control' and the 'business lobby'. The shift from 'state control' to the 'business lobby' reveals a unique pathway for private interest to have an impact on public policy formulation.

Keywords

Business lobbying; All-China Federation of Industry and Commerce; business associations; Chinese Political Consultative Conference

The existing scholarship on state-business relationship in China describes the close connections between the state and business owners as 'collusion', 'economic alliances', 'allies of the state' (Zhou 2007; Nie 2013; Chen and Dickson 2008; Dickson 2007; Boisot and Child 1996). Accurate as they are, these arguments assume that in such collusion and economic alliances, private entrepreneurs are able to influence and even determine policy orientation. However, in an authoritarian regime such as China's, political elites are often regarded as decision-makers. In this circumstance, to what extent do entrepreneurs have any public policy impact? What are the mechanisms? Current research on the state-business relationship in China either focuses on state-owned enterprises (SOEs), whose decision-making mechanisms and policy impact differ sharply from those of private enterprises (Pearson 2007; Kennedy 2009; Huang and Yang 2017) or examines private entrepreneurs' participation in the decision-making process at provincial or sub-provincial level as an individual and informal action. By contrast, this article studies private entrepreneurs' policy impact at the central level as organized collective actions, by examining the proposals made by the All-China Federation of Industry and Commerce (FIC) to the Chinese People's Political Consultative Conference, and argues that there is a China-unique institutional arrangement through which private entrepreneurs influence policy-making. In this paper, we use the term 'entrepreneur' to avoid any obvious theoretical inclination.

THE ORIGIN OF BUSINESS' POLICY INFLUENCE

The existing scholarship on pluralism views policy outputs as resulting from input of different interest groups in their competition to influence policy. The Marxist approach criticizes the capitalist class' monopoly on state power. And state-centric approaches emphasize the role of government in policy-making. Although these theoretical thoughts have their distinctive perspective on entrepreneurs' policy influence, they have invariably discussed the institutional settings and operational mechanism of such influence.

First is the open political system. Pluralist discussion argues that the influence of American business interest groups on policy-making is the result of an open political system, the division of power between federal and various state governments, the loose organization of political parties, the term limits of different office holders and the Congress' division of internal administrative power, all of which have opened channels for interest groups to access decision-makers (Truman 1951; Bentley 1908; Almond 2000; Lowery and Brasher 2004). Research on the 'ruling class' reveals that the unsuccessful *Labour Law Reform and Consumer Protection Agency Bills* of the late 1970s and the successful *Economic Recovery Tax Act* of 1981 indicate that individual capitalists can build a common-interest community through their social, economic and organizational networks. These policy struggles were also results of changes such as the increased number of Congressional committees, which opened the legislative process to 'interest group' influence. This all serves to illustrate how the capitalist class can control the process of policy-making (Akard 1992). Research on the Indian parliament reveals that the design of legislative institutions has an impact on business lobbies. As speakers do not resign their seats, they promote agendas that suit their party's needs with little interference from MPs or other forces. Thus, to influence the substance of a bill one needs to access party leaders at the draft or committee stage (Yadav 2008).

Second is the political and economic elite social network. Contrary to the pluralist argument that the existence of people with multiple identities means that no single interest group could re-

main dominant permanently, the literature on 'dominant class' reveals the corporate community's essential influence on policy-making in the United States as a result of a power network of political and economic elites. On the one hand, entrepreneurs can establish a close inside community through inner groups, interlocking directorates, private networks and so on; on the other hand, entrepreneurs form a power community with the political elite and exercise policy influence which is unrivalled by other social classes, by acting as consultants to the government and its officials, building policy studies networks, establishing policy consultation companies and influencing public opinion. They hold prominent positions in presidential commissions and on congressional committees, are members of the Business Roundtable (a group with close connections with the government and formed to influence public policy), act as informal advisors to the President, or even hold public positions (Domhoff 2009).

Third is the institutionalized pattern of corporatism. Corporatism is not only a form of interest representation and conflict resolution, but also an institutionalized pattern of policy formation (Schmitter and Lehmbruch 1982). In the corporatist framework, the state establishes or endorses such institutional arrangements (Lehmbruch 1977; Wilson 1983). Although the degree of corporation differs depending on the different levels of power *concentration* and *centralization* among interest representations of employers and unions, the state-established corporatist schemes are a significant forum of policy influence. After 1989, most Eastern European countries soon established tripartite discussion mechanisms in which the government promotes or encourages the establishment of trade unions as interest representative groups, recognizes one or more trade unions, and ensures that all legislative proposals on industrial relations are to be submitted to the tripartite organization.

Fourth is the specific policy influence mechanism. Entrepreneurs' policy influence mechanisms at micro-level have been analyzed through various theoretical frameworks, including election influence, the revolving-door, and the communications between business and government. The first is election influence. Research on regulatory capture reveals that business interest groups can attract votes or divide opposition votes through campaign spending and fundraising in order to influence 'regulatory legislation'. In Russia, the business community has significant influence over government policy-making, which has been manifested in the creation of private wealth as a result of voucher privatization and control over appointments to the central bank. This is at least partially the result of private money funding election campaigns for favored candidates and blocs (Treisman 1998). The second is the revolving-door phenomenon. In the United States, regulators of arms purchasing may end up with jobs in the arms industry, public health policy makers have opportunities to work in private health companies later, and tax officers may eventually become corporate tax consultants. Such public-sector-to-industry movement can be regarded as encouraging regulators to make policies favoring industrial interests. In Japan, retired governmental bureaucrats are re-employed in the private sector through a *de facto* government employment agency, which forms a policy development network between industries and the government. Last but not least is the communication between business and government. The 'embeddedness' promoted by developmental states refers to a policy network established by the government to facilitate information flow between business and government. Business associations influence the process of decision-making through regular work meetings and occasional policy discussions with the government economic sectors. Strong and encompassing business associations are regarded as being able to inhibit member firms' pursuit of specific interests, and multi-sectoral peak associations can support the government in making policies that promote economic development and assist the establishment of a collaborative relationship between business and government facilitat-

ing economic growth (Johnson 1987; Schneider 1998; Doner and Schneider 2000; Bräutigam et al. 2002; Schneider and Maxfield 1997).

Fifth is informal connections. In developing countries, business owners tend to express their interests through informal channels. In these countries, lobbying and corruption are substitutes (Campos and Giovannoni 2007), where firms tend not to influence policy-making by joining trade associations. State capture results from commercial interests influencing economic policy-making and implementation and the collusion between powerful firms and officials erodes economic policies (Hellman et al. 2003; Hellman and Kaufmann 2001; Hellman 2000; Kang 2002). Although post-communist Eastern European countries have promoted the establishment of corporatist business associations, these monopolistic bodies are regarded as lacking a bottom-up organizational structure and representation and have become semi-official consultative organs with no real power (Orenstein and Desai 1997). Hence, the tendency of firms to influence policy-making through informal networks rather than business associations leads to the exchange of capital and power (Frye 2002; McMenamin 2004).

Continuing the discussion in the Chinese text, we can see that none of these theoretical frameworks provides insights. Firstly, the enclosed political system and the elitist decision-making process both restrict input from private interests into policy formulation. The limited interest input and congregation is still subject to the state's internal 'opinion synthesis system' (Zhu 2005). Although the state can 'draw upon collective opinions' (*ji si guang yi*) and 'open its door when making decisions' (*kai men jue ce*) (Wang 2006; Wang and Fan 2013; Fan 2013; Wang et al. 2014), it retains a dominant role. At the same time, public opinions can only influence policy-making where a space is created by the 'fragmented authoritarianism' of different levels of administration and departments (Mertha 2009, 2010). Secondly, the privatization of state-owned enterprises and the phenomenon of government officials 'plunging into the business sea' by setting up their own companies have created social networks between the political and economic elites. However, unlike the political-economic power network in the United States, descendants of Chinese political and business elites have not demonstrated much 'crossover' fluxility, referred to as 'the dual-track of intergenerational reproduction of state and market elites' (Lu and Fan 2016). Thirdly, although mass organizations such as trade unions serve as the foundation for corporation, the state dominates the corporatist arrangement and there still lack bottom-up interest expression and policy influence institutions (Unger and Chan 1995, 2008). Fourthly, unlike the established policy network promoted by developmental states that is based on the collaboration between business and government, in China, private sector's policy influence is seen as being mainly through informal channels, resulting from the overlap of state and business interests in economic growth, and only exists in the process of policy implementation rather than policy-making (Yang 2002; Wank 1995a, 1995b; Tsai 2008; Boisot and Child 1996; Gao 2006; Gao and Tian 2006; He et al. 2007; Ma and Parish 2006; Kennedy 2009; Li 2001).

Overall, there lacks a formal mechanism for Chinese private business owners to influence the process of policy-making, which differs from the theoretical assumption of the private sector's strong policy influence as suggested by the 'state-business alliance' and 'economic growth coalition' arguments. A possible explanation of this paradox is that existing scholarship only examines business owners' policy influence at sub-national levels, which fails to reveal the dynamics of central government policy-making (He et al. 2007; Huang 2013). Current research on formal institutions such as the Chinese People's Political Consultative Conference (CPPCC), the Individual Labourer and Private Enterprise Association (ILPEA) and the China Association of Enterprises with Foreign Investment (CAEFI) is also confined to sub-national jurisdictions (Wang and

Zhang 2014; Ji 2016; Zhang 2016; Nevitt 1996; Unger 1996; Foster 2002; Chen 2015; Hui and Chan 2016) and thus cannot capture private entrepreneurs' institutionalized policy influence at the central level. Recent analysis of trade unions already reveals that central-level trade unions are more effective in expressing business interests, while local-level trade unions tend to be eroded by patron-client relationships (Ji 2015).

In order to address this issue effectively, this article will explore two related questions: Do private entrepreneurs have institutionalized mechanisms to influence policy-making at the central level? And if so, in a political system which excludes citizen inputs and social organizations, how can formal and institutionalized policy influence by private entrepreneurs be achieved? This article studies proposals made by the All-China Federation of Industry and Commerce (ACFIC) to the CPPCC, for two reasons: Firstly, contrary to private entrepreneurs' individual or joint proposals and suggestions raised at the People's Congress or the People's Political Consultative Conference, collective proposals made by the ACFIC and its subordinate chambers of commerce are organizational policy input and express the demands of the private sector or specific industries as a whole; secondly, at sub-central levels, the policy influence of the Federation of Industry and Commerce (FIC) decreases with its administrative level and private entrepreneurs have more means of liaising with the local party-state, whereas at central level, the ACFIC's role as a representative of the private economic sector has been more institutionalized and private entrepreneurs can only influence central policy-making through formal channels, rather than relying on private connections.

The research in this paper is based on an analysis of all 293 ACFIC proposals made to the CPPCC in 2009–2016 collected from the ACFIC website and through baidu.com and other web portals, interviews with staff of the ACFIC and sub-national-level FICs, and studying published ACFIC documents. The periodization is made not only because information on collective CPPCC proposals made before 2009 is not available, but also because the ACFIC's institution and policy influence has been strengthened since Quan Zhezhu was appointed as the ACFIC Party Secretary in 2006 and the State Council issued the *Opinions on Strengthening and Improving Work of Federation of Industry and Commerce in the New Situation* in 2010.

ACFIC AS A POLITICAL CO-OPTATIVE AND CORPORATIST INSTITUTION

In the contemporary Chinese political system, the ACFIC is an important institution of co-option and corporation. The ACFIC was established in October 1953 and ceased to function during the Cultural Revolution. In 1978, the ACFIC resumed its work by establishing a joint office with the Central Committee of the China National Democratic Construction Association (CNDCA). In 1991, ACFIC and the CNDCA established separate offices. The 1991 *CCP Central Committee's Notice of Approving and Forwarding the CCP United Front Work Department's 'Queries on the Federation of Industry and Commerce'* (hereinafter referred to as the *No. 15 Document*) describes the FIC as 'a people's organization of the United Front, the economy and the masses'. On 16 September 2010, the *State Council's Opinions on Strengthening and Improving the Work of Federation of Industry and Commerce in New Situations* (hereinafter referred as the *No. 16 Document*) elaborated the key characteristic of the FIC as 'a unity of the United Front, the economy and the masses'.

The FIC is a United Front organization in three aspects. Firstly is the establishment of the ACFIC leading party members' group. In August 1988,

the CCP Central Committee issued a document (hereinafter referred to as the *1988 Document*) to approve the United Front Work Department's suggestion to establish a leading party members' group in the All-China Federation of Industry and Commerce, which was to be under the leadership of the CCP United Front Work Department (UFWD). The 1991 *No. 15 Document* provided that the sub-national level FIC leading party members' group was to report to the UFWD at the same administrative level, with its members appointed by the organizational branch of the UFWD.[24] The secretary of the leading party members' group should be a member of or attend the local CCP committee as a non-voting observer. The *No. 16 Document* and the *CCP Central Committee Regulation on the United Front Work* published in September 2015 further provided that the UFWD was delegated by the same level CCP Committee to supervise the FIC leading party members' group.

Secondly, the deputy director of the UFWD is to act as the Party Secretary of the FIC. Although the *1988 Document* provided that the FIC leading party members' group was to be supervised by the UFWD, 'the power relationship between the UFWD and the FIC had not been clear. Once at a national meeting, secretaries of local FIC leading party members' groups jointly demanded more power. In response the UFWD held a conference to criticize such demand'.[25] In order to solve the leadership confusion, the CCP came up with a significant institutional arrangement of appointing the deputy director of the UFWD as the secretary of the FIC leading party members' group. The 1991 *No. 15 Document* specified that 'it is necessary to appoint competent cadres who are politically reliable and familiar with Party policies on United Front work as secretaries of the same-level FIC leading party members' group'. Since then, the CCP Central Committee Office's *Opinion on the Federation of Industry and Commerce's Leadership Transition* has specified that at sub-national levels the local deputy director of the CCP UFWD in charge of the United Front work in the economic sector was to be appointed as the secretary of the FIC leading party members' committee of the same level. This personnel arrangement was further confirmed in the *No. 16 Document* issued by the CCP Central Committee and the State Council. In practice, 'it is important where the secretary sits'. 'In some places, the deputy director doesn't have enough authority and has to report to the directors on everything. As a result, the FIC leading party members' group becomes powerless. For example, the division chief has been a UFWD appointment. In some places, even section chiefs are to be appointed by the UFWD'.[26] In some localities, the FICs' leading party members' group enjoys greater autonomy. For example, middle-level cadres of the All-China Federation of Industry and Commerce and the Guangdong Federation of Industry and Commerce are appointed by the respective leading party members' group, although the appointments are reported to the UFWD of the same level for record-keeping purposes.

Third is the United Front work. The ACFIC liaises between business people in the non-public sector, chambers of commerce and the CCP. As a co-option organization, the FIC field of the PPCC nominates business people as PPCC members; as a corporation organization, the FIC carries out United Front work in business chambers and industry associations and promotes the establishment of CCP organizations in chambers of commerce under its supervision. The *No. 15 Document* discussed the establishment of an industry association. In 1995, the ACFIC began to set up industry associations, including the Jewelry Industry Association, the Beauty Industry Association, the Water Industry Association, and the Female Entrepreneurs Association. Currently

24 *A Brief History of the All-China Federation of Industry and Commerce* (1953–2013). Beijing: All-China Federation of Industry and Commerce Press, 2013: 343.

25 Interview with S, a staff member of Shandong Federation of Industry and Commerce, 30 July 2016.

26 Ibid.

there are 31 industry associations affiliated to the ACFIC. Noticeably, in 2009, the State Council authorized the ACFIC as the administration unit of national-level social organizations.[27] In the administrative reform to individual business chambers and industry associations by the government, the 2015 *General Plan to Separate Industry Associations and Business Chambers from Government Administrative Organs* specified that 'as approved by the CCP Central Committee and the State Council, certain national-level industry associations and business chambers with special functions will adopt a different plan of reform'. According to the General Plan, the ACFIC still acts as the administration unit of its affiliated business chamber.

POLICY DEMAND IN CPPCC COLLECTIVE PROPOSALS

On the one hand, the ACFIC is a people's organization and an organization of the business sector under the leadership of the Communist Party. But on the other hand, it also serves as a channel for bottom-up expression of policy demand in the authoritarian system, through political co-option and corporation. The ACFIC is not only an 'assistant to the state' that collects opinions and demands of enterprises and business chambers through the state-led policy consultation mechanism, but also serves as a 'transmitter' that communicates private entrepreneurs' policy demands to decision-makers through political consultation institutions.

Table 1: FIC Proposals Categorized According to Interest Representation

Interest representation / Proposal made by	General	Private Sector	Industries	Individual associations/ enterprises	Total
ACFIC	2	13	8	2	25
Local FICs	13	28	19	0	60
Industry associations	5	8	116	20	149
Information unavailable	7	26	19	7	59
Total	27	75	162	29	293

WHOSE POLICY DEMAND?

The 293 ACFIC proposals submitted to the CPPCC can be categorized into four types according to their interest representation. The first type (27 proposals, 9.2 percent) makes general demands, rather than representing the interests of the private economic sector. The second (75 proposals, 25.6 percent) represents interests of the private economic sector as a whole. The third (163 proposals, 55.36 percent) represents interests of specific industries. The fourth (28 proposals, 9.6 percent) represents interests of individual business associations or enterprises.

General Proposals

As Table 2 shows, the proposals expressing 'general demands' are not irrelevant to the private economic sector. Rather, they either make suggestions on policy changes that will have an impact on the overall economic environment – such as the proposal made by the ACFIC Legal Department titled 'Suggestions on enacting the Administrative System Law to promote the construction of government ruled by law', or indirectly express business interests – such as the proposal made by Chongqing FIC 'Suggestions on enhancing and improving the statistical data collection and publication system for the non-public economic sector'. Moreover, many general proposals made by local FICs express demands for the establishment of special local economic zones or free trade zones.

27 Ministry of Civil Affairs: *Notice on Issues Related to the State Council's Authorization of the All-China Federation of Industry and Commerce as the Administration Unit of National-Level Social Organizations*, 2009.

Table 2: General Proposals

Date	Proposal made by	Proposal title
2011	Chongqing FIC	Suggestions on enhancing and improving the statistical data collection and publication system for the non-public economic sector
2015	ACFIC Textile and Clothing Association	Suggestions on promoting industrial upgrading through learning from Germany's "Industry 4.0"
2015	ACFIC Cultural Industry Association	Proposal on attaching more importance to the active role played by social organizations in governance
2016	ACFIC Legal Department	Suggestions on enacting the Administrative System Law to promote the construction of government ruled by law
2016	Anhui FIC	Proposal on providing support to environmental NGOs' participation in public interest litigation

Proposals Representing Interests of the Private Economic Sector

As Table 3 illustrates, this type of proposals advocates the creation of a better environment for the development of the private economic sector. For example, the Environmental Service Industry Association's 2009 'Proposal on encouraging private enterprises' participation in major national-level research projects as principle developers', suggesting that technical experts from private enterprises should be included in national and local expert databases, and private enterprises should be encouraged to join national-level research projects as funding partners. The proposal says, 'among the first group of 36 selected sub-topics of major projects on water pollution control and treatment, 26 are undertaken by universities and research institutes, three by local environmental monitoring centres and other organizations subordinate to local governments and ten by enterprises. Seven of these ten enterprises are large-scale state-owned water companies with formidable government background. Only three are environmental protection technology companies (one of which is affiliated to Shanghai Jiaotong University). Many well-known domestic private environmental technology companies are missing on the list, despite that they have strong technology and development capacities' ('Proposal on encouraging private enterprises' participation in major national-level research projects as principle developers'). Obviously, this proposal expresses the demands of the industry.

Table 3: Proposals Representing Interests of the Private Economic Sector

Date	Proposal made by	Proposal title
2009	Environmental Service Industry Association	Proposal on encouraging private enterprises' participation in major national-level research projects as principle developers
2011	ACFIC	Suggestions on fully developing people's organizations' function as settler of disputes by establishing private dispute settling mechanisms
2013	N/A	Proposal on promoting the reform of "replacing business tax with value-added tax"
2013	N/A	Proposal on furthering the environment of fair competition among different ownerships
2014	ACFIC	Proposal on opening more sectors to private capital and accelerating the development of the economic system of diverse ownership

Among the 293 proposals, eight are on labor relations (see Table 4). More specifically, the majority of these proposals put forward suggestions from and opinions of the private sector on the new *Employment Contract Law*, including suggestions on lowering the minimum social insurance contribution by employers, reducing the social insurance fee rate, postponing the adjustment

to the minimum wage, allowing enterprises to make a pre-tax contribution to the back-pay security fund, allowing more flexible employment contracts, and clearly defining the government's legal obligations in labor relations. For example, based on research on labor legislation conducted in 2008–2009, the 2010 ACFIC 'Proposal on reducing enterprises' burdens by enacting the social insurance law' proposes to establish a less compulsory social insurance system, to reduce social insurance contributions by employers and increase the government's contribution, to reduce the social insurance fee rate, and to clearly define the government's legal obligations.

Table 4: Proposals on Labor Relations

Date	Proposal made by	Proposal title
2009	ACFIC	Suggestions on assisting enterprises implement the *Employment Contract Law* and consolidating labour relations
2009	N/A	Suggestions on stabilizing employment in medium- and small-size enterprises through standardizing law enforcement and improving services
2009	N/A	Suggestions on distributing and managing monetary economic compensations provided in the *Employment Contract Law*
2010	ACFIC	Proposal on reducing enterprises' burdens by enacting the social insurance law
2011	N/A	Suggestions on promoting the implementation of the Social Insurance Law by lowering enterprises' contribution
2011	ACFIC	Suggestions on establishing mechanisms to facilitate normal growth of employee salaries
2013	N/A	Proposal on standardizing employment contract institutions and protecting employees' legal rights
2015	Guizhou FIC	Proposal on amending the *State Council's Regulations on Employees' Working Hours* in accordance with *The People's Republic of China Employment Contract Law*

Proposals Representing Interests of Industries

The majority of the 293 collective proposals represent interests of industries (see Table 5). For example, the 2013 Pharmaceutical Industry Association's 'Proposal on pricing homogeneous drugs the same as brand name drugs' suggests that the Notice on Relevant Issues of Pharmaceutical Pricing of Separate-Pricing Medicines should be revised, by abandoning the concept of 'brand name drugs', adopting the international categories of 'patent drugs' and 'non-patent drugs', and implementing the policy that homogeneous drugs should be priced the same as brand name drugs. The 2015 Gift Industry Association's 'Proposal on promoting a healthy development of the gift industry' suggests that 'when making policies related to the gift industry, the government should consult with relevant business chambers and associations'.

Table 5: Proposals Representing Interests of Industries

Year	Proposals made by	Proposal title
2009	Book Industry Association	Proposal on encouraging, supporting and guiding private book industry
2013	Pharmaceutical Industry Association	Proposal on pricing homogeneous drugs the same as brand name drugs
2015	Auto and Motorbike Parts and Accessories Chamber of Commerce	Proposal on relaxing regulations on refitting cars for personal use
2015	Gift Industry Association	Proposal on improving supervision mechanism and promoting a healthy development of the gift industry
2015	Beauty and Cosmetics Industry Association	On reducing consumption tax on beauty products and cosmetics

Some of these proposals by industry associations have been raised repeatedly over several years. For example, the Petroleum Industry Association has made a total of 10 proposals from 2009 to 2015 regarding the import of crude oil (see Table 6). These proposals suggest to abolish the May 1999 State Council Notice on Cleaning-up and Rectifying Small Refineries and Standardizing the Flow of Crude and Refined Oil, to lift the restriction that non-state owned trade quota for refined oil can only be used to import fuel oil, and to allow autonomous import and trade within the quota. In July 2015, the Ministry of Commerce issued the *Notice on Work Related to Crude Oil Processing Enterprises' Application for Non-State Trade and Import Qualification* and thus the non-state trade of non-state refined oil was revised and the state allowed qualified processing enterprises to import crude oil.

Table 6: Proposals by the Petroleum Industry Association 2009–2015

Year	Proposal title
2009	Proposal on seizing the opportunity to improve the construction of the petroleum reserve system
2010	Proposal on appropriate diversification of crude oil import, widening import channels and the construction of an energetic crude oil trade system
2011	Proposal on eliminating administrative monopoly and promoting a healthy development of private-own petroleum enterprises
2012	Suggestions on promoting the reform of petroleum sector starting with the relaxation of petroleum import restriction
2012	Proposal on clearing-up and abolishing relevant regulations to improve investment environment of private capital in petroleum industry
2012	Proposal on strengthening support to privately-owned refining enterprises and promoting a healthy development of the refining industry
2013	Proposal on lifting non-state-trade import quota on refined oil and other relevant restrictions
2013	Proposal on promoting marketization of the retail market of refined oil
2014	Proposal on the lift of restrictions on crude and refine oil import
2015	Proposal on accelerating the lift of restrictions on crude and refine oil import

At the same time, a significant number of proposals are regarding governmental industrial policies (see Table 7). A majority of the policy suggestions concerns the government's policy, financial and taxation support to industries, as well as governmental planning and standard-making. For example, although the state government encourages investment in new resources, the New Energy Industry Association points out that there exist still many policy barriers, which are to be addressed in industrial policy-making. In 2014, the New Energy Industry Association made the 'Proposal on fully implementing the state government's *Energy Conservation Power Generation Scheduling Approach* and establishing new energy as alternative energy resources', which suggested that new energy resources such as solar energy should not be considered as alternative to electricity, but to coal-fired power. The proposal requested full implementation of the *Energy Conservation Power Generation Scheduling Approach* and demanded that the market reform of the electricity industry be accelerated by abolishing the administrative quota system of power generation.

Table 7: Proposals Regarding Industrial Policies

Year	Proposal made by	Proposal title
2011	New Energy Industry Association	Proposal on promoting the development of the photovoltaic technology and market
2012	Environmental Protection Industry Association	Proposal on broadening financing channels of environmental protection enterprises and promoting the development of environmental protection industry
2013	Beauty and Cosmetic Industry Association	Proposal on promoting the construction of standardization system of China's beauty services industry
2014	Textile and Clothing Industry Association	On supporting the textile and clothing industry and avoiding industry offshoring
2015	Cultural Industry Association	Proposal on supporting the development of animation enterprises

Proposals Representing the Interests of Specific Industry Associations or Enterprises

Some collectively-made proposals promote the interests of specific industry associations. For example, the Beauty and Cosmetic Industry Association's 2013 'Proposal on establishing a beauty and cosmetic industry university' suggests that the Association should coordinate the project by raising funds with large-scale enterprises in the industry and requiring land for public welfare purpose. The Chamber of Commerce for Jewelry and Precious Metals' 2013 'Proposal on carrying on work of professional qualification in jewelry industry' suggested that the Chamber should be the authorized institution to examine and make recommendations on representative successors for national intangible cultural heritage of jade carving. In 2013, the Hardware and Electromechanical Chamber suggested that in order to avoid repeated construction and malignant competition in the homogeneous hardware and electromechanical market, the Chamber should be consulted or asked to issue a feasibility report on specialized market planning and project approval.

Another type of proposal deals with competition within the industry by either trying to gain an advantage or restricting competition. For example, in 2013 the ACFIC Auto and Motorbike Parts and Accessories Chamber of Commerce made the 'Proposal on solving the problem of in-vehicle air pollution', drafted by Li Shufu, chairman of Zhejiang Geely Holding Group Co. and Volvo Cars. It suggested that the *Guideline for Air Quality Assessment of Passenger Car* should be changed from voluntary to mandatory. Li admitted to media that Geely and Volvo cars had the best in-vehicle air quality and the proposal would be a challenge for other automobile enterprises. In 2016, the consultation draft of the *Guideline for Air Quality Assessment of Passenger Car* was released, with not only a stricter standard on chemical exposure in passenger cars but also that the standard was changed to mandatory.

The third type of proposal calls for subsidies and financial aids for specific enterprises. For example, the ACFIC's 2016 'Proposal on making a new treaty of vegetable carbon sequestration and carbon emission trading' states that 'Chinese researchers have discovered and identified a fast-growing carbon sequestering grass'. It explicitly proposes that the government should support the development and promotion of this project by making greater efforts to publicize it and by studying the possibility of making relevant industrial support policies. The Environment Service Industry Association's 2015 'Proposal on making great efforts to promote high-efficiency coal technology to better safeguard China's energy security' makes a similar suggestion. It proposes that the Ministry of Finance should provide favorable fiscal policies or monetary awards to enterprises that invest in energy dispersion projects with a centralized gas making system.

Table 8: Proposals Representing Interests of Specific Industry Associations or Enterprises

Year	Proposal made by	Proposal title
2013	Beauty and Cosmetic Industry Association	Proposal on establishing a beauty and cosmetic industry university
2013	Chamber of Commerce for Jewelry and Precious Metals	Proposal on carrying on work of professional qualification in jewelry industry
2013	Hardware and Electromechanical Chamber	Proposal on solving the problem of in-vehicle air pollution
2015	ACFIC Auto and Motorbike Parts and Accessories Chamber of Commerce	Proposal on solving the problem of in-vehicle air pollution
2016	ACFIC Research Department	Proposal on making a new treaty of vegetable carbon sequestration and carbon emission trading

WHICH POLICY DEMAND?

The authors categorize the 293 collective proposals into six types according to their demands: Financial support, supervision, favorable taxation support, marketization, administrative approval and others. Each proposal makes one or more demand. There are 91 (31.1 percent) proposals demanding financial support in terms of subsidies, financial input, lending platforms, financing, price adjustment and so on; 63 (21.5 percent) demand change of regulatory rules; 50 (17.1 percent) demand lower taxation rates and/or favorable taxation policies; 47 (16 percent) demand more open market access and the dismantling of monopolies in industries such as finance, petrol, book trade, military industry, agriculture, infrastructure construction, health, convention and exhibition, cotton manufacturing, welfare (age care institutions), steel and electricity, among which monopolies in the financial market has received the most attention, being discussed in 16 proposals; 28 (9.6 percent) are concerned with the administrative approval process. In general, statistics show that the administrative approval process is not enterprises' most significant policy demand, while they are mostly (188 out of 293) concerned with economic resources (capital, taxation and marketization).

Table 9: Proposals According to Demand Type

Demand Type	Number
Finance	91 (31.1 %)
Supervision	63 (21.5 %)
Taxation	50 (17.1 %)
Marketization	46 (16.0 %)
Administrative approval	28 (9.6 %)
Others	190 (64.8 %)

Noticeably, as Table 10 shows, a significant number of proposals (82 out of 293) questions existing laws and policies, while another group explicitly raises suggestions on changes to laws and policies. Although both types of proposals challenge 'existing order', they are categorized separately as the former does not make suggestions on law or policy changes and the latter does not explicitly criticize existing laws and policies.

Table 10: Proposals Challenging 'Existing Order'

Proposals questioning existing laws and policies	82 (29 %)
Proposals suggesting law and policy changes	71 (25.1 %)

The first group of proposals questions the existing laws and policies. As Table 11 shows, they suggest changes to the Criminal Law, the Labor Contract Law, the Non-state Education Promotion Law and government documents and policies such as The Decision on Reforming the Investment System and Policy on the Development of the Steel Industry.

Table 11: Proposals Questioning Existing Laws and Policies

Year	Proposal Title	Excerpt
2013	Proposal on abolishing the administrative approval system in the steel industry and supervising steel product quality and environment resources by law	Over the past ten years, governmental control over the steel industry has been strengthened, signified by the 2005 Policy on the Development of the Steel Industry.
2014	Proposal on abolishing the crimes of misstating registered capital, feigned investment and capital flight	[We] suggest abolishing the Criminal Law 158 Article on the crime of misstating registered capital and 159 Article on the crimes of feigned investment and capital flight.
2009	Proposal on dispersion and management of dismissal wage in Labor Contract Law	The Ministry of Finance's Labor Contract law provides that employers are responsible for dismissal wages, which is breach of the original intention of legislation and [we] suggest allowing enterprises pay dismissal wages pre-tax.

As Table 12 shows, the second group of proposals makes amendment proposals to existing laws and policies, such as the Security Law, the Law on Farmers' Professional Cooperatives, and legislative proposals to enact new laws such as the Law on Industrial Associations and Business Chambers and the Law on National Petroleum Reserve. A proposal worth noticing is the ACFIC Legal Department's 2015 'Proposal on enacting the Law on Constitution Supervision to promote the implementation of the Constitution. The proposal suggests that the Law should be enacted to provide a clear description of the detailed legal procedure for the National People's Congress (the highest organ of state power) to supervise the implementation of the constitution, including the principle, scope and institution of the supervision and steps of initiation, processing and consequence. According to the proposal, the Law needs to consider carefully whether the National People's Congress needs to establish a special committee to supervise the constitutional implementation or simply to appoint one of its existing committees as the supervisory institution. Through the legislative proposal, the ACFIC hopes to facilitate the implementation of the Chinese Communist Party Central Committee's Decisions on Several Key Questions about Fully Promoting Rule of Law.

Table 12: Proposals Suggesting Law and Policy Changes

Year	Proposal Title	Excerpt
2012	Proposal on soon enacting the Law of the People's Republic of China on Industrial Associations and Business Chambers	To draft, prove and enact the Law of the People's Republic of China on Industrial Associations and Business Chambers as quickly as possible
2009	Proposal on taking the opportunity to perfect the construction of the petroleum reserve system	The National Petroleum Reserve Law that is currently being drafted should include the clause of 'private enterprise participate in petroleum reserve'
2013	Proposal on amending the Guarantee Law at an appropriate time to help non-governmental schools solve the problem of fundraising	The Guarantee Law should be amended at an appropriate time in accordance with the Private Education Promotion Law.

THE PRIVATE ENTREPRENEURS' POLICY INFLUENCE IN AN AUTHORITARIAN STATE

It would certainly be hard to evaluate the policy influence of each proposal and to determine whether a policy change is the result of any specific proposal. However, in the past decade or so, the ACFIC and its proposals to the CPPCC have become a more and more significant channel for private entrepreneurs to exercise substantial influence on central policy-making, when compared to their roles of merely offering advice in the past. Increasingly, we see that these collective proposals have received a response from policy-making departments and become one of the key factors contributing to policy adjustment. Proposals that have the most policy influence are those which meet the party-state's general policy orientation, or those raised by entrepreneurs with higher political ranks.

A PROPOSAL'S ACTUAL POLICY INFLUENCE

Firstly, the proposals raised at the CPPCC enable entrepreneurs to access decision-making departments and provide them with a channel to express policy demands, even if they will not eventually lead to policy change. For instance, in 2016 Liu Qing, the CEO of Didi Dache, which is a rising star company providing online taxi booking service, put forward the 'Proposal of facilitating and standardizing the development of online taxi booking business' in the name of the ACFIC Research Department, not least because Liu Qing's father Liu Chuanzhe had served as the Deputy Chairman of the ACFIC for two terms. The proposal says, 'the Interim Measures for the Administration of Online Taxi Booking Business Operations and Services (Consultation Draft) issued on 10 October 2015 has several problems: firstly, online taxi booking companies, vehicles and drivers all need to obtain pre-approval, which requires the online platform to obtain approvals from country-level transportation administration departments … secondly, online taxi drivers and vehicles are still to be administrated in the same way as traditional taxis with the urban administrative departments having the power to control the numbers …'. The proposal suggests that the Interim Measures be suspended until local pilot projects have been carried out. Later, while the proposal was being processed and with the assistance of the CPPCC, Didi Dache was able to sidestep the Ministry of Transport to access the State Council Policy Research Office and discuss the policy on online taxi booking business with policy makers face-to-face.[28] Although it is hard to quantify the proposal's policy influence, it transpires that the formal draft of the Interim Measures for the Administration of Online Taxi Booking Business Operations and Services issued in 2016 was highly consistent with Liu's proposal in abandoning the restrictions on price and number of vehicles, relaxing the criteria on drivers and vehicles, and allowing local governments more autonomy in implementation. Also in 2015, Li Yanhong, the CEO of Baidu.com, Deputy Chairman of the ACFIC and Chairman of the ACFIC Culture Industry Chamber of Commerce raised the 'Proposal on renovating and promoting the development of e-commerce' in the name of the ACFIC Research Department. At that time Baidu planned to develop driverless car technology and thus sought to create a high-definition map system within centimeters, but the existing policy did not allow private enterprises to map roads with 10-centimeter accuracy. Therefore, the proposal was made with the hope of lobbying policy makers through the assistance of the ACFIC.[29] At the same time, the ACFIC Real Estate

28 Interview with C, staff member of the ACFIC on 20 September 2016.

29 Interview with C, staff member of the ACFIC on 20 September 2016.

Chamber of Commerce (RECC) developed formal policy appeal institutions. 'We at the RECC have a research team that monitors the development of the real estate sector and issues monthly reports. There is also a research office that releases quarterly and annual reports. Based on these reports and through discussion, the Chamber will decide on the topic of the proposal and write the draft. After being approved by the Chairman of the Chamber, the proposal draft will be sent to the ACFIC Research Office for approval, and eventually sent to the CPPCC Proposals Committee as a collective proposal of the ACFIC.'[30]

As many industry-specific policies receive little attention from society, policy requests from industrial associations and business chambers have become the main significant non-governmental factor pushing for policy adjustment. The adjustment of the policy concerning the exemption of beauty products and cosmetics from consumption tax is a perfect example. The ACFIC Beauty Culture and Cosmetics Chamber has more than 10,000 member enterprises. 'We had proposed to abandon consumption tax on cosmetics repeatedly in the past. In 2006, for the first time we managed to negotiate with policy makers to bring down the taxation rate. But many cosmetics manufactures still found it too high to bear. So we proposed this matter again in 2014 and 2015 and communicated closely and frequently with the Ministry of Finance and the State Administration of Taxation when processing the proposals. The final policy adjustment was basically the result of our negotiation.' The Ministry of Finance issued the notice on 30 September 2016 to exempt beauty products and cosmetics from consumption tax.

As to policies with greater social impact, collective CPPCC proposals are certainly one of the most important drivers for policy adjustment – although not the only one. For example, Li Shufu, the Chairman of Zhejiang Geely Holding Group and Volvo Cars, drafted the 'Proposal on relaxing regulations on refitting cars for personal use' which was submitted to the CPPCC in 2015 as a collective proposal by the ACFIC Auto and Motorbike Parts and Accessories Chamber of Commerce. The proposal suggested that the Ministry of Environmental Protection's recommended passenger car air quality assessment criteria should be amended to be mandatory. Li once admitted in a media interview that as Geely and Volvo cars already had the best air quality, if the proposed policy change would occur, it would render other car manufacturers vulnerable to fiercer competition. Nonetheless, the Ministry of Environmental Protection issued the Guideline consultation draft in 2016, in which not only the assessment criteria were changed to mandatory, but also the standard on exposure to chemicals in passenger cars was made stricter.

What are the circumstances in which CPPCC proposals receive a positive ministerial response? Generally, collective proposals receive more attention than individual proposals. Among collective proposals, 'key collective proposals' are the focus of proposal processing work and thus necessarily require actions by the relevant ministries and CCP working committees. Of all the proposals, the 'No. 1 proposal' raised by the ACFIC each year receives the greatest attention. 'Sometimes, Chairman Yu[31] convenes a meeting with directors of all ministries and CCP working committees to discuss the No. 1 proposal and the other key collective proposals. When the same issue is addressed by different proposals, he convenes consultation meetings and fortnightly meetings with special themes. Chairman Yu requires ministries and CCP working committees to attend these meetings too.' Apart from this, two other factors also contribute to a proposal's policy influence.

30 'Tuanti ti'an ruhe chulu' ('How are collective proposals made', *sohu.com*, 5 March 2012, Available at: http://news.sohu.com/20120305/n336704187.shtml.

31 Yu Zhengsheng, the Chairman of the CPPCC since 2012.

WHO IS MORE INFLUENTIAL?

Firstly, a proposal which can use the CCP's macro-level policy orientation or specific policies to justify its policy demand is more likely to receive feedback from the policy makers. After all, the ACFIC claims its proposals should 'focus on the central task and serve the overall interests of the Party and government work'.[32] *'The director of the Aged Care Department of the Ministry of Human Resources and Social Security once invited us over and talked to us about the seven central tasks of the Department, which means that they wouldn't consider any proposals not related to these seven tasks.'*[33]

Of the 293 collective proposals, 60 (20 percent) correctly correspond to the CCP's policy orientations and specific policies. For example, the Chamber of Commerce for Petroleum Industry (CCPI) made the 'Proposal on promoting the marketization of the refined oil retail market' in 2013, which not only requested that the restriction on crude oil importation to be lifted, but also demanded the policy 'gradually separate[s] the refin[ing] and retail sectors of the three major oil groups'. 'This radical proposal was raised to many people's surprise. In previous years, the ACFIC used to apply censorship on proposals. Those that are too radical or obviously conflict with the Party line are not allowed (to go ahead). … In 2013, after the leadership transition, the CCPI had clearly caught certain signals sent by the new CCP Central Committee's decision makers, which gave them confidence to make such a radical proposal as to 'partition the three monopoly enterprises' to test the bottom line of the central state's reform of the oil industry'.[34]

Meanwhile a feasible proposal's policy demand should not be so challenging that it cannot be solved at ministerial level. *'Some issues cannot be solved at the moment and thus there is no need to raise them.'*[35] *'In 2014, an enterprise in the cultural industry made six proposals, each of them overturning the current cultural policies on films, TV and so on. This put us in an awkward position'*.[36] A feasible proposal minimizes the possible resistance to policy-making and changes. In 2010, the Auto and Motorbike Parts and Accessories Chamber of Commerce Car Modification Committee (CMC) made the 'Proposal on establishing the Chinese standards of car modification'. In 2013, it made the 'Proposal on enacting relevant laws and regulations on car modification', which received a response from five ministries and ministerial-level departments including the Ministry of Industry and Information Technology, the Ministry of Public Security, the Ministry of Commerce, the Sate Administration for Industry and Commerce, and the General Administration of Quality Supervision, Inspection and Quarantine. All these ministries expressed support for the proposal and agreed to take administrative measures as soon as possible. On 9 October 2013, they held a joint meeting with the CMC. In 2015, the CMC put forward the 'Proposal on relaxing the restriction on private car modification'. Soon the ACFIC convened a discussion session with the ministries to discuss the CMC's 2013 and 2015 proposals. As a result, the Auto and Motorbike Parts and Accessories Chamber of Commerce was asked to draft reference comments to facilitate the policy-making of the standards of car modification. The policy adjustment was successful, as the CMC managed to avoid possible resistance. Unlike the 2013 proposal that made policy demands on administrative measures to be applied to all types of automobiles, the 2015 proposal targeted only private cars, and thus it circumvented the sensitive issue of truck and coach modification which would have

32 ACFIC working document.

33 Interview with C, staff member of the ACFIC on 20 September 2016.

34 'Daibiao ba nian 13 fen ti'an: zhiwei dabo shiyou longduan tizhi' ('13 proposals in 8 years by a CPPCC member: just to eliminate monopoly in the oil industry'), finance.sina.com.cn, 8 March 2013. Available at: http://finance.sina.com.cn/china/20130308/225914771125.shtml.

35 ACFIC working document.

36 Ibid.

caused concerns from the Ministry of Public Security.

Secondly, the political influence of the proposal maker also determines the proposal's policy influence. The collective proposals submitted often reflect the thinking of the industrial associations' head. The more influential the entrepreneur is, the more likely the proposal will have an impact on policy-making. The influence of these billionaire entrepreneurs, however, is not only a result of their possession of wealth, but also relates to their formal and informal political power. An entrepreneur's formal political power is determined by his or her official position and/or status in the party-state system and informal power comes from 'informal connections' with officials in the ACFIC and governmental departments.

Proposals initiated by these influential entrepreneurs or made by the industrial associations to which these entrepreneurs belong are more likely to be selected as 'key proposals' by the ACFIC and even put forward as collective proposals by the ACFIC. At the same time, the ACFIC makes more effort to ensure that such proposals are treated seriously by the relevant ministries and departments. Table 13 gives several examples of the 2016 ACFIC 'key proposals' initiated by influential individual entrepreneurs. These proposals safeguard and promote the interests of the industry in general or specific enterprises. Interestingly, although Liu Qing managed to put forward her proposal in 2016 in the name of the ACFIC Research Department, a staff member of the ACFIC thought 'her proposal was not selected as a 'key proposal' of the year, as she was not as powerful as these other entrepreneurs (see Table 13)'.[37] Considering Liu Qing is not an ACFIC member, the fact that her policy request could be turned into an ACFIC proposal says much about her political power.

Table 13: Entrepreneurs Involved in 'Key Proposals' Made by the ACFIC in 2016

Proposal Title	Made by	Initiated by
Proposal on how to make China's manufacture sector more competitive	ACFIC Research Department	Liu Shufu, member of the CPPCC, deputy chairman of Zhejiang Federation of Industry and Commerce, chairman of Zhejiang Geely Holding Group
Proposal on bolstering areas of weakness of the logistics industry and lowering costs of real economy	ACFIC Research Department	Xu Guanju, deputy chairman of ACFIC, deputy chairman of the ACFIC Agricultural Industry Chamber, chairman of the Transfer Group
Proposal on supporting private enterprises' participation in the development strategy of civil-military integration	ACFIC Research Department	Chen Zhilie, chairman of the ACFIC Science and Technology and Equipment Industry Chamber, board chairman and CEO of the Evoc Intelligent Technology Group
Proposal on promoting industrialization of sand control and poverty relief	ACFIC Research Department	Wang Wenbiao, member of the CPPCC Standing Committee, deputy chairman of the Non-governmental Enterprises Chamber of China, Party secretary and chairman of the Elion Resources Group
Proposal on innovation and development of cyber economy	ACFIC Research Department	Li Yanhong, deputy chairman of the ACFIC, chairman of the China Cultural Chamber of Commerce for the Private Sector, chairman and CEO of Baidu Inc.

Moreover, a powerful entrepreneur would be able to express his or her individual policy demand in a collective proposal. In principle, collective proposals submitted to the CPPCC by the ACFIC reflect the demands and requests of industries or the private economic sector in general. Sometimes, the proposals promote interests of certain enterprises in market entry standards, resource allocation, taxation and administrative supervision, but these are concerns shared by

37 Interview with C, staff member of the ACFIC on 20 September 2016.

the industries in general. However, the strong connection between a powerful entrepreneur and the state leadership can enable him or her to make requests by initiating proposals in the name of business chambers and even the ACFIC. Despite their personal connections, private entrepreneurs still seek to influence policy-making through formal channels such as submitting proposals to the CPPCC, as this legitimizes and amplifies the impact of their policy requests. As the ACFIC staff member revealed in an interview, 'the ACFIC is a unity, which could legitimize personal interactions. When state leaders meet with a deputy director of the ACFIC, this is a part of their job. But meetings with a private entrepreneur have a blurry nature. Without any political title, whatever a private entrepreneur's requests are, people think he or she is trying to protect his or her individual interests. But with a political title, they are immediately seen as speaking for the people, which immediately makes their requests discerning.'[38]

THE INSTITUTIONAL ORIGIN OF POLICY INFLUENCE

The ACFIC not only acts as a policy advisor under the party-state's initiative of 'open policy-making', but also facilitates a bottom-up process of policy input. In other words, in China's authoritarian system, the existing means of co-option have been utilized by private entrepreneurs to lobby for policy change. The ACFIC has not always had the dual functions of state control and business lobbying. For a very long time, the ACFIC mainly served as an agency of the party-state's United Front work. Only over the last decade or so it has become a policy influence mechanism for private entrepreneurs, due to the following two developments.

MORE ACCESS TO THE POLICY-MAKING PROCESS

The ACFIC has gradually gained access to the policy-making process. An interviewee revealed that *'since his appointment in 2007 the new chairman of the ACFIC, Zezhu Quan, has been very active to contact and communicate with all the ministries. At the beginning, he had to wait a long time to even meet with department heads. But he has been persistent and achieved much in his work. The most important (achievement of his) was to promote for the significant No. 16 document to be issued, which has laid the institutional foundation for the ACFIC to participate in government policy-making and gradually established various channels through which the ACFIC could communicate with ministries. As a result of his efforts, the influence of the ACFIC has increased'*.[38] Over the past decade or so, the establishment of the policy-making advisory mechanism, a three-party consultation system and the formal processing procedure for CPPCC proposals has meant that the ACFIC has developed from a co-optive organization into a platform for business lobbying.

Firstly, the ACFIC gradually gained advisory status in the policy-making process in the policy-making advisory mechanism. In 2007, the ACFIC formally attended the CCP Central Committee's Economic Work Conference. In 2009, it became an observer at the State Council executive meetings.[40] In addition, the ACFIC leadership attends meetings of the CCP chief and non-CCP personnel.[41] In these meetings, when the CCP Central Committee asks for suggestions, the ACFIC is able to express its opinions on behalf of the private economic sec-

38 Interview with P, staff member of the Guangdong Federation of Industry and Commerce on 14 December 2016.

39 Interview with C, staff member of the ACFIC on 29 September 2016.

40 *Zhonghua Quanguo Gongshang Ye Lianhe Hui Jianshi* (1953–2013) (A Brief History of the All-China Federation of Industry and Commerce (1953–2013)): 205–208.

41 Statistics by the authors according to public information.

tor – 'some ministers even might not have such opportunities to meet with President Xi Jinping, while the current Chairman of the ACFIC had worked in Fujian for a long period of time and thus had interacted with President Xi back then. And President Xi is willing to hear his ideas'.[42] *'In this year's President Xi's meeting with non-CCP personnel, the ACFIC suggested on cost minimization for the enterprises. Not long after, the CCP Central Committee made policies on cost minimization, including the Eight Real Estate Market Regulation Measures, among which five were raised and drafted by the ACFIC.'*[43] At the same time, a mechanism is being established for the ACFIC to communicate with the ministries. The No. 16 Document provides for the ways through which the ACFIC participates in government work: 'A designated person among the governmental leadership should be responsible for communicating with the ACFIC. Departments related to the development of the private economic sector should strengthen their connection and cooperation with the ACFIC and pass on important information to the ACFIC in a timely manner. The all-members meetings and standing committee meetings of the government, according to their content, may have leaders of the ACFIC as observers. ACFIC leaders may be invited to attend important meetings on economic work and meetings of relevant departments.' In practice, the ACFIC's connections with the government have been strengthened. In 2009, the ACFIC became a member organization of several of the State Council's leading groups related to the private sector, including the group for facilitating the development of small and medium-sized enterprises. In September 2013, the ACFIC and the National Development and Reform Commission signed a document on establishing a cooperation mechanism at ministerial level.[44]

Secondly, the ACFIC's participation in the tripartite labor relations coordination process is also evidence of its strengthened function as a representative organization and increased policy influence. Until 2010, the ACFIC was not involved in the tripartite mechanism. Instead, employers' interests were represented in the process by the China Enterprise Directors Association (subordinate to the State-owned Assets Supervision and Administration Commission of the State Council). During the enactment of the new Employment Contract Law, the ACFIC had to express enterprise owners' interest demands through the legislative consultation process of the National People's Congress and by attending meetings and submitting proposals at the CPPCC. In 2009, the ACFIC submitted a proposal titled 'Suggestions on Assisting Enterprises in Implementing the Employment Contract Law in Order to Maintain Stable Labour Relations', in which it suggested that measures should be taken to enable the ACFIC to participate in the state-led tripartite labor relations coordination mechanism. In 2010, the No. 16 Document for the first time explicitly provided for the ACFIC's participation in the tripartite process: 'The Federation of Industry and Commerce should attend the tripartite labour relations coordination meetings. Thus, together with the Ministry of Human Resources and Social Security, labour unions and other representatives of enterprises, the ACFIC can facilitate the enacting of laws on labour relations and the establishment of the labour relations coordination mechanism, and study to solve key issues in labour relations and resolve labour disputes through mediation'. The 16th meeting of the State-led Tripartite Labour Relations Coordination Conference was held on 4 July 2011, which decided to include the ACFIC as a member organization of the Conference representing interests of employers together with the China Enterprise Directors Association. The ACFIC then facilitated the participation of all 32 of its subordinate provincial-level Federations of Industry and Commerce in the local tripartite meetings. In January 2013, the ACFIC and the Ministry of Human Resources and Social Security jointly issued the 'Opinions

42 Interview with C, staff member of the ACFIC on 29 September 2016.

43 Interview with C, staff member of the ACFIC on 30 September 2016.

44 *A Brief History of the All-China Federation of Industry and Commerce* (1953–2013): 301.

on Enhancing the Work on Preventing and Mediating Labor Disputes in Non-Public Enterprises', which promoted the universal establishment of labor dispute prevention and mediation mechanisms in labor unions of non-public enterprises.

Thirdly, the formal procession procedure of CPPCC proposals was established in 2012. The 2012 CCP Central Committee and the State Council document 'Opinions on further enhancing the People's Political Consultative Conference proposal work' was the first official document to address the issue of processing PPCC proposals. It provides for a consultation mechanism and a feedback mechanism to be established to improve the processing of proposals and to ensure satisfactory results from processing. To a large extent, the document established institutions of proposal processing and thus increased policy influence of PPCC proposals, particularly key proposals.[45] At the same time, the ACFIC was taking this opportunity to actively push forward negotiation and consultation in the processing of proposals. The ACFIC work report once mentioned 'the China Food and Drug Admission, responsible for processing the "Proposal on changing the policies on the assessment of traditional Chinese medicine and new medical products", consulted with the Pharmaceutical Chamber of Commerce and us. At that time, the Pharmaceutical Chamber of Commerce was very assertive and repeatedly disagreed with measures proposed by the Admission. Two departments of the Banking Regulatory Commission visited us in order to have face-to-face communications on the "Proposal on resolving country-based small and medium-size enterprises' difficulty in fundraising" and the "Proposal on vigorously supporting the healthy development of private banks". The Ministry of Industry and Information Technology has invited us twice this year on a research trip to study the "Proposal on increasing the competitiveness of China's manufacturing industry"'.[46] The processing of a series of proposals submitted by the Chamber of Commerce for the Petroleum Industry reflects such changes. When responding to the Chamber's 2011 proposal, the National Energy Administration completely denied the existence of any problem in the current administrative system: *'currently, the domestic wholesale and retail markets of refined oil are fully open. Any eligible enterprises can apply for qualification certificates. There is no requirement on enterprise ownership.'* The Administration's response to the 2012 proposal presented a sharp change: *'we will take measures, such as industrial restructuring and adjusting industrial policies, to coordinate and solve this long last conflict'*. In February 2013, Liu Hong, Deputy Director of the Petroleum and Natural Gas Department at the National Energy Administration paid a visit to the Chamber of Commerce for the Petroleum Industry to communicate the Administration's response to the 2012 proposal and suggested the Administration should enhance its connections and cooperation with the Chamber, in order together to find and resolve issues hindering the development of the industry. The general secretary of the Chamber, Ma Li commented that *'in the past, we would have felt very luck[y] to have any response (on the proposals). Nowadays, the ministries not only provide responses, but also organize meetings with us if we don't find their responses satisfactory. In the meetings, they let us know what measures they have taken or are taking, and what they expect us to do and why. Indeed the ministries' attitude has changed. Now they communicate with us on everything, including how the proposals are to be processed.'*.[47]

45 The CCP Central Committee and the State Council, 'Guanyu jin yi bu jiaqiang renmin zhengxie ti'an banli gongzuo de yijian' ('Opinions on further enhancing the People's Political Consultative Conference proposal work'), www.cppcc.gov.cn. Available at: http://www.cppcc.gov.cn/zxww/2013/02/23/ARTI1361589406912314.shtml.

46 ACFIC working document.

47 'Daibiao ba nian 13 fen ti'an: zhiwei dabo shiyou longduan tizhi' ('13 proposals in 8 years by a CPPCC member: just to eliminate monopoly in the oil industry'), finance.sina.com.cn, 8 March 2013. Available at: http://finance.sina.com.cn/china/20130308/225914771125.shtml.

BUFFERING THE CONFLICT BETWEEN STATE CONTROL AND THE BUSINESS LOBBY

As a lobby mechanism established on the basis of institutions of political co-option and corporatization, the ACFIC is a forum for both state control and the business lobby. This is the result not only of its policy influence strategies, but also the fact that the business lobby does not challenge state control. Despite the ACFIC's 'double-identity' dilemma, like the All-China Federation of Trade Union (Chen 2003), it is not regarded (by the party-state) as a politically sensitive institution. Equally important, the ACFIC has managed to reduce the potential conflict between state control and the business lobby.

A draft ACFIC proposal has to undergo an internal procedure to be finally submitted as a formal collective proposal. In recent years, the procedure has become more and more institutionalized, which enables the ACFIC to monitor the content of the proposals. The ACFIC first calls for ideas for proposals through a system containing 32 provincial-level FICs, 15 deputy-provincial level FICs, 31 affiliated business chambers and associations, and nine internal ACFIC departments, as well as member enterprises and the ACFIC leadership. All draft proposals are reviewed by a committee comprising three specialists and need to obtain the approval of two committee members to be eligible. If none of the three committee members approves a draft proposal, it will be rejected. If a draft is approved by only one committee member, the ACFIC proposal work department will review it and decide on its eligibility. The eligible drafts will be passed on to the deputy chairperson of the ACFIC in charge of proposal work for comments for revision. After being revised, the proposals will be discussed at the ACFIC chairman's meeting and finally submitted to the CPPCC through an online submission portal.[48]

Although the collective proposals to the CPPCC express strong policy demands and the ACFIC is willing to support quality proposals, it apparently understands its primary role as 'an assistant to the government'. In comparison, the collective proposal work is not its key task. *'To submit collective proposals to the CPPCC is one of our many tasks. Most of the time, only the deputy director of the department looks into them.'* How the ACFIC juggles its roles as 'an assistant to the government' and 'a bridge between the private economic sector and the government' shows that it endeavors to lobby within the system, rather than to challenge the system as an outsider.

The ACFIC plays an important role in the formation of a formal proposal by applying strict checks. Such checks are conducted in several respects. Firstly, the ACFIC checks the number of the proposals. On the one hand, it needs to mobilize affiliated business chambers and local FICs to participate actively in the proposal work to ensure there are enough proposals submitted every year. 'If we do not check on the proposals, the ministries will not take them seriously. Then the unit that has submitted the first draft will not receive satisfactory feedback (from the ministries) and as a result it will not want to submit proposals in the future. … In recent years, we have established various communication channels with the ministries and the feedback we have received on the proposals are more and more constructive. This has provided great motivation for business chambers to participate in the process'.[49] As Table 14 shows, in the period from 2009 to 2015, the number of ACFIC collective proposals to the CPPCC increased, which clearly illustrates that the ACFIC has been successful in mobilizing the chambers. But at the same time, the ACFIC also controls the number of proposals. In 2015, 74 proposals were submitted, but the number dropped to 36 the next year, because the ACFIC director in charge rejected a number

48 ACFIC working document.

49 Interview with C, staff member of the ACFIC on 30 July 2016.

Table 14: Number of ACFIC Collective Proposals to the CPPCC 2009–2016

Year	2009	2010	2011	2012	2013	2014	2015	2016	Total
Number	24	23	21	28	42	45	74	36	293

of draft proposals from business chambers. The ACFIC monitors the content of draft proposals too: 'To serve private entrepreneurs is our task. It is definitely not OK to ignore them. But we need to make a political judgment (about the content of their proposals). This is a challenge.' After all, the proposals need to toe the party line – 'this is determined by the nature of the CPPCC and its status in the political system. Therefore, the proposal makers need to apply their political rights with a prudent and responsible attitude. They need to pursue a correct political orientation and offer advice and suggestions on key issues about the party-state's central tasks and concerns the interests of the general public. They are not allowed to submit proposals at will.'[50]

CONCLUSION

While much comparative research has been conducted to explore private entrepreneurs' influence over policy-making in different political systems, understanding of the elite structure in China is still limited due to an underdeveloped civil society in the authoritarian system. Current research shows that state-business collusion in China has greatly influenced public policy-making and the state's 'open-door-in-policy-making' initiative has created policy access for business interests. We then need to ask how an institutionalized policy-input mechanism could be established for private entrepreneurs in a political apparatus dominated by political elites. Drawing on research on the ACFIC's collective proposals to the CPPCC, we conclude that:

Firstly, entrepreneurs' policy influence mechanism is not realized simply through 'collusion' with the government or 'informal ties' and at 'local' levels. Instead, private entrepreneurs are already influencing policy-making at a central level through a formal and institutionalized mechanism. This paper shows that the ACFIC not only functions as 'an assistant to the government', advising on policy-making by attending top-level conferences and offering comments and consultation in meetings, but also acts as 'a bridge between the state and the private sector' that passes policy requests of the private sector, industries and enterprises in a bottom-up manner by means of submitting collective proposals to the CPPCC. These policy requests do not merely demand more resources for the private sector, rather many of them explicitly question the eligibility of existing legislation and policies and make relevant recommendations on legislation and policy changes – some even make policy suggestions on supervising the implementation of the constitution. Undeniably, it would be hard to measure these proposals' policy influence and to determine whether policy change is a direct result of specific proposals. However, our research shows that over the past decade, the ACFIC and its collective proposal submissions to the CPPCC has increasingly become a formal channel for private entrepreneurs to try to influence central-level policy-making. At the same time, policy makers are more and more responsive to collective proposals from the ACFIC. Even though these collective proposals are not the only source of policy influence, they are at least one of the factors that drive policy changes.

50 ACFIC working document.

Secondly, as China's political system is not open to input and civil society is underdeveloped, there is an absence of formal lobbying channels. State-owned enterprises, from within the party-state system, are sometimes policy makers and sometimes can influence policy-making via internal channels and through measures such as personnel appointment. In comparison, private enterprises, as outsiders, find it hard to obtain channels of policy influence. In contrary to the argument that non-state actors' policy influence is result of the fragmentation of political power, we believe that state institutions that previously functioned to co-opt and corporatize the private sector have also become forums where private entrepreneurs can have an impact on policy-making. These institutions should not be simply understood as the state's internal 'opinion synthesis system' (*yi jian zong he*) for 'opening its door when making decisions' (*kai men jue ce*). The ACFIC has not only played the role of 'an assistant to the state', but also acted as a bridge that transmits policy demands from the bottom up. Significantly, without a proper policy influence mechanism, such institutions would still be tools of state control.

The ACFIC developed a policy influence mechanism based on the existing CCP United Front work institutions. Indeed, for a long time, United Front work was the main function of the ACFIC. In 2010, the *No. 16 Document* for the first time defined the ACFIC's 'underlying characteristics' as 'combining United Front, economy and the non-government sector'. Also, since then, the ACFIC has attended the CCP Central Committee Economic Work Conferences and the State Council Executive Meetings and established policy input channels with key organs related to the private sector, such as the National Development and Reform Commission and the Ministry of Science and Technology. In 2010, the ACFIC became a part of the tripartite labor relations coordination process. In 2012, the State Council issued the 'Opinions on further strengthening the People's Political Consultative Conference proposals processing work', which required institutional communication channels to be established between ministers and governmental work commissions and the ACFIC's Proposal Processing Work department, in order to improve the responsiveness of the ministers and commissions to the ACFIC collective proposals.

Our research also reveals that the ACFIC has to juggle its two functions of state control and policy demand expression. These two functions do not necessarily conflict with each other, not only because the private entrepreneurs are often considered to be less challenging politically, but also because the ACFIC has put more emphasis on its role as 'state assistant', rather than 'bridge between the state and the private economic sector'. After all, it closely controls the number and topics of collective proposals to be submitted to the CPPCC. At the same time, policy influence of the ACFIC's collective proposals to the CPPCC is not reliant on the number and institutionalization of the membership of the ACFIC and its affiliate business chambers and associations. In the specific case of business chambers, to a large extent their policy influence is not determined by whether collective actions can be effectively organized into lobbying behaviors. Instead, the policy influence of these collective proposals is subject to individual industry's policy sensitivity, proposal makers' access to policy makers, the proposals' correspondence with the state's key tasks and policy orientation, as well as specific private entrepreneurs' political powers. Thus, the ACFIC's lobbying activities are embedded in the co-optation and corporatization framework and therefore do not form a bottom-up challenge to the existing political system.

The pathway from 'state control' to 'business lobbying' indicates that the Chinese private entrepreneurs' policy input channel has a unique developmental trajectory. In a transitional society, the restructuring of state-business relations has created the private entrepreneurs stratum. Can we therefore regard such lobbying actions as the inception of a pluralist system where key interest groups compete for influence over

decision-making? Our research on the ACFIC suggests that this is not the case, as the Chinese private entrepreneurs' lobbying mechanism is embedded in the authoritarian state's co-optation and corporation framework. In addition to making proposals to the CPPCC through the ACFIC, entrepreneurs, and the chambers to which they belong, can also influence policy-making through being affiliated to governmental departments, and by making proposals to the People's Congress as well as through one of the minor political parties. All these still follow the logic of 'the state control' to 'business lobby'.

Does the co-existence of co-optation and corporatism and a policy input mechanism mean that China is becoming a corporatist system, since corporatism combines state control and interest monopoly? In the case of the ACFIC, as with a corporatist regime, the Chinese state has been a key actor in the promotion of the ACFIC's role as a representative of the private economic sector. Since 2010, when it was included by the state in the tripartite labor relations negotiation process, the ACFIC has clearly represented the interests of the private sector in the negotiation, as its proposals show. However, the ACFIC has a limited coverage. Not only is it competing with the China Enterprise Confederation that represents the state-owned sector for policy influence, but also its policy access is shared by various chambers and associations that were previously affiliated with the many governmental departments. In 2015, the state required all business societies, except for those affiliated to the ACFIC, to be separated from administrative departments. Against the background of the co-existence of state control and the business lobby, the separation represents a relaxation of control on the one hand, and the breach of institutional connections between these business societies and policy makers on the other hand. The ACFIC has not corporated these societies into its nationwide system, which indicates that the state is not promoting the development of the ACFIC as a corporatist institution. All of these factors are indicators of the unique development model of private entrepreneurs' policy influence mechanisms in China.

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