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

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

Thus far, most studies have concentrated on rural districts where the officials of villages and former communes have engineered the development of publicly owned, not privately owned, industry. Jean Oi, who has written a good deal about such rural areas, states that "local governments have taken on many characteristics of a business corporation, with officials acting as the equivalent of a board of directors". Since they control the revenues from the publicly owned factories, they can shift new investments and resources from one enterprise to another, and to non-industrial parts of the public sector as well, much as a conglomerate shifts resources between its subsidiaries. The local officials also control access to coveted employment in the factories, and through this and their control of revenues they can build clientalistic relationships with large numbers of local constituents. Gregory Ruf, who has examined a Sichuan village where such village-owned factories have flourished in the 1980s, notes that a class system has developed there based upon differential access to official favour. Clusters of families who are related to the officials through kinship or friendship came to occupy the village's economic and social upper crust, and the village's other families comprise a dependent lower stratum.

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

A third type comprise rural districts in the hinterlands with almost no
industrialization. After de-collectivization and a return to family farming, village officials there no longer directly control any economic resources. Some of these villages find it hard to extract revenues from recalcitrant householders. In such villages, usually situated in relatively remote inland areas, public services are under-financed and village schools are sometimes near collapse. In one such village that we visited in Yunnan province, a site without any natural water supply, funds had been raised by the village in the early 1970s, under the Mao-era collectives, to install a system of pipes leading from a spring a mile away. More recently the pipes have begun to leak badly, but the village government can no longer raise enough money from households to fix the pipes; and the farmers once again must laboriously haul buckets of drinking water from the spring by shoulder pole. Bereft of industry or other local sources of revenue, such a village suffers today from a weakness of leadership and a loss of community cohesion.

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

A very large number of entrepreneurial villagers in rural Xiqiao township in the mid to late 1980s responded to the new opportunity and started small private textile factories from scratch. Today, remarkably, this former commune of 135,000 people boasts more than 1,600 textile manufacturing firms, as well as hundreds of other types of private factories. Practically every one of these is privately owned by local residents. As shall be seen, the very nature of this private industrial development has affected the texture of the relations between...
the local Party-state and residents.

Few rural districts can be expected to experience Xiqiao's phenomenal industrial growth or develop the numbers of private factories that have sprung up there, but a strong argument can be made that as time passes, more and more rural districts will similarly contain a preponderance of private enterprise. In light of this, Xiqiao township may point the way to how local government institutions will operate in future in much of rural China. We shall examine, in turn, what this entails for the village governments, for the former agricultural production teams, and for the township level of government in Xiqiao. The paper's conclusion will analyse the signal differences between the shape of local governance today in districts like Xiqiao as against rural districts where other patterns of industrialization thus far have predominated.

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

THE LOCAL BACKGROUND TO A PRIVATE-ENTERPRISE ECONOMY

In Number 90 of this Working Paper series, we explore the origins and characteristics of the private entrepreneurship that today dominates Xiqiao. Suffice it to note here that silkworm cultivation, silk reeling and silk weaving had traditionally thrived in Xiqiao as a cottage industry. When the Communist government took over the township, the small modernized industry that had developed in silk cloth was amalgamated into four collective (commune-owned) factories, one engaged in spinning and three in silk weaving. In 1984, several technicians and workers from these factories were the first to set up tiny private textile enterprises with a few electric looms, and when these proved profitable neighbours followed suit. These were sometimes no more than large jerry-built sheds located in the courtyards of
homes or dilapidated village storehouses. Even today, the very smallest enterprises are of this sort, but these gradually are being squeezed out of business as competition tightens. In this winnowing process, production increasingly is dominated by enterprises that have expanded into genuine factory premises with many dozens of up-to-date new looms.

The factories in the township quickly began to specialize in making cloth from synthetic fibres for China's domestic clothing market. This former commune had found its niche. Starting from scratch, by the early 1990s it had become one of the most important manufacturing centres in China of cloth from chemical fibres.

These are entirely private-sector activities, not directly controlled by the local village and township governments. However, previously, in the 1980s, a number of private concerns in Xiqiao had preferred to take shelter from taxes and regulatory impositions by paying village governments to register them falsely as collective enterprises. The arrangement was known as guakao (attached dependency), and it has been widely practiced in China. But the tax breaks for new collective enterprises were eliminated by the government during the first half of the 1990s, and so a guakao registration no longer holds any advantages in Xiqiao or in similar districts. In fact, the enterprises that had been registered as collectives find that they need far more approvals from various government departments than do private enterprises; and the proprietors of such firms have reason to worry that their false registration puts the legality of their ownership in an ambiguous status. They wanted a way out in Xiqiao. At the same time, the village governments realized their own vulnerability in such a relationship -- that they could become legally liable for any debts incurred by these falsely registered companies. In point of fact, a village government in Xiqiao found itself sued for a million yuan when one of these guakao enterprises defaulted on its debts. In 1996-97 the county administration finally moved to legally terminate the tangled guakao arrangement, and all eighty guakao firms in Xiqiao were redesignated as entirely and openly private.

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

In Xiqiao today, after the removal of the guakao category, private and public have become entirely distinct and separate. In this environment, what remaining roles do the several levels of local government play? Do they help out the 2,000-plus local private manufacturing firms\(^{16}\) in the capacity of a local "developmental state,"\(^{17}\) or are the local authorities antagonistic to private industry? Are the authorities entrepreneurial on their own account, establishing new publicly-owned factories in competition with the private ones? Or are the local governments essentially parasitical and a burden upon the local populace? Are the various levels of local government strong or weak? Do they, indeed, make much difference at all to local development?

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

### VILLAGE GOVERNMENTS

Xiqiao's twenty-six village governments (officially titled "management districts" today in Guangdong Province),\(^{18}\) have good reasons to serve as promoters of private industrialization. Not just the local populace's prosperity but also a good part of village-level revenues depend upon this. But some of the village leaderships hustle to help develop industry far more entrepreneurially than others. It is partly a question of village histories and opportunities and partly a question of the personalities and capabilities of village leaders. This can be illustrated by focusing on two of the villages in the township, Lianxin and Jiancun.
In the first half of the 1980s Lianxin had been among the very first villages to witness an explosion of private entrepreneurship in the textile industry. The village had a significant advantage, in that one of the three commune-owned textile mills was located in the village, and thus a sizeable number of the households there had gained crucial experience working with electric looms and large-scale textile production. But a second important factor was that the village government did not try to hinder private enterprise during the first half of the 1980s, when Beijing had not yet made it clear whether private factories would be politically tolerated over the long term. In that climate, the village officials had been risk-takers and had leased out factory sites to anyone who wanted to set up their own weaving establishment. Given a double head start -- experience in the weaving industry and early access to private manufacturing -- a great many villagers joined in the scramble to establish small factories. At the height of the rush in the latter years of the 1980s, as many as 450 such factories had opened in the village. Even today, after the smallest and least capable have been weeded out, this village of 920 local families (3,550 people in all) contains more than 300 textile manufacturing firms -- mostly family-owned enterprises, but including a number of partnership firms. All told, thus, close to half of all the households in the village are wholly or partly the owners of factories. These contain more than 2,500 looms and employ more than 6,000 migrant workers. From this industry, the village government collects very sizeable revenues.

At the same time, the Lianxin village government, rather than just content itself with such revenue-collecting, has also sought actively to develop publicly-owned industry. In 1991 a new village Party Secretary decided to make his mark through this. He did not attempt to compete with the private textile factories; it was not feasible for a collective enterprise to try to match their efficiencies in production. Instead, he looked across to the township next door. While Xiqiao Township was concentrating on textile production, Nanzhuan Township, just across a narrow river, had developed a very different specialization in floor and wall tiles. From very small beginnings in the early 1980s, Nanzhuan Township had come to dominate the south China market. Seeing this success, the Lianxin village Party Secretary had the village government borrow close to a hundred million yuan in bank loans to erect a vast tile factory. He imported sets of advanced machinery from West Germany and hired specialists in ceramic tile manufacture from other parts of China. We toured the facility, and it is of truly awesome size, with huge halls containing conveyor-belt kilns the length of
football fields. In the early 1990s a property boom was in full swing in Guangdong, and this was generating a voracious demand for construction tiles. Whatever was produced by the new factory could be sold for a good profit, and so the village government took out a series of additional huge loans to erect a further three gigantic tile factories in quick succession, within less than two years. A number of other village governments in Xiqiao have scrambled to follow suit. By 1997 the township contained twenty-three behemoth tile factories.

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

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

Jiancun, a village of 2,360 residents in 680 households, provides a counterpoint to Lianxin's exceptionally thrusting economy and entrepreneurially savvy leadership. Jiancun's residents historically had focussed more on silk spinning than silk weaving, and when the Communist regime had had to choose where to locate the three collective weaving factories, Jiancun had lost out. When the door was thrown open to private textile manufacture in the early 1980s, the villagers here were less well positioned in terms of experience and know-how to exploit the opportunity.

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

A dozen years ago, in 1986, we spent several days in Jiancun, at a time when it was
not yet clear in China that private factories would continue to be politically tolerated. During
that 1986 visit, we interviewed a young former production-team head who had jumped into
the private textile boom two years earlier. He had been denied permission to establish a
factory in Jiancun in 1984; and so instead had gone into partnership with his brother-in-law
from Lianxin to build a textile factory there. Today, times have changed, and the Jiancun
government is anxious to attract textile weaving factories to the village so as to increase
village revenues. But the late start has hurt. The village contains only forty-some textile
factories today (an eighth the number of Lianxin), and only sixty manufacturing enterprises
of all types. Too, the textile weaving enterprises are all relatively small: the largest contains
only 38 looms, employing 120 workers, while the smallest possesses only six old looms.

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

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

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

**VILLAGE LEVIES, FEES, AND SERVICES**

In their efforts to spur industrialization, village officials in Xiqiao are careful not to squeeze high fees and taxes out of the local enterprises, both to attract factories to locate there and to enable those already there to grow. Every month a village's public security officer goes door to door to each factory to collect a "management fee" (for the textile factories, a charge of 90-100 yuan per operating loom, depending on the village). In some of the villages that do not own tile factories, such as Jiancun, this levy is the village administration's main form of revenue.

The village public-security officer also collects the bulk of the industrial taxes and fees on behalf of the township and county, and most of these similarly are based on how many operating looms each textile factory possesses. When the village's own "management fee" of Y90-100 is included, the total package amounts to approximately Y700 of levies per
month per loom. From our rough calculations based on the estimates of factory owners regarding their profits per meter of cloth and the speed of looms, the combined taxes and fees would amount to some 15-20 per cent of their monthly profits. But the village governments help the factories to reduce this cost. The method is simple. Regulations state that if a factory is going through a slow period, the idle looms are not taxed. Village cadres and local factory owners alike confided to us that every month the village officials deliberately under-report the numbers of looms in operation, and do so even-handedly, across the board, for all of the factories. Every village for which we obtained information carries out this under-reporting to just about the same degree.

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

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

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

Y190,000 would be considered a princely sum in most parts of China. In China as a whole, the average rural household income was only Y8,100 in 1996. But Xiqiao is far richer than other parts of the country. In Lianxin village, the average household's net income amounted to Y80,000 in 1996, according to the village government's official calculations, and successful businesspeople earn far more than that. The two businessmen who took over the Lianxin village leadership in 1995 were able to take the pose that they were making a financial sacrifice to fulfill their civic duty.

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

BUSINESS PEOPLE'S ATTITUDES TOWARD VILLAGE OFFICIALS
Despite the efforts of the village and township governments to serve as benefactors, to keep taxes and fees on businesses modest, and to promote local industrial development through loans and other services to local enterprises, most of the factory owners whom we interviewed in Xiqiao consider the local governments as, essentially, of very limited and
tangential importance to the success of their businesses. They obtain their inputs entirely on the market, and themselves must scramble to sell their textiles in a highly competitive national market. They hire their own workforce off the street and, despite the local officials' programs to help secure bank loans for them, very largely raise their own capital through reinvestment of profits, borrowings from relatives and friends, and direct bank loans. Interviewees indicated that they feel little need to wine and dine officials, or to ply the local officials with gifts to secure their patronage, or feel it to be of any particular advantage to subordinate themselves to the officialdom in other ways in order to survive and prosper in their businesses. In all of this, the textile-factory owners of Xiqiao appear to act quite differently from the medium-sized businesspeople who have been studied in a number of other locales in China, both urban and rural. The private sector in Xiqiao has expanded to the point where it has its own gravitas and carries its own weight socially and (albeit passively) politically.

In these circumstances, despite the village governments' efforts to be of assistance to local business, the officials are viewed by villagers in essentially negative terms. Indeed, interviewees in the villages repeatedly claimed to us that the officials are almost all corrupt. They complained that the village governments' accounts are not transparent and that expenditures by the village governments to support village services are inadequate compared to the presumed revenues. The implication is that the funds are disappearing into the pockets of the officials. The villagers may well be right in their accusations, but local corruption is not as blatant as in other parts of the Chinese countryside that we have visited. Interviewees in Xiqiao find it difficult, when voicing their suspicions to us, to pinpoint specific instances of any corrupt diversion of village funds or any unexplained high living standard among the village officials. Whatever the extent of corruption here may be, it needs to be kept well hidden from a non-complaisant populace.

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

In many parts of China, newly prosperous businesspeople can be seen regularly flaunting their wealth through extravagantly expensive restaurant meals and ostentatious consumerism. It is partly that they feel a need to fete officials, and partly too a nouveau riche mentality, augmented by a feeling, carried over from the 1980s, that it is better to spend one's gains before these get milked.30

Not so in Xiqiao. With continued success dependent upon repeated upgrading of machinery and reinvestment in their enterprises, an ethic of frugality prevails locally. Prosperous businesspeople build decent houses for themselves; and some successful factory owners gratify their egos by setting up young mistresses in second homes. But on the whole, Xiqiao's businesspeople do not squander money on ostentatious living. Compared to what observers have become accustomed to seeing in other parts of China, there are surprisingly few upmarket restaurants in the township.

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

Distrusted nonetheless by many of their fellow villagers, they have been reluctant to convene village-wide meetings. As a woman who owns a factory in Jiancun told us, 'If they call a meeting we'll go to ball them out; but now they won't call meetings any more'. The village officials have been able to govern without villagers' involvement because the Guangdong provincial government was slow to introduce the villager committee elections that have been inaugurated elsewhere in rural China.31 Rather than put village officials to the test of public opinion, bureaucratic solutions have been preferred, and thus the county and township have turned to mechanisms for the direct supervision of village administrations from above. In 1995, for instance, using a Mao-era technique, the county government dispatched cadre work teams into each of the villages to investigate the village administrations and to remove errant village officials by way of "guided elections" that were
This top-down system is scheduled to change soon -- in mid-1997 Guangdong announced that the Administrative District structure for village governments will be scrapped and that elected villager committees will gradually be established.\textsuperscript{33} The repercussions, in an area such as Xiqiao with such a large constituency of independent businesspeople, could be significant. The weight of their opinion, which already influences the village officials' operations, seems bound to grow.

**THE FORMER PRODUCTION TEAMS AND THE INSTITUTION OF A NEW VILLAGE-WIDE "SHAREHOLDING SYSTEM"

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

Under Mao, the production teams had arguably been the most important level of organization so far as farmers were concerned. Each team, comprising a village neighbourhood, owned a share of the village's agricultural land, and the member households of a team planted these fields together and shared in the harvest yields. In the early 1980s, after the fields had all been distributed to individual households to farm independently, the teams largely lost their original purpose and functions. But they continued to exist as legal entities. Retitled as 'economic cooperatives' (jingji hezuoshe) in the early 1980s, they continued to own their original share of the agricultural land. During the 1980s and early 1990s, when land was rented out for fish ponds or factory sites or agri-business,\textsuperscript{34} these so-called economic cooperatives divided the proceeds among their members each year. In short, a sharp distinction had been maintained between the assets owned by the former brigade (the village government), whose revenues go into improving village services, and the landed assets of the former production team level (the 'economic cooperatives'), which largely have been distributed as revenue among its constituent households.\textsuperscript{35}

But this latter system had begun to run into problems in Nanhai county due to industrialization. Land-use planning had been introduced, and each village has been required by the government to zone specific large blocks of agricultural land for industrial purposes. An 'economic cooperative' whose land happened to lie in the village's zone for industrial use
could now reap high revenues by renting out factory sites, while an 'economic cooperative' whose land lay in a zone designated for agriculture lost out. Tensions between them were mounting over this. The township government finally decreed in 1994 that all of the land of each village would be combined into a single village-wide cooperative that would entirely absorb the separate remaining assets of the former production teams.

The township government's decision coincided in time with, and was implemented in combination with, a set of directives from the Nanhai county government in 1993-94, ordering that a "village cooperative shareholding system" (nongcun gufen hezuozhi) be instituted. Under this, the system of 'economic cooperatives' would be reconstituted so that each resident would receive stock-shares and annual dividends from the land rentals. Notably, this same title -- 'cooperative shareholding system' -- is being employed by the central government today for the conversion of China's small and medium-sized state-owned enterprises into independent corporations. At first blush, thus, the new terminology suggests that the former production teams' assets are being 'corporatized' and that the stock-shares that have been handed out to each individual villager represent a form of privatization.

But this is not at all what has occurred. Instead, as shall be seen below, the values and cohesion of the village community as a social collectivity are being reasserted in a new and more egalitarian shape than before. At the same time that the assets of all of the 'economic cooperatives' were combined into a single village-wide "village cooperative shareholding system", each village in Xiqiao was given leeway to decide who is eligible to receive how many shares. The effect, interestingly, has been very similar to what membership in the village brigade and production teams used to entail in the Maoist collective era -- with a twist that is in line with traditional Confucian principles of respect for age.

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

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

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

With the annual dividends, it is now better in Xiqiao to be registered as a village resident (hukou) than to hold an urban or market-town residence certificate, and the villages guard their official residence status jealously. The investor from Heilongjiang who poured Y4 million into a textile factory in Jiancun was allowed to build a large house there and to bring his family to live in the village permanently, but the village has barred him from purchasing a village hukou even for a large sum of money.

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

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

THE TOWNSHIP GOVERNMENT -- DEVELOPMENTAL OR INEFFECTIVE?

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

PUSHING PRIVATE INDUSTRIALIZATION

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

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

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

The township officials are not readily deterred from their effort to lend a hand to promoting improved technologies. Worried that Xiqiao might lose its standing in the national textile market, they keep a watchful eye on the major centres elsewhere in China that produce chemical-fibre cloth. In 1995 a group of township officials led by the township head took an investigative trip to the textile centres in Zhejiang, Xiqiao's major competitors, and returned with warnings that these were gaining on Xiqiao. Anxious for Xiqiao to strengthen its competitive edge, the township authorities decided to subsidize purchases by Xiqiao factory owners of a new generation of looms that cost some ¥120,000 apiece. The Xiqiao government now provides a low-interest soft loan of ¥20,000 for each new machine. In this and other programs to provide support to the private sector, the township administration (similar to the village governments) generally favours the more prosperous, larger entrepreneurs, feeling that they have the best chance of expanding local production against outside competition.

Two of the avenues through which the township reaches out to the most successful local businesspeople are the Nanhai Textile Chamber of Commerce (Nanhaishi fangzhi tongye shanghui), which the county government helped to initiate in late 1995 and whose headquarters lies in Xiqiao, and the Xiqiao branch of the Non-Governmental Entrepreneurs Civic Association (Minjian qiyejia gonghui), which the township government helped establish in 1994. Both were provided with free offices by the township government. These are elite associations, with membership limited to a few dozen of the most prosperous businesspeople. The status and independent wealth of the members is reflected in the fact that gradually the two associations, albeit founded by the authorities, are becoming vehicles for the expression of this constituency's views and interests.

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

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

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

**TOWNSHIP POLICY TOWARD THE MIGRANT WORKFORCE**
The township government also sees itself as firmly behind local interests vis à vis the 70,000 temporary migrant workers from poorer parts of China who have flooded into Xiqiao. These migrants today comprise about half of the township's total workforce, predominantly as manual labourers. Practically every one of the women who tend the textile looms, for example, and the great bulk of the men working at local construction sites are migrants, as are 70 percent of the workforce in the collective tile factories.

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

The township authorities also turn a blind eye to the fact that most of Xiqiao's factories retain the first several weeks of a worker's wages as a "deposit" (yajin). Any worker who quits within less than a year sacrifices the full amount. This so-called deposit obliges workers who are unhappy with an employer to remain there, sometimes under onerous conditions. Bonding labour in this way is against national labour laws. Yet in most of south China it is commonplace. In Xiqiao, a woman worker who resigned from her job and thereby lost the "deposit" lodged a complaint with the labour bureau, but the head of the bureau explained to us that he had sided with the owner because the owner was the one who paid labour management fees to the bureau and other local taxes, not her. Whatever the national statutes, the township government looks after its own clientele.

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

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

THE TOWNSHIP GOVERNMENT'S OWN BRAND OF ENTREPRENEURSHIP

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

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

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

An artificial lake was engineered half way up the mountain, linked to the lowlands by an aerial tramway. In the centre of the lake an elaborate water screen devised from a row of high-jet fountains, using special equipment imported from France, was installed to project a 3-D documentary extolling Xiqiao. The state-of-the-art equipment has cost some Y13 million, yet few visitors bother to attend the showings. Elsewhere on the mountain, vast elaborate gardens were planted for tourists to wander through. At a vista near the peak, an
extraordinary many-stories-high bronze statue of the goddess Guan Yin has been erected -- indubitably one of the largest metal statues in the world. At the base of the mountain, an equally huge concrete statue has been constructed of the redoubtable Wang Daxian, a Taoist sage of Guangdong legend who enjoys the status of a popular god. How all of this construction work is to translate into township-government earnings is not entirely clear, as even one of the officials in charge of the investment concedes. It is doubtful that the vast sums of money that have been lavished to convert the mountain into a tourist showpiece will ever be recouped. The project bears the earmarks of political leaders who are not accountable for their expenditures. The glory of a high-profile accomplishment seems more important to the project's creators than does the project's bottom line.

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

They can point in particular to another township government project that they consider wastefully expensive -- and at their own expense. The township administration has borrowed large sums to erect a new wholesaling district just outside town for the Xiqiao
textile industry. The new district consists of many hundreds of adjoining three-story buildings, all alike, each containing a wholesale outlet downstairs and offices upstairs. Until the latter part of 1997, the private factories had rented small, run-down, relatively cheap shop-fronts along the downtown streets, alleyways and courtyards. Factory owners spent much of their time there negotiating and chatting with purchasing agents and wholesalers from throughout China. The old town contained 800 of these shop-front factory outlets, some of which exhibited bolts of cloth from a single enterprise, and some the merchandise of two or three small factories that shared shop-front premises to save money. The scene was too backward and untidy for the taste of the township authorities. As the new wholesaling district neared completion, they issued a regulation in the name of urban planning that required the factories to close down their downtown sales outlets. Factory owners complain that to purchase or rent space in the new wholesale district adds to their business expenses while making no difference to their volume of sales. To them, the project looks like just another drain on local resources, from which only the township government will profit.

CONCLUSIONS

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

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

A second, equally important factor to take into consideration when addressing China's rural political scene is that the circumstances in different districts differ very considerably. For instance, whereas the behaviour of village cadres in Xiqiao is tacitly constrained by public opinion, many other rural districts may differ in this respect. Where village officials hold the great bulk of the village-level industry in their own hands in the form of collective enterprises, as in the villages that Jean Oi and others have studied, the officials have the wherewithal to dominate village life and opinion. Similarly, village cadres in the districts where foreign-financed factories predominate are able to control the rents from the factory sites. These rents are a major source of residents' incomes, and through this the officials there also hold a strong hand in their communities. In both of these latter types of villages, an important mechanism of control centres on the patronage the officials are able to dispense, through which they are able to establish local political machines based upon concentric circles of patron-client dependency. This is especially the case in the villages with a large degree of collective industry, where access to jobs as well as funds lies at the discretion of the local cadres. In contrast, much of the populace in Xiqiao, including the bulk of the most influential residents, are financially and occupationally independent of the local government, so patronage mechanisms there are correspondingly weak. This comparison between different types of rural districts is summarized in Table 1, below.

In all these three types of locales -- those where private industry, collective industry, and foreign-financed industry predominate -- local officials have sought to provide improved public services such as schooling, old people's homes, etc. In all three types of areas, officials feel an obvious need to serve as public benefactors in order to bolster residents' support for the local administration. Here a stark contrast exists with impoverished villages (also listed in Table 1) that possess little revenue from industry or other sources. The officials there do not have the material means to serve either as patrons or as community benefactors. The Chinese government has referred to some of these as "paralyzed villages", containing "cadres with low spirit and energy who do not put their hearts into village work". While village cadres retreat from their duties and village services decline, the township and county officials in such districts are apt to resort to coercive methods to extract taxes and fees from a hard-
pressed peasantry. They take on the attributes of a predatory state.\textsuperscript{53}

TABLE 1

Rural Communities by Predominance of Enterprise Ownership Types

<table>
<thead>
<tr>
<th>Societal pressure on officials</th>
<th>Private Industry</th>
<th>Collectives</th>
<th>Foreign Industry</th>
<th>No Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>High in villages, less so at township</td>
<td>Low</td>
<td>Low</td>
<td>Medium in villages, higher levels sometimes predatory</td>
<td></td>
</tr>
</tbody>
</table>

| Local government control of patronage | | | |
| Limited | High | Medium | Low |

| Welfare services | Yes | Yes | Yes | Barely |

| “Developmental” | High (Lianxin) | High | Medium | Low |
| Mediaum (Jiancun) | | | | |

In sharp contrast, the village governments in Xiqiao are "developmental", seeking actively to expand the local productive base rather than passively neglect their functions or rapaciously milk the local economy. As seen, they become facilitators for private business in the process, seeking to provide improved infrastructure and low tax regimes for the private sector. But our focus on two villages in Xiqiao -- Lianxin and Jiancun -- reveals two very different "developmental" strategies at work. In Lianxin, as has been observed, in addition to fostering private industry the village officials have greatly expanded the village-owned industrial sector by way of heavy investments in tile manufacture. The Lianxin officials are acting as risk-taking public entrepreneurs in a fashion similar to the rural areas that Jean Oi and others have studied, where collectively-owned industry has flourished. Jiancun meanwhile has eschewed that route, its officials preferring instead simply to provide an infrastructure that is attractive to industry in order to gain the bulk of its revenues through rentals and fees. In this regard, the Jiancun government have fallen back on a more passive "developmental" strategy similar to what prevails in the counties adjoining Hong Kong, where village administrations actively seek to be land developers and rentiers rather than engage in industry directly.
Notably, though, the officials in both Lianxin and Jiancun, as seen above, are akin in one signally important respect: they similarly seek to nurture local private industry. This goes against the assumptions shared by most observers of the Chinese scene -- that local officials (i) give priority and advantages to publicly owned industry over private industry and (ii) insist on relationships in which private entrepreneurs are subordinate and dependent on them. In other local areas in China, researchers perceive efforts by the local bureaucracy to corral and control private entrepreneurs and they observe the efforts that private businesspeople make, in response, to do favours and cement personal bonds with the local officialdom.\textsuperscript{54} Xiqiao village governments, Lianxin and Jiancun alike, point to a very different scenario, one that very likely is already becoming increasingly widespread in China as the numerical weight of private proprietors increases. It is a scene in which, as in Xiqiao, local governments that seek faster local development actively encourage private industry\textsuperscript{55} -- and where, in turn, an independent constituency of local businesspeople begins to tilt the balance in its own favour in terms of influence at the village level. In the years to come, this is bound to have very substantial ramifications on local Chinese politics and society.
This research project was funded by the Asia Research Centre at Murdoch University and by the Australian National University. Our deepest thanks also go to Eva Hung and Lam Tao-chiu, two PhD students at the Australian National University, who joined us in the fieldwork.


5 These districts include the former Bao'an county and Dongguan and Huizhou counties.


7 This and similar villages are discussed in Jonathan Unger and Jean Xiong, "Life in the Chinese Hinterlands under the Rural Economic Reforms", *Bulletin of Concerned Asian Scholars*, vol. 22, no. 2 (April 1990), esp. pp. 13-14.


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


For an explanation of why Xiqiao township has been able to concentrate so successfully in textile production, to the point that it has gained a leading position in the domestic Chinese market for chemical-fibre textiles, see Jonathan Unger,"The Rise of Private Business in a Rural Chinese District: The Emerging Characteristics of Entrepreneurship in the PRC", Asian Research Centre Working Paper No. 90 (Perth: Murdoch University, 1998).

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

To encourage the development of collective enterprises the national government had decreed during the Eighties that new collective enterprises would be granted tax concessions: no taxes the first year, at only half the normal rate the second year, and at a reduced rate the third.


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

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

When the countryside was de-collectivized in the 1980s, the title of this level of administration was changed in Guangdong from dadui (brigade) to guanli qu, but to clarify matters, this paper will consistently refer to the guanli qu as villages, as that is what they are.

The differences in the operations of family-owned and partnership firms are discussed in Number 90 of this Working Paper series.

Between 1986 and the end of 1996, according to mimeographed village documents, the value of production in the private enterprises leaped by 3,374 percent.

This type of decision not to compete head-on with the private sector is commonplace throughout Nanhai County. A book on Nanhai's rural industrialization is clear on this point. See Wang Ying, Xin jiti zhuyi: xiangcun shehui de zai zuzhi (The New Collectivism: Rural Society's Re-organization), (Beijing: Jingji Guanli Chubanshe, 1996), p.33.

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

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

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

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

26 Zhongguo nongcun jingji nianjian 1997 (1997 Rural Statistical Yearbook of China), pp. 51, 280. The yearbook does not directly list the average rural household income, so this figure was derived from the yearbook's separate listings of the average per capita rural income and the average rural household size.

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


30 This consumerism was true even of the district in China best known for private enterprise, Wenzhou prefecture in Zhejiang province. Businesspeople in Wenzhou apparently felt less secure than in Xiqiao that they could retain reinvested private assets over the long term: "Another response to potential risks posed by doing private business within a state socialist context is reflected in a decision on the part of many peasant entrepreneurs to engage in a high level of consumption rather than reinvestment in and expansion of the enterprise. Wenzhou became known in the late 1970s and 1980s as a region where people spent their money extravagantly not only on housing and clothing but also on weddings, funerals

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


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

In this particular rural township, seventy-five percent of the land rent gets distributed to the villagers. The village governments, which take responsibility for collecting the rents, retain the other twenty-five percent.

The two relevant directives were republished in Nanhaishi nongcun gaige shiyuancu bangongshi (Nanhai County Office for Village Reform Experimental Districts), Nanhaishi nongcun tudi gufen hezuozi lunwen ji (Collected Treatises on Nanhai's Village Land Shareholding Cooperative System) (Nanhai: no publisher listed, 1995), pp.334-45.

At another village in Xiqiao, we were told that the village leadership had decided that each child between the ages of 1-7 holds one share; two shares between the ages of 7-12; 2.5 shares for ages 12-20; up to four shares for each village member over 40.

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

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

Wang Ying, Xin jiti zhuyi..., p.99. This is a book on the rural scene in Nanhai county.

For information on its founding see Foshan ribao (Foshan Daily), 10 December 1995.

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

43 The total native population of Xiqiao amounts to 135,000, and about half of them are children or retired elderly or for other reasons not part of the local workforce.


45 On this see Anita Chan, "Globalization, China's 'Free' (Read Bonded) Labour Market, and the Chinese Trade Union", Asia-Pacific Business Review. Vol? Date?

46 Employers pay an annual labour management fee of ¥48 to the township's labor bureau for each migrant worker (none is required for local workers).

47 On local attitudes and police treatment toward the migrants in those districts, see Anita Chan, Richard Madsen, and Jonathan Unger, Chen Village Under Mao and Deng, pp.300-308.

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

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

50 Jean Oi, "The Role of the Local State in China's Transitional Economy", p.1138. In a parallel vein, a large number of authors have written about the publicly-owned TVEs (township and village enterprises) as if this is a single category of enterprise, as if the question of what level of local government owns and administers an enterprise is of no account. All such writings ignore the different financial constraints, the different types of officials overseeing their operations, and the different constituencies and influences faced respectively by township and village governments.

51 On this, see the sources cited in footnotes 1 through 3.


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

54 Both urban and rural studies portray these efforts and the corresponding efforts of private businesspeople to ingratiate themselves with officials, sometimes to the point of volunteering for

Jean Oi, who conducted research in the 1980s in a Shandong county where collectively-owned rural industry received an overwhelming priority in what she dubbed "local state corporatism", returned to her research site during the 1990s to discover a shift in precisely the direction we describe. She observes that "by the end of the decade it was no longer economically advantageous to rely exclusively on collectively owned township and village enterprise" and she notes that "By the early 1990s, private firms became a new target of local plans, and the sector began to receive the kind of preferential treatment earlier reserved for public firms." Jean Oi, "The Evolution of Local State Corporatism", in Andrew Walder (ed.), *Zouping in Transition: The Process of Reform in Rural North China* (Cambridge: Harvard University Press, 1998), p. 36.