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ARTICLE

A NON-EXHAUSTIVE OVERVIEW OF VARIOUS ASPECTS OF POWER AND POWER DYNAMICS FROM A CHINESE PERSPECTIVE: GOVERNMENTAL POWER, PRIVATE POWER, AND PERSONAL POWER

ASEN VELINOV*

Abstract: There are various aspects to China's power both in the international system and within China itself. This article touches upon some traditional and currently applicable concepts; potential explanations, processes, and developments relating to the interplay between private and governmental power; and some of the implications for China's stakeholders and China-focused entrepreneurs.

I. INTRODUCTION

China is an environment like no other for studying the complex relationship between centralized and private power. Namely, China's history provides the following illustrations: (1) over five millennia of history where China helped bring about global changes while remaining relatively closed off; (2) about two centuries of intense interactions with the outside world that catalyzed various social and power-dynamic processes both within the country and internationally; (3) decades of being closed off in the middle of the twentieth century; (4) the unprecedented opening-up of the late 1970s and the decades of economic growth and social change since; and (5) during the last decade, unprecedented regulatory changes, a turn toward firmer rhetoric in global affairs, and an inward turn—all in the context of increasing global interconnectedness and a decreasing prevalence of earlier ideas of globalization.¹

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1. See History.com Editors, *China: Timeline*, HISTORY.COM (Mar. 22, 2019), <https://www.history.com/topics/china/china-timeline>; Nectar Gan, *Xi's China Is Closing to the World*.

Key factors that will affect the international system for the foreseeable future are technologies and AI,² climate change and sustainability,³ and China.⁴ It is important to understand China to a workable degree, but in a fragmented world, the prerequisites for misunderstandings and mistrust are more present than ever.

Modern day China presents a very complex system for business, deal making, and entrepreneurship. When an international element is added, with the inevitable political and diplomatic complications that are part of a world system that is both more fragmented and more interconnected than ever, at least some understanding is necessary. The caveat is that full understanding of some processes and events might not be possible, especially as the decision-making processes of the central government might still be in the proverbial decision-making black box.⁵

Historically, China prides itself in five-thousand years of civilization. History and culture—and some principles of management, governance, and business—are still influenced by long-established value systems, such as Confucianism. Using cultural and historical factors to directly explain current events is often difficult, and it is hard to account for all factors. However, there is a traditional principle that merits mention: 外事无小事—waishi wu xiaoshi—or “[t]here are no small matters in foreign affairs.”⁶ Traditionally, this was expressed with caution in international matters, but in more recent years, it has also led to a lack of tolerance for criticism and conceivably negative commentary—by both monitoring online⁷ and media content⁸ and reacting immediately to perceived negativism—and the con-

And It Isn't Just about Borders, CNN (Nov. 15, 2021, 8:02 PM), <https://www.cnn.com/2021/11/14/china/china-border-closure-inward-turn-dst-intl-hnk/index.html>.

2. See, e.g., Josephine Wolff, *How Is Technology Changing the World, and How Should the World Change Technology?*, 2 GLOB. PERSPS. (2021), <https://online.ucpress.edu/gp/article/2/1/27353/118411/How-Is-Technology-Changing-the-World-and-How>.

3. See, e.g., Kathryn Tso, *What Is “Sustainability”? Is It the Same Thing as Taking Action on Climate Change?*, MIT CLIMATE PORTAL (Mar. 30, 2021), <https://climate.mit.edu/ask-mit/what-sustainability-it-same-thing-taking-action-climate-change>.

4. See, e.g., Bruce Jones & Andrew Yeo, *China and the Challenge to Global Order*, BROOKINGS INST. (Nov. 2022), <https://www.brookings.edu/research/china-and-the-challenge-to-global-order/>.

5. See *Understanding the Black Box of Chinese Politics*, ASIA SOC'Y, <https://asiasociety.org/policy-institute/decoding-chinas-20th-party-congress/introduction-black-box-chinese-policy> (last visited Jan. 10, 2023).

6. John Feng, *Xi Jinping Ties China's Fate to Vladimir Putin's Russia for Good*, NEWSWEEK (Oct. 6, 2022, 8:37 AM), <https://www.newsweek.com/china-xi-jinping-russia-vladimir-putin-no-limits-ukraine-war-west-andrew-small-german-marshall-fund-1749332>.

7. *China Speeds Ups Building of a Cybersecurity Safeguard System in the Face of New Threats: Report Shows*, GLOB. TIMES (Sept. 27, 2021, 12:40 AM), <https://www.globaltimes.cn/page/202109/1235167.shtml>.

8. Beina Xu & Eleanor Albert, *Media Censorship in China*, COUNCIL ON FOREIGN RELS. (Feb. 17, 2017, 7:00 AM), <https://www.cfr.org/backgrounder/media-censorship-china>.

cept of “wolf warrior diplomacy.”⁹ This tendency to be overly sensitive is hard to reconcile with some other initiatives that aim to promote connectivity through various China-led initiatives. For example, the Belt and Road Initiative, announced by President Xi in 2013, aims to become a global connector for infrastructure, investment, trade, and other people-to-people exchanges, as well as to create a global community of common destiny.¹⁰

Understanding China and its power complexities presents many challenges. The country has a government system that has the luxury of long-term planning and gradual reforms, as well as the ability to test the waters within special pilot projects, areas, and zones. Yet detailed decision-making information is rarely made available, and there are sometimes unexpected—even shocking to some stakeholders—policy change announcements. Subscription to “long termism” however has its weaknesses. The result is often unwillingness to timely correct course under outside pressure and suggestions—or when domestic outcomes are not optimal—even if that would be beneficial. The 2022 COVID-related measures and lockdowns in Shanghai and other cities around China in accordance with the central zero-COVID policy can be given as an example. The harsh measures were only gradually relaxed and alternative approaches that would put into question the viability of the central policy were not openly discussed in the public sphere until the measurements were abandoned in their entirety in December 2022.¹¹ State-controlled media insisted that the policy was a success, and western criticisms of the policy are an example of how “China cannot win: it is damned, whatever it does.”¹²

There are also various cultural, political, and people related aspects that further make understanding China comprehensively difficult. These also create further blind spots, which in turn makes it even harder to make relevant business decisions. When it comes to China, business indeed matters. Despite a complicated international situation and fraught bilateral relations, as well as sharp rhetoric in recent years, China is the top trading partner of many countries, one of the top destinations and sources of Foreign Direct Investment (FDI), and, in the pre-pandemic years, the top

9. See Interview by Joanna Nawrotkiewicz with Peter Martin, *Understanding Chinese “Wolf Warrior Diplomacy”*, NAT’L BUREAU OF ASIAN RSCH. (Oct. 22, 2021), <https://www.nbr.org/publication/understanding-chinese-wolf-warrior-diplomacy/>.

10. See Zeng Lingliang, *Conceptual Analysis of China’s Belt and Road Initiative: A Road Towards a Regional Community of Common Destiny*, 15 CHINESE J. INT’L L. 517, 532–39 (2016), <https://doi.org/10.1093/chinesejil/jmw021>.

11. Carmen Paun, Ruth Reader & Ben Leonard, *Why China Was Unprepared to End “Zero-Covid”*, POLITICO (Dec. 23, 2022, 2:00 PM), <https://www.politico.com/newsletters/future-pulse/2022/12/23/why-china-was-unprepared-to-end-zero-covid-00075424>.

12. Mark Blacklock, *By Criticizing China’s COVID Policies, West Is Getting Its Retaliation in First*, GLOB. TIMES (Dec. 28, 2022, 11:54 PM), <https://www.globaltimes.cn/page/202212/1282887.shtml>.

source of international tourists¹³ and international students,¹⁴ as well as one of the most popular education¹⁵ and tourism¹⁶ destinations itself.

A. *Brief Historical and Cultural Overview*

When discussing historical and cultural influences, some oversimplifications and clichés are inevitable. While they could be useful for framing some issues and motivating discussions, such oversimplifications and clichés could also contribute to the blind spots and false boundaries that make mutual understanding harder. Politically, diplomatically, and rhetorically desired, deliberate “misunderstandings” that serve a purpose are a given. They are not slip-ups and often achieve some beneficial domestic outcomes or international leverage objectives. Many, however, are not desirable. Many misunderstandings create issues that could be easily avoided by setting up mechanisms to address cultural and business blind spots. This would be best achieved by creating teams featuring members with diverse cultural backgrounds, a relative weakness of many Chinese enterprises and actors on the international stage. In turn, businesses, organizations, and other China-focused, non-Chinese stakeholders should also aim to create diverse teams with cultural awareness and understanding of the complexities of modern-day Chinese business realities, risks, and opportunities.

By virtue of its millennial history, China has deeply rooted beliefs, traditions, and social structures. Some of them have lasting impacts and affect worldviews and decision making today. A couple interesting concepts and proverbs that exemplify long-lasting principles and some of their modern contexts include the Mandate of Heaven; the concept of “letting some people get rich first”; the campaign for common prosperity; the saying that “heaven is high, and the emperor is far away”; and the anti-corruption campaign.

At the core of power in ancient China was the Mandate of Heaven, an ancient concept first mentioned during the Zhou Dynasty (1046–256

13. Agne Blazyte, *Number of Outbound Visitor Departures From China 2010 to 2020 With an Estimate for 2021*, STATISTA (Apr. 6, 2022), <https://www.statista.com/statistics/1068495/china-number-of-outbound-tourist-number/>; Daniel J. Voellm & Anchi Liu, *China Outbound Travel Demand Towards 2030*, HOSP. NET (Nov. 24, 2021), <https://www.hospitalitynet.org/opinion/4107718.html>.

14. C. Textor, *Number of Students From China Going Abroad for Study From 2010 to 2020*, STATISTA (Aug. 10, 2022), <https://www.statista.com/statistics/227240/number-of-chinese-students-that-study-abroad/>.

15. Fayyaz Hussain Qureshi & Sarwar Khawaja, *Is COVID-19 Transitioning Cash Cows International Students Into Cats?*, 8 EUR. J. EDUC. STUD. 204 (2021), https://www.researchgate.net/figure/The-top-ten-destinations-for-international-students-2019-and-2020_tb11_352919795.

16. *Most Visited Countries 2023*, WORLD POPULATION REV., <https://worldpopulationreview.com/country-rankings/most-visited-countries>.

BCE).¹⁷ The Mandate determines whether an emperor of China is sufficiently virtuous to rule. It is an interesting idea, rather circular—that what is possible is right—i.e., an emperor has power because he has power.¹⁸ When the emperor faced significant difficulties, such as a war or natural disaster, the Mandate was revoked. As such, the Mandate was used to justify overthrowing emperors and dynasties if they were not meeting their end of the bargain, which amounted to peace and prosperity for the people.¹⁹

While the Mandate of Heaven may sound abstract and ancient, there are some parallels in modern day China. For example, the ruling party's power is legitimized by its successes in improving living standards for its people, not by being elected by them. The Chinese Communist Party (CCP) celebrated its hundredth anniversary in 2021 while the People's Republic of China turns seventy-three in 2022.²⁰ The CCP has over ninety-six million members, making it the second-largest political party in the world.²¹ Its legitimacy also has its foundations in ensuring peace, stability, and prosperity for the population, which has meant alleviating poverty, ensuring continued economic growth, and improving quality of life continuously.²²

According to ancient Chinese societal structure, merchants, and traders were one of the lowest classes.²³ Because of their activities, they could often amass more wealth than farmers or craftsmen but were still considered societally “lower” than the other two groups, as they did not produce anything of “worth.”²⁴ However, in the decades since the opening up, Deng Xiaoping made statements that for everyone to get rich, “let some people get rich first,” framing a principle that is still valid.²⁵ With governmental permission and under governmental policies, some people were allowed to

17. See Mark Cartwright, *Mandate of Heaven*, WORLD HIST. ENCYC. (July 25, 2017), https://www.worldhistory.org/Mandate_of_Heaven/.

18. See *id.*

19. See *id.*

20. See *The Communist Party of China (CPC, CCP)*, CHINA TODAY, <http://www.chinatoday.com/org/cpc/> (last visited Jan. 10, 2023); see also *BJP Inducts 7 Crore New Members, Creates Membership Drive Record*, INDIA TODAY (Aug. 30, 2019, 12:17 AM), <https://www.indiatoday.in/india/story/bjp-inducts-7-crore-new-members-creates-membership-drive-record-1593164-2019-08-29>.

21. See *id.*

22. Dan Harsha, *Taking China's Pulse*, HARV. GAZETTE (July 9, 2020), <https://news.harvard.edu/gazette/story/2020/07/long-term-survey-reveals-chinese-government-satisfaction/>; Xi Jinping, *Full Text of the Report to the 20th National Congress of the Communist Party of China*, EMBASSY OF THE PEOPLE'S REPUBLIC OF CHINA IN MALAY. (Oct. 26, 2022, 6:30 PM), http://my.china-embassy.gov.cn/eng/zgxw/202210/t20221026_10792358.htm; See Yun-han Chu, *Sources of Regime Legitimacy and the Debate Over the Chinese Model*, 13 CHINA REV., no. 1, 2013, at 1 <https://www.jstor.org/stable/23462227>.

23. *Ancient China: Social Classes*, NORWOOD SECONDARY COLL. (Feb. 21, 2023, 3:01 PM), <https://library.norwood.vic.edu.au/c.php?g=946985&p=6861122>.

24. See *id.*

25. See Bao Tong, Opinion, *How Deng Xiaoping Helped Create a Corrupt China*, N.Y. TIMES (June 3, 2015), <https://www.nytimes.com/2015/06/04/opinion/bao-tong-how-deng-xiaoping-helped-create-a-corrupt-china.html>.

accumulate personal wealth in order to meet governmental objectives for the country.²⁶

In many ways, mere wealth does not equal power and influence, even in modern Chinese society. The recent campaign aiming for “common prosperity” has reminded many of that fact.²⁷ While relatively vague, the campaign has likely played a role over the past few years in reminding some people, considered powerful because of their personal wealth, public profile, and business success, of the vast difference between their power and that of the government. The campaign reminded these people that it was the government that started the policies that allowed these individuals to accumulate wealth and develop their businesses.

Another proverb that illustrates the anti-corruption aspects of Chinese society is “heaven is high, and the emperor is far away.” This concept is self-explanatory and quite valid for a territory as big as China’s. Local governments, especially in less developed areas of the country, are understood to have engaged in corrupt practices more often than in the developed coastal areas. The anti-corruption campaign under Xi Jinping dealt with that concept and brought the previously far-off, vague control to places all over the country.²⁸ The anti-corruption campaign also shows that the central government acknowledges that there were undesired influences at various levels that had to be remedied.²⁹ Further, central power has been consolidated in the past decade, with actions such as adding Xi Jinping’s landmark Belt and Road Initiative to the Constitution and removing term limits for the leader.³⁰

China’s global importance in history cannot be overstated. China was instrumental in shaping the global system in multiple ways, and there are numerous examples spread across millennia of hard, sharp, and soft power, and its technological innovations. One of the traditional examples has to do with the Four Great Inventions of China: papermaking, book printing, gun-

26. *See id.*

27. Alexander Chipman Koty, *How to Understand China’s Common Prosperity Policy*, CHINA BRIEFING (Mar. 21, 2022), <https://www.china-briefing.com/news/china-common-prosperity-what-does-it-mean-for-foreign-investors/>.

28. Rahul Karan Reddy, *China’s Anti-Corruption Campaign: Tigers, Flies, and Everything in Between*, DIPLOMAT (May 12, 2022), <https://thediplomat.com/2022/05/chinas-anti-corruption-campaign-tigers-flies-and-everything-in-between/>.

29. Yang Sheng & Yu Xi, *Xi Stresses Need to Promote Rigorous Party Self-Governance; ‘System Construction’ Key to Long-Term Anti-Corruption Campaign*, GLOB. TIMES (Jan. 9, 2023, 8:18 PM), <https://www.globaltimes.cn/page/202301/1283484.shtml>; Emily Feng, *How China’s Massive Corruption Crackdown Snares Entrepreneurs Across the Country*, NPR (Mar. 4, 2021, 12:53 PM), <https://www.npr.org/2021/03/04/947943087/how-chinas-massive-corruption-crackdown-snares-entrepreneurs-across-the-country>.

30. *See, e.g., Amendment to the Constitution of the People’s Republic of China*, THE NAT’L PEOPLE’S CONG. OF THE PEOPLE’S REPUBLIC OF CHINA (Nov. 21, 2019), <http://www.npc.gov.cn/englishnpc/constitution2019/201911/36a2566d029c4b39966bd942f82a4305.shtml> (emphasis added).

powder, and the compass. British philosopher Francis Bacon recognized their significance:

Printing [including papermaking and book printing], gunpowder and the compass: These three have changed the whole face and state of things throughout the world; the first in literature, the second in warfare, the third in navigation; whence have followed innumerable changes, in so much that no empire, no sect, no star seems to have exerted greater power and influence on human affairs than these mechanical discoveries.³¹

How Europe received these inventions is unclear, but it is undisputed that they were known and used in Chinese society for hundreds of years before they arrived in the Western world.³² However, Europe used the inventions to make various advancements, such as the discovering of the Americas (using the compass and its influence on navigation), the proliferation of knowledge (using papermaking and book printing), and the increased firepower utilized in numerous wars (using gunpowder).³³ Notably, the impact of China's Four Great Inventions in China itself was different. For example, while Chinese seafarers visited far-off lands, they did not establish a presence there.³⁴

In sum, the modern world was shaped not by the development and subsequent dominance of Europe, but by the growing interaction between parts of the world that hadn't previously interacted on such a scale, which created access to new resources, markets, and food that could support a population boom.³⁵ In many ways, China sees its recent successes, growth, and development as a national rejuvenation and a return to a rightful place. Indeed, China does want to play a role proportionate to its size, but only when it is convenient and beneficial for China to do so, and not when it might be detrimental to any of its immediate interests.

II. GOVERNMENTAL POWER

In China, governmental power is synonymous with the Chinese Communist Party (CCP)³⁶—a party with ninety-six million members that cele-

31. Matthew A. McIntosh, *A History of Science and Technology in China*, BREWMINATE (Dec. 1, 2019), <https://brewminate.com/a-history-of-science-and-technology-in-china/>.

32. *Id.*

33. *See Four Great Inventions of Ancient China*, EMBASSY OF THE PEOPLE'S REPUBLIC OF CHINA IN THE REPUBLIC OF S. AFR. (Dec. 13, 2004, 8:59 AM), http://za.china-embassy.gov.cn/eng/znj/Culture/200412/t20041213_7631027.htm.

34. *Id.*

35. *See, e.g., Chinese Inventions*, ASIA Soc'y, <https://asiasociety.org/education/chinese-inventions> (last visited Mar. 6, 2023).

36. China has many political parties. In addition to the CPC, which has about ninety-six million members, there are eight other parties in China, with members ranging from 3,000 to 330,600. *See* Xingmiu Liao & Wen-Hsuan Tsai, *Clientelistic State Corporatism: The United Front Model of "Pairing-Up" in the Xi Jinping Era*, 19 CHINA REV., no. 1, 2019, at 31, 32, <https://www.jstor.org/stable/26603249>; Eduardo Baptista, *Communist Party Is Not China's Only Politi-*

brated its centenary in 2021,³⁷ the same year the People's Republic of China (PRC) marked its seventy-second birthday.³⁸ The first few decades of CCP and PRC history were under the leadership of Chairman Mao Zedong (the first paramount leader) and Deng Xiaoping (the "architect of modern China").³⁹ The next leaders did not necessarily rise to the same levels. However, the current leader, Xi Jinping, became the first leader whose name was included in the PRC's Constitution since Deng Xiaoping.⁴⁰

The system of China is such that there are multiple positions held by one "core" leader. For example, Xi Jinping has been serving as General Secretary of the CCP and Chairman of the Central Military Commission (CMC) since 2012, and President of the PRC since 2013.⁴¹ It is not, however, a given that one person must hold all of those positions, and different leaders have taken different paths in arriving at their positions.

The PRC's Constitution gives, in direct terms, the framework of centralized power and the governance approach:

We the Chinese people of all ethnic groups will continue, under the leadership of the Communist Party of China and the guidance of Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory, the Theory of Three Represents, the Scientific Outlook on Development and Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, to uphold the people's democratic dictatorship, stay on the socialist road, carry out reform and opening up, steadily improve the socialist institutions, develop the socialist market economy and socialist democracy, improve socialist rule of law, apply the new development philosophy, and work hard in a spirit of self-reliance to modernize step

cal Party – There are Eight Others, S. CHINA MORNING POST (June 11, 2021, 5:00 AM), <https://www.scmp.com/news/china/politics/article/3136835/communist-party-not-chinas-only-political-party-there-are-eight>; see also *Political Parties and Social Organizations*, EMBASSY OF THE PEOPLE'S REPUBLIC OF CHINA IN THE KINGDOM OF THAI (Nov. 15, 2000, 2:16 PM), http://th.china-embassy.gov.cn/eng/ztbd/AboutChina/ChinaBriefing/PoliticalSystem/200011/t20001115_1433233.htm. These parties "have established cooperative relations with the CPC to different extents." *Political Parties and Social Organizations*, *supra* note 36.

37. See Editors of Encyclopaedia Britannica, *Chinese Communist Party*, ENCYC. BRITANNICA (Feb. 28, 2023), <https://www.britannica.com/topic/Chinese-Communist-Party>; Guo Rui, *China's Communist Party Nears 97 Million, with More Younger and Educated Members*, S. CHINA MORNING POST (June 30, 2022, 5:14 PM), <https://www.scmp.com/news/china/politics/article/3183669/chinas-communist-party-grows-near-97-million-its-made-younger>.

38. See, e.g., Denis C. Twitchett et al., *China*, ENCYC. BRITANNICA (Mar. 6, 2023), <https://www.britannica.com/place/China>.

39. See, e.g., *Leaders of the People's Republic of China*, CHINASAGE, <https://www.chinasage.info/leaders.htm> (last visited Mar. 6, 2023); *Deng Xiaoping is Dead at 92; Architect of Modern China*, N.Y. TIMES (Feb. 20, 1997), <https://www.nytimes.com/1997/02/20/world/deng-xiaoping-is-dead-at-92-architect-of-modern-china.html>.

40. See Tom Phillips, *Xi Jinping Becomes Most Powerful Leader Since Mao with China's Change to Constitution*, GUARDIAN (Oct. 24, 2017, 5:06 AM), <https://www.theguardian.com/world/2017/oct/24/xi-jinping-mao-thought-on-socialism-china-constitution>.

41. See Melissa Albert, *Xi Jinping*, ENCYC. BRITANNICA (Mar. 5, 2023), <https://www.britannica.com/biography/Xi-Jinping>.

by step the country's industry, agriculture, national defense, and science and technology and promote coordinated material, political, cultural-ethical, social and ecological advancement, in order to build China into a great modern socialist country that is prosperous, strong, democratic, culturally advanced, harmonious and beautiful, and realize the great rejuvenation of the Chinese nation.⁴²

The addition of Xi Jinping Thought in the Constitution was part of a 2017 amendment. Thus, President Xi has become an “epoch-defining [leader], alongside Mao Zedong and Deng Xiaoping. Mao led China to stand up against oppression; Deng led it to prosperity; and now Mr. Xi is leading it to strength”⁴³

The CPC has a complex structure and various bodies that meet at various intervals, including the National Party Congress, the Central Committee, the Politburo, and the Standing Committee.⁴⁴ Further “downstream,” China administers 33 provincial-level regions, 334 prefecture-level divisions, 2,862 county-level divisions, 41,034 township-level administrations, and 704,382 basic-level autonomies.⁴⁵ Chinese provinces and cities, for example, would have both a governor or mayor, respectively, and a party secretary with the latter being, in most cases, more powerful.⁴⁶ Most companies, universities, and residential compounds also have a party committee.

To summarize, government power overlaps and is practically synonymous with CPC power, which in turn is legitimized by a social contract of sorts. According to this social contract, the government and the CPC provide an increasingly better quality of life to their citizens, and, in recent years, a sharpened sense of national pride. This is, of course, a simplistic representation of the situation, and there are various internal fractions and frictions.

One of China's greatest governmental accomplishments has been elevating from poverty about 800 million people over the last forty years, the last 100 million since President Xi took office.⁴⁷ In fact:

42. *Amendment to the Constitution of the People's Republic of China*, THE NAT'L PEOPLE'S CONG. OF THE PEOPLE'S REPUBLIC OF CHINA (Nov. 21, 2019), <http://www.npc.gov.cn/englishnpc/constitution2019/201911/36a2566d029c4b39966bd942f82a4305.shtml> (emphasis added).

43. Chris Buckley, *China's History Is Revised, to the Glory of Xi Jinping*, N.Y. TIMES (Nov. 16, 2021), <https://www.nytimes.com/2021/11/16/world/asia/china-history-xi-jinping.html>.

44. See Editors of Encyclopaedia Britannica, *supra* note 37.

45. *Understanding China's Political System*, CONG. RSCH. SERV. (Mar. 20, 2013), <https://www.everycrsreport.com/reports/R41007.html>.

46. See, e.g., Weijie Luo & Shikun Qin, *China's Local Political Turnover in the Twenty-First Century*, 26 J. CHINESE POL. SCI. 651 (2021), https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8059685/pdf/11366_2021_Article_9739.pdf.

47. *Lifting 800 Million People Out of Poverty – New Report Looks at Lessons from China's Experience*, WORLD BANK (Apr. 1, 2022), <https://www.worldbank.org/en/news/press-release/2022/04/01/lifting-800-million-people-out-of-poverty-new-report-looks-at-lessons-from-china-s->

In [early] 2021 . . . President Xi Jinping declared that China had eliminated poverty in 2020 Xi called this campaign a “complete victory,” a “miracle for humankind,” and China’s great contribution to the world. Chinese media credited the tremendous success to the leadership of the [CCP], stating that such a success would be impossible without the “institutional advantage” of the Chinese party-state political system.⁴⁸

Despite Chinese official rhetoric being unnatural to Western ears and some criticism of the data, the quality of life for hundreds of millions of Chinese people has dramatically improved within a generation.⁴⁹ Chinese people are increasingly richer and better educated. For example, a record-high 8.3 million college students graduate per year in China, over double the number in the United States.⁵⁰

III. PRIVATE AND PERSONAL POWER

As mentioned above, the commonplace discussion about the interplay of private and governmental power in Western countries is often about the influence of private power and interests on governmental decision-making, action, and policies. The relationship in China is a lot more complicated, but the primary direction of influence is from the government to the private sector.

In 2021, there were 143 Fortune 500 companies in China.⁵¹ Many of those companies are State Owned Enterprises (SOEs). SOEs play a significant role in the economy and are leaders in many key industries, yet private companies are leading in output, jobs, and investment. There are about fifty million SOEs that account for about fifty percent of national tax revenue, sixty percent of China’s GDP, and eighty percent of jobs.⁵² Further, there are 698 billionaires, also up from zero not too long ago.⁵³ Also, a study from Peking University reported that the richest one percent of Chinese

experience; Zhuoran Li, *How Successful Was China’s Poverty Alleviation Drive?*, DIPLOMAT (Sept. 6, 2021), <https://thediplomat.com/2021/09/how-successful-was-chinas-poverty-alleviation-drive/>; see *Xi Jinping’s Poverty Alleviation Campaign*, S. CHINA MORNING POST, <https://www.scmp.com/topics/xi-jinpings-poverty-alleviation-campaign> (last visited Jan. 10, 2023).

48. Li, *supra* note 47.

49. See, e.g., Li, *supra* note 47.

50. Erin Duffin, *Number of Higher Education Degrees Earned in the United States from 1950 to 2031*, STATISTA (July 6, 2022), <https://www.statista.com/statistics/185153/degrees-in-higher-education-earned-in-the-united-states/>; C. Textor, *Number of Graduates from Public Colleges and Universities in China between 2011 and 2021*, STATISTA (Dec. 7, 2022), <https://www.statista.com/statistics/227272/number-of-university-graduates-in-china/>.

51. *China’s Fortune Global 500 Companies Rise to 143*, XINHUA NET (Aug. 3, 2021, 3:48 PM), http://www.xinhuanet.com/english/2021-08/03/c_1310104838.htm.

52. Anna Holzmann & Maximilian Kärfelt, *Supporting China’s SMEs Affected by Covid-19 is Crucial to Avoid a Socioeconomic Disaster*, MERICS (May 12, 2020), <https://merics.org/en/analysis/supporting-chinas-smes-affected-covid-19-crucial-avoid-socioeconomic-disaster>.

53. *Billionaires by Country 2023*, WORLD POPULATION REV., <https://worldpopulationreview.com/country-rankings/billionaires-by-country> (last visited Jan. 10, 2023); *Wealthy in China:*

people held one-third of the wealth, while the poorest twenty-five percent owned only one percent of its wealth.⁵⁴

For most Chinese people and the urban middle class, matters of power and autonomy are also complex. There are examples of various governmental policies that mandate actions or lack thereof that would be firmly within the personal space in most Western societies. A few examples include the decades-long one child policy, then the policies for two and three children. Various sanctions and incentives were associated with these policies, as well as recent reforms to help promote the objectives at the center of these initiatives. These reforms include the introduction of a cool-off period for divorces that significantly brought their numbers down,⁵⁵ the regulations of the after-school education industry, and even the number of hours and the weekly timeslots minors are allowed to play online games.⁵⁶ These reforms are, for lack of a better word, unprecedented in world history. Changes and rapid development across the board while the system of governments retains, constantly redefines, and deepens its “Chinese characteristics” inevitably also means that the relationship between governmental and non-governmental power has also been evolving.

Another concept with millennial history is the one of *guanxi*, or relationships, a multi-faceted term that has a power aspect as well. According to Investopedia,

it commonly refers to the networks or connections used to open doors for new business and facilitate deals. The term refers not just to the existence of relationships but to their nature: to having personal trust and a strong relationship. It can also create moral obligations and require the exchanging of favors. A person who has a great deal of *guanxi* will be better positioned to generate business than someone who lacks it. Closely intertwined with the Confucian philosophy that has shaped many Asian cultures, *guanxi* holds that the self extends to family, friends, and society to create a harmonious community. *Guanxi* implies an obligation that one has to another. In China, the belief is that the wheels of business are lubricated with *guanxi*.⁵⁷

Numbers. History and How They Got Rich, FACTS & DETAILS (Oct. 2021), <https://factsanddetails.com/china/cat11/sub70/item157.html#chapter-9>.

54. Sidney Leng, *China's Dirty Little Secret: Its Growing Wealth Gap*, S. CHINA MORNING POST (Jul. 7, 2017, 11:45 PM), <https://www.scmp.com/news/china/economy/article/2101775/china-rich-grabbing-bigger-slice-pie-ever>.

55. Mandy Zuo, *China Divorce Cooling-Off Rule: One Year after Controversial Law Enacted Authorities Claim Rates of Separation Declining*, S. CHINA MORNING POST (Jan. 15, 2022, 9:00 AM), <https://www.scmp.com/news/people-culture/social-welfare/article/3163438/china-divorce-cooling-rule-one-year-after>.

56. See Daniel Mikesell, *The “Double Reduction” Crackdown and the Future of Private Education in China*, CHINA GUYS (Dec. 16, 2021), <https://thechinaguys.com/china-double-reduction-policy-private-education-tutoring-crackdown/>.

57. Will Kenton, *Guanxi*, INVESTOPEDIA (Jan. 15, 2023), <https://www.investopedia.com/terms/g/guanxi.asp>.

Collins Dictionary lists another definition: “a Chinese social concept based on the exchange of favours, in which personal relationships are considered more important than laws and written agreements.”⁵⁸ That has presented multiple problems with corruption and with fraud.

Guanxi is not a set-in-stone concept, and its realities are complex. Its particular content depends on industry and location. The interconnection between market forces and guanxi is also very complex. Access to heavily regulated industries might be more guanxi-reliant, as may industries with national security implications. Some cities and regions, such as Shanghai, might also be less guanxi-driven than others.

There are roughly three types of guanxi: personal, business, and governmental.⁵⁹ Guanxi is both for access to opportunities and for problem solving, and for many, the meaningful private power they have is their guanxi network.

One issue for foreign China stakeholders is that guanxi and its corresponding power are fluid, and many Chinese parties invariably claim to have it, regardless of whether they actually do—it is, after all, not a matter of public record. Guanxi has also been connected with corruption of various types and led to Xi Jinping’s landmark anti-corruption campaign. This campaign vowed to catch both tigers and flies—both low-level officials and small-scale corruption (the flies) and corrupt officials at the very top of the governmental pyramid (the tigers).⁶⁰ The campaign has reshaped power dynamics and had far-reaching consequences, affecting luxury imports and the consumption and price of high-end wines⁶¹ and domestic liquor.⁶² The campaign has been deemed successful and has affected the deals that are made across China—it brought the proverbial emperor closer to the heretofore distant (in geography or importance) parts of the country, sanctioned and/or removed corrupt officials, and made doing business less predictable after decades of different practices.⁶³ Finally, the campaign has reshaped percep-

58. *Guanxi*, COLLINS ENG. DICTIONARY, <https://www.collinsdictionary.com/dictionary/english/guanxi> (last visited Jan. 10, 2023).

59. *See, e.g.*, Anthony Goh & Matthew Sullivan, *The Most Misunderstood Business Concept in China*, BUS. INSIDER (Feb. 24, 2011, 9:12 AM), <https://www.businessinsider.com/the-most-misunderstood-business-concept-in-china-2011-2>; *see also* Fan Ying, “Guanxi”, *Government and Corporate Reputation in China: Lessons for International Companies*, 25 MKTG. INTEL. & PLAN. 499 (2007), <https://www.emerald.com/insight/content/doi/10.1108/02634500710774969/full/html>.

60. Reddy, *supra* note 28.

61. Shuan Sim, *China’s Wine Production Drops 14.6 Percent Amid Anti-Graft Campaign*, JING DAILY (June 12, 2014), <https://jingdaily.com/chinas-wine-production-drops-14-6-percent-amid-anti-graft-campaign/>.

62. Adam Century, *How China’s Anti-Corruption Campaign Hurts a Liquor-Producing Town*, ATLANTIC (Nov. 8, 2013), <https://www.theatlantic.com/china/archive/2013/11/how-chinas-anti-corruption-campaign-hurts-a-liquor-producing-town/281302/>.

63. Nick Marro, *The Unintended Consequences of China’s Anti-Corruption Drive*, US-CHINA BUS. COUNCIL, <https://www.uschina.org/unintended-consequences-china%E2%80%99s-anti-corruption-drive> (last visited Mar. 6, 2023).

tions of power and who has it. The topic is also sensitive within China, with different cases getting varying degrees of attention and media coverage.⁶⁴

Another campaign that has also redefined the idea of power in recent years is the so-called common prosperity campaign, which is not exactly new. As the opening up allowed some to get rich first, the official position was always that the wealth is to be shared.⁶⁵ And while there is still vast inequality, the government has moved to direct attention to what sort of wealth distribution is desired.⁶⁶ That has been done in different ways. One way that has attracted attention is the various powerful business leaders who have had their public exposure and power seemingly minimized, often after they have afforded themselves criticism of governmental policies or actions.⁶⁷ Some very high-profile business leaders, high net worth individuals, and prominent celebrities have been sanctioned for behavior that had seemingly gone on for a long time, demonstrating that previous ideas of personal power and insulation are no longer relevant in China today.⁶⁸

The purpose of these recent developments is at least twofold: first, to be a reminder that “real” power in China is of only one type, which is governmental and central; and second, to incentivize some of the more fortunate to share their wealth. China’s largest online commerce platform, Pinduoduo, for example, pledged last year to direct all its profits to a fund for the development of agriculture until a 10-billion-yuan (USD 1.5 billion) objective is met.⁶⁹ They seem to have heard the “call to give back and share the wealth.”⁷⁰

No overview of the interplay between the governmental and private power can be complete without the example of the COVID measures, and especially the “dynamic zero-COVID” policy.⁷¹ Most attention perhaps was given to the Shanghai lockdowns in the first half of 2022. The entire city

64. *Id.*

65. See, e.g., Kevin Yao, *Explainer: What is China’s ‘Common Prosperity’ Drive and Why Does It Matter?*, REUTERS (Sept. 2, 2021, 1:42 AM), <https://www.reuters.com/world/china/what-is-chinas-common-prosperity-drive-why-does-it-matter-2021-09-02/>.

66. Frances Yoon, *Alibaba Pledges \$15.5 Billion as Chinese Companies Extol Beijing’s ‘Common Prosperity’ Push*, WALL ST. J. (Sept. 3, 2021, 12:57 AM), <https://www.wsj.com/articles/alibaba-pledges-15-5-billion-as-chinese-companies-extol-beijings-common-prosperity-push-11630587923>.

67. See, e.g., Carrington Clarke, *What Happens to China’s Rich and Famous When They Run Into Trouble with the Law?*, ABC NEWS (Apr. 22, 2021, 1:08 AM), <https://www.abc.net.au/news/2021-04-22/where-do-chinas-billionaires-go-when-in-trouble-with-the-law/100068620>.

68. *See id.*

69. Coco Liu, *Pinduoduo Pledges \$1.5 Billion in Profit to Chinese Farmers*, BLOOMBERG (Aug. 24, 2021, 9:12 AM), <https://www.bloomberg.com/news/articles/2021-08-24/pinduoduo-pledges-1-5-billion-of-profits-to-chinese-farmers>.

70. *Id.*

71. For information on China’s zero-Covid policy, see Fei Mingxing, *Dynamic Zero-COVID: A Must Approach for China*, MINISTRY OF FOREIGN AFFS. OF THE PEOPLE’S REPUBLIC OF CHINA (Jul. 15, 2022, 5:44 PM), https://www.fmprc.gov.cn/mfa_eng/wjb_663304/zwjg_665342/zwbw_665378/202207/t20220715_10722096.html.

was under stay-at-home measures, with some being confined to their homes for more than ninety days and being subject to daily tests while procuring daily necessities and groceries became stressful and unpredictable.⁷² The vast majority of the population, of course, had never tested positive for COVID or even been in the vicinity of anyone who had. But some of the initial measures to comprehensively stop any potential spread included transitioning entire residential buildings into makeshift hospitals or hotels.⁷³ A COVID system based on frequent testing, big data, and QR codes has been developed since, and it has in turn traded privacy for COVID protections.⁷⁴ These measures demonstrated again how far-reaching and efficient governmental power in China is, while also reminding of its inefficiencies and lack of flexibility.⁷⁵ It is unlikely that a similar scale organization would be possible anywhere else in the world, and there are multiple examples in other countries of far lighter measures that were aggressively opposed by social groups.⁷⁶ In times of perceived crisis, it would appear that governmental, formal power is the power that matters in China. The COVID lockdowns were also a reminder that personal wealth and relative “power” in the business world means little in such times. One of Shanghai’s richest and best-known entrepreneurs had to turn to social media to get help securing groceries for her family,⁷⁷ showing how money means little in such times, and problems that can be solved with money are not really problems.

72. Associated Press, *26 Million People in Shanghai Are Locked Down Due To a Surge in COVID Cases*, NPR (Apr. 5, 2022, 8:20 AM), <https://www.npr.org/2022/04/05/1091005813/shanghai-lockdown-covid-surge>.

73. *China Covid: Clashes in Shanghai Over Lockdown Evictions*, BBC NEWS (Apr. 15, 2022), <https://www.bbc.com/news/world-asia-china-61117528>.

74. Paul Mozur, Raymond Zhong & Aaron Krolik, *In Coronavirus Fight, China Gives Citizens a Color Code, with Red Flags*, N.Y. TIMES (July 26, 2021), <https://www.nytimes.com/2020/03/01/business/china-coronavirus-surveillance.html>.

75. *See, e.g., id.*; *see also* Edwin Chan, *Blocked by a QR Code*, BLOOMBERG (Aug. 23, 2022, 5:45 AM), <https://www.bloomberg.com/news/newsletters/2022-08-23/covid-lockdowns-in-china-blocked-by-a-qr-code>.

76. *See, e.g.,* Kelly Ho, *Covid-19: Hong Kong Hospitality Authority Demands Answers from Radiologists After Unit Head Refuses to Name Medics Who Went On Strike*, HONG KONG FREE PRESS (Oct. 14, 2020, 6:26 PM), <https://hongkongfp.com/2020/10/14/covid-19-hong-kong-hospital-authority-demands-answers-from-radiologists-after-unit-head-refuses-name-medics-who-went-on-strike/>; *Coronavirus: Ivory Coast Protesters Target Testing Centre*, BBC NEWS (Apr. 6, 2020), <https://www.bbc.com/news/world-africa-52189144>; Zack Budryk, *Governors, Experts Await Results of Reopening States as Protests Continue*, HILL (May 3, 2020, 2:39 PM), <https://thehill.com/homenews/sunday-talk-shows/495877-governors-experts-await-results-of-reopening-states-as-protests/>.

77. Alice Yan, *Even Chinese Billionaire Kathy Xu Xin Struggles to Buy Milk and Bread Under Shanghai’s Coronavirus Lockdown*, S. CHINA MORNING POST (Apr. 8, 2022, 6:47 PM), <https://www.scmp.com/news/people-culture/article/3173607/even-chinese-billionaire-kathy-xu-xin-struggles-buy-milk-and>.

IV. CONCLUSIONS

China stakeholders need to be aware of these changes and developments. Some of the ways of doing business with China have changed, and some have remained the same. In addition, many objective and subjective blind spots remain when it comes to business dealings with Chinese counterparts, and that's why international stakeholders need to be more cautious than ever, carry out comprehensive due diligence, and prepare various contingency plans. If possible, business teams should be diverse, allowing for awareness of the evolving relationships within China and between China and its foreign partners.

One of the people most instrumental for the reopening of China in the 1970s, former Secretary of State Henry Kissinger,⁷⁸ once put into perspective some of the aspects of engaging with China:

When we try to tell Chinese how to manage their affairs we tend to forget that they had 14 dynasties, 10 of which had individual histories longer than the history of the United States. The Chinese may think they managed to stagger through 4,800 years of their 5,000-year history without specific advice from the US. Therefore, they may have known something relevant to their survival all on their own.⁷⁹

78. See *The Opening of China*, RICHARD NIXON FOUND., <https://www.nixonfoundation.org/exhibit/the-opening-of-china/> (last visited Mar. 6, 2023).

79. Carol Coulter, *Kissinger Wants Alternative to NATO*, IRISH TIMES (Oct. 13, 1999, 1:00 AM), <https://www.irishtimes.com/news/kissinger-wants-alternative-to-nato-1.237976>; see also Joseph Bosco, *The Nixon Foundation, Henry Kissinger and China: The 'Grand Strategy Disconnect'*, HILL (Nov. 22, 2022, 10:00 AM), <https://thehill.com/opinion/international/3744873-the-nixon-foundation-henry-kissinger-and-china-the-grand-strategy-disconnect/>.