

Xiaoke Zhang and Tianbiao Zhu (eds), *Business, Government and Economic Institutions in China*. Basingstoke: Palgrave Macmillan, 2018. 359 pp., including index and references. ISBN 978-3-319-64486-8.

This 11-chapter volume edited by Xiaoke Zhang, Professor at Alliance Manchester Business School, UK, and Tianbiao Zhu, Professor and Executive Dean at the Institute for Advanced Study in Humanities and Social Sciences, Zhejiang University, China, addresses the topic of business–government relations in China since the early 1990s. They see business–government relations as a defining analytical dimension for understanding the Chinese political economy and the character of its constitutive institutional arrangements. The volume provides answers to three main questions: how can we understand variations in business–government relations across China's provinces and cities and between various industries? How do business–government relations change? And what is the consequence of different relations in relation to the transformation of economic institutions?

China is a highly decentralized economy where institutions, market structures and ideological orientations vary widely. Despite the obvious need for solid subnational comparative case studies of China's local political economies, only a few studies in the literature adopt such a research approach. The volume under review is important and relevant because it expands this relatively sparse literature. The volume can be seen as part of a 'new regionalism' paradigm within Chinese political economy studies and it draws on perspectives from economic geographers, China studies and comparative political economy. The volume puts forward a useful and comprehensive theoretical framework for understanding business–government relations, and the contributors to the volume exemplify the framework empirically through a number of interesting comparative case studies.

Much of existing literature on business–government relations categorizes China as a state corporatist system. The editors Zhang and Zhu, and the contributors to this volume, argue that the corporatist model has failed to capture the full dynamics of industry and especially regional variations in business–government relations in the light of liberal market reforms. In the opening chapter, Zhang and Zhu argue for a more nuanced theoretical model. They outline a typology of business–government relations with four ideal categories of relations, which depend on the degree of authoritative governance of the economy (industrial targeting and intervention and control through ownership and regulation),

and the strength of market coordination of socio-economic activities (the ability of business actors to organize themselves for collective action). The four categories are *interdependent* (strong government/strong business), *networked* (weak government/strong business), *statist* (strong government/weak business), and *atomistic* (weak government/weak business) (p. 11). Zhang and Zhu go on to develop a very comprehensive explanation of the variation between the four relationship types by pointing to *ideological* (liberal vs. interventionist), *institutional* (bureaucratic organization and resources, and central-local relations) and *market structural* (firm size, state sector size and international link strengths) differences between localities and sectors in China. These are all endogenous sources of variation in business-government relations. Zhu and Zhang argue that exogenous sources of variation through internationalization is mediated by the local business-government relationship. However, they depart from traditional, more deterministic institutionalist literature (such as Paul Pierson's and Douglass North's works) and point out that agency, and not only institutional/socio-economic structures, explain regional variation. Individual 'change agents' flourish under certain institutional conditions and can shape institutional change (p. 34). Their typology and theory functions as a useful tool and constructive way of distinguishing different types of business-government relations. On the downside, Zhang and Zhu are not very explicit on how causality plays out in their model. They do not convincingly explain the causality links between the factors shaping the relation type: for example, how and when market structure mediates/interact with the effect of institutions and ideological orientation on business-government relation type.

In Chapter 2, Tak-Wing Ngo pushes the theoretical framework further by decomposing the concept of the 'state/government' and 'business' in China. Ngo reveals the many 'states in the state' and the hybrid businesses dominating the Chinese economy. Ownership and control is blurred: 'All in all, we find a variety of business actors, a diversity of organizational forms, and a plurality of property rights in China. The most prominent actors are not conventional private firms but new breeds of bureaucratic enterprises, politically embedded businesses, joint public-private enterprises, and private firms disguised as collective enterprises' (p. 63). He proceeds by arguing that macro-level variables such as institutions and market structures are not sufficient when analysing business-government relations. He arrives at the concept of *closeness* between businesses and the state. This adds an interesting enterprise level element to the macro-level theory laid out in the first chapter.

Gregory T. Chin. lays out an analysis of the effects of changes in business–government relations in Chapter 3. He adds an international perspective on the topic by examining the evolution of government–multinational corporation (MNC) relations in the automotive industry from the mid-1990s to the mid-2000s. Chin unfolds how changes in such relations in the automobile sector led to increased technology and know-how transfers and foreign direct investment (FDI) in China, which accelerated the development of China's automobile sector as a whole. Chin shows how an ideological shift away from strong interventionist approach towards a more liberal orientation happened in the mid-1990s, which led to a change in the regulatory approach, in turn leaving more room for autonomy in daily management of joint ventures and a 'interdependent' type of business–government relations. The chapter is interesting in itself and especially for scholars engaged in tech-transfers and FDI pattern studies.

In Chapter 4, Juanfeng Liu and Jianjun Zhang exemplify the concepts of 'statist' and 'networked' business–government relations in a study of business–government association relations in the cities of Wuxi and Wenzhou. They argue that relations are determined by distinctive sub-national historical approaches to restructuring the local economy and governing development processes. Wuxi is characterized by government-led development and a relatively weak private sector (statist model relations) leading to 'government organized non-governmental organizations' without any real influence. In contrast, Wenzhou is characterized by local entrepreneur-initiated development, a liberal government and a strong autonomous business sector (networked model of relations) leading to self-funded and self-governed associations. These associations have substantial influence on policy, markets and foreign trade. Unfortunately, the study uses older interviews/ data from 2001 to 2002 – in the light of Xi Jinping's anti-corruption campaign and strengthened control over civil society, it would be relevant to compare these results with business associations in current-day Wuxi and Wenzhou.

In Chapter 5, Changdong Zhang looks at the relevance of the tax system in shaping business–government relations. In his study, the local taxation system is the independent variable, and state-business relationship type is the dependent variable. Zhang argues that the weak authority of the local government over tax systems results in rampant tax evasion and rent seeking, which ultimately leads to a 'deinstitutionalization' of state-business relations that become collusive or 'networked'. He argues that these kind of state–business relations dominate much

of local China – no matter the level of development. It would have been interesting to include cases/counties with non-collusive relations. Zhang's state–business typology is very similar to that in Chapter 1, but highlights the connections, or institutional channels, between business and government. For example, the 'collaborative and developmental state' category in Zhang's typology is similar to the 'interdependent' relations category in Chapter 1, the 'regulatory state' is similar to 'statist' relations and so forth. In the reader's eyes, it seems unfortunate and confusing that the two chapters do not use the same typology.

The only quantitative study in the volume is provided by Jianguan Zhu and Yiping Wu. In Chapter 6, they explore industry and regional variations in private entrepreneurs' membership of local people's congresses (PC) and/or people's political consultative conferences. The chapter sheds light on the distribution of formal business–government relations in China. Zhu and Wu review of the concept of *guanxi* in the realm of political networks – for instance, how both these formal and informal connections can be utilized for personal benefit. The interdependent relationship between local governments and private firms makes the study of formal *guanxi* relations relevant and interesting. They measure formal connections between 2000 and 2012, and find that agriculture, mining and manufacturing industries have the highest level of formal political connections. Restaurants, retail and social services have the lowest. They find an overlap with sectorial distribution of corruption, which also is the highest within agriculture and mining. They also find that formal political connections are more widespread in regions with rich natural resources or with weaker institutional environments (poorer inland provinces). They argue for a strong assertiveness and rising power of the local PCs by referring to cases from the 2000s. This is not representative for contemporary policymaking under the Xi administration, where the Party's power over the state has been strengthened significantly compared with the early 2000s.

The volume continues in Chapter 7 with an interesting historical perspective on the international contexts/globalizations influence on the formation of local Chinese business–government relations and varying elements of corporatism, clientelism and pluralism. The editor Tianbiao Zhu shows how the decentralization of governance in China allowed different levels of government to deal with globalization challenges according to local conditions, which led to different business–government relations. China's late development and entry into the global economy meant that more organizational power was needed to target

the development of industries, including a central planning system. Globalization increased pressure and competition, which demanded active state control over economic development. This gives China strong elements of corporatism in business–government relations. However, the relative decline of the state power and rise of the private sector after 1978 also led to elements of pluralism. Finally, the incorporation of private entrepreneurs into the Chinese Communist Party and the development of a mix of formal and informal connections between the Party and businesses led to clientelism.

The institutional consequences of changing business–government relations are the focus in the following chapters. Richard W. Carney in Chapter 8 turns his attention towards the implications of local business–government relations for corporate governance reforms. He outlines the problems of 'agency cost', where the owners/shareholders' interests are being misrepresented by the management, and 'tunnelling', where one or more majority owners expropriate wealth from minority shareholders. Through a case study of the state-owned enterprise (SOE) Shanghai Automotive Industry Corporation (SAIC) and the private company BYD, Carney argues that the solution to these corporate governance issues differ in Shanghai and Guangdong due to different structures of state–business relations. SAIC's corporate governance was reformed through joint ventures with foreign companies, while BYD's depended on stock listing in Hong Kong raising capital and adhering to the new auditing demands. It would be interesting to study a private auto company in Shanghai and a state-owned company in Guangdong as an addition to Carney's analysis: this would make a more cohesive comparative design.

In Chapter 9, Yukyung Yao contributes with a theoretical and conceptual discussion on the power of large SOEs relative to the state. Yao makes the argument that China's central level business–government relations can be characterized by 'socialist corporatism', which implies that the dominant role of the state is materialized in a predominance of state planning agency and the Party organization. Yao argues that the National Development and Reform Commission's (NDRC) power to regulate the central SOEs and implement industrial policy is increasing, while the State-owned Assets Supervision and Administration Commission's (SASAC) power and the business associations' powers are decreasing. The strength of the chapter is its conceptualization of 'socialist corporatism', which fits very well with other chapters in the book. The weakness is a lack of structural empirical analysis to back up the concept across provinces and industries in China and the lack

of cross-references to the study of business associations in Chapter 4 of this edited volume. In addition, the analysis would have been stronger if more recent figures for SOE sector development had been provided.

The central government level analysis is also the focus in Chapter 10, where Jin Zhang analyses how the large Chinese oil SOEs are embedded in the Party-state, and how their behaviour is shaped by commercial and political goals. Zhang emphasizes the dual corporate governance structure of the SOEs and their political and legal logic: a classic western company structure (general meeting, board of directors and management) is embedded in a political governance framework with the Party committee at the centre. In addition, personal appointment decisions are managed by the Party's Central Organization Department, and the SASAC, NDRC and Ministry of Commerce (MOFCOM) approve all strategic overseas investments, partnerships and so on. Chief Executive Officers move between positions in the state, the Party, and the SOEs. This shows how the SOEs behaviour/corporate management is explained by the institutional structure of the state's economic and political agencies in which the SOEs are embedded. The chapter does not go into detailed case studies to illustrate the points raised but gives the reader a clear overview of the workings of the central strategic SOEs.

In the final chapter, the editor Xiaoke Zhang looks at how technology development regimes vary with regional differences in structures of industrial governance. Zhang shows how the dirigiste pattern of high-tech industrial governance in Shanghai contrasts with the interdependent technology development regime in Shenzhen. State control over financial institutions and resource allocation, organization of universities and research institutions, links between private and public market players and coherence and strength of state agencies, are the main differences between the two regimes. Zhang's conclusions build on a very impressive base of 150 interviews with managers, business associations, local officials and academics in 2013–2017 and is thereby the best-researched contribution in the volume.

All the contributions in the volume except Chapter 6 use a qualitative research approach – a few more quantitative studies in the mix would have strengthened the volume, as would more up-to-date data and interviews. Nevertheless, the volume is an inspirational read for any scholar of China's political economy. The volume ends on the happy note that China's continued integration into the global economy will lead to a stronger business community and civil society and a more balanced relationship between government and business that supports

the capacity to innovate. Yet the reader may think that the opposite scenario is currently unfolding, with a strengthening of the state sector, the creation of global state-owned champions and a Party that aspires to gain absolute control over business, state and civil society as a whole. However, one thing is sure: regional and industry variations in business–government relations are likely to persist and continue being an important research topic.

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Jonathan Fenby, *Will China Dominate the 21st Century?* Cambridge: Polity, 2017. 154 pp., ISBN 1509510974.

In the shadows of a looming trade war between China and the USA, this second edition of Jonathan Fenby's 2014 book *Will China Dominate the 21st Century?* has never been more relevant. With only 154 pages it is an easy read that provides a realistic take on China's ability to dominate this coming century. It is an enlightening and engaging book for anyone with an interest in China and its current grip on the political and economic situation that feeds into the global arena. For the more seasoned China scholar the main points may already be well known and the book can safely be placed on the shelf as another realist interpretation of why China will not succeed in having any meaningful impact on dominating the global agenda in the twenty-first century.

Looking into China's political setting, Fenby describes Xi Jinping as an uncommon man, standing out in a world where strong leadership of big economically powerful countries has become a rarity. Xi is portrayed as China's new emperor standing at the centre of a personality cult, and as 'a leader of a nation that sees itself existing on a plane of its own, with little or no need of a global order shared with other nations' (p. 18). The return to rule by a single dominant figure has increased the risks inherent in Chinese society, as its leadership style has become increasingly totalitarian. The denial of a political role for the people provides a negative foundation for its government, bringing with it systemic weaknesses which grow in scope as China develops. The Communist Party and Xi Jinping have no rivals for power, and while Xi has eliminated any form of opposition, Fenby describes this trend as a general fetish by Chinese rulers (p. 19). Throughout the Party's history