

# Transforming Rural China

How local institutions shape property rights in China

Chih-jou Jay Chen

RoutledgeCurzon Studies on China in Transition

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# Transforming Rural China

Since the introduction of economic reforms in the late 1970s, rural China has undergone a profound and at times devastating transformation from a state-run economy and society to one of private ownership. In *Transforming Rural China*, Chen shows that this transformation has not necessarily taken the form of free market capitalism, as many believe, but in fact has assumed different forms in different parts of the country. Based on years of extensive research in villages in the Yangtze Delta region and southern Fujian, Chen provides shocking insight into the workings of China's local economy and society – how party officials have become entrepreneurs, building economic success on the backs of workers and peasants, and how and why entrepreneurs have been assimilated into the party. What emerges is a disturbing picture of property rights transformation lying far outside of the aims and control of the central government, and is wrapped in the utter disharmony of particular local institutions.

**Chih-jou Jay Chen** is Assistant Research Fellow, Institute of Sociology, Academia Sinica.

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**For Shuting and Yongguan**

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Finally, I thank my family members for putting up with this project and my complete obsession with it for an unnecessarily long time. I dedicate this book to my wife, Shuting, and our newborn son, Yongguan.

Chih-jou Jay Chen

Taipei

October 2003

# Abbreviations

DZDJ	<i>Dandai zhongguo de jiangsu</i> (Jiangsu in Modern China)
FDI	Foreign Direct Investment
FTN	<i>Fujian tongji nianjian</i> (Statistical Yearbook of Fujian)
FJN	<i>Fujian jingji nianjian</i> (Economic Yearbook of Fujian)
GVIO	Gross Value of Industrial Output
HDXW	<i>Huadong xinwen</i> (Eastern China News of People's Daily)
JSZ	<i>Jinjiang shi zhi</i> (Jinjiang Annals)
JGTZ	<i>Jinjiang xian guoming jingji tongji ziliao</i> (Statistical Material on National Economy in Jinjiang County)
JTN	<i>Jiangsu tongji nianjian</i> (Statistical Yearbook of Jiangsu)
JXQ	<i>Jiangsu sheng xiangzhen qiye tongji ziliao 1986</i> (Statistical Material on Rural Enterprises, Jiangsu Province 1986)
QGZH	<i>Quanguo gesheng zizhi qu zhixiashi lishi tongji ziliao huibian 1949–1989</i> (Historical Statistical Material on the Nation's Provinces, Autonomous Regions, and Municipalities, 1949–1989)
QSHZ	<i>Quanzhou shi huaqiao zhi</i> (Annals of Quanzhou's Overseas Chinese)
Q SXQZ	<i>Quanzhou shi xiangzhen qiye zhi</i> (Annals of Quanzhou's township and village enterprises)
QZWB	<i>Quanzhou wanbao</i> (Quanzhou Evening News)
SJN	<i>Shanghai jiaoqu nianjian</i> (Almanac of Shanghai Suburbs)
SJTN	<i>Shanghai jiaoqu tongji nianjian</i> (Statistical Yearbook of Shanghai Suburbs)
SNTN	<i>Shanghai nongcun tongji nianjian</i> (Statistical Yearbook of Rural Shanghai)
STN	<i>Shanghai tongji nianjian</i> (Statistical Yearbook of Shanghai)
SUSJTZ	<i>Suzhou shi shehui jingji tongji ziliao 1949–1985</i> (Statistical Material on Society and Economy, Suzhou City, 1949–1985)
SUTN	<i>Suzhou tongji nianjian</i> (Statistical Yearbook of Suzhou)
TVES	Township and Village Enterprises
XSGTZ	<i>Xinshanghai gongye tongji ziliao 1949–1990</i> (Statistical Yearbook of New Shanghai's Industry 1949–1990)

XQZFX	<i>Xiangzhen qiye zhengce fagui xuanbian</i> (Selected Laws and Regulations Concerning Township-Village Enterprise)
ZGC	<i>Zhongguo guoqing congshu: baixiangshi jingji shehui diaocha, jinjiang juan</i> (A Series of China's National Information – One Hundred County and City Socioeconomic Survey: Jinjiang book part)
ZNN	<i>Zhongguo nongye nianjian</i> (Agricultural Yearbook of China)
ZSJN	<i>Zhongguo siying jingji nianjian</i> (Almanac of Chinese Private Economy)
ZTN	<i>Zhongguo tongji nianjian</i> (Statistical Yearbook of China)
ZXQN	<i>Zhongguo xiangzhen qiye nianjian</i> (Yearbook of Chinese Township and Village Enterprises)

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# Introduction

## Notes from the field

I first came to Fujian as a Duke graduate student looking for a case study on which to base my sociology dissertation. Although I had grown up in Taiwan, where the closest I had gotten to China was peering 2 kilometers through binoculars everyday while stationed in Jinmen (Quemoy) during mandatory military service, I had an intuitive feeling that China's economic reforms were not only deceiving but also non-uniform. Sure these reforms have been touted the world over as a shift away from a command economy and towards free market capitalism, and the literature about the transition and its consequences swamp libraries, but it all struck me as disjointed, if not illusionary. If policies were uniform, why would peasant workers in Tianjin be striking while former peasants in Fujian were opening clothing manufacturing businesses in their living rooms? If the party was the protector of the people then why were lineage families in the southern coastal provinces responsible for village affairs, including infrastructure projects, while party secretaries in Shanghai got rich off large chemical factories? Indeed, was it even possible to talk about the reforms and their outcome – or even China for that matter – as a plenary constant?

My idea was to pick two diverse regions – Fujian and Jiangsu – and perform in-depth case studies, charting the past twenty years of development of these two areas since economic reforms. Such a study would, presumably, show how each region moved out from the umbrella of uniform state regulations at the end of the 1970s, to grow in drastically disparate ways over the next twenty years due to endemic factors.

While in Fujian on summer vacation in 1995 I happened upon a recently published lineage history of Hancun village, a coastal village about 120 kilometers north of Xiamen. It was meticulously compiled, charting the village and its inhabitants from its birth in the Ming Dynasty up until the present. I got in touch with the copy editor who agreed to introduce me to Lin Shuiqiang, the chief editor and initiator of the project and also the village elder. The editor said he would meet me at the Shishi bus station, just 3 kilometers southwest of Hancun, and take me to meet Lin.

I woke late on the said morning, and the muggy Fujian heat had

already swarmed the city. My little apartment, which I rented by the week, was hot, making me torpid, and unwilling to change out of the shorts and T-shirt I had fallen asleep in the night before. So I only strapped on my money belt and headed to the Xiamen train station to flag down a minibus heading north to Shishi.

The bus drove around the city for an hour trying to fill the seats before it headed out of town. The driver's acolyte hanging out of the open folding door yelling at anyone and everyone walking down the sidewalk, as if they would suddenly become possessed by the urge to drop the day's activities in Xiamen and take a ride to Shishi. In this way we picked up a merchant in a cheap polyester western suit, another merchant in a western suit with the label still on the jacket sleeve, a poor peasant who took seasonal work in the city, and one or two local women. The peasant sat in the seat directly in front of me, a young dirty kid, dressed for hard labor in his western suit, who tried not to exist. We were finally on our way.

Going was slow and dirty. The road was under construction, reducing us to a slow crawl over dirt and gravel and dust, or long standstills in the putrid sun. All the windows were open and all the dust and pollution blew in to mix with the chronically smoking passengers. Furthermore, despite a cramped bus with people already sitting on wooden stools in the aisle, the driver and his abettor wanted to increase their earnings by stopping for anyone and everyone along the road and cramming them too into the bus. People got on, people got off. The dust stayed.

About an hour up the road we came to Jimei town, which has a historical reputation of being bandit infested. Just outside of the town, the driver pulled over and swung open the door for four suit-clad men. Before the bus could get back on the road they yelled at him to pull over. Whether the driver and the money collector were in cohorts with the bandits one can never know, but the suited men let them keep their ticket fares and instead pressed the cold blade of a three foot machete against the neck of the passenger in the first seat. They took the black bag the men dangle off their wrists, and in which they conceal all their earnings, transactions and cash. The highwaymen wanted the bags of every single passenger on the bus. The noisy chatter had suddenly become deathly silent.

With over \$800 in US currency and 800 yuan in cash I was by far the most opulent on the bus. As the blade went around from neck to neck I resigned myself to the fact that all was lost. Oh well. Duke and my advisor would still have grant money to give. By the time the thieves had come within a few rows I had become more curious than startled; I was even excited. I had come to China to do fieldwork, and here an opportunity to observe wrinkles in the social system had jumped into my lap. I poked my head around to see how much they collected from each passenger; I threw a look of compliment if they happened upon a substantial score.

The blade went to the peasant's throat and he began to cry. "I am poor and worked for two months to take this money home. It's all I have."

His babbling got him a slap on the face and an insulting invective. How much money? Two months salary at 1,000 yuan. "You fool, why do you carry around so much cash," I said slapping him playfully on the back of the head.

The thieves were amused. I seemed just a baby faced insouciant kid with glasses and four big white characters, Xiamen University, plastered against my blue shirt. They took me for a student. They took me for a poor student with nothing to lose and nothing to gain; one who did not malign their acts nor deprecate their persons. One who took an interest and not a fear. The knife hesitated at my throat for a second before passing me by and touching the others around me. Then they left with their loot. I kept mine, and gave the poor peasant what he lost.

Five hours later, I got off, taking only the grime of the road with me. The editor was at the station and hurried me into the back of a three-wheeled two-stroke pickup truck, where we enjoyed a twenty-minute ride with twelve other men to Hancun village. A few Toyotas and minivans crawled the streets here, but most people rode the pickups or had motor scooters. Even the village party secretary drove himself around on a motor scooter he purchased himself. The streets were crowded and loud with horns blaring. Street girls crawled the blocks in between crowds of men and women rushing this way and that. Businessmen and merchants filled the sidewalks in their polyester western suits, some hawking their wares, some haggling for prices. Although I was a foreigner to these parts, not once did anyone look twice at me, nor wonder what I was doing in this village on the coast.

Here I met Lin Shuiqiang, who would become one of the key subjects of my eight-year long research project on China's local institutions. Lin was a former Quanzhou City deputy mayor and remained the village elder. He spoke Minnan, a southern dialect of Mandarin, which is as similar to Taiwanese as a Boston accent is to a Texas accent. I addressed him in my native Taiwanese tongue and he responded as if we were relatives, launching into an ecstatic tale of how he had been to Taiwan when he was eighteen years old, and how he had always felt close to Taiwan. I told him I had read his book and thought it one of the most important things to come out of Fujian. I told him I would take it to the US and to Taiwan and make sure all the libraries I visited had it on their shelves.

That night, over the round table at Lin's home, picking at his wife's home cooking with chopsticks, I told Lin I too was writing a book about Fujian. I told Lin I wanted to research his village. "You can stay as long as you want," he said. "You can come as often as you like, and you will stay in my home."

That was the summer of 1995. Although I would visit Shuang village in Sunan (southern Jiangsu) a few months later, it was not until 2002 – after

seven years of interacting with the village and its people – that I was finally welcome as a personal friend, instead of a business guest, of the village; that I was finally able to stay in the village hotel and have a casual, instead of official, dinner with the village leaders. The whole Sunan experience was, in fact, vastly different from the Fujian one. It came to characterize my entire research project, weighing the two regions of China in adroit and disparate personal experiences.

While finding an appropriate case study in Fujian entailed making a direct call to the copy editor of a book I found fascinating, Sunan needed patience and a lot of time cultivating personal relationships. My dissertation advisor put me in touch with a former student of his at the sociology department at Nanjing University, Professor Song. Song had a student whose father was the party secretary of a township in Sunan. This was a good start, but we could not meet the secretary without an introduction from someone in a city government. Fortunately the chair had a classmate who was the deputy director of the policy research office in Suzhou City. This would do.

From Nanjing we rode the train two hours west to Suzhou, where the deputy director's driver picked us up in the office's black Santana VW and drove us an uneventful 40 minutes to Tuncun township to meet the party secretary, the father of Professor Song's student.

We had lunch with the secretary in a cold formal dining room that still had Cultural Revolution banners hanging in the corner. "Remember the bitterness of yesterday to know the sweetness of today," read one. I had to fill myself with enough rice wine to detoxify a Chinese hospital in order to get the meat down. There was plenty of alcohol and the party secretary loved to drink, especially when the bill went to the government. I told him I wanted to research economic development in Sunan. He told me I would be better off researching Mei township, the next town over, because it was doing better. Maybe it was, or maybe he just wanted to get me out of his district so he would have one less complication in the graft he ran, but he said he would put a call in for me that afternoon.

Prohibited from staying in the countryside, the driver took the professor and I to Wujiang City for a night in the city's best hotel; complete with two karaoke bars, three restaurants, and three waitresses for every customer, the only thing the place lacked was a swimming pool. Fellow travelers appeared to be officials from other parts of the country.

The next morning the driver came to pick us up for another uneventful 30-minute ride to Mei township, for another lunch with another party secretary, Huang Song. Again we drank, and again we ate, and again the officials were less than munificent with information, but happy to let the tax payers foot the bill. I asked about development in their town and how far they had come and what they hoped to see. Answers were laconic and everyone seemed happy when the party ended.

Having fulfilled his obligation, Professor Song felt my field work com-



plete with more than enough information to go back to America and write my dissertation; the whole thing would have ended right there too if it had not been for two engineers who joined us for lunch: Wang Hua and Li Dong. They were from Tianjin, and had come to the village to help develop chemical fibers. Educated, and with less vested personal interest in the village and its web of personal relationships, they were outsiders like me. And they were college educated, unlike anyone else in the village who rarely even had a middle school education. They had come to the village in 1987 but still sparked the curiosity of the residents when out and about town. There were no bustling markets here, no street girls or motor scooters. If Hancun was dirty, crowded and noisy, Shuang was clean, empty and quiet. No one that did not live here traveled here, there was no reason to; there was hardly any transportation. Residents walked or rode bicycles. Officials rode in chauffeured sedans.

I rode with the chair out of the village that afternoon in our chauffeured sedan speeding along down the new asphalt. I let the badgered Song believe that I had achieved what I needed and dropped him back in his office at Nanjing. But over the next three months I would make the trip to Wujiang at least five times. I would stay in that ostentatious hotel and place a call to Wang Hua, asking if she could come down and meet me. It was here that I began to learn about the operations of a village in Sunan and its industry. Wang teased my curiosity with details of the collectives breaking out from central control and developing their own industries; of the party control over all finances and profits; and strict sensors placed on private entrepreneurs. I also heard the story of how Wang and Li were cheated out of promised stock options and bonus, and how the village leaders stocked the industries with their people, keeping profits among the elite circle.

Throughout the 1990s, I was never trusted or fully accepted in the village. Wang brought me for a tour a few times, but only for half a day. I kept alert to possible troubles while poking around and asking questions, and I could never stay the night without incurring suspicion. In fact, I was taking a risk by not applying to the city governments for permission to research the countryside. Regulations stipulated that anyone not doing business had to report to authorities with their purpose of travel and inquiry. Such regulation brought with it constraint of movement, and thus limited access. I had decided to go without official approval and take my chances by cultivating advantageous relationships. It involved a bit of clandestine, for if anyone become unhappy with me and reported me I could have been deported and blacklisted. China does not encourage such research. In Fujian, these problems felt almost nonexistent; in Sunan suspicions were easier provoked. Indeed, if Fujian was the libertine, then Sunan was the chaste prude.

Then, in 2002, the government handed down directions, commanding Sunan to privatize and promote foreign investment. I was suddenly