


RESEARCH ARTICLE

Environmental Clientelism: How Chinese Private Enterprises Lobby under Environmental Crackdowns

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Abstract

China's environmental crackdowns under Xi Jinping have led to a sweeping shutdown of private enterprises. To circumvent this, enterprises have developed different survival strategies including direct lobbying to government officials and indirect lobbying through business associations. Based on comparative case studies of environmental lobbying in Chinese cities, our research finds that larger enterprises, enjoying more economic leverage, tend to lobby directly using their own political connections to sway environmental enforcement. By contrast, smaller enterprises are excluded from these clientelist networks and have to lobby through business associations, the effectiveness of which hinges on the support of large enterprises. Therefore, we argue that although the Chinese government's increasingly stringent environmental policies have shrunk the lobbying (and living) space for private enterprises, the existence of environmental clientelism protects economically powerful and politically connected private enterprises but sacrifices the others in the implementation of environmental policies.

摘要

习近平治下的中国环保整治行动已导致大批私营企业接连停产停业。私营企业主为规避环保行动的影响而采取了不同的生存策略，其中包括直接向政府官员进行游说和经由商会组织间接与政府斡旋的行为。通过比较中国数个城市不同企业主的环保游说案例，本研究发现：规模较大的私营企业在经济上拥有更强大的影响力，它们也更倾向于使用自己的政治纽带来左右环保政策的执行；相比之下，被排除在庇护网络之外的小微企业只能通过商会同政府协商，而协商是否有效取决于小微企业是否能获得商会内部大企业的支持。因此，我们认为中国的环境整治行动虽然缩减了私营企业的游说甚至生存空间，但“环境庇护主义”的存在仍使具备经济优势和政治关联的企业幸免于难，转而牺牲了小规模私营企业的利益。

Keywords: China; implementation of environmental policies; lobbying; private enterprises; state–business relations

关键词: 中国; 环保政策执行; 游说; 私营企业; 政商关系

During China's market reforms, private businesses have gradually overtaken the state sector in economic output.¹ Nevertheless, Chinese private enterprises still operate under a strong Leviathan and are subject to frequent government interventions under unclear boundaries of state authority.² Similar to their counterparts in the West and other transitioning economies,³ Chinese enterprises have resorted to lobbying to protect their interests and make their voices heard. For example, in 1998 a coalition of influential business owners and economists lobbied the State Development and Planning Commission and delayed the central government's attempt to set nation-wide

1 Yu and Zhou 2013; Song 2018.

2 Breslin 2012.

3 Frye 2002; Kennedy 2005; Hrebendar, McBeth and Morgan 2008.

price floors.⁴ Meanwhile, business associations have been increasingly active in lobbying and have sometimes successfully altered government policies and law-making.⁵ Existing studies show that private enterprises in reform-era China have adopted both direct, firm-level lobbying and indirect lobbying through third parties such as business associations to shape policy outcomes.⁶

After President Xi Jinping came into power and strengthened environmental regulations, environmental issues became a highly prioritized and politicized policy area,⁷ where private enterprises wrestled with the government to protect their interests under the top-down environmental campaigns. After widespread haze incidents in 2013, China raged a full-scale war on air, water and soil pollution.⁸ Starting in 2015, the central government enhanced its grip on local environmental enforcement via regular audits of policy compliance and the empowerment of environmental agencies,⁹ leading to blunt force environmental regulation at local levels.¹⁰ As a result, the annual number of environmental fines and administrative punishment cases skyrocketed, especially during Xi's first term (see Figure 1).

Private enterprises in the industrial sector have borne the brunt of the environmental crackdowns. For example, by collecting and sorting environmental punishment cases reported by provincial and prefectural environmental bureaus across China, we find a total of 46,206 cases in 2016, the vast majority of which involve private enterprises.¹¹ Focusing on the 963 shutdown (*tingchan tingye* 停产停业) cases, arguably the harshest punishment for enterprises, we identify 759 private companies and 129 individual businesses (*getihu* 个体户) that were temporarily or permanently shut down due to environmental violations, accounting for 92.2 per cent of the shutdown cases; whereas only 6.2 per cent of the cases involve state-owned enterprises (SOEs). Moreover, smaller private businesses faced particularly high risks of punishment. For instance, to fight environmental pollution and enhance economic efficiency, Zhejiang province "rectified" (*zhengzhi* 整治) 47,000 privately owned workshops and eliminated (*taotai* 淘汰) 2,690 low-tech ones in 2017 alone.¹² Our fieldwork in Wenzhou, Zhejiang, confirms that the majority of environmental punishments involve smaller private businesses.¹³ In contrast, local governments are more lenient towards SOEs, especially central SOEs.¹⁴ As a result, private firms widely complain about the targeting of private and small businesses in environmental regulations.¹⁵ Such heavy-handed crackdowns prompt Chinese private enterprises to seek protection from local governments, with lobbying being a core strategy.¹⁶ This phenomenon gives rise to important questions. Namely, how do private

4 Kennedy 2005.

5 Huang 2013; Hui and Chan 2016; Zhu 2007.

6 Deng and Kennedy 2010; Huang 2013; Hui and Chan 2016; Kennedy 2005; 2009; Zhu 2007.

7 Xinhua 2021.

8 Aunan, Hansen and Wang 2018.

9 Kostka and Nahm 2017; Ran 2017; Van Rooij et al. 2017.

10 Van der Kamp 2021.

11 We collect the punishment cases by scraping the official websites of provincial and prefectural environmental bureaus. The data contain the location, date of disclosure, name of enterprises/organizations involved and type of punishment (e.g. exemption from punishment, fine, rectification and shutdown). Admittedly, the data are likely an undercount of environmental punishment cases, but they provide useful information about how the punishments are distributed across different types of enterprises.

12 "Yuan Jiajun: zhengfu gongzuo baogao" (Yuan Jiajun: government work report), *CPC News*, 2 February 2018, <http://cpc.people.com.cn/n1/2018/0205/c64102-29805933.html>. Accessed 17 January 2022.

13 Interview with official of the local environmental protection bureau, Wenzhou, 19 August 2019.

14 For example, see China Central Television 2019; Guangming Daily 2018; Eaton and Kostka 2017; Karplus and Wu 2019.

15 "Zhengzhi huanbao wenti wuguan qiye daxiao" (Environmental crackdown has nothing to do with firm sizes), *Renmin ribao*, 9 September 2017, <http://env.people.com.cn/n1/2017/0909/c1010-29524842.html>. Accessed 29 March 2021. Reuters 2018.

16 For example, see "Huanjing zeren luoshi xu jingzhun ding wei, jingzhun fali" (Environmental responsibilities should be carried out with precise targets and measures), *Guangming ribao*, 19 May 2018, <http://www.zhhjw.org/a/qkzz/zzml/201705/gz/2017/0719/6399.html>. Accessed 14 August 2022.

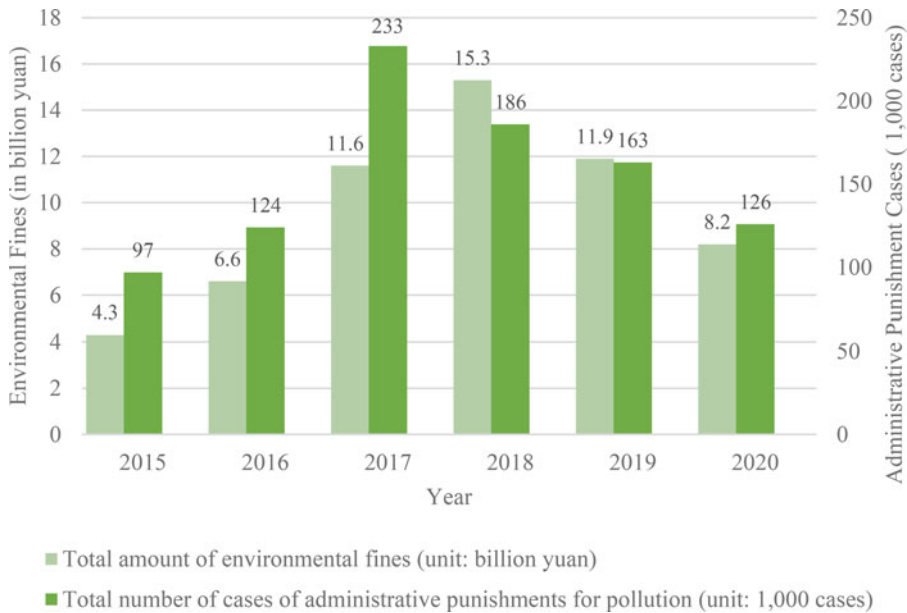


Figure 1. Administrative Punishments for Pollution in China (2015–2020)

Sources: Based on data collected from the 2015 and 2016 editions of the *Annual Report on the Chinese Environment* (*Zhongguo huanjing zhuangkuang gongbao* 中国环境状况公报), produced by the Ministry of Environmental Protection, and the 2017–2020 editions of the *Annual Report of Chinese Ecology and Environment* (*Zhongguo shengtai huanjing zhuangkuang gongbao* 中国生态环境状况公报), produced by the Ministry of Ecology and Environment, available at <https://www.mee.gov.cn/hjzl/sthjzk/zghjzkgb/>.

enterprises lobby the government when facing a hostile policy environment? How do they choose between direct lobbying and indirect lobbying through third parties, two major lobbying strategies identified by existing studies? And how effective are these survival strategies?

To examine the lobbying strategies of private enterprises, we conduct comparative case studies of private enterprises' lobbying against environmental policy implementation under Xi Jinping. Drawing from in-depth field research in three coastal cities, Guangzhou, Wenzhou and Nantong, which host vibrant and yet heavily polluting private-sector industries, we find that private enterprises' economic value (defined as their weight in and contribution to the local economy) determines their opportunities to forge connections with local political elites, which consequently determine the pattern and effectiveness of their environmental lobbying. Despite the increasingly stringent environmental regulations, private enterprises with greater economic value can more easily bend the rules through direct channels of lobbying. By contrast, smaller enterprises normally lobby via third-party organizations such as business associations and depend on larger enterprises' support to shape environmental policy implementation. Based on these findings, we propose the notion of "environmental clientelism" to understand business lobbying under environmental crack-downs in China. We argue that China's market reform has encouraged clientelist networks between local political and economic elites. When juggling the conflicting policy goals of economic growth and environmental protection, local officials distribute protection against environmental crack-downs through such networks to large enterprises that are valuable to the local economy and their political careers. Therefore, although the increasingly stringent environmental policies under Xi have shrunk the lobbying (and living) space for private enterprises, environmental clientelism enables biased enforcement that protects economically powerful and politically connected enterprises but sacrifices the smaller ones excluded from the clientelist networks.

The rest of the paper is organized as follows. We first review the literature on business lobbying and elucidate our conceptual framework for understanding private enterprises' lobbying behaviours

in China. In the third section, we briefly describe the tightened environmental governance in the Xi era and how it has changed the space for environmental lobbying. In the fourth section, we present in-depth comparative case studies to illustrate how economic value and political connections affect private enterprises' lobbying behaviours and outcomes, and we discuss some notable features of environmental lobbying in China. The last section concludes.

Business Lobbying: A Clientelist Approach

Lobbying as one type of political participation that channels feedback from the public into political institutions has been widely observed in modern democracies.¹⁷ For private entrepreneurs, lobbying expresses their "voice" to the government, especially when they are considered loyal to the government and do not have an alluring option of exit.¹⁸ Firms that are more dependent on the state are more eager to make political attempts to shape government regulations for a more favourable environment.¹⁹ According to Schmitter's typology of interest representation, both pluralist and corporatist systems encourage lobbying by civil society organizations or professional associations.²⁰ Modifying Schmitter's typology, Kennedy further argues that the power imbalance and reciprocity between a state patron and non-state clients under the clientelist system encourages firm-specific lobbying through informal networks.²¹ Thus direct lobbying and indirect lobbying through third parties emerge as two prominent business lobbying strategies.

In post-communist countries transitioning from the command economy to the market economy, lobbying has also emerged to represent the interests of the private sector.²² Lobbying in transitioning economies takes the form of both direct, firm-level negotiations through informal connections with state agents and collective lobbying through third parties such as professional lobbyists, trade unions, business organizations and non-governmental organisations (NGOs).²³

Business lobbying has also been an integral part of the policy process in reform-era China, from agenda-setting to identifying policy options and shaping policy implementation.²⁴ Nevertheless, scholars offer divergent opinions on the format of business lobbying in China. Some argue that the emergence of a market economy gives rise to collective interest representation and negotiation. Chinese entrepreneurs are joining government-backed business associations or forming strategic groups to collectively bargain with the government over policy issues.²⁵ These business associations and strategic groups are gaining more importance in advocating business interests and influencing policy processes, although their effects vary across industrial sectors.²⁶ Meanwhile, deliberative institutions, such as the National People's Congress and local people's congresses, as well as the Chinese People's Political Consultative Conference (CPPCC), or grassroots public agencies also provide platforms for collective lobbying. Private enterprises can make use of such formal channel of participation to put forward policy proposals and protect or advance their interests.²⁷

Meanwhile, others emphasize individualized state-business negotiations through social connections or *guanxi*.²⁸ Reform-era China witnesses the formation of clientelist ties between the state and the business sector, featuring mutual dependency and collaboration. To overcome the unfriendly

17 Huntington 1968; Bitonti and Harris 2017.

18 Hirschman 1970.

19 Pfeffer and Salancik 1978.

20 Schmitter 1974; Bitonti and Harris 2017.

21 Kennedy 2005.

22 Bitonti and Harris 2017; Hellman, Jones and Kaufmann 2003; Hrebendar, McBeth and Morgan 2008.

23 Bitonti and Harris 2017; Duvanova 2011; Hrebendar, McBeth and Morgan 2008.

24 Deng and Kennedy 2010; Weithmann 2018.

25 Parris 1995; Guthrie 1998; Yu, Huang and Fang 2004; Schubert and Heberer 2017; Huang and Chen 2020.

26 Pearson 1994; Kennedy 2009; Deng and Kennedy 2010; Hui and Chan 2016; Lüdtke 2021.

27 Zhang, Wei 2015; Huang 2014; Dickson and Chen 2010; Yan, Xiaojun 2012; Wang, Yuhua 2015.

28 Wank 1999; Yang 2002.

political environment for and low policy influence of the non-state sector, private entrepreneurs are motivated to forge and utilize personal connections.²⁹ The Chinese Communist Party's (CCP) political co-optation also provides institutional opportunities for private entrepreneurs to develop *guanxi* with public officials.³⁰ Essentially, *guanxi* enables the reciprocal exchange between state officials as the patron and non-state clients, with such exchanges becoming useful channels of business lobbying.³¹

The existing studies reveal the varied formats of business lobbying, but it remains unclear how private enterprises choose among different lobbying strategies and how effective they are. Towards this end, we follow the clientelist approach and argue that private enterprises' lobbying strategies and their effectiveness heavily hinge on their clientelist ties with local officials. Different from the traditional, personal-level clientelist ties built on kinship or interpersonal exchanges such as gift-giving,³² we emphasize the organizational-level ties and mutual interests between local officials and private enterprises in promoting economic development. Although we do not deny that local officials have personal interests in developing ties with private entrepreneurs and corruption constitutes a non-negligible part of clientelist exchanges, we emphasize the support that private enterprises can offer to officials by boosting economic and fiscal growth and consequently their political careers, as abundant studies have revealed.³³ In return, they receive legally sanctioned policy favours. Nevertheless, such state–business clientelist ties are not open to all private enterprises. Wealthy entrepreneurs, regarded as more resourceful and capable, are usually favoured by the authorities.³⁴ Thus, private entrepreneurs' wealth and contribution to local economic development are key determinants of their capability to build and maintain connections with local officials.

Private enterprises' economic value and political connections consequently influence their lobbying strategies and outcomes. For large enterprises with sizable economic capacity and important contributions to the local economy, political connections and direct bargaining with officials are a primary vehicle of business lobbying, and their economic bargaining power allows them to bend the rules more easily. By contrast, smaller enterprises have to resort to indirect lobbying through third parties such as business associations to utilize the associations' collective resources and political connections. As business associations are usually dominated by larger businesses,³⁵ such indirect lobbying heavily depends on the support and resources of large enterprises and may have a lower success rate when larger and smaller enterprises pursue different goals.

Therefore, we propose the notion of environmental clientelism to understand private business lobbying under environmental crackdowns. Environmental clientelism contains three elements. First, policy-makers interact with selected enterprises through exclusive social networks. Second, relations between policy-makers and enterprises are reciprocal, with the latter contributing to the local economy and public programs in exchange for the former's protection and support. Third, these clientelist exchanges lead to biased enforcement of environmental policies. Essentially, local policy-makers distribute protection through clientelist networks to powerful economic actors but sacrifice smaller ones due to their limited value to the local economy and officials' political careers.

Tightened Environmental Governance in Xi's China

Before Xi Jinping came into power, Chinese local governments had long prioritized economic development over environmental protection, and local environmental agencies were generally weak and

29 Pearson 1997; Tsai 2007.

30 Huang, Dongya 2014; Zhang, Wei 2015.

31 Kennedy 2005; 2009; Tsai 2014; Hui and Chan 2016; Lüdtke 2021.

32 Gao and Tian 2006; Yang 2002.

33 Pearson 1997; Lü and Landry 2014; Eaton and Kostka 2014; Wang and Yan 2020.

34 Yao 2012; Zhang, Wei 2015.

35 Schubert and Heberer 2017.

understaffed.³⁶ The decentralized environmental governance harboured ample opportunities for enterprises to sway environmental policy decisions and implementation.³⁷ However, after Xi took office, the central government stepped up environmental regulations and intervened in local environmental governance through top-down campaigns, especially in times of severe environmental hazards.³⁸

The central government adopted three major measures to counter local protection of heavily polluting tax contributors. First, the amended Environmental Protection Law³⁹ and the “Measures for the Accountability of Party and Government Leaders for Damages to the Ecological Environment (for Trial Implementation)”⁴⁰ tightened environmental regulations by holding both polluters and local officials accountable for environmental violations. Meanwhile, central environmental investigation teams were dispatched in campaign-style enforcement to curb local bureaucratic non-compliance.⁴¹ Second, central and provincial environmental agencies were greatly empowered. The authority of provincial environmental agencies to monitor and inspect pollution at local levels was strengthened,⁴² and the Ministry of Environmental Protection (MEP) was restructured in 2018 into the Ministry of Ecology and Environment (MEE), with expanded power.⁴³ Third, interdepartmental and cross-regional collaboration on environmental protection was enhanced. For example, the Department of Public Security could dispatch an environmental police force and the local taxation bureau could enforce the collection of environmental taxes to help clamp down on environmental violations.⁴⁴ Such cross-departmental collaboration offered crucial assistance to environmental protection when it cuts across several policy areas.⁴⁵

Admittedly, these reforms could not eliminate many long-existing problems in environmental governance, such as disincentives for local initiatives, the lack of continuous monitoring and compliance, job dissatisfaction of EPB officials, local discretion in environmental enforcement and protection of central SOEs.⁴⁶ However, they centralized the environmental policy process, decreased local governments’ autonomy in environmental policy-making and heightened the priority of environmental issues in local policy agendas. Major environmental policies became a “red line” that local governments could not ignore.⁴⁷ Under such circumstances, the space for enterprises

36 Zhang, Ortolano and Lü 2010; Kostka and Hobbs 2012; Ran 2014.

37 Huang, Dongya 2013.

38 For example, see Moore 2019; Xinhua 2021.

39 Standing Committee of the National People’s Congress of China, “Zhonghua renmin gongheguo huanjing baohufa (2014 xiuding ban)” (Environmental Protection Law of the People’s Republic of China [2014 version]), <http://www.lawinfochina.com/display.aspx?id=1208&lib=law>. Accessed 30 July 2022.

40 General Office of CCP Central Committee and the General Office of State Council, “Dangzheng lingdao ganbu shengtai huanjing sunhai zeren zhuijiu banfa (shixing)” (Measures for the accountability of Party and government leaders for damages to the ecological environment [for trial implementation]), 2015, <http://lawinfochina.com/display.aspx?id=20142&lib=law>. Accessed 30 July 2022.

41 China Central Television 2019.

42 “Zhonggong zhongyang bangong ting guowuyuan bangong ting yinfa ‘Guanyu sheng yixia huanbao jigou jiance jiancha zhifa chuzhi guanli zhidu gaige shidian gongzuo de zhidao yijian’” (The General Office of the Central Committee of the CCP and the General Office of the State Council issued the “Guidelines on the Pilot Program of Vertical Management Reform on Environmental Monitoring, Investigation and Enforcement below the Provincial Level”), *Xinhua*, 22 September 2016, http://www.xinhuanet.com/politics/2016-09/22/c_1119608354.htm. Accessed March 29, 2021.

43 Kostka and Zhang 2018.

44 Ibid.; Xu and Wu 2020.

45 Gilley 2017.

46 Ran 2017; Kostka and Nahm 2017; Habich-Sobiegalla 2018; Wen, Tang and Lo 2020; Chan and Flynn 2018; Eaton and Kostka 2017.

47 “Shentai huanjing baohu – hongxian buneng yuyue” (Environmental protection is a red line that cannot be crossed), *Renmin ribao*, 19 November 2019, <https://mil.news.sina.com.cn/2019-11-19/doc-iihnhzf0150249.shtml>. Accessed 27 May 2021. See also Van der Kamp 2021.

to offer policy inputs and sway the making of environmental policies was notably limited.⁴⁸ In particular, private enterprises found themselves living in a much harsher environment in the Xi era.⁴⁹

Lobbying during Environmental Crackdowns: Comparative Case Studies

Against such a backdrop, this study analyses private enterprises' environmental lobbying under Xi Jinping. We find that Chinese private enterprises participate in environmental governance in a way that follows neither the paradigm of pluralism in the Western world nor the model of "authoritarian environmentalism," where environmental protection is achieved through command and control and only limited bottom-up participation is allowed to facilitate the state's environmental actions.⁵⁰ Despite their constrained influence in the policy-making process, private entrepreneurs can still shape the implementation of environmental policies by lobbying local governments, although through varied lobbying channels and with different levels of effectiveness. This section conducts comparative case studies to illustrate how private enterprises lobby under environmental crackdowns and when they succeed or fail.

The comparative case studies are based on two rounds of in-depth field research during 2018–2019 in four provinces, Jiangsu, Zhejiang, Guangdong and Fujian, and some follow-up phone interviews in 2020–2022. During the fieldwork, we focused on three cities, Guangzhou, Wenzhou and Nantong, which are economically well developed, host vibrant private-sector economic activity, and yet suffer heavy pollution in such industries as chemical engineering, machinery, steel-making and leather-making. In consequence, they experienced extensive crackdowns on industrial pollution under Xi.⁵¹ We selected three heavily polluting industries including pump, synthetic leather and steel cable manufacturing, each of which is a pillar industry of Guangzhou, Wenzhou and Nantong, respectively, and has suffered harsh environmental crackdowns since 2013. Through snowball sampling in the three cities and industries, we closely observed 24 private enterprises and conducted semi-structured interviews with 57 owners or managers of these enterprises, leaders of business associations, grassroots environmental NGOs and local officials. The sampled enterprises are typical of their respective industries in terms of environmental impacts but vary in economic scale. They include both larger enterprises with an annual main business income of greater than 20 million yuan and employing hundreds of members of staff and smaller enterprises with a few dozen workers. We collected rich information about not only these enterprises but also the business associations in the selected industries. In addition, we collected supplementary data from local EPB officials and grassroots environmentalists as well as official documents, news reports, etc. to cross-validate the information collected from the interviews and understand the general policy and business environment of the cities and industries. Based on empirical observations, we identify three cases of environmental lobbying with distinctive patterns and results (see [Table 1](#)), and we tell their detailed stories below.

Larger Enterprises' Successful Lobbying

Mr S owns a Guangzhou-based enterprise that manufactures pumps. As a sizeable enterprise with more than 600 members of staff, it contributes to the local economy with an annual tax contribution of 20 million yuan (approximately US\$2.83 million), which is above average for the local private sector. Due to the carbon dioxide, ammonia and water pollutants generated in the processes of smelting, coating and washing, the pump-making industry is a serious source of air and water

48 For example, see Weithmann 2018.

49 Reuters 2018.

50 Heilbroner 1974; Beeson 2010; Gilley 2012; Li et al. 2019; Ahlers and Shen 2018.

51 Peng et al. 2018.

Table 1. Cases of Private Enterprises' Environmental Lobbying

Location	Industry	Lobbying strategy	Enterprises involved	Enterprise size (no. of staff members)	Result
Guangzhou, Guangdong	Pump manufacture	Direct firm-level lobbying	1 large enterprise	~ 600	Success
Wenzhou, Zhejiang	Synthetic leather	Lobbying through business association without large enterprises' participation	54 large and small enterprises	Large: >100 Small: mostly <50 (a few 50–100)	Failure
Nantong, Jiangsu	Steel cable	Lobbying through business association with large enterprises' participation	38 large and small enterprises	Large: >100 Small: 50–100	Success

Sources: Data are collected from the authors' fieldwork and follow-up interviews.

pollution. However, thanks to Mr S's careful environmental management, his firm had kept a clean record since 2004. Due to the firm's economic contribution and his prestige in Guangzhou, Mr S was first elected as a top leader in Guangzhou's government-run business association, then became a local CPPCC delegate, and finally entered the local people's congress (LPC). He was also named a "Model Worker of Guangzhou" and "Distinguished Entrepreneur of Guangzhou" – honours signalling recognition and support by local authorities.

In 2018, Mr S's company was accused of discharging unprocessed wastewater into the industrial zone located in A District of Guangzhou. Discovering that the level of ammonia contained in the wastewater from the industrial zone exceeded the standard for direct effluent discharge, the district EPB penalized 80 per cent of the enterprises in the industrial zone, including Mr S's company, and ordered them to pay fines of up to 100,000 yuan. Mr S was discontented with the penalty, because, if publicized, it could severely damage his business reputation (which is crucial for an enterprise aspiring to bid for major public projects or get listed on the stock market). Mr S tried to argue with the district EPB on the grounds that the A District government promised to construct a piping system to connect the industrial zone with the nearest industrial wastewater treatment plant, in exchange for his investment in the industrial zone within A District. Due to a shortage of funding, the piping system was still under construction when the incident took place, and thus Mr S's company refused to take blame for the discharge.

Mr S began his journey to revoke the decision. After his failed attempt to lobby the local EPB, Mr S appealed to the district government for an administrative review of the penalty and stressed that it was the district government's responsibility to complete the piping system. The district officials admitted their fault but made it clear that they could not change the district EPB's decision. As an LPC member, Mr S thought about submitting policy proposals to remonstrate against the stern enforcement of environmental policies and its impacts on local enterprises. However, for fear of signalling disloyalty and damaging his long-term relationship with the local government, Mr S chose not to challenge the top-down environmental campaign through the LPC. All the formal channels for defending the enterprise's rights were effectively blocked.

Mr S thus sought alternative ways to dissuade the district EPB from punishing his enterprise. He had developed ties with key leaders in A District during official meetings and their visits to his company. Making use of these networks, Mr S made phone calls to the district head and briefed him on the case. He argued that Guangzhou EPBs enforced environmental policies with a more rigid approach than was required by the central government and it would be impossible for the Guangzhou government to strictly stick to this approach without ruining the local economy. He stressed that as an owner of profitable businesses, he did not intend to violate any environmental rules. It was the district government that did not keep the promise to complete the piping system in time. Carefully weighing the contributions from Mr S's company and the damage of strict environmental enforcement to the local economy, the district head agreed to mediate between the company and the district EPB. Finally, Mr S and the bureau reached an agreement: The EPB waived the penalty, while Mr S's company and other enterprises agreed to carry wastewater by vehicle to sewage treatment plants instead of directly discharging the water before the piping system was formally in use. Although the agreement imposed financial costs on his enterprise, Mr S accepted it. After all, his priority was to protect the business reputation of his enterprise without disrupting his relationship with local officials, which he had achieved through the fruitful bargaining with the district head. In 2019, the industrial zone's piping system was finally put into service.

Smaller Enterprises' Failed Lobbying

Our empirical observations in Wenzhou show that smaller enterprises are not as lucky as their larger counterparts. Similar to the case in Guangzhou, 54 private enterprises in the synthetic leather industry faced penalties from the local EPB in B District, an important industrial base in Wenzhou.

The manufacturing of synthetic leather has long been the local pillar industry due to its low costs and high profits. However, the manufacturing of synthetic leather is highly polluting given the emission of poisonous chemicals including volatile organic compounds and toluene. In 2013, when national attention was drawn to pollution incidents across China, the government of Wenzhou issued a policy to crack down on the pollution caused by the synthetic leather industry, with a detailed timetable mandating at least 50 per cent of production lines to be removed by the end of 2015.⁵² The policy sparked a burst of complaints from enterprises to the district EPB, especially from smaller-sized enterprises which could not afford the costs of upgrading their anti-pollution technology. To prevent their factories from being shut down, these smaller business owners and their workers petitioned against the scheme to the district EPB and the district labour bureau, but B District refused to reverse its decisions.

The local business association soon stepped in. Given the long-established collaboration between the government and business associations in Wenzhou,⁵³ the Wenzhou Synthetic Leather Industry Association (*Wenzhou hechengge shanghui* 温州合成革商会) was asked by the affected small enterprises to lobby the government on their behalf. The association's chief secretary, Mr Z, a former leader in Wenzhou's environmental protection system, launched a collective petition to the Wenzhou government, arguing that the local environmental standards imposed on synthetic leather enterprises were even stricter than those in developed countries and smaller synthetic leather enterprises were financially incapable of passing the bar. However, the collective petition was aborted at the very beginning, as the larger businesses within the association refused to sign the petition or contribute opinions on how the environmental standards should be revised. Feeling that the smaller businesses were competing unfairly by cutting down environmental costs, those larger enterprises were just happy to see their competitors crushed by the crackdown. The association realized it was impossible to obtain support from the larger enterprises. The collective petition was dropped for good.

Mr Z did not give up. He contacted his acquaintances within the local EPBs and the district government, trying to slow down the pace of the environmental crackdown that endangered smaller synthetic leather enterprises. He also sent letters to the mayor and Party secretary of Wenzhou, requesting subsidies for those smaller businesses affected. "Please save the synthetic leather industry in Wenzhou," he pleaded in his letters.⁵⁴ None of these efforts worked. As synthetic leather manufacturing was deemed an obstacle to the city's environmental protection, no local official was willing to take the political risk of assisting these highly polluting enterprises. In addition, public discontent had long fermented regarding the pollution in B District, and local residents had strongly complained about the synthetic leather industrial zones. Therefore, the local government showed no interest in helping the smaller enterprises to survive the crackdown.

The association's lobbying ended in failure. By the end of 2015, 77 per cent of the synthetic leather enterprises in B District had been shut down, which was declared "a great achievement in environmental protection" by the local government.⁵⁵ Of the shut-down enterprises, basically all were small ones, whereas the larger ones survived the crackdown by upgrading their technology or cutting one or two production lines. Some of the closed enterprises relocated their factories to other underdeveloped regions in China with more financial and land subsidies from the local governments. One year after his letters were sent, Mr Z finally heard from the Wenzhou Party committee, saying they would attend to his inquiry. "What is the point of making a reply one year later?" he lamented.⁵⁶

52 General Office of Wenzhou Government, "Guanyu yinfa Wenzhou shi hechengge hangye zhengzhi tisheng fang'an de tongzhi" (Announcement on distributing scheme for regulating and renovating the synthetic leather industry), 2013, <https://mall.cnki.net/magazine/Article/AWZS201301010.htm>. Accessed 1 May 2020.

53 Parris 1995; Yu, Huang and Fang 2004.

54 Interview with Mr Z, Wenzhou, 21 August 2019.

55 Interview with B District official, Wenzhou, 24 August 2018.

56 Interview with Mr Z, Wenzhou, 21 August 2019.

Large and Small Enterprises' Successful Lobbying

By contrast, some smaller enterprises in Nantong had better luck with lobbying through their local business association. Similar to Wenzhou, Nantong has seen rapid growth in the private economy in such industries as textiles, shipbuilding and hardware. The manufacturing of steel cable is a key component of Nantong's hardware industry. However, steel cable manufacturing discharges toxic chemicals such as lead into the water and soil, giving rise to public health risks. After a public health crisis caused by lead pollution from wire cable factories in 2012,⁵⁷ a city-wide campaign to standardize the production of wire cables ensued in Nantong, and 35 wire cable factories were shut down for environmental reasons in 2014.⁵⁸ In 2017, the Nantong government stepped up the crackdown on cable manufacturing enterprises as a major source of water contamination, and during 2017–2018, 119 additional cable manufacturing enterprises were closed.⁵⁹

Under Nantong's campaign against water pollution, the cable factories in C District were required to process their wastewater in a sewage treatment plant. Among the 38 affected factories, most were small enterprises with less than 100 staff, and 27 had insufficient capacity to process their sewage. As the service area of the designated treatment plant did not cover C District, the cable enterprises in C District had to carry the sewage by vehicle, which greatly increased their costs. The policy aroused strong discontent among the enterprises, especially smaller business owners who found it unaffordable.

To survive, the smaller cable enterprises reached out to the leaders of the Nantong Steel Cable Industry Association (*Nantong gangsi gangshengye shanghui* 南通钢丝绳业商会). These enterprises proposed a specialized sewage treatment plant within C District to lower the costs of pollution management. Unlike their counterparts in Wenzhou, local business associations in Nantong did not have close working relations with the local government, which made the association quite unsure about the district government's attitude towards the initiative. Fortunately, the proposal was strongly backed by about 10 larger enterprises in the association because they too found it preferable to have a sewage treatment plant in the neighbourhood and were willing to shoulder the costs. Therefore, the larger enterprises in C District came to the rescue of the smaller ones by taking the lead in lobbying the government. To win approval from the district government, all the entrepreneurs within the association proposed to collectively invest in a sewage treatment plant rather than asking the government for funding. The larger enterprises agreed to shoulder most of the investment.

The association then depended on the efforts of Mr F, the owner of one of the larger cable enterprises and a former CPPCC delegate in C District. As the deputy head of the association, Mr F submitted the entrepreneurs' grievances to officials with whom he was acquainted in the EPB and the relevant industrial park in order to secure their endorsement of the proposed wastewater treatment plant. Unwilling to take the responsibility of approving or rejecting the proposal, these officials passed it upwards to the district government, and finally to the prefectural government of Nantong. Mr F and several other owners of larger enterprises in the association, who were either LPC members or awardees of honourable titles by the local government, scrambled to mobilize their personal connections with local officials and eventually secured a channel to report their complaints about the environmental policies directly to the C District leaders.

Through informal and face-to-face meetings with these entrepreneurs, the district government agreed with the enterprises' proposal to set up a new sewage treatment plant. However, the leaders were concerned about having private enterprises as major investors in a public facility. To

57 "Jiangsu Nantong 200 ertong xueqian chaobiao tese chanye gangsisheng yiwei 'huoshou'" (Elevated blood lead level tested among children in Nantong, local steel cabling enterprises as "culprits"), *Nbd.com.cn*, 28 June 2012, <http://www.nbd.com.cn/articles/2012-06-28/663383.html>. Accessed 10 May 2020.

58 "Nantong tuiquan qiye xinyong pingji" (Nantong promotes credit ranking system for enterprises), *Zhongguo huanjing bao*, 23 July 2015, http://49.5.6.212/html/2015-07/23/content_31611.htm. Accessed 10 May 2020.

59 "Nantong: fenli benpao zhengdang gao zhiliang fazhan xianfeng" (Nantong: dashing forward to high-quality development), *Xinhua ribao*, 25 August 2019, <http://xhv5.xhby.net/mp3/pc/c/201908/25/c676174.html>. Accessed 20 May 2020.

circumvent this problem, the C District government ingeniously founded an SOE to act as the largest shareholder of the new treatment plant and manage the project funding, which mostly came from the larger cable manufacturing enterprises. The project was formally launched at the end of 2017 and rescued the smaller cable enterprises in C District from bankruptcy.

What Do We Learn about Private Enterprises' Lobbying?

The comparative case studies above suggest several important features of private enterprises' environmental lobbying. First, both large and small enterprises tend to rely on informal connections to lobby local governments and defend their interests, while formal channels of participation such as policy proposals in the LPCs and CPPCC are rarely used to redress their grievances during top-down environmental crackdowns. Our interviews with local EPB officials in all the fieldwork sites confirm that they have never received any LPC or CPPCC proposal that questioned environmental policies. An important reason lies in the central government's heavy emphasis on environmental protection under Xi, which has made environmental protection a red line that no LPC or CPPCC delegate dares to cross. Co-opted entrepreneurs feel that it is harder to voice opposition to environmental policies than on other issues, as it sends out negative signals about their loyalty to the government and invites questions about their qualification to serve as a representative. Private enterprises can at most use their LPC/ CPPCC affiliations to bargain with local governments about firm-specific issues. As one private entrepreneur in Guangzhou observed:

We are representatives at the local people's congress, so we should represent the people. It is true that environmental protection has been people's primary concern... We entrepreneurs and business associations basically cannot influence the formulation of environmental policies. Only when it comes to a firm-specific issue, there's some space for negotiation. As an LPC delegate, I may be more persuasive than other entrepreneurs in bargaining, but I cannot speak out against the policy itself.⁶⁰

Second, unable to challenge environmental policy-making formally, private entrepreneurs would rather mobilize political connections to bargain over the implementation of environmental policies. The connections possessed by larger businesses enable them to directly contact local leaders who can leverage EPB officials to soften the rigid enforcement and alleviate the burdens on the enterprises. *Guanxi* between private entrepreneurs and public officials facilitates business lobbying on at least two fronts: information and exchange, two major functions of social networks.⁶¹ *Guanxi* enables the flow of information among members embedded in the networks. Specifically, private entrepreneurs can share with local leaders the detailed impacts of environmental enforcement on the enterprises, which the leaders may not necessarily understand given China's fragmented bureaucratic system.⁶² After realizing the economic repercussions of environmental policies, the officials may need to recalculate the benefits and costs and recalibrate the policy implementation. Meanwhile, reciprocal exchanges are inherent in the state-business networks. It is worth noting that this does not necessarily mean corruption, as is often observed in the lobbying processes.⁶³ Under interdependent state-business relations in reform-era China, the exchange between private entrepreneurs and officials may take the form of personal-level gifts or favours that fall in the grey area of corruption, but more importantly, the exchange of favours can be mutually supportive at an organizational level. Private enterprises contribute to local economic and fiscal growth,

60 Interview with Mr S, Guangzhou, 8 November 2019.

61 Mitchell 1973.

62 Lieberthal 2004; Mertha 2009.

63 Bitonti and Harris 2017; Hellman, Jones and Kaufmann 2003; Hrebendar, McBeth and Morgan 2008.

support local policies and projects, or at least refrain from openly challenging government policies. In return for their loyalty, they receive protection from unfavourable policies.

Third, not all private enterprises can access direct channels of lobbying to change environmental policy implementation. Only the economically powerful ones are qualified to join the exclusive network and sit at the negotiation table. Mr S's case in Guangzhou clearly manifests this logic:

For large enterprises like mine, as long as we do not commit severe environmental crimes, the local government is glad to give us a second chance because of our contributions to Guangzhou's economy. Local officials just tell me, "Don't do it again next time."⁶⁴

However, smaller enterprises that are not significant contributors to the local economy are usually shut out of the direct negotiations, because they do not have as much economic capacity to develop reciprocal ties with local officials. An environmental official in Wenzhou was frank about this:

There may be some smaller enterprises that cannot survive the environmental crackdown. However, their profits are earned at the cost of the environment and are not so large to make a difference, so it is not a pity to eliminate them.⁶⁵

Thus smaller enterprises have to resort to lobbying through local business associations to utilize their collective resources and political connections. Business association leaders in China, many of whom are successful businesspeople or retired officials, usually enjoy reliable political linkages useful for lobbying the government. As a former deputy head of a local business association acknowledged:

Working as a local business association leader, you should become a bridge between businesspeople and the government. Therefore, it is crucial for association leaders to have political linkages and befriend local officials. If you are not "acknowledged" by local officials, you cannot do anything, and you will not even get elected by your fellow association members.⁶⁶

Fourth, business associations can defend smaller enterprises' interests in environmental campaigns only under certain conditions. Since most local business associations lack political autonomy from the government, they have limited incentive and capacity to lobby the government on behalf of smaller enterprises. Instead of talking the government out of environmental crackdowns, local business associations are more willing to bargain for less rigid enforcement or more financial assistance to help smaller businesses survive environmental crackdowns. As mentioned by the head of a county-level business association in Wenzhou,

When it comes to a common problem faced by all the enterprises, we can make ourselves heard by the government. For example, if a factory is penalized due to some common problems among other enterprises, we can speak out and press for a change of the enforcement approach. Otherwise, there is hardly anything we can do about environmental policies.⁶⁷

The comparison between the Wenzhou and Nantong cases suggests that it is more likely for business associations to defend smaller businesses' interests if larger enterprises join the lobbying out of shared interests. The powerless small members in business associations can ride on the political and

64 Interview with Mr S, Guangzhou, 8 November 2019.

65 Interview with B District Official, Wenzhou, 24 August 2018.

66 Interview with a former business association leader, Ningde, 17 August 2019.

67 Interview with a county-level business association leader, Wenzhou, 28 August 2019.

economic resources of large enterprises, who can directly communicate with the government and provide feasible solutions to policy disputes. Otherwise, the divided interests among association members usually result in business associations' inability to protect smaller businesses' interests. Since Chinese business associations do not require mandatory membership or instil values of solidarity among entrepreneurs,⁶⁸ they work more as a platform of networking for entrepreneurs than as a representative of professional interests. As was pointed out by one Nantong official, "most local business association leaders are large business owners, and they do not always have shared interests with smaller businesses owners."⁶⁹ Therefore, the effectiveness of lobbying through business organizations largely hinges on whether large enterprises are willing to participate in the collective actions with small enterprises to achieve a common goal.

Conclusion

The top-down environmental campaigns and, more broadly, the party-state's tightening control over the private sector under Xi Jinping⁷⁰ have generated huge impacts on Chinese private enterprises. Although Xi's heavy emphasis on environmental protection and "law-based governance" (*yifa zhiguo* 依法治国)⁷¹ should presumably hold all polluting entities equally accountable, we find that the crackdowns have left more lobbying (and living) space for larger enterprises than for smaller ones, especially under the local manoeuvres in policy implementation.⁷² We do not deny that larger enterprises have greater financial capacity for pollution-control measures and stronger interest in contributing to the environmental cause for a better image.⁷³ But we argue that the existence of environmental clientelism provides an added layer of protection for larger enterprises. Enjoying more economic influence and political connections, they can directly bargain with local governments for more relaxed environmental enforcement; whereas smaller enterprises are excluded from the clientelist network and must resort to business associations and rely on the participation and support of larger enterprises for successful lobbying. The direct result of environmental clientelism is biased enforcement of environmental regulations in favour of powerful economic actors, while smaller businesses tend to be sacrificed due to their limited value to the local economy and officials' political careers.

This research sheds new light on how private enterprises manage to influence policy implementation under a strong authoritarian state. We show that even under state capitalism, where the private sector is dominated by the party-state, there is still space for larger private businesses to lobby local governments for protection. Striving to balance local economic interests and the top-down environmental drives, local officials distribute protection through clientelist networks exclusive to powerful economic players. Therefore, the party-state's monopoly of power, while appearing monolithic and unchallengeable for small players, may be porous and malleable for business elites possessing economic resources and political linkages. From the perspective of smaller businesses, this makes coalition with larger enterprises a potential strategy for survival in a hostile policy environment.

This finding has implications for not only state-business relations in China but also studies on business influence in other countries. Indeed, asymmetric business interest representation has been observed in various contexts, including mature market economies such as Europe, emerging economies such as Southeast Asian nations, and transitioning economies such as post-Soviet

68 Yu, Huang and Fang 2004.

69 Interview with an official, Nantong, 7 December 2019.

70 Lam, 2020; Pearson, Rithmire and Tsai 2021.

71 "Xi Jinping on law-based governance," *Xinhua*, 21 February 2022, <https://english.news.cn/20220221/169ef4188cf2460cb1f7ca3d36861694/c.html>. Accessed 14 August 2022.

72 Weithmann 2018.

73 For example, see Lai and Spires 2021.

Russia.⁷⁴ Despite the heterogeneous political institutions, economic conditions and geographical regions, it seems inevitable for powerful economic players to gain strategic advantages in the policy process. In addition to the polarizing market forces and rising economic inequality in contemporary capitalist systems, the unequal political representation of economic players of different sizes deserves serious attention and awaits systematic solutions.

Lastly, we acknowledge the limitations of this study. First, we only focus on private enterprises and ignore lobbying by SOEs, which may follow different dynamics. Second, our case studies focus on the implementation of environmental policies, a highly emphasized and politicized policy area under Xi. The peculiar setting of environmental governance may make the options and platforms for business lobbying different from those in other policy areas. Third, the characteristics of different industries may affect their mode of lobbying. For example, some studies find that industries with a high level of concentration, such as coal mining and power generation, may rely less on lobbying through business associations.⁷⁵ Moreover, as our empirical evidence is mostly collected from developed coastal areas with a strong private-sector presence, more empirical evidence is needed to determine whether our findings can be extended to other regions with smaller private sectors. It is thus important to further investigate how lobbying behaviours vary across ownership types, policy areas, industrial sectors and regional economic structures in future studies.

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74 Eising 2007; Rüländ 2016; Kubicek 1996; Matveev 2019.

75 Duvanova 2011.

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