

**CHINA'S PRIVATE ENTREPRENEURS:
POLITICAL IMPLICATIONS**

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Executive Summary

1. The rapid expansion of the private sector has promoted private entrepreneurs in China, who constitute 1.3% of the total population, from a marginalized and politically vague element to one with a more defined new social status.
2. Approximately 80% of the private enterprises in China are in the secondary and tertiary industries. The main challenges private entrepreneurs faced are in the overcoming of fierce competition and the transforming of their businesses into more efficient and sizable enterprises.
3. The government has undertaken a long campaign to keep up with the pace of the expanding private sector and adjust to private entrepreneurs' newly acquired political status. Entrepreneurs have been integrated into the Chinese Communist Party and recruited into other political institutions and business organizations.
4. This has reinforced the financial relations between central and local governments, and further engendered cooperation between local officials and entrepreneurs.
5. The social status of private entrepreneurs has been continuously downgraded even though they are becoming more actively involved with their political duties and social activities.
6. Their different social and political backgrounds have a large role to play in influencing their behaviour and economic goals, which are largely geared toward profit maximization.
7. The relations between private entrepreneurs and the government are a mutually beneficial one. While many private entrepreneurs rely heavily on government patronage to make their business ventures a success, they are also among the party's most important bases of support.

8. Outspoken ones who voice their democratic views are either co-opted as Party members, or remain resentful of the present political system.
9. Meanwhile, most other entrepreneurs do not advocate a change in regime type even if they have complaints that could very well be resolved through democratic channels of political participation.
10. While democracy is desirable, most entrepreneurs including those who have piling grievances toward local governments and institutions would think that China today is not ready for a democratic political system given its large low-quality (*suzhi*) population.
11. Only a fraction of the current generation of private entrepreneurs, however, has both the ability and desire to confront the state in defence of their interests, and even within this group many use nondemocratic channels to promote their interests.
12. Consequently, they are continuously contributing to the completion of the rule of law regarding property rights and the advocacy of more economic liberalization.