What Analyses of Factional Politics of China Might Miss When the Market Becomes a Political Battlefield: The Telecommunication Sector as a Case in Point

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Abstract

The end of the Deng Xiaoping 鄧小平 era in 1997 prompted the Chinese party-state to proceed toward more oligarchic politics. To date, scholars have generally adopted factional politics as a key to understanding the intraparty competition among top leaders who are categorized into different factional groups, such as the princelings, the Shanghai gang, the tuanpai 團派, the mishu party 秘書黨, and the Tsinghua clique 清華幫. One dimension that attracts scant attention, however, is how the emergent bureaucratic market has penetrated and intervened in contemporary factional politics. In question is a small circle of powerful bureaucratic bourgeois who are children, close relatives, or protégés of top political leaders. Using the telecommunication sector as a case in point, the present article explores the facade of the vibrant market of family conglomerates and patron-client networks that are also actively involved in jostling for political power.

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The death of Deng Xiaoping (1904–1997) not only marked the end of charismatic leadership in socialist China, but also prompted the party-state to proceed toward more oligarchic politics. In the literature, intra-party competition among top leaders has been understood mainly in terms of factional politics, in which political elites are said to affiliate with different factional groups. Bo says that the formation of factional groups is “based on corporate ties . . . that have been established through shared experience in an organization.” Commonly known examples of factional groups presume that affiliates are recruited based on shared family background (e.g., princelings, or taizi 太子), career path (e.g., the Shanghai gang, the mishu [personal secretary] party, and tuanpai [CYL group]), or educational background (e.g., Tsinghua clique). Yet, analyses of factional politics have a number of limitations. For example, former vice president Zeng Qinghong 曾慶紅 (1939–), a crony of former president Jiang Zemin 江澤民 (1926–), can be classified as an affiliate of the princelings, the Shanghai gang, and the mishu party at the same time. Designated as the next president in 2012, Xi Jinping 習近平 (1953–) possesses the characteristics of a princeling and mishu. Xi first appeared as “factional neutral,” but was later found to be close to Jiang. Evidence also shows that Politburo Standing Committee (PSC) members Wu Bangguo 吳邦國 (1941–) and Li Changchun 李長春 (1944–), who are widely thought as Jiang’s protégés, are either nonoppositional to or able to develop a decent working relationship with president Hu Jintao 胡錦濤 (1942–). In fact, the number of factional groups that exist and function in real terms is difficult to ascertain. Despite these limitations, analysts of contemporary factional politics generally acknowledge the existence of two key political coalitions that are actively involved in the jostling for supreme political power, or what Cheng coins “one party, two coalitions.”

Sharing most of the characteristics of the princelings and the Shanghai gang, the first coalition could be termed elitist with Jiang Zemin and his allies, including Xi Jinping and Zeng Qinghong being the leading figures. The second could be labeled populist—sharing the major characteristics of the tuanpai, mishu party, and Tsinghua clique—with president Hu Jintao, premier Wen Jiabao 溫家寶 (1942–), and Li Keqiang 李克強 (1955–) being representatives. Previous studies have suggested that the two coalitions are divided not simply by different family, educational, and professional histories, but also by real economic and political disputes. For example, on one side, the populists are more concerned
about improving China’s social security net, introducing greener power policies, and rectifying the disparity between the wealthy east coast and the poor western hinterland. On the other side, the elitists tend to favor the development of export-oriented financial centers in the coastal areas and place greater emphasis on economic growth and free trade. Evidence also indicates that the populists are more supportive of democratic reforms, whereas the elitists prefer to keep the political status quo.

Despite the high heuristic value of previous studies of factional politics, there is a missing link. Scant attention has been paid to understanding how the force of the emergent bureaucratic market has intervened in high-level factional politics, though scholars and critics have broadly recognized the rise of bureaucratic capitalism and its attendant social problems since reform began. In question is a small circle of bureaucratic bourgeois who are children, close relatives, or protégés of top political leaders. They have come to control key state-corporation apparatuses, and some of them possess close ties with the military. In China, the transition toward capitalism (or “socialism with Chinese characteristics”) has been guided by the cautious reform approach set by Deng Xiaoping. Three principles, that economic reforms are not juxtaposed with a democratized political system, that the state governance will never follow the Western model of tripartite separation of powers, and that every major reform policy has to be channeled through the existing authoritarian bureaucracy, have created a rent capitalism through which state bureaucrats and their accomplices become the major beneficiaries. Along this vein, Hutchcroft calls postsocialist China an exemplar of “bureaucratic capitalism,” in which there exists a strong, patrimonial administrative state while countervailing forces from the rational-legal system are strikingly weak.

The present article attempts to outline the state processes through which the offspring and protégés of high-level cadres are turned into a small circle of bureaucratic bourgeois who have privileged access to both the state machinery and the market. Empirical analyses focus on the rise and fall of Jiang Mianheng (1952–) (son of Jiang Zemin) as the “king” of the telecommunications sector, and extend to a more holistic discussion of the general features of the bureaucratic bourgeoisie in other market sectors. Central to the discussion is an exploration behind the facade of the vibrant market of family conglomerates and patron-client networks that are also actively involved in the jostling for
political power. The analysis endeavors to supplement previous studies of factional politics and offer a more dynamic view of the high-level struggles among particular political elites, including shifting and multiple loyalties and, essentially, how the vibrant market can be turned into a political battlefield.

One should note that space constraints do not allow for a comprehensive study of all the key bureaucratic corporations and their bureaucratic bourgeois. And there are several reasons for choosing Jiang Mianheng and the broader telecommunications sector that Jiang Mianheng’s business mainly involved. First, his father is a key player in contemporary factional politics, which the present study endeavors to shed light on. Second, Jiang Mianheng is a heavyweight in the business sector, as he held crucial stakes in important mobile phone, Internet, and cable TV businesses, and was once renowned as “Shanghai’s King of IT,” and is still labeled in the official media as the “Father of the Internet” in China. Third, as will be clear in the subsequent discussion, Jiang Mianheng embodies the major features of bureaucratic capitalism in the post-Deng era.

1. The “King of IT”

Before 1994, the telecommunications industry was monopolistically controlled by the state under the Ministry of Posts and Telecommunications (MPT), which regulated and managed both telecommunications operations and much of the nation’s telecommunications equipment manufacturing. However, in the early 1990s, there was sustained demand and an expectation that China should deregulate its telecommunications market in the midst of the larger nationwide reform that aimed at separating enterprise management functions from the inefficient state bureaucracy. In 1994, China Telecom was set up and registered as an operator enterprise under MPT. At the same time, the Ministry of Electronic Industry (MEI) together with several other state institutions formed two commercial branches: China Unicom and Jitong Communications Corporation (Jitong). China Unicom was supposed to compete with China Telecom in most areas, but there was still a great disparity in strength between them in 1994. Gao and Lyytinen point out that in the early years of establishment, China Unicom had an income less than 1 percent that of China Telecom. Jitong, on the other hand, was authorized to carry out communications research and product development
and build, operate, and manage information network services throughout China. In early 1997, MPT began trials to separate the postal and telecommunication businesses in Chongqing and Hainan, which were extended to the whole country next year. In October 1997, China Telecom was listed on Hong Kong and New York stock exchanges, which marked an important step in the deregulation and commercialization of the sector. In March 1998, the Ministry of Information Industry (MII) was established based on MPT and MEI and became a coherent regulator with exclusive power in regulating the whole industry.

Against this backdrop of nationwide reforms, Shanghai also actively promulgated measures and financial policies to expand the network infrastructure through the creation of special municipal corporations. One of these corporations was Shanghai Alliance Investment Ltd. (SAIL), established by the Shanghai municipal government in September 1994. But the man who actually controlled the company with a registered capital of US$200 million was Jiang Mianheng. Also known as “Jiang Mianheng’s company,” SAIL actively channeled public funds into building telecommunication infrastructure, for both telephone and Internet users. It should be noted that using a city-backed (i.e., a quasi-official) company to take a leading role to organize municipal support and direct the funding for the business had been a common practice in the transition toward the market economy. Harwit recognized similar industry development patterns in other businesses, in other places. However, two interesting pieces of background information about SAIL must be noted. First, SAIL was not Shanghai’s first municipal corporation specializing in information technological investments. In fact, a city-controlled enterprise known as Shanghai Science and Technology Investment Corporation (SSTIC) had been founded in 1992. The first president of SSTIC, Liu Zhenyuan 刘振元, was also Shanghai’s deputy mayor of the time. There was no obvious reason why Shanghai needed two state corporations of a similar type in less than two years. Unlike SSTIC, SAIL was a “mysterious” company that had held no official opening ceremony, published no results, and made no public announcements about who were its top executives. What was clear, however, was that developments in SAIL in the following decade overshadowed those of SSTIC. To date, the evidence seems to suggest that while SAIL was controlled by Jiang Mianheng, SSTIC was more associated with the political opponent of his father, Zhu Rongji 朱镕基 (1928–), premier during the Jiang era. Second, by the time Jiang Mianheng took control of SAIL, his
official position was that of a scientist at the Shanghai Institute of Metal-
urgy (SIM)—one of over 100 research institutes affiliated with the 
Chinese Academy of Sciences (CAS). In 1994, Jiang Mianheng had no 
experience in management and presumably had little capital and no finan-
cial credentials. These two pieces of information supported the widely 
held view that the setting up of SAIL and the deployment of Jiang Mian-
heng as its head were mainly due to his princeling background.

Born in Shanghai, Jiang Mianheng studied nuclear science and gradu-
ated from Shanghai’s Fudan University in 1977. In 1982, he obtained a 
master’s degree in semiconductor material studies at CAS, Beijing. After 
working for some years at SIM, he began to pursue his doctoral studies 
in the United States in 1986.32 Five years later, he graduated from Drexel 
University with an electrical engineering doctorate. Before rejoining 
SIM as a scientist in 1993, he worked at the Hewlett-Packard Company 
in Palo Alto, California, for this postgraduate training. As mentioned 
before, one year later he became the director of a company worth over 
one billion renminbi. Even more, he was later promoted to director of 
SIM in 1997 virtually without having made any significant contributions 
to science. Being a cadre-cum-entrepreneur, Jiang Mianheng seemed to 
have played his role as a bureaucratic bourgeois to its maximum. At 
SIM, he was a scientist, but at SAIL, he was actively seeking opportuni-
ties to expand his business empire and invest in key municipal telecom-
munications projects. In September 1997, SAIL invested US$1.2 million 
to purchase 6.3 percent of a new publishing company called Shanghai 
Xinhui Disk Group Company (XDGC). Ostensibly possessing a small 
holding, Jiang Mianheng was the company chairman. After taking over 
two state-run publishing houses, XDGC later constituted a publishing 
group that, according to Forney, boasted at least eight companies that 
could sell digital books and movies over the fiber-optic cables that 
Jiang’s other companies were laying.33 In the same year, Shanghai Infor-
mation Investment Corporation (SIIC) was formed and was designated 
to carry out an ambitious project of “Shanghai Infoport,” laid down in 
1995. The project was an effort to improve information technology infra-
structure for telecommunications, the Internet, and cable networks in 
Shanghai. It was planned that the city would spend US$8.5 billion to 
improve the infrastructural standard from 2000 to 2005.34 And, in the 
creation of Shanghai Cable Network in the early 2000s,35 SIIC also 
contributed to the development of the country’s first cable networks that 
could offer cable television, Internet access, and telephone services in
In November 1999, Jiang Mianheng was once again “airlifted” to become vice president of CAS and director of CAS’s Shanghai Branch, and once again his promotion was based on “zero scientific research contributions whatsoever.” One should be reminded that CAS is a state apparatus with close military ties. On CAS’s official website, Jiang Mianheng was responsible for developing indigenous semiconductor technologies. However, as he later revealed, he was entrusted with a space exploration project, of which he had no professional knowledge once he became vice president of CAS. In addition, in October 2002, Jiang Mianheng was elected a party representative at the 16th CCP Congress. With higher political positions, however, Jiang Mianheng seemed to be more motivated to engineer high-level deals in the business market than to conduct research. For example, in 2000, he lined up a deal between SAIL (through its affiliate company Shanghai Simteck Industries) and Taiwan’s Hung Jun Group to build a semiconductor plant in Shanghai with an initial investment of US$75 million. He also fostered a joint project with the Shang Chulan Group that produced appliances and computer products. Even more curiously, wearing his hat as CAS vice president, Jiang Mianheng promoted research using the Linux operating system. But at SAIL, he forged a joint venture with Linux’s main rival, Microsoft (MSN), which offered Chinese-language content from government-backed outlets such as the Shanghai Media Group and the Beijing Youth Daily to more than 340 million cellular phone subscribers, who often used handsets to go online. In fact, since the establishment of SAIL, Jiang also made investments in Phoenix TV, and was appointed as director in key state and municipal corporations, including China Netcom, Shanghai Automobile Industry Corporation, and Shanghai Airport Corporation.

Among all these entrepreneurial acts, the founding of China Netcom in 1999 has been undoubtedly the most important one in Jiang Mianheng’s business career thus far. Discussion of the rise of China Netcom till its absorption by China Unicom in 2008 must be juxtaposed with the macro reform process of the sector during the same period. In 1999, a new round of statewide telecommunication sector reforms began. In February, the State Council approved the proposal to split the monopolistic China Telecom into four market segments: fixed-line
telephone services, paging services, mobile telecommunications, and satellite communications. The fixed-line service remained as part of the new China Telecom. The paging service and part of the CDMA mobile phone business were given to China Unicom. Two new companies, China Mobile and China Satellite, emerged to take the lion’s share of the mobile and satellite communications sectors, respectively. In order to increase competition, two new telecommunication licenses were issued to the newly established China Netcom and China Railcom. One should note that SAIL held one-third of all shares in China Netcom, whose chairman was Tian Suoning 田溯寧. Although Jiang Mianheng was only a board member of China Netcom, Tian Suoning later revealed in an interview that Jiang Mianheng was “the actual head of the company.”\textsuperscript{48} With China Netcom in his pocket, Jiang Mianheng quickly expanded his corporate empire beyond the municipal level. In February 2001, Jiang once again played his comprador role to the utmost as he sealed a US$300 million foreign investment from Goldman Sachs and the media tycoon Rupert Murdoch in China Netcom.\textsuperscript{49} The deal was approved even if it ostensibly breached the country’s ban on overseas equity in the telecommunication sector.\textsuperscript{50} The investment quickly paid off when China Netcom was the major beneficiary of the new restructuring plan promulgated toward the end of 2001. According to the plan, China Telecom was split into northern and southern units. The network of 10 northern provincial regions was taken over by China Netcom, while the remaining 21 southern provincial regions were retained by the “new” China Telecom.\textsuperscript{51} Another surprising reform measure was that Jitong was merged into China Netcom, which was renamed the China Netcom Group in May 2002. Consequently, China Netcom held 30 percent of the national trunk line transmission network assets, while China Telecom held 70 percent.\textsuperscript{52} And, by mid-2002, China Netcom—only three years after its foundation—was upgraded to the third biggest telecommunications operation after China Mobile and China Telecom. China Unicom dropped to fourth place, and the rest of the market was shared by China Satellite and China Railcom.\textsuperscript{53} In 2003, the original deputy minister of MII, Zhang Chunjiang 張春江, was appointed chairman of China Netcom Group, and Tian Suoning was named deputy general manager. One year later, China Netcom Group was listed on both the Hong Kong and New York stock exchanges. Although Jiang Mianheng was not even a board director, it was widely believed that he still controlled the company. On 6 October 2008, the last trading day of China Netcom in both markets, the company was worth US$25.9 billion.\textsuperscript{54}
2. The “King” Falls as the Politics Fail

It is unclear in which way Jiang Mianheng’s business success in the mid-2000s had been associated with Jiang Zemin. In retrospect, two points, however, are clear. First, Jiang Mianheng’s involvement in a gamut of lucrative businesses was obviously a breach of his father’s solemn edict to prohibit children of senior cadres from “engaging in business operations.”55 Second, Jiang Mianheng failed to keep his advancement up the political ladder in pace with his astonishing achievement in business. In 2002, although being a party representative in the 16th CCP Congress, Jiang Mianheng failed to be elected to the CCP Central Committee. But the most crushing blow came in 2003, which originated from a case of financial fraud. On 26 May, Zhou Zhengyi 周正毅, a Shanghai tycoon, was detained for illegally acquiring bank loans and for involvement in a lawsuit concerning a land dispute.56 Having involvement in Zhou’s problematic loan, Liu Jinbao 劉金寶, CEO of Bank of China (HK) Ltd., was also detained in the same month. Zhou was later sentenced to three years imprisonment. Bo has carefully argued, with evidence, that Jiang Zemin’s coalition put up strong resistance against the investigation, including Wu Bangguo’s special visit to Shanghai one day before the detention of Zhou and Jiang Zemin’s ad hoc public appearance as CMC chairman ten days later, which expressed symbolic superiority over Hu Jintao in the state-controlled mass media.57 Jiang Mianheng also made a surprising move in October when he was interviewed for the first time in a newspaper. As a deputy-general commander of the launch/ touchdown of China’s first manned spaceship (Shenzhou V 神洲五號) in 2003, Jiang Mianheng made a high-profile debut by revealing that he had actually been responsible for the national space exploration project since he was first named the vice president of CAS four years earlier. While all these moves could be considered well-plotted strategies to protect the Shanghai gang from implication in the Zhou Zhengyi’s case, they were not all successful. The first one implicated was Jiang Zemin’s protégé, Chen Liangyu 陳良宇 (1946–), Shanghai party secretary and Politburo member. Chen’s brother, Chen Liangjun 陳良軍, was reportedly a business partner of Zhou Zhengyi in the real estate development project involving the land dispute.58 Chen Liangyu was subsequently investigated and later charged with embezzling Shanghai social security funds. Five days before Chen was arrested on the 26 September 2006, Hu Jintao—in the capacity of CMC
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chairman—issued an unprecedented order to change the head of the Shanghai Armed Police. This unanticipated move could be interpreted as a precaution against the possible social chaos that might have been caused by Jiang’s camp. In July 2007, the Politburo made a decision to expel Chen from the CCP and to dismiss him from public office. The second person implicated was Huang Ju 黄菊 (1938–2007), a confidant of Jiang Zemin and mentor of Chen Liangyu. Huang was a PSC member and vice premier at the time, and was a former Shanghai party secretary. Huang Ju and Zhou Zhengyi were reportedly connected through their wives. It was said that Huang Ju’s wife, Yu Huiwen 余慧文, was a godmother (gan ma 乾妈) of Mao Yuping 毛玉萍, Zhou Zhengyi’s wife. Under these circumstances, Jiang still managed to protect the political life of Huang Ju. Only Huang’s mishu was arrested for Chen Liangyu’s case. The name of Huang Ju remained clean from corruption when he died of cancer in June 2007.

China observers thought that the third person implicated would be Jiang Mianheng, as SAIL was allegedly involved in the selling of 20 percent of the shares of Shanghai Trust Investment to Zhou Zhengyi’s company, Shanghai Property Holding. However, this was not the case. In the official media, Jiang Mianheng kept his official position, and his name remains clean. However, evidence clearly indicates that the arrest of Chen Liangyu in 2006 was a turning point for Jiang Mianheng, after which both his political and business career began to decline. In September 2007, Jiang Mianheng failed to be elected again as a CCP representative at the 17th CCP Congress. While he had been a deputy-general commander of the Shenzhou V in 2003 and 2005 (Shenzhou VI 神舟六號), Jiang—self-proclaimed CAS representative in the national space exploration project—was no longer on the list of deputy-general commanders for the launching of Shenzhou VII 神舟七號 in 2008. Furthermore, in December 2009, Jiang Mianheng failed to be awarded the academic honor of CAS fellow. In the telecommunications market, the blows experienced by Jiang Mianheng were equally hard and abrupt. While the public had been speaking of the “big four” operators since 2004 in a descending order of market share—China Mobile, China Telecom, China Netcom, and China Unicom—with the new wave of sector reforms in May 2008 came the unexpected merger of China Netcom and China Unicom. Rather than abiding by the logic of “the big eats the small,” the merger resulted in a “new” China Unicom with the CEO from the China Unicom parent and the delisting of shares of China

3. The Market as Political Battlefield: What Analyses of Factional Politics Might Miss?

Evidently, Jiang Mianheng has been losing his influence in both the business and political sectors, in the aftermath of Zhou Zengyi’s and Chen Liangyu’s cases. All these can be said to constitute part of the context in which Jiang Zemin made his spectacular “comeback” on 1 October 2009, when China’s top political leaders were presiding over the lavish ceremony celebrating the 60th anniversary of communist rule. On that day, on top of Tiananmen Square, television viewers saw on the screen an unprecedented scene with Jiang Zemin standing beside President Hu Jintao.\(^6\) If the ad hoc appearance of Jiang Zemin as CMC chairman and Hu Jintao as CMC vice chairman in 2003 marked the beginning of the political crisis that led to the rapid decline of the Shanghai gang in the next few years,\(^6\) the high-profile appearance of Jiang Zemin in 2009 might constitute a prelude to a new wave of political struggles against his coalition.

In politics, clear evidence about the crisis is yet to be seen, though the absence of Jiang Zemin in the opening ceremony of the Shanghai World Expo on 1 May 2010 has already aroused suspicion about the declining power of the Shanghai gang.\(^6\) In the market, some evidence of the crisis can also be traced. On 16 July, less than three months before Jiang’s Tiananmen appearance, Chen Tonghai, former chairman of Sinopec, the China Petroleum and Chemical Corporation, was given a death sentence with a two-year reprieve for accepting a bribe of nearly US$25 million. One month later, Kang Rixin, former party secretary and general manager of China National Nuclear Corporation, was arrested for serious misconduct. All these allegations seemed to point to Zeng Qinghong (Jiang Zemin’s crony), who has his power base in the petroleum and nuclear power sectors.\(^6\) Even more apparent was the continual waning influence of Jiang Mianheng in the telecommunications sector. In January 2010, Zhang Chunjiang and Zhao Jidong, former chairman and senior vice president of China Netcom Group, respectively, were arrested on corruption charges.\(^6\) After this news was exposed, Tian Suoning, former deputy general manager of China Netcom
Group, fled the country. All these three could be considered “Jiang Mianheng’s men.” Ostensibly, all these investigations occurring around the time of Jiang Zemin’s surprising reappearance involved economic crime. However, from the perspective of factional politics, it was akin to a political purge that aimed to expel the protégés of the Shanghai gang from the market and, ultimately, to undermine its political influence. All these arrests and sentences can supplement our understanding of the ongoing struggles between opposing political factions.

In light of what happens in the vibrant bureaucratic market, what analyses of factional politics might miss? Noting the waning position of Jiang Mianheng since 2006 and the more recent expulsion of his men from the telecommunications sector, analysts of factional politics might merely see the declining influence of the Shanghai gang. But if we take a closer look at the dynamics of the market, some members of the Shanghai gang are actually gaining power. For example, the new executive director and president of China Unicom, Lu Yiming 陸益民, is a former mishu of Zeng Qinghong. In addition, another “mysterious company,” called New Postcom Equipment Co. Ltd., caught the attention of China watchers because of its success in winning 3G equipment contracts issued by China Mobile. And it was reported that the company, which specializes in telecommunication devices and technologies, was controlled by Xi Jinping. Another related incident involves another PSC member, Li Changchun. His son, Li Huiduo 李慧鏑, is currently assistant chief executive of China Mobile. In early 2010, a source suggested that Li Huiduo would be promoted to vice president of the company. But the decision was quickly shelved, seemingly because the news was negatively portrayed as another case of official profiteering involving high-ranking princelings. One should remember that Zeng Qinghong, Xi Jinping, and Li Changchun are all allies of Jiang Zemin. Therefore, this evidence suggests that the power of the Shanghai gang is not disintegrating. Rather, it is in the process of reconstruction and reconsolidation.

Here, if we go beyond the telecommunications sector, we are able to see more important aspects of political competitions that might not be fully accounted for by analyses of factional politics. For example, analysts of factional politics seldom consider Zhu Rongji as a key figure of a factional group, as he does not fit very meaningfully into the existing categories. In principle, Zhu Rongji is qualified as a member of the Tsinghua clique and Shanghai gang, as he was a graduate of
Tsinghua University in 1951 and a former Shanghai mayor (1988–1991). A brief examination of his associated bureaucratic capitalists in the banking and finance industry, however, may offer another angle for understanding the role of Zhu Rongji in top-level factional politics. Currently, both children of Zhu Rongji are in top positions of key state-backed financial institutions. His son, Zhu Yunlai 朱雲來, is CEO of China International Capital Corporation Ltd., which is the investment banking and research services company under the State Council. His daughter, Zhu Yanlai 朱燕來, is assistant chief executive of Bank of China, Hong Kong. Besides, the current vice premier of State Council, Wang Qishan 王岐山 (1948–), 72 who is in charge of energy, economic, and financial affairs, is widely known to be Zhu Rongji’s confidant. Zhu’s alliance thus constitutes heavyweights, both economically and politically. At the time when Zhu Rongji was premier, Jiang Zemin and Li Peng 李鵬 (1928–) were his old political opponents. Yet, no strong evidence suggests that Zhu’s alliance belongs to the populist coalition. However, when it comes to a critical moment in future political struggles where one needs to take sides, Zhu Rongji and his clique would be more close to the populist coalition. Such a dynamic view on political struggles is able to shed new light on previous factional analyses of the two competing coalitions.

Furthermore, the analysis of the bureaucratic market can shed new light on understanding the complicated political rivalries and alliances. For example, as mentioned before, core members of the elitist coalition, Wu Bangguo and Li Changchun, are reported to be nonoppositional to Hu Jintao. In the market, it is known that the son-in-law of Wu Bangguo and daughter of Li Changchun are in top corporate positions in the banking and financial sector, which is, as mentioned before, controlled by the allies of Zhu Rongji. As Zhu’s alliance is more closely aligned to the populist coalition, it is understandable that Wu Bangguo and Li Changchun can get along easily with Hu. Besides, as mentioned in passing, Xi Jinping’s company has been successful in bidding for the contracts of China Mobile. This might provide an important clue in understanding the reasons behind Xi Jinping, who had once been thought of as “faction neutral,” later becoming loyal to the elitist coalition.

Conventional analyses of factional politics presume that struggles among the major stakeholders are taken place mainly in the political realm. However, political competitions will be increasingly enshrined in the economic field when more and more market sectors are controlled
by bureaucratic bourgeois belonging to powerful family conglomerates. Apart from the telecommunication, petroleum, and banking and finance sectors mentioned before, other market sectors are also considered as “turfs” controlled by powerful bureaucratic bourgeois. For example, the electricity industry is the traditional power base of Li Peng. His son, Li Xiaopeng 李小鹏 (1959–), was former chairman of Huaneng International (Huaneng), and Zhu Lin 朱琳 (wife of Li Peng) was said to hold decisive power in the company. Huaneng is a state-controlled electric power company—the biggest among five independent power producers (IPPs) in China. Besides, Li Xiaolin 李小琳 (1961–) (daughter of Li Peng) is chairwoman of another IPP called China Power International Development Ltd. (China Power), which was listed on the Hong Kong exchange in 2004.

Another example is the high-technology sector. Hu Haifeng 胡海峰 (1971–), son of Hu Jintao, joined NucTech as an assistant to the general manager shortly after he graduated from the prestigious Tsinghua University. Under Tsinghua Holdings, NucTech is a world-leading company in manufacturing high-technological products, including scanners for shipping and trucking containers and railway cars, and luggage scanners and metal detectors for airports. Since Hu Haifeng became NucTech’s president in the early 2000s, the company was granted a near monopoly by the central authorities for selling security equipment to airports in China. In 2008, Hu Haifeng was promoted to the post of party secretary of Tsinghua Holdings, which currently oversees over 20 state-held high-technology firms spun out of Tsinghua University, and NucTech is one of them. Besides, Mao Daolin 茅道林 (1963–), son-in-law of Hu Jintao, is said to control Sina.com, one of the largest Internet content providers in China. Mao is the former CEO of the company.

4. Concluding Remarks

Therefore, as more and more market sectors are penetrated by the coalition-specific bureaucratic bourgeois, any single economic measure could be taken as a political move, offensive or defensive, to strengthen alliances and jeopardize opponents. The story of Jiang Mianheng has suggested how family ties (e.g., Jiang Zemin–Jiang Mianheng) and clientelist relations (e.g., Jiang Mianheng–Tian Suoning; Jiang Mianheng–Zhang Chunjiang) were interwoven into the constitutive fabrics of bureaucratic capitalism, and how particular reform policies (e.g., the
absorption of China Netcom into China Unicom), corruption case investigations (e.g., Zhou Zhengyi’s case), and what could have been merely corporate decisions (e.g., who would be the CEO of the “new” China Unicom) could be appropriated by particular political coalitions as a means to attack rivalries and consolidate alliances. Hence, what conventional analysts of Chinese factional politics might pay less attention to is how particular reform policies, anticorruption measures, and even corporate decisions in specific markets are increasingly used as political weapons in high-level political struggles.73

Notes


2. Bo, China’s Elite Politics, p. 140.

3. The term “princelings” refers to the sons, daughters, and relatives of prominent state leaders, revolutionary party elders, and/or party martyrs.

4. The Shanghai gang (Shanghai bang 上海幫) refers to a factional group whose members have their power base in Shanghai. Members were former party secretaries or the mayor or top officials of the Shanghai municipal government. There is little dispute that Jiang Zemin is the leader of this factional group.

5. The Tsinghua clique refers to those elites who graduated from the most prestigious university in China, Tsinghua University.


7. The most critical evidence was registered on 12 October 2009—11 days after Jiang’s surprising appearance at Tiananmen. Prior to the formal talks