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# Solving the mystery of Guanxi-a sociological explanation of social exchange and social networking in Guanxi practice

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FLORIDA INTERNATIONAL UNIVERSITY

Miami, Florida

SOLVING THE MYSTERY OF *GUANXI* – A SOCIOLOGICAL EXPLANATION OF  
SOCIAL EXCHANGE AND SOCIAL NETWORKING IN *GUANXI* PRACTICE

A thesis submitted in partial fulfillment of the

requirements for the degree of

MASTER OF ARTS

in

COMPARATIVE SOCIOLOGY

by

Sara Zhang Abramson

2002

To: Dean Arthur W. Herriott  
College of Arts and Sciences

This thesis, written by Sara Zhang Abramson, and entitled Solving the Mystery of *Guanxi* – A Sociological Explanation of Social Exchange and Social Networking in *Guanxi* Practice, having been approved in respect to style and intellectual content, is referred to you for judgment.

We have read this thesis and recommend that it be approved.

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A. Douglas Kincaid

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Mary Ann Von Glinow

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Guillermo Grenier, Major Professor

Date of Defense: November 21, 2002

The thesis of Sara Zhang Abramson is approved.

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Dean Arthur W. Herriott  
College of Arts and Sciences

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Dean Douglas Wartzok  
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Florida International University, 2002

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## DEDICATION

I dedicate this thesis to Brian.

## ACKNOWLEDGMENTS

I wish to thank the members of my committee: Dr. A. Douglas Kincaid, Dr. Mary Ann Von Glinow, and most of all, my major professor, Dr. Guillermo Grenier, for their patience and helpful comments. I would also like to thank my husband, Brian, for his understanding and unending support.

ABSTRACT OF THE THESIS

SOLVING THE MYSTERY OF *GUANXI* – A SOCIOLOGICAL EXPLANATION OF  
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by

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Florida International University, 2002

Miami, Florida

Professor Guillermo Grenier, Major Professor

*Guanxi*, loosely defined as “inter-personal relations” or “personal connections,” is one of the key socio-cultural concepts in understanding Chinese society. This thesis presented a theoretical examination of the Chinese socio-cultural concept of *guanxi*. By using a broad survey of the available literature, this thesis established the following points: Social structures shape and define the development of *guanxi* practice in Chinese society. *Guanxi* relationships are based on the social exchange of gifts and favors in dyadic or multi-stranded social networks. While following the general rules of reciprocity found in social exchange, *guanxi* exchange is also governed by the internalized social norms such as *mianzi* (face) and *renqing* (humanized obligation underpinned by human sentiment). *Guanxi* relationships are also network-oriented, featuring ties based on familiarity and mutual trust, and characterized by an interplay between expressiveness and instrumentalism.

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## Chapter I - Introduction

### THE CONCEPT

China remains the constant obsession of social researchers, as it is rich in history, and brings more than one sixth of the world's population together in a unique culture. One of the key socio-cultural concepts in understanding Chinese society is *guanxi*, which can be loosely defined as inter-personal relations or personal connections depending on different contexts. For example, we can say person A and person B have good *guanxi*. In this context *guanxi* means relationship. We can also say person A has a lot of *guanxi*. In this context, *guanxi* means social connections. The concept in itself is not a sociological term. It is just the Chinese way to express inter-personal relations or personal connections.

However, *guanxi* practice is sociologically significant because: first, it is a unique socio-cultural phenomenon in China, therefore the study of *guanxi* practice will shed more light on the understanding of Chinese culture; second, the study of this peculiar practice can help us examine the dynamics of inter-personal relationships in China during various historical periods of time, which will contribute to a more comprehensive understanding of Chinese society; third, the study of *guanxi* practice in China will facilitate comparative studies between societies with similar cultural traditions, such as Japan and Korea.

*Guanxi* practice is ubiquitous and plays a crucial role in Chinese people's daily life.

The phenomenon is vividly summarized by Fox Butterfield in his book, *China: Alive in the Bitter Sea*:

“*Guanxi* provides the lubricant for Chinese to get through life...It was a form of social investment. Developing, cultivating, and expanding one's *guanxi* became a common preoccupation. The advent of the Communists had not fundamentally changed that. As a result, the Chinese have turned the art of personal relations into a carefully calculated science. There are even people who live entirely on their *guanxi*.”

Empirical studies also prove the significance of *guanxi* in Chinese people's daily life. Chu and Ju's (1990) survey among 2,000 Chinese in 1988 demonstrates that Chinese people consider *guanxi* to be essential to social-economic life. When asked to rate the importance of network connections in Chinese society, 42.7% rated them “very important,” 26.9% rated them “important,” and 22.8% rated them “somewhat important.” Fewer than 8% rated them either “not very important” or “not important at all.”

The recent economic reforms have brought attention to *guanxi* to an unprecedented extent. As many economic activities are yet to be regulated, they are still subject to the judgment of the person in power. Business persons who have good *guanxi* with government officials have a much easier time dealing with bureaucratic regulations and procedures. The corporate experience of Avon in China presents an instructive case for this scenario. Being the first registered direct selling company in China, Avon made its way into China through *guanxi*. After its first unsuccessful effort of obtaining approval for its direct marketing method from the central government, Avon turned to David Li, the head of Hong Kong's Bank of East Asia, who enjoys “cordial” *guanxi* with the Chinese government. Under Li's arrangement, Avon was successfully introduced to the

Bureau of Light Industry in southern China and subsequently received the permission for doing business in China. Correspondingly, Li received a 5-percent equity as reward (Tsang 1998: 65).

## LITERATURE REVIEW

Most of the literature, sociological or not, attribute the prevalence of *guanxi* in Chinese society to the philosophical legacy of Confucianism (Tsang 1998; Ang 2000; Farh, Tsui, Xin, and Cheng 1998; Wong 1998; Yeung and Tung 1996; Kiong and Kee 1998; Tsui and Farh 1997; Luo 1997a; Luo 1997b). Without question this view has a good deal of sociological truth, given that Confucianism is considered to be the most influential philosophy in ancient China. Its relevance in the understanding of *guanxi* can be summarized in the following four points. First, in Confucian social order, immediate family is most important to an individual, followed by more distant relatives, followed by friends, with strangers being least important. Hence, an individual fulfills the corresponding role expectations based on the Confucian social order. This ancient tradition gives rise to the inclination of Chinese people to divide others into categories and treat them differently. Such categorization and differentiation is one of the key mechanisms underlying *guanxi* practice. Second, Confucian social order postulates the perception that individuals are inter-dependent within the surrounding social context, which is the theoretical origin of why *guanxi* has been attached so much attention by Chinese. Third, the Confucian conception of social order advocates that morality, rather than law, should rule the nation. This belief results in a lack of formal, institutionalized

support for many political structures. Subsequently, personal connection is employed to fill this vacuum. Fourth, the notion of the balance of the universe argues that each individual experience is a component in a chain of events. This explains from a Confucian perspective why, after initially established, *guanxi* needs constant maintenance.

Although the influence of traditional Confucian modes of thought on Chinese people's behaviors is undeniable, the tradition-focused explanation fails to answer why *guanxi* is witnessing ascendancy, instead of declining in significance, even after the norms and values of Confucianism were condemned and replaced by Communist ideology after the Liberation in 1949. Moreover, being a special type of inter-personal relationship, *guanxi* has its instrumental facet: it allows one party to benefit in tangible ways from this relationship with another party. The example of how Avon worked its way into Chinese market is a typical example. As for this facet of *guanxi*, the Confucianism-based analysis falls short.

The overly Confucianism-based explanation of *guanxi* practice (Tsang 1998; Tsui and Farh 1997; Luo 1997a; Luo 1997b; Marchetti 1997; Murphy 1996; Leung, Y. Wong and S. Wong 1996) inevitably confines it to Chinese-cultural context. However, evidence shows that similar concept exists in other cultures too. Ambler (1995: 26) notes, "Business in Japan, Korea, and India is permeated by similar thinking as are, to a lesser extent, cultures worldwide." Walder (1986: 179) observes, "The concept is by no means culturally unique [to China]; the terms *blat* in Russia and *pratik* in Haiti refer to the same type of instrumental-personal tie." Moreover, gift giving and favor offering are identified as the mostly mentioned techniques to initiate and maintain *guanxi* (Xin and Pearce 1996;

Yang 1994; Leung, Y. Wong and S. Wong 1996; Tsang 1998; Yeung and Tung 1996; Vanhonacker 1997; Kiong and Kee 1998; Luo 1997a). Without doubt, these two practices are definitely not limited to Chinese society. The universal existence of *guanxi*-like practices makes the Confucianism-focused interpretation of *guanxi* even less plausible.

On the other hand, *guanxi* has been disproportionately related to business practices since the economic reforms of the 1980s began to insert China into the global economy. The majority of the existing academic work on *guanxi* approaches *guanxi* as an edge for doing business in China (Tsang 1998; Ang 2000; Shoveller 1999; Wong 1998; Lydgate 1998; Yeung and Tung 1996; Economist 1997; Vanhonacker 1997; Yatsko 1997; Kiong and Kee 1998; Luo 1997a; Luo 1997b; Marchetti 1997; Murphy 1996; Leung, Y. Wong and S. Wong 1996; Cunningham 1995; Ambler 1995; Webb 1997; Business Week 1997; Sender and Yatsko 1997; Taylor 1997). This approach over-emphasizes the instrumental aspect of *guanxi* practice while ignoring the relational and sentimental dimension of *guanxi* practice.

## METHODOLOGY

This main purpose of this thesis is to explore *guanxi* practice from a sociological perspective. On the theoretical level, the research question of this thesis will be focused on the social exchange dimension and networking dimension of *guanxi* practice. These two dimensions are chosen for the reasons described in the following paragraphs.

First, the two most commonly documented practices in a *guanxi* relationship are gift exchanges and favor exchanges. Ang (2000: 46) writes, "...the execution of a successful

*guanxi* requires financial resources in most instances. Relationships are cultivated with gift exchanges and frequent socializing.” Yan (1996) gives a detailed description of gift exchanges among villagers in Xiajia village in their effort to maintain good *guanxi* with other relatives, neighbors and friends. In Yeung and Tung’s (1996) survey among 19 companies stationed in Hong Kong, the result shows that all 19 companies interviewed in the study tendered favors in the course of *guanxi* building and maintenance. Because of the important role of gift/favor exchange in *guanxi* practice, it should be included in any study of *guanxi* practice. In addition to gift/favor exchange, *renqing* is another medium that is exchanged in a *guanxi* relationship. *Renqing* literally means human sentiment. A detailed articulation will be given in Chapter III regarding this concept. It is mentioned here, however, because some readers may wonder why the term “social exchange” is more appropriate than “gift/favor exchange.” The reason is that *renqing* is also an exchange medium in a *guanxi* relationship. The social exchange dimension of *guanxi* is not inclusive until gift, favor, and *renqing* are all present.

Second, reciprocity, one of the distinct features found in social exchange, is a key element in *guanxi* practice. Luo (1997: 44) argues “*guanxi* is reciprocal”. Tsang (1998: 65) defines *guanxi* as “a reciprocal obligation to respond to requests for assistance.” Chang (1998: 44) puts the role of reciprocity in *guanxi* practice in the following way: “Parties in a *guanxi* relationship are bound by an unspoken agreement of reciprocal favors. Failure to fulfill one’s end of the agreement can greatly diminish one’s social reputation and their ability to maintain an effective *guanxi* network.” Yang (1994: 2) writes, “Once *guanxi* is established between two people, each can ask a favor of the other with the expectation that the debt incurred will be repaid sometime in the future.” It is

safe to say that reciprocity is the most recognized social convention to comply with in *guanxi* practice. An originally strong *guanxi* can become flaccid when one party fails to fulfill the obligation to repay. Ritzer (1996: 274) describes such a mechanism as “contingent, that depend, on rewarding reactions from others – actions that cease when expected reactions are not forth-coming.”

Third, as *guanxi* practice usually involves at least two actors who share a common identity or multiple dimensions of common identity<sup>1</sup>, it has the attribute of social networking. In fact, as mentioned in the previous section, one of the primary meanings of *guanxi* is social connection. Networking, therefore, forms an indispensable part of the concept itself. In addition, the widely recognized interaction patterns in *guanxi* practice such as the necessity of the “particularistic” ties also demonstrates the social networking dimension of *guanxi* practice. The importance of the personal ties in *guanxi* practice echoes network theory’s major concern: “the objective pattern of ties linking the members of society” (Ritzer 1996: 286). In fact, *guanxi* practice has been discussed in network terms for a long time. King (1991: 69) writes, “Kuan-hsi (*guanxi*) building is a work of social engineering through which the individual establishes his personal network.” Bian and Soon’s (1997) paper “Guanxi Networks and Job Mobility in China and Singapore” studies how individuals take advantage of their personal networks to obtain better jobs in labor market.

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<sup>1</sup> For example, A and B are coworkers. B and C are neighbors. A and C are classmates.

## STRUCTURE

This thesis will first trace the social root of *guanxi*. In the second chapter, the development of *guanxi* in China is examined over a period of three different kinds of societies: Confucian society, Communist society under Maoism, and finally the emerging market-economy-based society. The third chapter focuses on the social exchange dimension of *guanxi* practice. The fourth chapter concentrates on the social networking dimension of *guanxi* practice. In the closing chapter, *guanxi*'s future in Chinese society is predicted and recommendations for future research are suggested.



## Chapter II- Social Root of *Guanxi*

### DEFINITION

The Chinese word *guanxi* came into use a century ago (Luo 1997a; Ambler 1995). Despite its wide usage, *guanxi* does not appear in either of the two classic Chinese dictionaries: *Ci Yuan* (“Source of Words,” published in 1915) or *Ci Hai* (“Word Sea,” published in 1936) (ibid).

*Guanxi* is made of two Chinese characters: 关, which is written in pinyin as *guan* and pronounced like “gwan” and 系, written in pinyin as *xi* and pronounced like “see.” The basic meaning of *guan* is a gateway. In ancient China, massive *guans* were built in mountainous areas or on the shores of oceans to prevent outsiders from invading the country. The famous tourist resort, *Shanghai guan* in Beijing, is one of them. The Chinese translation for customs is *hai guan*, which literally means a checkpoint at sea. *Guan* also transmits a sense of being inside versus outside. As Ambler (1995: 27) notes, “Think about it metaphorically as a sand bar at a harbor entrance, with the inside being smooth. Inside, you are “one of us,” but outside the bar your existence is barely recognized.”

*Xi*, in general, means ties such as kinship (*shi xi*). The basic meaning of *xi* underlies a sense of shared group identity. For example, university departments are called *xi* in Chinese, indicating a group of people who identify themselves and are identified by those outside the group as being tied together by their specialization within their sphere of professional knowledge. Used as a verb, *xi* means “are related” or “maintain the

relationship.” This aspect of the word *xi* brings about another two dimensions: relationship-based and long-term-oriented.

Due to the multiple dimensions and various meanings of the word, depending on different contexts, *guanxi* can only be loosely translated as “inter-personal relationship” (for instance, if A and B have good relationship with each other, we can say A and B have good *guanxi*; on the other hand, if A and B do not get along with each other, we can say the *guanxi* of A and B is sour) or “personal connection” (for example, if a person has many social connections, we can say he has a lot of *guanxi*).

*Guanxi*'s relationship-based orientation predetermines that the research of *guanxi* would be flawed if no historical context is taken into consideration. This is primarily because personal relationships are also dynamic and subject to societal changes. China, as is commonly known, has witnessed many great upheavals in its society, i.e. from a feudal society to a half-feudal/half-colonial society, to a highly centrally-controlled Communist society, to the present market-economy-based, yet still tightly controlled Communist society. These transitions have had the inevitable consequences of invoking changes in inter-personal relationships in Chinese society. Therefore the study of *guanxi* shall begin with the discussion of the social events in Chinese society that lead to the transformations of inter-personal relationships.

## THE DEVELOPMENT OF *GUANXI* IN CHINESE SOCIETY

### Some Confucian Traditions

Being one of the most dominant philosophical schools, Confucianism is “concerned with the practical task of trying to establish a social hierarchy strong enough to harmonize a large and complex society of contentious human beings” (Luo1997a: 45). Through the codification of the societal rules, values and hierarchical structures of authority, Confucianism shaped Chinese society in a deep and extensive way. Instead of being viewed as an independent individual, a person, according to Confucianism, functions as a component of the whole social system. A person’s proper role and position in his social environment is defined by *lun*, the Confucian word referring to social order. Fei (1992: 65) traces the meaning of *lun* back to the ancient text *Shiming* (The Interpretation of Names) where it was defined as “the order existing in ripples of water.” He further points out that “Social relationships in China possess a self-centered quality. Like the ripples formed from a stone thrown into a lake, each circle spreading out from the center becomes more distant and at the same time more insignificant...*lun* stresses differentiation...Everyone should stay in his place; thereby, fathers are differentiated from sons, those remote from those close, those who are intimate from those who are not” (ibid).

*Lun*’s emphasis on differentiation has been recognized by many other sociologists too. In his paper, which searches for a sociological interpretation of *guanxi* and network building, King (1991: 66) cited Pan (1948) as saying “the Confucian concept of *lun* is

basically concerned with two problems: the kind of differentiation to be made between individuals, and the kind of relations to be established between individuals.” According to King (ibid), these two concerns determine that the social order perceived by Confucius rests on differentiation rather than homogeneity. Zheng (1984: 54 qtd. in Yang 1994: 149) also notes, “[*Lun* distinguishes] between inside and outside, and between relationships of closeness and distance. [This order] was opposed to a universalized humaneness and love.”

Among numerous types of relationships, there are five that attract the attention of Confucius. They are the so-called *wu lun*, the five kinds of social orders described in Confucian terminology: ruler-subject, father-son, husband-wife, elder-younger brothers, and friend-friend. The tenors of the above five types of relationship can be respectively summarized as: loyalty, obedience, distinction, order and trust. Yang (1993:29 qtd. in Tsui and Farh 1997: 60) describes *wu lun* as “a highly formalistic cultural system... [requiring] each actor to perform his role in such a way that he should precisely say what he was supposed to say, and not to say what he was not supposed to say.”

In such a social system, a person’s self-identity is formed through his perception of the type of relationship he has with others. Based on the type of the relationship, the actor is supposed to fulfill his corresponding role expectations. This results in the Chinese inclination to divide people into categories and treat them differently. As for how the Chinese conception of “individual self versus others” differs from that of the westerners, Butterfield (1982: 44) has the following observations:

I began to appreciate how differently Chinese order their mental universe than do Westerners. We tend to see people as individuals; we make some distinctions, of course, between those we know and those we don’t. But

basically we have one code of manners for all... Chinese, on the other hand, instinctively divide people into those with whom they already have a fixed relationship, a connection, what the Chinese all call *guan-xi*, and those they don't. These connections operate like a series of invisible threads, tying Chinese to each other with far greater tensile strength than mere friendship in the West would do.

*Wu lun* can be further understood by observing what is not included in its principles.

The five types of relationship postulated in *wu lun* only apply to in-group members. In other words, the “ripples” where out-group members stay are so far away from the ego self that there are barely any connection existing between the two parties. As Tsui and Farh (1997: 61) pointed out, “As part of the emphasis on differentiated relationships, attention to others in China is highly selective and is most characteristic of relationships with in-group members.”

Besides having influence on the socio-cultural arena, Confucian social order also served as the theoretical groundwork for the hierarchical political structure in ancient China. According to Confucianism, the state is a huge family and the political relationship between the ruler and the subject is an extension of that between the father and son. According to *wu lun*, a son should observe obedience to his father. In the same sense, a subject is supposed to be compliant to the ruler; in return, the ruler shall rule the state with a compassionate and caring approach, based on hierarchy, just as the father treats the son. Thus, in imperial China the family served as a training camp where individuals, from very young age, unconsciously learn the political structure of the bigger society and subsequently become part of it. The structural similarity between the family and the nation is illustrated in *Great Learning (Da Xue)*, one of the main books that teach Confucian philosophy. In the book, it is written, “Those who wish to rule the country,

first rule their family well.” As Sangwha (1999: 13) notes, “The Confucian principle of extending one’s feelings towards seniors in a family, of loyalty to a ruler, developed into the notion of ‘loyalty and filial piety,’ and served as the ideology of the ruling class during the long history of China.” Therefore, through “politicization of family and familialization of the state,” Confucius realized the asserted “social harmony” (Li 1991: 72).

However, the order and harmony achieved in this way can only be maintained by sacrificing an unbiased legal system. The political guideline advocated by Confucius is contributive to “the general aversion to law and litigation in Confucian societies” (Yeung and Tung 1996: 56). C. K. Yang (1959) finds that officialdom in imperial China was always torn between the conflicting ethics of “universalistic value-orientation” derived from bureaucratic impersonalism on one hand, and Confucian “particularism” and “nepotism” on the other. Unlike the Western notion of an independent legal system, the imperial bureaucracy of China was threaded through with kinship-like relations of obligation and indebtedness between officials and the people and among officials themselves (Yang 1994: 150). This orientation among Chinese imperial bureaucrats is considered by some scholars as a revelation of “a lack of respect for law, regulations, and for the concept of everyone being equally subject to universal standards of law and morality” (Gold 1985: 662).

Another impact of Confucianism on China’s imperial political hierarchy resulted from the concept that the whole nation could be considered a big family. The national law is therefore the equivalent of “family law,” which is subject to personal interpretation of the head of the “big family.” As noted by Yeung and Tung (1996: 56), the person who

occupies the position of authority has the power of influence in the sense that “an individual defines what is permissible in a given context at a particular time.” The person in authority is likely to be targeted for *guanxi* cultivation because he has the sole power to interpret the law/regulation he represents. Good *guanxi* with such representatives may bring to the average people some extra benefits. For example, a person who has committed some offense can use this *guanxi* to reduce the penalty to which they might be subject. This practice is the traditional foundation of the later “backdoor” practices rampant during the early economic reform period. This topic will be discussed more thoroughly later in the paper.

### **Comradeship**

The Confucian philosophy ranging from the “particularistic ties” among kinsmen and friends to the principles devoted for a “harmonious” society were labeled “feudal residue” and underwent severe attack in the Communist era. Numerous political campaigns and social movements were introduced to remold the traditional values and orientations of the Chinese people. Unlike previous intellectual criticism of traditional social relationships, and unlike previous reform movements, the Communists were in a position to attempt a radical transformation of the relationships between individuals and groups in society. According to many scholars (Vogel 1965; Yang 1994; Stockmen 2000) the Chinese Communist Party (CCP) to a great extent succeeded in transforming the traditional personal relationships characterized by kinship, friendship and other relationships based on “particularistic ties” into a universal morality – comradeship. In a

sense, comradeship is an idea based on universal socialist values which were supposed to override those particularisms which existed in kinship and friendship. Every citizen was to be a fellow comrade, engaged in the common task of building a new social order, sharing the same will to combine their efforts in the common cause.

It has been recognized by scholars that the transformation of personal relations in China from “friendship” to “comradeship” was achieved by using “organization” to destroy and replace the institutional structure of the Chinese traditional social system (Vogel 1965; King 1991; Gold 1985). Walder (1983: 52) refers to this social phenomenon as “organized dependency,” which is “the institutional position of subordinates with regard to superiors in an organization.” He further points out that “the greater the proportion of the subordinates’ needs that is satisfied by the organization, the greater is the subordinates’ dependence on the organization. The fewer the alternative sources for satisfying these needs, the more dependent are subordinates” (ibid).

In urban areas, people were assigned to work in “work units” (*dan wei*) such as factory, school, office, store, or hospital. The work unit was not merely a place where an individual made a living and collected family income. It was, according to Walder (1986: 16), “a position that establishes the worker’s social identity and rights to specific distributions and welfare entitlements provided by the states.” Walder (ibid) gives a comprehensive picture of the dependent relationship of state employees on state enterprises (work units).

State-owned enterprises not only provide complete health insurance and pensions, they also provide direct medical care in their own facilities or in an attached hospital; they are the main source for housing; they provide loans, subsidies, child care, meal services, and, sometimes, education; and they are an important source for the procurement of certain consumer



goods...The enterprise is also a source of certain sociopolitical services peculiar to the communist setting: obtaining official certificates of permission to travel, to take another job, to get local residence registration for a relative or spouse; or interventions with public agencies for housing, for higher quality medical care or medications, or to lessen the punishment for a criminal offense - to give only some common examples.

In addition, once an employee was assigned to a work unit there was almost no realistic chance of obtaining a transfer to another one. In other words, one's lifelong association with their work unit ended only with death. As Yang (1994: 42) concludes, "Urban China, along with Eastern Europe and the Soviet Union, took the shape of the Stalinist 'mono-organizational society,' in which 'most activities are directly managed by innumerable organizations or bureaucracies, all of which are linked up in a single organizational system' of the state." Work units were part of this "China of organization" (Schurmann 1970 qtd. in King 1991). Supervisors and workshop officials in different work units were part of the national bureaucracy. In addition to the direction of production, they were also in charge of most of the administrative and personnel matters.

Shop officials stress requests for factory housing and special distributions of consumer items. They review and approve requests for benefits under state labor insurance guidelines: vacations, annual home leave, personal leave, visits to sanatoria, special medications, and welfare and loan payments. Shop supervisors are also responsible for writing character reports, relaying information to the party and security apparatus, securing permission for workers to travel, and deciding on the application of fines and other punishments for breaches of factory rules (Walder 1986: 22).

Yan (1996: 236) refers to this "irony" as "a movement from destratification to restratification." The "destratification" dismantled the old social system and traditional authorities, while at the same time the "restratification" gave rise to the new type of authority—socialist bureaucrats, who represented the laws and regulations of the new

socialist government. This group of bureaucrats, the new elite, had the direct control over necessities and various kinds of administrative and personnel matters. Their power was entrusted by the state under the idealistic slogan, “serve the people.” As Yan (ibid) puts it, “...in countries dominated by state socialism experiments originally aimed at social equality ultimately result in the creation of new forms of inequality and new concentrations of power.” Gold (1986) refers to this as “neo-traditionalism.”

In such a society, one would normally expect to find that satisfaction of the social and economic needs of common workers would be highly dependent on having a good personal relationship with the officials. However, according to many scholars (Yang 1994; Gold 1985; King 1991), the “organized dependency” and political uncertainty did not lead to a flourishing of common *guanxi* practices, such as gift-giving in particular, in exchange for life comfort and political security in the early communist years of the 1950s. Therefore it is reasonable to assume that even though economic goods and social services were still in dearth and the state bureaucrats were in a position that gave them the possibility to exchange their authority for personal gain, the social, structural and ideological transformation of that time was so overwhelming that it purged any irregular practices from people’s mind. To a great extent, the revolution succeeded in creating new socialist men for the new socialist society in which personal relationships were characterized as pure and simple.

Because gift-giving was condemned as a “feudal residual” and the root for corruption, this most frequently employed technique for cultivating *guanxi* was extremely curtailed at that time. In turn, another form of *guanxi* emerged, which Walder (1983: 69) terms as “patron-client relations,” which was “distinct from a purely institutional

relationship.” Such relationships were found in state enterprises between “active” workers and the leaders. The leaders depended heavily on the support of activists and ‘backbones’ to do his or her job well; the activists, in turn, received consistently favorable performance evaluations from the leaders, which “may create an opportunity for promotion later on” (ibid). In this type of *guanxi* relationship, workers’ loyalty to the leader was exchanged for economic and political rewards.

## **Cultural Revolution**

The Cultural Revolution, launched by Chairman Mao originally aimed to eradicate the remnant “Rightists” in the Party, soon turned the whole nation into anarchy. The 1966 - 1976 massive, all-inclusive political campaigns pushed the national economy to the edge of collapse as everyday production was abandoned and replaced with criticism meetings, mass struggles and public demonstrations. The economic disarray caused by the Cultural Revolution brought about a shortage of necessary goods and services. Moreover, the penetration of the state into all aspects of personal and private life, and its control over the allocation of all scarce resources, compelled average people to look for irregular channels to satisfy their legitimate social and economic needs. As a result, people in need relied on establishing *guanxi* with the bureaucratic officials or others who could provide these things.

Despite the unabashed ideological rhetoric on public or proletarian morality during this period, the social order and public civility were seriously eroded. Children were incited to denounce their parents. Husbands and wives accused each other for their own

survival. One might be accused by one's intimate friend as "counterrevolutionary." Schools were abandoned and teachers were violently persecuted by Red Guard mobs in "mass struggles." Many scholars (Yang 1994; Stockman 2000; Gold 1985) hold that the policy of sending urban youth down to the countryside marked the re-emergence of *guanxi* practice. To avoid being sent down to the countryside, many youths, and their parents, were engaged in cultivating good *guanxi* with school leaders. After being sent down, in order to avoid toil in the countryside and return earlier to the cities, youths, and their parents, cultivated good *guanxi* with team leaders and local bureaucrats.

The degradation of the social morale, along with the scarcity of most of necessities and resources, spawned a quick revival of *guanxi* cultivation. Shop directors, department leaders, cafeteria employees, factory doctors, officials in the general affairs department—virtually anyone in a position to hand out favors, grant leaves, give work unit permission for further education, marriage, birth-giving, and many other things became a target for *guanxi* cultivation. *Guanxi* was utilized to get things done, from simple tasks to facilitating major life choices. In order to have one's social and economic needs satisfied, an individual required connections to everyone from store clerks, who controlled scarce commodities, to cadres who had final say over such things as housing allotment, residence permits, job assignments and political evaluations needed for Youth League or Party membership. As Yang (1994: 147) concludes, "...in the aftermath of the Cultural Revolution, *guanxi* practices and *guanxi* awareness have both increased at an accelerated rate."

In short, *guanxi* practice originally emerged as a socio-cultural resonation of Confucian philosophy, was very much curtailed when the universal ethic of comradeship

took control and blossomed when the socialist ethic was abandoned after the Cultural Revolution. If the second wave of the development of *guanxi* practice is like the growth of a plant, the socialist political system established after 1949 provided only the soil whereas the destruction of social order during the Cultural Revolution was the air, the sun and the water that actually fostered the growth.

## **Rural Areas**

Although most research has been conducted studying the practice of *guanxi* in urban areas, *guanxi* has a longer and more dominant tradition in rural areas. Rural societies have been widely recognized as more traditional than urban cities in terms of social norms, values and practices. In this sense, *guanxi* practice should be even more pervasive in rural areas than in cities, because kinship ties and other kinds of “particularistic” ties are more entrenched in rural societies where a tradition of exchange of labor, mutual aid and obligation has always been dominant. Thus the question becomes: did the political and social movement launched by the Communists weaken this tradition? The answer is “yes” and “no.”

The 1950s’ Land Reform and the subsequent social movements and political campaigns fundamentally transformed the Chinese rural society, socially and economically. During this period of time, village cadres designated by the Communist Party occupied the top level in the system of social stratification in rural areas.

In terms of economic resources, cadres controlled villagers by distributing basic grain rations, assigning daily work, supervising the development of family sidelines, and granting social welfare...During the radical period,

villagers also had to ask cadres for leave to attend all social activities outside the collective, such as visiting relatives or going to nearby marketplace. Unlike the local officials or landlords in the pre-revolutionary period, the cadres were completely in charge of people's daily life (Yan 1996: 163).

These cadres were responsible for running the collectives<sup>2</sup> and controlled the distribution of material goods as well as life opportunities. They enjoyed considerable political power, economic advantage, and social privilege within their bailiwicks.

During earlier years of the Communist regime (1950s- 1970s), rural-urban migration without official permission was legally banned. Government restrictions on rural-urban migration further confined villagers within the collectives and thereby increased the power of the local cadres. Informants of Yang (1994) reported that during 1960s to 1970s a peasant had to maintain good relations with rural brigade or production team leaders through *guanxi*-cultivating practices such as gift-giving, invitations to wedding feasts, and so forth, so that the peasant might be assigned lighter and easier work or receive better work evaluations. At the time of the Land Reform, rural residents were assigned a class label in accordance with their economic status and occupation. The labels included "poor peasant," "middle-class peasant," "rich peasant," and "landlord." "Poor peasants" were considered to be the most "oppressed" and "exploited" so they were entitled to upward social mobility. Landlords were brought to struggle sessions, and most of their property was confiscated and redistributed among the poor. Both "rich peasants" and "landlords" were regarded as class enemies therefore were discriminated against politically, socially and economically.

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<sup>2</sup> As a part of the Land Reform, villages were reorganized into collectives. Each collective contains a certain number of households.

The redistribution of the land from the former landlords to the peasants, however, did not completely change the traditional way in which the peasants had learned to live. In terms of production, a basic production unit called a “production team” was composed of thirty to forty households. These households were either kinsmen or immediate neighbors and were engaged in the “collective farming” under the supervision of the Party cadres. As Whyte and Parish (1978: 301) put it, “old affinities help create new kinds of cooperation” for the peasant, as “the people with whom he goes to the fields every day and with whom profits and losses are shared at the end of the year are old neighbors and kinsmen.”

Unlike urban state-employed workers who received state pensions and free medical care, rural residents had almost no access to pensions and had to fund medical expenses out of their own pockets. Peasants had to still depend on their own family and immediate neighbors to have various kinds of social needs satisfied. As Whyte and Parish (*ibid*) put it, “Chinese rural organization is in many ways a compromise between a bureaucratic system imposed from above and a natural system of villages, lineages, and neighborhoods.” In other words, even though many political and social reforms were brought up with an intention of replacing the traditional norms and values from the pre-revolutionary era, the communist revolution did not substantially reduce the importance of traditional values such as kinship and mutual reciprocity in Chinese rural societies. Instead, it incorporated these traditional aspects of rural society into the social restructuring process.

## **Economic Reform and Market Economy**

Beginning in 1978, the Chinese Communist Party turned its focus from class struggle to developing productive forces. The reforms were mainly confined in economic sectors while leaving the overall political structure mostly untouched. Therefore, what resulted from the Reform is a market-oriented economy and Communism-based polity where government officials still enjoy various political and administrative powers and privileges. Taking the agricultural sector as an example, after the decollectivization, individual villagers, now as independent farmers have to deal with all kinds of problems of agricultural production, from the purchasing of seeds to the selling of grain (Yan 1994). Cadres at all levels in the state sector still hold redistributive powers (ibid).

One of the primary goals of the economic reform was to create a thriving private business sector. It was during this period of time that business-related *guanxi* relationships emerged and developed quickly as the economic reform started penetrating into every corner of social life. On one side, business people wanted to get their project on track with the least bureaucratic hurdles and were willing to pay their way out. On the other side, government bureaucrats had the control over every step of business activities, such as granting a license of operation, supply of raw material, tax collection and auditing. Vogel (1989: 409) refers to these kinds of government bureaucrats as “gatekeepers.” Since “gatekeepers” had the very power to open or close the “gates,” good *guanxi* relationships with “gatekeepers” became the highest priority for businesses.

With the development of the national economy and the increase of consumer goods in the market, public officials as well as average people passionately sought goods and



resources that had long been denied to them. When the Maoist worldview tumbled, and the idea of sacrificing self interest for public good lost its meaning, the moral basis for resisting material temptation was eroded. What left was the pursuit for individual wealth as “there is little material foundation in existence or being established for an overarching, lofty common goal” Gold (1985: 670). Such a moral vacuum, together with the temptation of the material goods, the personal power of government officials, the opened-up economy eager for investment, easily led to corruption.

Between expressive gifts to friends and blatant bribery, there was a large gray area in which the giving of small gifts and favors to officials at all levels was acceptable, and remains so. According to Vogel (1989), the offering of gifts and favors to keep up good relationships is so rooted in Chinese society that the scope of what is considered proper has always been larger than in many Western societies. Banquets to which a large number of people are invited, New Year’s gifts, gifts of cigarettes and liquor when visiting, and paying for hotel and other services for visiting Chinese have been so common that, within bounds, they are considered not corruption but acts of kindness (ibid). This gray area is where business-related *guanxi* is cultivated. Such *guanxi* relationships are usually cultivated over a period of time through series of socialization. The parties often refer to each other as their friends. Such business-related *guanxi* relationships are a unique outcome of the intersection between a socialist planning and organization system and a partially opened market. Yang (1994: 167) puts this scenario in the following way:

An important consequence of the encounter between *guanxi* and commodity/money relationships is the effect that each has on the other. On the one hand, when money and *guanxi* are mixed together, the art of

*guanxi* personalizes an otherwise impersonal money transaction. On the other hand, the art of *guanxi* is also altered in its basic *raison d'être* as its very structure and form become commoditized into a shadow of money exchange.

The market economy brings opportunities, but the economic environment is still far from being perfect. The economy is still characterized by undeveloped market structures and institutional instability which make market exchanges uncertain and costly. Meanwhile, a well-defined legal framework has also been lacking. In this sense, the political and economic environment was exposed to uncertainty. Kiong and Kee's (1998: 91) survey with Chinese business firms located in Singapore and Malaysia suggests that "where there is general distrust due to great uncertainty in the environment, stemming from unreliable legal, political, commercial and other institutions, there will be greater reliance on personal relations to buffer one from wider insecurities." Yeung and Tung's<sup>3</sup> (1996) survey also proves that the importance of *guanxi* can be attributed to the ambiguity of Chinese legislation. *Guanxi*, therefore, in the new economic environment serves as a buffer zone to protect the individual engaged in business activities against the uncertainty of the environment in which the legal safeguards of a true market economy is lacking.

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<sup>3</sup> Yeung and Tung's survey was conducted among 19 companies located in Hong Kong (11), U. S.(5), Canada (1), Germany (1) and Sweden (1). The companies were engaged in a diverse range of industries and services. These companies employ between four and over 10,000 people in China.

### Chapter III- Social Exchange in *Guanxi* Practice

The two literal meanings of *guanxi*—interpersonal relationships and personal connections—both denote a process of social interaction: interpersonal relationships are formed through social interaction; personal connections are established through social interaction. Social interactions between individuals, according to Homans (in Coser and Rosenberg 1976: 72), is “an exchange of goods, material and nonmaterial.”

In *The Gift* (27), Mauss describes several types of exchanges in the tribal societies where he made his observation. One of these was the exchange of goods, which took place between tribes specializing in different kinds of labors: an agricultural tribe might exchange their produce with a maritime tribe for ocean products. A similar form of exchange can be found in *guanxi* relationships. For example, neighbor A is very good at making dumplings. Neighbor A sometimes offers neighbor B the dumplings he makes. Neighbor B is skilled at making pancakes, and presents A with his pancakes from time to time. The exchange between the two neighbors is of the same fashion as that found by Mauss in the tribal societies. However, there is a difference. Neighbor A and B do not need to engage themselves in the dumpling-pancake exchange because both items can be purchased in the market. The exchange activities between neighbor A and B are beyond pure economic need. They provide the opportunity for neighbor A and B to develop their personal ties, as Radcliffe-Brown (1964: 83) puts it, “The purpose of the exchange is primarily a moral one; to bring about a friendly feeling between the two persons who participate.” Moreover, the inter-tribe exchange discovered by Mauss was basically an

economic activity. The tribes had no choice but to engage in the exchange with other tribes if they wanted to consume what was not produced by their own tribe.

Another type of exchange observed by Mauss took the form of “display,” which was “a great and frequent distribution of food...made to groups that have given their services to the chief [of the tribe] or to his clan” (Mauss 1967: 27-28). This practice echoes the banquet-favor exchange in *guanxi* relationships where a banquet in honor of the helper is held in exchange for a favor. The difference between the exchange in *guanxi* relationships and the exchange in the tribal society that Mauss studied is that the former is carried out on an inter-personal level, while the latter took place on a collective level.

Gifts, favors and banquets are the “goods, material and nonmaterial” of the exchange in *guanxi* relationships. There is no definite rule in terms of which item (gift/ favor/ banquet) should be given in exchange for another item (gift/ favor/ banquet); the choice is rather contextual and contingent. Favors and banquets can be considered variances of gift: when a gift comes in the form of services, it is called a favor; when it comes in the form of free distributions of food and drink, it is called a banquet or feast. As the gift is the material basis on which a *guanxi* relationship is formed, the study of *guanxi* lends itself to the theoretical tradition of gift relationship, which constitutes an exchange relationship based on obligation and reciprocity. Mauss (1967: 6) argues that the obligation to make return gifts is socially imposed “under the penalty of losing the *mana* (prestige), authority and wealth.” As for reciprocity, Blau (in Coser and Rosenberg 1976: 78) writes, “If we feel grateful and obligated to an associate for favors received, we shall seek to reciprocate his kindness by doing things for him. He in turn is likely to

reciprocate, and the resulting mutual exchange of favors strengthens, often without explicit intent, the social bond between us.”

Common sense tells us that in society, there are always two kinds of individuals, “conformers” and “deviates.” Conformity, according to Homans (in Coser and Rosenberg 1976: 76), is “behavior that coincides to a degree with some group standard or norm.” He further defines “norm” as “a verbal description of behavior that many members find it valuable for the actual behavior of themselves and others to conform to” (ibid). Empirical study proves that, as the members of a group come to see another member as a deviate, they will first try to change his behavior; if the deviate, by failing to change his behavior, fails to “reinforce” the other members, they will start to “withhold social approval from him,” which will finally lead to the social isolation of the deviate from other members of the group (ibid).

When the above theory is applied to gift relationship, people who are engaged in the relationship can similarly be broadly classified into the two categories of “conformers,” who carefully abide by the norms of obligation and reciprocity; and “deviates,” who do not behave in line with the norms. According to the above theory, the conformers will continue to function in the relationship while the deviates face the peril of being excluded from the relationship. The theory works in a similar way in the practice of *guanxi*, though through a different conceptual mechanism. The term used in *guanxi* relationships to refer to social norms is *renqing*, roughly translated as the obligation of human sentiment, which will be discussed at length later in this chapter. *Renqing* not only includes the ethical values of obligation and reciprocity, it also requires individuals to be considerate of other people’s feelings and treat each other nicely. *Guanxi* practitioners

have to comply with *renqing*, otherwise, they, like the “deviates,” may be ostracized from the relationship, and hence will be subjected to the social sanction of *diu mianzi*, literally translated as the loss of face. In Chinese culture, the loss of face is a serious humiliation for the ego.

Though the imperatives such as *renqing* and *mianzi* (face) seem to make the maintenance of *guanxi* relationships a somewhat burdensome experience, *guanxi* relationships also bear many personal elements, which make the experience filled with warm and friendly feelings. *Guanxi* relationships are maintained through socializations such as mutual visits, greetings and dinners. Chinese Lunar New Year, weddings, birthdays and baby-birth are the big times for socializations among families and friends, where gifts are exchanged/offered and banquets are held. These occasions and the activities held at the occasions mirror the gift relationships discovered by anthropologists in other cultures. Mauss (1967: 6) records that gift exchange in Samoa society was carried out during times of marriage, childbirth, circumcision, sickness, girls’ puberty and funeral ceremonies. Radcliffe-Brown (1964: 80) reports that the Andaman Islander carried out voluntary-obligatory “inter-group hospitality”-filled gift exchange at visits, festivals and fairs. As Lévi-Strauss (in Coser and Rosenberg 1976: 62) puts it, “Gift exchange is a universal code of culture, although not equally developed everywhere.”

In addition to the ethical values, a gift relationship is also tinged with utilitarianism. Goods in a gift relationship “are not only economic commodities, but vehicles and instruments for realities of another order: influence, power, sympathy, status, emotion; and the skillful game of exchange consists of a complex totality of maneuvers, conscious or unconscious, in order to gain security and to fortify one’s self against risks incurred

through alliances and rivalry” (Lévi-Strauss in Coser and Rosenberg 1976: 63). Gifts, favors and banquets in *guanxi* relationships, in addition to their expressive purposes and considerations of complying with the corresponding social norms or *renqing*, are offered with practical purposes such as to guard oneself against political/ economic insecurity or to obtain more power in making one’s life choices according to one’s own will. These practical considerations, intertwined with the expressive and ethical elements, direct the flow of the exchange of gifts, favors and banquets, which according to Yang (1994: 126), is “a fundamental and inalienable part of the nature and process of *guanxi*.”

## **GIFTS AND FAVORS IN *GUANXI* PRACTICE**

### **Gifts**

Gifts are characterized from other kinds of products by their expressiveness. Unlike commodities, they are not purchased mostly for their utilitarian value, but for their capability to make a nice presentation. That is why we have gift shops and colorful wrapping paper to make our gifts look pretty. Though most sociologists admit that gifts have both expressive and utilitarian dimensions, when it comes to the study of gift relationship, sociologists tend to focus on those gifts that make beautiful presentations, especially those that have no practical value. The classical tradition of relating gifts with religion and myth argues that the gift is part of its original owner and will never be alienated from its owner; the receiver never owns the gift completely. This belief

naturally lends the study of gifts to non-consumable objects. It is much easier to explain how a beautiful vase represents the person who gave it as a gift, and remains a spiritual legacy of that person, than it is to apply the same reasoning to a loaf of bread. It seems that gifts such as the vase are more gift-like than gifts such as the loaf of bread, which have some practical usage and are meant to be consumed in daily life.

In his classic account of the Kula ring in Melanesia, Malinowski (1961) concentrated on gifts such as shell bracelets and necklaces that have no “practical” value because the Kula is a system of exchange of prestige items. Mauss (1967) reached the same conclusion that the most important things exchanged in the Kula ring are *mwali*, the finely cut and polished arm-shells, and the *soulava*, necklaces for women made from red spondylus shell (Mauss 1967: 21). Even though there was another exchange system known as *gimwali* in which useful goods are exchanged in a rather straightforward way and with less rituals, Mauss chose not to focus on it. These two classical anthropological studies of gift relationship laid the foundation for future studies of gift relationship in their tendency to discriminate against the examination of gifts that have practical value and are meant to be physically consumed through daily life. Therefore it is not surprising for Lévi-Strauss to assert that “...there are certain kinds of objects which are especially well suited for presents, precisely because of their non-utilitarian qualities...It is commonly understood that in our society that certain goods of a non-essential consumption value, but to which we attach a great psychological aesthetic or sensual value, such as flowers, candies and luxury articles” (in Coser and Rosenberg 1976: 63-64).



The research orientation of preferring non-practical objects meets tremendous challenge in the practice of *guanxi*. Gifts exchanged in *guanxi* practice encompass a spectrum of objects ranging from practical daily consumables to high-valued goods. Yang's (1994) field research in Beijing during the early 1980s found that, "...the kinds of gifts given in anticipation of or in return for favors range from a simple bag of fruit or a chicken to an expensive stereo, color TV, or refrigerator." During Yang's stay in China, China's economy was still recovering from the economic disaster which resulted from the Cultural Revolution. At that time a bag of fruit or a chicken was considered special and many electronic consumer goods were conceived as rarities.

The kinds of gifts change as the social and economic conditions change in China. Since the economic reforms in the late 1980s, the living standard of Chinese people has been improved significantly. As a result, once rare items such as color TVs or refrigerators have become affordable for common people. In current times, even though small items such as a basket of fruit or candy can still be offered as gifts, they are not as impressive as they were years ago. At the same time, many new kinds of gifts are witnessing ascendancy. One of them is the gift card, which is essentially a debit card with certain amount of money in it. The ascendancy of the gift card can be attributed to three factors. First, in terms of usage, it is no different than cash. The gift recipient has the total freedom to purchase a desired item, which, unlike previous times, is likely to be available in the market. Second, the gift giver saves time and energy that would normally be spent on choosing an appropriate gift. Because of these two factors, the use of such a device prevents the situation where an improper gift dampens the exchange. Third, gift cards

tend to be very well printed, and with aesthetic values, therefore satisfying the traditional societal requirement on the way a gift ought to look.

Even though objects with practical monetary value, or items for daily consumption, can be used as gifts, money is seldom presented as a gift to establish or maintain *guanxi*. The preference of gifts to money lies in the fundamental difference between money and gifts in terms of medium of exchange. In general, anthropologists and sociologists understand that gifts as a medium of exchange involve some elements of interpersonal dependence—the giver of a gift is “inalienable” from the goods or service. A *guanxi* relationship, being an interpersonal relationship that is characterized by the “particularistic” tie, must contain the personal elements that bond the involved parties. Gifts therefore are naturally employed as the exchange medium in the practice of *guanxi*.

To a certain extent, China still bears the feature of a “kin-based collectivity” where “the work group is usually some form of hierarchically structured cooperative group” (Bell 1991: 165). In such a relation-based society, the relationships of an individual with other individuals, and of a group with other groups, are “critical to the well-being of the social unit” (ibid). According to Bell, in such a society “social relations” are formed through a “gift-economy.” Fei (1976: 242) regards the type of transfer of goods in a gift exchange is “significant not in making up mutual deficiency but in strengthening social ties.”

The key feature of a commodity exchange according to Gregory (1982:41) is that “commodities are exchanged strictly in relation to other commodities without any implied residual obligations or relationships between the people involved.” Mead (1934) argues that in a commodity exchange, by thinking in terms of prices, people are

identifying with all potential buyers and sellers. As a result, “social relations” are replaced by “economic relations.” While the former is personal and “particularistic,” the latter is impersonal and universal. Money is recognized for its role in commodity exchange, and the use of money may be perceived as an escalation of *guanxi* exchange “from the socially and legally tolerable to the more dangerous and unambiguously illegal realm of bribery and corruption” (Yang 1994: 129).

## **Favors**

*Zou hou men*, which means “going through the back door,” is perhaps the most distinctive and socially-recognized *guanxi*-based social exchange in Chinese society. Instead of following the bureaucratic process to get certain things done, people will seek to use their personal connections with those who have the power to accomplish the same ends. The practice reached its climax during the mid-1980s when the Chinese society underwent a historical transformation from Mao’s revolutionary society to Deng’s market-economy-oriented society. Many scholars (Walder 1986; Shaw 1996) attribute the emergence of this practice to the prolonged economic shortages and the state monopoly over resources during the past several decades. The resources could have been anything. They may have been the coupons allocated every month to local residents by the state, granting residents the right to purchase certain goods. They could have come in the form of a desired job or a needed apartment. Without a free market, the access to resources was extremely limited. Under this situation, *zou hou men* became a normal way for people to gain access to the resources that are otherwise out of their reach.

Since 1987, China has slowly changed from a highly centrally-controlled economy to market-oriented economy. As this transformation has gotten underway, a lot more goods and services have become available in the free market. However, the enrichment of the consumer goods and services did not necessarily entail the abandonment of the *zou hou men* practice. Under the new circumstances, the practice is employed to circumvent the bureaucratic procedures, which usually consume much time and energy. It is an unwritten social wisdom that the “back door” is a detour to get things done more quickly, easily and smoothly.

The practice usually takes place between parties who have *guanxi* with each other. In this case, gifts may or may not be offered in exchange for a favor. There are three possibilities. First, if the person who needs the favor has done a similar favor<sup>4</sup> for the other person, then it is the time for the other person to repay that favor, therefore a gift is not necessary. Second, if the return favor demands much more time, energy and effort than the original favor, a gift is usually presented to fill the gap. Third, if neither party owes the other any favor, to initiate an exchange, a gift is needed. Even though there is some instrumentalism in the exchange, the exchange is still relation-based. This is because the pre-existing “particularistic” tie is the prerequisite for the exchange to take place, and also because the gift, though is utilized to obtain the service from the other, is at the same time aimed to achieve a more close and intensive personal tie.

The practice of *zou hou men* can also take place between people who have no preexisting *guanxi* connection with each other. If so, a middle-man who knows both the

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<sup>4</sup> By calling it “a similar favor,” I mean the return favor requires similar amount of time, energy and effort as the original favor.

exchange parties usually is needed to facilitate the exchange. A middle man's role ranges from arranging the meeting where the gift is presented to communicating with the two parties and forwarding the gift. Due to the lack of the "particularistic" tie between the actual exchange parties, the exchange bears a lot more instrumentalism. The return favor in general, even though is not immediate, takes much shorter time than a pure gift exchange which only seeks to establish the personal ties. In such an exchange, the gift is transformed into a "quasi-commodity" (Yan 1994: 219). The purpose of the exchange is fulfilled by maximizing personal interests. In this sense, the transaction bears the characteristics of commodity economy, i.e. rational and impersonal. There might be a personal tie developed between the actual exchange parties after the transaction, but not necessarily. Like in business world, two persons may become friends after conducting business with each other but the purpose of their original social interaction is not only to become each other's friends.

The favors offered in a *guanxi* relationship may be mutually beneficial or unidirectional as long as the helping party does not suffer any loss from the relationship, and knows he can rely on the other party in time of need. The favors in this sense are a kind of social investment which one can resort to in case of need. Since in most cases, a person never knows when he will need help, he will tend to avoid exhausting the balance sheet of favors owed to him.

## *RENQING and MIANZI*

### *Renqing*

In addition to gifts and favors, there is another item to be exchanged in *guanxi* relationships. It is known as *renqing*. This phrase is composed of two characters: 人, written in pinyin as *ren* and pronounced the same, and 情, written in pinyin as *qing* and pronounced like “ching.” “*Ren*” literally means human being, while the essential meaning of *qing* is sentiment. Taken as a whole, *renqing* basically means human sentiment. Yang (1994: 67) regards *renqing* as “part of the intrinsic character of human nature...[which] in terms of social relationships and interactions, is taken to be naturally infused with affect or *qing*.” Like Confucianism, Yang notes that the concept of *renqing* can be traced back to ancient times, relating its origins to the Han Dynasty which began in 206 B.C.E.

The assumption that underlies *renqing* is that because human nature is inherently good, therefore people engaging in social interaction should treat each other with thoughtfulness and affective sentiments. A person who is able to show consideration to other people is considered “knowing *renqing*.” On the contrary, a person who is indifferent to other people’s feelings of happiness or sadness is deemed as “not knowing *renqing*” or “lacking *renqing*.” According to Yang (1994: 68):

To accuse someone of “lacking human feeling” (*meiyou renqing*) is tantamount to saying that he or she does not exhibit the natural affect and feelings of attachments and obligations to other people. It questions whether a person is morally worthy of being called human, whereas to behave according to *renqing* is to be a virtuous human or “to know how to act like a human” (*hui zuo ren*).

*Renqing* plays a very important part in *guanxi* exchange. *Renqing*, the intangible human sentiments, is exchanged along with the concrete gifts and favors. By offering a gift or a favor, the donor also sends the receiver his affective sentiments toward him; by accepting a gift or a favor, the receiver is obligated to show back his positive sentiments towards the donor by presenting a return gift or delivering a favor. Therefore, a *guanxi* relationship, if perceived by outsiders, is nothing but infinite exchanges of gifts and favors; but for insiders, what really count are the *renqing* sentiments that are expressed through the continuous exchanges of gifts and favors. It is the *renqing* sentiments that make a *guanxi* relationship distinguish from a pure instrumental relationship.

Like the gifts and favors exchanged in *guanxi* practice, *renqing* is obligatorily reciprocal. This operational mechanism of *renqing* can be demonstrated in the common expressions such as “owe someone a *renqing*.” *Renqing*, in this context, has two layers of meaning. First, it connotes that an actual gift or favor has been provided and accepted. Second, it implies that the receiver, by sheer accepting the gift/favor, obliges himself to repay. By presenting a return gift or offering a return favor, the original receiver demonstrates his appreciation and affection toward the original donor who has shown his affective sentiments toward the original receiver by offering the gift/favor at the first place. As Hwang (1987: 946) notes, *renqing* is “much more highly elaborated and more tightly bound up with ideas of reciprocity [in Chinese society] than it is in many other cultures.” J. H. Weakland (1950: 365) has a similar observation: “The system of reciprocal aid in Chinese life – except within the circle of the family and very close friends where mutual help is at least assumed to occur with no question of exchange at all – is centered around the concept of *jén-ch’ing* (*renqing*).” Yang (1994: 122) concludes

that a *guanxi* relationship is “embedded in the *renqing* formulation of human relations as an endless flow of interpersonal exchanges and reciprocal commitments.”

At another level, *renqing* also represents socially accepted interpersonal behavior. As King (1988: 78 quoted in Yan 1996: 146) notes, “From a sociological point of view, the word *renqing* refers to interpersonal relations, namely, the ways of living with others.” In a *guanxi* relationship, a person is expected to keep in touch with his *guanxi* contacts by greetings, visits, and gift/favor exchanges. In case of a misfortune, people involved in the same *guanxi* relationship are expected to show sympathy to or try to help out the individual who is in trouble. As Yang (1994: 122) puts it, *renqing* is “a matter of courtesy and observance of proper social form and etiquette.”

### *Mianzi*

*Renqing* principles are socially enforced through the notion of “face” in Chinese society, which in Chinese is referred to with either of the two terms, *lian* and *mianzi*. The first term, *lian*, is written in Chinese as 臉, and pronounced like “li-en.” The second term is a phrase composed of 面, written in pinyin as *mian* and pronounced like “mi-en” and 子, written in pinyin as *zi* and pronounced like “tzu.” *Lian* and *mian* both essentially mean “face”; the *zi* placed at the end of *mianzi* has no independent meaning.

Hu (1944: 45) claims that the terms are distinct, and that the Chinese conception of “face” has two dimensions: “*Mien-tzu* [*mianzi*] stands for the kind of prestige that is emphasized in this country [America]: a reputation achieved through getting on in life,



through success and ostentation.” “Face” at this dimension, is enhanced through wealth, power, and status, through cleverly establishing social ties to a number of prominent people, as well as through avoidance of acts that would cause unfavorable comment (ibid: 61). The other dimension ascribed by Hu (ibid), is “*lien [lian]*... the respect of the group for a man with a good moral reputation... the confidence of society in the integrity of ego’s moral character” and “the respect of the group for a man...who under all circumstances shows himself a decent human being.”

Ho (1976: 868) disagrees with Hu’s characterization of the distinction between the terms *lian* and *mianzi*, arguing that “the meanings... vary according to verbal context and in addition are not completely differentiated from each other in that the terms are interchangeable in some contexts.” Therefore, for the purposes of consistency and simplicity, *mianzi* will generally be used in this paper. According to the above definition, *mianzi* represents a comprehensive image of self delineated in terms of wealth, power, status, social connection and reputation. In addition to this qualitative aspect, *mianzi* is also quantitative. In accordance to the changes in the qualitative components of *mianzi* (wealth, power and status can increase or decrease; social connection can expand or shrink; reputation can get better or worse), a person’s *mianzi* increases or decreases. We can say person A has more *mianzi* than person B or person A has less *mianzi* than before. Because *mianzi* is the outcome from the co-operation of all its components, even though quantitative change in one component will lead to the corresponding change in *mianzi*, given only the quantitative change in *mianzi*, it is impossible to tell which exact component has experienced change. However, a decrease in the amount of one component can have a wide impact on the other components, and will subsequently lead

to a decrease in a person's overall social standing. Such an experience is referred to by Chinese people as *diu mianzi* (loss of face).

*Mianzi* may be lost when a person loses his original wealth or status, or violates certain codified social practice. Taking the violation of codified social practice as an example, the violator's reputation will experience a decrease, which, may drive away some of his social contacts, who are unwilling to deal with someone with a deviant reputation. In this case, the sour reputation and shrinking social connection mark the experience of losing *mianzi*. At the social level, losing *mianzi* signifies a decrease in the social standing of the involved party; at the psychological level, due to the damage of the self image in the public eye, losing *mianzi* entails "an intense humiliation for the ego" (Hu 1944: 45). As Goffman (1955: 215) puts it, "Approved attributes and their relation to face make of every man his own jailer; this is a fundamental social constraint."

A person is not only responsible for his own *mianzi*, but also can lose or gain *mianzi* when people who are closely related to or associated with him lose or gain *mianzi* (Ho 1976: 867). The expression "my face is totally lost because of you" (*wo de lian bei ni diu jing le*) is often heard when someone's *mianzi* is damaged by someone else's behavior. Thus, a person must be concerned not only with his own *mianzi*, but also the *mianzi* of those who are closely associated with him, such as the person's family or close friends.

## *Renqing, Mianzi and Guanxi*

In the case of *guanxi* practice, *renqing* principles include the conduct that has been codified and customized by the society. A *guanxi* practitioner must comply with the *renqing* principles to avoid loss of *mianzi*, which often comes from “failure to observe the rules of conduct so that others saw one at a disadvantage” (Fairbank 1979: 135 quoted in Yan 1996: 137). Any breach of the customized principles or rituals, such as not rendering help to one’s friends or a lack of gift-giving during special occasions, is a failure to perform adequately in the role as being a *guanxi* practitioner, and therefore will cause a loss of *mianzi* to the actor. The fear of losing *mianzi* compels the individual actor to behave in line with *renqing* principles, so as to maintain his favorable image and hence proper function in the *guanxi* relationship.

*Mianzi* is like a membership card for one’s *guanxi* network, where the evaluations of the actor by others are perceived to be of significance to the maintenance of the actor’s standing and adequate function in the network. This privilege is granted to the *guanxi* network member as recognition of his following the line defined by *renqing*. It is not irrevocable because “it is only on loan to him from society and will be withdrawn unless he conducts himself in a way that is worthy of it” (Goffman 1955: 215). The actor’s concern in maintaining this membership card in good shape as long as he can drives him to develop sensitivity as to how he appears in the eyes of others, and a tendency to act in ways which meet their approval. As customized principles, *renqing*, is assured by the operation of *mianzi* as the standard behavioral code by which *guanxi* practitioners try to abide.

*Renqing*'s sentimental dimension has an impact on *mianzi* as well. According to *renqing*, a person who has "*renqing*" is not supposed to ignore the feelings of other people, but should instead respond properly based on *renqing* principles. A failure to do so will incur a reputation of "not knowing *renqing*," and hence a loss of *mianzi*. This scenario is very similar as what Goffman describes in "On Face-Work," where he argues "The person who can witness another's humiliation and unfeelingly retain a cool countenance himself is said in our society to be 'heartless'" (Goffman 1955: 215). According to Goffman, while preserving one's own face, a person, in order to avoid the reputation of being "heartless," is expected to "go to certain lengths to save the feelings and the face of others present...because of emotional identification with the others and with their feelings" (ibid). Therefore, to maintain one's *mianzi* not only involves the compliance with the social practices based on *renqing* principles, but also requires consideration and thoughtfulness for other people's feelings, which are directly related to their *mianzi*.

In addition to its role in enforcing *renqing* principles, *mianzi* also works independently in the practice of *guanxi*. As *mianzi* is closely related to a person's wealth, power and status, a person who has *mianzi* is in a position to exert "considerable influence, even control, over others in both direct and indirect ways" (Ho 1976: 873). This dimension of *mianzi* puts *guanxi* practitioners at unequal starting points, even though they may have same level of awareness of *renqing* and other social norms.

When the late paramount leader of China, Deng Xiaopin, inspected the highway construction in Tianjin during his nation-wide inspection in the early 1990s, he was impressed by the design of the butterfly-shaped highway and recommended the young

designer be promoted as senior engineer. The concern of not letting Deng lose face made the institute's officials give an exception to the young designer, who was promoted to senior engineer based on merits but not on seniority. Deng's *mianzi*, embodied by his power and status, exercised considerable influence and control over the institute's officials' behaviors. Though this case does not directly apply to *guanxi* practice, it certainly shows the remarkable role of *mianzi* plays in social interactions, through which *guanxi* relationships are maintained.

*Mianzi*, as an indication of social prestige, can also augment or reduce the value of the gift/favor as perceived by the recipient in *guanxi* practice. A celebrity can pay off a gift/favor just by showing up at the helper's house-warming party, while a common person has to provide a real gift or conduct a favor to balance the exchange.

*Mianzi* has a certain quantitative correlation with "social connections," which is one of the two literary translations of *guanxi*. As Hwang (1987: 961) summarizes, "The larger (or smaller) one's social network is – and the more (or less) powerful the people connected with it are – the more (or less) impressive will be that individual's power image as perceived by others." In other words, one's *mianzi* is reflected in the size of his social network and the power, status and prestige possessed by his network members. It is enhanced by the expansion of one's social network and by the amount of *mianzi* of the other powerful network members. Hwang's argument is only a one-way trip: from social connection to *mianzi*. In fact, the operation between social connection and *mianzi* works both ways. The enhancement of one's *mianzi* improves a person's social standing among his network members, who develop a more positive impression on him. This, in turn,

attracts more people to engage themselves as his social contacts. *Mianzi*, in this sense, provides the leverage one needs to successfully expand his network.

## Conclusion

*Renqing*, *mianzi*, and *guanxi* are tightly related to each other. *Renqing* encompasses the ethical values and regulates the *guanxi* practice. In order to be accepted as a *guanxi* practitioner, a person has to comply with *renqing* principles. He has to always show consideration to his *guanxi* contacts' feelings and interacts with them with affective sentiments. He has to repay the gift or favor that he has received so that he can show back his appreciation, and thus reinforce the relationship with personal sentiment. In a word, he has to be thoughtful and abide by the customized social rules in *guanxi* practice.

*Renqing* principles are socially enforced through the Chinese concept of *mianzi*. *Mianzi* is a social matter because (1) whether a person has *mianzi* or not, or, has how much *mianzi* is determined by other people's perception formed on the basis of his status, power, prestige and his performance in satisfying the role expectations laid upon him; (2) the loss of *mianzi* resulting from a damage in the self image as perceived by others, causes severe humiliation for the ego and thus serves as a social constraint for the implementation of social norms and values; (3) the experience of losing or gaining *mianzi* is borne not only by the individual himself, but also extends to people who are closely related to him.

In the context of *guanxi* practice, social norms and values come in the form of *renqing* principles. The concern of not suffering the loss of *mianzi* and constantly

maintaining one's favorable image among *guanxi* network members assure *guanxi* practitioners' compliance with *renqing* principles

Besides the role in the imposition of *renqing* principles, *mianzi*, as an indication of one's power, status, and prestige, is a person's social resource that he can use to manipulate the exchange transactions in *guanxi* relationships or to expand his *guanxi* network.

### **THE OBLIGATION TO REPAY**

The obligation to repay in an exchange transaction was recognized by sociologists and anthropologists long ago (Malinowski 1961, Mauss 1967; Blau in Coser and Rosenberg 1976: 78). Mauss's (1967) study in the Melanesian tribal society discovered that the first gift given in had the name of *vaga*, opening gift, which supposedly bound the recipient to make a return gift, the *yotile*, meaning "clinging gift." Westermarck (1908: 154) states, "To requite a benefit, or to be grateful to him who bestows it, is probably everywhere, at least under certain circumstances, regarded as a duty."

Gouldner (1960) argues it is the "norm of reciprocity" that obliges the recipient to pay off. He suggests "a norm of reciprocity" which has two "interrelated, minimal demands." They are, "(1) people should help those who have helped them, and (2) people should not injure those who have helped them." Gouldner also points out that the "concrete formulations" of the "norm of reciprocity" may vary with time and place.

In Chinese society, the “norm of reciprocity” governs the social exchanges through *renqing* and *mianzi*. Any failure to observe the *renqing* principles is a social offense. The offender will be condemned as “not knowing *renqing*,” namely having no respect for customized social behaviors. The damage to the reputation will subsequently lower that person’s social standing among his social contacts. Such an experience makes that person feel a loss of *mianzi*, which entails an intense feeling of humiliation for the ego. The gift/favor provided in a *guanxi* relationship is imprinted with the *renqing* imperatives which pre-define the subsequent social interactions between the donor and recipient. It can be said that at the very act of accepting, the recipient makes a promise to repay at a later date and will be subject to the monitoring of the social norm mechanism until the repayment is made. As noted by Lévi-Strauss (in Coser and Rosenberg 1976: 66), “[through] a series of alternating oscillations, in which a right is established in the offering and an obligation in the receiving.”

Some researchers (Fiske 1992, Komter 2001) argue that social exchange taking place between non-kinsmen follows the principle of “Equality Matching,” which is defined as “a relational structure in which people can compare quantities and use the operations of addition and subtraction to assess imbalance” (Fiske 1992: 690). It is also referred to as “reciprocity.” Sahlins (1972) identifies this exchange mechanism as “balanced reciprocity.” According to him, “balanced reciprocity” signifies the non-contractual, long-term relationships, which are expressed in the continuation of the social relations in a way different from those among kinsmen. In this form of exchange, equivalents must be exchanged within a relatively short time-scale, as with the buying of drinks in a bar: there may be some temporary imbalances but these cannot be tolerated



indefinitely. In opposition to the “balanced reciprocity” is “generalized reciprocity” referring to the gift-giving where one does not give in order to receive, and the return of the gift is not constrained by time, quality, or quantity. Sahlins points out that “generalized reciprocity” usually operates within a kin network.

Because *guanxi* is relation-based, there is no set rule of how much to give, how much to repay, and how long the interval between the initial gift and the return gift ought to be. According to Fei (1976: 242), “Exchange on the basis of definite and calculated equivalence tends to diminish in proportion to the intimacy of social relationships.” We can say that exchange in a *guanxi* relationship ranges from “balanced reciprocity” to “generalized reciprocity” depending on the closeness and intensiveness of the relationship. Person A may apply “balanced reciprocity” with person B who is only a friend, while applying “generalized reciprocity” with person C, who is person A’s confidant. Furthermore, with the development of the relationship through series of giving and receiving, two people may become seeing each other as one’s family and hence switch their “balanced reciprocity” to “generalized reciprocity.”

Because *guanxi* is basically interpersonal ties, the value of the proffered items (gifts or favors), as perceived by the recipient is not totally dependent on their monetary worth. The extent of the recipient’s indebtedness to the giver, the closeness of the relationship between the giver and recipient as well as the social status of the donor, are all factors in determining the total value of what is given. As the monetary worth can only serve as a reference, there is an uncertainty about what is the appropriate and adequate counter gift or return of favor, while on the other side, “the obligation of worthy return is imperative” (Mauss 1967: 41). In addition, unlike in a commodity exchange in

which participating parties can haggle over the price of the goods, a gift is usually presented without asking the opinion of the potential recipient. The absence of “immediate bargaining” in gift exchange hence creates a condition of uncertainty regarding the minimally acceptable response and increases pressure toward generosity (Bell 1990: 161). Bourdieu (1977: 13) puts the rule of the game in the following way, “In short, only escalation, challenge answering challenge, can signify the option of playing the game.”

Besides the concern to prolong the relationship, the recipient is also compelled to offer a generous counter gift/favor to avoid damage to his own social standing. According to Mauss (1967: 44), “If things are given and returned it is precisely because one gives and returns ‘respects’ and ‘courtesies.’” Failure to repay the gift/favor one received gestures one’s indifference to the “respect” and “courtesies” presented to him by the other. An inadequate counter gift/favor implies a lack of affection toward the other party and a disinterest in the continuance of the relationship. The indifference will inevitably hurt the other party’s feelings. In the Chinese cultural context, this person will receive a reputation of “not knowing *renqing*,” which will subsequently put him at a disadvantaged position in later social interactions. He will see himself become an unwelcome person among his associates. This debasement of his social standing is an experience of the loss of *mianzi*. Since loss of *mianzi* is a humiliating experience to the ego, individual actors usually will try hard to avoid it by giving generously. Therefore, it is not only the concern to maintain the social relationship that drives the gift-receiver to offer a generous counter gift/favor, but also the cohesive force of *renqing* and *mianzi*. As Yang (1994: 142) concludes, “In order to maintain one’s moral superiority, the best policy is always to keep

the other indebted.” Similar social restraining forces can be found in other cultures. In Malinowski’s (1961) classic account of the exchange activities of the Kula ring in Melanesia, the inadequacy of a return gift becomes a source of vile gossip that can travel across the seas over hundred of miles to the home of the offender.

Of course, any reference to the generosity of a counter gift/favor must be understood to be *relative* to the original one. Generous exchange tends towards “overwhelming generosity”; a super gift which is beyond the repaying ability of the receiver can “throw its recipient into dishonor by prohibiting any counter-gift” (Bourdieu 1977: 14). Lévi-Strauss (in Coser and Rosenberg 1976: 62) asserts that this phenomenon allows a party to “surpass a rival in generosity.” By making it impossible for the recipient to fulfill the obligation to repay, the giver “takes from him privileges, titles, rank, authority and prestige” (ibid). Such a ploy must be balanced against the concern previously related by Goffman, that the actor must not be seen as intentionally depriving another of face, so as not to appear heartless; however, it is difficult to characterize the giving of a magnificent gift as a heartless act.

Besides the value of the repayment, the interval of time between the initial offer and the repayment is also a consideration because “the interval between gift and counter-gift is what allows a pattern of exchange” (Bourdieu 1977: 6). Malinowski, in his discussion of the Kula ring, carefully notes that the gifts given are not immediately returned, and repayment may take as long as a year. As Bourdieu (ibid) argues, “To betray one’s haste to be free of an obligation one has incurred, and thus to reveal too overtly one’s desire to pay off services rendered or gifts received, so as to be quits, is to denounce the initial gift retrospectively as motivated by the intention of obliging one.”

Yan (1996: 127) holds that through not clarifying the balance, the exchange parties can retain “positive interactions” with each other. Therefore it is better to keep the balance for a while so that the other can call in his debt with a request for help, thus rendering that person indebted to you and hence providing opportunities for further cultivating the relationship. A rushed repayment, in contrast, is considered short-sighted and socially inappropriate. It cuts off the potential to furnish the personal ties between the exchange parties by making a *social exchange* into a mere *swapping*.

### **TIMING AND “IMPLICIT BARGAINING” IN *GUANXI* EXCHANGE**

The quality of *guanxi* relationships can be of different shadings. Some *guanxi* relationships are cultivated steadily over a long period of time and often develop into relationships that entail emotional attachment between the parties. Other kinds are more short term, directly instrumental, and initial attempts at cultivation are close to the expected favor.

If the concern is to establish a long-term and stable *guanxi*, which is more personal and less instrumental, the best time to give gifts is at special occasions such as weddings, child-births and the lunar New Year when the “expressive gifts” are circulated. In Bourdieu’s words, “it is all a question of style” (1977: 6). Good timing, proper occasion and adequate rituals are the enzymes that help the relationship develop into friendship and hence form the “particularistic” tie. This cultivation of *guanxi* shrouds the implanted instrumentalism in gift-giving with the apparent friendship and good feelings

the parties hold toward each other. Not only the gift is offered, *renqing* is presented as well. As Yang (1994: 136) concludes, “appealing to ‘sentiment’ (*qing*) is often a much more effective way of indebting someone.”

Immediate gifts are typical in short-term *guanxi* relationships. In such an exchange, because the element of instrumentalism is so obvious that it is close to a “buying and selling” commodity transaction. The recipient thus feels less emotionally attached to the donor and regards the exchange as no difference from an economic transaction. Such an exchange does not necessarily oblige either of the transaction parties to carry on the relationship after the exchange is complete. Usually no *guanxi* can be developed from such exchanges unless further efforts will be made to boost the sentimental side of the relationship. As Yang (ibid: 137) states, “*guanxi* requires much shrewdness and considerable time and patience on the part of its practitioners.”

The desire to cultivate *guanxi* may inspire a person to invest a great deal of thought in determining an appropriate gift that will be appreciated by the recipient. However, the concern of masking the instrumentalism of the gift forbids the giver to carry out a bargaining with the potential recipient over the preferred gift. Bell (1991: 161) suggests to employ “implicit bargaining” to solve this dilemma. He states that “the absence of immediate bargaining does not eliminate the need for an implicit bargaining process for establishing a balance in exchange. Bargaining is always implicit since, over the course of several transactions, an appropriate counter gift is a precondition to the continuation of the relationship between parties.” Yang (1994: 131) gave the following illustration of how an implicit bargaining is carried out in a *guanxi* exchange.

A person wishing to establish *guanxi* goes to the home of an official who he believes can help him, and after some bantering, casually suggests to him, “Your wristwatch is an old one, would you perhaps like to change it for a new digital one? I have a way of getting a good one.” At some point before or after the offer, this person may in the course of conversation make the request, or the request may be made long after the gift has been delivered. If the other replies something to the effect, “Come to think of it, I wouldn’t mind a change, but haven’t had the opportunity to buy a new watch myself,” then the deal is pretty much sealed.

In such an exchange, the bargaining is made “implicitly”; it is carried out through “suggestion and innuendo; direct or outright requests are avoided” (ibid). “Implicit bargaining” therefore is another strategy *guanxi* practitioners employ to make the transaction less *economic* but more *social*.

## Chapter IV - Social Networking in *Guanxi* Practice

Social network analysis starts with a set of network members (sometimes called nodes) and a set of ties that connect some or all of these nodes. The term “network” refers to “individuals (or organizations), who are linked together by one or more social relationships such as kinship, communication and friendship” (Marshall 1994: 353). Kinship is the very key concept to understand *guanxi* practice. The sense of kinship dominates Chinese people’s social network formation today, as it has since ancient times. Chinese people like to use the expression *zi jia ren* (one’s own family member) to address the person with whom they feel they are connected, even though that person is not really a family member. By addressing another person as ‘one’s own family member,’ an individual signifies that a basis of familiarity is present and hence the subsequent interaction will follow the rules applied to in-group members. More often than not, we hear a Chinese person calling someone not consanguineously related to him as ‘brother Zhang’ or ‘sister Chen.’ The resiliency of the concept of family, according to Chen (1996: 58) provides the Chinese with social and psychological flexibility in constructing their network of actual or fictive kinship relations.

Bourdieu (1977) describes the same phenomenon using the terms of “official kinship” and “practical kinship.” He argues that “the uses of ‘official kinship’ are reserved for official situations in which they serve the function of ordering the social world and of legitimating that order” and that other kinds of “practical use made of kin relationships” are “a particular case of the utilization of connections” (ibid: 34).

In addition to kinship, locality (same hometown), co-worker, classmate, surname, teacher-student, and etc. are also used by *guanxi* practitioners to locate the linkages between one another. This classification has been widely referred to by *guanxi* scholars as the “bases” of *guanxi*.

Network theory’s emphasis on the ties between individual actors provides an efficient tool for *guanxi* study. First, *guanxi* is based on interpersonal relationships. Therefore the study of *guanxi* naturally lends itself to the study of individual actors. Second, the concept of the “bridge” was introduced in the personal network approach to refer to persons who form the only link between otherwise unconnected individuals. The “bridge” in the network study is known as the “intermediary” in the practice of *guanxi* (Yan 1996; Yang 1994; Jacobs1979; King 1991). Operating in a similar way as the “bridge,” an intermediary in *guanxi* practice links the two originally unconnected individuals, and thus facilitates the formation of the network tie between these two individuals.

A third element used in network analysis, the concept of “ties,” can be approached from more than one dimension. In a narrow sense, it is used to refer to the specific relationships bonding network members, such as the kinship tie between brothers, or the friendship tie between longtime friends. In a broader sense, however, it brings up the question of the nature of the behavior found in the relationship between network members. This approach allows *guanxi* researchers to disentangle the usually intertwined personal ties among *guanxi* network members and, through the pattern of the social exchange activities, explore the nature of a *guanxi* relationship.



## THE IMPORTANCE OF *GUANXI* BASES

Among many studies of the composition of *guanxi* ties, Jacobs' (1979) notion of "a base of *guanxi*" has been well accepted by scholars (Tsang 1998; Farh, Tsui, Xin and Cheng 1998; Yeung and Tung 1996; Kiong and Kee 1998).

Jacobs, in his 1979 classic paper defines a *guanxi* base as follows:

...a base for a *kuan-hsi* (*guanxi*) depends upon two or more persons having a commonality of shared identification. That is, each of the persons having the *kuan-hsi* (*guanxi*) base shares an aspect of personal identification which is important to them as individuals such as identification with family, hometown, school or place of work. Such identification may be ascriptive, e.g. native-place or lineage, or it may involve shared experience. For example, the teacher and student in a teacher-student *kuan-hsi* (*guanxi*) share identification with an experience important to both of them (Jacobs 1979: 243).

Using this definition, Jacobs identifies seven major *guanxi* bases. They are kinship, locality (same hometown)<sup>5</sup>, co-worker, classmate, sworn brotherhood (analogous to fraternity membership), surname, and teacher-student. Among many of these *guanxi* bases, the word *tong*, meaning "same" or "shared" is used to designate a whole set of close personal relationships: same hometown (*tong xiang*), co-worker (*tong shi*), classmate (*tong xue*) (ibid).

Researchers have reached contradictory results in examining whether surname is also a major *guanxi* base. Jacobs' empirical study suggests that surname is not an

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<sup>5</sup> Some sociologists (Stockman 2000) suggest that the experience of living a communal life of the youths who were sent down to the countryside for re-education during the Cultural Revolution also form a *guanxi* basis. However, it could also be interpreted as merely a variance of the *guanxi* bases of locality and being co-workers, because youths who were sent to Inner Mongolia certainly had no basis to develop any *guanxi* with youths who were living in Xinjiang Province.

important *guanxi* base, which is in opposition to Kiong and Kee's (1998) research finding. Kiong and Kee's (ibid) survey, conducted among Chinese firms in Singapore and Malaysia, provided data from which they concluded that surname is indeed an important *guanxi* base. The difference in the result may derive from the difference in the research fields—Jacobs' research field was a rural town called Matsu in Taiwan, while Kiong and Kee conducted their research among overseas Chinese in Singapore and Malaysia. In the study conducted by Kiong and Kee, surnames symbolize not only immediate familial connections, but also a much broader sense of ethnicity and nationality: the two features that are important parts of oversea Chinese' self-identity.

Therefore, the importance of surnames as a *guanxi* base might best be ascribed, in this case, to the unique social environment in which overseas Chinese live. This is exactly the opposite of Jacobs' case, where a native Chinese population was the subject of the examination. Jacobs (1979: 249-250), when trying to explain his own research findings, writes: "In most of Taiwan (including Matsu Township) more than half of the population shares the 10 most common surnames. This great extensiveness of surname commonality results in a lack of special feeling between two otherwise unrelated persons of the same surname."

Feld's paper, "The Focused Organization of Social Ties" (1981) provides a more theoretical approach to the study of the composition of network ties within the emerging school of thought known as "focus theory." Feld's approach "is based upon Homans's concepts of activities, interactions, and sentiments and upon the concept of extra-network foci organizing social activities and interaction" (ibid: 1015). Although Feld's paper itself is not regarding *guanxi*, Feld does argue that focused activity puts people into contact

with one another to foster the formation of personal relationships. According to Feld, a social context can be seen as consisting of different foci and individuals, where an individual is related to some foci and not to others. Foci may be many different things, including persons, places, social positions, activities, and groups. For foci where everyone is forced to interact frequently and intensely (e.g. families), all of the individuals associated with those foci will be tied to each other; but for foci that are less constraining on interaction (e.g., city neighborhoods), only a slightly higher proportion of individuals will be tied than would be tied in the general population. Once there is a tie between two individuals, these individuals will tend to find and develop new foci around which to organize their joint activity.

By laying individual *guanxi* bases into the theoretical frame work of the “focus theory,” we see kinship, same hometown, co-worker, classmate, and teacher-student *guanxi* bases are nothing but different social foci that allow individuals to interact with each other. For instance, kinship is a focus where individuals relate to each other through lineage; same hometown is a focus that constrains individuals who live in that location to interact more with each other than with individuals who do not live in that town; as for co-worker, classmate and teacher-student *guanxi* bases, worker place and study place are organizational foci constraining individuals to interact with each other. Feld (1981:1017) also suggests that “shared relations to foci create positive sentiments indirectly through the generation of positively valued interaction.” In the context of *guanxi* bases, we can assume that through interacting with each other in a positive way within certain foci, individuals subsequently develop positive sentiments toward each other, which can be called upon in future interactions either inside or outside of those foci.

Furthermore, the current *guanxi* bases proposed by Jacobs (1979) and well-cited by other scholars are not conclusive. For instance, if persons A and C don't know each other, but are both connected to person B, person B can be the base for persons A and C to develop *guanxi* with one another. Besides hometowns, schools and work places where *guanxi* usually arises, organizations such as clubs or professional associations can also be the bases where *guanxi* is developed. Therefore, instead of generalizing *guanxi* bases, it is more appropriate to consider the concept of *guanxi* bases as a variance. The commonly admitted *guanxi* bases such as kinship, locality, co-workers, classmates and teacher-student are just some of the possible values that the variance usually takes.

Some *guanxi* bases are more common and important than others. In numerous studies, the kinship-based *guanxi* is generally regarded to be the strongest among all *guanxi* bases (Tsang 1998; Farh, Tsui, Xin and Cheng 1998; Kiong and Kee 1998; Tsui and Farh 1997). For example, Chu and Ju's (1990: 273)<sup>6</sup> study finds that "kinship as a concept is by no means extinct in China, even though its reaches are very much curtailed...In the villages, people sharing a common lineage still treat each other with a touch of special consideration...In urban centers such as Shanghai, close relatives still form a small circle of their own." Luo (1997a: 45) pictures the individual's *guanxi* network established upon different bases as "concentric circles, with close family members as the core and distant relatives, classmates, friends, and acquaintances as peripherals arranged in accordance to the distances of relationships."

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<sup>6</sup> Chu and Ju's study drew a stratified probability sample of 2000 respondents, including 1199 from metropolitan Shanghai, 304 from the two towns in Qingpu, and 497 from twenty villages in four of the twenty rural districts. The findings of the survey give us an overall picture of what contemporary Chinese culture looks like.

The relative strength of the connections developed through each *guanxi* base is not a constant. It is influenced by the dynamic of a person's relationship with his *guanxi* contacts as well as changes in the macro social-economic structure. Relationships based on a supposedly strong *guanxi* base, such as kinship, if not receiving continuous maintenance can become weak and turn into "theoretical relationships, like abandoned roads on an old map" (Bourdieu 1977: 38). Changes in the surrounding social-economic structure, as detailed in the second chapter, can also alter the magnitude of a *guanxi* base.

### THE INTERMEDIARY – A KEY PLAYER

*Guanxi* seldom is confined to a dyadic, two-person network. "Such relationships (*guanxi*) often ramify out in many directions like an expanding spider's web rather than curling back on themselves into a densely-knit tangle" (Wellman, Chen and Weizhen 2001). As the familiarity or commonality embedded in *guanxi* bases is the prerequisite for a *guanxi* relationship, for two unconnected individuals to establish and develop a *guanxi* relationship, a common ground has to be created. In most of the cases, this purpose is achieved through the use of intermediaries (Yang 1994: 123-126; Yan 1996: 171; Jacobs 1979: 265; King 1991: 74).

The intermediary is a person who serves as a bridge that brings together the two otherwise disconnected individuals. The network concept of a "bridge," according to Granovetter (1973: 1364) is "the only route along which information or influence can flow from any contact of *A* to any contact of *B*, and, consequently, from anyone connected *indirectly* to *A* to anyone connected *indirectly* to *B*" (emphasis in the original).

Thus, a bridge is significant in the sense that it provides a direct tie between those connected with A and those connected with B, who would otherwise remain disconnected. Wellman (1983) refers to this as the “transitivity” of network ties. From a focus theory perspective, intermediaries provide new “focus” around which a tie can be established between the originally unconnected individuals. As Feld (1981: 1022) puts it, “When an individual is confronted with the typical situation of ties to disconnected others, he may seek to change this situation by creating and/or finding a new focus around which to organize his joint activities with the others.”

In *guanxi* practices, when one actor needs help beyond the capacity of his immediate *guanxi*, his available *guanxi* contacts can serve as intermediaries to bring in an ultimate helper. Jacobs(1979: 265) describes the role of intermediaries in creating *guanxi* ties in the following way:

A needs something from Z, but no *kuan-hsi (guanxi)* ties them. Therefore A considers his various *kuan-hsi (guanxi)* and finds M who has a *kuan-hsi (guanxi)* with Z. M helps A and goes to Z who helps A in order to help M. If none of A's *kuan-hsi(guanxi)* has a *kuan-hsi(guanxi)* with Z, A may ask help from H who also has a *kuan-hsi(guanxi)* with J who has a *kuan-hsi(guanxi)* with K...who has a *kuan-hsi (guanxi)* with Z.

Yang (1994: 125) generalizes the role of intermediaries in facilitating *guanxi* transactions in the following way:

A general principle in long chains of *guanxi* transactions involving go-betweens is that such chains are composed of a series of dyadic relations in which each person will help the next person in the chain on account of their direct personal relationship and not necessarily with the intention of helping the stranger who made the original request. In many cases the person who performs the last favor in the chain of favors will not know and will never meet the originator of the request.

In addition to acting as a bridge, and perhaps more importantly, an intermediary ensures the social interaction between two strangers by providing each with the confidence that the other party is trustworthy.

Trust is “a mutually constructed, jointly shared state of mind that enables social actors to continue working cooperatively in the absence of formal, explicit governance mechanism that safeguard against malfeasance or participant opportunism...The continuing history of this interaction produces the ‘emotional energy,’ ‘sympathy,’ or ‘chemistry’ that motivates participants to engage in future interaction” (Calton and Lad 1995: 281). According to Zucker (1986), trust requires repeated transactions, social similarities that are thought to indicate reliability, or formal structures, often using third parties or extensive socialization that serve as quasi-insurance of the exchange. Trust is especially important in the context of social networks, where “exchanges occur through neither contractual agreements nor hierarchical dictates, but through webs of individuals engaged in reciprocal actions” (Powell and Smith-Doerr 1990: 2). Under such circumstances, a social actor, instead of relying on the “system,” has to hold his trust in peer individual actors, who, in turn, honor the trust and return it with their trust. As Blau (1964: 94) puts it, “Since there is no way to assure an appropriate return for a favor, social exchange requires trusting others to discharge their obligations.” The third chapter demonstrates how the social norm operating through *mianzi* and *renqing* obligates a person in the exchange of gifts and favors. If *mianzi* and *renqing* represent the coercive dimension of *guanxi* exchange, mutual trust provides the participants the confidence and pleasure to deal with each other.

On one hand, the reciprocal nature of a *guanxi* relationship requires the *guanxi* network members to be committed to the exchanges of gifts and favors (Ang 2000; Yeung and Tung 1996; Yang 1994; Yan 1996; Tsang 1998; Gold 1985; Luo1997a). On the other hand, *guanxi* transactions are not legally or formally institutionalized<sup>7</sup> (Bian 1997; Walder 1986; Kiong and Kee 1998). It is the mutual trust that provides the exchange parties the confidence to carry out the transaction. Bian (in Wellman 1999: 256) writes, “Mutual trust and reciprocal obligation are central to personal networks in the Chinese society.” Yeung and Tung (1996: 63) conclude that “Trust is an essential condition for building and maintaining *guanxi* relationships.”

When the trust between two social actors is absent or not sufficient for the social interaction to take place, intermediaries may enter the relationship and enhance the level of trust. However, *guanxi* intermediaries function very differently from the western conception of an intermediary in, for example, a business relationship. In the western point of view, intermediaries “smooth transactions via a quasi-insurance of completion without opportunism or malfeasance by focusing on the transaction itself and remaining indifferent to the outcome” (Zucker 1986: 60-65). Intermediaries, in this sense, serve as disinterested external agents who facilitate the transaction but are independent from the transaction. The transaction, whether successful or not, has no impact on the intermediary.

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<sup>7</sup> In fact, many scholars (Yang 1994; Shaw 1996; Chu and Ju 1990) argue that, in most of the cases, *guanxi* exchange is resorted to as a detour to eschew institutionalized rules and regulations.



An intermediary in *guanxi* networks, however, functions in a totally different way. Unlike the intermediaries in the western world who are an independent unit from the transaction, *guanxi* intermediaries are heavily involved in the transaction in several ways.

First, a *guanxi* intermediary provides the transaction parties with *personal* trust in dealing with each other. It is the personal trust embodied by a *guanxi* intermediary that necessitates his presence in the exchange, as opposed to the third-party objectivity and impartiality found in the western world. Yang (1994: 125) quotes one informant when he agreed to be interviewed as saying, “Old Liao and I have been close friends for a long time. Since it was Old Liao who introduced you to me, it must mean that he trusts you, so I trust you too.” Though intermediaries in the form of an individual can be transformed into an institution which performs the same function as those in the western society, the notion of intermediaries in *guanxi* exchange is always *personal*-relation-based.

Second, a *guanxi* intermediary is personally involved in the exchange by participating in the mutual indebtedness incurred by the exchange. This dynamic exists because “the indirect exchanges are not based on the relative interests of the peripheral actors in one another, but instead on the relative interests governing their dyadic transactions with the intermediary” (Marsden in Marsden and Lin 1982: 206). In her ground-breaking book exploring *guanxi* practice, Yang (1994: 125) concludes:

In the *guanxi* chains, indebtedness is embedded within each specific link or dyadic relationship, not diffused all along the chain. That is to say, each person in the chain will only be indebted to the next person to whom she or he made a request. In this way a person may, through the *guanxi* of *guanxi*, transcend his or her own limited social network and cross over into several others without incurring an exorbitant debt to everyone involved.

Therefore even though the principle of *guanxi* involves only assisting people with whom one has *guanxi*, intermediaries provide a lot more flexibility for a person in obtaining help from outside one's available *guanxi* network. Furthermore, a *guanxi* intermediary sometimes also acts as scout for his friend to find out what kind of gift the helper would like in exchange for his service or whether the position or jurisdiction of the potential helper would enable him to fulfill the specific request (ibid).

Third, an intermediary can utilize *renqing* and *mianzi* to compel the helper to provide assistance to the person in need. One of the *renqing* obligations is to assist one's friends when they are in need (Hwang 1987: 953; Chu and Ju 1990: 37). By declining the request from someone introduced by one's *guanxi* associate, a person violates *renqing* obligation and hence runs the risk of incurring a reputation of "not knowing *renqing*." The sour reputation together with the rumor that he is unable to help his friends out will let him suffer a loss of *mianzi*. As one informant in Yang (1994) puts it, "It is very embarrassing not being able to help one's friends; one would not have face. People cannot raise their heads up in front of friends again after letting them down" (141).

In such a network in which everyone is judged by others by the standard of *renqing* and *mianzi*, an intermediary can obligate another person to help by manipulating the *renqing* obligation and *mianzi* standing. The Chinese saying, "have a look at the Buddha's face before turning the monk's plea down" connotes that a person has to take a second thought when he declines a request made by someone who connects with a socially prestigious person. In the case of a *guanxi* network, a person not only has to be cognizant of the social position of the intermediary, but must also take that person's *guanxi* relationship with him into consideration if he does not want to cause any damage

to the relationship by refusing to honor a request. Thus, a *guanxi* intermediary does not bring either objectivity or impartiality to the exchange, but plays an active role in ensuring that the exchange will take place and succeed.

Fourth, depending on the closeness of his *guanxi* tie with the party providing help and the party receiving help, an intermediary can also influence the possibility that help will be provided when sought. Bian (in Wellman 1999: 261), in his study of the relationship between social networking and job attainment in China, reports that the opportunity for assistance greatly increased when a strong-tie intermediary linked the job-seeker to the control agent. Similarly, the intermediary can influence not only the likelihood that the party whose help is sought will provide this help, but can also influence the quality of the help that will be provided once the provider has committed to providing this help.

### **GUANXI- INTERPLAY OF EXPRESSIVENESS AND INSTRUMENTALISM**

A person's ties with others can be expressive or instrumental. An expressive tie is usually considered to be an end in-and-of itself while an instrumental tie is goal-oriented. Hwang (1987) differentiates an expressive tie and an instrumental tie in the following way:

The expressive tie is generally a relatively permanent and stable social relationship. It can render an individual's feeling of affection, warmth, safety, and attachment. This kind of tie occurs mostly among members of such primary groups as family, close friends, and other congenial groups...the instrumental tie stands in opposition to the expressive tie. When an individual attempts to establish an expressive tie with other people, the tie is the goal in itself. But when one attempts to establish an

instrumental tie, the relationship serves only as a means or an instrument to attain other goals. Thus, this relationship is basically unstable and temporary” (949-950).

Based on Hwang’s (1987) distinction between the expressive tie and the instrumental tie, this section will expound upon the expressive and the instrumental facets of a *guanxi* tie and demonstrate how these two dimensions intermingle with each other in a person’s pursuance of *guanxi*. To achieve this purpose, *guanxi* practice will be examined in the contexts of “*guanxi* in daily life,” “*guanxi* in business activities,” and “*guanxi* in politics” respectively.

### ***Guanxi* in Daily Life**

Mutual visits and gift giving are the most common practices for family members or friends to maintain their *guanxi* with each other. Yan (1994: 61-67) records in detail the expressive gift giving in Xiajia village where he carried out his field research. To strengthen their *guanxi* ties, Yan reports, residents in Xiajia maintain mutual visits with their relatives and friends on a regular basis. Extensive social visiting and gift giving are carried out during the Lunar New Year. Visiting the sick is socially expected and gifts are usually presented on that occasion, so that visitors may show their sympathy and good wishes towards the sick person. Food, including cooked dishes and garden products such as vegetables, are exchanged informally among female relatives or friends. According to Yan (ibid) villagers “personalize” and “emotionalize” their *guanxi* relationship through such food exchanges.

However, the exchanges do not exist for their own sake, and their utility goes beyond the apparent unlimited socialization inherent in the maintenance of the relationship itself. For Xiajia villagers, *guanxi* networks based on social exchanges are also “an accessible institution” from which social support can be sought (ibid: 88). The social support is usually in the form of mutual assistance, such as an immediate exchange of labor between two families, or the seeking of favors from a villager’s relatives and friends for farming tasks (ibid: 89). In times of natural disaster such as a famine, *guanxi*-based social support can provide *guanxi* network members with basic needs such as food and shelter. As one informant said, “No matter the dynasty [political regime], we ordinary people are always the victims and have no one to rely on except our own relatives and close friends” (ibid: 94).

Yan’s (1996) findings are very similar to that of Wellman’s (1979) survey of the “intimate” networks among 845 adult residents in East York, Toronto. Wellman’s study found that respondents often perceive their intimate connections as a type of general utility. He discovers that “While they know that they might need help from intimates at some time, and maintain their ties in part for that purpose, often they do not have any precise idea of what contingencies will in fact develop” (ibid: 1216 footnote). Wellman further notes that “It is the generalized role relationship of ‘helper’ that is of interest here” (ibid: 1217 footnote).

The mild instrumentalism in Xiajia villagers’ *guanxi* network lies in the unpredictable nature of farmers’ life, and hence can be regarded as inevitable. However, Butterfield’s (1982: 44- 48) account of an urban Chinese family relentlessly cultivating

their *guanxi* with him and his family illustrates how instrumentalism is carefully activated by *guanxi* practitioners.

The relationship began with the Wang family inviting Fox Butterfield and his family for dinner at the Wang's apartment. Both the husband and the wife took their day off from work to shop and cook for the Butterfields. At that time, most of the daily necessities in China were still rationed for common people. The Wang family consumed their entire month's ration of one pound of peanut oil on cooking the spring rolls which were one of the many dishes offered at the dinner. The following week, the Butterfield family invited the Wang family to their apartment where the Wang family presented Butterfield and his wife with jade hairpins, carved jade belt buckles, and a Qing dynasty blue and white vase. A week later, the Butterfields were back at the Wangs for dinner. The Wangs asked Butterfield a favor—to buy, at the Wangs family's expense, some peanut oil and sesame oil, because those items were not rationed for foreigners. Later they checked whether Butterfield could help them buy a television which was sold much cheaper in the store that was reserved for foreigners.

The friendship went deeper and the Butterfield family started feeling the pressure. “We ourselves did feel close to the Wangs, but as Westerners the constant gift-giving and obligation left us uneasy” (ibid: 48). Several weeks before the Butterfield family left China, they had dinner with the Wangs. At the dinner, Wang's wife suggested that the Butterfield family let her daughter come and live with them in the United States so she could learn English and go to better schools. She said, “We feel you are really our friends now...Our *guanxi* are very close. We don't think of you as foreigners anymore” (ibid).

By examining the development of the *guanxi* relationship between the Wangs and the Butterfields, we will be able to discover the delicate interplay of the expressive and the instrumental dimensions in a *guanxi* relationship. The Wangs initiated the interaction by offering a dinner. In order to prepare the dinner, they spent a lot of time, energy, and most of all, their daily necessities. The Butterfields were thrilled by their hospitality and offered a return invitation. In the second interaction, the Wangs presented the Butterfields with generous gifts. Even though the exchange, up to this point, was very imbalanced, the Wangs, assuming the role of the creditor, did not make any request to balance out the sheet. At this point, the relationship seemed purely expressive. At the third interaction, the Wangs started asking favors from the Butterfields, who felt obligated to provide the help. Finally, the Wangs suggested the Butterfields help bring their only daughter to the United States. The instrumental aspect of the relationship only emerged when the relationship had been cemented with sentiment and humanity. The instrumentalism is always intertwined with and shrouded by the expressive gift-giving, mutual visit and socialization. As Butterfield writes, “I often wondered about their (the Wangs) motives; I sensed a mixture of curiosity, the thrill of the illicit, a practical eye for gain, and real friendship” (46).

### ***Guanxi* in Business Activities**

One of Yang’s (1994) informants, a worker from a medium-sized light-industry factory, explained how *guanxi* operated in the supply and marketing business in China.

In our line of business, even if two agents have never met, we all have historical backgrounds [i.e. we know *about* each other]. From the day when we first started working, we've been cultivating long-term relationships and making contacts...Our socializing is quite extensive- I know you, and so your friends all know me- it's like a spider web [of relations]... in China, supply and marketing work relies on your factory's good planning and allocation from above, and also on human relations [*guanxi*]...personal relations must be based on trust...and loyalty to friends. So our work is predicated on 'emotional feeling' [*ganqing*] (105-106).

What is remarkable in this case is that all people enter the relationship with an instrumental goal in their minds—to obtain supplies or sell goods. This situation determined the instrumental element in the relationship. However, the extensive socializing among the same group of people also let them become friends with each other. They helped each other out in times of need. Trust was thus established, and loyalty to friends maintained. All these added the expressiveness to the relationship and obscured the underlying instrumentalism. The relationship started with an instrumental goal- to obtain supply or sell goods. Through the long time interaction with each other, it turned into friendship which bears the expressive elements such as the “emotional feeling,” loyalty and trust. The relationship was carried on not only because the affective feeling they held toward each other, but also a result of their jobs' requirement.

*Guanxi* relationships between private companies and government officials are usually in something of a gray area. The following example shows that even though the exchange is largely instrumental, the expressive element is indispensable.

My company had bad luck. We were audited for income tax fraud...There are no standardized rules on how to keep books in China, especially for private companies like ours...If we had been found guilty of tax fraud, we could have faced thousands of yuan [RMB] in fines and the possible suspension of our business license...I called my administrative assistant, X, into my office and told him the situation...By noon, my phone rang, X



asked me to go to lunch with the auditors, at the best restaurant in the city...This lunch lasted three hours and cost plenty, but it saved my company...Later on I found out that X's father is a good friend of the head auditor (Xin and Pearce 1996: 1652- 1653).

There are two layers of *guanxi* relationships in this case. X's father served as an intermediary even though he did not make a personal introduction between the auditors and the company. Because of his *guanxi* connection with the head auditor, the company secured a "base" from where they could warm up their *guanxi* relationship with the auditors. We can assume that during the lunch, which was more like a banquet, the company manager and the auditors socialized and fostered some affective feeling toward each other.

Two points should be clarified here. First, the auditors spared the company not simply because of the lunch, but mostly in consideration of X's father's *guanxi* relationship with the head auditor. The transaction between the company manager and the auditors, though primarily instrumental, was based on the friendship between X's father and the head auditor. Second, the expensive lunch served two purposes. On one hand, it was perceived as a gift, which is rendered in exchange for an immediate favor. On the other hand, it was used to obscure the apparent instrumentalism.

### ***Guanxi* in Politics**

Jacobs' (1979) study shows how *guanxi* was cultivated by politicians in Matsu Township, in Taiwan, to gain electoral support and help in carrying out projects. The

author explains that “strategies employed by various Matsu leaders show remarkable similarity” (261). Jacobs describes the expressive element of this relationship as follows:

If, for example, a township leader wishes to make his *kuan-hsi* (*guanxi*) with a village leader closer, the former will attempt to increase the social interaction between them by inviting the village leader to banquets on such occasions as weddings in the township leader’s family and festivals in his home village. Should a wedding occur in the village leader’s family, the township leader will be sure to send a wedding gift, usually a “red envelope” containing money and he may also send a signed scroll which the village leader can hang in his ancestral hall for his guests to see. If the township leader receives an invitation to attend a banquet at the village leader’s home, the township leader will attend and thus give prestige or “face” to the village leader (ibid).

According to Jacobs’ description, the interplay between the instrumental dimension and the expressive dimension is explained pretty clearly in this case:

Provided the social interaction continues, *kan-ch’ing* (emotional feeling) between the township leader and village leader will occur and become better. Then the township leader can expect the village leader’s support in an election (unless the village leader has a closer *kuan-hsi* (*guanxi*) with the other township faction) and the village leader can expect the township leader’s support at the township level (unless a competing, closer *kuan-hsi* (*guanxi*) has precedence) (ibid).

With a goal in mind—to secure political support—the township leaders and the village leaders engaged in various types of expressive socializing, ranging from holding/attending banquets, mutual visits and gift giving. The extensive socializing subsequently increased their good feelings towards each other and hence reinforced their *guanxi* relationship with personal elements. The benefits could be foreseen: each party could expect due political support from the other party. Again, the instrumental dimension in this relationship was carefully and deliberately obscured by the overwhelming expressive socializing and also the affection attached to the relationship.

The *guanxi* relationship between former U.S. president Richard Nixon and the Beijing officials with whom Nixon engaged proved again that *guanxi* always exists at a personal level.

*Guan-xi* have created a social magnetic field in which all Chinese move, keenly aware of those people with whom they have connections and those they don't. They explain why the Communist leadership, which was so grateful to Richard Nixon for helping make the breakthrough in Sino-American relations, could never understand Watergate and why Peking even sent a special plane to bring Nixon back to China for a visit after his disgrace (Butterfield 1982: 44).

Nixon's initial visit, on one hand, laid the ground work of the normalization of the two countries' diplomatic relationship; and on other hand, tremendously enhanced his *guanxi* with the Beijing officials. In *Diplomacy* (1994), former U.S. Secretary of State Kissinger reveals that, though there were plenty of strategic considerations from both sides, the *guanxi* between Nixon and Beijing officials certainly contained personal elements. Kissinger particularly compares the Chinese interpersonal style of negotiation with that of the Soviet Union. While the "insistence and vehemence" of the Soviets "reflected the brutal discipline and internal strains of Soviet politics," Kissinger found that "Chinese leaders represented an emotionally far more secure society. They were less interested in fine drafting points than in building confidence" (ibid: 727).

Nixon's personal visit to China as well as Beijing's clear appreciation toward him marked the expressive dimension of the relationship. This is characterized by the fact that Mao, upon meeting with Nixon, "wasted no time in assuring the President that China would not use force against Taiwan" (ibid). Kissinger reports that "Mao asked for no reciprocity for the assurance America had been seeking for twenty years" (ibid). This

unilateral assurance was, without a doubt, the most remarkable gift Mao could offer to Nixon as his appreciation for Nixon's historic visit.

The instrumental side of the *guanxi* relationship between Nixon and Beijing officials is obvious and expansive, but beyond the topic of this thesis.

## **Conclusion**

The cases cited in this section, though different in many senses, such as context and the degree of expressiveness and instrumentalism that are involved, all demonstrate the interplay between the expressive dimension and the instrumental dimension within *guanxi* relationships. The goal or task-oriented relationships are distinct from purely expressive ties. The goals or tasks can fall within a very wide range of activities, including obtaining resources, accumulating social capital in time of need, avoiding punishment, facilitating career development, and many more. The relationships, although colored by instrumentalism, challenge a market model of assistance, in which a seeker rationally determines a need, scans all available sources, and calls upon them in ranked order of probable utility. In nature, these are essentially exchange relationships which “mingle instrumental intentions with personal feeling” (Walder 1986: 179).

As illustrated in the preceding section, expressiveness and instrumentalism are the two innate dimensions of a *guanxi* relationship, and they usually operate in an intertwined fashion within the relationship. Most of the time, the magnitude of one dimension is different from that of the other. For instance, a *guanxi* relationship built and maintained through daily life sees constant expressive gift giving and mutual visits. In this kind of

relationship, the instrumental goal is usually generalized. The *guanxi* relationship found in business activities and the political arena is often seen as specific-goal-oriented, and therefore has a greater degree of instrumentalism than the *guanxi* relationships which are typically maintained through daily life. Based on this logic, we can conceive the balance between the instrumental and the expressive elements imbedded in the personal tie featured in a *guanxi* relationship as a continuum. At one end, the expressive personal element is the most prominent feature, while the most prominent feature at the other extreme is the instrumental element. The magnitude of expressiveness and instrumentalism varies from one relationship to another.

## Chapter V - Conclusion

By the time the Communists came into power in 1949, rural residents accounted for about 80% of China's total population. The household- and village-based labor-intensive agricultural activity fostered the growth of "tightly bounded and densely knit networks" (Kis and Wellman in Wellman 1999: 248). The communist party-state sought to destroy the traditional kinship-based communities associated with rural China in an effort to transform the old "particularistic" ties into the universal comradeship. Ironically, the "particularistic" ties not only survived but also turned out to be the major means to deal with new situations, such as bureaucratic rigidities, material scarcities and personal political insecurities. As Lin (in Marsden and Lin 1982: 145) argues, "...while structural characteristics impose the range of behaviors possible, individuals hold certain degrees of freedom in the manipulation of the social structure for their own benefits." From traditional kinship-based society, through the Communist revolution, and into the current market-oriented society, *guanxi* has become the hallmark of the Chinese society.

In the current post-Communist period, *guanxi* has been employed to deal with rapidly changing markets, transmuting institutions, and personal economic insecurities. Both bureaucracies and markets have required social networks to operate: bureaucracies need interpersonal workarounds to avoid rigidities; markets need the social stability and trust-enhancing qualities of interpersonal ties (Wellman, Chen and Weizhen 2001).

## RECAPITULATION OF THE PRACTICE OF *GUANXI*

The origin of *guanxi* can be traced to the Confucian perception of the central ego—the individual—trying to find the proper position relative to the people who surround him. Immediate family and relatives are the closest, followed by close friends and acquaintances, and finally strangers. This order, if complied with dogmatically, would confine the practice of *guanxi* to a tightly-bound and densely-knit social circle of individuals. However, the reality is that two people who are not genealogically related can have a very close *guanxi* relationship. This lies in the flexible conception of kinship among Chinese people, exemplified by the common situation where close friends will refer to each other as “brothers” or “sisters.” The resilience of the concept of family enables Chinese people to constantly expand their network of actual and fictive kinship relations.

Having survived through numerous types of economic and social environments, *guanxi* has proven itself to be less costly, more effective, and more easily accessible than any other alternatives, such as acquiring state redistributions or making market purchases. Though used in fundamentally dissimilar societies throughout Chinese history, *guanxi* has continued to operate by several basic rules. Gift, favor, and *renqing* exchanges mark the process of the establishment and maintenance of a *guanxi* relationship. The exchanges are carried out in a long period of time so that mutual trust and affective sentiment can be gradually cemented. The rules, by which *guanxi* works, determine the techniques of building and maintaining *guanxi* relationships. To initiate a *guanxi* relationship, a base of familiarity has to be located. Where this base of familiarity is absent or is not strong

enough, an intermediary who is familiar with both parties is usually invited to strengthen the sense of familiarity. In the case of two unconnected people who want to start a *guanxi* relationship, an intermediary must be brought in who is familiar with both of them.

A *guanxi* tie features expressiveness and instrumentalism, and these two dimensions are intertwined with each other in a *guanxi* relationship. The instrumental aspect is always carefully shrouded with abundant expressive gift giving, mutual visits, and socialization. The two dichotomizing attributes of *guanxi*—expressiveness and instrumentalism—tell us that efforts must be paid at both ends in order to maintain a *guanxi* relationship. On one hand, the development of personal and trusting relationships alone, without any accompanying gifts or favors, cannot sustain the *guanxi* relationship. On the other hand, the mere rendering of gifts and favors alone is insufficient because “it is important to develop a personal relationship with the partner that cannot be readily imitated by others” (Yeung and Tung 1996: 63).

The fact that *guanxi* relationships are based on social exchanges predetermines that *guanxi* relationships are long-term oriented. Blau (1964: 94) writes, “Exchange relations evolve in a slow process, starting with minor transactions in which little trust is required because little risk is involved... By discharging their obligations for services rendered, if only to provide inducements for the support of more assistance, individuals demonstrate their trustworthiness, and the gradual expansion of mutual service is accompanied by a parallel growth of mutual trust.” Therefore, in order to maintain an active *guanxi* relationship, a person has to continually engage in various kinds of social interactions such as mutual visits, dinners, presentation of gifts, and rendering of mutual help.



One technique to ensure continued social interaction is to have multiplex rather than single-stranded *guanxi* relationships (Jacob 1979: 262). As *guanxi* is based on shared attributes or experience, multi-stranded *guanxi* bases increase the opportunities for social interaction. They also increase the feelings of commonality between the parties and subsequently invoke personal ties to develop. A *guanxi* relationship based on multiplex bases is closer and more consolidated and thus more resistant to deterioration than a single-stranded *guanxi* relationship. “The more ties within a set of individuals, the more likely it is that a common focus will be developed, and, consequently, previously untied pairs within the set will become tied” (Feld 1981: 1020).

### **GUANXI’S FUTURE IN CHINESE SOCIETY**

As the economic reform is carried out at more aggressive pace and the Chinese society shifts from a group-based society to a network-based society (Wellman, Chen and Weizhen 2001), *guanxi*’s future remains an undetermined matter. The enlargement of the domestic market will make more resources available to common people, therefore reducing the need for *guanxi*, which has been resorted to as a detour to obtain resources that are denied to common people by the state distributive system. The ongoing state-sponsored privatization of state-owned enterprises, the decollectivization of the former peasant communes in rural areas, and the loosening of government regulations regarding migration are giving Chinese individuals more freedom to make their own life choices. At this point, *guanxi*, having evolved into a means to counter state-power in its control over the lives of individuals, will likely see a decrease in utility in Chinese society.

However, many other economic and social factors may contribute to the persistence of *guanxi* in Chinese society. First, even though many aspects of the Chinese economy have started to bear the characteristics of capitalism, continued state control and an incomplete transformation of the centrally controlled market system into a fully rationalized market system highlight the continued distinction between the Chinese economy and the economies of western capitalist nations. The current economic structure in China is a mixture of communism and capitalism, where social and material resources are still limited and differential access to these resources is still the norm. In such a system, “who you know” is still important to help individual actors to obtain state-controlled resources and grab market opportunities.

Second, with the massive economic reform progress, China cannot avoid the increasing specialization and professionalization in the labor population. With the society entering the stage where professionalization divides people into different professional categories, a person’s social network members are going to become less diversified. In other words, most network members will be able to provide only specialized aid. This means that a person seeking aid of many different kinds, must maintain an extensive *guanxi* network. For this reason, we might see *guanxi* experience another wave of ascendance as professionalization takes its toll on Chinese society.

Finally, even though more and more aspects of social life are going to be regulated and standardized, hence making the use of personal ties less necessary, it is difficult to convince people to abandon the existing avenues which they have mastered, and from which they have benefited for a long time. As Kis and Wellman argue, “People rationally

rely on their already existing behavioral patterns, skills, and heavy investment in network capital” (in Wellman 1999: 250).

Not only is the future of *guanxi* practice in Chinese society an uncertain matter, the rules by which *guanxi* works may also see alterations. With the shift from obligation to rights as the guiding principle for social relations (Chu and Ju 1990: 314), Chinese people could become less concerned with their traditional obligations toward family and friends. Instead, they may be more attentive to their own individual rights. They may feel less obligated to render help when their *guanxi* contacts come to them. Also, urbanization and the influx of Western culture may activate the kind of impersonal social processes, which erode the traditional norms and values such as *mianzi* and *renqing*, which have been the underpinning of *guanxi* practice.

The preoccupation with material gains in contemporary China, resulting in part from the abrupt policy change between Mao’s revolution and Deng’s subsequent economic reform, has also taken its toll on inter-personal relations. Gold (1985) believes that “Chinese are increasingly relating to each other directly through a cash nexus” (662). Similarly, King (1991) writes, “In present-day China, both traditional and socialist moral values are cast in doubt, practical utilitarian concerns have gained an upper hand” (73). As explained in chapter III, money is usually avoided in *guanxi* practice, due to its impersonal and utilitarian attributes. However, along with the rising of a commodity- and profit-oriented economy, the ascendancy of monetary transactions may encroach on the space of *guanxi* practice.

Fei (1992: 126) predicts that as the social interaction among people becomes more complex, the desire to “settle accounts on the spot” will supersede the utility of

establishing long-term, *renqing*-obligated reciprocal exchanges, such as those necessarily found in *guanxi* relationships. In other words, a beneficiary under the influence of modern capitalism would rather pay off a favor he has received by offering an immediate gift or monetary compensation. The *guanxi* relationship may continue, but neither party is indebted to the other. The transaction, though based on their special relationship with each other, is more business-like than personal.

### **RECOMMENDATIONS FOR FUTURE RESEARCH**

As international migration and trade are globalizing *guanxi*, and as China is playing more important roles in the present world, it is important for researchers to study and document the changing application of *guanxi*. Although it is one of the most recognized social practices in Chinese society, *guanxi* has not been studied thoroughly or comprehensively. The rapid changes in the economic, social and technological environment of China bolster the necessity of updating our understanding of *guanxi* practice, so that future researchers will have a reference point from which to examine the evolutionary process of the Chinese society.

In the spirit of creating such an understanding, there are a number of questions which the author of this thesis proposes that future researches may undertake to answer:

How do demographic features such as gender, age, educational level, areas of residence (for example rural or urban), and so forth, impact the composition of a person's *guanxi* network?

What impact will the technological advancement in communication field have on *guanxi* practice? Will *guanxi* become less costly to maintain by replacing personal visits with emails and phone calls? Or, will it make personal visits even more impressive, as more people switch to technology-supported socialization?

*Guanxi*, as a source of social support (for example, providing job information or mutual assistance among neighbors), transfers the resources of the network to the individual. The next step that social researchers should undertake is to find out who provides what kind of social support to the *guanxi* practitioners, and hence unveil the pattern of how resources distributed in the form of social support flow in a person's *guanxi* network. The findings will contribute to our understanding not only of the practice of *guanxi*, but also of how resources are reallocated through informal social networking in Chinese society.

Does *guanxi* contribute to social solidarity or differentiation? *Guanxi* is a double-edged sword. Through *guanxi*, an individual is directly or indirectly connected to other members in the society. The co-dependence among *guanxi* network members, characterized by reciprocity and mutual assistance, should reinforce the existing social structure featured by social connectivity among individual actors. If Chinese people realize that increasing professionalization narrows the spectrum of social support available from their *guanxi* networks, they may respond by enlarging and extending their *guanxi* networks. *Guanxi* could then become the root of a sort of organic social solidarity within Chinese society.

However, *guanxi* may also work against solidarity, and instead lead the society toward differentiation. One primary function of *guanxi* is to reallocate state-controlled

resources. If the resources in demand are still going to be under state control but not available on the free market, *guanxi* will remain as the magic hand to obtain the desired items. Those who are in the positions to grant resources will subsequently be targeted by resource-seekers as the parties with whom *guanxi* must be cultivated. This behavioral trend will, in turn, reinforce the existing power structure by serving as a social admission of the personal power of government bureaucrats, and will therefore contribute to the continued existence of social differentiation in Chinese society.

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