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Abstract

This study examines the forces that facilitated the surge of national industrial policy programs in China after 2004. We trace the formative role of transnational exchanges with Japan for Chinese policy conceptions. Rivaling political and administrative actors filtered out those conceptions that could serve as either transitional or defensive policy recipes for pursuing their bureaucratic interests. During the 1990s, a core group of industrial policy advocates, through a series of large-scale research projects and program drafting efforts, became a driving force at the center of a broader policy coalition. While this coalition was overlooked or underrated in Western research, its statist agenda came to dominate the peak bodies of policy-making under the Hu-Wen administration.

Whereas many studies of Chinese economic administration focus on "plan vs. market" or "state vs. private sector" controversies, we suggest that four major advocacy coalitions are discernible in the contested arena of economic governance and state guidance.

Introduction

The Chinese government's ambitions in industrial policy² have been pushed to the center of attention since the late 2000s when a sudden proliferation of sectoral promotional programs triggered public complaints by foreign businesses about their discriminatory impact.³ The origins and evolution of China's industrial policy, however, have so far received only limited attention in the Western scholarly debate. The few pertinent, thoroughly researched works that deal explicitly with industrial policy, focus on sectoral and regional case studies⁴ or governmental efforts to create a "national team" of globally active, state-controlled enterprises.⁵ This study sets out to explicate the forces that facilitated the breakthrough to broad-based national industrial policy-making after 2004.

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² For the purposes of this study, industrial policy is defined as measures and programs undertaken by governments to shape the sectoral structure of the economy through channeling resources into selected "pillar", "strategic" or "emerging" industries while – ideally or purportedly – preserving market competition and firm-level decision autonomy in the targeted sectors. Specific variants of industrial policy can be identified according to the differing tools and range of intervention. Cf. Rodrik 2007: 99-152; Carson 2010; Altenburg 2011. For a list of administrative core tasks of current industrial policy in China, see MIIT 2011: 220-231.

³ In 2010 and 2011, Beijing-based American, European and Japanese chambers of commerce warned in separate position papers that recent Chinese industrial, technology and investment policies established a barrage of novel regulatory barriers, discriminatory government procurement, forced technology transfer and overall unequal market access and unfair competition with Chinese companies that could prove highly detrimental to foreign businesses' operations in China. Cf. <http://www.amchamchina.org/article/7914>; <http://european-chamber.com.cn/en/chamber-publications>; http://www.cjcci.biz/public_html/whitepaper/2011.

⁴ Cf. Liu 2005; Thun 2006; Ning 2009; Taube and Heiden 2009.

⁵ Cf. Nolan 2001; Sutherland 2003; Eaton 2011.

Transnational adaptations from other East Asian economies, domestic institutional restructuring and shifting advocacy coalitions in economic policy will be traced through three-and-a-half decades (1978-2012) to go beyond a narrow focus on contemporary events, actors, and policies. The diachronic, evolutionary perspective aims at identifying the slow-moving trajectories and low-key realignments that tend to escape the eyes of presentist research, yet may provide a more refined explanation of major policy changes that have shaped China's post-1978 economic trajectory.

We will explain the pronounced shift to an industrial policy agenda in the 2000s through protracted ideational and coalitional realignments among policy brokers and bureaucracies in the contested arena of economic development coordination. In the Chinese context this arena implies persisting controversy about economically productive and politically acceptable mechanisms of economic governance and state guidance. We will demonstrate that reconfigurations among networks of researchers, officials and advisors in the backstage of economic policy-making prepared the ground for the industrial policy surge since the late 2000s. The policy norms and approaches that came to the fore originated in debates and bodies launched in the 1980s under the influence of Sino-Japanese exchanges. Yet, their breakthrough in national economic policy was delayed by two decades, due to institutional incompatibilities, bureaucratic turf wars and rivaling advocacy coalitions.

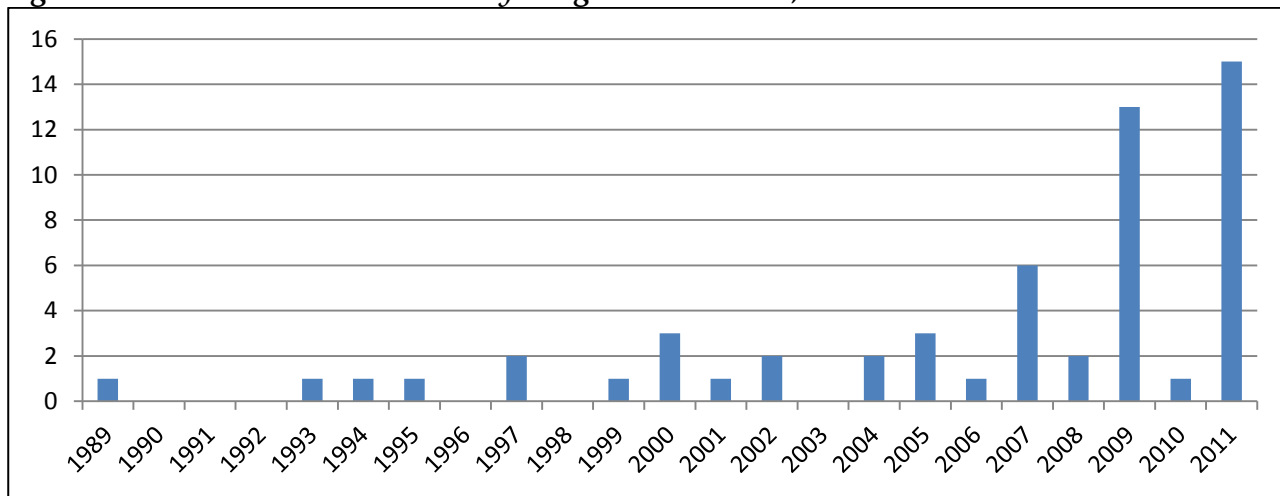
This article is structured as follows. In the next sections we concretize the research puzzles and our analytical framework. Thereafter, we scrutinize the formative role of transnational policy exchanges with Japan for Chinese conceptions of industrial policy. Then we turn to the intricate processes of domestic debate, advocacy and adaptation of industrial policy. In the penultimate section, we present our findings on causation and explicate the overlooked forces that have driven Chinese industrial policy shifts since the 1990s. Our findings on the policy coalitions at work serve to refine the "plan-to-market" framework that guides much public and scholarly discussion of China's economic development path. The concluding section will address research and policy challenges that result from our findings.

Research Puzzles

Mao era industrial administration was designed to substitute for market coordination by way of imperative targets, bureaucratic resource allocation to public enterprises and recurrent production campaigns. In contrast, Japanese approaches to industrial policy were oriented, or claimed to be oriented, toward strengthening competitiveness of large private firms in targeted sectors, first on domestic, then on global *markets* through government-sponsored incentive programs, while avoiding direct intervention into firm-level decisions. Preserving market competition and enterprise autonomy were thus identified as core features of Japan-inspired industrial policy that made it fundamentally different from socialist industrial administration.⁶ As we will see, Chinese policy-makers struggled extensively with bridging this divide during the 1980s and 1990s.

⁶ Classic statements on this are Johnson 1982 and Komiya 1988. Both works became widely read in Chinese translations.

Figure 1: National Industrial Policy Programs in China, 1989-2011



The data includes only those programs that were officially issued by the State Council. Traditional five-year plans (drafted by branch administrations and derived from national five-year plans) are not included.

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As figure 1 shows, initial efforts by China's government at crafting national industrial policy were launched already in the late 1980s. The quantity and sectoral coverage of national programs, however, remained strikingly limited until the mid-2000s. Between 1989 and 2004, we only find individual sectoral restructuring programs. Even advocates of industrial policy in the Chinese government have assessed these early programs as costly, albeit oftentimes instructive, failures.⁷ Only the past decade brought a marked rise in national programs from 2004, and a veritable surge from 2009 on.

The scarce research on the making of recent industrial policy suggests that the proliferation of national programs since the mid-2000s was triggered by a combination of short-term factors, such as the institution of new top government leaders holding new preferences in 2002-3 and the massive stimulus packages in the context of the global economic downturn in 2008-9. China's post-2009 industrial policy surge thus is explained either as an ad-hoc "Keynesian" crisis response. Or it is seen as the consequence of a more profound normative reorientation that resulted from the credibility crisis of Anglo-American financial capitalism and boosted "statist" positions among China's policy circles.⁸ Our research originally also started from these assumptions, but it produced unanticipated results.

From a diachronic analytical perspective, we have to deal with two core puzzles: firstly, the impact of Japanese, or other countries', reference practices on Chinese industrial policy-making; secondly, the two decades-long delay of the national industrial policy breakthrough, despite many earlier commitments and efforts.

As to the influence of foreign reference practices, senior Chinese officials interviewed for this study (one of them was the top official in charge of coordinating the drafting process for two five-year plans and a series of industrial policy programs) insisted

⁷ This was a consensus assessment in our interviews. See also Jiang 1996; Zhao 2000.

⁸ Bertelsmann Foundation 2010; Naughton and Chen 2011; Breslin 2011.

that Japanese policy experiences have continued to exert a strong influence on Chinese economic administrators, especially in the national planning bodies, from the 1980s to the present day – in spite of the global loss of attraction that Japan's development record has suffered since the 1990s. Exchanges with South Korean, Taiwanese, or Singaporean planners were seen as having contributed individual instruments to sectoral or regional policy-making. The influence of Japanese approaches on Chinese *national* economic administration, however, was assessed as deep and lasting. But how did Chinese policy-makers understand, instrumentalize and adapt Japanese conceptions and practices? And why the long delay in launching a national industrial policy agenda?

Analytical Framework and Organization of Research

To get a handle on the elusive processes of policy borrowing ("learning from abroad"), we see advances in policy studies as very useful that combine analysis of transnational exchanges and domestic policy networks to explain the causes of programmatic shifts.⁹ The accommodation of foreign norms and practices is understood as a contentious process during which local actors try to reach a better fit with the domestic institutional setup in order to broaden acceptability and support.¹⁰

Specifically, we examine transnational and domestic interactions and actors that attempt to promote and coordinate the diffusion of industrial policy and thereby reshape basic modes of state guidance in China's political economy. An advocacy coalition framework (ACF) will be used to trace how the industrial policy agenda got embedded within China's national economic administration. While the ACF was conceived for explaining policy change through time in pluralist and competitive political systems, we hold that its application to Chinese economic policy-making is equally productive, due to the intensely competing actors and agendas that have characterized the debate over basic modes of economic governance and state guidance since the 1980s. The key strength of the ACF lies in reconstructing the core networks, beliefs and interests of those actors that are instrumental in launching policy change.¹¹ Over the stretch of three decades, we can observe shifts in priorities, programs, and actor configurations that allow us to find clues about the causal mechanisms that link cognitive adaptations, human agency and policy shifts.

This paper does explicitly *not* deal with sectoral lobbying for industry-specific policies. Businesses of course have an intrinsic interest in preferential or promotional public policies. Sectoral lobbying thus regularly works toward the growth of industrial policy. However, the focus of this study is on the trajectory and the advocates of *supra-ministerial, cross-sectoral, national industrial policy* as a mechanism of guiding and driving industrial production to "move up the value chain". As a consequence, this paper is not concerned with specific sectoral government-business interactions but rather with national industrialization strategies that have to be formulated on a supra-ministerial level and aim at cross-sectorally coordinated development.

⁹ This paragraph draws on Heilmann and Schulte-Kulmann 2010: 639-40; Simmons, Dobbin and Garrett 2006: 787-8.

¹⁰ Acharya 2004: 253, 269.

¹¹ Cf. Sabatier 2007; Weible, Sabatier and Flowers 2008; Nohrstedt and Weible 2010.

This study grew out of years of research in Chinese practices of economic policy coordination and multi-year planning. For reassessing the trajectory of Chinese economic policy-making, we have scrutinized a broad range of published and unofficial Chinese sources and research reports from the 1980s and 1990s that have become accessible only recently, thanks to the officially sponsored mass scanning of previously unpublished material for rapidly expanding academic databases and digital archives.

In our field work in China, we benefited greatly from collaborative research with scholars from the Academy of Macroeconomic Research (attached to the NDRC) that helped to arrange a series of interviews with senior and top-level economic officials within and around national planning bodies between 2007 and 2011. In these exchanges, we encountered ways of conceiving economic policies that proved to be quite different from widely shared views in Western media and research communities.

Transnational Exchanges on Industrial Policy

For achieving rapid industrial development, China's post-Mao leaders from the late 1970s on actively sought policy advice, advanced technology and investment capital from abroad. Even though the necessity of reorganizing the Mao era administrative economy was seen as pressing, policy-makers were not looking for a new economic *model* to transfer wholesale to China but rather for practicable policy *recipes* that would allow incremental, low-risk steps toward solving the most severe bottlenecks in the economic system. From 1978, party leaders therefore started to go themselves, or send trusted advisors, on investigation tours to economically advanced countries.¹²

At that time, Japan was widely seen as being closer and more compatible to the Chinese setting than most Western economies. The perception that government guidance through non-imperative, indicative planning and industrial policies had contributed to Japan's rapid economic rise, made Japanese experiences attractive to state-centric policy-makers in China.¹³ A plethora of Chinese official delegations to Japan¹⁴, research reports and book publications absorbed, processed and transmitted information about Japanese industrial modernization. Delegation reports suggested concrete lessons to be learned from Japan's high-growth phase (1956-1972) during which industrial policies were judged as having worked most effectively. While costly policy failures were rarely addressed, industrial policy was broadly identified in Chinese policy circles as the driving mechanism of Japan's post-war economic successes.¹⁵

Beyond the role of written policy reports in disseminating Japanese practices, personal exchanges on economic planning and policy consultancy had an even more direct influence on Chinese top-level policy-makers.¹⁶ Japanese policy advisors, including both retired and active economic officials as well as economists, had privileged access to top Chinese leaders in the 1980s. Some experienced Japanese planning officials and industrial administrators became official advisors who met with State Council leaders on a regular

¹² Cf. Gu 2009; Xiao 2006.

¹³ Yang Peixin 1988: 16.

¹⁴ See documentation in JCEA 2003.

¹⁵ Cf. much quoted internal reports and publications on Japanese industrial policy: Deng and Ma 1979; Ma and Shimokobe 1982; Yang Zhi 1985; CASS Japan Institute 1988; Komiya 1988b; ESRI 1988; MITI 1992-1997.

¹⁶ See Yang Fan 1981; Peng 1982; Vogel 2011: 455-464.

basis between 1979 and 1985. During their early visits to China, many Japanese economists were careful to state that Japan was not a regular capitalist country but rather a distinctive type of political economy in which government guidance of markets played an indispensable role.¹⁷

Senior exchange fora between Japanese and Chinese economic officials and economists that were established in the early 1980s could draw on a web of informal and formal bilateral exchanges that had developed since the 1950s.¹⁸ Certain meeting formats, such as the Chinese-Japanese Exchange Forum on Economics (coorganized by Chinese and Japanese national planning bodies) or the Joint Conference of Chinese and Japanese Economists (co-organized by the Chinese Academy of Social Sciences, CASS) have been convened regularly from the early 1980s through 2011. In the 1980s, a broad spectrum of Japan's economic bureaucracies with their affiliated quasi-governmental and intermediary services organizations became active in China, not just to strengthen the presence of Japanese industry but also to disseminate Japanese models of economic and business administration.¹⁹

Importantly, Japan's approach to financial assistance was marked by an unusual degree of synchronization of loan facilities with China's five-year plans. Japanese aid thereby exerted a direct influence on the feasibility and implementation of top priority projects laid down by Chinese policy-makers.²⁰ The Chinese State Planning Commission naturally welcomed the Japanese support of national programs and investment projects. It established a close working relationship with Japanese aid bureaucracies. And it used Japanese financial support to justify the legitimacy of continued multi-year planning and to repudiate demands raised by its critics within the Chinese government to curtail the turf of planning bodies. As several veteran SPC officials confirmed in our interviews, Japanese aid thus provided international backing for state planners in China.

In turn, Chinese planners became eager protagonists of Japanese-style cross-sectoral indicative planning ("guidance planning") and sectoral industrial policies. In the late 1980s, many young officials and researchers who had just been freshly recruited from university industrial economics departments to the Planning Commission were convinced that Japanese experiences offered many clues on how to dynamize and upgrade Chinese industry *without* relinquishing government control. The beliefs and bureaucratic interests in government guidance of this cohort would gain growing significance for Chinese economic policy from the 1990s on.

Selective Chinese Borrowing

In the initial stages of Japanese-Chinese policy exchanges, the Institute of Industrial Economics of the Chinese Academy of Social Sciences (IIE, founded in 1978) that collaborated closely with the State Planning Commission played an influential role. The IIE's founder, Ma Hong (1927-2007), undertook extensive international investigation tours, initially with a focus on Japan. Already in 1979, he introduced the Japanese terms for

¹⁷ Animura 1981; Komiya 1988b.

¹⁸ Cf. Cheng and Shi 2008.

¹⁹ On the changing role of these fora through time, see Yuan and Zhang 2010; Wang 2011.

²⁰ Cf. Shi Qibao 2009: 56; Takamine 2006: 91-114.

"industrial structure" (*chanye jiegou* 产业结构) and "industrial policy" (*chanye zhengce* 产业政策) into the Chinese policy debate.²¹ Inspired by the Japanese approach to industrial administration, several hundred economists and economic officials were mobilized under the IIE umbrella in 1979-80 to collaborate on a nationwide survey of Chinese industrial structure.²²

Industrial policy was debated as a compatible and acceptable approach to recombining state guidance with market competition in a reformed socialist system. Yet, Japanese policy tools exerted different attractions and fulfilled different functions for different policy-makers and bureaucracies in China. Key protagonists in the transnational exchanges were the national *State Planning Commission* (charged with drafting multi-year plans and input-output balancing), the *State Economic Commission* (charged with coordinating plan implementation through state-owned enterprises) and the *State Structural Reform Commission* (charged with proposing institutional reforms) with their affiliated research and advisory institutes. These three high-profile commissions were involved in frequent exchanges of policy proposals and staff amongst them. Moreover, they took part in joint investigation tours to Japan and in joint reports on industrial policy. But due to their competing missions and interests, each of these economic administrations had different preferences and rationales: from "macro-control" to "micro-control" and even "marketization". The three commissions consequently borrowed and propagated different policy concepts and tools from the Japanese experience (see table 1).

Table 1: Chinese Government Bodies in the Exchanges with Japan: Sharing the Fascination, Borrowing Different Recipes

	Japanese approaches promoted in research and policy proposals	Core rationale in borrowing process
Planning Commission	<ul style="list-style-type: none"> ▪ sectoral multi-year planning ▪ support for "pillar" industries ▪ promotion of new "strategic" industries 	justifying sustained gov. intervention ("macro-control")
Economic Commission	<ul style="list-style-type: none"> ▪ establishing large-scale enterprise groups (<i>keiretsu</i>) ▪ founding quasi-regulatory business associations with gov't retirees as heads (<i>amakudari</i>) 	maintaining particular relations betw. gov. bodies and enterprises ("micro-control")
Structural Reform Commission	<ul style="list-style-type: none"> ▪ separating gov't and enterprises ▪ indirect administrative guidance ▪ establishing gov't-business deliberation councils 	curtailing gov. intervention; expanding enterprise autonomy ("marketization")

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For the *State Planning Commission*, industrial policy worked as a defensive paradigm for *maintaining* core areas of government intervention (even though increasingly accepting the need to abstain from intervening in firm-level decisions) and reinventing the planning organs as instruments of "macroeconomic control" and cross-sectoral "balancing".²³

²¹ Cf. Ma Hong 1979a and 1979b.

²² On Ma's functions as top-level advisor, policy broker and institutional entrepreneur, see Liu Hong 2010: 115-16.

²³ For major statements representing and refining this position see Ma 1987; SPC 1990 and 1992; Liu and Yang 1991 and 1999; Gui et al. 1994.

In contrast, from the marketizers' point of view, industrial policy could serve as a transitional paradigm for *reducing* government intervention and pushing back the influence of traditional socialist planners. A market-oriented approach to industrial policy was proposed by the Economic Structural Reform Institute (ESRI) founded in 1982 as a think tank to reformist Premier Zhao Ziyang and affiliated with the *State Structural Reform Commission*. In its proposals on adapting industrial policy, ESRI stressed the strict separation of government and enterprises, suggested to pursue indirect administrative guidance only, and give decision autonomy to enterprises. In addition, ESRI borrowed and pushed the particular Japanese institution of government-business "deliberation councils" (*shingikai/shenyihui* 审议会) with the aim of informal, non-hierarchical coordination of economic policies.²⁴ When Zhao Ziyang fell from power in 1989, the institutional features proposed by the reformist think tank lost top-level support. The Chinese approach to industrial policy thereafter has not anymore realized the institution of "deliberation councils" that are often identified as central to the Japanese communication and bargaining-based approach to industrial administration.

Another major player in the industrial policy debate was the *State Economic Commission* (SEC; reorganized in 1993: SETC). Due to its regular interaction with large state-owned enterprises, the SEC in practice often functioned as an SOE lobby organ among China's national economic bureaucracies. The SEC's influential head in the late 1970s and early 1980s, Yuan Baohua, personally participated in pioneering inspection tours to Japan. Impressed by the active policy role of business federations in Japan, he launched China's first industrial association in 1979 and a more comprehensive one, mimicking Japan's *Keidanren*, in 1988 (the China Federation of Industrial Economics), to serve as links between government bodies and enterprises. Following the Japanese example, and at the same time pursuing bureaucratic patronage objectives, SEC-sponsored organizations facilitated a "second career" (similar to the Japanese *amakudari*) for retired senior government officials in the business associations. When the old socialist branch ministries of China's central government were abolished and transformed into sectoral associations after 1993, an entire cohort of industrial administrators became nominal heads of industrial associations.²⁵ The SEC's preferences in introducing Japanese industrial policy recipes became quite clear: founding quasi-regulatory business associations and establishing large-scale enterprise groups, thereby maintaining special relations between government bodies and large enterprises that would allow continued control over enterprise activities. These particular approaches to industrial policy were derived from the SEC's traditional mission.²⁶

In sum, rivaling political and administrative actors filtered out those normative and policy conceptions that could serve as either transitional or defensive policy recipes for pursuing their bureaucratic missions and interests. Policy borrowing from Japan thus was not tantamount to sober technocratic learning but driven by adversarial interactions among major Chinese participants in the exchanges with Japan.

²⁴ Cf. ESRI 1986 and 1988; Bai 1988; Zhang and Cheng 1987; Zhou and Yang 1992.

²⁵ Liu Hong: 102.

²⁶ Cf. Chen Xiaohong 1993; Sun 1994; Ou and Du 1999a/b; SETC 2000.

Diffusion of Policy Conceptions

Beyond the dynamics of bureaucratic politics, we find more subtle and widely influential scholarly works that established Japanese industrial policy approaches in Chinese economics teaching and that have influenced major protagonists of industrial policy in China down to the present day.

One of the founding fathers of the Japan-inspired industrial economics curricula of the 1980s and 1990s, Yang Zhi, an economics professor at Renmin University with Japanese roots in one branch of his family, was named as a formative influence by several senior economic officials in interviews. Yet, Yang, to our knowledge, has been ignored in Western studies of the Chinese economic debate, probably due to his non-neoclassical analytical and prescriptive framework. In 1985, Yang Zhi published an *Introduction to Industrial Economics* that was primarily based on Japanese sources.²⁷ This work became a standard textbook within a short time and was still widely used in academic teaching of industrial economics during the 1990s.²⁸ Yang closely examined Japanese industrial policies of the 1960 and 1970s, especially sectoral restructuring through administrative guidance and capital allocation, as well as firm-level reorganization by way of enterprise mergers that resulted in the emergence of internationally competitive conglomerates.²⁹ Yang Zhi's work became extremely influential among Chinese economic planners, since an entire cohort of leading economic officials and policy brokers of the 2000s (Ma Kai, You Quan, Liu He, Yang Weimin) had been trained, or had taught, at Renmin University's economics departments during the mid-1980s and had thereby been exposed to Yang's Japan-inspired approach to industrial policy.

In the course of the 1990s, moving beyond the narrower early focus, Chinese economic officials and researchers who adopted the industrial policy agenda broadened its mission by including more policy areas, such as technology promotion and regional balancing, in their work. Research undertaken under the patronage of the State Planning Commission presented industrial restructuring, regional balancing and technological upgrading as the precondition to stable domestic growth and international competitiveness.³⁰ A top-level report on planning system reform drafted in 1993-94 made it clear that imperative planning (through direct allocation of production targets and resources) must no longer serve as the key lever of industrial policies. Instead, indirect administrative guidance through a flexible mix of tax and credit incentives as well as preferential policies and multi-year government commitments was proposed to be used in sector-specific programs. Economic bureaucracies and enterprises were supposed to closely communicate and collaborate. But enterprises would definitely have to enjoy decision autonomy.³¹

Overall, the understanding of industrial policy as represented by government-linked, policy-relevant reports and research is remarkably close to the Japanese norms and practices, as they were depicted in Chinese sources. The core idea of indirect guidance through "administrative inducement" (行政诱导 *xingzheng youdao*) and a mix of economic

²⁷ Yang Zhi 1985.

²⁸ See Qi 2008: 78.

²⁹ Cf. Yang Zhi 1982, 1985, 1987.

³⁰ DRCenter 1987: 5; Gui et al. 1994: 74.

³¹ Gui et al. 1994: 144-145.

incentives appeared plausible and compatible to a broad range of protagonists within China's economic administration. While economic administrators thus hoped to preserve a core function in China's modernization for themselves, the principles of firm-level decision autonomy and market competition were boosted by the diffusion of Japan-inspired industrial policy conceptions.³²

Institutional Inertia and Failing Programs

Industrial policy was elevated to an official instrument of economic reform already in China's 7th five-year plan for the 1986-90 period. More concretely, in 1988, a special Industrial Policy Division was created in the State Planning Commission, and a young cohort of economists was recruited for this new bureaucratic body. Despite the different meanings and purposes that different leaders and bureaucracies attached to industrial policy, the introduction of this new instrument into the official reform agenda had broad support. Zhao Ziyang, a decidedly market-oriented reformist, announced the official consensus during the 13th Party Congress in October 1987 that industrial policies would help to renew traditional planning instruments and attain an optimal allocation of resources along with strengthened market coordination.³³

In 1989 and 1994, the newly founded Industrial Policy Division of the State Planning Commission issued two pioneering programs that aimed at a comprehensive restructuring and upgrading of industrial organization. Yet, as it soon turned out, crucial institutional prerequisites, instruments and bodies for implementing such policies were not in existence.³⁴ Large, state-owned enterprises were still locked into hierarchical subordination (including administrative resource and capital allocation) by bureaucratic patrons. Management autonomy and competitive pressures for state industries increased only gradually. Analytically sophisticated and market-sensitive economic agencies that could cope with the demands of targeted promotional or restructuring measures were not in place. Moreover, intermediary organizations and consultative bodies between government and industry were extremely underdeveloped or non-existent.

Due to this lack of prerequisites and expertise, the explorative industrial policy programs of the 1980s and 1990s petered out at an early stage. And they came to be judged almost unanimously as failures in the interviews we held with officials who had drafted them. Despite these implementation failures, research on sectoral restructuring and upgrading was energetically pursued and deepened during the 1990s, in the reformed State Planning Commission, the newly merged State Economic and Trade Commission (SETC) and the State Council's powerhouse of applied policy research, the Development Research Center (henceforth: DRCenter). With the goal of detecting new growth potential, industrial policy research projects brought together a wide range of government officials and researchers (see in detail table 5 below).

Beyond institutional and structural impediments, the grave delay in introducing and implementing sectoral industrial policy programs during the 1990s is also explained

³² Cf. Yang Weimin 2004.

³³ Zhao 1987.

³⁴ Cf. Chen Jijiang 1992: 14.

by severe turf wars and shifting competencies among the bureaucratic bodies that struggled with each other over formulating, coordinating and implementing it (see table 2).

Table 2: Shifting Competencies in Industrial Policy, 1988-2012

1988-93	SPC <i>foundational body</i>	Division for Industrial Policy 产业政策司
1993-98	SETC	Division of Economic Policy Coordination 经济政策协调司
	SPC <i>rival body</i>	Division for Long-term Planning & Industrial Policy 长期规划和产业政策司
1998-03	SETC	Division for Industrial Policy 产业政策司
	SDPC <i>shadow bodies</i>	Division for Economic Prognostics (1998-2001) 经济预测司 Division for Industrial Development (2001-2003) 产业发展司
2003-08	NDRC	Division for Industrial Policy 产业政策司
	NDRC <i>rival body</i>	Division for Industry 工业司
2008-12	MIIT	Division for Industrial Policy 产业政策司
	NDRC <i>dominant body</i>	Division for Industrial Coordination 产业协调司

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Between 1993 and 2012, administrative and policy competencies in industrial policy-making were shuffled back and forth between the State Planning Commission and the State Economic Commission, including their renamed and reorganized successor organs, in a five-year rhythm. Top leaders obviously did not trust any single organ to fulfill the industrial policy mission even-handedly. Instead, decision-makers at the top tried to instrumentalize bureaucratic reorganizations to advance specific agendas. The adaptation of industrial policy in China thus became an unsteady, winding process that was shaped and delayed, but eventually not terminated or derailed, by bureaucratic politics. In retrospect, the core agenda proved to be stronger and more constant than the bureaucratic turf wars suggest: Industrial policy continued to exert a very strong attraction on diverse policy-makers and administrators who were all eager to defend their claim to government guidance of economic development and therefore their own indispensability and authority.

Zhu Rongji's Restructuring Agenda

The institutional environment of the 1990s generally proved inhospitable to indirect, incentive-driven Japanese-style industrial policy. In the 1994-2004 period, no national cross-sectoral industrial policy program was issued, even though ambitious programs e.g. for machine-building or electronics industries had been discussed and prepared for years.³⁵ Old industrial-administrative clusters defended their turf and existence vehemently. Many state-owned enterprises were not prepared to leave their old world of prefixed targets, secure resource flows, stable employment and weak competitive pressures. The protagonists of industrial policy thus had to find new ways around entrenched interests and inertia through a series of piecemeal institutional reforms that cumulatively served to prepare the ground for the industrial policies of the late 2000s.

The institutional and administrative reorganization undertaken in the 1993-2002 period can be depicted as the "Zhu Rongji agenda" of economic restructuring. One core plank of this agenda lay in elevating the SETC to a national pilot agency, or a "Chinese

³⁵ Cf. Li Shousheng 2000: 51.

MITI", that would coordinate industrial restructuring from one unified central body. Another plank was separating government bureaucracies from their state-owned client enterprises, thereby strengthening enterprise autonomy. The precondition for achieving this step was abolishing industrial branch ministries and orienting economic administration towards more neutral regulatory functions. The ambitious agenda also extended to supporting financial, legal, and intermediary institutions as well as increasing exposure of state firms to international competition. This broad agenda was backed up by extensive research programs to produce "scientific" policies for industrial upgrading.³⁶

The shift in institutional conditions was undertaken through serial reorganizations of ministerial and subministerial bodies (1988, 1993, 1998, 2003) as well as restructuring programs for state-owned enterprises (throughout the 1990s, yet with major breakthroughs in 1997 and 2003) that had to make room for new industrial policy-oriented institutional arrangements (see table 3). Incipient industrial policy efforts were thus accompanied by a series of experimental programs, policy zigzags, and recurrent political backlashes.

Table 3: Reorganizations for Industrial Policy, 1986-2003

1986	industrial policy raised as novel instrument in 7th Five-Year Plan (1986-90)
1988	creation of an Industrial Policy Division in the State Planning Commission
from 1988	foundation of intermediary business associations with close gov't links
1989/1994	first trial industrial policy programs
from 1993	comprehensive overhaul of the planning system, move to "planning for markets"
1993/1998	industrial ministries transformed into quasi-regulatory associations
1994	establishment of three policy banks
1990s	research and drafting of several sectoral programs; most programs not issued
since 1990s	large enterprise groups established in state sector
1998-2003	reorganizational of SETC taking MITI as reference model

Even though the "Japanese model" of active state guidance in industrial modernization came to be seen as failing in economic policy during the 1990s, a young cohort of administrators and researchers within and around the Chinese State Planning Commission did not move away from the industrial policy mission that they had taken up in the late 1980s. The staying power of this policy network, driven on by its beliefs and interests, proved to be decisive for upholding the industrial policy agenda in China and moving it to the center of economic policy from the mid-2000s on.

Breakthrough under the Hu-Wen Administration

Rather unexpectedly, policy orientations underwent important changes under the Hu-Wen administration (2003-2012) when not just sectoral, short-term policies but rather cross-sectoral, multi-year programs moved to the center of industrial policy-making. As a clear starting signal for a new approach, the bureaucratic pivot and pilot agency established under Premier Zhu, the SETC, was dismantled in 2003. The SETC's failure to conceive and launch a national program of industrial modernization was given as a key reason for this drastic step: The 13 sectoral five-year blueprints that it issued in 2001

³⁶ For the Zhu Rongji/SETC agenda, see Jung 2006: 94-141.

looked like a product of traditional, segmented planning, lacked top-level backing and were thus never effectively implemented.³⁷ Wen Jiabao did not see the SETC as an effective vehicle of supra- and interministerial policy formulation. Industrial policy coordination was thus shifted back to the reorganized Planning Commission (now called NDRC) that made a forceful comeback as a supraministerial unit and collaborated closely with the State Council General Office and the Party Center's policy staff units.³⁸

Based on our interview findings, the NDRC's elevation was designed to facilitate a profound shift from sectoral (interest group-driven and capture-prone) to cross-sectoral (more detached and insulated) policy coordination. The Hu-Wen administration thereby tried to avoid the costly traps of narrow sectoral representation in industrial policy that had come to be seen as a major flaw not just of the previous Chinese administration but, more generally, also of the Japanese MITI with its segmented *genkyoku* (原局 / 主管局) system. Instead, comprehensive, cross-sectoral industrial policy bureaus in the NDRC and, from 2008, in the newly established Ministry of Industry and Information Technology (MIIT), were tasked to overcome narrow pressure politics. From this novel administrative setup, a barrage of national industrial policy programs was launched from 2004 on (see table 4) in a massive effort at comprehensive guidance and coordination of China's industrial and technological upgrading.

Table 4: The Breakthrough in Industrial Policy Programs, 2004-12

Cross-Sectoral Programs	2005: <i>Adjustment of Industrial Structures</i>	State Council
	2007: <i>Acceleration of Services Sector Development</i>	State Council
	2009: <i>Industrial Technology Policy</i>	MIIT
	2010: <i>Acceleration of Strategic Emerging Industries' Development</i>	State Council
	2011: <i>Promotion of Strategic Emerging Industries included in 12th FYP</i>	CCP CC; NPC
	2011: <i>Industrial Restructuring and Upgrading (2011-2015)</i>	State Council
Sectoral Programs	2004: <i>Automobile Industry</i>	NDRC
	2006: <i>Machine-building Industry</i>	State Council
	2009: <i>"Revitalization Programs" for Nine Traditional Sectors</i>	State Council
	2009: <i>Information Technology Industry</i>	State Council
	2009: <i>Logistics Industry</i>	State Council
	2009: <i>Culture Industry</i>	State Council
	2011: <i>12th FYP, Upgrading nine traditional industries (2009 programs)</i>	CCP CC; State Council; NPC
	2011: <i>12th FYP, Fostering seven "Strategic Emerging Industries"</i>	
2011: <i>total of 21 ministerial FYPs for sector-specific development</i>	<i>diverse ministries</i>	
Priority Investment Catalogues	2004/2007/2011: <i>Catalogue on Priority High-Technology Industries</i>	NDRC/MOST
	2005/2007: <i>Catalogue on Priority Industries for Foreign Investors</i>	NDRC
	2005/2011: <i>Guidelines for Restructuring of Selected Industries</i>	NDRC
	2007/2009/2011: <i>Catalogue on Priority Import Technologies & Products</i>	NDRC, MOC, MOF
	2008: <i>Guidelines for Overseas Investments</i>	NDRC
Law	2007: <i>Anti-Monopoly Law</i>	NPC

Sources: Ou and Liu 2007; NDRC and MIIT websites.

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³⁷ See Guo 2005: 72.

³⁸ For this triangular collaboration, see Heilmann 2012.

The huge 2008-9 emergency stimulus package, that included nine sectoral "revitalization programs", provided China's industrial policy-makers with an exceptional opportunity to broaden and accelerate their efforts and influence. A series of programs that had been prepared for several years, yet had not been officially approved by the State Council, were "just downloaded from government servers", as one interviewee put it, and approved within short time.

Despite this policy success, NDRC officials expressed a deeply ambivalent attitude towards the 2008-9 stimuli. The swift approval of a flood of previously halted or insufficiently scrutinized investment projects was judged by senior administrators as an economically detrimental aberration from paramount restructuring and efficiency goals. As one planning official put it: In the face of acute threats, "we have to sacrifice the long-term goals for the short-term ones"; but as soon as recovery from crisis is in sight, "we will return to the original long-term goals". Even though industrial planners thus did not appreciate the "blind" aspects of the 2008-9 investment and debt flood, they benefited from it politically. Industrial policy and its protagonists moved to the center of Chinese economic policy.

The strong tension between the cautious balancing emphasized by supraministerial planners in the core executive and the investment expansion pursued by particularist industries and regions has remained a constant feature of Chinese economic policy-making to the present day. To alleviate this tension, Premier Wen Jiabao issued directives to State Council organs in 2003 and 2011, respectively, that clarified that there would be "no project approval without multi-year programs" (没有规划, 不批项目; 先规划, 后项目)³⁹ and that central policy would have to "pay greater attention to top-level design (顶层设计) and overall planning (总体规划)".⁴⁰

Remarkably, both directives were coined and inserted into top-level statements by two highly influential policy brokers, Liu He and Yang Weimin⁴¹, who stem from the pioneering 1988 Industrial Policy Division of the Planning Commission and stood at the core of the advocacy coalition that became a dominant force under the Hu-Wen administration.

Lying in Wait: The Emergence of an Advocacy Coalition

Only after marketable new policy recipes had been filtered out from the Japanese experience, reframed for the Chinese context and fed into the domestic debate, and as soon as the first explorative agendas and institutions of Chinese industrial policy had been put in place (with the 7th five-year plan in 1986 and the new SPC Industrial Policy Division in 1988), the research institutes and networks that had prepared these innovations began to take on features of a nascent advocacy coalition in economic policy-making. From 1989 right into the 2000s, we can document a series of large scale research programs that were meant to produce policy expertise, but at the same time served to

³⁹ According to our interviews, this internal (unpublished) instruction given by Wen Jiabao in a State Council meeting in 2003 was immediately taken up as a boost for their powers by planners in the NDRC and other economic ministries.

⁴⁰ See "Report on the Work of the Government (2011)", http://english.gov.cn/official/2011-03/15/content_1825268_7.htm.

⁴¹ Yang elaborates his position on multi-year project planning in Yang Weimin 2003; Liu explains his calls for strengthening "top-level design" in Liu He 2011.

bring together a large number of officials and researchers in studying and preparing national policy programs (see table 5).

Table 5: Joint Research Projects Undertaken Within China's Industrial Policy Network

	<i>Lead Organ</i>	<i>Participating Gov't & Research Bodies</i>	<i>Research Reports (parts of them published)</i>
1989	DRCenter	42	Studies on Chinese Sectoral Industrial Policy 中国部门产业政策研究
1990	CASS-IIE	4	Studies on Chinese Industrial Policy 中国产业政策研究
1999	SDPC	n.a.	Studies on Chinese Industrial Technology Policy 中国产业技术政策研究
2000	SETC	10	Studies on China's Current Industrial Structure and Industrial Policy Options 工业结构现状分析与对策研究
2004	NDRC	5	Studies on Industrial Policies for Sustainable Development in China 中国可持续发展的产业政策研究
2006	NDRC	regional and local DRCs	China's Industrial Development and Industrial Policies 中国产业发展与产业政策

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At the center of the research groups, reports and publications we find a small number of individuals that came to form the "solid core" of China's nascent industrial policy coalition already in the early to mid-1990s. Some of the most prominent protagonists of the industrial policy agenda in the 2000s (Ma Kai, Liu He, You Quan, Yang Weimin) had started out during the 1980s as university teachers in Renmin University in Beijing and as junior researcher-officials in and around the former State Planning Commission. These protagonists rose slowly through the ranks of China's core executive to move into key positions of policy formulation under the Hu-Wen administration (see table 6). They had originally established close working contacts with Wen Jiabao in the mid-1990s during the preparation of China's 9th five-year plan for the 1996-2000 period. This plan was designed as China's first explicitly market-oriented, non-imperative, indicative national development guideline. The protracted drafting process was accompanied by intense debates about the functions of state guidance, multi-year targets and industrial policy in China's modernization path.⁴² Thereafter, Wen Jiabao (who became Vice-Premier in 1998 and Premier in 2003) frequently relied on the expertise of the industrial policy specialists from the former Planning Commission.

⁴² Top-level involvement, internal debates and procedures are treated in detail in Li Peng 2007: 1113-1176.

Table 6: Industrial Policy Brokers in the Core Executive

Name	Contemporary Position (year-end 2011)	Former Positions
Liu He	CFELSG Chief Econ. Policy Official (2003-11) DRCenter Party Secretary (since 2011) Initiator of the "50 Economists' Forum"	Renmin University (mid-1980s) PlanCom official (1988-98) State Information Center (1998-2003)
Yang Weimin	NDRC Secretary-General (2010-11) CFELSG Chief Econ. Policy Official (since 2011) Head, task forces for FYPlans & industrial programs	Renmin University (mid-1980s) PlanCom official (1988-2011)
Ma Kai	State Council SecGen (2008-)	Renmin University (mid-1980s) NDRC Chairman (2003-2008)
Zhu Zhixin	NDRC Vice-Chairman (2008-) CFELSG Office Head (2008-)	PlanCom official (since 1983)
You Quan	State Council DepSecGen (2008-)	Renmin University (mid-1980s) PlanCom Official (1990s)
Jiang Xiaojuan(f)	State Council DepSecGen for Econ. Policy (2011-)	CASS-IIE (1989-2004) DRC Dep.Dir. (2004-2010)
Liu Tienan	NDRC Ntl Energy Bureau Director (2011-)	PlanCom official (1999-2006) DRC Dep.Dir. (2008-2011)
Ma Jiantang	National Statistics Bureau Director (2008-)	SETC (1996-2003) SASAC (2003-2008)

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In China's central government, policy brokers (in our interviews occasionally called "matchmakers", *qianxianren* 牵线人) are part of the crucial policy-drafting level (*qicao ceng* 起草层) that is working directly for the peak decision-making level (*juece ceng* 决策层). Typically, policy brokers are senior government officials (oftentimes researcher-turned-officials) or well-connected leaders of government research bodies (with at least bureau-level, yet often vice-ministerial or even ministerial rank) who enjoy the trust and support the policy agenda of Politburo-level leaders. Policy brokers are regularly charged with preparing major national policy programs and building support among government and research bodies through drafting consensus documents. The brokers must not just have access to top-level decision-makers but are also typically central figures in formal and informal networks of communication across different government and research bodies, reaching out to more specialized officials and researchers in diverse bureaucracies. For policy brokers to exert a sustained influence on the formulation of national programs, top-level contacts, administrative experience and research expertise are as important as entrepreneurial initiative and coalition-building skills: continually reaching out beyond the core network, bringing diverse opinion leaders together in informal discussion groups, silently winning over former adversaries and incorporate them as advisors to official programs or as members in high-prestige policy forums (such as the "50 Economists' Forum"), thereby ideally crafting broad centrist platforms for exchange and collaboration.

Under the Hu-Wen administration, the industrial policy coalition enjoyed a deep and broad representation in the extended NDRC cluster, including the economic policy divisions of the State Council General Office as well as the Staff Office of the Central Finance and Economics Leadership Small Group (CFELSG). Moreover, it also reached out to a number of Qinghua University research and training institutes and to the State Council's Development Research Center (which since mid-2011 has been headed directly

by Liu He). Under Hu-Wen, the CFELSG Staff Office in which Liu He and Yang Weimin occupied the top macro-economic positions consecutively, has served as the direct access point to the top leadership.⁴³

Advocacy coalitions are marked as much by their common agenda and shared beliefs as by a variety of personalities and focuses among their core protagonists. For instance, though the two most visible entrepreneurs of Chinese industrial policies, Liu He and Yang Weimin, get along very well on a personal level and have driven forward a common agenda, Liu is seen within the collegial network as more market-friendly and government-critical than Yang, who has served as an effective planner and policy drafter since the mid-1990s and projects a more "statist" perspective on industrial policy than Liu.

China's industrial policy community has clearly not become a conspiratorial force since economic officials and researchers from very different ideational and institutional camps are regularly invited for policy-related exchanges and preparation of multi-year programs. The core protagonists see themselves as responsible officials who try to hold Chinese economic policy together and think in longer terms and across sectors. Since these senior officials have no deep sectoral connections and career backgrounds, they are much less susceptible to (or at least not naturally drawn into) narrow interest group and corruption networks and therefore enjoy more credibility and neutrality from top leaders' point of view. The policy networks that are knit around the State Council General Office, CFELSG Staff Office and NDRC planning divisions fit the standards of informed technocratic insulation since they are detached from sectoral vested interests, yet open to absorb information through internal, public and also transnational policy consultation.⁴⁴ The drafting of comprehensive programs is much less exposed to intra-state lobbying by particularistic interests than the making of special project plans (专项规划), the drafting of specific regulations and the approval of particular investments in which sectoral and regional, bureaucratic and business interests play a very active role.

Factionalist models of Chinese elite politics suggest rather clear-cut boundaries between distinct elite groups. In contrast, top-level economic policy-making emerges from the research undertaken for this study as a subtle, fluid and situation-driven game. More importantly, at the level of senior economic policy brokers who are the drivers of policy accommodation within the core executive, it is the maintenance of broad and regular contacts across different functional organs and elites that are at the very heart of their daily tasks and capabilities. It is a major qualification of senior staff in the core executive bodies that they are acceptable to a broad spectrum of top leaders and ministries as neutral brokers.⁴⁵

The emergence of China's industrial policy advocacy coalition demonstrates how formative experiences and policy conceptions (East Asian industrial policy successes and the recipes derived from it by Chinese officials in their early career stages), patriotic commitments (to make China a strong and competitive industrial power) as well as a personal preference for political power over private wealth can be found especially among

⁴³ For details of these interactions, see Heilmann 2012.

⁴⁴ Within the core executive bodies, Liu He who holds a degree from Harvard's Kennedy School, was seen by several interviewees as the policy broker most active in seeking exchanges with American economists, whereas Yang Weimin tended to seek consultations with senior government officials especially from Japan and Europe.

⁴⁵ On this, see the informal rules of the game in General Office work as pointed out by an insider: Li Wei 1994.

the many scholar-turned-officials who came to serve as chief policy brokers in China's central government.

It is the persistent and energetic human agency that explains the low-key rise and sudden breakthrough of this coalition. Core movers and brokers at the heart of China's industrial policy had been lying in wait, patiently working on a series of comprehensive programs (that were often aborted) and looking for policy windows to open for their agenda. For one-and-a-half decades, they had built research and policy networks and worked to attain direct influence on shaping the agenda of top leaders. In the mid-2000s, protagonists of industrial policy moved into key positions within the core executive that allowed them to use an abruptly opening window of opportunity (the global financial crisis and the ensuing stimulus program) for pushing their agenda to the center of economic policy-making.

Rival Advocacy Coalitions in Economic Policy

Whereas many studies of Chinese economic policy-making focus on dichotomous "plan vs. market" controversies that were most pronounced in the 1980s, this study of China's industrial policy leads to the conclusion that in fact *four* major advocacy coalitions (ACs) have been discernible in the arena of economic development coordination through time. Even though demarcations and interactions between the diverse advocacy coalitions have been shifting through time, each advocacy coalition is made up of a discernible core of top-level patrons, bureaucratic organs, and policy brokers (see figure 2).

Figure 2:
*Economic Development Coordination as a Contested Arena:
 Shifts Among Major Advocacy Coalitions (ACs) Through Time*

ACs	Market Liberalization	Industrial Policy (sectoral)	Indicative Planning (cross-sectoral)	Imperative Planning
1980-1988 <i>contested agenda</i>	Patron: Zhao Ziyang Core bureaucracy: SRC Policy Brokers: Chen Yizi / Wu Jinglian	[in formation, 1980-1988] Core bureaucracy: in flux betw. SPC, SEC, SRC Policy broker: Ma Hong		Patrons: Chen Yun / Yao Yilin / Li Peng Core bureaucracy: SPC Policy brokers: Xue Muqiao / Xu Yi / Liu Guoguang
1989-1992 <i>agenda in flux</i>	Patron: Deng Xiaoping Core bureaucracy: in flux Policy Broker: Wu Jinglian	[consensus-based initiative, 1988-89] Core bureaucracy: SPC Industrial Policy Division Policy brokers: Ma Hong, Gui Shiyong		
1993-2002 <i>converging agendas</i>	Patrons: Jiang Zemin / Zhu Rongji Core bureaucracy: SETC / Finance Regulators Policy brokers: Wu Jinglian, Liu Zhongli, Lou Jiwei		Patrons: Li Peng; SPC Chairmen Core bureaucracy: SPC / SDPC Policy brokers: Wei Liqun / Yang Weimin	dissolving / dissolved
2003-2012 <i>'centrist' agenda</i>	weakened policy influence research hub: Beida CCER (US-educated economists)	Patrons: Hu Jintao / Wen Jiabao Core bureaucracy: NDRC Policy brokers: Liu He, Yang Weimin		

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The agendas and protagonists of the *Market Liberalization* AC which aims at reducing state intervention and boosting economic deregulation, have been the subject of intense Western media and research attention. That attention has predominantly been focused on

indications of Chinese convergence with Western market norms and practices. Foreign scholars and journalists enjoyed good access to major protagonists and brokers of this coalition who in turn sought support among the Western research and policy community (most prominently the World Bank). Due to the domestic confrontations of 1989, top-level patrons and policy brokers of this AC were subject to a severe backlash between 1989 and 1992. Yet the market liberalization agenda and many of its key brokers enjoyed a strong comeback in the wake of Deng Xiaoping's vehement 1992 economic liberalization push.

The *Imperative Planning AC* is also well documented in Western research since its protagonists were depicted as "orthodox" socialist antagonists to the marketization camp during the 1980s. This AC aimed at upholding and modernizing comprehensive top-down planning and input-output balancing, including state intervention in firm-level decisions. It played a central role in economic policy debates during the 1980-1992 period. Yet the traditional socialist planners lost their clout after 1992. And a younger cohort of planning officials turned to new agendas that aimed at combining market coordination with less extensive and better targeted tools of state intervention.

Two other important policy agendas that were taking shape in economic debates during the 1980s, yet did only emerge as building blocks of major advocacy coalitions during the 1990s, have not received as much attention in Western media and research as the two aforementioned ACs. Both were rooted in the discussion of Japanese indicative planning and sectoral industrial policies, as layed out in this article. During the policy debates of the 1980s, the industrial policy agenda was still emerging and loosely defined. Discernible policy camps and advocacy coalitions with top-level patrons and senior brokers took shape only belatedly, starting in 1988 with the establishment of the SPC Industrial Policy Division and boosted by the curtailment and reorganization of China's planning system from 1993 on.

Thereafter, we can identify an *Industrial Policy AC* (with Zhu Rongji as its top-level patron, the State Economic and Trade Commission as core bureaucracy, and a strong standing in China's then still nascent financial industry) that worked closely together with protagonists of the long-standing *Market Liberalization AC* yet brought a much more activist approach of industrial modernization to the center of Chinese economic policy. Policy centralization, administrative guidance and sectoral industrial policy were major components of Zhu Rongji's agenda. At the same time, Zhu and his policy advisors, for historical, political and ideational reasons, were deeply suspicious of any cross-sectoral, multi-year programs that emerged from the State Planning Commission.

Yet, in the Planning Commission and related research bodies, long-term approaches to industrial restructuring were pursued by a younger cohort of economic officials that was working to find a new policy mission for themselves. An *Indicative Planning AC* was emerging from the thick walls of the old Planning Commission in the novel and shifting context of China's post-1992 "socialist market economy". The younger generation of planning officials discarded old-style imperative planning and heavy-handed interventions in firm-level decisions. Yet, based on their reading of the Japanese industrialization experience, they remained optimistic towards state guidance of industrial and technological upgrading across sectors, with the ultimate aim of boosting the global competitiveness of Chinese industries. After 1992, these new-style development planners

shifted towards a much lighter, yet still ambitious planning agenda that was inspired by Japanese and, to a lesser extent, other East Asian experiences with long-term programs of industrial and technological development. They had policy patrons in Prime Minister Li Peng and in the SPC chairmen of the 1990s, yet stood in the shadow of the marketization and reorganization agenda that was promoted under the aegis of Jiang Zemin and Zhu Rongji. Only when Wen Jiabao took over as Premier in 2003, they came to enjoy the support of a top-level patron who held a pronounced preference for multi-year programs and trusted in their loyalty for supraministerial policy coordination at the peak of the State Council.

The Hu-Wen administration layed a renewed emphasis on active state guidance and multi-year programs in economic, social and technological development. As a consequence, many previously influential protagonists and brokers of economic liberalization were sidelined, whereas indicative planners and industrial policy protagonists merged into a "centrist" or "statist" advocacy coalition that became the dominant force in economic policy-making. Arguably, second-tier policy brokers have attained more clout and initiative in the core executive than in previous administrations, due to the extremely cautious and consultation-obsessed leadership style pursued by Hu and Wen that stands in stark contrast to the autocratic, voluntarist and risk-taking decision approach of the former Premier Zhu Rongji.

While China's marketizers suffered a loss of policy influence within the economic administration in the course of the 2000s, they continued to be extremely well entrenched in the economics research community (e.g. in Beijing University's China Center for Economic Research, CCER, which is widely seen as the "central base area" of US-trained Chinese economists) and in China's financial industry (including the Central Bank leadership and research apparatus). Moreover, Chinese economists who call for accelerated market liberalization and asset privatization enjoy strong backing among foreign businesses and financial institutions that are eager to expand their China operations and assets.⁴⁶ Due to their strong academic standing and transnational support, a comeback of the advocats of market liberalization under a future administration appears well possible if the interventionist policies pursued under Hu and Wen come to be judged as economic failures.

Conclusion

This study affirms the importance of slowly emerging policy coalitions, similar to hidden streams coming to the surface in an unexpected and forceful manner, to explain shifts in China's economic development strategy. In the arena of industrial policy, we traced the interactions among transnational exchanges, domestic advocacy, and policy change over a period of more than three decades. The application of the advocacy coalition framework helped to provide flesh, bones and brains to the otherwise often vague concepts of "policy learning" or "learning from abroad". It allowed to trace through time the lasting impact of cognitive reorientations and selective policy borrowing from Japan on real actors making real moves. We produced evidence for a low-profile redistribution of political resources in favor of industrial policy protagonists to explain the long delay and build-up for the

⁴⁶ On CCER's evolution and network, see Li Cheng 2009: 15-18.

sudden breakthrough that occurred in the late 2000s. A "solid core" of policy brokers, through a series of large-scale research projects and program drafting efforts, became a driving force at the center of broader networks of administrators, researchers and advisors that make up the "fuzzy edges" of China's industrial policy coalition.⁴⁷

Beyond the search for power and status, China's industrial policy coalition is held together by shared beliefs in active governmental guidance of the economy. These beliefs tend to stand in contrast to many neoclassical and also Keynesian policy prescriptions. Our interviews with Chinese advocats of industrial policy generated statements and propositions that appear closer to arguments brought up in classic works on Japanese industrial policy: the basic direction of economic and social development cannot, and must not, be determined by market forces; governments must impose broader, longer-term perspectives and priorities than markets; concerted state action is indispensable in a world of politically distorted markets; the financial industry must remain under strict government supervision; industrial policy can serve as a mechanism of anticipatory or ad-hoc economic adjustment; and industrial policy aims to go beyond just *riding* the waves of markets by actively *creating* the waves on which to ride.

Fundamentally, industrial policy is embraced by Chinese policy-makers as a justification of enduring political controls over the economic, sectoral and technological pathways of development. It is legitimized by its core advocats as a golden mean between economically suffocating full state control (as in the former administrative allocation system) and politically threatening market volatilities or dysfunctions (as seen in financial services-driven economies).

The formation and rise of China's industrial policy advocacy coalition was for a long time ignored by Western research and media, due to a fixation with the plan-to-market narrative that focuses on the purportedly universal, or convergent, macro-processes of marketization, economic liberalization and privatization. The plan-to-market narrative resulted in confirmatory biases and analytical blinders when confronted with policy ideas and actors that did not fit into the preconceived framework. However, it was precisely the overlooked or underrated actors with originally Japan-inspired, "statist" agendas that came to dominate the peak bodies of economic policy-making under the Hu-Wen administration.

⁴⁷ The core/edges conception is taken from Weible, Sabatier and Flowers 2008: 7.

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