

The Local Corporatist State and NGO Relations in China

JENNIFER Y. J. HSU* and REZA HASMATH

This article examines the Chinese state's interactions and influences on the development of non-governmental organizations (NGOs) through a corporatist framework. It suggests that not only is the central state actively involved in the development of NGOs, but increasingly the successes of NGOs are determined by their interactions with the local state. We profile NGOs in Shanghai, of varying sizes, budgets and issue-areas, as a case study to understand the interplay between NGOs and the local state. The article further discusses reasons behind the growing shift from central to local state influences, and the potential future implications for state–NGO relations in China.

Introduction

Since the 1980s, the Chinese state has gradually withdrawn from the delivery of welfare and social services, creating space for a numerical growth of non-governmental organizations (NGOs). In the span of nearly three decades, approximately 440,000 officially registered NGOs—alongside a greater number of unregistered ones—have emerged.¹ The numerical increase of NGOs has, to a large extent, mirrored the rising social challenges caused, in part, by economic liberalization—with problems ranging from environmental damages to unsafe foods becoming an everyday reality that NGOs have sought to address.

Suffice to say, NGOs have increasingly become a significant factor in the changing social landscape in China, whereby NGOs are slowly receiving recognition for their positive social contributions to society, ranging from supplementing the state's role in providing social services to educating the public about various social issues. In fact, local state actors are being motivated to become engaged with NGOs due to

* Jennifer Y. J. Hsu is an assistant professor in the Department of Political Science at the University of Alberta. Reza Hasmath is a lecturer in Chinese politics at the University of Oxford. The authors are grateful for the comments and suggestions provided by the anonymous reviewers. The authors can be reached by email at jhsu@ualberta.ca or reza.hasmath@area.ox.ac.uk

1. Pumin Yin, 'A new dawn for NGOs: registration requirements relaxed for charity work', *Beijing Review*, (4 August 2011), available at: http://www.bjreview.com/nation/txt/2011-08/01/content_380902.htm (accessed 20 June 2012). According to Yin, the 440,000 registered groups are disaggregated as follows: 243,000 social groups, 195,000 private non-enterprise units and more than 2,600 foundations. Xu Ying and Zhao Litao [*China's Rapidly Growing Non-Governmental Organizations*, EAI Background Briefing No. 514 (2010, p. i)] estimate that the number of unregistered groups can be as large as ten times more than the number of officially registered groups.

such activities. For instance, the proceedings from the Thirteenth National Civil Affairs meeting in March 2012 illustrated the central state's desire to encourage greater participation of social organizations in a range of activities, in tandem with the local state's efforts to improve its social assistance system to low-income households.²

In this vein, while the role of the central state in influencing NGO activities has been commented upon extensively,³ this study will primarily place the analytical framework at the local state level. Specifically, the study seeks to understand the development of NGOs by employing a local corporatist state framework, and utilizing the NGO sector in Shanghai as a case for analysis. At the heart of this article is an attempt to understand how local authorities have adopted and adapted corporatist measures in their engagement with NGOs. The article will suggest that corporatist measures continue to be employed by local authorities as an effective means of ensuring the potency and relevance of the local state in a rapidly changing sector. Notwithstanding, there is noticeable adaptation of corporatist measures—namely, the local state is utilizing subtle or tacit forms of approval to manage the sector.

The selection of Shanghai is a testament to the emerging vibrant NGO sector in the city. The municipality has one of the strongest revenue streams in China and, in principle, has the capacity to devote state resources to social issues without the strong involvement of NGOs.⁴ Notwithstanding, the Shanghai government has increasingly encouraged the contracting of social services to NGOs and thus presents an interesting case to understand how the state and NGOs will respond to the changes within the sector.⁵ The eight NGOs interviewed in Shanghai vary in size and budget, and operate in a wide array of issues, providing a large representation of the scale, financial resources and scope of work that NGOs engage in. Representatives of the NGOs were interviewed in 2007 and again in late 2011.⁶ While the interviews do not offer a national representation of the NGO sector, they do provide a depiction of the increasing involvement of the local state in the work and environs of NGOs. What can be seen to develop from the cases is the collaborative role of the local state at various levels—particularly at the municipal and district level—in pursuing the objectives and operational development of NGOs. In short, how these collaborations

2. 'Top leaders meet civil affairs staff, urge progress', *People's Daily Online*, (20 March 2012), available at: <http://english.peopledaily.com.cn/90785/7763003.html> (accessed 7 May 2012).

3. See for example, Qiusha Ma, 'The governance of NGOs in China since 1978: how much autonomy?', *Nonprofit and Voluntary Sector Quarterly* 31(3), (2002), pp. 305–328; and Karla Simon, 'Reform of China's laws for NPOs—a discussion related to Shiye Danwei reform', *International Journal for Civil Society Law* 3(3), (2005), pp. 71–89.

4. As an anonymous reviewer pointed out, this situation is unlike areas such as Yunnan where the local coffers are frequently empty, and there is often little choice but to invite NGOs to help provide services the local state previously provided.

5. See Jessica Teets, 'Civil society participation in local governance: outsourcing migrant education in Shanghai', in Z. Deng and S. Guo, eds, *China's Search for Good Governance* (New York: Palgrave Macmillan, 2011); Ruoqing Chen, *Understand Government—Nonprofit Social Service Contracting Relationship using Shanghai Public Service Bidding as an Example*, unpublished M.A. dissertation, Lund University, 2012.

6. Note, the authors endeavored to interview the same NGO representatives in 2007 and 2011. In the event that this was not feasible, an interview was conducted with a representative at the same position and level of responsibilities.

evolve and the subsequent impact on state–NGO relationships is a salient subject of interest.

The local corporatist state

The use of corporatism highlights not only how NGOs are governed and treated, but it also emphasizes some of the key strategies adopted by both state and NGOs in their interactions with one another. In using this framework, corporatist arrangements, irrespective of whether they are authoritarian or the societal variety, do not define any political system anywhere. Instead, they are institutional mechanisms in the service of government.⁷ To further this notion of corporatism as a process, consider Cawson's definition:⁸

Corporatism is a specific socio-political process in which organizations representing monopolistic functional interests engage in political exchange with state agencies over public policy outputs which involves those organizations in a role that combines interest representation and policy implementation through delegated self-enforcement.

Some have questioned the utility of corporatism to understand China's state–society relations; others have preferred to emphasize the growth of civil society and thus offer socially determined explanations for state–society relations.⁹ Gilley argues that 'concepts such as "local state corporatism" are not an accurate reflection of state–society relationships even in the limited context of local China [because it is] limited in its explanatory breadth'.¹⁰ Using this framework is not to suggest that this is an uncontested concept and should be applied without reflection. Rather, it is to acknowledge that the use of local state corporatism will highlight certain aspects of state–society relations and simultaneously challenge the totality of Gilley's conclusion: 'Yet the dominant Leninist state *has* persisted precisely by crowding out competing visions for organizing politics'.¹¹ Hurst furthers the assault on corporatism labeling it as 'ill-fitting'.¹² Hurst advocates that we ought to study the nuances and subtlety of state–society interactions, in so far as to consider 'that associations are essentially government fists in civilian gloves, or that new forms of citizens' organizations truly represent societal interests in ways that can work against, rather than in tandem with, government objectives'. For Yep, the corporatist framework assumes that there is coherence and strong internal solidarity among social organizations and thus would perform as an effective communication channel for members to the state, but neither existed in his study of

7. Jonathan Unger and Anita Chan, 'China, corporatism, and the East Asian model', *The Australian Journal of Chinese Affairs* 33, (1995), p. 37.

8. Alan Cawson, *Organised Interests and the State: Studies in Meso-Corporatism* (Bristol: Sage, 1985), p. 8.

9. See for example, The-chang Lin, 'Environmental NGOs and the anti-dam movements: a social movement with Chinese characteristics', *Issues and Studies* 43(4), (2007), pp. 149–184; and Yongnian Zheng, 'China in 2011: anger, political consciousness, anxiety, and uncertainty', *Asian Survey* 52(1), (2011), pp. 28–41.

10. Bruce Gilley, 'Paradigms of Chinese politics: kicking society back out', *Journal of Contemporary China* 20 (70), (2011), p. 525.

11. *Ibid.*, p. 532.

12. William Hurst, 'The city as the focus: the analysis of contemporary Chinese urban politics', *China Information* 20(30), (2007), p. 467.

business associations.¹³ Clearly, there is not disagreement with the call to examine the nuances of state–society interactions as it is one of the primary goals of the article, but Goodman articulates the benefits of a local state corporatist framework because there is ‘strong evidence that social and economic interests are equally desirous of a state corporatism that accommodates their presence in politics’.¹⁴ These social and economic interests, as demonstrated in this article, are indeed working closely with the local authorities, to the extent where co-optation is not uncommon; for many NGOs co-optation is neither negative nor positive, but treated as a matter of fact to ensure their presence remains in the local authorities’ consciousness.

Where Gilley, Hurst and Yep lament the failure of the local corporatist framework, others have called for a more thorough investigation of the social stakeholders involved in affecting state–society relations. Lin’s investigation into China’s anti-dam movements, in particular the Three Gorges Dam and Nujiang movements, confidently observes that ‘society’s ability to challenge the state has intensified’.¹⁵ In a different realm, Read’s assessment of homeowners’ associations in China illustrates that these localized actions of contention are one reason to give credence to the civil society framework because civic participation gives people the opportunity and experience to organize, resist and pressure the government.¹⁶ Contemporary state–society relations are much more negotiated, with the local state seeking to co-opt certain NGOs as a means of extending the institutional reach of the state within society. Other authors have sought to explain changes to state–society relations by analyzing the state as one of many actors, in the tradition of Migdal’s state-in-society approach.¹⁷ Authors such as Fulda, Li and Song believe state-in-society captures the conflict that often occurs between state agencies, thereby leading to changes.¹⁸ For Alpermann, Migdal’s framework may best be utilized to comprehend the fragmentation of the state: ‘The state itself is pulled into different directions, and while parts of it form ties with one section of society, other state actors join forces with different societal actors’.¹⁹ The state-in-society approach may emphasize alterations to the state, and subsequently impact on society, but this would suggest the Chinese state’s power is receding which is not the case.²⁰ Despite the problems with more socially-determined approaches, insofar as they do not adequately account for the state, one aspect of an agreed congruence is the focus on the local level.

13. Ray Yep, ‘The limitation of corporatism for understanding reforming China: an empirical analysis in a rural county’, *Journal of Contemporary China* 9(25), (2000), pp. 547–566.

14. David S. G. Goodman, ‘Foreword’, in J. Y. J. Hsu and R. Hasmath, eds, *The Chinese Corporatist State: Adaptation, Survival and Resistance* (New York: Routledge, 2013), pp. xvi–xvii.

15. Lin, ‘Environmental NGOs and the anti-dam movements’, p. 178.

16. Benjamin L. Read, ‘Assessing variation in civil society organizations: China’s homeowners’ association in a comparative perspective’, *Comparative Political Studies* 41(9), (2008), pp. 1240–1265.

17. Joel Migdal, *State in Society: Studying How States and Societies Transform and Constitute One Another* (Cambridge: Cambridge University Press, 2001).

18. Andreas Fulda, Yanyan Li and Qinghua Song, ‘New strategies of civil society in China: a case study of the network governance approach’, *Journal of Contemporary China* 21(76), (2012), pp. 675–693.

19. Bjorn Alpermann, ‘State and society in China’s environmental politics’, in J. J. Kassiola and S. Guo, eds, *China’s Environmental Crisis: Domestic and Global Political Impacts and Responses* (New York: Palgrave, 2010), p. 145.

20. Gilley, ‘Paradigms of Chinese politics’.

The need to account for local discourses of the Chinese state is made ever more pertinent by China's decentralization. Local states are given, and are expected to make, a wide-range of decisions as well as take on responsibilities, including the delivery of social welfare needs. Goodman notes that the discourse on localism is now widely accepted in China, which is reflected not only in economic terms, but also culturally; that is, local cultural identification.²¹ Case studies of the local state are therefore critical to providing a more detailed perspective of their interactions with societal actors and, consequently, changes to policy outputs at the local level.

At the local level, the literature that emerged on the local corporatist Chinese state throughout the 1990s largely conceived the local corporatist state as an economic actor, particularly in rural areas. Jean Oi's extensive analysis of rural industrialization firmly places the local state as a business corporation.²² Local officials are portrayed as entrepreneurs fostering business opportunities, mobilizing resources and other agencies within the local state to nurture selected business enterprises. Fiscal reforms have provided incentives to local officials to actively promote local industry and economic development of their region since they had residual claimant rights over the profits of enterprise (although national regulations stipulated no more than 20% of after-tax profits could be claimed by the local government).²³ Similarly, Walder conceives the local state as private firms driven by private interests.²⁴ Within the local corporatist state structure there is an intimate relationship between banks, finance and tax offices, township and village authorities, whereby each would assist the other to maximize revenues. While the local state may be actively involved in promoting economic activity, Blecher and Shue have framed the local state within the developmental state model, in which the local authorities lead the development process by picking strategic 'winners' of certain industries to back.²⁵ While the pursuit of individual gain on the part of the local officials is inherent in all these analyses, and there is a potential for local officials to be rent-seekers and predatory, Duckett shows that the local state can be entrepreneurial and productive in facilitating economic reform.²⁶ Nonetheless, Unger, in his assessment of local business associations, concludes that although these organizations may appear to be corporatist on paper, the pursuit of their individual interests and agenda outside of the national goal suggests that the variations of the local state are still important to consider.²⁷

21. David S. G. Goodman, 'Structuring local identity: nation, province and county in Shanxi during the 1990s', *The China Quarterly* 172, (2002), pp. 837–862.

22. Jean Oi, 'Fiscal reform and the economic foundations of local state corporatism in China', *World Politics* 45(1), (1992), pp. 99–126; and Jean Oi, 'The role of the local state in China's transitional economy', *The China Quarterly* 144, (1995), pp. 1132–1149.

23. Oi, 'Fiscal reform and the economic foundations of local state corporatism in China', p. 111.

24. Andrew Walder, 'The county government as an industrial corporation', in A. Walder, ed., *Zouping in Transition: The Process of Reform in Rural North China* (Cambridge, MA: Harvard University Press, 1998), pp. 62–85.

25. Marc Blecher and Vivienne Shue, 'Into leather: state-led development and the private sector in Xinji', *The China Quarterly* 166, (2001), pp. 368–393.

26. Jane Duckett, *The Entrepreneurial State in China: Real Estate and Commerce Departments in Reform Era Tianjin* (London: Routledge, 1998).

27. Jonathan Unger, 'Bridges: private business, the Chinese government and the rise of new associations', *The China Quarterly* 147, (1996), pp. 795–819.

The variation in local states is an understudied concept, but Remick has embraced the idea, providing a suitable springboard to analyze the differences between the local state in Shanghai and its engagement with NGOs.²⁸ In understanding the variations of the local state, the subtleties of state–society relations are brought to the fore. Remick writes: ‘Local state structure is defined as the organization of local government, and local state practice is defined as the way local governments implement central policy and make and implement their own policy in the absence of higher-level guidance’.²⁹ In an article looking at migrant NGOs, Hsu concludes that there is analytical merit and reward in studying the local state: ‘Analysing the different layers of the urban state in their interactions with migrant NGOs has unveiled different informal strategies adopted by the local state to ensure its own relevance within a rapidly changing social environment’.³⁰ As the intermediaries between the central state and the local population, local states are vital to the effectiveness and successful implementation of the central state’s policies.

Thus, by privileging the local state in the analysis of the state–society relationship one can uncover the different factors that shape the development of NGOs, and why some NGOs are more effective than others. Of course, the question that will be inevitably posed at this juncture is: where is the CCP in the analysis of state–society relations? Granted, the CCP is still apposite in central level policies and the overall direction of the nation, and discussion of the Party and ensuing ideology elicits barely a whisper, particularly in the interviews with NGO representatives for this study: ‘While the CCP is much in evidence when matters of PRC policy or strategic direction are being discussed centrally or provincially, in the examination of case studies in specific localities the CCP often has either no or only a shadowy existence’.³¹

Given the importance of the local state—and the central state in terms of policy measures governing NGOs—how do we best theorize state–NGO interactions in the context of China? One can reasonably suggest that the process of economic liberalization has modified the tools which the state has adopted to manage the economy and society, moving from an over-reliance on tools of coercion and propaganda, to the current strategy of developing stronger ties with social organizations to enable the state to organize societal interests along the lines of reform. Using the corporatist framework as defined by Cawson, and Unger and Chan, and incorporating Schmitter’s oft-quoted definition,³² it is necessary to develop a more flexible application of corporatism to analyze state–NGO interactions in China.

28. Elizabeth Remick, ‘The significance of variation in local states: the case of twentieth century China’, *Comparative Politics* 34(4), (2002), pp. 399–418.

29. *Ibid.*, p. 399.

30. Jennifer Hsu, ‘Layers of the urban state: migrant organisations and the Chinese state’, *Urban Studies* 49(16), (2012), p. 3527.

31. David S. G. Goodman, ‘Sixty years of the People’s Republic: local perspectives on the evolution of the state in China’, *The Pacific Review* 22(4), (2009), p. 443.

32. Philippe Schmitter’s [‘Still the century of corporatism?’], *The Review of Politics* 36(1), (1974), pp. 93–94] definition of corporatism: ‘Corporatism can be defined as a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports’.

The Chinese state has moved away from the tactics of days past to compel individuals and organizations. The former strategy of coercion and propaganda falls under the guise of *overt sanctioning*; that is, the state uses overt measures to manage social organizations. In present day China, both central and local states are more adept at managing interests that may potentially be detrimental to the state. Hence, from this behavior, corporatist measures are taking form. Thus, underlying the corporatist institutional framework is a distinct *tacit sanctioning* behavior. Tacit sanctioning behavior is delineated as follows: (1) the state creates and maintains the relationship; (2) select organizations and groups are granted the privilege to mediate interests on behalf of their constituents to the state; and (3) these organizations and groups must adhere to the rules and regulations established by the state. In other words, the groups and organizations within the corporatist relationship are considered as a substitute control mechanism for the state. The three types of behavior are reminiscent of the government-organized NGOs (GONGOs) and the mass organizations that are regarded as the social arm of the Party-state; for example, the All-China Women's Federation or the Communist Youth League, where the state has actively created these organizations to ensure a bridge between state and society. The created organizations are to represent the interests of their constituents while at the same time being given the privilege to bring these concerns to the state. These organizations must also abide by the rules set forth by the state. Tacit sanctioning in the context of state-NGO relations is, therefore, useful to understand how the local state has modified corporatist mechanisms vis-à-vis social responsibilities and the increasing activism of NGOs. The idea of tacit sanctioning suggests that the interactions between the local state and an NGO is conditioned upon an implicit understanding between the two stakeholders. Nonetheless, as the following sections will demonstrate, the implicit agreement is subject to the NGO's active attempts at engaging with the local state. The local state tempers the NGO's proactiveness by adopting tacit sanctioning.

Developing the Chinese NGO sector

In spite of the increasing quantity and diversity of the NGO sector, the reach of the government has extended to the formation and supervision of NGOs through the Ministry of Civil Affairs (MCA). The MCA is responsible for the registration and management of NGOs and is given the authority to issue warnings, orders and cancel or change an organization's status.³³ As a result of the 1989 Tiananmen crackdown, numerous official documents have emerged detailing the management of NGOs. Prior to 1989, there was no universal regulatory framework to manage NGOs. Immediately after the Tiananmen events, the State Council issued the *Regulations on the Registration of Social Organizations* in October 1989. This required all social organizations henceforth to find a willing department or leading unit to sponsor the organization.

Not surprisingly, finding a sponsoring government department is difficult and prevents many organizations from completing the registration step. There are

33. In addition, NGOs registered with the MCA must provide annual financial reports to the Ministry.

minimal incentives for government departments to take on the extra administrative work required to sponsor an NGO—with the greatest disincentive being the threat of liability in the event that the NGO becomes troublesome for the state's objectives. Without a MCA registration, organizations are in effect illegal, with their operations liable to foreclosure at any juncture. The dual registration system with the MCA and a sponsoring agency is not only burdensome for those wanting to register; additionally, as all decisions are required to be approved by the sponsoring agency, this administrative step erodes the autonomy of the organization. Thus, many organizations avoid the lengthy bureaucratic process by registering as a for-profit commercial or business entity with the Bureau of Industry and Commerce. Despite their official status, many NGOs, including the ones interviewed with this status, operate and present themselves as NGOs. The underdeveloped legal system, where loopholes and lack of regulatory enforcement exist, unfavorably affects the development of NGOs. In an attempt to create a balance between maintaining control through policies and the law, and wishing to harness the comparative advantages of social organizations, the central state reasserts its corporatist tendency.

In 1996, former leader Jiang Zeming convened a special session of the Standing Committee of the CCP Political Bureau to further strengthen the management of NGOs. The inaugural session dedicated to the discussion of NGO policy signified the importance of NGOs within the state's framework, and perhaps a tacit recognition of the pluralization of Chinese society. As a result of the session, the central state issued further policy documents to ensure better supervision of NGOs. The 1998 *Regulations on the Administration of Social Organizations* sought to redefine social organizations as non-profit, with Chinese citizens voluntarily participating, and the establishment of common goals.³⁴ While this unification and clarification process may appear to be a positive movement on the part of the Chinese government, in practice it created difficulties for NGOs to become a legal entity due to financial and membership requirements. National associations must have a minimum capital of 100,000 yuan (~US\$15,837)³⁵ and local organizations 30,000 yuan (~US\$4,751). Thus, the 1998 Regulations have created further obstacles for NGOs to register.

Finally, the 2004 *Regulations on the Administration of Foundations* recognized that organizations could be formed through private initiatives, but still undertake tasks that were once considered public. Draft versions of the *Regulations* were made public and the government solicited the comments of Chinese legal practitioners, academics and those working with NGOs. Proposals were put forth to eliminate the requirement of a sponsor agency. However, in the final version the removal of this requirement was itself removed. To further limit their scope, NGOs cannot officially establish regional or branch offices. In effect, such government policies will curb the possibility for many organizations of scaling up their services.³⁶ Additionally, only one type of each organization may be established in any given region. The excessive regulatory nature toward NGOs contributes, on the one hand, to maintaining social

34. Simon, 'Reform of China's laws for NPOs'.

35. Approximate exchange rate US\$1 = 6.3 yuan.

36. Reza Hasmath and Jennifer Hsu, 'NGOs in China and issues of accountability', *Asia Pacific Journal of Public Administration* 30(1), (2008), pp. 1–11.

stability by keeping out those that the government perceives as a threat; and on the other hand, it serves to keep the NGO sector weak and relatively small. Despite the limitations placed on NGOs and their development, recent regulations and pilot projects denote that there is indeed a slow shift towards utilizing the NGO sector to a greater extent. For example, the MCA in conjunction with the Shenzhen government in July 2009 adopted the *Cooperative Agreement on Advancing Overall Reforms to Civil Affairs Undertakings*, outlining reforms in 34 areas relating to civil affairs. A notable reform in the *Agreement* relates to the registration of NGOs:

Unless other regulations specify otherwise, [the parties will] explore establishing a system whereby civil society organizations [can] apply and register directly with the Ministry of Civil Affairs. The Ministry of Civil Affairs shall regard this as a point for observation, tracking, and research (Item 11).³⁷

This particular item is a noteworthy change from the established norm of NGOs needing to acquire the support of a sponsoring government unit, as organizations can directly apply to the MCA for registration, thus permitting NGOs greater space and autonomy in their development. This reinforces Hildebrandt's findings that organization leaders believe that registration increases independence.³⁸ The *Agreement* is indicative of the importance of local states in the growth and expansion of the NGO sector. Furthermore, in November 2011, the director of Guangdong Civil Affairs declared an easing of registration requirements for social organizations by eliminating the need for a supervisory agency. Beginning 1 July 2012, cultural, environmental, social services and recreational organizations no longer need a sponsoring agency, which previously included trade and business associations. The Minister of Civil Affairs, Li Liguo, encouraged other provinces to follow the lead of Guangdong.³⁹ Guangdong's approach has paved the way for other provinces to experiment with NGO registration, including Yunnan.⁴⁰

Despite the willingness of a few locales to experiment with NGO law reforms, including Guangdong, NGO management laws are still very much in the corporatist tradition. The state's management system essentially directs the development of NGOs; NGOs are to channel their efforts 'into areas the state finds most acceptable, such as business associations and research societies'.⁴¹ Directing where NGOs spend their energies and resources is an indication of the tacit sanctioning behavior in play. The state creates and maintains their relationships with the NGOs through

37. The English translation of the *Agreement* can be found at: <http://www.cecc.gov/pages/virtualAcad/index.php?showsingle=135467>. The full Chinese version is available at: <http://www.sztx.org.cn/ass/detail.asp?id=4164>.

38. Timothy Hildebrandt, 'The political economy of social organization registration in China', *The China Quarterly* 208, (2011), p. 976. Hildebrandt further points out that some organization leaders potentially fear that 'more independence will create a rift between their organization and local governments; they believe independence breeds antagonism, warranting more government scrutiny of registered groups, not less'.

39. 'The Minister of Civil Affairs on NGO direct registration: promoting the Guangdong experience', *Xinhua*, (7 March 2012), available at: <http://www.chinadevelopmentbrief.org.cn/newsview.php?id=4784> (accessed 9 April 2012).

40. 'Yunnan social organizations will be able to directly register this year', *China Development Brief*, (29 February 2012), available at: <http://www.chinadevelopmentbrief.org.cn/newsview.php?id=4754> (accessed 10 April 2012).

41. Christopher Heurlin, 'Governing civil society: the political logic of NGO-state relations under dictatorship', *Voluntas* 21(2), (2010), p. 233.

designating certain NGOs the privilege to mediate on behalf of their constituents. The pilot projects in Guangdong indicate that while NGO law reforms are on the horizon, the designation of certain organizations as being eligible to participate is still reflective of corporatist measures. Thus, the reforms can be seen within a corporatist framework, and as Heurlin further observes, new social actors from entrepreneurs to NGOs must come under the supervision and management of the Chinese state.⁴² The management of NGOs by the central state has not precluded the involvement of the local state. As demonstrated in the next section, the interviews with NGOs in Shanghai indicate that the local state across all levels has a substantial interest in the work and operations of NGOs. While such involvement may not be codified in a formalized framework, the local levels have ensured their own presence in this sector. The utilization of tacit sanctioning strategies has enabled the local authorities a great deal of flexibility to work with a growing and diversifying NGO sector.

Profile of NGOs interviewed in Shanghai

The eight NGOs interviewed in Shanghai work in an array of different areas ranging from giving assistance to the homeless to providing education tuition for migrant children. For the most part, there was meaningful interaction with the local state at the municipal and district level.⁴³ Moreover, save for *CW*, *PI* and *RC*, all NGOs interviewed were formally registered.⁴⁴

LHA

Two retired schoolteachers started *LHA* in 1993 due to their belief in a decline of moral standards and education amongst Shanghai's students. The aim of the organization is to improve the educational environment for children and teach all young people the values of community service and compassion. The organization conducts a diverse range of activities including education consulting, training, academic exchanges and publications for teachers and parents. In terms of working with children, several well-established programs are in place. The *LHA* Weekend School provides free tuition to disadvantaged students in the Luwan district where volunteer teachers are recruited for this program. *LHA* is supported by Shanghai's authorities, including direct support from individual politicians in the city. Its close connections with local authorities have enabled the NGO to register as a research organization under Shanghai's Municipal Education Committee.

RS

RS in Shanghai is part of the wider *RS* network across China and the world. *RS* are dedicated to educating youth about environmental issues and humanitarian values. *RS*

42. *Ibid.*

43. Note, the NGOs interviewed reported no interaction with the central state.

44. Given the potential sensitivity of the subject matter, the final version of this article has anonymized the organizations and individuals interviewed.

Shanghai started its operations in China in 2000, with regional offices established in Beijing, Shanghai and Sichuan. The organization was granted non-profit status by the Shanghai municipal authorities in 2004. Each regional office is responsible for launching and maintaining programs across schools and university groups within its region of operation. The Shanghai operation has established many projects involving students to gain greater appreciation of the environment. For example, *RS* Shanghai has launched an Organic Gardens Program with nearly 50 schools involved in 2010. *RS* Shanghai is cooperating with over 100 schools in the city, and has a range of programs including environmental curriculum mentoring, tree planting, organic gardening, sports education and recycling. The financing of its programs comes from a mixture of donations, grants and monies collected from fundraising activities. In 2011, *RS* had an operating budget of 4 million yuan (~US\$633,514), larger than the other NGOs interviewed.

PI

Established in 1999, *PI* is a private initiative amongst a group of European expatriates in Shanghai. It runs solely on a voluntary basis, with no paid staff members. The primary activity of the organization is to collect donations from within the expatriate community to help pay for the school fees of migrant children. This pursuit is undertaken with the belief that 'every child deserves a chance'.⁴⁵ *PI* seeks to provide uninterrupted funding for primary school education aged migrant children, where the combined family income does not exceed 500 yuan (~US\$79) per month.⁴⁶ *PI* works closely with migrant schools located in the Minhang and Putuo districts, and sponsors over 200 students between the ages of four and eleven. Given the lack of human resources, the selection process is a coordinated effort between the local Education Bureau, school principals and the NGO. The local district bureau contacts the school that *PI* has requested to work with, and the principal is then put into contact with the organization. The principal provides *PI* with a list of disadvantaged students for funding consideration. Partnership with the local education board in the relevant districts has proved critical for *PI* to carry out its work within the confines of its resources.

LQ

LQ was established in 2003 as the first organization in China to provide professional social services and placements for social workers. The Pudong Social Development Bureau's 100,000 yuan (~US\$15,837) contract enabled *LQ* to commence its social work activities.⁴⁷ One of its first projects involved the delivery of extra-curricular activities and tuition to migrant children. The aim of these programs is to provide youths with leadership skills, confidence and to build up their capacity. *LQ*'s

45. Personal communication, April 2007.

46. *PI* did not provide details of its yearly budget. However, with yearly tuition ranging from 1,200 to 1,800 yuan and with 200 children sponsored, we can gauge that the NGO has approximately 250,000 yuan per annum.

47. 'Shanghai dances with NGOs', *China Development Brief*, (8 November 2006), available at: <http://www.chinadevelopmentbrief.com/node/854> (accessed 20 June 2012).

volunteers are also a mix of university students and professionals. Since its establishment, *LQ* has entered other fields of social work including nursing homes and hospitals. *LQ*'s work and funding is dependent on its ability to win contracts from the Pudong authorities to carry out services. This work model left *LQ* in a precarious position in 2004 when the authorities had very few contracts to award and thus nearly caused *LQ* to end its operations. Since 2004, it has regained momentum and continues to bid for and win contracts, and deliver social services.

CW

Established in 2005, *CW*'s primary objective is to deliver tuition services and extra-curricular activities to migrant children. The NGO works with local migrant schools in the Pudong district to deliver its services. The program is reliant on volunteers to conduct the activities, including English, drama, life skills and writing. However, without its partnership with the Pudong branch of the Communist Youth League (CYL) much of its work would not be possible, according to the NGO representative.⁴⁸ CYL covers the operating costs. Moreover, partnership with the CYL provides the migrant school with assurances of the NGO's legitimacy and trustworthiness. According to the representative, *CW* is not currently registered but its cooperation with CYL has meant this requirement can be effectively side-stepped.

SL

In 2005, *SL* was established as a registered non-profit voluntary organization dedicated to bringing libraries and books to China's poverty-stricken regions. *SL*, unlike many of its counterparts, is registered with Pudong's Bureau of Civil Affairs. As a recipient of the Pudong authorities' Top Ten Organizations, and Top Ten Projects, *SL* and its work is recognized by the local state. Its status has enabled the NGO to conduct fundraising and has attracted substantial support from the business community in Shanghai, raising approximately 10 million yuan (~US\$1.58 million) for its projects.⁴⁹ *SL*'s operations are almost entirely reliant on volunteers who are generally professionals and university students. For example, it has worked closely with Fudan University Student Volunteer Association to produce and distribute a handbook for newly arrived labor migrants from rural areas into Shanghai. *SL* has established libraries in AIDS-affected villages in Anhui, Henan and Shanxi provinces. It also provides scholarships to poor students from primary to university level.

BY

BY is a registered NGO, operating as an online charity shop since 2011. The concept behind *BY* is to essentially collect donated goods, sell goods online, and utilize the

48. Personal communication, March 2007.

49. Liangliang Gao and Pan Zheng, 'Sunshine spreads love through libraries', *Minghang Times*, (7 February 2009), available at: <http://www.shanghaidaily.com/minhang/pdf/0902.pdf> (accessed 16 April 2012).

funds raised to finance social development work conducted by other NGOs. Over 90% of the goods collected and sold in 2011 were in the clothing category. In 2011, *BY* had revenues in excess of 700,000 yuan (~US\$110,865). *BY* is working closely with the Shanghai branch of the International Federation of Persons with Physical Disability, and has established a training center for handicapped workers who are tasked with aiding in *BY*'s online operations. According to the NGO representative, as most of the work is conducted online, there is limited interaction with the local government.

RC

RC was founded in 2008 as an organization dedicated to servicing the homeless in Shanghai. The organization provides free meals, limited medical assistance and basic skills training to assist their job search. *RC* is in the process of obtaining NGO registration, but is encountering difficulties. The difficulties of obtaining registration have resulted in the decision to take a lower profile approach, and not to actively seek partnership with local authorities. Moreover, since *RC* was established by a foreigner it further complicates matters when it comes to their interaction with local authorities according to *RC*'s representative.⁵⁰ Nonetheless, the NGO averages 50–60 guests each Thursday, when it is open to all guests. Those accessing the services of *RC* are largely young male migrants. Its operating budget was approximately 350,000 yuan (~US\$55,432) for 2011, and is actively courting support from the private sector.

Local state–NGO interactions in Shanghai

Municipal level

The two most established NGOs interviewed, *LHA* and *RS*, have translated their engagement with the municipal authorities into substantial independence to conduct their work. *LHA* and *RS* both have strong connections with the Shanghai municipal departments. *LHA* is registered with the Shanghai Municipal Education Committee, a significant benefit for the NGO in terms of space and autonomy to conduct its programs. *LHA* proudly promotes its close relationship with the Shanghai municipal authorities. Support from departments and individual politicians has, to an extent, enabled its extensive work. It is registered as a research organization under Shanghai's Municipal Education Committee. The interviewee noted that her bosses were 'part of the establishment', denoting significant benefits from such close liaison. Although the authorities have granted *LHA* the right to work in the area of education, 'being well connected' also helps according to the interviewee, and this clearly is the case when two members of the Shanghai People's Congress are among its supporters.⁵¹ Its position and support from prolific members of the Congress indicates that registration status is a definite advantage. Such close personal connections with members of the Congress have given the NGO its legitimacy. Moreover, the

50. Personal communication, January 2012.

51. Personal communication, March 2007.

interviewee noted that the municipal authorities ‘like what they do’ and this ensures that the NGO is able to translate the support into financial resources through corporate sponsorship and donations. Endorsement from individual politicians and registration with the Education Bureau suggests that Shanghai’s municipal authority has implicitly acknowledged the work of *LHA*. Furthermore, this tacit sanctioning has snowballed, whereby NGOs working in the realm of education are permitted to conduct their work and receive potential support from local authorities. This is likewise evident with organizations such as *RS* (working in environmental education), *CW* and *PI* (migrant children’s education). *LHA*’s close relationship with the municipal authorities demonstrates that such public support of the NGO guarantees that the interests of the local state, whether it is addressing the social welfare needs of the community or safeguarding socio-political stability, will not be jeopardized by *LHA* since it has already been brought into the fold by the local state.

RS is similarly well supported and acknowledged by the Shanghai municipal authorities. During the interview, *TZ* proudly noted that its organization was one of the few to register as a non-profit organization.⁵² The NGO further states this achievement on the organization’s website by incorporating it into the goals of the NGO: ‘To maintain official government recognition and legal registration in China’. This has led to Shanghai’s municipal officials wanting to learn from *RS*, to find new and innovative ways to address some of the city’s social problems. When questioned over whether their relationship with the local authorities had met any obstacles, the interviewee expressed surprise and reaffirmed that the Shanghai municipal authorities view the NGO as an innovator.⁵³ In a follow-up interview in December 2011, the interviewee again mentioned the good relationship between the NGO and the municipal authorities: ‘They [municipal authorities] mainly provide advice and information, as well as help with public dissemination of information’. Again, the interviewee observed that the good reputation of the NGO will be beneficial should there ever be direct collaborative partnerships between *RS* and local authorities: ‘Our success so far has brought about a good reputation, and there are many opportunities for collaboration’.⁵⁴ Similar to *LHA*, *RS* has successfully courted the support of the municipal authorities and has converted this into corporate sponsorships and donations from the likes of BHP Billiton (a global mining company) to local Shanghai businesses.

Registration status and support from specific institutions—as is the case with *LHA* and *RS* in Shanghai—have opened doors in terms of garnering financial support from corporate sponsors along with backing from local ones. By granting the registration to these two NGOs, the municipal authorities implicitly demonstrate an acceptance for organizations that are seen as both innovators in their sector, and working to promote the role of education as a means of influencing the morals and values of Shanghai’s youth. Part of tacit sanctioning, as previously established, is the need to have groups adhere to the rules and regulations as established by the state. Adherence is clearly not an issue, especially when NGOs such as *RS* have sought to incorporate

52. Personal communication, March 2007.

53. Personal communication, March 2007.

54. Personal communication, December 2011.

this into the organization's goals. At the municipal level, the local state does not necessarily conform to a traditional form of corporatism, rather it is through tacit understanding that such organizations will work within the sanctioned parameters; moreover, registration status essentially guarantees the local state safety in the knowledge that the NGOs will not become troublesome.

Both *LHA* and *RS* demonstrate that the local state's strategies for incorporating organizations into its fold and maintaining permissible boundaries in which NGOs operate are a lot more subtle than either Gilley⁵⁵ or Hurst⁵⁶ give credit to. There are competing visions of how social service should be delivered, as is evident given the municipal authorities have turned to NGOs like *RS* to look for innovative models to deliver environmental education and other types of services. Neither *LHA* nor *RS* would fit what Hurst calls 'government fists in civilian gloves'⁵⁷ and nor are these NGOs working to undermine the interests of the local state. The interviewee from *RS* observed that the organizational culture and values of the NGO are very different to those of the local authorities, as its approach and priorities both differ.⁵⁸ Thus, the current case indicates that not only does the local state continue its corporatist strategies, but it has adapted measures to engage more effectively with NGOs—hence, tacit sanctioning rather than overt.

District level

The majority of NGOs interact at the district level. It is at the district level where we see diversity in terms of the relationships with the district authorities and the work conducted by NGOs. Cooperation of district authorities is particularly important for the NGOs interviewed since the majority of their work is at this level. At the district level, engagement with NGOs has reaped fruitful rewards for both NGOs and the authorities. Further, the observable interactions between local authorities and NGOs are innovative and thus support earlier assertions of adapting corporatist measures for the present day.

PI has worked closely with the education authorities of the Minhang and Putuo districts. *PI* relies on the authorities to select their partner schools due to the organization's lack of resources. On the one hand, such actions are certainly corporatist on the part of the local state, that is, *PI*'s lack of human resources reinforces the dominance of the local authorities. On the other hand, the NGO welcomes it since it does not have the resources to conduct the background research to select the schools and students for its scholarships. Although *PI* is voluntarily entrusting part of its work to the local state, such action erodes the decision-making powers of the NGO, leading to greater local state control and coordination. The outcome of such actions entails the possibility of the local state further infringing on the space for NGOs, and creating greater barriers for the participation of NGOs in the future.

LQ and *CW* did not initiate their educational programs with migrant children, rather it is the district authorities that have approached the two NGOs to collaborate. Indeed,

55. Gilley, 'Paradigms of Chinese politics'.

56. Hurst, 'The city as the focus'.

57. *Ibid.*, p. 467.

58. Personal communication, December 2011.

such proactive measures are a sign of the ‘progressiveness’ of Shanghai’s local state authorities, and demonstrate their willingness to address social concerns. Certainly, local state authorities should be commended for their efforts, especially when NGOs are calling on the state to take on greater responsibility to deliver social services to the community. Nevertheless, the active local state is defining the boundaries for these two NGOs. Here, it is clear that at the district level, measures taken by these authorities are corporatist: the state selects the NGO to support and in turn the plight of migrant children and their education is deemed as paramount. Subsequently, organizations that work within these parameters are given leeway because the local state has deemed the issue to be of import. Without the support of the local authorities, *LQ* would not have the opportunity to expand its operations beyond migrant children.⁵⁹ However, support from the local state is a double-edged sword. *LQ*’s dependence on government contracts for work in 2004 meant that a reduction in available contracts affected the NGO’s ability to meet operating costs,⁶⁰ and almost led to the closure of the NGO. However, the NGO continues its operations today and continues to bid for government contracts. Its dependence on government contracts has not changed: ‘Yes, we have worked with the local authorities, specifically on programmes that the governments wants to carry out ... our organization will bid for providing these services’.⁶¹ The case of *LQ* reaffirms that support from the state can indeed be detrimental, where it creates problems of dependency. The local state has certainly gained from its collaboration with *LQ*. Not only is the NGO adhering to the rules and regulations of the state and is unlikely to become problematic, but the state has also made forays into the realm of social delivery through working closely with NGOs.

Both *LQ* and *CW* are at the behest of the local state authorities. However, *CW*’s representative expressed appreciation and admiration for the Pudong branch of the Communist Youth League for taking such a step to support the NGO. The interviewee was quite convinced that without CYL, *CW* would have encountered great difficulties partnering with a local migrant school, as the school would have been ‘uncertain’ about the NGO and its background.⁶² In essence, support from the CYL has given *CW* legitimacy and indicates to the school its trustworthiness. CYL’s partnership essentially allows the school to collaborate with *CW* without any elements of risk and uncertainty. Through these two NGOs, we see the local state authorities demarcating the boundaries of NGOs’ work, and thus reaffirm the appropriateness of a local state corporatist framework. Furthermore, such a framework helps us to situate where NGOs and their work are located in the political consciousness of the local state. *LQ*, *CW* and *PI* have not objected to their incorporation by the district authorities perhaps because ‘state corporatism [that] accommodates their presence in politics’.⁶³

For *SL* it must contend with the uncertainty of the local authorities’ position with regards to their work. District level authorities can alter their collaboration, in effect withdraw their tacit sanctioning for NGOs without warning or reason, and thus

59. Personal communication, March 2007.

60. ‘Answering social needs’, *Shanghai Star*, (26 February 2004), available at: <http://app1.chinadaily.com.cn/star/2004/0226//fo5-1.html> (accessed 2 March 2012).

61. Personal communication, December 2011.

62. Personal communication, March 2007.

63. Goodman, ‘Foreword’.

negatively affect NGOs and their work. SL's distribution of their manual for migrant workers illustrates the local states' oscillating stance. The first round of distribution of the manual occurred at Shanghai railway station prior to the Spring Festival of 2007. However, subsequent distribution requests were denied by the Public Security Bureau due to security issues. Despite such setbacks, SL was awarded a Top Ten Best Organizations by the Pudong authorities, perhaps suggesting that methods of inclusion and co-optation would avoid dissent. SL's experience suggests that the state is in control and that the boundaries of acceptability shift when in the favor of the local authorities. This constant shifting causes confusion for NGOs as they negotiate the terrains of the state–society relationship.

Unlike their counterparts, *BY* and *RC* have not actively sought out support from the local authorities for their work. *BY* has obtained registration status—as a non-profit social enterprise—but has not sought to engage in activities like its counterparts, e.g. seeking collaborative opportunities with the local authorities. The dedication to servicing their online activities—collecting goods, assessing inventory and selling goods—has rendered a program partnership with the local authorities impractical at this juncture.⁶⁴ *BY*'s representative suggested that cooperation with government partners 'must be built on the basis of transparency, equality, and mutual respect for each other's values'.⁶⁵ *BY*'s belief in transparency has sought to publish its budget and expenditures on its website. As a model for NGOs, *BY* is unique. The majority of its operations are conducted via the Internet, whereas other NGOs have a physical location to conduct their activities and serve their constituents. This new type of NGO, relying on the Internet and social media to raise awareness of social issues and money, may perhaps be the start of a new trend.⁶⁶ As Hsu and Jiang further note, this second generation of NGOs where government relations are of less importance or desired and utilizing the Internet for day-to-day operations, will connect with younger Chinese. However, as they observe in their paper, those NGOs with the traditional linkages and interactions with the Chinese state (at both central and local levels) still have the greatest impact and resources.

In contrast to its counterparts, *RC* has purposefully avoided interacting or collaborating with local authorities. The representative from *RC* noted that the foreign status of the founder may complicate matters, so at present, keeping a low profile was the best course of action.⁶⁷ Despite its intentions of avoiding the local state, its operations have drawn the attention of local authorities. Officially, the *RC* was forced to relocate due to complaints from neighbors. In its present location (on the banks of the Suzhou River), 'the local police and neighbors are quite accommodating'. The complaints and relocation suggest that the NGO may have little choice in the future but to start engaging with the local authorities, particularly as it has started to receive some press attention in the local media.⁶⁸

64. Personal communication, December 2011.

65. *Ibid.*

66. Carolyn Hsu and Yuzhou Jiang, 'Chinese NGOs and resource strategies: state alliances and internet innovations', paper presented at the Association of Asian Studies, Toronto, 15–18 March 2012.

67. Personal communication, December 2011.

68. For example, Cao Li, 'Govt urged to help NGO to help homeless', *China Daily*, (13 October 2009), available at: http://www.chinadaily.com.cn/china/2009-10/13/content_8785640.htm (accessed 21 June 2012).

The case of *BY* and *RC* suggests that a new generation of NGOs is emerging, shifting operations, communication and/or raising awareness via the Internet, but going beyond having just a webpage. Social media such as Twitter or the Chinese version Weibo, blogging and other forms electronic communication are harnessed by newly emerging groups. Regarding interactions with the local state, the second generation of NGOs Hsu and Jiang notes, are not proactive in their search for collaborative opportunities with the local state.⁶⁹ However, these NGOs will inevitably be drawn into the centrifuge since the local state authorities have shown that they are proactive in seeking out partnerships with local NGOs and solutions to a range of social problems. Given that both *BY* and *RC* are demonstrating innovation in their work—*BY* in terms of finding new ways of raising funds and *RC* with the issue they are focused on—they will no doubt come into the orbit of the local state in Shanghai as they seek new methods for social service delivery. Our study thus shows that the corporatist framework does not overstate the significance of social organizations as Yep suggests,⁷⁰ but rather it demonstrates the dynamic relationship between state and NGOs and the different forms of engagement. Consequently, the corporatist framework will continue to be appropriate in assessing state–NGO interactions at the local level, particularly when the local state in Shanghai has already demonstrated its willingness to find alternate ways of addressing social problems and simultaneously inserting its presence into the work of NGOs (for example, *PI* and *CW*).

The experiences of NGOs in Shanghai with respect to district level authorities illustrate that district authorities have a sizable impact on the work and environs of NGOs, though this power may not be codified. Collaborations with NGOs are subject to the whim of local state authorities. Notwithstanding, it suggests that NGOs must ensure some level of support from the district level to ensure the continuation of their projects. The district authorities of Shanghai have reinforced their presence and importance in the NGO sector through determining acceptable boundaries of cooperation and *tacit sanctioning* behavior. In sum, district authorities through their (dis)approval are setting the agenda for NGOs.

Conclusion

The article has suggested that the local state does significantly impact the work and success of NGOs' activities. This is observed in cases where there is evidence of the state instigating the co-optation of NGOs such as *LQ*, and in cases where NGOs actively seek to be closer to the local state such as *LHA*. The normative assumption is that closeness with the state may lead to the detriment of the NGO, and potentially lead to the loss of independence.⁷¹ However, this does not suggest that the state and NGOs cannot be complementary.⁷² It is clear that the majority of the NGOs presented are desirous to be closer to the state. Whether they see themselves as complementing the work of the local state in Shanghai or not is not the primary

69. Hsu and Jiang, 'Chinese NGOs and resource strategies'.

70. Yep, 'The limitations of corporatism for understanding reforming China'.

71. Michael Edwards and David Hulme, 'Too close for comfort? The impact of official aid on nongovernmental organizations', *World Development* 24(6), (1996), pp. 961–973.

72. Iain Attack, 'Four criteria of development NGO legitimacy', *World Development* 27(5), (1999), pp. 855–864.

concern. Rather, closeness is seen as one method to further advance their work and, ultimately, determine the scale and success of their projects. Take *LHA* and *RS* for instance, as the more successful of the NGOs interviewed. It is evident that their success can be largely attributed to their interactions and support from the local state. Furthermore, they have translated support into financial resources and private sector support for their work. The eight NGOs interviewed over the two time points that stretch over four years, confirm that the local state in Shanghai has adapted corporatist measures for more effective outcomes in their interactions with NGOs. These adaptations have moved away from overt forms of co-optation to more subtle or tacit strategies, whereby it is through repeated interactions and long-term relationships that NGOs gain a sense and understanding of the boundaries. The case of *SL* in its attempt to distribute their manuals to migrants reinforces the idea that the local state manages NGOs through tacit sanctioning, where NGOs are given the opportunity to mediate on behalf of their constituents but only within the boundaries established by the state. And, these boundaries are known through repeated interactions between the two stakeholders. Clearly, with *SL*, communication and interaction had been insufficient for the NGO to determine the parameters of acceptability.

Given the central state's preoccupation with regulating NGOs' activities and behavior, there is a possibility of perceiving that all levels of the state may fail to understand NGOs' work on the ground, and even worse, not effectively harness their potential. A local corporatist state framework is therefore an appropriate mechanism to interpret the state's actions, and the ensuing state–society engagements. While we may be tempted to focus solely on the various overt and tacit sanctions of state–NGO interactions, there is, on the other hand, a relaxation at the same time. The relaxation is particularly noticeable in the context of decentralization where it has permitted greater involvement of the local state in social issues, leading to a diversification of state–society relations. However, in an era of slower economic growth and rising numbers of social problems, China's future socio-economic development must be carefully managed, especially when this is the source of state legitimacy: 'Thus, the need for effective corporatist strategies becomes ever more significant in order to ensure the Party-state retains its legitimacy to rule'.⁷³ In short, larger numbers of government stakeholders involved in the resolution of social issues provide NGOs with the potential to increase opportunities to collaborate and cooperate with the local state. As the case of Shanghai suggests, the local state is emerging as an important stakeholder in the future of the NGO sector.

73. Jennifer Y. J. Hsu and Reza Hasmath, 'The Chinese corporatist state: lessons learned for other jurisdictions', in Hsu and Hasmath, eds, *The Chinese Corporatist State*, p. 140.