

Predatory Princes and Princely Peddlers: The State and International Labour Migration Intermediaries in China

Biao Xiang

ABSTRACT

Private recruitment agents have been a major concern of policy makers in international labour migration. The agents are seen to undermine state authority, the market order and migrant rights. It is commonly suggested that their role can be curtailed or even eliminated if the administrative red tape of migration control is cut down (a liberal approach), or regulation on the intermediary business is tightened up (an interventionist approach). The Chinese government has done both at different times since the 1980s, but only to make the process of recruitment more complicated and private agents more powerful. This paper explains why. Based on a period of seven years of field research and documentary study, the article provides an ethnographic account of the change of the practice of international labour recruitment in China, especially in relation to systemic reforms, between 1980 and 2008. The centralized state in a liberalizing economy seems to need private agents in order to render individual mobility governable, migrants protectable and agents themselves “blamable” and punishable. If limited centralization of state power gave rise to earlier intermediary forms (e.g., tax farming), intermediary agents today result from governmental practices of the highly centralized state. As such, private agents should not be construed as autonomous entities located between demand and supply, or between migrants and states; they are instead an integral part of a complex structure of governance.

KEYWORDS: China, state, labour, agent chains, policy

DOI: <http://dx.doi.org/10.5509/201285147>

It is a near consensus among policy makers working for national governments and international organizations that private agents in international labour migration, who facilitate job searches and migration for a fee, can potentially increase the transaction cost, distort

the market, and undermine both state authority and migrant rights.¹ Some attribute the existence of commercial intermediaries to the bureaucratic red tape that has made migration difficult and thus created opportunities for rent seeking in the first place. This school of thought therefore urges for deregulation.² Others see unscrupulous agents being a result of the lack of regulation, and thus advocate stronger state intervention.³

The Chinese government has done both. Deregulation was introduced in the 1980s to the system of state-managed “international labour cooperation”—the original form of labour outmigration. This trend culminated in a dramatic policy shift in 2002 that redefined labour outmigration as individuals’ “overseas employment,” instead of as state projects. State monopoly over labour export was broken down and any private agent could apply for the license. Regulation over border exit was liberalized even more dramatically. By 2005 most Chinese citizens were able to obtain passports in as short as five working days’ time simply by presenting their ID cards, and the 2007 Passport Law defines a passport as a matter of citizens’ entitlement. Unsurprisingly, both labour outmigration and the intermediary business grew significantly. Nearly 600,000 Chinese were working overseas by the end of 2004, representing a more than ten-fold increase from 1990 (58,000).⁴ The number of licensed recruitment agents grew from four in the beginning of the 1980s, all large state-owned corporations, to over 3,000, both state-owned and private, in 2005.

The liberalization is accompanied by interventionist measures aimed at empowering migrants.⁵ For instance, a national hotline and a hearing

¹ Global Commission of International Migration, *Migration in an Interconnected World: New Directions for Action* (Geneva: Global Commission of International Migration, 2005), 70; Stephen Castles and Mark J. Miller, *The Age of Migration*, 3rd edition (Palgrave Macmillan, 2003), 114. For how private migration agents have historically been a concern of modern states, see Adam McKeown, *Melancholy Order: Asian Migration and the Globalization of Borders* (Columbia University Press, 2008).

² For historical debates along this line, see McKeown, *Melancholy Order*, 87; for recent arguments in China, see below.

³ International Labor Organization (ILO), *ILO Convention 97: Migration for Employment Convention* (1949), available at <http://www.ilo.org/ilolex/cgi-lex/convde.pl?C097>; last accessed on 10 October 2011; Sidney Jones, *Making Money off Migrants: The Indonesian Exodus to Malaysia* (Hong Kong and Wollongong, Australia: ASIA 2000 and the Centre for Asia and Pacific Social Transformation Studies, 2000).

⁴ These estimates are based on data provided by the Center for International Exchanges, Ministry of Labour and Social Security, *The Basic Facts and Analyses of the Statistics on Overseas Employment of 2004* [Jingwai Jieye Tongji Gongzuo Yiben Qingkuang yu Fenxi] unpublished report, 2005; China’s International Contractors’ Association, *Annual Report on China’s International Labor Collaboration* [Zhongguo Duiwai Laowu Hezuo Niandu Baobao 2004] (Beijing: China’s International Contractors’ Association, December 2004); Ministry of Commerce, *Annual Statistics of China’s Overseas Economy* (Ministry of Commerce Annual Reports series, Beijing: Ministry of Commerce, 2005).

⁵ Xiang Biao, “The Making of Mobile Subjects: How Institution Reform and Outmigration Intersect in Northeast China,” *Development* 50, no. 4 (2007): 69-74.

centre were set up in September 2002 to process complaints from outmigrant workers, especially those concerning private agents.⁶ In early 2004 six ministries jointly launched a nation-wide, three-month-long campaign, called Action Spring Thunder, to crack down on agents who had been reported by migrants for rights violation. More importantly, as I will demonstrate below, the government constantly raises the qualification requirements for license application and monitors the agents ever more systematically and rigorously.

The outcome of these policy changes is however quite different from the intentions. Unlicensed agents persist and even flourish, the process of recruitment becomes more complicated, and migration more expensive and less reliable.⁷ Workers from China now have to go through more, instead of less, agents at multiple levels—constituting “agent chains”—in order to migrate legitimately. For example, an unlicensed but well-connected recruitment agent in Liaoning province in northeast China promised jobs overseas to a group of workers, but failed to fulfill the promise; the agent passed on the workers’ passports to another agent in the same city who boasted of strong networks overseas, only to receive the passports two weeks later from an agent in Guangdong, more than two thousands kilometres away in south China. The agent in Guangdong asked the agent to find jobs for the workers and promised high commission fees!

Why have agent chains become more entrenched when the state strives hard to dismantle this structure? In order to address the question, this paper provides an ethnographic account of changes to the practice of international labour recruitment in China, with a focus on the structure of agent chains, between 1980 and 2008. Agent chains have their roots in the chain of command between different levels of government departments that organized labour outmigration as state projects. The government departments were transformed into or replaced by state-owned enterprises in the 1980s as part of the market-oriented economic reform. But these state-owned companies hardly carried out actual recruitment, and instead made money out of their monopoly of the licenses by charging smaller companies for using their names in paperwork. They thus became “predatory princes.” Not only did they behave like princes, representing the state authority in a well-

⁶ Reports in *International Contract Projects and Labor Service*, a business magazine run by the Ministry of Commerce, various issues 2002-2007.

⁷ Despite the government regulation that agent fees should not exceed 12.5 percent of the worker’s total income over the contract period that the agent guarantees, agents in 2007 charged 180,000 renminbi for a job in the United States, 140,000 for the United Kingdom, and 120,000 for Australia, far exceeding the ceiling given the workers’ low wages overseas. Agent fees for jobs in Japan, South Korea and Singapore increased from zero in the early 1990s to 40,000 renminbi in the late 2000s.

defined hierarchy, but they were also often literally run and staffed by communist princelings. For instance, Kanghua Corporation, a major player in international labour recruitment in the late 1980s, was set up by the eldest son of China's then paramount leader. A former staff member of such a princely company, a son-in-law of a senior cadre at the Liaoning provincial government, told me that they were making money simply by "stamping the papers." They charged 2,000 renminbi (US\$500 in the late 1980s, equivalent to a factory worker's two years' salary) for assisting with one passport application. The 2002 reform was aimed at replacing such princes with "peddlers"—private, independent and market-savvy entrepreneurs. But the private companies soon turned themselves into gatekeepers and "princely peddlers." Companies in major cities with international connections outsource the task of labour recruitment to mid-level agents in prefectures, who in turn subcontract the task to unlicensed sub-agents in local districts or rural townships—colloquially referred to as "legs." Compared to princes' command chains, peddlers' commercially engineered ladders involve more actors, and the relations between them are looser and vaguer, and thus involve higher fees and risks. Agent chains consist of various players, including large state-owned enterprises, small consultancies, and individual go-betweens. This article uses the generic term "agent" to refer to any entity involved in the chain of recruitment for commercial purposes.

I borrowed the two metaphors, princes and peddlers, from Geertz to highlight the natures and styles of the two ideal types of agents.⁸ As ideal types they do not represent actually existing practices of brokerage, but are images envisioned by two types of governmental rationality. The "prince" represents a rationality that stresses top-down control through administratively defined hierarchy, and the "peddler" is preferred by policies that encourage the supposedly self-regulatory free market. But unlike Geertz, who sought contrast, I focus on similarities and connections between the two. My central questions are: What made the princes predatory instead of simply enjoying their aloof high status, and conversely, why have the peddlers become princely instead of acting just like other firms? This leads to a more general question: How have agent chains sustained themselves *structurally* in spite of both the deregulation and the re-regulation measures?

I argue that the reason for the persistence of agent chains lies nowhere but with the state itself. Not that individual officials or government

⁸ Clifford Geertz, *Peddlers and Princes: Social Change and Economic Modernization in Two Indonesian Towns* (The University of Chicago Press, 1963). For Geertz, princes indicate a centralized, hierarchical, firm-like mode of economic organization, while peddlers means an unorganized, horizontally connected, market-style economy. They can both be paths towards economic modernization but are embedded in different social and cultural contexts.

departments are complicit in the money-making business, nor is the state insincere in protecting migrants' rights or punishing the baddies, but rather that the state would not have been able to make migration manageable without agent chains. The state relies on agents to turn flesh and blood migrants into "paper migrants," to transform unpredictable individual mobility into legible, aggregate flows, and to hold agents as scapegoats if needed. In order to assume these functions, the agents must be qualified by the state, and the number of agents that the state immediately relies on must be small. But life is such that those who master enough capital and expertise to be qualified are unlikely to stay in villages and mingle with unskilled labourers. Smaller agents at lower levels are thus necessary, and the result is agent chains. It is for these reasons that the policy changes, though they have significantly modified specific business operations, have not eliminated the structure of agent chains.

Conventional understanding tends to see intermediary agents as filling gaps between abstract forces: between supply and demand, between receiving and sending countries, between the society and the state, and between a deterritorializing impetus (the market) and territorializing powers (nation-states).⁹ When these "between" tensions are reconciled or suppressed, agents would disappear—for instance in the hypothetical scenarios where border control is removed or migration banned. Similarly, intermediary agents are supposed to play less important roles with the development of migrant networks and the narrowing down of information gaps between the sending (supply) and receiving (demand) sides. My paper moves away from this "between" paradigm, and shows that agent chains are internal to a centralized and integrative system of governance, comprised by both state and non-state actors. The state and agent chains are deeply intertwined. Apparent antagonism can be the other side of symbiosis. For example the state constantly blames private agents for violating rules, not only because they actually did violate rules, but also because the state *needs* to have someone, such as the agents, to blame, as a way of maintaining its legitimacy in a time when labour migration is becoming increasingly difficult to govern. Such a "within" instead of "between" perspective also explains why labour migration becomes ever more complicatedly mediated with the passage of time.

This paper is part of my larger project on labour migration from northeast China to Japan, South Korea and Singapore, the three leading destinations for unskilled Chinese labour migrants. I chose northeast China, particularly Liaoning province, as my main research site because of the dramatic increase in labour outmigration from the region since

⁹ For classical definitions of intermediaries from such an "in-between" perspective, see Jeremy Boissevain, *Friends of Friends: Networks, Manipulators and Coalitions* (Oxford: Basil Blackwell, 1974); F.G. Bailey, *Stratagems and Spoils: A Social Anthropology of Politics* (Basil Blackwell, 1969).

the early 1990s. The northeast in general, and Liaoning province in particular, was the national base for heavy and military industries since the establishment of the communist rule, and represented an archetype of state socialism. The sudden surge in outmigration resulted from the massive layoffs, starting in 1994, which were in turn caused by state-induced privatization of large state-owned enterprises. Commercial agents played a central role in facilitating the outflows. Liaoning has 60 agents who were licensed by the Ministry of Labour and over one hundred unlicensed agents connected to them, mostly private, in 2007. This is a huge number given that they sent only 6,000 workers overseas a year.¹⁰

In order to trace the multi-level process of labour recruitment and regulation, I carried out fieldwork in places that are located at five administrative levels in China: Beijing (where large state-owned companies with international connections are located), Shenyang (capital city of Liaoning province, the residence of five foreign consular offices for the northeast region, and thus a strategic location for large agents), a prefecture, a county under the prefecture, and finally a few townships and villages in the county. The prefecture, the county and the local communities have comparatively large numbers of outmigrants, but are not necessarily the top ones. I hope this makes them more representative since, at the end of the day, I am interested in the regulation of migration as part of the general system of governance instead of in migration per se. The identification of informants is relatively straightforward. At each of the five levels, the numbers of licensed agents and of government officials in charge of labour outmigration are small. I contacted all of them though only about 70 percent were willing to be interviewed, and available. There were many more unlicensed agents and individual brokers, especially at the lower levels (county and township), but they are all connected to licensed companies, which provides a reasonably good pool from where I chose the relatively active ones for in-depth interviews. During the fieldwork I was appointed a member of the “expert advisory team for overseas employment” by the international labour exchange centre, a body of the Ministry of Labour that oversees labour outmigration. This enabled me to attend government working meetings and to interview senior officials. In addition I visited the three destination countries to interview agents, employers, government officials and NGO activists. In total more than 200 informants were interviewed in the four countries between July 2004 and November 2007. Documentary study continues to date.

¹⁰ Liaoning provincial labour bureau, “Annual Statistics Collection,” (internal document, 2008). The number remains stable since 2004.

“Windows” and “Necks”

The institutional contour of labour outmigration from China today is shaped by its historical origin as foreign aid projects of the communist state.¹¹ The projects were managed by the Foreign Economic Liaison Ministry (later the ministry of commerce) with its provincial bureaus and municipality offices across China. When the central government decided to start a project overseas, the ministry would require the bureau in a particular province, which had suitable expertise and the right labour force, to organize the project teams to be deployed to the aid recipient country. The provincial bureau might in turn task a municipality office to do the same. Such chains of command started being transmuted into agent chains as we see them today when the state gradually cut down on foreign aid projects and increased the number of commercial projects.

The central government in 1982 reorganized a number of units under the Foreign Economic Liaison Ministry into four state-owned companies, called “central companies,” tasked with carrying out international projects on a commercial basis. All the central companies entered the international market as labour suppliers for established global companies in infrastructural development, but moved on quickly.¹² Determined to emulate established global players who specialized in design and management, the central companies downsized their unskilled staff from the mid-1980s, and subcontracted labour-intensive tasks to smaller state-owned enterprises in China. The subcontractor carried out the projects independently, and the central company made profits from the difference between what the foreign client paid them and what they paid the subcontractor. Even when a subcontractor secured deals directly with foreign clients, the subcontractor had to present the project as being under the control of a central company, because the latter were the only legitimate “windows” through which Chinese companies could sign international contracts and gain access to international currencies. The subcontractor had to pay the central companies “window fees,” which amounted to as much as 20 percent of the project revenue. The central companies were thus referred to as “window” companies and the practice was called “going through windows.” A window was obviously different from a general contractor as the window did not involve the

¹¹ The Chinese government sent skilled personnel to more than 50 developing countries in Latin America, Africa, Asia and East Europe in the 1950s and 1960s. He Xiankai, ed., *Practice of International Labor Cooperation (Guoji Laowu Hezuo Shiyu)* (Beijing Industrial University Press, 1994), 150-162.

¹² China Construction, one of the four, for example, entered the international market as a labour subcontractor of a Japanese company in Iraq and Kuwait. Interview with director, department of project planning, China Construction, Beijing, 26 January 2006.

actual implementation of projects at all; yet it was also different from a broker because it remained, on paper, as the central party involved in the project.

“One hat for all, enlarging windows to doors”

The practice of going-through-windows became a national phenomenon in the late 1980s when every province set up its own local windows. The provincial bureaus of foreign economic liaison offices across China, and subsequently some municipality offices in major cities, were reorganized into companies. They are all named “International Technology and Economy Cooperation Corporation of Province X,” and “international companies” for short. These local international companies enjoyed the same latitude as the central companies in conducting international businesses. But unlike the central companies, which possessed tangible assets and had specialized business lines, local international companies were normally staffed by former cadres of the bureaus and offices with little practical knowledge in commerce. Some international companies were shell companies—“briefcase companies” in Chinese—which had no assets, and instead made money by picking up business deals to pass on to others. Brokering labour export, which required minimum hardware and financial input, became a favourite cash cow of these highly privileged briefcases.

These international companies were also encouraged or even pressured to serve as windows for local companies by provincial governments. “One hat for all, enlarging windows to doors”; this was a slogan of the Liaoning provincial government in the late 1980s. Any state-owned company in the province was almost automatically entitled to use the name of the international company—wearing the “hat”—for their international dealings. In order to make the hats as effective as possible, provincial and municipality governments—which were the sole owners of local international companies—often registered the hats with hugely inflated amounts of funds, sometimes by up to fifty times, hoping that such cooked book records would help win international contracts.¹³ Window companies were also encouraged to set up subsidiaries across the province to enable more companies to *jiechuan chu hai*: “sail to the ocean on others’ boats.” In doing so, the government pushed companies into the ocean of the global market, but maintained control by owning the boats.

¹³ For example, Shenyang municipal government turned its Foreign Economy Liaison Office into Shenyang International Ltd. in 1984 and registered the company with a 150 million RMB operational fund while in reality they had only 3.7 million!

The window practice became even more prevalent with the emergence of the government-endorsed “nongovernmental channels” of outmigration in south China. From the mid-1980s, increasing numbers of employers and agents from Hong Kong and Taiwan travelled to south China to recruit workers for fishery and factory jobs in Southeast Asia and Saipan.¹⁴ They did so primarily through their own personal networks instead of relying on government windows. Local governments in the south welcomed this as an opportunity for local development and internationalization, and even ordered local international companies to help with paperwork. Understandably such nongovernmental migrations through government windows spread much faster than governmental ones. Xiamen International, a major international company in the south, sent out 40,000 workers between 1984 and 2004, mostly nongovernmental. About 85 percent of the 40,000 went to Southeast Asia and the South Pacific, working for overseas Chinese businesses.¹⁵

The structure of agent chains was complicated when, with the deepening of economic liberalization, more companies at lower levels acquired the license for international labour recruitment, i.e., the “window” status. While previously only non-windows served as subagents of windows, now deals were commonly passed on between windows. Agent chains are no longer confined to vertical connections but also spread horizontally. In order to make sense of this new complexity, the Ministry of Commerce had to coin three new terms. First, there were “contract signatory companies,” which signed international contracts. Only contract signatory companies appear in formal documents. The second term was “management companies,” referring to the companies which actually implement the project overseas. Third, the companies who supply workers are called “personnel deployment companies.” These three terms reflect the companies’ functions in agent chains instead of their official status (licensed or not). The terms were meant not only to describe the new reality, but more importantly to actively assign responsibilities to the various companies. The “contract signatory companies” were for instance supposed to be responsible for the international project in its entirety and to safeguard state interests, especially in dealing with foreign clients. As the ultimate window, they also served as the first and the primary “handle” that the state would grasp if anything went wrong. The “management companies” should follow

¹⁴ Beijing allowed Taiwan fishing boats to stop at designated ports in Fujian; owners of the boats often recruited labour onshore nearby. A considerable number of Hong Kong and Taiwan garment factories were relocated to South Pacific countries and Guan and Saipan of the US in the 1980s and 1990s in order to avoid the tariff imposed by the international textile quota system.

¹⁵ Interview with deputy director general, Xiamen International, 25 February 2005, Xiamen.

the progress of the project closely, and coordinate with the contract signatory and the personnel deployment companies constantly. They were supposed to provide solutions in case of emergency, though they always acted behind the scene. The “personnel deployment companies” shouldered no less responsibilities. They were tasked to “scrutinize the political, professional and health conditions of the personnel to be deployed.”¹⁶ Officially, the personnel deployment company should be the migrant’s employer. But in reality many migrants had no proper jobs or were working for small private companies who were unable to provide such “political scrutiny.” The migrant in this situation might approach well-established state-owned enterprises and pay the enterprises for acting as their personnel deployment company.

Order! Order!

The expansion of agent chains and the ever more complicated inter-agent relations pose new regulatory challenges. Well-established window companies on the top of the food chain became both parasitic and predatory. As the princes picked up international projects only to pass them on to other small companies, they were not particularly concerned with the profitability and feasibility of the project, and often undercut each other by offering lower prices at international bidding. Furthermore, the hidden, poorly defined subcontracting relations between companies in China created confusion among both workers and foreign clients, especially regarding wages and working conditions, leading to disputes on worksites overseas, particularly in Saipan, Mauritius, Pakistan and Singapore.¹⁷ This made “market order” a top concern of the Ministry of Commerce in the late 1990s, as evidenced by the numerous documents issued under this rubric at the time. A manager of a window company recalled that, at every working conference organized by the ministry in the late 1990s, “they talked about three things only: order, rule, punishment.”

The government’s interventionist efforts aimed at disciplining companies, ironically enough, turned out to further reinforce the structure of agent chains. For example, toward the end of the 1990s the Ministry of Commerce required all companies to consult the Chinese embassy in the destination country before finalizing the international contract. The embassy was supposed to check the draft contract, inspect

¹⁶ Ministry of Foreign Technology and Economic Cooperation (reorganized into Ministry of Commerce in 2003), Ministry of Foreign Affairs, Ministry of Public Security, *Provincial Regulations on the Procedures of Dispatching Labor Overseas* (22 October 1996, effective from 20 December 1996).

¹⁷ Ministry of Foreign Technology and Economic Cooperation, *Urgent Circulation Regarding Tightening Up Scrutiny Over International Labor Collaboration Projects* (17 May 2000).

the worksite, and provide advice to the contract signatory company. Without the confirmation letter from the embassy the workers were not able to apply for passports.¹⁸ This measure was meant to protect migrants' rights and to prevent labour disputes, but how many companies had the prowess to push Chinese embassies around? Many had to rely on the few big princes as their contract signatory windows to do this for them. Another policy was introduced by the China International Contractor Association (CHICA). CHICA was set up in 1988 by the Ministry of Commerce as a quasi-governmental organization in order to encourage enterprises' self-regulation, which was regarded as critical for developing a healthy market economy.¹⁹ CHICA organized its member companies into twelve "coordination teams," mostly according to destination country (Israel, Japan, Jordan, Korea, Malaysia, Mauritius, Namibia, Saipan, Singapore), some by occupation (seafarers and fishery workers). Only the member companies of that particular team were allowed to send workers to that particular country or for the particular occupation. Exclusive membership was meant to avoid market overcrowding and malignant competition. The Israel team, for example, obliged its 24 members to ensure that the wages for workers stipulated in their contracts with the Israeli clients should not be lower than those in earlier contracts signed by other team members.²⁰ CHICA's main business, in the words of a manager of a member company, was "drawing circles": "They drew a big circle: everyone has to have the license; then a second circle: everyone must join CHICA; yet again a third circle: you must be a member of a Coordination Team." Out of the more than 3,000 licensed companies nationwide, only about 200 became team members. Obviously, the majority of the companies had to rely on that small minority as their windows.

In order to maintain a desirable market order, state policies sometimes forced companies to act as subagents of large windows. For example, in order to apply for a license for international labour recruitment, as a *precondition* a company must have sent out at least 100 workers a year for two years *prior to* the application.²¹ The bar was raised in 2004 to 300

¹⁸ Ministry of Foreign Technology and Economic Cooperation, *Urgent Circulation Regarding Tightening Up* (2000).

¹⁹ See an article by the secretary general of China's International Contractors' Association Diao Chunhe, "Fahui Shanghui Zuoyong, Cujin 'Zouchuqu' Kaifang Shiye de Fazhan" [Enhancing the Functions of the Association, Facilitating the Development of the 'Stepping Out' and Open-up Mission] *Guoji Gongcheng yu Laowu [International Contracting and Labor Service]*, 3, (2004): 5.

²⁰ CHICA, *Tentative Methods of Regulating and Coordinating Labor Cooperation in Israel* (1 January 2003).

²¹ Ministry of Foreign Technology and Economic Cooperation, *Circulation Regarding Criteria for Applying for Licenses for International Labor Cooperation and Regarding Strengthening Follow-up Management* (1999, Document Code 748).

workers over the last three years. By definition, the companies had to go through windows in order to meet the requirements. The rationale behind this rule was the belief that only those who had worked with the system before understood the inside rules and would thus not upset the established order. The government also wanted the licenses to go to “ones of ourselves,” and were reluctant in bringing in outsiders to share in the limited cake.²²

Another curious policy that unintentionally reinforced the structure of agent chains was to punish companies, typically by means of circulating “public criticisms,” for failing to meet revenue targets set by the ministry. The ministry issued public warnings to companies whose annual revenue was below US\$100,000 for two consecutive years; and delicensed those that failed to meet the target three times.²³ Using my informants’ metaphor, this policy is meant to balance “the amount of meat and the number of wolves.” It was thought that, if too many wolves fought over too little meat, the weak ones would have to resort to irregular means for survival, thus upsetting the ecosystem. If the weak ones were culled in a timely manner, the policy implied, all the wolves would have enough to eat and full-stomached wolves would behave well. But few licensed companies were wolves in the wild; they were princes in fancy buildings. This policy unintentionally pressured companies to actively seek window fees in order to boost their revenue figures on the book. The head of a window company commented:

Large central companies didn’t necessarily like acting as windows, [because as windows] you had political risks. For us, business *is* politics. But we still *needed* to do it. Why? [Because by doing so] we could have higher revenues... This was not only about economic performance. This also affects the political future of the director general. If you lose the license, where can you go in the future?²⁴

“Neck-holding” supervision

The most typical example, whereby the state attempts to maintain the market order through agent chains, was probably the management

²² Interviews with officers at the Department of International Collaboration, Ministry of Commerce; Manager General, Shenyang International Co., Shenyang; Manager, Transocean International Co., Beijing; Manager, Xiamen International, Xiamen. Various times, 2005-2007.

²³ Ministry of Foreign Technology and Economic Cooperation, *Circulation Regarding Criteria for Applying for Licenses* (1999). It is common practice in a socialist economy that the state sets performance targets for all work units. The Philippines and Indonesia adopted similar policies in regulating international labour migration agents.

²⁴ Interview, deputy director of a major state-owned corporation, Beijing, 5 May 2007.

method of so-called “neck-holding” (*guikou*, literally means to channel everything to a single outlet). This method was particularly thoroughly implemented in managing labour migration to Macau. Beijing saw Macau as a showcase of its “one country, two systems” policy, and strove hard to prevent any social disorder there. In order to ensure orderly labour migration from the mainland to Macau, the central government designed a four-level system. The four levels consist of (1) personnel deployment companies at the lowest level; (2) a number of “supervision companies” which were given exclusive permission to sign contracts with Macau companies; (3) three “neck-holding supervision companies” which supervised the supervision companies; and finally, on the very top, (4) Sino-Macau International Coop., the single window that oversees the entire process. Every personnel deployment company must tie itself to a supervision company, every supervision company in turn belonged to one of the three necks, and the necks reported to Sino-Macau International.

When a personnel deployment company and a Macau employer reached a tentative business agreement, the Macau employer applied to the Macau government for approval for labour imports. Once approved, the Chinese company submits the approval alongside other materials to its supervision company and then to Sino-Macau International. Sino-Macau International either approved or rejected the project proposal after consulting with the Macau government. This is followed by the so-called “mainland procedure.” The “mainland procedure” started with the supervision company’s application to the provincial government for the “approvals of political scrutiny” of the workers. The approval was then sent to Sino-Macau International for a double check, after which workers applied for passports and visas to Macau (special passes after December 20, 1999), which again took multiple steps.²⁵ The neck-holding supervision companies were not directly involved in the routine business, but were positioned to intervene in case of conflicts between supervision companies.

Sino-Macau International was closely tied to the Macau Office of Xinhua News Agency, the representative of the central government. The most important function of Sino-Macau International was to set the annual “self-imposed quota” (*zìwò pèi'è*) to cap the number of Chinese workers in Macau. The Macau government never requested this, but Beijing regarded it as necessary in order to avoid possible local resentment. (Due to a similar concern, the Chinese government banned mainland women from working in Hong Kong as domestic maids, fearing that they may have affairs with local men and thus create social tensions!²⁶)

²⁵ Ministry of Foreign Technology and Economic Cooperation, *Methods of Regulation on Ordinary Labor Cooperation with Macau* (July 27, 1998).

²⁶ Interview, cadre, Ministry of Commerce, April 23, 2007, Beijing.

As shown in this neck-holding management, predatory princes and agent chains turned migration flows from innumerable, amorphous creeks into a single river tamed by dams that were strategically positioned along the way. This produces a high level of legibility, which, according to James Scott, is key to modern statecraft.²⁷ However, the legibility in this case is produced in a quite different way from what Scott portrays. According to Scott, the modern state vastly simplifies the infinitely diverse, unquantifiable, illegible, local practices into a grid which can be recorded and manipulated from the centre. The administrative man “is content with the gross simplification because he believes that the real world is mostly empty—that most of the facts of the real world have no great relevance to any particular situation he is facing and that most significant chains of causes and consequences are short and simple.”²⁸ But the multiple circles, neckholding and the calibrated differentiation among recruitment companies seem to represent a different type of bureaucratic rationality. No one complained that the bureaucrats were too simplistic; they made life complicated for everyone.

“Get the couple married ... and make sure that they will have babies”

The cumbersome regulation and the agent chains have long been criticized in China. They were blamed for the underdevelopment of labour outmigration from China, especially compared to India and Pakistan, where 80 to 90 percent of migrant workers sought jobs through private means, in contrast to 10 percent in China at the beginning of the 1990s.²⁹ Complicated regulation was also held responsible for making Chinese workers expensive (with the prevailing monthly wage being US\$300-350 in the early 1990s) and thus less competitive.³⁰ An officer of the State Council Development Research Centre argued in 1999 that China must scrap the state monopoly in labour exports and should instead encourage citizens to seek overseas employment themselves.³¹ Professor Pan Wei, an influential political scientist in Peking University, argued that labour outmigration should be like “pouring mercury to the ground”—splashing in all the directions and allowing every drop to find

²⁷ James Scott, *Seeing Like a State: How Certain Schemes to Improve the Human Condition Have Failed* (Yale University Press, 1998).

²⁸ Herbert Simon, cited in Scott, *Seeing Like a State* (1998), 45.

²⁹ Long Guoqiang, *Zhongguo Fuwu Maoyi* [Trade in Service from China] (Beijing, CITIC Press, 1995), 356.

³⁰ He Xiankai, ed., *Guoji Laowu Hezuo Shiwu* [Practice of International Labor Cooperation] (Beijing: Beijing Industrial University Press, 1994), 156.

³¹ Guanjiang Gao, “Economic, labour market and migration developments in China,” in *Migration and the Labour Market in Asia: Recent Trends and Policies 1999* (Paris: OECD, 1999), 77.

its own destiny, diametrically different to the “neck-holding” vision.³²

Such a market-oriented system is precisely what the Ministry of Labour envisioned when it promulgated *The Regulations on Overseas Employment Intermediaries* in 2002. Mr. Wu, the deputy head of the international labour exchange centre, a body set up by the ministry specifically to promote and regulate overseas employment, told me that, although ideally all workers should migrate independently, a private intermediary is still necessary at this stage because most migrants from China are unskilled or semi-skilled. The priority for the time being was thus, he said, to wipe out the “unreasonable phenomenon of the planned economy,” such as agent chains and window fees, and to cultivate a “mature market” for overseas employment. The new policy allows any independent entity to apply to become a licensed recruitment agent. At the same time the policy disqualifies government units and public institutions (such as job centres attached to labour bureaus) because they are not independent legal entities and cannot be brought to the civil court in case of disputes. Agents of the peddler style are expected to outperform princes, especially given the fact that the market of labour recruitment is not much different from a bazaar that consists of “enormously complicated, poorly articulated, and extremely noisy communication networks.”³³ The Ministry of Labour flags its pro-market stance not only to distinguish the new policies from the old, but more importantly to distance itself from the Ministry of Commerce, which has been in charge for a long time, therefore marking out its own new turf.

I was thus not at all surprised, when attending the annual “expert consultation meeting” organized by the International Labour Exchange Centre in 2005, that the first half of the meeting was dominated by what scholars would call discourses of market fundamentalism. At the meeting were officials from the centre, a dozen managers of newly licensed private agents, and invited “experts” including four lawyers, two economists and one anthropologist (me). The main agenda of the meeting was to review a draft template for the service agreement between recruitment agents and migrants that, once finalized, was supposed to be adopted by all licensed agents. One of the lawyers, who used to work at the ministry and was now an independent consultant and university professor, commented that the template was too detailed: “A good lawyer always advises you to write down as little as possible. The more you write down, the more vulnerable you will be.” He concluded loudly to the agent managers: “You just make sure that the couple will get married, it’s not your business whether they will have babies!” This metaphor was familiar

³² Personal conversations, May 3, 2005, Beijing.

³³ Clifford Geertz, “The Bazaar Economy,” in *The Sociology of Economic Life*, eds. M. Granovetter and R. Swedborg (The Westview Press, 1992), 227.

to all the agents. Marriage meant matching a worker to an overseas job, and the baby was the satisfactory outcome of the match for both parties. Another lawyer echoed: “You must put down a definite point of termination of your liability. The earlier, the better. For example, at the moment of [the migrants’] plane takes off, the contract expires.”

Mr. Wu, the deputy director of the centre and clearly the central figure in the room, became visibly impatient. “A year ago we were saying exactly the same thing,” Wu interrupted the lawyers, “But these ideas aren’t realistic. Companies cannot be simple intermediaries. They must be *service* companies, must have the capability of offering guarantees [about job conditions and salaries].” He went on to explain why agents had to ensure the couple could have babies by pointing to “five immaturities” in labour outmigration: the market is immature (for example public trust is weak), laws in China are immature, laws on labour relations and migration in some receiving countries are immature, migrants themselves are immature, and finally the agents are immature. Agents must be pressured to do more than finding jobs and putting the migrants on the plane.

The three lawyers looked embarrassed, but agent managers nodded in agreement. A manager told me during the lunch break that if the recruitment business follows the lawyers’ suggestion, it will either be abandoned by migrants (“Who would pay you so much money if you tell them that your liability expires once their airplane takes off?”), or will be eliminated by the state (“How could the Communist Party allow you to run a business that you are not prepared to be responsible for what happen overseas? Director Wu won’t be able to keep his seat [job]!”) Two months later, at the 2005 annual national conference on overseas employment organized by the labour ministry, “market” was no longer the keyword. Overseas employment was now portrayed as “a mission about people.”

Guifan: forms, forms, more forms

How can the ministry make sure that the agents will guarantee the couples have babies? This is challenging because, unlike in the pre-reform period when all licensed companies were state-owned and were obliged to follow government orders, the new companies are independent enterprises. Furthermore, while the Ministry of Commerce and its local branches could previously stop companies from sending workers out, the liberalization of passport regulations and exit control means that this is no longer a feasible method. This new context, according to Mr. Jin, a young and rising bureaucrat in the international exchange centre, requires “scientification of regulation.” The first step toward the scientification was to *guifan*, literally meaning to “contain by

rules,” referring to putting in place methods and procedures that clarify each party’s rights and duties. Xu Nianlin, the official in the Liaoning province labour bureau in charge of labour outmigration, told me that he was eager to develop a system where “agents, officials and migrants all have laws to rely on and have rules to follow at every single step that they take.” Xu designated 2006 as the Year of *Guifan* for the development of international labour recruitment in the province. The year before was the Year of Regulation, and 2004 was the Year of Propaganda, aimed at raising public awareness about overseas employment. When asked how *guifan* differs from regulation (*guanli*), Xu had obviously thought it through. Regulation means “to bring [agents] to the right track hand in hand,” he said, while *guifan* “sets rules so that the agents can follow” and enables agents’ self-governance. Regulation is to draw lines between right and wrong; by comparison *guifan* grasps a more fundamental essence of the market and is aimed at “embedding regulation in service [‘service’ meaning the assistance provided by the government that facilitate business].” Regulation is about control, *guifan* is about professionalization. “*Guifan* is of a higher level than regulation,” Xu concluded.

Xu’s flagship project for the Year of *Guifan* was a meticulous paper trail designed to document how exactly each agent sends out each worker. Before sending the workers overseas, all agents are required to submit their service agreements (between agents and migrants), employment contracts (between foreign employers and migrants) and proof of the overseas employer’s legal status and the foreign government’s permission for hiring migrant workers. The agents also have to declare that they have checked all the details in the contracts against laws and regulations of the local government, the national government, and of the destination country. Given that any individual can now apply for a passport and leave China, how can such paper trails affect the actual recruitment business? The point of having the paper trails was, Xu said, to cultivate the companies’ “habits of doing business scientifically.” Mr. Jin in the ministry regarded Xu’s initiative a good idea: “This is something that they can write into their work report.” Apart from the paper trails that can themselves be beautifully written, the systematic data generated makes it easier to produce reports with a scientific appearance. Indeed, government officials commonly prefer “writable” activities to work that is hard to measure and describe. It is through writable procedures that independent agents are turned into subjects of government intervention.

This function of the paper trail, serving as one of few interfaces between the government and the agents, became particularly evident in an incident in 2007. More than 30 would-be migrants sued a licensed company, which was originally a branch of Shenyang Municipality Labour Bureau, and its subagent for deception. The subagent brokered a deal with a South Korean businessman to send over the 30 workers,

and collected money from the workers and passed it on to the Korean person. The Korean businessman and the money both disappeared. The workers then found out that part of their money had been transferred to the licensed company in Shenyang as window fees for processing the paperwork. As the licensed company was connected to the Labour Bureau and had more assets, the workers reckoned, it should be more willing and able to compensate their loss to save face. They therefore decided to sue the licensed company instead of its subagent as the main defendant. Xu's first reaction in the wake of the incident was to check the record. After finding out that the window company did not follow the proper paper trail as required, Xu swiftly issued a "public criticism" about the window before the court started its investigation. Though the window company's negligence of the paper trail was unrelated to the Korean businessman's deception, Xu's criticism distanced the government (and himself) from the company and made the company evidentially "blamable." Xu and the government were, as always, on the right side of the law. Complex paper trails render agents vulnerable to blaming whenever the government sees it necessary. Just as a Pakistani bureaucrat told the anthropologist Matthew Hull, "files are timebombs."³⁴ Xu was planting landmines.

A number of anthropologists have recently called attention to the agency of documents as a new subject of inquiry.³⁵ It is argued that documents as bureaucratic artifacts are not simply passive, lifeless tools for recording and representing facts; rather, they acquire social careers of their own. Documents as "things" can be more consequential than the facts represented by documents; people sometimes fight over documents regardless of what the documents really stand for. The materiality of symbols is as important as the symbolic significance of material. This insight is certainly applicable to the case of scientification, which aims to subjugate people to papers, and to privilege form over content. Only a small number of agents can be regulated and blamed so scientifically. Few agents, for example, are able to check the contracts against relevant laws in the host country; even if they want to make it up, it still needs a professional team to make the documents look convincing. Smaller companies who appear unlikely to run the business "scientifically" won't be licensed and have to work as subagents. Big peddlers now look increasingly princely.

³⁴ Mathew Hull, "Ruled by Records: The Appropriation of Land and the Misappropriation of Lists in Islamabad," *American Ethnologist* 34, no. 4 (2008): 501-518.

³⁵ Annelise Riles, *The Network Inside Out* (University of Michigan Press, 2000); Annelise Riles, ed., *Documents: Artifacts of Modern Knowledge* (University of Michigan Press, 2006); Mathew Hull, "The File: Agency, Authority, and Autography in a Pakistan Bureaucracy," *Language and Communication* 23 (2003): 287-314; Mathew Hull, "Ruled by Records" (2008).

“No capacity, no credibility”

“Capacity building” was identified as another central measure to ensure that independent commercial agents will provide proper service. Capacity building became a political buzzword after the Chinese Communist Party stressed that the Party must transform itself from a revolutionary vanguard to a governing party with strong ruling capacity in 2004. In the field of international labour recruitment, the Ministry of Labour attaches special emphasis to agents’ financial capacity, which is seen not only as a foundation of business success, but also as a basis of the agent’s credibility. “What is credibility?” Xu asked. “If you have the [financial] capacity to pay full compensations [in case of failure in fulfilling the contract], you have the credibility. If you aren’t able to compensate, what credibility can you talk about?” Due to the same concern, the labour ministry set the national policy in 2002 that all agents have to deposit a minimum financial bond of RMB 500,000 (US\$60,000) when applying for licenses. Liaoning province increased the minimum bond to RMB 800,000 in 2005, and to one million in 2007. If an agency cancels its license, the agency has to wait for two years before the labour bureau orders the bank to release the deposit on the condition that no earlier misconducts by the agency transpired during the two years.

Apart from its stress on financial capacity, the Ministry of Labour also urges all agents to develop the “capacity of risk prevention.” From 2005 onwards, all companies must submit a report on their “emergency coping mechanisms” when applying for licenses. The report must detail the procedure, the division of labour, the names of the staff and the telephone numbers designated, and the budget earmarked for emergencies, particularly migrant workers’ strikes overseas. All agents must hire staff who have work experience in international relations and career development. A much more demanding requirement than this is that agents must appoint their legal representatives overseas when applying for licenses. A senior official at the Ministry of Labour explained to me that agents will be more inclined to use legal means in handling disputes if they are forced to form an affiliation with a law firm overseas, which will discourage workers from seeking help from the foreign government or the Chinese embassy, and can thus avoid hostile elements from politicizing the incidents internationally.

In response to these policies, some companies invested in developing capacity in order to acquire the exclusive window status and subsequently to recoup the investment by seeking rents through agent chains. Mr. Wan is the deputy director general of a major construction company in central China. When I met him in the guest house of the Ministry of Labour that is adjacent to the main office building, I was surprised by his familiarity with the guesthouse and the hidden path between the guesthouse and the ministry. It turned out that he stayed there three times for the sole

purpose of applying for a license even though Wan's company had no problem in meeting the requirements. Wan decided to invest in labour recruitment, completely unrelated to their main business, simply because the company had the money and connections to do so—the director general was somehow related to Mao and Wan called him “kin of the emperor, and a relative of the state” (*huangqing guoqi*). They expected the license to bring the status of “premiere wholesale merchant,” based on which they can make profits off smaller, unlicensed subagents and ultimately off the migrants. Wan cited the example of Hu Xueyan, a premiere wholesale salt dealer in the Qing dynasty who later bought a high official title and was thus called a “red-hat merchant,” to explain to me why such a status will bring in not only wealth, but also power. When I checked out from the guesthouse, I was surprised by the high price. The receptionist, a migrant woman in her twenties from south China, who obviously had mistaken me as one of the many company representatives who stayed there to apply for the license, smiled at me: “Expensive? It’s worthwhile investing in the future.” Princely peddlers can be even more aggressive than predatory princes in rent seeking.

It is important to note that the Ministry of Commerce, which was responsible for the prince model, has since the late 1990s adopted very similar policies to those of the labour ministry. Its policies attach even more emphasis to professionalism and capacity building. The ministry introduced the practice of evaluating licensed agents annually in 1995; agents would be delicensed if they failed to provide satisfactory documentary evidence about their business performance.³⁶ From 2000, companies must have obtained ISO 9000 certificates before applying for the license.³⁷ Following the Ministry of Labour, the Ministry of Commerce allowed private companies to apply for licenses in 2004 and at the same time raised criteria for eligibility, especially regarding financial capacity and technical know-how.³⁸ As such, the replacement of princes by peddlers is a common trend, and the new peddlers are rather similar regardless of which ministry they obtained their license from.

Conclusion

The era of the prince is obviously different from the time of the peddler. Once a state monopoly, labour outmigration is now defined as an

³⁶ Ministry of Foreign Technology and Economic Cooperation, *Circulation Regarding Strengthening Regulation Over the Permission for International Labor Cooperation* (18 August 1995).

³⁷ Ministry of Foreign Technology and Economic Cooperation, *Methods of Regulation* (2000).

³⁸ Ministry of Commerce and State Bureau of Industry and Commerce, *Methods of Regulation on Qualification for International Labor Cooperation, Decree No. 3* (26 July 2004).

individual endeavour facilitated by private players; intermediary agents are autonomous enterprises instead of functioning arms of the government. But the window practice and the structure of agent chains remain strikingly stable. Furthermore, most of the licensed independent companies today are related to the state in one way or another: they are either state-owned, formerly state-owned, transformed from a government unit or, more commonly, run by former governmental officials. Peddlers today were princes yesterday. Mr. Ma, formerly a government cadre and now a director of a window company, called the reforms “changing the water without changing the herbs”—thus essentially the same bowl of soup.

This article explains why the structure of agent chains persists although the market has been liberalized, administrative barriers removed and regulations introduced against irregular brokerage. First, from the early 1980s to 2002, when the state introduced market practices into the state-managed system of labour export, the administrative command chains were turned into commercialized agent chains. Window companies became predatory princes. In order to curb the market disorder resulting from the reform, the state encouraged the development of agent chains in order to have “handles” and “necks” to hold. Second, after 2002, when independent agents became main players in the market of labour export, the state’s emphasis on capacity and qualification recreated the divide between those “in” and those “out,” as defined by the license. Some companies got themselves “in” simply for the purpose of making money from the license by engineering agent chains.

The fact that the dramatic break in policies and rhetoric only reproduced the structure of agent chains hints at the complex relation between the state and intermediaries. Agent chains epitomize this relation. Agent chains render transnational mobility governable for the state, and at the same time enable individual companies to deal with bureaucracy efficiently to get the business done. Contradictory to the image that agents are like wild weeds cropping up constantly and that the state has to work hard to wipe them out, agent chains developed from inside of the socialist bureaucracy and have been cultivated, though often unintentionally, by the state.

How agents make money is how the state makes order. Both Friedrich Hayek³⁹ and James Scott⁴⁰ are perhaps too pessimistic about the modern state’s capacity for managing social life. It is true that the state can never centralize effectively all the information in its totality that is necessary for grand social engineering, and it is also undeniable that the state often fails in simplifying local practices into flat charts and neat tables. But the

³⁹ Friedrich Hayek, “The Use of Knowledge in Society,” *The American Economic Review* 35, no. 4 (1945): 510-530.

⁴⁰ Scott, *Seeing Like a State*, 1998.

state not only simplifies society, it also complicates it; the state actively creates new social relations. With such social relations as the agent chains in place, the state seems to be able to govern *without* knowing all the minute details of life. Bureaucrats knew well that the world is not simple, and were fully aware that they were missing out on a great deal of information by sticking to administrative categories, but, as long as the “neck” was firmly in hand, why should they be concerned with all the details about the fingers, the hairs, the nails? Life continues to be complex, illegible and unquantifiable, yet the state does often manage to regulate mobility successfully. Key to understanding this is the complex structure of the middle ground, where legibility and legality are produced and where regulation as social interactions is actually exercised.

Oxford University, Oxford, United Kingdom, November 2011



Capitalism

Paul Bowles

9781408269220

April 2012

£15.99 | \$29.99

Part of the Seminar Studies series, *Capitalism* provides a concise, lucid and thought-provoking introduction to this pervasive and adaptable, yet crisis-ridden, economic system.

Seminar Studies

www.pearsoned.co.uk/

SeminarStudiesSeries

ALWAYS LEARNING

PEARSON