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Institute of “guanxi” in social and cultural History of the PRC

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ABSTRACT

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GENERAL DESCRIPTION OF WORK

The relevance of research

Problems of differences in the institutional environment and informal institutions of different countries affect the interests of state authorities, companies and individuals working and interacting with China. "Guanxi" - is informal links between individuals or group of individuals, in most cases, are not related by kinship, but with common interests and goals. In a broad sense, the term "guanxi" means interpersonal ties and long lasting exchange of favors. "Guanxi" means more than friendship or relationship, if person has "guanxi" he cannot refuse to help another person from his network of contacts. "Guanxi" help to solve various issues and conflicts without resorting to formal Institutions of power. One of the distinguishing feature of "guanxi" is that they are, to a greater extent, are based on common institutions - kinship, place of birth, place of study or work, etc. They are one of the peculiarities of the Chinese socio-cultural tradition, which has been forming for centuries and nowadays has not lost its value.

This topic is relevant for the study of Chinese social life, changing values and business culture. All organizations, companies and every single individual constantly interact with the environment provided by different institutions. The term "institutions" means the formal rules (decrees, orders and regulations) and informal constraints (norms of behavior, agreement, codes of conduct).

The classical concept of social institutions was most fully expressed by Talcott Parsons in the structural-functional theory. Social Institute - is "an organized system of cultural beliefs, norms, common to most individuals".¹ "System of standardized expectations, viewed relative to their place in the overall system, and deep enough penetrating action that they could be recognized as legitimate without evidence, conditionally called institutions."²

¹ Парсонс Т. О социальных системах. М.: Академический проект, 2002. Р. 721-722

² Парсонс Т. О структуре социального действия, М.: Академический проект, 2002. Р. 320

Coordinating social activities in the public system, the institutions ensure its stable operation.

It is believed that the institutional environment consists of three components: regulatory (government policy), cognitive (knowledge and skills shared in the community) and regulatory (the system of values in society).³ One of integral part of the Chinese institutional environment are informal relationships (“guanxi”). They are governed by an unwritten law, and always exist in society. They regulate all spheres of social life and influence on social history. Studying “guanxi”, it is possible to understand the principles of collaboration and work in Chinese society. The development of any society is determined by the degree of development of institutions that are presented in it, that is why the application of institutional theory is so important for the historical science. Considering the processes of institutions transformation it can be by new way analyze the historical events that took place in China, as well as to predict further development.

On the practical side, the study of the role of informal relationships in Chinese society is important for foreign economic relations of Russia, because, despite the transformation of Chinese society, the role of informal relations is not weakened. Present study can serve as a guide for the Russian entrepreneurs who want to establish business partnerships with Chinese companies. Knowledge of the formation and strengthening of informal relations may help in establishing effective relations with the Chinese partner, and understanding of the characteristics of their mentality and motivation of behavior. Present study has practical implications for professionals and for people who for different reasons are linked with China, because every year the cooperation between China and Russia has become increasingly active, covering different areas.

³ DiMaggio P. & Powell W. The iron cage revisited institutional isomorphism and collective rationality in organizational fields// American Sociological Review. №48. -1983. – P. 147-160; Scott. R. Institutions and organizations-Thousand Oaks, CA: Sage – 1995. – 178pp.

Goals and objectives

The purpose of dissertation research is to determine the place and role of “guanxi” in social history of the PRC. Research purpose involves the solution of the following tasks:

- trace the changes that have occurred in the social institutions in China, since 1949, especially during the “Cultural Revolution” and the period of “Reform and Opening up”, and determine the change in the role of informal relations in the conditions of social changes which were processing in China;
- identify and analyze the main socio-historical pre-conditions of appearance of the informal relationships, as well as methods and specific examples of “guanxi” using;
- learn basic components of informal relations: “red envelopes” (“hongbao”), the "face" (“mianzi”), gift giving and etc. ;
- make comparative analysis of such phenomena of Chinese and Russian reality as “guanxi” and “blat”;
- on the exact historical material show typical cases of “guanxi” usage in various spheres of life of Chinese society.

The object and subject of study

The object of research is the socio-cultural system in the era of modernization of Chinese society since 1949

The subject of research is “guanxi” as institution and a social and cultural phenomenon that can be understood only through an integrated interdisciplinary research.

The historical framework of the study

The historical framework of the study, chosen by the author, covers the period of China's history, from the founding of the PRC in 1949 and to date. 1949 was chosen as the starting point, as of this moment in China starting to happen radical changes in the social, economic, cultural and political life of society. At this time China gets in a complex way of not only domestic

development, but also the interaction with the outside world. This period is of interest to study the transformation of traditional institutions in the process of reforms and globalization. If necessary, the author made an excursion into antiquity, for example, to trace the formation of “guanxi” concept.

Methodology of Research

For the analysis of historical phenomena and events as well as to identify their characteristics, in this thesis several theoretical research methods were used. The main emphasis was placed on the principle of historicism, the historical-genetic, historical-comparative, historical-typological method. As a result of historical-genetic method, which allow consistently disclose the properties, functions and changes in the studied reality in the process of its historical movement, it was possible to trace the emergence of informal relations in China, and to identify causal relationships and historical patterns. This method allowed describing historical events and individuals in their individuality and imagery.

Historical-comparative method allows identify similar public events taking place in different countries, and differ only in the spatial or temporal variation of forms. It revealed common and distinct features in the historical development of Russia and China. Social life is constantly changing, events replace each other, and their quality statuses are changing. It is important to highlight the distinctive stages of change of these circumstances for the study of the socio-historical differences. Historical-typological method revealed the general and the particular in the historical development of Russia and China.⁴

The degree of problem study and development

In contemporary literature there is the topic of informal relations, but mainly at the level of fiction and popular publications. Many Russian Orientalists (N.A. Speshnev⁵, V.Y. Sidihmenov⁶, V.V. Malyavin⁷) in their writings only mention about the phenomenon of “guanxi” as an integral part of

⁴ Ковальченко И.Д. Методы исторического исследования. – М.: Наука, 1987. – Р.171-172

⁵ Спешнев Н.А. Китайцы: особенности национальной психологии. - СПб: Каро, 2015. — 460 pp.

⁶ Сидихменов В.Я. Китай: страницы прошлого. - Смоленск: Русич, 2000. - 464 с.; Сидихменов В.Я. Маньчжурские правители Китая. - М.: Миринда, 2004. - 448 pp.

⁷ Малавин В.В. Китай управляемый. Старый добрый менеджмент. – М.: Европа, 2007. – 306 pp.

Chinese culture. In their works there are no study of the term and concept of “guanxi”, they do not consider the role of informal relations in the social, economic or political life of the country.

A number of authors who developed the issues of “guanxi” (A.A. Maslov⁸, V.A. Marchenko⁹, A.L. Shlyakhov¹⁰ et al.) wrote about them in the books for the general reader, where they gave example of “guanxi” manifestations and usage, however, they did not investigate the causes of the emergence and development of this phenomenon in the context of the history of China. Informal relations should be viewed from the perspective of history, philosophy, anthropology, sociology, psychology, management, marketing and economics. For the understanding and study “guanxi” it is needed a multidisciplinary approach.

Foreign researchers pay great attention to the consideration of informal relationships in China (E. Landenberg¹¹, Luo Yaodun¹², So Yinglun and A. Walker¹³, M.W. Peng¹⁴ etc.), but in most cases, these works are dedicated for the practical use, nits are of an economic nature . In many emerging economies personal relationships are of supreme importance, which is especially important for post-socialist societies in which personal relationships are deeply rooted and actively influence the social and economic life, and success in business depends on the quality and development of personal relationships. That is why the work of European writers often focused on the link between organizations, in particular, multinational corporations (MNCs) and state agencies. This is due to

⁸ Маслов А.А. Наблюдая за китайцами. Скрытые правила поведения. - М.: Рипол Классик, 2010. -288 pp.; Маслов А.А. Китай и китайцы. О чем молчат путеводители. - М.: Рипол Классик, 2013. – 288 pp.

⁹ Марченко В.А. Как стать сюнди. – Спб: Амфора, 2013. – 224 pp.

¹⁰ Шляхов А.Л. Китай и китайцы. Привычки. Загадки. Нюансы. М.: Астрель, 2012. - 352 pp.

¹¹ Landenberg E. Guanxi and Business Strategy: Theory and Implications for Multinational Companies in China. - Heidelberg: Physica-Verlag Heidelberg 2007. – 226 pp.

¹² Luo Yadong. Guanxi and Business (Asia-Pacific Business Series. Vol. 5). – Singapore: World Scientific Publications, 2000. – 342 pp.

¹³ So Yinglun, A. Walker. Explaining guanxi: the Chinese business network. - New York: Routledge, 2006. - 184 p.

¹⁴ Peng M.W. Controlling the foreign agent: how governments deal with Multinationals in transition economy/M.W. Peng// Management International review. – 2000. - Vol. 40. - P. 141-165

the fact that the business studies have great practical sense, and often they are associated with individual firms and markets.

Analysis of the leading databases showed that the articles in English on the topic of informal relations began to appear only in the 1980s. Perhaps this is due to the fact that at this time China began to open its doors to European researchers who have been able to come to the country and to access the data. Specialists in cultures give many examples and “guanxi” descriptions, but they do not give a clear explanation of the phenomenon and its origin, they are often simply describe Chinese culture and mention “guanxi”, as part of it. Institutional explanation seems more reasonable in theory, but not economic anthropologists don't try to give an explanation of “guanxi” itself.

Concerning the studies in Chinese language, the main difficulty is that social science itself, in which framework “guanxi is studied, was formed recently in China. It has not yet gained sufficient theoretical and practical experience in order to formulate and adequately to solve such difficult interdisciplinary problem, as the problem of “guanxi”. Sociology aroused in China at the turn of the XIX and XX centuries. It is noteworthy that it began its development because of the young generation of Chinese scientists who have been educated in Japan, Europe and the United States. In Chinese sociology before 1949 dominated borrowed material and ideas from the works of Soviet theoreticians. After the proclamation of the PRC Chinese government tried to extend the Marxist ideology and deny the autonomous existence of sociology, so during the process of "ordering of educational institutions" sociological departments were closed in higher education institutions of China. Restoration of sociology as a science began in China after the 3rd Plenum of the Central Committee of the Communist Party of China of the 11th convocation, which took place on 18 December 1978. On the 18th March 1979 All-Chinese Sociological Association was established.¹⁵

¹⁵ Осипова Н.Г. Социология в странах Азии, Африки и Латинской Америки: ключевые фигуры//Вестник Московского университета. Серия 18. Социология и политология, № 1, 2014, Р. 53-55

At the beginning of the XXI century the book with practical recommendations about “guanxi” started to appear in China. Such practical guides contain business rules and advise for the establishment relations in China. An example is the book of Chinese author Fu Shi “Chinese style relations”¹⁶, Zi Sang “Ruses of the establishment of guanxi”¹⁷ and etc. However, these books are literature for a wide range of readers, and they lack any scientific study of “guanxi” issues.

The fact that sociology as a science relatively recently emerged in China, explains why the theme of “guanxi” insufficiently studied. Another problem is that Chinese scholars rather than conduct their own research, often copy the ideas taken from the works of European authors, not bringing them anything new. Without doubts it is difficult to objectively assess its own culture, as many things are considered commonplace, a part of everyday life and culture. This explains why so many Western works were translated.

Scientific novelty

For the first time in the Russian and foreign science it was conducted a comprehensive study of the phenomenon of informal relationships (“guanxi”) in the PRC. It was studied the causes of its appearance in the trade and business environment, its development and transformation over time, and considered its impact on social, political and economic life of Chinese society after 1949. In the study in detail described and dismantled such important components of informal relations as “mianzi”, “renqing”, “hongbao” and etc. In the dissertation was made a comparative analysis of “blat” and “guanxi” - two similar, but at the same time, different phenomena of the Russian and Chinese social life. Separately was examined the role of “guanxi” in the economic activities of MNCs in China.

Theoretical and practical significance of the research

¹⁶浮石. 中国式关系. -北京. 金城出版社, 2011. - 230 pp.

¹⁷子桑. 关系学中的诡计. 南京. 凤凰出版社. 2011. - 242 pp.

The theoretical significance of the present dissertation research is in formulation of the concept of informal relations in China, on the basis of which it is possible to further comprehensive study of “guanxi” impact on all aspects of Chinese society.

The practical significance of the research lies in the study of informal relationships in China, which will help to understand and build up partnerships with Chinese companies in various fields. Also, this study may stimulate further analysis of the impact of the Chinese institutional environment on the activities of foreign and Chinese companies, which, of course, will be of practical importance for the Russian economy.

Structure and volume of dissertation

The dissertation consists of an introduction, four chapters, conclusion and list of literature. The work contains 192 pages of the main text, 4 supplements, 1 table, and 10 figures. List of literature includes 170 titles, 16 of them - in the Chinese language, 74 - in English and 80 - in Russian.

This study corresponds to the passport of the specialty 07.00.03 “Worldwide History”, because it affected the following areas of research: Contemporary history (XX - XXI centuries.); history of civilization, countries, nations, regions; social history; social and economic history.

The main thesis of the study for the defense:

1. Informal relations originated in ancient China, evolved in the trade and business environment, and then infiltrated into all spheres of the social life of Chinese society;

2. In the context of globalization and destruction of traditions “guanxi” remain the same informal institution, which affects all areas of society: social, political and economic.

3. "Guanxi" cannot exist without such components as the "face" (“mainzi”), sympathy (“renqing”), affection (“ganqing”), trust (“xinren”), reliability (“kexin”), and the gifts giving.

4. Similar phenomena of Russian and Chinese reality – “blat” and “guanxi” - represent different social phenomena. With common features, they carry a different value and meaning.

5. In contemporary China “guanxi” is a "tool" for the successful development of relations between the MNCs that seek to penetrate the growing economy of China, Chinese companies and officials.

Testing the research results

Main theses of dissertation were presented at international scientific conferences:

1. Local Heritage and Global Perspective: XXVII International Conference on Historiography and Source Studies of Asia and Africa. (Saint-Petersburg, 24-26 April 2013). Report on topic: “Role of informal relations “guanxi” in social life of China after 1949”.

2. XVI International conference devoted to the problems of social Sciences (Moscow Москва, 1 February 2014). Report on topic: “Main components of the informal relation (guanxi) in China”

3. VIII International Research Conference «Russia - China: History and Culture» (Kazan, 8-11 October 2015). Report on topic: Evolution of “guanxi” in trade and business sphere in China”

4. International Research Conference «GSOM Emerging Markets Conference 2015: Business and Government perspectives». (Saint-Petersburg, 15-17 October 2015). Report on the topic: «The role of informal relations (Guanxi) in China: Institutional and business networks perspectives».

5. Sino-Russian business cooperation: global value chains and organizational learning. (Saint-Petersburg, 14th April 2016). Report on topic: Formal and Informal Institutions in Russia and China: Opportunities and Obstacles for Sino-Russian Business Cooperation.

The main thesis of the dissertation research are reflected in the 3 scientific publications in leading peer-reviewed scientific journals and editions,

recommended by the Higher Attestation Commission under the Ministry of Education and Science of the Russian Federation.

Main content of the research

In the introduction author explains the choice of research topic, its relevance, historical scope of the study, the degree of problem development, and scientific innovation.

In the first chapter “Theoretical aspects of the “guanxi” issues in China. Historiography” it is defined approaches to the study of research problems, as well as illuminated historiography of the issue of informal relations in China.

In the first paragraph "Informal relations in China: Historiography of the question," is considered the origin of the term “guanxi”, as well as its core values. In this section it was made the analysis of the term meaning in the dictionary of various publications and years of manufacture. In most dictionaries the meaning is the same, but in later editions were added phrases containing “guanxi”. For example, “guanxiwang” (关系网) – “social networks, systems of interaction between individuals or groups”; “la guanxi” (拉关系) - «to establish, to tie relations”; “gao guanxi” (搞关系) - «establish ties (for personal gain)."

This paragraph also study the family institution as the basis of all the most important relationships in Chinese society, as well as the changes taking place in the social life of China since the beginning of the XX century. In China, the world as a whole and its individual elements (individual and social institutions) is a holistic, unified system (or its components). Because of this the moral norms of family and kinship group became the basis for strengthening the society and the state of Confucian ethical model that has penetrated into all spheres of society, has become a regulator of life, and even replaced the law. In Chinese

society, the family became the prototype of all social organizations, and the kinship relationships - the model of all relationships in society.¹⁸

In the XXth century, such a social organization has become incompatible with the new needs that have emerged as a result of China's integration into the modern industrial world. Social life started to change and informal relationship “guanxi” started to strengthen and became the effective substitute for kinship and family.

As a sources for the theme of “guanxi” first of all it is necessary to include translations of classical Chinese novels, such as “Dream of the Red Chamber”¹⁹ Cao Xueqin, “Journey to the West”²⁰ Wu Cheng'en, “Water Margin”²¹ Shi Nai'an and “The Scholars” (“The Unofficial History of the Forest (ie. World) of the Literati”)²² Wu Jingzi. These novels describe the life of Chinese society, way of family life, a variety of family rituals, such as “coming out”, prayers, feasts, etc. Family life is described in detail, how clan members are taking part in it.

No less important were the novels by contemporary authors such as Mo Yan²³, Cao Guanlun²⁴, Cheng Hanne²⁵, Chen Boda²⁶ and Jung Chang²⁷, which shows the life of modern China, its features and the changes it has undergone.

Analysis of the key works of Russian Orientalists (N.A. Speshnev, V.Y. Sidihmenov, V.V. Malyavin, A.A. Maslov, V.A. Marchenko, A.L. Shlyakhov et al.), which study the phenomenon of “guanxi”, led to the conclusion of the complexity of the institution of “guanxi” and identify a variety of different

¹⁸Гертицкий К.М. Китайцы: традиционные ценности в современном мире. –М.:ИСАА МГУ Москва, 1994. – Р.15-19

¹⁹Цао Сюэцин. Сон в Красном тереме / В 2 т. Перевод с китайского В. А. Панасюка под ред. В. С. Таскина. Комментарии В. А. Панасюка и Л. Н. Меньшикова. — М.: ГИХЛ, 1958. — 880, 864 pp.

²⁰У Чэн-Энь. Путешествие на Запад. В 4 томах. Том 1. – Рига: Полярис, 1994. – 456 pp.

²¹Ши Най-Ань. Речные заводи. Роман в 2 томах/Пер. А. П. Рогачева. — М.: «Эннеагон Пресс», 2008. — 548 pp., 688

²²У Цзин-цзы. Неофициальная история конфуцианцев. Перевод, комментарии Д. Воскресенского. - М.: Эксмо, 1959. – 650 pp.

²³Мо Янь. Страна вина (пер. с китайского, примечания И. А. Егорова). — СПб: Амфора. ТИД Амфора, 2012. - 446 pp.

²⁴Цао Гуаньлун. Гэлоу шанся (Чердак). – Тайбэй: Издательство Инькэ вэньсюэ, 2013. – 232 pp.

²⁵Чен Хане. Эти поразительные китайцы. - М.: АСТ, 2006. – 256 pp.

²⁶Чэнь Бо-да. Четыре семейства Китая. - М., 1948. - 222 pp.

²⁷Юн Чжан. Указ. Соч.- 640 pp.

aspects of his consideration. System analysis of the works of Western scholars (R. Berderi, AB Kipnis, E. Landenberg, C.K. Yang, D. Bell, S. Fay, E.J. Nathan. M.M. Peng, A. Smart, S. Ruhl, Yaodun Luo, So Yinglung, Yunxiang Yan, Fan Yang et al.), which consider the economic aspects of informal relations, revealed their apparent emphasis on the study the mechanisms of “guanxi” use for profit in business. In 1970-80-s scientists have understood the importance of “guanxi” to establish successful contacts with representatives of Chinese culture. The PRC openness, as well as interest in the Chinese market gave rise to a large number of publications related to informal relations, at the same time most authors had no relation to the oriental studies and were specialists in other fields.

Articles about “guanxi” began to appear in such prestigious journals as “Current Anthropology”, “The American Economic Review”, “International Business Review”, “International Journal of Research in Marketing”, “Organization Science”, “American Journal of Sociology” etc. As we can see from the titles, the journals are of historical, anthropological, economic, social and psychological orientation. All this testifies to the interdisciplinary nature of this phenomenon. Taking into account the multidimensional and complex phenomenon of “guanxi”, research conducted at the joint of various sciences, can bring the most significant theoretical and practical results.

The second paragraph “The development and the formation of “guanxi” in China” is dedicated to the history of appearance and development of “guanxi” concept. It separately study such social union as a family, clan, friendly association of people from same area based on the five major types of human relationships (“wulun”) set forth by Confucius. Due to the fact, that family institution is the most important and primary social institution in China, it is considered in detail. It should be noted that apart from family ties, in China distributed various types of territorial ties, for example, ties with people from the same yard, neighbors associations, religious groups and the system of “mutual responsibility”.

For the “guanxi” formation requires general frameworks (basis) such as local dialect, kinship, including fake kinship, place of work, service in the same trade organizations and friendship.

In modern Chinese society appeared the term “guanxixue” (关系学). This term means the “art of gift-giving, make services, organization of banquets and receptions”. This is the skills of how to build and support strong relationships, and form whole network of relations based on mutual trust and benefit.

The second chapter named "Institute of “guanxi” in the trade, business and socio-political environment of China since ancient times to the present day" devoted to the emergence and transformation of the informal relationships among traders operating in China or abroad. The author provides a historical digression, showing how institution of "guanxi" evolved and developed over time.

In the first paragraph "The emergence and formation of “guanxi” in the trading environment" it was conducted a historical analysis of the development of trade relations in China from ancient times to the present day. The development of trade and navigation contributed to the migration of the Chinese in other countries and regions where they are faced with a number of problems that can be solved only on the basis of the collective support. It stimulated emergence and spread of local associations that have become informal institutions that regulated the life and activity of the Chinese outside their native places.

In this paragraph was shown the ways of maintaining links between Chinese merchants and residents of other countries, briefly reviewed the history of the formation of small trade guilds named “huiguan” (会馆), their functions and role in the development of informal institutions.

Foreign trade has stimulated the formation of clans outside of China, which was due to the need for observance of rituals and ancestor worship. The most important were mortuary facilities and funeral rituals. Only rich Chinese could

afford to send a coffin for burial in China, the others must have sufficient resources and support to organize the funeral abroad. Clans also made it possible to gain access to power and acquire a certain status. The role of the head of the clan could become an alternative source of prestige and influence.

In the second paragraph “Categories of “face” (面子 – “mianzi”) as a basic expression of the “guanxi” institute” it is discussed in detail one of the main components of informal relations in China. The term “face” means a person's social status in society, its ability to meet not only the standards of internal control, but external norms of society. It is a measure of how society values a person, how person corresponds to the accepted social norms, which are based on deep traditions that were formed throughout the history of China.

“Face” is the main factor of trust to the person or company. In China the company, which has a “face” can resolve issues and avoid legal restrictions. In order to gain “face”, it is important not just to behave properly, but also to have a good education, belong to a particular clan or family. The most common cause “face loss” is a failure to fulfill obligations to family or friends. In China friend’s help is a moral and social obligation of any person. The Chinese think over their actions in terms of social responsibility, taking care not to damage existing relations and acquaintances.

The third section “The main components of “guanxi”: sympathy (人情- “renqing”), affection (感情 – “ganqing”), trust (信任 – “xinren”), reliability (可信 – “kexin”), “red envelopes” (红包 – “hongbao”) and gifts giving” is dedicated to the study and analysis of additional components “guanxi” concept.

The term “renqing” means “human feelings, sympathy, interest, and warm-heartedness”. “Renqing” complete formal relations and is a system of personal favors and obligations, which are based on reciprocity. They help an individual to obtain the necessary material and power resources.

The term “ganqin” means “attitude, affection” and characterizes the closeness of the relationship. It is not enough simply to give gifts to establish “ganqing” it is a delicate matter, the emotional component of the relationship.

The term “xinren” (信任) means “trust” and directly connected to “ganqing”. It is of great importance for Chinese, it is a cause of close relations between family members and relatives. Often during the cooperation in China the third party, whom trusted both other parties, can be invited. This person is a mediator during the negotiations. Trust is a key component which helps to refuse the legal mechanisms, such as contracts.

Reliability (可信 – “kexin”) of a person determines the degree of credibility of other individuals. Reliability often determined by education, social status and successful experience. The ties also plays an important role, but in this case it is more crucial the “quality” of ties (whom from officials or influential businessmen know the individual) rather than their quantity.

Since childhood in China parents teach children to be tolerant and respect elders. In China it is not accepted openly express positive or negative feelings, and in all situations must be kept a balance and harmony. In case of unpleasant situation, the Chinese did not openly discuss it, try to solve everything peacefully, and, if necessary attract third party.

Tradition to present “red envelopes” (红包 – “hongbao”) and gift-giving are integral parts of the Chinese “culture of good wishes”. Originally the word “hongbao” meant money that parents gave to children in the New Year's Eve, or just a cash gift, which gave to any holiday. The Chinese like red color, it is considered as a symbol of vitality, joy and success. In contemporary China, the word “hongbao” has come to mean an annual bonus that is paid in Chinese companies at the end of the year, or a bribe. In most cases, “hongbao” is given to express gratitude and sincere feelings of appreciation to a person for services.

In China, as in other countries, there are a large number of officials and influential people who are empowered and able to influence the lives of

individuals - doctors, heads of educational institutions, the police, etc. Gradually during the interaction with these people began to use “hongbao” for faster solving of problem questions. Thus, it began to change the very essence of “red envelopes”, and later they start to mean "bribe."

Previously, “hongbao” could be given openly and publicly, but now it started to hide the act of giving. It started to use a pack of tea, cigarettes or pastries, in which money was hidden. For person to realize that it was “special gift”, it was necessary to knock the pack while gift giving. Sometimes people do not understand the hint and re-give it to friends and acquaintances, and money got “incorrect destination”. Because of the frequent mistakes with the recipients, it started to present credit cards or certificates for the purchase of goods in any store. But due to the movement of funds on bank cards can be tracked, they are also no longer popular as a gift. Nowadays in China has developed an entire hidden system of gifts for different services, the most common of which are expensive handbags, watches, home appliances, etc.

There is the famous Chinese saying – “One good turn deserves another, in reciprocity it is courtesy that is appreciated”. In Chinese society presents became the “pass” to obtain and maintain relationships. It is obvious that some types of gifts-giving, especially gifts to officials, could be regarded as “bribery”. Since XVI Congress of the CPC in the autumn of 2002, China carried out an effective anti-corruption campaign. It was the CPC Central Committee General Secretary Jiang Zemin who formulated the basic principles of a new system to combat corruption. The campaign continues and now his successor Xi Jinping adopted a series of even more strict anti-corruption laws, as well as a long-term anti-corruption plan (2013-2017), which influence in the luxury market. The newspaper “People's Daily” reports that according to the financial report of 2013 made by “World Association of luxury” sales of luxury brands reduce to more than 50%. Most affected were sales of watches and men's clothing, which were

previously popular as gifts to officials, including the sale of wristwatches reduced to 95,9%, while the male wardrobe items to 60%”.²⁸

The third chapter “The Evolution of “guanxi” institute in China (1949 - the beginning of the XXI century)” examines the changing role of “guanxi” in Chinese social and political life, beginning with the founding of the PRC and till nowadays.

In the first paragraph ““Guanxi” in Chinese society 1949 – 1970” described changes which occurred in Chinese family and society after coming to power of the Communist Party in 1949. After the PRC foundation the Chinese authorities began to conduct policy of population control. A few years later in 1955 the PRC State Council adopted “The regulation on the registration of the resident population”, and in 1958 it was formulated “The rules of the PRC population registration” were formulated in 1958. Thus, the entire population was divided into urban and rural. For the first time in history of China the Communist Party was able to establish total control over the whole society from top to bottom. All the reforms were aimed for provide fully control of government under the lives of each individual.

Realizing the importance and prestige of the clan organization, the Communist Party has tried to destroy large families, depriving people the vast circle of relatives who can help and support them. The state, not the family, was to become the most important institution in the person life. The individual had to live and work for prosperity of the country, but not the enrichment of the family and clan. Active urbanization resulted in the relocation of young people from rural areas to big cities, which led to destruction of family ties.

In the middle of XX century traditional family in China has undergone major changes. “Cultural Revolution” (1966-1976) resulted in significant and tragic consequences for the social, political and economic life of the country. During "Down to the Countryside Movement" more than 20 million young

²⁸ Продажи предметов роскоши в Китае упали в прошлом году на 50%
// Газета «Жэньминьжибао» онлайн.
URL: <http://russian.people.com.cn/31518/8534166.html>

people with higher education were forcibly sent from their homes to work in remote villages, regions and mountains. The inaction of the law enforcement and the judicial system has led to unrest, increase in crime and impunity and freedom of action of the Red Guards (红卫兵 - “hongweibing”) and the Rebels (造反 - “zaofan”). More than 5 million of party members were subjected to repression, part of the cultural heritage of China was destroyed, for example, thousands of ancient Chinese historical monuments, books, paintings, churches, monasteries and temples in Tibet.

Since 1978 social productive forces started to develop, increased the total power of the country, people get real benefits, strengthened the international position of China. All this has allowed China to move from a planned economy to a socialist market economy.

It is started to implement demographic policy, carried out regulation of population growth – “One-child policy”. With the beginning of economic reforms in 1978, “The rules of the PRC population registration” and rules about the control of rural population have been partially abolished.

“Reform and opening up” period is the stage of active development of the economy and business in China. As the traditional Chinese business is a “family” business, the relationship between family members began to strengthen. Chinese “huaqiao” started invest in China through their family and clan members. Many family ties which were destroyed during the “Cultural Revolution” began to recover and strengthen. Economic inequality increased, due to the rapid population growth. New formal governmental institutions were not able to connect these layers together, so the temple and clan associations, based on “guanxi”, became a new power in rural China.

The second paragraph “Guanxi” during the period of the socialist market economy” is dedicated to the operation of “guanxi” in the economic sphere. By 1982 all restrictions on family contracts were canceled, which contributed to the strengthening of kinship and family ties. Moreover, in 1983 all the excess of any

agricultural products (after completing tasks for state contract and procurement) were allowed to sell in the markets. It stimulated the development of small and medium-sized businesses, together with development of informal relationships that could provide additional benefits to entrepreneurs.

It started the revival of the family business in which ethnic Chinese – “huaqiao” actively participated. They had a number of advantages in China and can act as mediators in negotiations between Chinese companies and foreign corporations.

Neither company could move forward if you do not have an extensive network of “guanxi” in this area. During the year company's owner could spend more than 8000 Yuan for support of “guanxi”. This amount is equal to the seven annual salary of an ordinary worker. This amount didn't consider as huge for businessmen from Hong Kong and Taiwan, who have spent more money on maintaining relationships.²⁹

In December 2001 China formally became a member of the World Trade Organization (WTO), which attracted a large amount of foreign capital. China has made significant progress in the economy and interpersonal relations have become one of the main driving forces of Chinese society, an integral part of the Chinese business world.

In the third paragraph “The cultural similarities and differences between the “guanxi” in China and “blat” in Russia” consider two similar social phenomena - the “blat” and “guanxi”. Despite the fact that “blat” and “guanxi” are informal “tools” for solving various issues, from the perspective of functionalism “blat” and “guanxi” are different.

Informal communications are not unique, in one form or another, they exist in every country. A good example can be the semantic similarity between the terms “shouren” (手人) in Chinese, and “svoy” in Russian. Both terms refer to people close to the circle who have connections and acquaintances. You can always rely on such people, and they should always help.

²⁹ Чен Хане. Указ. соч. Р. 119

In XX century in China and Russia began to implement market reforms. Unlike Russia, in China, they proceeded slowly and gradually. Due to the lack of a coherent political system, as well as property stratification in Chinese society, informal practices are out of control. Since people cannot rely on government assistance, they preferred to use informal networks. Too rapid enrichment of the political and economic elite has become an additional incentive for ordinary citizens to avoid the formal institutions of government, and led to the growth of corruption at all levels and in all spheres.

The fourth chapter “The impact of informal relations on business processes in China” highlights the role of “guanxi” in economic life of China.

In the first paragraph “Impact of “guanxi” on multinational companies (MNCs) in China” examines the distinctive features and the importance of informal relations for foreign companies operating in China. From 1979-1980 more than 300 thousand companies among which were the MNCs have moved their production and main offices in the PRC. Many foreign companies are faced with the fact that doing business in China is different from the business models to which they are accustomed in their home countries. The role of “guanxi” was decisive for achieving the desired results, informal communication helped establish contacts with government officials, to improve and strengthen the reputation of the company, gaining access to the right information, market expansion, etc.

Examples of various MNCs (Beijing Jeep, Shanghai Volkswagen and Guangzhou Peugeot, KFC, Microsoft, etc.) show that the establishment of informal relations with the authorities in China is positive for business development, as well as the receipt of all kinds of resources. In cases where it does not go beyond the law, it is the most successful method of doing business.

In the second paragraph “Informal relationships - a manifestation of corrupt activities or cultural identity of China?” addresses the question of whether “guanxi” can be regarded as a manifestation of corruption, or it is cultural feature of China. Recently there are a lot of scandals involving corruption and

nepotism in the PRC. Bribery and patronage thrive on different levels. According to the National Bureau for the Prevention of Corruption in China from 1982-2011 in China more than 4,2 million party and government officials has been convicted for violation of disciplinary rules and corruption.³⁰

Currently, study and understanding of “guanxi” is of great importance for entrepreneurs and businessmen who want to work in China. The science of “guanxi” is difficult for Europeans, as it is intertwined with Confucian traditions and customs. Comparative analysis such phenomena as “guanxi” and corruption, led to conclusions about significant differences in their nature. The most important are the following:

- in contrast to the bureaucratic corruption “guanxi” do not necessarily violate any rules or laws, so they cannot be considered as corruption in the narrow sense of the word;
- “guanxi” are always built on the exchange of courtesies and services, while corruption is often one-sided and uses the money;
- “guanxi” is always long-termed, while corruption is often a one-time phenomenon. In Chinese society, great attention is paid to the maintenance and cultivation of “guanxi”, which includes an invitation to the “right people” in restaurants and bars, greetings to various holidays, the gifts-giving, etc .;
- in most cases, “guanxi” are used to solve social problems, while corruption is used mainly for business cooperation;

In conclusion summarized the results of the study and formulated the main conclusions:

1. Informal institutions as part of the social culture of China remained unchanged. “Guanxi are always long-termed, they have never been cultured for one-time results, so they often remain with a person throughout his life. “Guanxi” are always dependent on the context of the situation. Depending on form its can be emotional (for example, giving a gift for a holiday), instrumental

³⁰ 160 000 penalized for disciplinary violations [Электронный ресурс] //National Bureau of Corruption prevention of China. - 2013.URL:<http://www.nbc.gov.cn/article/English/Updates/201301/20130100020155.shtml>

(eg, donation of gifts superiors to advance up the career ladder) or simple bribery (assistance for relatives in obtaining positions);

2. "Guangxi" originated in the trading environment since the establishment of informal relations was the only way for merchants to provide protection, shelter, and successful trade. Trading in other regions of the country and abroad, they are usually combined to form clans or fraternities to subsequently enrich not only themselves, but also their relatives. These trends are preserved in our time, a notable example are the "huaqiao", which in addition to the joint associations abroad are investing heavily to maintain the Chinese economy;

3. In China there is no strict legal system, and most of the population lives in conditions of shortage of goods and services. Informal practices based on kinship or friendships relationships allow obtain the desired product or service, avoiding the formal institutions and criminal penalties. "Guanxi" tack between formal and informal rules and laws, and if they change, informal relations also are changed, adjusting and adapting to the new environment and new conditions. Despite all the changes in the political, economic and social life, "guanxi" is not just survived in China, but also have become the trademark of the Chinese system. Informal practices are not only the result of defects in the work of official institutions, but also they are "tools" for solving many of the problems;

4. In the pre-reform period "guanxi" played an ambiguous role in the life of society: on the one hand, compensate for deficiencies in the state system, on the other - destroyed it. It is not necessary to consider informal institutions as something destructive in the period of post-socialist transformation; on the contrary, they have had a positive impact on the process. In the absence of a stable and reliable legal system, only building links might help successful business in China;

5. "Guanxi" expose defects in the formal system and are important indicators of how official limits work; they show the changes taking place in society and people's reactions to them. Nowadays "guanxi" began to play a key role in the relationship between the MNCs that operate in the Chinese market,

and government officials, as due to them there is an opportunity to receive an update on the state policy, regulation of import, export bans, etc. With help of “guanxi” heads of the companies can affect even the adoption of certain decisions by the government.

Publications

On the research topic it was published 6 papers, revealing its main thesis, in total 3,2 printed pages, including - 3 articles in leading scientific peer-reviewed journals list recommended by the Higher Attestation Commission under the Ministry of Education and Science of the Russian Federation, volume of 2,09 printed pages.

The work, published in leading peer-reviewed scientific journals:

1. Веселова Л.С. Неформальные отношения (гуаньси) – проявление коррупционной деятельности или культурная специфика Китая? (Informal Relations (guanxi) – Manifestation of corruptive Activity or cultural Specificity of China?)//Исторические, философские, политические и юридические науки, культурология и искусствоведение. Вопросы теории и практики. Тамбов:Грамота, №7 (45): в 2-х ч. Ч.II. 2014. Р. 32-36.

2. Веселова Л.С. Понятие и роль неформальных отношений «гуаньси» в экономической жизни современного Китая (The Notion and the Role of informal Relations “guanxi” in the economic Life of contemporary China)// Проблемы современной экономики. №1 (49), 2014. Р.218-221.

3. Веселова Л.С. Роль неформальных отношений (гуаньси) в социальной жизни КНР после 1949 года: историография вопроса (The Role of informal Relations (guanxi) in the social Life of Mainland China after 1949: Historiography of the Question)// Вестник Санкт-Петербургского Государственного Университета. Сер.13, Вып. 3. 2014.Р. 113-123

Reports on the conference

4. Веселова Л.С. Основные составляющие неформальных отношений (гуаньси) в Китае (Main Components of the informal Relation (guanxi) in China). XVI международная конференция, посвященная

проблемам общественных и гуманитарных наук: 2 Часть: (исторические науки, философские науки) Международная научно-практическая конференция, г. Москва, 01.02.2014 г. - М.: Центр гуманитарных исследований «Социум». -.2014. P. 88-91

5. Веселова Л.С. Роль неформальных связей «гуаньси» в экономической жизни Китая после 1949 г. (The Role of informal Relations “guanxi” in the economic Life in China after 1949)// Локальное наследие и глобальная перспектива. «Традиционализм» и «революционизм» на Востоке. XXVII Международная научная конференция по источниковедению и историографии стран Азии и Африки, 24–26 апреля 2013 г.: Тезисы докладов/ Отв. ред. Н. Н. Дьяков, А. С. Матвеев. — СПб: ВФ СПбГУ, 2013. P. 135

6. Veselova L., Veselova A. The Role of Informal Relations (Guanxi) in China: Institutional and Business Networks Perspectives // GSOM Emerging Markets Conference: Business and Government Perspectives. – 2015. P. 475-483