Privatization and Its Discontents in Chinese Factories*

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ABSTRACT Based on fieldwork in a city in central China, this study shows that, with an aggressive implementation of privatization schemes, labour struggles have emerged in which moral economy demands are increasingly permeated by “class consciousness.” Privatization activates workers’ “class consciousness,” an idea that has become embedded in their minds through several decades’ immersion in socialist (and anti-capitalist) ideology. For them, anti-privatization is politically defensible. It provides them with motivation, opportunity and an action-frame for class-conscious mobilization in Chinese factories. However, while workers’ current efforts to base their demand on socialist rhetoric might be strategic, it seems to have trapped labour struggle in a direction that is unlikely to produce any significant positive outcomes for them, as the transition to the market is irreversible.

Workers in state-owned enterprises (SOEs), who once constituted a major part of the modern Chinese working class, are victims of the market reform that started in 1978. While the country’s economy has grown at a rate that has impressed the world, SOE workers have had to face unpaid back wages and pensions, a loss of benefits, and, worse, layoffs without sufficient compensation, all as a result of SOE restructuring (qiye gaizhi). Dire economic conditions have given rise to deep grievances that have led to open protests.

Worker protests have taken place at several important historical moments since 1949, such as the Hundred Flowers Campaign in 1957, the Cultural Revolution in 1966–69 and the Tiananmen protests in 1989.1 These actions were all associated, however, with large political crises that had also engulfed other social groups seeking to redress grievances under authoritarianism. Labour protests that have occurred in the past decade are different in nature. They are rooted in a fundamental structural change

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of the economy that has widely affected the working class, and exceed the previous ones in number and scope. These protest actions have drawn scholarly attention and explanations of their causes, motivations and claims have been suggested. A widely shared view is that the protests were largely motivated by workers’ anger at the loss of their basic livelihood and fuelled by their nostalgia for the economic security once guaranteed under Maoist socialism. Their demands, which were mainly composed of requests to the government for protection of their minimal livelihood, hardly went beyond the notion of a “subsistence ethic.” This type of “moral economy” protest implies that protesting workers were not class conscious in their collective actions, as they did not perceive and interpret their experience of the market reform in terms of a labour–capital division. While the class language of the Maoist past, as some studies point out, may appear in workers’ private discourse criticizing their predicament, few protest actions are framed to articulate class antagonism. Moral economy protests by Chinese labour are often spontaneous and of short duration.

The moral economy argument certainly still applies to many of the labour protests against the xiagang (layoff) policy enforced by the government since 1996. However, as this study argues, with an aggressive implementation of privatization schemes in the years that followed, labour struggles have emerged in which moral economy demands are increasingly permeated by “class consciousness.” They are well organized, with claims framed in class language. They do not amount to labour movements organized on broader class solidarity at the sectoral or societal level, which are unlikely to emerge under the current political conditions. But this study will demonstrate that although these worker struggles are factory based, and considerably limited in terms of their goal, scope and impact, they contain certain elements of labour movements. Sidney Tarrow defines social movement as having four empirical properties: collective challenge, common purpose, social solidarity, and sustained interaction with opponents and authorities. Chinese workers’ anti-privatization struggles have exhibited all these four properties,


though at the enterprise level. Such “micro-mobilizations” are distinguishable from spontaneous “contentious gatherings” in many ways.

Based on case studies of three SOEs in a city in central China, this study addresses why privatization triggers movement-like struggles in Chinese factories. Privatization does not necessarily bring greater hardship for workers than any other reform measures. All SOE restructuring schemes have engendered harsh measures against workers and could drive them to protest. But privatization is particularly contentious, not only because it is perceived by workers as extremely unfair and unjust, but also because it creates in their eyes a “class-conflict situation” and provides a clear target, namely the capitalist, that they think can be legitimately and openly contended with. Privatization also activates workers’ “class consciousness,” embedded in their minds through several decades’ immersion in socialist (and anti-capitalist) ideology, and hence generates “new” understanding among workers of their current economic plight as well as of the market reform. This in turn helps frame their claims and fuel their protest. Privatization, in short, provides motivation, opportunity and an action frame for class-conscious labour mobilization in Chinese factories.

All three factories in this study, the ZZPM, the ZZPE and the ZZEM, used to be state owned and were respectively “merged” (jianbing) by private businesses in 1998, 2000 and 2001. Organized to varying degrees, the workers from all three factories rose up against the privatization schemes that they perceived as illicit and detrimental to their interests. Their struggles directly targeted the private mergers of their factories, but also challenged local authorities that were often biased toward those capitalists. The workers at the ZZPM succeeded in overturning the merger, while their counterparts at the ZZPE and the ZZEM failed to do so. This article discusses why privatization is prone to trigger organized labour resistance and examines the workers’ perception of privatization and the pattern of their struggles in the three factories.

Privatization and Organized Labour Resistance

During the first decade of China’s economic reform, the property structure of SOEs remained untouched. While the post-communist countries in Europe openly embraced privatization during their regime transformation after 1989, the Chinese government firmly denied it as an acceptable policy choice. “Socialism with Chinese characteristics” seemed to be characterized then by market reform without privatization. However, between late 1993 and late 1994, following Deng Xiaoping’s southern tour in 1992, the Chinese government came to accept the

inevitability of a shrinking state sector and adopt policies aimed at fundamentally restructure ailing SOEs. A policy called “grasping the big and relinquishing the small” (zhua da fang xiao) started the process of privatizing small and medium SOEs, while private capital was also permitted to penetrate into “pillar” and “basic” industries in the form of private equity participation in large SOEs.9

However, privatization in China has been carried out in opaque ways, with little regard to the principles of fairness and justice. The government has never made it an official national policy and no national legislation exists to dictate the process. There are only a few government guidelines, which are far from clear and whose enforcement is highly problematic. Local authorities and SOE managers are granted considerable discretionary power to decide how factory property is handled; workers, on the other hand, are totally excluded from the process. Under such arrangements, privatization has taken two forms. The first, a de facto form of privatization, is similar to what is called “spontaneous privatization” and occurred in the post-communist countries at the beginning of the regime transformation.10 In this process, SOE managers typically establish their own companies into which they siphon state assets through various dubious means, or manage to control the share of the existing SOEs in other ways.11 De jure privatization, which is directly relevant to this case study, is a formal transfer of state assets to private hands. The transaction is often arbitrary and poorly regulated, involving complicity among SOE managers, private buyers and local officials in carving up benefits at the expense of workers. Formal procedures for the transfer of state property (such as the approval of Staff and Workers’ Councils) are either deliberately ignored or manipulated against labour interests. Compensation to workers is often reduced to the lowest level possible.

Privatization that excluded workers’ participation created a strong sense of unfairness and injustice among them. It made them feel deprived of their legitimate shares in factory property to which they had made a lifelong contribution. But privatization did not only cause moral outrage among workers. It also provided political and practical opportunities for their organized struggles. In a society like China, where general political and institutional environments are inimical to autonomous organizing from below and suppression by the state routinely happens, “movement emergence” is first of all contingent upon a perceived “right” issue.12 This


12. A social movement begins with an issue in contentions. This creates “constituencies,” forms a basis for some collective identity and provides the starting point for action frames. However, in the social movement literature, which is chiefly based on Western experience,
is an issue that is not only contentious enough to create collective concerns but also fightable in the light of the potential outcome, and sufficiently “legitimate” to convince the participants that action is politically defensible and justifiable. It is a type of issue, in other words, that would embolden activists to face political constraints and encourage their mobilization. Privatization stands out as such a “right” issue in China for several reasons.

Though it encourages transfers of small and medium SOEs to private hands, the Chinese government has never openly and officially called this “privatization” (siyouhua) and, indeed, has remained evasive about the term. The ongoing practice of selling SOEs is often described as minyinghua (ownership by people), gaizhi (restructuring the system) or gouyou zichan zhuangrang (the transfer of state assets). The Party leaders have continued to maintain their verbal commitment to socialism and stressed on several occasions that the reform did not amount to privatization. For example, in 1995, Jiang Zemin, then Party secretary, stated: “We … are absolutely not going to practise privatization. This is a big principle from which we should never waver in the slightest degree.”13

Indeed, a repeatedly uttered official rhetoric is that China’s economic reform differed from that of former socialist countries in that it rejected a thoroughgoing privatization. The government’s lip service to socialism has made workers believe that privatization is something they can openly oppose. This does not necessarily mean that workers still take the government’s words seriously. Many of them do believe that the government is behind privatization. But as long as the official rhetoric remains unchanged, it acts as workers’ weapon against reality. “Protecting state assets” is indeed a powerful slogan that the state cannot openly rebuff.

Privatization forces workers into sheer capitalist relations and hence redefines their structural position as a “class” vis-à-vis the capitalist owner. This is an important change affecting the pattern of labour struggles in Chinese factories. Industrial restructuring without privatization created ambiguous and fluid labour relations ridden with conflicts. There were multiple factors – such as government policies, economic imperatives and managerial corruption – that adversely affected workers’ livelihood, but the sheer number of factors confused rather than gave them a target for contention. Even if workers attributed their economic plight to government policies and tried to seek redress from government

footnote continued

issues per se seem to be less important in explaining movement emergence than the factors that translate issues into movements. Indeed, in democracies where civil society thrives, any issue that gains access to arenas of public discourse can spark protests and social movements, though some may be more powerful than others in attracting popular participation. Movement emergence therefore depends on such factors as political opportunities, mobilizing structure and framing process. See, for example, Sidney Tarrow, Power in Movement (Cambridge: Cambridge University Press, 1998); Doug McAdam, John McCarthy and Mayer Zald (eds.), Comparative Perspectives on Social Movements (Cambridge: Cambridge University Press, 1996); and Aldon Morris and Carol McClurg Mueller (eds.), Frontiers in Social Movement Theory (New Haven & London: Yale University Press, 1992).

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authorities, they seldom viewed the contention in terms of class division. Moreover, it was politically risky and unrealistic to contest the central government’s policies in an organized manner. However, by confronting workers with capitalists, privatization allows them to identify a clear and legitimate target. As a class indoctrinated with socialist, anti-capitalist ideology for so many years, Chinese state workers do not have to experience capitalism before making sense of it and identifying their class rival. As soon as they encounter capitalist projects they are able to define their opposition to privatization in class terms.

For workers, privatization is perhaps more challengeable than other reform measures. When facing xiagang caused by downsizing, closures, or bankruptcy (supposing they were carried out legally), workers may express their discontent and even protest for fair compensations, but they know that their fate is irreversible as these are government policies on which they have no influence. Furthermore, when their factories are indeed financially unsustainable, workers understand that there is nothing left to fight for. However, workers do not believe that privatization is an inevitable fate. Many SOEs being privatized are still in operation or do not face imminent bankruptcy. The question inevitably arises among workers of why the transfer to private hands is necessary for, or the sole solution to, the improvement of the enterprise. They become particularly suspicious about privatization schemes contrived behind a closed door, which often imply corrupt collusions among private buyers, SOE managers and local officials. If workers found they could do little in the face of state policies like “reducing personnel to increase efficiency” (jianyuan zengxiao) or the unavoidable death of enterprises, they felt that the ownership of the factory was worth fighting for and was “fightable.”

Finally, privatization creates a broader solidarity basis than do other reform measures for organized labour actions. When an enterprise becomes privatized, all workers are affected at once as they are thrown into a state of uncertainty about their future employment, payment and benefits. An expected downturn, which often turns out to be the case, is likely to spark resistance, attracting a large number of workers. Anti-privatization protests also encourage organized action thanks to the nature of the demands. Demands for back wages, unpaid livelihood allowances and pensions, for example, can be made through collective petitions or “contentious gatherings” before government buildings. Such action may need to be co-ordinated – after all, someone must stand out to bring people together in order to demonstrate – but they usually do not take a clear organizational format and many of them can be easily defused by a government promise of a couple of yuan as compensation (if local government authorities feel really disturbed by the open contention). However, resistance to privatization involves a complicated process of

14. The working class formation theory suggests that class consciousness emerged as a result of workers’ lived experience with capitalist production and collective actions. See, for example, Iran Katznelson and Aristide Zolberg (eds.), Working Class Formation (New Jersey: Princeton University, 1986).
claim making that entails more co-ordinated and organized action over a relatively sustained period. To resist privatization, it is not only necessary to mobilize workers’ opposition by conveying to them that the scheme is illicit and disregards workers’ interests. It is also important to take concrete measures to stop the transaction and formulate alternative proposals, as well as carry out negotiations with private buyers and local authorities over how the dispute should be resolved.

**Perception, Consciousness and the Language of Class**

Research has found that labour movements were inevitably influenced by value, tradition and organizational experience that predated capitalist development. Chinese workers’ response to privatization was also shaped by their pre-reform experience with Maoist socialism that gave them pride and status. This is not only because historical memory does not easily fade away and the moral rhetoric of the old days provides workers with a point of reference to assess their present conditions. It is also because, as the Chinese government has never publicly repudiated socialism, it is possible for protesting workers to “poach the rulers’ ideology and theater of legitimation” in their struggle and to construct a collective consciousness by appropriating pieces of the old dominating genres.

In my interviews conducted in the three SOEs undergoing privatization, the workers universally regarded the transaction as unfair and unjust as it violated their legitimate rights to factory property. In their view, the simple fact that they had contributed their entire working life to the factory justified their share in factory property, while privatization amounted to a deprivation of their share without compensation. For example, when the workers at the ZZPE confronted the private entrepreneur who “merged” the factory with their claim to factory property, the new owner asserted that the factory now was his as the government had already sold it to him. “On what do you base your claim to the factory?” he said, rebuking the workers. “It is based on our work and struggle at the factory for several decades!” one activist shot back. This position was made even clearer in a leaflet distributed to all the workers:

*Today’s industrial basis in China is built up through blood and lives of workers of several generations … Talking about the market and restructuring without recognizing the past history is dangerous and unacceptable … The Chinese working class joined the revolution in order to control the means of production, factories and equipment. The working class’ control over the means of production has determined the nature of our country … Now [those officials] want us to give up the factory and give the means of production to capitalists and then still calls this socialist. It is a gross deception ….*

Likewise, the labour leaders at the ZZPM declared in a leaflet that the workers were determined to protect the factory, for its property belonged to all the workers as it was accumulated through their toil over several decades. To them, the factory was their “homeland” (jiayuan) or “lifeblood” (mingmai) as they depended on it for their livelihood. Resisting privatization, in the words of the workers at the ZZPM, was “a struggle to defend our homeland.”

Unlike other reform measures, privatization inspired the discourse of class among workers and allowed them to perceive their conflict with private owners in terms of class division. The class formation literature based on Western labour movements suggests that workers made sense of class through their experience with capitalism in the workplace and the labour market. This generation of Chinese workers, however, developed a strong sense of class prior to their contact with capitalism, thanks to the decades’ long official indoctrination of socialist/anti-capitalist ideology. Class language can thus be readily applied to express their views on their status and describe their struggle against it.

For example, when referring to workers’ status in the market reform, one labour activist at the ZZPM remarked: “We are no longer the master of the factory. We are now an oppressed class. There are now a lot of incidents of oppressing workers.” Another activist at the ZZPE described workers as “being oppressed, exploited and living at the bottom of society.” Given the change of their status in terms of economic relations, some workers were no longer hesitant about describing their resistance as a “class struggle,” a term that was officially renounced by the government with the end of the Cultural Revolution. At one meeting, the new owner of the ZZPE accused the labour activists of “carrying out class struggle” (gao jieji douzheng) in an apparent attempt to delegitimate their action. “What’s wrong with class struggle?” one worker struck back, “What you are doing is class vengeance!” One labour leader at the same factory stated straightforwardly in the interview: “Our struggle [against privatization] is a manifestation of class struggle. Oppression and polarization inevitably lead to class struggle.”

During their mobilization against privatization, labour activists at the ZZPM distributed a bunch of leaflets imbued with class language. One of them, for example, began with words allegedly spoken by Marx: “the papermaking industry is the representative of modern industry.” It claimed that by associating with this industry, the workers at the ZZPM had all the outstanding features of the modern proletariat – revolutionary, resolute and organized – and were ready to fight against any attempt to destroy their homeland. Labour activists at this factory proudly called their resistance to privatization a “proletarian movement.” In another

18. Ibid.
21. Ibid.
leaflet, privatization was described as “restoration” (fūbì), a “replacement of proletarian dictatorship with a boss dictatorship” (laoban zhuanzheng).

Privatization generated distrust and even antagonism among workers towards the government. While Chinese workers had been discontented with reform policies eroding their welfare since the mid-1980s, it was privatization that led them to question what the government, still claiming to be socialist, really stood for. In all three factories in this study, as well as in many other reported cases, local governments had aggressively pushed for privatization, and when the workers rose up against it, they usually sided with capital, ignoring the workers’ demands and even suppressing their protests by force. Although the workers’ experience was local and firm specific, they pointed the finger at the government, the Party and its leaders. As an activist at the ZZEM remarked: “We workers have despaired of the government. We just don’t believe that they still represent workers’ interests.” In an argument with labour workers about privatization at the same factory, the new owner asked if they had ever read Jiang Zemin’s 1 July speech, which described businessmen as representing “the advanced productive force” and permitted them to join the Party. One worker replied: “I read it. It is a betrayal of the working class!” An activist from the same factory made the following comment on the Party in the interview: “The reform must rely on the working class. Isn’t the reliance on the working class the Party’s purpose? But now the Party has relied on a handful of people rather than on the working class. The Party’s nature and the purpose have changed.”22 This view was shared by an activist from the ZZPM: “All government agencies are serving the capitalists …What the government wants to do now actually is not to improve SOEs, but to install a capitalist system.”23

However, as the government continued to maintain its commitment to socialism as well as the notion of the dominant role of state ownership in the economic system, workers found it possible to exploit official rhetoric to make their opposition to privatization politically defensible. In both the ZZPM and the ZZPE, protesting workers put up posters at the gates of their factories bearing slogans such as “Reform does not allow privatization!,” a statement, as one activist pointed out, that was once made by Deng Xiaoping; “The working class will follow the Communist Party!”; and “The working class must not follow the capitalist road!” Activists at the ZZPM even distributed among workers a booklet that collected earlier speeches by Deng and Jiang that opposed privatization, and laws and regulations that stipulated the primacy of state ownership in the economic system.

Organizing and Mobilization: Struggles at the ZZPM

While labour struggles against privatization occurred in all three factories I investigated, as well as in many more in other parts of China,

22. Ibid.
23. Ibid.
the one at the ZZPM stood out as remarkably well organized and mobilized, and relatively sustained. It ended up, unusually, with a result in favour of the workers. This section details the ZZPM case to reveal the pattern and characteristics of labour resistance to privatization in Chinese factories.24

The ZZPM, established in 1958, is a medium-sized state-owned paper mill with 860 workers and staff. Its assets, including both equipment and a 115 mou factory estate, are worth 88.30 million yuan. Production was suspended in 1995, largely due to the pollution that it produced, and the factory incurred debt to the amount of 56.40 million yuan. In 1997, when the province witnessed a wave of selling off small and medium SOEs, a self-claimed state-holding company called FH proposed to “merge” with the ZZPM on 15 November 1997, with the consent of the local authorities. Eager to find a way out of their plight, the ZZPM management signed a merger agreement with Fenghua, which paid 12 million yuan, on 26 November. On the same day, the factory’s Staff and Workers’ Council (SWC), in the belief that Fenghua was a state-holding company and impressed by its promise to an immediate restoration of production and taking care of back wages, medical fees and social insurance, and a whole coverage of the debt, approved the agreement. The local authorities immediately endorsed it.

FH, however, broke most of its promises over the next two years. It failed to bring the majority of xiagang workers back to work, it failed to cover unpaid livelihood allowances, and it failed to pay pensions and medical insurance for workers. Except for renting out a few production lines to its acquaintances, the company did not, as it had promised, inject any money to restore production. On the contrary, it aggressively sold equipment. The workers began to feel frustrated with FH and lodged petitions to government authorities. FH ignored the workers’ voice. Its manager claimed: “Every grass and wood of ZZPM now belongs to FH and we can do whatever we want.” But the workers’ forbearance was driven to the limit when the company announced its “strategic plan” in September 1999 that the factory site would be sold for real estate development and that workers below 40 must leave with a one-off severance package.

The desire to turn factory sites into more profitable real estate projects has been a major motive behind many privatization schemes currently under way in China. It meant a physical eradication of the factory, which the workers at the ZZPM found hard to accept. Like their counterparts in many other SOEs, the ZZPM workers strongly believed that they had a legitimate say in how the factory’s property should be handled and were determined to “protect state property.”

The Movement. As the factory’s trade union was completely inept in the face of the privatization scheme that the workers believed violated

24. This account of the story is based on my interviews in the factory and hundreds of pages of leaflets that appeared during the protest activities.
their rights, a leadership group emerged in the summer of 1999 composed of six self-appointed members. Li, a university-educated engineer in his early 50s, was the central figure of this group until his arrest in August 2000, which brought another member, Liu, a 40-year-old female worker, to the front line. The group held a meeting every day at one member’s home in the initial phase of the struggle, often attended by a dozen workers, to discuss how to deal with FH. Increasingly suspicious about the company’s deeds, the group’s first decision was to launch an investigation into FH. Activists visited provincial and local government agencies to check its business licence registration and interviewed people who knew its background. What they found was stunning: FH was not a state-holding company but a private one whose owner was the son of a big developer.

The labour leaders became convinced by this discovery that the ZZPM had actually been privatized, a fact that had been concealed from the workers. Thus, in the name of the “ZZPM proletarian opposing the merger and cheating and rescuing the factory and the homeland movement” (hereafter the Movement), they called for immediate action to terminate the merger and reclaim the factory on the grounds that the merger was illegal. To mobilize workers’ participation in the action, the Movement made an extensive effort to expose the “truth of the matter” (zhengxiang) through a wide distribution of leaflets that detailed their findings, justified their struggle and proposed solutions to the disputes. The titles of the leaflets were often provocative, such as “Why are we sure that the merger by FH is a cheat?” and “Who does the ZZPM’s property belong to?” and “Our demands!” Communication with the workers relied on a network established in the factory’s residential quarters. Each building had a liaison person responsible for keeping the workers informed of new developments, mobilizing their participation and distributing leaflets.

The 10–28 Committee. From the beginning, the Movement leaders attempted to resolve the conflict through institutionalized channels in order to make their action legitimate. They demanded a meeting of the SWC to vote on the merger again, confident that it would reverse its previous decision in the light of the truth that had now been exposed. To win the support of worker representatives, the Movement issued an open letter that appealed to them to “express the workers’ opinions and desires” and “put the fate of the factory back into workers’ hands” by voting for the termination of the merger. In a two-day SWC meeting held on 26–28 October 1999, the former manager, who signed the agreement with FH and had already joined its management, delivered a speech to defend the merger. Nevertheless, the SWC voted by 50 to 5 to repeal it. Movement activists followed this success with a

signature drive to show the workers’ solidarity in support of the SWC’s new resolution.

With the overwhelming vote for the termination of the merger in the SWC, the Movement activists immediately captured this “supreme body in SOEs,” in their words, as a more legitimate platform. The 10–28 Committee of the SWC (10–28 stood for the day on which the SWC revoked the merger) was created to replace the Movement, becoming the formal leadership for the ongoing struggle. Four departments (production, financial, education and propaganda, and security) were established under the Committee. Mr Li was elected its “general representative” (zongdaibiao).

However, FH refused to accept the SWC’s decision, arguing that the SWC was itself illegal as the merger had ended the ZZPM as a legal person, and hence all its previous organizations had ceased to exist. Even though FH’s reaction was expected, the workers were shaken and became angry when they were informed that the municipal government shared FH’s view. In the months that followed, the 10–28 Committee presented its demands four times to the government authorities calling for an execution of the termination of the merger. It also drafted a plan for how to restore and improve production after the merger had been terminated. These were all ignored, which convinced the workers that institutionalized channels for dispute settlement were sealed. The contention became “transgressive.”

“Seizing back the factory!” One drastic action taken by the workers, which seemed to be illegal to both FH and the government, was to seize the land certificate of the ZZPM, the legal document for the ownership rights of the factory estate that belonged to FH after the merger. This happened when the workers heard that FH planned to raise a mortgage loan (45 million yuan) on the land of the factory. Fearing that this might mean a total loss of the factory for them, the workers decided to take pre-emptive action. Liu and one of her comrades tricked the district land bureau into giving them the certificate on 15 December 1999. The government put pressure on Liu and her comrade to return the document or face legal consequences. But the Committee insisted that their action was lawful and necessary to protect the factory assets. During the tensest days of the contention in June 2000, in order to prevent the authorities from using this incident to “make trouble,” the Committee submitted the land certificate to the local public security bureau, which promised that it would not return it to FH before the dispute was settled.

By late spring 2000, the 10–28 Committee moved to resolve the dispute in its own way: it decided to seize the factory. As Li said: “Since the state does not take care of the factory, we will take care of it by

27. Transgressive contention involves means that are either unprecedented or forbidden within the regime in question. See Doug McAdam, Sidney Tarrow and Charles Tilly, Dynamics of Contention (Cambridge: Cambridge University Press, 2001).
ourselves.”

Frequent secret meetings were held between April and June to contrive the action. Two echelons of leaders were formed to prevent a breakdown of the action in case arrests occurred. Then it all began on the morning of 6 June when hundreds of well-organized workers wearing red armbands showing “protecting the factory team” (huchangdui) burst into the factory, tore down FH’s name plate and erected a banner that read “Reform does not allow privatization!” on the gate. A few days after the seizure of the factory, the Committee issued three announcements declaring its takeover of the managerial and financial powers, and the rights to rent. The workers were divided into two groups that guarded the factory on different shifts: retired and female workers were on duty in the daytime and male workers during the night. To forestall police intervention, the Committee ordered that no action go beyond the gate of the factory and prohibited any use of violence against FH management.

Suppression. During the two months of the occupation, the local authorities dispatched a work team to the factory to demand that the workers end their action. The authorities reiterated that the pre-merger SWC was illegal, as was the workers’ takeover of the factory, and proposed electing a new SWC to negotiate with FH for a settlement. But the leaders of the workers refused to back down, insisting on the legitimacy of the old SWC and an immediate execution of the termination of the merger with FH. The negotiations broke down and the government decided to end the occupation by force. On 8 August 1,000 policemen stormed the factory and broke through the workers’ defence line. The workers shouted as they were pushed and shoved away by policemen: “We are not against the law! We are protecting our lawful rights, why do you suppress us?” Workers who refused to leave were forcibly dragged into vans and locked into classrooms in a nearby elementary school for reprimand or interrogation. Facing the unbending workers, one police officer lashed out by saying: “You are nothing. Bigger riots like June Fourth have been suppressed!”

Li was not present during this open conflict and nobody knew his whereabouts. It was not until the day of the crackdown that the workers heard that he had been detained one day earlier. Clearly, the authorities had deliberately shut the leader away before “cleaning up” the masses. Another leader who headed the “protecting factory team” was also detained the day after the crackdown.

Regrouping and a new trade union. The workers at the ZZPM quickly regrouped in the aftermath of what they called the 8–8 Incident. This was largely because not all members of the leadership group were locked up during the days of the suppression. In place of Li, Liu quickly emerged

29. The original date for the action was 4 June, and it was put off for two days as some activists realized that that date was just too sensitive and would give the government an excuse to suppress.
30. Li was actually kidnapped: he was dragged into a van when he was repairing his bike in a shop in a street near his home.
as the principal leader of the continuing struggle, which was now forced back to institutional channels. The SWC was the arena for contention again. The government authorities wanted a new SWC to negotiate with FH for a resolution of the dispute. FH agreed to an election, seeing it as an opportunity for manipulation. Realizing that continuing to resist this was unrealistic and counterproductive, the workers shifted strategy to making sure the election went in their favour. Secret meetings were held every day at Liu’s home. Lobbying was conducted among workers. FH, which arranged the election, was not idle either. Its people aggressively carried out counter-lobbying, made broad promises and disparaged activists. The workers were divided into a dozen “constituencies” composed of 50–60 people, to each of which FH assigned its staff to sway them to side with the company. However, the result of the election, held on 12 September, was overwhelmingly in the workers’ favour: 59 new members of the SWC, in Liu’s words, were “all our people.” Most of the original SWC representatives, including Li, who was still in prison, were re-elected. Activists like Liu won the vote by a large margin. The formation of the new SWC was followed by the election of a new trade union, headed by Liu.

The struggle, now under the leadership of the new union, continued to aim at reclaiming the factory. A new demand was for Li and another leader to be freed. While negotiating with FH, the union began lodging protracted petitions. They sent groups to visit the municipal government, court and procuratorate, demanding the immediate release of their comrades. Liu and four other workers went to Beijing to file complaints to the State Council’s Letter Bureau, the All China Federation of Trade Unions, the State Economic Commission, and the Workers’ Daily. In early January 2001, when the Municipal People’s Congress was in session, the union organized a large number of workers to petition before the meeting hall, and distributed the petition letter and relevant materials to the people’s representatives. To show their solidarity, the union got nearly 500 workers to appear in the court for Li’s first and only trial. Li was hailed as a hero when he was led out by policemen. He was released without conviction after nine months’ detention.

The consistent pressure from the workers finally broke FH’s will to keep the ZZPM and it agreed to terminate the merger. To fill the managerial void and reorganize the factory, a new corporation was created by the workers, with the approval of the SWC. Shares in the new corporation, totalling 1.54 million yuan, were bought by 206 workers. It is now run by a board of trustees elected by shareholders, but has since been struggling to survive.

Commonalities and Differences across Factories

The ZZPM exhibited a certain pattern of labour action that could also be found in the ZZPE and the ZZEM. Organizing often started with informal gatherings of a few activists. For example, activists at the ZZPE emerged from the security booth at the factory entrance where a few
disgruntled workers often gathered to discuss the factory’s situation and then initiated the resistant action. At the ZZEM, there had been a leftist study group\textsuperscript{31} for a while, and when privatization took place some of the group members were instrumental in organizing the resistance. Indeed, it was the gathering of these activists that led to an emergence of some sort of “rudimentary form of organization” able to co-ordinate labour action.\textsuperscript{32} They were usually well supported by the workers who were eager to have somebody to speak for them and who awaited mobilization.

Struggles often unfolded both within and outside the existing institutional framework.\textsuperscript{33} The failure of the legalized channels often led to open confrontations, which could either lead to a return to institutional solutions or simply bring an end to the struggle. There are two institutionalized or legalized channels at workers’ disposal. One is the SWC within the factory. SWCs are largely ineffective and powerless organizations in terms of daily management of SOEs. But because of their designated legal power to discuss and approve any decisions concerning the reshuffle of the enterprise,\textsuperscript{34} they could be used by protesting workers to press their case legitimately.\textsuperscript{35} Another officially sanctioned channel is to lodge petitions to government authorities or resort to legal settlements for disputes. However, when institutional channels fail to produce what workers demand, they are likely to turn to extra-institutional disruptive means. Occupying the factory is an increasingly commonly used one, through which workers hope to assert their legitimate rights to factory property.

As at the ZZPM, the workers at the ZZPE at first wanted to bring the dispute to the SWC for resolution. When the new employer declared that the old SWC no longer existed as a result of the merger, activists held a rally attended by over 1,000 workers and elected a Staff and Workers’ Management Committee of seven members. But the government refused to recognize the legitimacy of the Committee, which compelled the workers to seek a legal solution. It was only when the government rejected the court decision in favour of the workers that they decided to occupy the factory. The workers’ resistance at the ZZEM started with collective petitions organized by activists. When the government continuously ignored their demands, activists called for a strike.

In all three factories, activists tried to make labour struggle politically defensible. Although the workers harboured deep resentment against the government, action was not directly and explicitly targeted at the government and no anti-government slogans were raised. On the contrary, at

\begin{itemize}
  \item \textsuperscript{31} The group was first called the Zhongliu Study Group. Members regularly read and discussed the well-known leftist magazine Zhongliu (Midstream). After the magazine was shut down at the order of Jiang Zemin, the group was renamed the Mao Zedong Thought Study Group.
  \item \textsuperscript{32} Smelser, \textit{Handbook of Sociology}.
  \item \textsuperscript{33} The scholars of social movements distinguish between them by terming the former “contained contention” and the latter “transgressive contention.” See McAdam, Tarrow and Tilly, \textit{Dynamics of Contention}.
  \item \textsuperscript{34} It is true that this power has been often ignored by management in factories.
  \item \textsuperscript{35} For how workers used SWCs in their struggle, see Feng Chen, “Industrial restructuring and workers’ resistance in China,” \textit{Modern China}, Vol. 29, No. 2 (April 2003), pp. 237–262.
\end{itemize}
both the ZZPM and the ZZPE, the workers deliberately displayed the slogans supporting the Party, though anti-privatization slogans implied that the Party was deviating from the right direction. Activists at both the ZZPM and the ZZPE requested the workers not to take to the streets lest it gave the government an excuse to suppress them. This partly explained why their actions lasted much longer than those of the ZZEM, where striking workers blocked the streets, bringing immediate suppression by the police. During the time of resistance at the three factories, similar actions occurred in other factories in the city, some of which were even their neighbours. However, no cross-enterprise activities took place. As my interviews show, labour activists were too aware that mobilization that went beyond their factories would make their struggle politically vulnerable.

However, while the labour protests at the ZZPE and the ZZEM, as well as at most SOEs in the country, subsided after the crackdown, the ZZPM’s struggle demonstrated remarkable and unusual resilience, and forced the private buyer to concede. This should be to a large extent attributed to its relatively strong leadership capable of creating successful “mobilizing structures” through which it sought to organize.36 As the case of the ZZPM shows, organizing remained consistent and coherent: it started with an informal group, then converted into a more-or-less legitimate format based on the SWC,37 and finally became a trade union elected by the SWC. It was indeed crucial for the ZZPM’s struggle to be sustained by transforming an informal group outside the existing institutions into one that had more legitimate niches that dealt with both the employer and the government authorities.

The success of the organizing should be attributed to competent and devoted leaders. As widely recognized by the workers at the ZZPM, as well as their opponents, Li played a significant role in leading the struggle. Being highly educated, Li apparently possessed stronger analytical abilities and a better strategic mind than most workers, which meant he was capable of articulating views, making arguments and contriving actions. He drafted most leaflets and documents, a skill he claimed he had learned from his time as a propaganda staff member of the Youth League at his university. More importantly, as a senior engineer and the factory’s former deputy director in charge of production, he was able to put forth an alternative proposal to the merger scheme based on financial, managerial and technical feasibility. Liu, the central figure after Li’s arrest, was instrumental in keeping the struggle going. With a particularly strong will, Liu held the workers together during the most difficult time by launching extensive petitions to government authorities in the city, the province and Beijing. Even her son’s hospitalization did not stop her daily involvement in activities. The effort of the activists that she led resulted in the workers regaining control over the new SWC and setting up their own union.

36. McAdam, Tarrow and Tilly, Dynamics of Contention, pp. 3–4.
37. Though the government insisted that that SWC was illegal.
However, in contrast to the ZZPE and the ZZEM, one structural factor stood out that contributed to the success of labour resistance at the ZZPM: the relative weakness of FH. FH was a newly established firm with limited capital, and this was its first merger. It lacked the financial capability to solve the factory’s problems, nor was it able to bring the workers back to work. As a new firm, it was also not deeply networked with government officials. Consequently, when the workers were protesting, the firm found that it had few means of manoeuvring and defusing the crisis. This might have reduced the government’s support. Mounting pressure from the labour struggle, plus the government’s reluctance to continue offering its support, eventually forced FH to withdraw from the merger. However, ST and YT, the two firms that merged respectively with the ZZPE and the ZZEM, were much more powerful. Not only did each have capital assets of a few hundred million yuan, but ST had already taken over seven SOEs before it merged with the ZZPE, while YT was an officially recognized “model private enterprise” that was economically influential in the city. Having multiple businesses in the city, ST was able to provide alternative employment for a few hundred workers that had been laid off by the ZZPE, although most of these jobs were in supermarkets and offered low pay and poor benefits. YT agreed to pay the workers at the ZZEM a lump sum based on the length of their service when terminating their status linked to the SOE (guoyou shenfen) and allowed them to continue to work in the factory as employees of a private enterprise. The government persistently supported these two firms. Although dissatisfied with these arrangements, many workers chose to accept them as they were afraid that refusals might lead to worse consequences. As labour activists from these two factories acknowledged, these measures divided the workers and pulled many of them away from collective action.

Conclusion

Like all market-oriented measures of industrial restructuring, privatization has a devastating impact on state workers. Where it differs from other measures, however, is that it creates a situation where state workers are able to perceive their hardship in terms of labour–capital division, and it hence motivates class-conscious contention in Chinese factories. Workers’ prior experience with socialism shapes the way they comprehend privatization. As my cases as well as other unofficial reports show, privatization often triggered organized resistance as workers perceived a legitimate target to oppose and a contestable interest to defend, and felt it politically defensible to reject capitalists in the name of protecting state property. However, while anti-privatization struggles were organized and permeated by the discourse of class, they do not represent a labour movement driven by independent unionism and based on solidarity ties that cut across firms and sectors. Nevertheless, workers’ protests against privatization allow us to reflect on the cognitive and institutional constraints on the future prospects of China’s labour movement.
As this study has shown, although privatization has already affected a wide spectrum of the industrial workforce, the struggles against it have only happened at the firm level and have not yet generated any labour movement with a broader claim based on the general interests of the working class. Obstacles to this, it seems, are mainly political. My interviews show that many workers, especially activists, clearly perceived their firm-specific grievance to be class shared, and called privatization “class revenge” (jieji baofu). Certain objective circumstances would also be favourable for cross-firm collective action. For example, when the workers at the ZZPM were fighting against the merger, their counterparts in a dozen SOEs located in the same boulevard (a famous site in the city for a number of SOEs) were also protesting against similar schemes. However, struggles remained within the confines of individual factories. The activists were deterred by the government’s willingness to suppress any cross-enterprise coalescence. In the past few years, the Chinese government has seemed to become more tolerant of factory-based protest incidents, and does not suppress them unless it believes that they are seriously disrupting the political and economic order. Yet it has been far from ready to accommodate cross-factory labour actions, which are seen as politically dangerous. The fate of such a protest carried out by workers from several enterprises in Liaoyang, Liaoning province in March 2002 is a testimony to the government’s attitude.

Nevertheless, while there has been no collective action outside factories, personal contact and even gatherings of labour activists from different factories have taken place. Activists have been well informed of news from other factories. In my interviews, for example, labour activists from other factories were obviously clear about and interested in the struggle at the ZZPM and frequently mentioned it as the “[ZZ]M experience” (Zaozhichang jingyan). Li, from the ZZPM, also indicated that he once offered his personal advice to activists from the ZZPE in regard to the “tactics of struggle.” The current political conditions, however, have ruled out the emergence of more broad-based labour actions.

If workers appeared class conscious, in the sense that they were able to comprehend privatization in terms of labour–capital division, their class-consciousness was largely shaped by their past experience of state socialism and their perception of capitalism rooted in Maoist ideology. This fact explains certain cognitive dimensions of China’s labour resistance to privatization, which mixed the rhetoric of class with moral economy claims. Privatization was often perceived as an essentially bad thing linked to “exploitation,” “suppression” and “class polarization,” or

as a zero-sum economic game in which there could be only one winner. This view, moreover, was actually accompanied by workers’ nostalgia for SOEs in particular, which secured their economic interests, and for the Maoist system in general, which stood for social equality. The old system, indeed, remained the moral model against which state workers criticized privatization and formulated their claims.

While pre-reform rhetoric will not evaporate overnight and can be expected to have a continuing influence on labour struggles in China, its persistence among workers is also related to and, indeed, enhanced by the way privatization is carried out. Workers have been totally excluded from the schemes that affect their livelihood, and the transfer of state property has lacked any procedural justice and transparency, being carried out in an extremely arbitrary manner. At the same time, the government has never openly abandoned its socialist ideology and made the privatization of SOEs an official national policy. Thus, it is natural for workers to use the moral rhetoric of the past as a point of reference to assess their present conditions and frame their claim. Strategic though it might be, workers’ efforts to base their demands on old official norms has actually prevented them from redefining their interests in the market economy, and trapped their struggle into a direction that will not produce any significant positive outcome for them, as a return to the old system has become impossible.