International Journal of Science and Social Science Research [IJSSSR] ISSN: 2583-7877

The Politics of Autonomy in High Technology Industries in the Contemporary Chinese State

Dr. Mainak Putatunda

Department of Political Science, Hooghly Mohsin College under the University of Burdwan, Chinsurah, West Bengal, India

Author Email: mainakputatunda@gmail.com

Abstract—This article examines the evolving relationship between state authority and market power through a study of the Chinese high technology and digital technology sector's tempestuous relation with the Chinese state leadership. It studies the evolution of the relationship between the Chinese Communist Party and private capital. The article also highlights how president Xi Jinping strengthened his ideological and constitutional control of the Chinese state and the Chinese Communist Party to reshape governance structures and tighten oversight of private capital. The case of Jack Ma and state actions affecting his companies Alibaba and Ant Group, illustrate the limits of corporate autonomy under an assertive state model. The article describes the growing importance of high technology and digital industries for Chinese economy and connects the phenomenon of large-scale labour migration to urban areas with the high employment opportunities presented by these emerging sectors. The author argues that president Jinping's crackdown on large private companies and their owners, while being a part of his larger stated mission to curb corruption, is in fact, a political tool to subjugate potential rivals. Finally, the article analyses the contemporary state of rapprochement between the digital industry leaders and president Jinping and presents the domestic as well as international economic and political compulsions which may have led to this situation.

Keywords: State–market Relations; Authoritarian Governance; Chinese Big Tech; Digital Economy; Anti-Corruption Drive; Xi Jinping; Chinese Communist Party; Jack Ma; Alibaba and Tencent

I. INTRODUCTION

After the demise of Mao Zedong in 1976, Communist China altered its policy on industrialisation and private capital from 1978. Mao's successor Deng Xiaoping launched the policy of 'four modernisations' in 1979 whereby he aimed for modernisation in science and technology, agriculture, industry and national defence[i]. This policy was believed to be the way for China to reverse the severe adverse impacts of Mao's signature policies 'Great Leap Forward' and 'Cultural Revolution' which resulted in widespread poverty, famine and contraction of Chinese economy and industry. The new realities of Chinese economy were later defined by Deng's successor Jiang Zemin as 'Socialist Market Economy' which replaced the command economy fashioned after the Soviet model. This new concept was incorporated in the Constitution of China in 1993[ii]. Socialist Market Economy was defined by the Chinese Communist Party (CCP) as a preliminary stage of socialism where private industry and capital is allowed to flourish but ownership of land and natural resources are to lie with the state and state-operated collectives. Furthermore, ownership and management of strategically important industrial sectors are to lie exclusively with the state including the banking sector which is dominated by state-owned banks. Most private banks were only allowed to operate in 2015 and they remain marginal players[iii].

Despite the significant involvement of the Chinese state in the economy, a 2020 report indicated that the share of state-owned enterprises in industrial output was falling[iv]. The report also indicated that almost ninety four percent of China's privately owned companies (albeit these are mostly small private companies) have no equity ties with the state. A 2024 report indicated that almost sixty percent of China's GDP and eighty percent of urban employment is being generated by the private sector[v]. This is in fact, the result of a conscious decision taken by Chinese leadership whereby they allowed small private enterprises to thrive.

China's move towards a more market-oriented economy intensified after it joined the World Trade Organisation in 2001. By 2010, China became the second largest economy of the world by nominal GDP, overtaking Japan[vi]. The technology sector played a crucial role in sustaining this bold performance. From 2008 to 2019, the medium and high technology sectors are regularly contributing more than forty percent of China's GDP[vii]. It is important to note that the impact of private enterprises is particularly noticeable in the high technology sector which includes information technology. CCP's official English daily Global Times reported in 2025 that ninety percent of China's high-tech industries are controlled by private entities[viii].

II. SIGNIFICANCE OF CHINA'S PRIVATELY OWNED TECHNOLOGY SECTOR FOR CHINESE ECONOMY

The visible success of China's 'socialist market economy' encourages further economic reform, privatisation and rise of new entrepreneurs. This also results in rapid development of new industries based on emerging technologies and large-scale migration of labour to urban areas. In 2022, as many as 292.62 million migrant labours were working in Chinese cities[ix]. 64.5% of China's vast workforce of 734 million people now work in urban areas. Software and Technology related industries and financial service industries are significant employers in the cities. Average annual wage in urban private sector companies stood at 9425 US Dollars in 2023 whereas, average wages in the IT and finance sectors stood at approximately 17000 Dollars, underlining their importance and appeal. Together, these two sectors contributed almost 1.96 trillion Dollars to China's GDP, amounting to 11.87 percent of total GDP[x]. The fifth national economic census of China reported that thirty-six million employees are working in the 'core industries of the digital economy'. The sector has given employment to almost five million new employees from 2018. Chinese Ministry of Industry and Information Technology reported a total revenue of approximately 1.73 trillion US Dollars in 2023 whereas value of Chinese software exports stood at 51.42 billion US Dollars[xi].

III. INVOLVEMENT OF CHINESE COMMUNIST PARTY WITH PRIVATE INDUSTRY

The importance of emerging technology and service sectors to the party is not limited to their contributions to economy and employment generation. The party has faced internal strife over the question of its relationship with the new Chinese capitalists. Before 1988, private companies had no legal status in China. Chinese constitution was amended to acknowledge the private sector much later in 1999. Even after this amendment, the CCP leaders have been wary of private industries and large sections of the economy have been reserved for State-Owned Enterprises (SOEs), citing 'strategic' reasons[xii]. However, this amendment opened the way for industry leaders to take party membership and the party itself became an investor in private enterprises. In a famous example, the municipal council of Hefei city in eastern China bought 17% shares of the Electric Vehicle (EV) firm NIO for 787 million dollars in 2020 when the company was struggling financially. The city officials made a quick profit of almost 500% on their investment and cashed out[xiii]. The party under its present leader Xi Jinping also sought to integrate more closely with corporate governance structures of private companies and in 2018, it was made mandatory to create a 'party cell' within every listed company in China, including foreign-funded ones.

During Jinping's tenure, it has become increasingly difficult for private companies to access credit and state interference in their affairs has increased manifold[xiv]. Despite these obstacles, private firms have decisively outperformed China's SOEs in terms of manufacturing, export, employment generation and innovation. Private capital is particularly dominant in the IT industry and investment banking where giant corporations like Huawei, Tencent, Ant Group, Baidu, Xiaomi, China Renaissance and Hillhouse

Capital are operating. The billionaire entrepreneurs behind these companies have navigated numerous legal and institutional challenges to reach this position. Some of them are not averse to criticising the bureaucracy, the large state-owned banks or even the supreme leader himself. Real estate mogul Ren Zhiqiang is an example of the new, 'brash' entrepreneurs who raised his voice on social and political issues using the social media. However, a direct attack on Jinping proved too costly for him and he was handed an eighteen-year prison sentence, after confessing to corruption charges[xv]. As the most powerful Chinese leader since Mao Zedong, Jinping's political history, personal convictions and his relations with the leaders of Chinese private industries is worth studying to underscore the present and future interplay of state and market capital in China.

IV. CONSOLIDATION OF POWER BY XI JINPING AND EMERGING CHALLENGES

The incumbent president of China and general secretary of the CCP, Xi Jinping has been the paramount leader of China since 2012. Jinping has ascended to a position of unrivalled power in China after the 20th National Congress of the CCP gave him an unprecedented third term as president. The CCP had already changed the Chinese constitution to accommodate his political ideology, 'Xi Jinping Thought' during the 19th Congress. Jinping is the son of a senior party leader and belongs to a generation of leaders commonly called 'second-generation reds'[xvi]. Despite this privilege, Jinping's path to supreme power has been one of remarkable ingenuity and perseverance. His father was discredited and imprisoned during the Cultural Revolution, to be reinstated only after Mao Zedong's death. Jinping had to navigate the challenging ranks of the party from rural outposts to the Central Committee[xvii]. A master of political machination, he had to outmanoeuvre the loyalist cliques of former presidents Hu Jintao and Jiang Zemin to become the paramount leader. Chinese leaders have historically encouraged a policy of collective leadership within the party. However, since Jinping came to power in 2012, an unprecedented 'anti-corruption drive' has been launched which resulted in the 'disciplining' of 250 senior officials (including senior corporate leaders) and almost 1.4 million general cadres during his first five years[xviii]. After the 20th National Congress, it became clear that Xi had been able to install loyalists in both the powerful Politburo and the exclusive Standing Committee of the party. The unceremonious ouster of former president Hu Jintao from the Congress and the retirement of former premier Le Keqiang, known to represent the powerful Youth League clique led by Hu Jintao, served as evidence of Xi's absolute control[xix].

Even at the height of his power, Jinping is not completely free from certain political restraints. Being a virtual one-party state, the legitimacy of the party in China rests largely on the ability to provide jobs, sustaining economic growth and ensuring social stability. Thus, the leader must ensure that the party under his command is not perceived to lag in these aspects. Chinese supreme leaders have often adopted political rhetoric to strengthen their hold over the party. For Mao, it was the Cultural Revolution while Deng Xiaoping chose 'Socialism with Chinese Characteristics'. Xi Jinping has chosen an unrelenting drive against corruption as his principal political agenda.

V. XI JINPING'S ANTI-CORRUPTION DRIVE AND ITS IMPACT ON THE HIGH TECHNOLOGY SECTOR

In January 2025, he declared corruption as the biggest threat to the Chinese Communist Party (CCP)[xx]. In 2017, the apex anti-corruption body in China, 'Central Commission for Discipline Inspection' (CCDI) reported that approximately 1.34 million Chinese officials, including more than six hundred thousand party members were arrested since 2013, after Xi began his anti corruption drive to curb the 'four challenges', which are formalism, bureaucracy, hedonism and extravagance, as identified by the CCP[xxi]. In 2024 alone, close to nine hundred thousand Chinese have been punished or 'disciplined' by the CCDI. The CCP has launched numerous campaigns against corruption in the past, dating from the Mao period. The CCDI was formed in 1978 and by 1998, 249 laws and regulations were in effect to curb bribery[xxii]. Liberalisation of Chinese economy, establishment of a merit-based civil service instead of the old cadre system, downsizing of bureaucracy and more independence given to state owned enterprises should have contributed to reduced corruption. However, as of 2024, China ranks 76th out of 180 countries in the Corruption Perceptions Index published by Transparency International[xxiii]. Thus, it appears that Xi's anti-corruption drive will not lose steam in the near future.

This unrelenting crusade against corruption is not limited to party or government officials. In 2021, President Xi introduced the concept of 'Common Prosperity'. Although this policy purportedly aimed to address inequalities in wealth redistribution, its focus appeared to be regulation of private corporations as a whole. One of the first victims of this policy was the hundred-billion dollar online tutoring industry in China, which was subjected to 'double reduction', virtually forcing them to go out of business[xxiv]. Chinese fintech giant Ant Group's 37 billion dollar IPO was infamously cancelled citing financial irregularities and the firm had to undergo significant restructuring. Shortly before the release of this IPO, Jack Ma, the founder of Alibaba and Ant Group, delivered a speech criticising the Chinese banking sector's regulations. He 'disappeared' shortly afterwards and had to relinquish his decision-making position at both companies. Another Chinese billionaire with a 'flamboyant' image in the media, the CEO of the investment bank China Renaissance, Bao Fan, similarly went 'missing' in 2023. He resurfaced a year later, only to resign from all positions in his firm and remains hidden from the public view[xxv]. Aside from these highly-publicised moves to muscle out unpalatable entrepreneurs, the Chinese government-owned companies are also gaining boardroom access as stakeholders in major technology companies such as ByteDance, Tencent or Alibaba, a phenomenon known as 'Golden Share' in China[xxvi].

Tech billionaires who don't faithfully tow the party line are seen as potential rivals of the omnipotent party and the president. The fact that they control the most influential social media platforms in China in absence of global brands such as Facebook or WhatsApp (some examples of major Chinese social media apps are Weibo which is owned by Sina Corporation, WeChat by Tencent, Toutio by ByteDance) only adds to the party's distrust towards them. Thus, the disappearance of dissenting entrepreneurs and their Orwellian return as diminished men and women confessing to a litany of corruption charges have become a regular sight in China under Jinping.

VI. CHANGING ATTITUDE OF THE CHINESE GOVERNMENT TOWARDS PRIVATELY OWNED TECH FIRMS

However, the government appears to be softening its stance on private enterprises in the recent past. In 2024, restrictions imposed on private education providers were relaxed, resulting in an immediate resurgence of these companies. In January 2025, news emerged that the Chinese government was considering the sale of Chinese online video platform TikTok's American operations, after a forceful refusal to do the same in 2023. A policy reversal is also visible regarding the lucrative online gaming industry. The government issued a regulation in 2021 restricting the hours children can play an online game. It also stopped issuing licenses for new games. In 2023, the government's attitude towards large digital gaming firms improved as major companies like Tencent considered relocating their operations elsewhere. Again in 2024, The National Press and Publication Administration (NPPA) of China proposed fresh regulations. These were again retracted within a few days[xxvii]. Furthermore, on February 17th, 2025 Chinese

President Xi Jinping attended a Symposium with major Chinese business leaders such as Huawei's Ren Zhengfei, BYD's Wang Chuanfu, Xiaomi's Lei Jun, Tencent's Pony Ma and Alibaba's Jack Ma[xxviii]. At this rare high-level meeting between the president and the business tycoons, Jinping asked the business leaders to 'show their talent' and attempted to address their fears regarding government regulations of private industry. It was by no means a regular interaction. The Chinese government under Jinping's leadership is waging a war against corruption for more than a decade and Chinese billionaire entrepreneurs have often found themselves at the receiving end of this initiative.

The 'rehabilitation' of Jack Ma, as evidenced from his renewed access to the president, indicates the government's changing attitude towards private tech industry. Half of this controversial billionaire's personal wealth was eroded after the Chinese government scrapped Ant Group's IPO in Hong Kong and his future as an industry leader seemed bleak. After that crucial meeting with Xi in February this year, Jack Ma appears to be back in business[xxix].

VII. CONCLUSION

It is debatable whether Jinping has truly changed his outlook about Chinese private industry but there is little doubt about the factors forcing him to publicly acknowledge the importance of industry leaders. Chinese economy is in trouble. The trade war with the United States and imposition of reciprocal tariffs have begun at a time when China is experiencing a serious decline of demand in its property market which contributed to one-third of China's GDP[xxx]. Major real estate companies like Evergrande defaulted on debt payment and faced liquidation[xxxi]. High unemployment rate, falling property prices and limited prospects for a better future is leading the young Chinese professionals to not invest in property. Chinese economy is in fact, facing a deflation, resulting in low investor confidence. The claims of achieving the goal of 5% annual GDP growth is disputed as revenues are falling and salaries are stagnant. In such a situation, the president appears to temporarily realign his policies to accommodate the capitalists and to provide the Chinese economy with breathing space. A major reason behind this softer approach is the realisation by the president and the party that artificial intelligence (AI) will dominate the technology sector in the coming years and drive the Chinese economy. Chinese entrepreneurs have already demonstrated that they have the ability to disrupt USA's hegemony in building AI by launching the Chinese start-up DeepSeek and many such new AI-based start-ups are rising in China. President Jinping has indicated that he wouldn't like to be behind in the AI race and hinted at 'epoch-making' Chinese technical advancements in the field of AI in a 2025 speech[xxxii]. He further urged the Chinese tech companies to 'show their talent' in this field[xxxiii]. Therefore, it can be concluded that for the near future, Chinese technology companies and their owners are going to enjoy e relatively lenient treatment from the state although they must operate within a strict regulatory boundary set by the state which prioritises data security and faithful reporting to the government.

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