Private roles in enhancing multi-level governance: China’s “Internet +” national strategy

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Abstract
Multi-level Governance engages players from multiple levels of governments and multiple sectors for better governance results. This paper argues that private actors may take a collaborative governance approach to facilitate intergovernmental policy making and implementation. Specifically, the rise of private sector economy in China has engendered interests and opportunities for resourceful private actors to link fragmented intergovernmental policy system. Using China’s “Internet +” national strategy as a case, the paper finds that internet firms, by adopting collaborative strategies like mediating, brokering, leveraging, and coordinating, contributed significantly to a concerted and swift process of intergovernmental policy making and implementation. Individual, industrial, institutional, and global factors together induced such unusual private activeness. The paper offers evidence of China’s Multi-level Governance practices and identifies an organic linkage in the formation and functioning of Multi-level Governance.

Keywords
Collaborative governance, China, collaborative governance, intergovernmental relations, Internet +, Multi-level Governance

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Introduction

The concept of Multi-level Governance (MLG) emerged in the European Union (EU) context as an approach to understand policy making in the EU (Hooghe and Marks, 2001, 2003; Marks, 1992, 1993). MLG refers to the simultaneous activation of governmental and non-governmental actors at various jurisdictional levels (Piattoni, 2010: 250), capturing the increasing need to enable multiple actors to collectively handle complex public affairs (Pierre and Peters, 2000). The popularity of MLG in the EU reflects the new complexities of local, national, and regional issues due to the creation of a suprnational layer of actors by European integration (Kassim, 2015; Schout and Mijs, 2015; Van Zimmeren et al., 2015; Zito, 2015). Efforts have been made to apply the lens of MLG to other contexts like the United States and China (Hensengerth, 2015; Ongaro et al., 2010, 2011).

Nonetheless, there is a worry that MLG is ultimately descriptive and is an umbrella notion rather than a theory (Ongaro, 2015). The multiple missing linkages of MLG may limit its analytical power and its capacity to make causal arguments. Most notably, while the effectiveness of MLG hinges on a confluence of intergovernmental and intersectoral collaboration, there is a lack of analysis how the vertical and horizontal modes of governance may empower instead of constraining each other. Specifically, while reform tides like New Public Management have enlarged the participation of private actors in public affairs governance (Savas, 2000), there is a vacuum of knowledge about the consequences of such participation on the process of intergovernmental policy making.

The core research question of this study is thus to analyze how private actors may improve MLG in its vertical aspect. Literature on collaborative governance has rich discussions of its empowering effects as governments acquire external capacities like information, productivities, resources, and even legitimacy (Donahue and Zeckhauser, 2011; Kettl, 1993), yet fails to explicitly explore how external actors may link and glue governments of multiple layers. This is largely due to the inclination of current collaboration research to view government as a unit or a group/network of horizontal actors, failing to recognize the intergovernmental nature of the issues and the corresponding structural attributes of the involved governments. Consequently, an exploration that introduces multi-level governments into collaborative governance and analyze how collaboration may enhance intergovernmental policy making and implementation may disclose one organic linkage within the MLG framework. This is especially important due to the increasing governance role played by private actors, which may consciously take strategies to facilitate smooth intergovernmental processes.

China provides an intriguing context to explore this question. The public sector of China has a long chain of command and control, with five formal levels of government (central, provincial, municipal, county, and township). Although there is no supernational layer like the EU, decentralization reforms since 1978 have unleashed the power of local government and created giant local economies. Decentralization in the economic sector has to produce fragmentation that calls
for intergovernmental coordination (Montinola et al., 1995). Meanwhile, marketization reforms have pushed forward the engagement of private actors in public service delivery and local affairs governance (Brown et al., 2012; Jing, 2015). This is especially reflected by China’s recent policy breakthrough on service contracting and public–private partnerships. While collaboration between governments and private actors was used intentionally by higher level governments to adjust intergovernmental relations (Jing, 2012), it is not clear how private actors may take strategies and efforts to make up for fragmentation in policy making in an intergovernmental setup. The study of Chinese cases may help identify such a missing linkage of MLG, although indigenous governance concepts, notions of scale, and power relationships may shape Chinese MLG quite different to its EU origin (Hensengerth, 2015).

This paper will carry out a case study of the “Internet+” national strategy that was launched by China’s Central Government in March 2015. The case is an example of swift and effective policy making and implementation along intergovernmental and public–private lines. The participation of private internet companies in the policy process offers a unique scenario to observe private roles in enhancing MLG. The paper proceeds as follows. The first part builds the theoretical framework by analyzing the potential bridging roles of private actors in China’s evolving institutional environment. We then introduce policy making and implementation of the “Internet+” national strategy, and analyze the strategies adopted by internet companies to facilitate the intergovernmental system. After that, we further discuss the factors that made such indirect and informal coordination possible and successful. Further discussions and conclusions are offered at the end.

A framework: Private roles in linking fragmented governments in China

The term fragmented authoritarianism was coined in the 1980s to describe the internal inconsistency in China’s intergovernmental policy making and implementation (Lieberthal and Lampton, 1992; Lieberthal and Oksenberg, 1988). Such fragmentation reflects the rigid demarcation of powers along functional and jurisdictional lines, the misaligned interests, asymmetric information, and the lack of effective coordinating mechanisms. Fragmentation has been usually deemed as a barrier to policies in need of collective actions, although it may reserve some space for competition and innovation (Cheung, 2012; Korsnes, 2014; Van Aken and Lewis, 2015). Marketization and the rise of new business groups have further exacerbated the existing fragmentation (Brødsgaard, 2012).

Current research on intergovernmental fragmentation tends to focus on the solutions adopted by governments that reshape intergovernmental structures and streamline the processes. Mostly frequently, Chinese governments use administrative reorganization to handle horizontal fragmentation (Lema and Ruby, 2007). Super-ministry reform has been practiced in the new century as a major response to interagency coordination issues (Dong et al., 2010). Temporary interagency task
forces headed by the Premier, Vice Premiers, or other members of the Standing Committee of the State Council have been popular since the birth of People’s Republic of China. Multiple measures are also taken to handle vertical fragmentation, for example, by imposing top-down performance measurement (Burns and Zhou, 2010) and by centralizing personnel appointments for high-rank positions (Zeng, 2016). Incentive-based instruments are also popular, represented by the tax-sharing system that was introduced in the 1980s to align fiscal incentives of different levels of governments (Wang, 1997). In general, there is a mindset that intergovernmental fragmentation shall be dealt with internally.

Such a focus may ignore the post-1978 rise of economic and social actors that are external to the political-administrative regime. In 2015, among the 404 million working population in urban areas, 27.7% was employed by private enterprises, 16.5% by state and public organizations (including state-owned and collective enterprises), while the rest was self-employed or employed by foreign-funded enterprises and enterprises with mixed ownership structure (The National Bureau of Statistics of China, 2016). In 2017, private enterprises accounted for 226 of the top 500 Chinese enterprises according to revenues, reaching a historical peak.³ The rise of formidable economic forces that was not directly controlled by the state has pushed the latter to enlarge its ruling base by incorporating new economic elites in various ways, and most notably by offering them positions in political and representative organizations like the People’s Congress and the People’s Political Consultation Conference. An anecdotal report by Hunren Report shows that in 2011, the 70 richest delegates in National People’s Congress (NPC) had a total wealth of US$ 85 billion. These delegates were mostly private entrepreneurs. While there is ample evidence that private entrepreneurs benefit economically by affiliating themselves to the regime, it seems self-explanatory that they would actively make use of their new political capital to seek favorable policies and overcome intergovernmental fragmentation if it hinders such policy making (Cho, 2003; Jia, 2014; Li et al., 2006; Manion, 2008). It is argued that the rise of external economic and social forces shall be reflected in the modified versions of fragmented authoritarianism, which may provide structural opportunities for new elites to participate (Cai, 2014; Gilley, 2012; Mertha, 2009; Teets, 2013).

Insights can be drawn from the literature on “corporate political activities” (Hillman et al., 2004; Lux et al., 2011) and “nonmarket strategies” (Boddewyn, 2003; Lux et al., 2011) that firms adopt to manage the institutional and societal contexts. To seek regulatory and other benefits, firms and interest groups actively expand their influences on public policy process (Holburn and Bergh, 2008; Oliver and Holzinger, 2008; Sawant, 2012) and take political tactics such as lobbying, constituency building, financial contributions, advocacy, and coalition formation (Boddewyn and Brewer, 1994; Bonardi et al., 2005; Hillman and Hitt, 1999; Hillman et al., 2004; Oliver and Holzinger, 2008; Weidenbaum, 1980). Private actors may still take these strategies in an intergovernmental context to maximize their corporate benefits, but they will have to carefully justify their actions by claiming public interests.
Considering the Chinese context, some general attributes of the private roles in linking MLG may be anticipated. First, the major task is to convince the central government for policy changes. As China has five levels of government, enterprises especially those with a national market may have a strong motivation to make sure that policy making and implementation across these layers is consistent and predictable. Usually private enterprises, before reaching out for national operations, have aligned themselves quite well with local governments. To further improve the policy environment, the major next step is to persuade the faraway central government to notice local practices, learn established experiences and lessons, and understand the demand for changes of national policies. More concretely, there is a need to convince the central ministries the need of policy change, create incentives of change, and facilitate coordination among them. This corresponds to the innovation pattern in the public sector in China that local governments first adopt some policy changes or innovations, and then established practices may be adopted by the central government as national policies.

Second, the intervention from private actors is highly subject to the political legitimacy available to them. As political representation of various economic and social interests is still monopolized by the state, active policy activities of private actors lack sufficient support of formal institutions and tend to be less formal and supplementary in nature. This can be truer in an intergovernmental setup where private actors have to deal with multiple governments with potentially different or conflicting interests. As the evolving corporatist regime does provide some formal channels of representation, such as having private entrepreneurs as members of the parliament, these engaged private actors may maximize these opportunities for business advantages. Meanwhile, although western-style lobbying and financial contribution are not allowed, their varieties are tacitly practiced and are getting popular in China (Kennedy, 2009). Consequently, the political activeness and effectiveness of private actors in different sectors is largely predetermined by the priorities of the corporatist regime in its selective cooptation.

Third, due to the highly asymmetrical relationship between government and business in China, there is a general tendency of private actors to provide favorable conditions to induce intergovernmental responses. Private entrepreneurs are willing partners with the state instead of an autonomous force in opposition to the state (Dickson, 2003). As policy making in China is mostly a closed system, their political participation is often a response to the lack of mature market institutions and appropriate property protection (Bai et al., 2006; Li and Zhang, 2007). It would be sensitive if private entrepreneurs openly announce their policy opinion and push government for actions. Although they may get impatient with the formal channels of participation, in rare situations will they resort to open critics or antagonistic collective actions (Jia, 2014).

The above analysis may suggest collaborative governance as the best and probably only viable strategy for private actors to step into issues of intergovernmental policy making and implementation and play a facilitative role. Private actors may adopt a resource-based approach, manipulating their advantages to help overcome...
intergovernmental bureaucratic fragmentation. Hence, this paper will borrow the collaborative governance framework of Donahue and Zeckhauser (2011) that identifies private actors’ collaborative advantages as information, resources, productivity, and legitimacy, and observe the strategies of private actors in sharing these resources with multiple layers of governments.

“Internet+”: Case and data

The concept of “Internet+” was invented in 2012 by Yu Yang, an entrepreneur of a private information company, Analysys International. The concept was formally adopted by the Premier Li Keqiang in March 2015 in his Government Work Report to the 3rd Session of the 12th NPC. During that Session, Ma Huateng, a delegate from Guangdong Province and the board chairman of an internet company Tencent, made a move proposing that internet technology shall be fully used to rejuvenate traditional industries and drive up China’s innovative economy. In the following July, Guiding Opinion on Actively Promoting the “Internet+” Action Plan was enacted by the State Council. The plan maps development targets and supportive measures for key sectors, including entrepreneurship and innovation, manufacturing, agriculture, energy, finance, public services, logistics, e-commerce, traffic, biology, and artificial intelligence. Four months later, the first Inter-Ministerial Joint Conference on “Internet+” was convened by the National Development and Reform Commission (NDRC) and attended by 11 central government agencies, aiming to facilitate interagency coordination in implementing the “Internet+” strategy. Simultaneously, the policy received enthusiastic local implementation. Provinces like Guangdong, Fujian, Jiangsu, and Sichuan quickly launched their own action plans for “Internet+.” Large number of strategic cooperative agreements between local governments and private internet companies, especially Baidu, Alibaba, and Tencent (BAT. Similar Information and Communication Technology [ICT] companies are referred to as BATs hereafter), were signed. The policy process of “Internet+” provides a vivid Chinese example of activated MLG.

Multiple sources of secondary data are collected to analyze the roles of BATs in facilitating the MLG process. We got official documents and media reports about “Internet+” from publicly accessible channels like internet-based media, government webpages, and online databases. The focus is on the interactions of internet companies with multiple levels of governments between 2012 and 2015. Data are basically from seven types of interactive activities that are summarized in Table 1.

Analysis: Private roles in “Internet+” national strategy

The strategies of BATs to link the intergovernmental system in the policy process of “Internet+” are dependent on their unique resources that the government does not have. This paper borrows the collaborative governance framework of Donahue and Zeckhauser (2011) and looks at four kinds of strategies according to the resources that private actors may use to overcome
intergovernmental fragmentation: information, value/knowledge, legitimacy, and operational capacities.

Mediating

Intergovernmental policy making is first of all a game of information. Although the hierarchy of Chinese bureaucracy has its own vertical channel of information flow, and policy makers can get information from publicly run research institutes and think tanks, information gaps always exist (Wedeman, 2001). The traditional anti-officialdom ideology of the Communist Party of China encourages officials to get first-hand information by direct investigations. This has invited private actors to influence public policies by providing information (Hillman and Hitt, 1999). “Internet+” policy making, due to its economic-technical complexity, provides special advantages for private internet companies to create and disseminate information.

An impressive channel for private internet companies to mediate information is via government leaders’ field visits (Shidi Kaocha). Every year central and local leaders will arrange a couple of field visits to collect fresh information for priority policy issues. In recent years, visits to internet companies have got increasingly popular. In June 2010, the former Premier Wen Jiabao visited the headquarters of Alibaba in Hangzhou, the capital of Zhejiang Province. The Minister of Ministry of Industry and Information Technology (MIIT) visited Baidu in 2012 and 2013. On 4 January, 2015, the Premier Li Keqiang brought heads of MIIT, NDRC,
Ministry of Finance, China Banking Regulatory Commission, and China Securities Regulatory Commission to the newly established Webank, China’s first internet-only bank that is sponsored by Tencent. Li completed the first loan transaction of Webank by clicking on the computer, giving a truck driver a loan of RMB 35,000. In December 2015, President Xi Jinping visited Baidu’s exhibition pavilion in Wuzhen Town and watched Li Yanhong to present Baidu’s pilotless automobile. These visits provided opportunities for internet companies to demonstrate their innovativeness, capacities, and achievements to central leaders and agencies. Since these visits are usually accompanied by officials one-level or even two-level down the hierarchy, the internet companies could synchronize the information for the intergovernmental system through their presentations and the question–answer interactions.

Economic colloquia (Jingji Xingshi Zuotanhui) and meetings (Huijian) are two ways for policy makers to invite private actors for information and advice. The Premier’s Economic colloquium (Zongli Jingji Xingshi Zuotanhui) is organized regularly to discuss important economic issues with invited entrepreneurs, scholars, and officials. Ma Yun (Alibaba) and Ma Huateng (Tencent) were invited by former Premier Wen Jiabao in 2013. By January 2016, Premier Li Keqiang had presided seven economic colloquia since October 2013. Entrepreneurs of BAT, Xiaomi, and Sohu were regular participants among the 65 invitees. Besides, less formal meetings (Huijian) were used to collect information. For instance, before the annual session of the NPC in early 2010, Wen Jiabao invited Li Yanhong (Baidu) to discuss internet services in rural areas. During the first World Internet Conference held in November 2014 in Wuzhen, China, known as the “Wuzhen Summit,” Premier Li Keqiang met entrepreneurs of internet firms like Alibaba, Sina, JD, and Xiaomi. Invited guests in the colloquia and meetings are expected to speak in a candid way so leaders can be exposed to true information and opinion.

Both field visits and economic colloquia/meetings happen at multiple levels of governments. For example, Alibaba has been a frequent host and guest of such activities organized by the Municipal Government of Hangzhou, the Provincial Government of Zhejiang, or the Central Government. Internet companies can make use these opportunities to provide the hierarchy with consistent information.

Internet companies have special advantages, compared to local governments, to convey local information and demands to upper level governments. Internet companies are market players with first-hand information of the industry and its frontier developments. Further, they are themselves information creators and processors and are much more professional in expressing local demands and suggesting solutions. The concentrated leadership role assumed by firms like BAT makes it convenient for central government to hear voices from the industry. As BAT and other ICT companies usually have business in multiple provinces, they better understand the issues of the industry and common problems faced by local governments. Information they delivered may avoid being deemed as representing parochial local interests.
**Brokering**

Value consensus within the bureaucratic system on “Internet+” was not automatic. There is always competition for priority among various policy issues on the official agenda. Besides, the potential zero-sum game between the new economy and the traditional economy may create disagreements within the government and along its layers. Private actors, in response, may actively create and disseminate systematic knowledge about the issues to governments and create belief coalitions (Aggarwal, 2001). As they understand policy concerns of the central government and implementation concerns of the local governments, they may deliver such concerns to each level of government and help find a balancing point. They may advocate policy making by asserting win-win results between local and central governments and between agencies representing different industrial interests. They distribute collaborative values to governments and make them responsible stakeholders.

ICT companies take multiple strategies to convince the intergovernmental system the value of “Internet+” and its long-term and overall benefits. One strategy is to deliver systematic knowledge on internet-based new economy to multi-level decision makers. All BAT firms have their research institutes: the Baidu Institute of Deep Learning, the Ali Research Institute, and the Tencent Research Institute. These institutes regularly publish research reports on ICT industry and economy and deliver them to relevant government agencies of different levels. Group learning (*Jiti Xuexi*) of the committee of the Communist Party of China (CPC) at all levels shows a consistent enthusiasm to invite internet companies to deliver lectures. The CPC Politburo, a group of two-dozen members, holds regular group learning on difference subjects such as anti-corruption, judicial reform, and so on. In September 2013, the Politburo’s ninth group learning took place in Zhongguan Cun, an S&T hub in Beijing. Leaders of Lenovo, Baidu, and Xiaomi were invited to deliver lectures on issues like big data. NDRC (in 2011), China Securities Regulatory Commission (in 2015), and some other central agencies held similar events. At the local level, Ma Yun (Alibaba) was once invited to lecture at Zhejiang Commission of Development and Reform in 2014; Ma Huateng (Tencent) lectured to senior officials in Shanghai about “Internet + Smart City” in 2015; and the Party Secretary of Hubei province invited Lei Jun (Xiaomi) to give a seminar in 2015. Similar events happened at even lower levels of governments.

A more direct and forceful strategy is to make use of private entrepreneurs’ formal positions within the regime to urge for policy feedback. As successful ICT entrepreneurs are often coopted and assume different representative positions at different levels, they make use of these positions for policy advocacy. For example, Ma Huateng is a delegate to the NPC. He once appealed that the government should consider the development of internet as a national strategy during the first session of the 12th NPC in 2013. He later delivered a formal proposal to the third session of the NPC in 2015. Another NPC delegate Lei Jun made a similar proposal and appealed to the media during the second session in 2014. Li Yanhong appealed similarly during the press conference of the second session of 12th
National People’s Political Consultation Conference in 2014. In doing so, these ICT leaders claimed their representation of public interests.

The knowledge and visions advocated by private entrepreneurs have consistent arguments. A first argument is that new economy driven by ICT is unavoidable due to the change of consumer behavior and national competence and it is something that western developed countries have been embracing. Advocates argue that China lags behind, but has the late mover advantages. Appropriate policies will change China from a big internet country to a strong internet country, and make China a leader of the fourth industrial revolution. Another major argument is that “Internet+” is a strategy of sustainable development. While it may hurt some traditional industries in the short run, it rejuvenates them and improves their competence in the long run. Further arguments include the net effect of job creation despite a change of employment structure. For example, Taobao, the Chinese version of Ebay, claimed to create more than 10 million jobs at a price of shutting down many physical shops.

Leveraging

Private actors may induce concerted intergovernmental responses by enhancing social awareness of the policy issue’s valence and salience (Oliver and Holzinger, 2008; Schuler and Rehbein, 1997). Through mass education and constituency building, they identify, communicate with, educate, and motivate citizens and media to align with their policy stances and to act in accordance (Baysinger, 1984). The subsequent social expectation and legitimacy pressures may invite political responses (Getz, 1997) as well as willingness of different governments to join in collective actions (Bonardi and Keim, 2005; Hillman and Hitt, 1999). Internet companies enjoy the advantage of a large group of internet users. In January 2016, China’s internet users reached 688 million, offering internet companies an opportunity to create and guide social attention and agendas in both commercial and policy areas. One impressive case is the double 11 online shopping carnival created by Taobao in 2009. Being a Chinese version of the American Black Friday, it created transactions of RMB 120.7 billion on 11 November 2016 for Taobao.

Mass media has been one major way for internet companies to create social consensus on the “Internet+” strategy. Internet companies have been active to maintain their official news websites like Sina, Baidu, and Sohu, and create We-Media like QQ, micro-blog, and we-chat. We-chat had 549 million active individual accounts at the end of 2015 with very high penetration to high-income social groups. The capacity of internet companies to collect, process, and distribute information has been recognized by all levels of governments. By December 2014, government micro-blogs were 277,000 in number (Council of E-Government, 2014), while government we-chat were over 40,000 (Tencent Institute and We-chat Team, 2015). On 11 October, the State Council simultaneously launched its micro-blog and we-chat that published major decisions, activities, and important documents in real time. Conferences and public talks are also effective to attract social
attention. In 2015, the second “Wuzhen Summit” attracted over 2000 governmental officials, experts, and entrepreneurs. The summit, fully covered by the media of ICT companies, created worldwide visibility and fever. Charismatic ICT leaders like Ma Yun could make eloquent and eye-catching public talks and lectures. His series of talks in the United States such as the one at the Stanford University were warmly received.

There are natural ways for internet companies to raise citizen support. Even before the concept of “Internet+” was proposed, internet-driven economy had effectively changed citizen’s daily life. Citizens could easily buy consumer products, pay public utility bills, arrange travels, order food, make bank transactions, and organize social intercourses through internet-based services. BATs claim to serve the development of small- and middle-sized enterprises. By announcing themselves as creating consumer welfare and providing economic infrastructure, BATs get used to justifying their policy proposals with public interests. Citizen support and international visibility offer BATs legitimacy and self-confidence in front of bureaucracy. An impressive case was that in January 2015, Alibaba openly disagreed with the investigation report issued by the State Administration for Industry and Commerce (SAIC), which stated that only 37% of the products sold via Taobao were authentic. Alibaba responded by arguing on its website that the sampling and appraisal methods of SAIC were problematic and by appealing to SAIC, the violation of due process and emotional law enforcement of the head of SAIC’s Department of Market Regulation. Lots of public attention was attracted to this dispute. The Minister of SAIC finally met Ma Yun in person and they announced to make joint efforts to fight fake products.

Coordinating

Visible success in policy implementation will invite further policy follow-ups and even breakthroughs. Implementation resources of local governments are critical for intergovernmental policy implementation. Private actors that contribute economic and technical resources to facilitate local accommodation of central policies may convince the intergovernmental system of the policy feasibility. Policy advocacy by private actors may tacitly take into consideration their operational capabilities so enacted policies may easily get implemented.

BATs play a very important role in local implementation of the “Internet+” strategy. Just one month after “Internet+” becoming a national strategy, Tencent signed strategic cooperative agreements with 21 municipal governments, including Changsha, Wuxi, Dalian, Guangzhou, Wuhan, Shenzhen, Foshan, and so on. At the same time, Alibaba established new collaborations with more than 17 cities nationwide in data cloud services, and started running over 40 governmental projects delivering public services in its headquarter city Hangzhou. In total, 29 cities around the nation adopted Alipay, the online payment platform operated by Alibaba, for public service payment. Most e-commerce companies, like Taobao and JD, widened and deepened their cooperation with county governments,
planning to develop e-commerce in rural areas. The general picture was clear that the “Internet+” strategy received enthusiastic implementation at all local levels. Many grassroots governments also developed their plans of “Internet+ public services.”

The smooth intergovernmental implementation highlighted the preparedness of BATs. First, BATs developed duplicable commercial models to work with public and private partners. Due to the technological characteristics of ICT, headquarters of BATs could provide technical support to newly established service terminals easily and cost-effectively. The application of standardized commercial models in new jurisdictions thus may only incur limited investments. A second reason was that BATs in the past years had worked with local governments and established reciprocal and trustful relations. Such relations paved way for quick enforcement. For instance, Zhejiang Province has a long history of cooperation with Alibaba. Most cities in Zhejiang had agreements with it. Leaders of Guiyang Municipality, the capital of Guizhou province, interacted in multiple ways with BATs representatives by 16 times between 2012 and 2015. Two months after the launch of the national strategy, Guiyang established a cooperating framework with Tencent to apply big data in public service delivery.

Discussions: Understanding the private activeness in the “Internet+” case

“Internet+” has been a very exceptional case of MLG in China that engages private actors in meaningful and substantial ways in intergovernmental policy making and implementation. While there are local cases of collaborative governance in China (Jing, 2015), it is rare to have private actors so deeply engaged in the decision making process of a national strategy. Although it is still difficult to judge to what extent BATs contributed to the formation of the national strategy, the general belief is that without their active participation it would be difficult, if not impossible, to have the policy so swiftly decided and implemented. In the following text, we analyze the contributing factors that may shed new light on the applicability of MLG in China.

Individual factors

BATs leaders have proved themselves capable policy entrepreneurs. They are well educated technical experts with management talents. Most of them started from the scratch and experienced difficult times at their early career. Their charismatic leadership, innovation fanaticism, and fortune stories make themselves the spotlight of Chinese society and a center of social and popular influences. As a group, their political savvy greatly facilitate their argumentation and persuasion in a complex arena of multiple players and perspectives. Such political savvy is first reflected by the shrewdness of BATs to arouse political attention and motivation through calculated manipulation of their political resources as both insiders and outsiders.
of the regime. As informal intermediaries between layers of governments, they strategically pull and push the intergovernmental exchange of information, value, and intention to serve their business interests. They intensified the competition for innovation leadership among local governments, as well as between central agencies. While they make use of formal political channels based on their positions in political and representative institutions, they also take advantage of their popularity as social and technical elites to influence public opinion. Despite playing multiple and complex games in advocating “Internet+,” they refrain from imposing pressures through provocative actions. The aforementioned open appeal of Alibaba to SAIC was due to the fear that SAIC’s report would create disastrous legal and market consequences to the former’s main business. By responding actively to concerns of different levels of governments in inductive ways, they lower the threshold to enter and glue the fragmented intergovernmental system.

Claiming public interests has been consistent among ICT leaders. To avoid regulatory intervention and reduce antipathy from traditional industries, these entrepreneurs often started business by working with venture capital and offering free services. For example, Didi Chuxing, the largest ride-sharing company, served close to 300 million registered users in more than 400 cities in early 2016. It has burned billions of dollars funded by its investors since its establishment in 2012, providing free services to consumers and taxi drivers. Taobao, the website of online shopping, has been free for sellers and buyers. The business models of BATs usually make use of their information, network, reputation, and customer base. Their entry into other industries like the banking and financial industries has been incremental and mild. The vast consumer welfare and visible industrial upgrading were evidence asserted by BATs and recognized by the governments. Under the public interest discourse, BATs leaders made huge fortune in an amazingly fast way. In 2016, 4 among the 10 richest families in China were owners of ICT companies including BAT and NetEase. There was only one in 2010.

**Industrial factors**

Industrial factors may have played a foremost role to empower ICT companies in the intergovernmental game. For more than a decade, the Chinese government has been emphasizing industrial transformation by innovations. Yet economic transformation has been slow and was seriously delayed by the 2008 economic crisis that forced governments to rely again on expansive fiscal and financial policies and on real-estate industry. In 2013, “mass entrepreneurship and innovation” was made a formal national strategic initiative. “Internet+” offered an opportunity to expand and extend the value chain of China’s manufacturing and service industries, and to restructure their production, distribution, and consumption activities. It gave legitimacy to the Chinese government waiting long for a solution.

The burgeoning ICT industry supported such an expectation by becoming a new economic locomotive. It was estimated that internet-based economy accounted for 4.4% of China’s gross domestic product (GDP) in 2013, and could contribute
to 7% to 22% of China’s new GDP by 2025 (Mckinsey Global Institute, 2014). In 2015, net profits of BAT increased by 155%, 195%, and 21% respectively. On 18 October 2016, the market value of SinaBlog listed on Nasdaq was US$ 11.35 billion, exceeding that of Twitter by US$ 10 million. BATs are obvious leaders of the burgeoning ICT industry considering their market share, technical competence, and standard setting powers. Such a high industrial concentration and a subsequent hierarchical power structure facilitated collective actions of the ICT industry. Strong group consciousness and identity enhances the industry’s advocacy capacities. BATs leaders demonstrated community identity and awareness to common challenges and opportunities. While they compete seriously in areas like e-payment, O2O, and ride-sharing, their unanimous pursuit for government deregulation and policy support was demonstrated by their consistent efforts to facilitate intergovernmental cooperation. This is reasonable as “Internet +” policies at this stage lay policy frameworks that are beneficial to all BATs companies. Markets have been growing fast. Conditions for win-win games are ample. It is no surprise that joint venture and mutual share-holding between BATs are quite frequent.

Another important factor is the weakness of state owned enterprises (SOEs) in the ICT sector. As an emerging industry characterized by technological innovation, venture capital operation, and cross-sector business, SOEs were in capable of playing a leading role due to their entrenched business, inflexible decision structures, risk aversion, and pay limit. ICT industrial policies were purposefully adopted by the central government as a prominent example of industrial deregulation that encouraged a more active and competitive economic role of private enterprises. Central support also explains why BATs may partner with giant SOEs such as banks and “intrude” into their turf. Further, capacities of BATs provide important hard and soft powers for Chinese government to implement its domestic and international policies such as the One-Belt-One-Road Initiative, and thus offer favorable conditions for BATs to access and negotiate with policy makers.

Institutional factors

China’s pragmatism-driven institutional scheme provides important opportunities for BATs. A first intriguing factor is the expanded use of traditional work methods of the Communist Party of China, like the aforementioned field visits, group learning, and meetings. Usually these activities were organized within the party-state. While these practices increasingly engaged private firms, the recent central leadership pushed the boundary by making it “normal” to involve ICT entrepreneurs. This was in accordance with China’s corporatist practices that intended to accommodate changing socioeconomic conditions by self-adjustments. As aforementioned, ICT leaders unanimously acquired access to political power by gaining membership in various kinds of political organizations at all levels. These arrangements offer them opportunities to influence policies and boost their business (Cho, 2003; Jia, 2014; Li et al., 2006; Manion, 2008). While fine-tuning has been
a basic condition for a corporatist regime to maintain vitality, the regime’s emphasis on performance legitimacy provides fundamental momentum of reshuffling and restructuring. It is a highly visible process that in recent years, ICT entrepreneurs have been gradually taking away political power from traditional industries in a way that exactly reflects their remarkable economic contribution.

**Global factors**

A less noted side of the story is the government’s concern of legitimacy and national security in a global context. The government has been criticized by the West regarding its censorship over internet, highlighted by Google’s retreat from Mainland China in 2010. While foreign ICT companies like Google, Facebook, and Twitter could not take foot in China’s market, their services are demanded by Chinese consumers. The development of domestic ICT companies would reduce citizens’ dissatisfaction. The competence and success of domestic companies like BAT may reject the critiques of foreign companies as blame avoidance. More importantly, ICT companies are natural creators and collectors of big data and are usually media operators, making them directly affected with the interest of national economic and political security. While foreign suppliers are not trustful and domestic SOEs are not competent, the only choice that the Chinese government has is to encourage domestic private companies to grow under constructive partnerships and effective regulations. This explains why it became a fashion for Chinese leaders to meet ICT leaders like their US counterparts. Such a demand for legitimacy and national security offers ICT companies much bargaining power in front of the government.

China’s ambition to be a global leader of internet governance and digital economy provides further leverage for ICT companies. Being a late mover, Chinese government has promoted a principle of shared internet governance that encourages participation of multi-parties including governments, international organizations, internet companies, technology communities, nonprofit organizations, and individual citizens. In China’s *International Strategy of Cooperation on Cyberspace* that was released in March 2017, China advocates a multilateral, democratic, and transparent global governance system for internet. These claims are best served by the participation of private companies like BATs. It is no wonder that BATs have played a critical role in the World Internet Conference since its start in 2014. In fact the Conference itself follows an MLG approach. It has been co-organized by the central government, Zhejiang Provincial Government, and the Tongxiang Municipal Government, with partnerships from a series of ICT companies like the Alibaba Group and the Mobike.

**Conclusions**

This study intends to fulfill a missing linkage of MLG, namely the private role in facilitating cooperation across the hierarchy of government. Little is known how these private actors, especially in the Chinese context, may adopt strategies of
coordination, and why these strategies may be successful. This paper, reflecting the increasing complexity of governance issues and the growing trend of collaborative governance in intergovernmental issues, makes an initial effort to explore the role of private enterprises in bridging multiple levels of governments. The theoretical framework developed in this paper highlights the shaping effect of institutional environment on private actor behavior. China’s unitary system of government, the evolving corporatist regime, and asymmetric government–business relation all play a role to provide opportunities and constraints that private enterprises face. We argue that private actors, in facilitating MLG, may have a focus on mobilizing central government, make sophisticated use of the political resources offered by the corporatist regime, and take a resource-based approach.

The case study of “Internet +” National Strategy gave a vivid example of MLG. Our analysis shows that BATs have been active in delivering first-hand, well-processed, and trustful information to the intergovernmental system; they are skillful knowledge creators and disseminators and make use of their formal political positions to urge for governmental response; they use mass media and new media to shape issue salience and acquire public support by new business models and welfare delivery; and they provide conditions for quick and pleasant policy implementation that encourages positive policy feedback. These actions made up for the fragmentation in the intergovernmental system and partially explained the quick process of this privately coined concept to become a national strategy. While there is still a gap to measure the exact policy impacts of BATs in this case, there is no doubt that they were indispensable for such a quick policy process.

The study, despite its choice of a successful policy case, reminds us the delicate conditions for MLG to function. As MLG is composed of both intergovernmental and cross-sector cooperation, its sustainability depends on conscious efforts to create, maintain, and coordinate favorable political, managerial, and legal conditions. The “Internet +” case, luckily, benefited from energetic and shrewd policy entrepreneurship, the prosperity of the ICT industry, as well as the institutional elasticity to host such industrial transformation. Effects of global factors are also discernible. The active roles of private actors in this case may not be over-generalized. The intervention of ICT enterprises, despite their high profiles in this case, was innovative instead of revolutionary. Basic patterns of intergovernmental decision making have not changed. A close look at the case discloses a consistent role of the Chinese government in supporting and shaping the engagement of external actors. Different levels of government did not just passively respond; rather, they controlled the agenda, maneuvered the sequences, and triggered the policy windows. In a word, they engaged the ICT enterprises, not vice versa.

The “Internet +” case unveils the needed flexibility for MLG to be applicable to contexts other than its North-West European origin. While public affairs governance is still pervasively domestic, the condition of MLG to have a supernational layer of actors may be relaxed and replaced by global influences. Further, in China’s case the national government can be treated as supernational when issues are primarily local in nature so that the national government may only see
that the cooperation and competition of local jurisdictions follow established rules. These relaxations may make it possible to apply MLG to issues that are predominantly concerns of actors within a sovereign jurisdiction. The study also shows that MLG may happen in a context where the relation between government and nongovernmental actors is not fully independent or equal. This coincides with existing literature that applies collaborative governance approach to contexts where the state plays a leading role in economic and social developments.

**Acknowledgments**

The authors thank the participants to the “Toward MLG in China” Workshop held in November 2016 at Fudan University for their valuable comments. The authors appreciate deeply the insightful constructive comments from the two reviewers.

**Declaration of Conflicting Interests**

The author(s) declared no potential conflict of interest with respect to the research, authorship, and/or publication of this article.

**Funding**

The author(s) disclosed receipt of the following financial support for the research, authorship, and/or publication of this article: This research was supported by the National Science Foundation of China under Grant 71490735, the National Social Science Foundation of China under Grant 15ZDA031, and the Ministry of Education of the Republic of Korea and the National Research Foundation of Korea (NRF-2016S1A3A2924956).

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**Notes**

1. The average population size of Chinese provinces was 44 million in 2015. Guangdong province in 2016 had a gross domestic product comparable to that of Australia and Russia.
2. In 2013, the General Office of the State Council issued Circular (2013, No. 96) to encourage the buying of services from external service providers. This Direction is equivalent to Circular A-76 issued by the US federal government, but it is applicable to all levels of Chinese government.
3. Data from Fortune China (2017)
4. Baidu led by Li Yanhong, Alibaba led by Ma Yun, and Tencent led by Ma Huateng are China’s leading internet companies and are often referred to as BAT. Baidu is the largest searching engine company headquartered in Beijing. Tencent provides multiple services including e-commerce, mobile chat, social network, web portals, online payment, and so on, with its headquarters in Shenzhen. Alibaba is headquartered in Hangzhou and provides mainly C2C, B2C, and B2B e-commerce services via web portals. It has the most popular online payment system and has been developing cloud computing.
5. Xiaomi is a privately owned electronics company headquartered in Beijing. It designs, produces, and sells smartphones, mobile apps, laptops and various consumer electronics.
6. Sohu is an internet company headquartered in Beijing. It offers advertising, searching engine, online gaming, and other online services.
7. JD.com is a Chinese e-commerce company headquartered in Beijing. It is one of the largest online retailers in China.
8. Lenovo Group Ltd. is a multinational technology company with its Chinese headquarters in Beijing. It designs, manufactures, and sells electronic devices such as personal computers, smartphones, and so forth.

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