

Nonprofits in China: Blessing or Vexation?

By Tang Sin Tung

Summary: The future of nonprofit groups in China is unclear. Unprecedented economic growth is creating many new social problems unfamiliar to China's Communist leadership, and that has forced the government to admit that non-governmental organizations (NGOs) could help improve the quality of life for the nation's 1.3 billion people. But at what price? The Communists fear any NGOs that are independent of state control, especially foreign NGOs.

In 1978 Chinese leader Deng Xiaoping proclaimed: "To get rich is glorious." Today China's leaders would like to convince the Chinese people that it is also glorious to help the poor and needy. Since 1978, when it began to replace its centralized planned economy with a market system, Chinese officials have embraced economic development, wealth-creation and a rising standard of living for China's people. The country now has a small army of millionaires. But economic growth has created new challenges, not the least of which is social unrest that has accompanied income disparities and uneven economic development across social groups and geographic regions.

Chinese government officials are examining what role non-governmental organizations (NGOs) ought to play in solving the nation's social problems. The People's Republic is eager to harness the power of NGOs to help the needy, but government officials remain wary, particularly of foreign groups that could import ideas threatening the political status quo.

Social Problems in the "Other China"

It was at the milestone Third Plenum of the National Party Congress's Eleventh Central



Blazing a path: Hong Kong-based billionaire Li Ka-shing (right) is part of China's ongoing philanthropy revolution. In this 2000 photo, he presents a donation to Tsinghua University President Wang Dazhong (left) for a Future Internet Technology Research Centre.

Committee in December 1978 that the leaders of China's Communist Party decided to reform the nation's sclerotic economic system and open the country to foreign trade. Since then, China's economy has grown at an average rate of more than 9% a year, surpassing France, Italy, and Great Britain to become the world's fourth largest economy in 2006. China's gross domestic product (GDP) grew at a blistering rate of 11.5% in the first half of 2007, up from 11.1% in all of 2006. Not surprisingly, many observers believe China will be the next great superpower—and a potentially menacing hegemon. Despite its spectacular economic progress, trouble is brewing in China.

As China's economy has grown more rapidly than any other country's, so has its measure of economic inequality. According to the Gini Coefficient, a formula used by the World Bank to measure income disparity (in

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which zero represents absolute equality and one represents absolute inequality in income distribution) China's degree of inequality has grown from an estimated 0.28 when the reform program began to 0.45 in 2005. A recent report in a weekly newspaper run by the China Youth Daily argues that the gap is widening and reached 0.50 in 2007. That means inequality in officially socialist China exceeds the inequality found in most capitalist countries, such as the United States and the United Kingdom. Many free market advocates note that income inequality is the price a country pays for economic growth, but the disparities in China are particularly severe and could lead to social turmoil and the threat of political unrest.

The greatest gap is between China's urban and rural residents. Average per capita income in urban China, which includes big cities such as Shanghai, Beijing, and Shenzhen and major population centers in the thriving provinces along the eastern coast is U.S. \$1,033 a year. This urban China has a population of some 300 million people (23% of the total population), which is roughly the same as the population of the United States. But that leaves another one billion people (77% of the total population) in rural China, which Anne Thurston, an independent scholar and China specialist, calls the "other China." In this "other China," the average per capita

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annual income is \$319 —less than the one U.S. dollar a day that the World Bank uses as the benchmark of poverty.

This "other China" has many faces. Besides extremely low incomes, these regions are overcrowded, potable water is scarce, taxes are soaring, and officials are corrupt. In impoverished regions such as Yunnan,



Liang Congjie and three of his fellow teachers founded China's first legal NGO, Friends of Nature, in 1994.

Sichuan, and Guizhou, many parents cannot afford to send their children to school. The health system is crumbling, and most residents have difficulty gaining access to medical care. Catastrophic epidemics are growing commonplace. The World Health Organization (WHO) reported the deaths of 16 of 25 persons infected with avian flu, a number that fails to account for government under-reporting. A 2002 U.N. report said China was "now witnessing the unfolding of an HIV/AIDS epidemic of proportions beyond belief...on the verge of a catastrophe that could result in unimaginable human suffering, economic loss, and social devastation." A 2005 report estimates the number of Chinese infected with HIV/AIDS at 650,000.

Women and girls are particularly vulnerable to China's failings. The ratio of males to females continues to worsen under the government's policy of one-child per family, and the social preference for male births has led to an increased incidence of trafficking of

women and girls. According to a report by the U.S. Department of State's Office to Monitor and Combat Trafficking in Persons, at least 10,000 to 20,000 victims, 90% of them women and children, are kidnapped in rural provinces and sold to buyers in China's prosperous east coast provinces for sexual exploitation and forced labor. According to WHO, the women of China make up some 20% of the world's female population but commit more than 56% of the world's female suicides. Most occur in rural China.

Thurston's "other China" is no longer exclusively rural as huge numbers of Chinese migrate to cities in search of a better life. Every city in China is crowded with rural migrants living in substandard housing with minimal sanitation, isolated and ill-treated by the urban residents they serve. They perform *kuli* (an alternate spelling of "coolie," a pejorative term in the U.S.), the bitter labor of long hours and low wages. And the number of street children grows as poor parents send them away to fend for themselves.

As China's urban population swells, private developers collude with government officials to seize land and houses in the name of progress. With little compensation for their occupants, homes are torn down to make way for new office and apartment buildings in the growing cities, while 70 million farmers have surrendered their land for development in rural areas. The Washington Post reported (December 8, 2005) that "authorities exercising the equivalent of eminent domain seized farmers' fields to build a wind-driven electric generating plant on a hillside overlooking the village."

The "other China" is not suffering in silence. China's Public Security Bureau, the country's police force, reported that there were some 87,000 public protests in 2005, ranging from sit-ins to riots. The government labels such events "mass incidents." Most are caused by local grievances, not by opposition to Communist Party rule.

For frequent updates on environmental groups, nonprofits, foundations, and labor unions, check out the CRC-Greenwatch Blog at

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Under past Chinese leaders, the Communist Party controlled that country's social institutions with an iron fist. Pictured from left to right are the late Mao Zedong, the late Deng Xiaoping, and Jiang Zemin, who is shown being embraced by North Korea's Stalinist dictator Kim Jong-il.

Enter the NGOs

How will China solve this avalanche of problems? And is it possible for the Chinese people to create problem-solving organizations that are independent of the government and the Communist Party? There is no doubt that Chinese are establishing institutions of civil society separate from the apparatus of the state. But the bigger question is whether China's non-governmental organizations can flourish and remain independent of government control.

China's first legal NGO was Friends of Nature, an environmental club established by Liang Congjie and three fellow teachers in 1994. Today there are hundreds of thousands of NGOs: The World Bank estimates between 300,000 and 700,000 NGOs in China are "delivering services from legal aid to environmental protection and at the village-level, building playgrounds for children and sharing technologies in smallholder agriculture."

Of course, there were no NGOs in Maoist China, when state and society were one and the same. Even after 1978, during the eras of Deng Xiaoping and Jiang Zemin, the Communist Party maintained tight control over China's social institutions. If an activist were foolish enough to proclaim himself a "social entrepreneur," he would land in jail.

But now as it confronts social problems of an unforeseen scale, China's government must find the creativity and resources to solve them or become a failed state. In 2001, China announced its 10th five-year plan and named rural reform as a major goal. The government has said it will abolish agricultural taxes on peasants, make education in rural areas free of charge, introduce a new system of health insurance, eliminate government corruption at the local level and emphasize rule of law. In 2005, it issued a white paper declaring democracy the common desire of the world's people and promising to improve "socialist democracy with Chinese characteristics."

However, government cannot solve the social problems of one billion rural Chinese—their persistent poverty, egregious local corruption, a troubled education system, a failing health delivery system, catastrophic epidemics, environmental disasters and growing social agitation. Even as its economy surges, China searches for something to replace the failings of government.

Enter the NGOs. For 20 years foreign NGOs have played an important role in China. In 1988, the Ford Foundation reached a special agreement with the State Council to become the first international non-governmental organization to establish an office in Beijing. Ford has been China's largest foreign grantmaker, and through 2005 it had made

grants totaling some \$207 million in various fields, including legal system reform, reproductive health, environment, education and culture, international relations, civil society, and gender inequality. It has supported Chinese research centers; grassroots approaches to manage natural resources and alleviate poverty, especially in Southwest China; and government family planning and HIV/AIDS programs.

Many smaller foreign NGOs have also opened programs in China. For instance, Adventist Development and Relief Agency China (ADRA), based originally in Michigan, piloted an energy-efficient housing project in 1998 that introduced the use of bales of straw as an insulation technology in rural areas of Inner Mongolia and northeast China. More than 600 houses and community buildings were built using straw bales faced with brick and tile. It is estimated that this technology cuts winter domestic heating needs by up to 70%.

At the end of 2003, ADRA began a "sheep bank" project in Wengniute Banner of Chifeng City in Inner Mongolia. This three-year project provides poor families with breeding stock flocks of sheep. And in 2004, ADRA undertook an exploratory mission to Yushu Prefecture in Qinghai, where it planned to establish medical assistance and social welfare projects.

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It is increasingly clear that NGOs are essential to China's future. The Chinese government no longer pretends that it can solve its problems alone. A signed article in a recent issue of the Study Times, a leading Communist Party publication, highlighted what NGOs are doing for China, saying their overall influence was "good, positive and active." The article applauded foreign NGOs for bringing capital, experience and know-how to help develop the country and it praised NGOs for promoting the rule of law.

"This is what is needed for China's development and progress," the article said.

This stands in stark contrast to the Communist Party's position after the People's Republic was established in 1949 following a brutal and protracted civil war. In the nation created by Mao Zedong, who died in 1976, the state controlled all aspects of the people's welfare from cradle to grave. Private giving was a sign of bourgeois affluence and treated as an obstacle to a classless society. By contrast, the Chinese government today eagerly promotes private philanthropy and voluntarism to its wealthy citizens.

In 2006, China began drafting its first-ever charity law. The Ministry of Civil Affairs partnered with the University of British

Columbia's School of Social Work and Family Studies to launch a multi-year project to study charity systems and decide what might work in China. "They're trying to draft a law that reflects Chinese reality but also looks like the international standard," said Blake



Consultant Blake Bromley

Bromley, a Vancouver, Canada-based charitable consultant involved with the project.

Earlier, the government had established a rudimentary regulatory regime for charities. The Chronicle of Philanthropy reported (September 20, 2007) that officials have directed Chinese foundations to give away at least 8% of their assets every year (more than the 5% level legally required of U.S. foundations).

Additional conditions must be met before a "nonprofit public-welfare social association" can receive tax-deductible gifts. Most importantly, the Ministry of Civil Affairs will not register a nonprofit organization unless it is sponsored by a government agency.

"You need to find a supervisor first, before you can register. But many government organizations will refuse to supervise you," says Yiyi Lu, a researcher at the London-based Royal Institute of International Affairs.

By 2008, the Ministry of Civil Affairs plans to have drafted a law that it says will make philanthropy simple and transparent, legalize qualified charitable organizations, and make access to charities easy — all in the hope that the millions of citizens in the "other China" will receive the help they need.

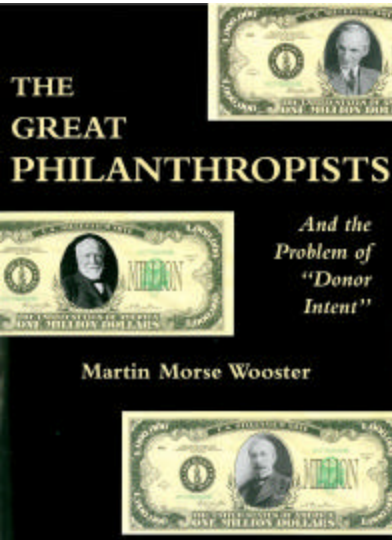
So it appears that the question is no longer whether social enterprises and NGOs will be allowed to survive in China, but how far can they go?

One homegrown philanthropist isn't waiting to find out. The ninth-wealthiest man in the world, Hong Kong-based billionaire Li Ka-shing, who founded his own charity in 1980, told the Chronicle that he intends to divide his estimated \$23 billion between his foundation and his two sons. In 2005, the 79-year old told his family about his "third son," by which he meant his charity. "This brother will never give you any trouble; he will only bring you good things, but you will have to be as dedicated to the brother as I am."

To date, Li, who heads the Cheung Kong Group, has given more than \$1 billion to charitable projects, including creating a university in rural China. Darwin Chen, vice chairman of the Asia Pacific Philanthropy Consortium, commends Li for blazing a path. "He is one of our first philanthropists in a big way, and other tycoons have followed him."

The Chinese Government's Dilemma

While NGOs are playing a "good, positive and active" role in helping the country tackle its pressing problems, many are thorns in the side of the Chinese government: They challenge its legitimacy. They demand that officials abide by the law. They advise citizens on their legal rights. They demand greater transparency and accountability from the



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GOOD DEEDS, SQUANDERED LEGACIES

A cautionary tale first published in 1994, this third edition by Martin Morse Wooster testifies to the continuing importance of the issue of donor intent. It contains new material focused on the ongoing *Robertson Foundation v. Princeton University* case and an update on the tragic battle over the Barnes Foundation. An Executive Summary is also included.

Wooster, senior fellow at Capital Research Center, tells a cautionary tale of what has gone wrong with many of this country's preeminent foundations. But he also shows that other foundations, such as those established by Lynde and Harry Bradley, James Duke, and Conrad Hilton, safeguard their founders' values and honor their intentions.

Chinese government. The role of NGOs is particularly dicey at the local level, where most poor Chinese assume that officials are corrupt and uninterested in their needs. Because trust in local government is so low, many Chinese consider NGOs their representatives and champions of the disadvantaged, offering an alternative model to the People's Republic of what good leaders can be.

Increasingly, NGOs are acting in concert, crossing barriers that have been difficult to breach. Groups with common goals are coming together to petition government offices and agencies, and this presents China's leaders with a conundrum: NGOs are both the potential solution to social problems and potential contributors to social unrest. Because they seem able to deal with many problems government cannot solve alone, NGOs reduce the sources of social unrest. But to the extent that those problems are systemic, NGOs necessarily come into conflict with China's local and central governments.

For instance, in August 2005, 61 NGOs and 99 individuals signed a letter requesting that the Chinese government follow its own laws by releasing its studies on the environmental impact of the proposed Nujiang River dam. The proposed dam would be massive, and many were worried about its technical feasibility, its effects on the environment, and its impact on the lives of the ethnic minorities who live there.

Angering local officials can be costly. In 2004 the Chinese nonprofit environmentalist group Green Watershed did succeed in convincing Premier Wen Jiabao to block the government-run China Huadian Corp. from building hydroelectric stations on the Nujiang River. But the group then had its operating license yanked and founder Yu Xiaogang had his personal freedoms curtailed.

"One deputy governor of Yunnan Province said in a very public occasion that Green Watershed...had damaged Yunnan's hydro-power development plan, and therefore damaged the economic development of the entire province," said Yu. The group was spied on, harassed, and its license revoked, he said. "We've been operating as an unqualified organization for some time, as of a couple of years ago, the government said we were

unqualified."

Yu said he has been banned from traveling abroad and within the country. "I can't go to the places that would become reservoirs and I can't get in touch with people living in that region – the government forbids us to do that," he said. (Agence France-Presse, March 17, 2006)



Darwin Chen, vice chairman of the Asia Pacific Philanthropy Consortium

Nonprofits in China are bound to be drawn into the growing popular protests against official malfeasance and government land grabs. In 2005 police opened fire on a crowd of protesters in Dongzhou village, leaving about 20 people dead. Villagers had spent months protesting construction of a wind power plant. And 30 people signed protest letters over events in Taishi village where in 2005 activists were arrested and badly beaten when they protested arbitrary actions by local government officials.

International NGOs can't help but take notice as news reports of public protests like these spread across cyberspace, and as these NGOs become involved this presents a further complication. Among the hundreds of thousands of NGOs in China today, more than 10,000 are international NGOs. They

work on poverty issues, education, health and HIV/AIDS, the environment, and on legal reforms in such areas as administrative law and legal aid for the poor. China has developed the foundation for a modern legal system, particularly in commercial law protecting investments and facilitating trade, but Western legal experts shake their heads at China's faulty attempts to write into law protections for human rights and rights to private property.

Many local nonprofits rely heavily on international financial support and cannot function without it. As foreign NGOs work more closely or in partnership with China's home-grown NGOs, this is sure to make the Chinese government increasingly uncomfortable.

Consider, for example, the recent democratic "color revolutions" — so-called because of the color and flower symbols adopted by protesters. In central Asia there was the 2003 "Rose Revolution" in Georgia, the 2004 "Orange Revolution" in Ukraine and the 2005 "Lemon Revolution" in Kyrgyzstan. The fall of these post-Soviet authoritarian regimes is raising an uncomfortable specter in the minds of Chinese officials—the specter of Chinese popular uprisings. According to the Hong Kong-based Open Magazine, Chinese President Hu Jintao approved a report in 2005 called *Fighting the People's War Without Gunsmoke*. It outlined a series of "counter-revolution" measures that the government could take to prevent a potential Chinese "color revolution."

NGOs have borne the brunt of the central government's preparations for a crackdown. According to the Yale Global Online Magazine, China has sent intelligence experts from its social science academies to Uzbekistan, Kyrgyzstan, Ukraine, Belarus, and Georgia to study the processes of political change, and especially the role NGOs play in it. Influenced by Russian arguments, China believes that international NGOs have acted as the covert "black hands" of the U.S. government in the "color revolutions" in Central Asia.

On April 26, 2005, The People's Daily, a Chinese newspaper regarded as the government's mouthpiece, published an article titled "Is it American democracy or American arbitrariness?" The article argued that Washington's "behind the scenes ma-

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nipulation” was “indispensable” in bringing down these governments and that America’s aim was not to export American democracy, but to contain Russia.

Similarly, a 2005 biweekly journal produced by the Propaganda Department of the Central Committee of the Communist Party of China contained an article that referred to the U.S. government’s “\$1 billion annual budget for global democratization.” It identified the International Republican Institute, the National Endowment for Democracy, the U.S. Institute of Peace, and the Open Society Institute (the grantmaker founded by George Soros) as organizations that “brainwash” local people and train political oppositions. Acting on this concern, China’s Ministry of Foreign Affairs established a special unit, known as the Foreign NGOs Management Office, within the Department of International Organizations and Conferences, to review the activities of all foreign NGOs in China.

The government’s investigation lasted several months from late 2005 to 2006, during which senior managers of prominent international NGOs in China were invited for “pri-

ivate talks” with authorities. Plainclothes security officers appeared at NGO offices in an effort to ferret out information on foreign staff and organizations. Environmentalist groups appeared to be singled out for intensive surveillance, most likely because they have provoked spirited public debates on such issues as the dam projects, which have



Yiyi Lu, a researcher at the London-based Royal Institute of International Affairs

led to much social unrest. Only about 10% of environmentalist groups in China are registered with the Chinese government.

The government investigation of international NGOs is ensnaring the local nonprofits that partner with them. Says Nick Young of the China Development Brief, a China-based nonprofit publication, “They’re not just talking to NGOs, but also the partners of these organizations, and people who staffed them in the past.” (YaleGlobal Online Magazine).

So far no arrests or detentions of international NGO staff are known to have taken place, but the investigations have cast a pall on many organizations working in China. “They know a lot about these individuals, their backgrounds and families,” Young says. “It makes you think they know everything and you better confess. But there’s nothing to confess.”

Besides the investigations, the Chinese government is carrying out other measures to restrain NGOs. According to a Financial Times report in November 2005, domestic media were ordered not to report on a visit by George Soros to China in October of that

year. Chinese reporters have said government propaganda officials banned the broadcast of television interviews with Soros and ordered newspapers to ignore his trip. The hedge-fund billionaire’s Open Society Institute and its affiliates have made scores of grants to NGOs, especially in eastern Europe and central Asia, and some authorities there accuse Soros of meddling in their affairs and giving support to the color revolutions.

Chinese officials have also begun to raise obstacles to an eight-year effort by the European Union (EU) to promote human rights by giving cash grants to Chinese NGOs. EU officials say they previously identified their grant recipients to Chinese officials who raised few objections. But during an EU-China human rights dialogue in October 2005, the Chinese government objected to almost every proposed grant, the Financial Times report said, quoting an unnamed Chinese official.

Conclusion

It is difficult to exaggerate just how important NGOs are to China’s future. Besides helping the country solve its many social problems, NGOs are helping China develop a civil society. If China is to become more open and democratic, then civil society is essential. Besides government and business, there must be what is variously known as a “third sector,” an “independent sector,” or a “non-profit sector” to give voice to all parts of society and enrich public participation in democracy.

The Chinese government likes to say that there is no great conflict between its goals and the goals of the international NGOs working in China. But it faces the dilemma of wanting to generate more domestic NGOs while fearing the activities they could stir up, and so it alternates between supporting and discouraging their development. The People’s Republic says it wants democracy internally generated, not externally imposed. But the national policies it articulates are not executed at the local level, where there is massive corruption. Most NGOs in China are working at the grassroots level. So it comes as no surprise that NGOs representing the disaffected find themselves in conflict with local authorities. Indeed, NGOs want to be-



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lieve they are more dedicated to the central government's goals than are local governments.

Tang Sin Tung (Rachel) is currently an undergraduate student, majoring in journalism and finance at the University of Hong Kong. In Hong Kong, she was an intern reporter at the business news channel NowTV and Cup Magazine. She was an intern at Capital Research Center in 2007 under the auspices of The Fund for American Studies.

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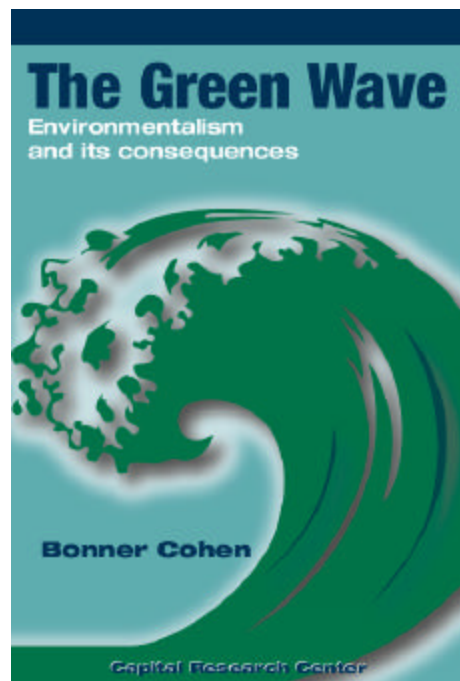
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BrieflyNoted

New studies by **Daniel Klein** of George Mason University and **Charlotta Stern** of Stockholm University prove once again that liberals and progressives outnumber conservatives and libertarians on campuses, writes commentator **Candace de Russy**. The authors of the forthcoming book, *Reforming the Politically Correct University* (AEI Press, 2008), found that socially conservative professors have to publish more than their left-leaning co-workers to obtain the same positions and that right-leaning students are steered away from pursuing doctorates because they receive fewer research offers from their professors. “Conservatives and libertarians have indeed been ostracized from faculties, and conservative professors and students shamefully and unjustly treated,” notes de Russy.

Duane Parde has been named the new president of both the **National Taxpayers Union** and **National Taxpayers Union Foundation**. Parde has been executive director of the **American Legislative Exchange Council**, an aide to former Kansas Attorney General **Bob Stephan**, and was appointed in 2004 by then-U.S. Secretary of State **Colin Powell** as state and local government representative on the U.S. National Commission on UNESCO. He replaces longtime president **John Berthoud** who died suddenly at age 45 in September.

Alternative energy boosters have redefined the word *competition* in a self-serving, Orwellian way, writes **Henry Payne** of National Review Online. For example, Michigan-based **Consumer Choice Coalition** says “competition is the best way to encourage renewable power for our future electric needs.” But the group demands that Congress pass a Renewable Energy Standard to force electricity providers to obtain 10% of their power from renewables (such as wind or solar energy) by 2015. New York Times columnist **Thomas Friedman** writes that market demand for green cars is spurring a “competitive frenzy” among auto makers, but then adds that the “demand” comes from legislation that would force vehicles to get 35 miles per gallon by 2020. “War is peace. Mandates are choices,” Payne notes.

Michelle A. Rhee, chancellor of the chronically underperforming **District of Columbia Public Schools**, is considering bringing in national nonprofit charter-school operators to run at least two dozen of the city’s worst-performing schools, the Washington Post reports. Rhee says three operators are under consideration: **Green Dot** and **St. Hope** of Inglewood and Sacramento, California, respectively, and **Mastery Charter Schools** of Philadelphia.

Politically correct Montgomery County, Maryland, has enacted a law banning “discrimination” against cross-dressers in the workplace, housing, and delivery of services. A provision opposed by pro-family groups that would have guaranteed the transgendered the right to use public restrooms was dropped from the legislation.

Dr. Pat Fagan, a former Senior Research Fellow in Family and Cultural Issues at the **Heritage Foundation**, has joined the Family Research Council as Senior Fellow and Director of a new Center for Family and Religion. Fagan is known for “his innovative approach to social policy and his pathbreaking research on the impact of church attendance and intact family structure,” said FRC President **Tony Perkins**.

Meanwhile, FRC notes that Massachusetts Governor **Deval Patrick** signed into law a measure that doubles (to 35 feet) the “buffer zone” between pro-life activists and abortion clinics. Patrick, a Democrat, said the new law will protect women from “harassment,” but FRC says “the true effect will be to prevent pregnant women from receiving life-saving information about the health risks of abortion both to unborn children and their mothers.”

Christmas Santas in Sydney, Australia were told by **Westaff**, a U.S.-based recruiting firm, not to use the “ho ho ho” greeting because it might offend women, the Daily Telegraph reports. “Ho” is American slang for prostitute. “Gimme a break,” says **Julie Gale** of **Kids Free 2B Kids**, which opposes what the nonprofit calls “the increasing sexualisation of kids in the media, advertising, and clothing industries.” Adds Gale, “Leave Santa alone.”

