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Guanxi and Anomie in China: Cultural Underpinnings of Low Product Safety Ratings

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Introduction

Globalization enables customers to procure the products they want from anywhere in the world due to its highly integrated and complex supply chains connecting manufacturers with customers regardless of the distance between them. It has become impossible to find domestically manufactured versions of certain products, since cheap mass produced alternatives from foreign countries took over the local ones. This situation leads to a great number of unsafe products to enter the global market because of uncertainties and lack of information related to manufacturing stages of these products. Consumers purchase products from foreign suppliers via services like online shopping as well, which makes it possible for unsafe products to bypass safety checks.

As a center of global manufacturing producing many product types, China stands out about product safety. Chinese products in the global market are in very high quantities making the danger inevitably large such that even a small percentage of unsafe products pose significant potential harm (deLisle 2009, 24). Indeed, there has been significant product safety incidents related to products manufactured in China or had supply chains passing through China (Flynn and Zhao 2015, 4). A notorious example can be given as the high melamine content in Sanlu Company's dairy products which affected thousands of Chinese customers as well in addition to customers in importing countries (Coglianese, Finkel, and Zaring 2009, 4; deLisle 2009, 23).

China has become the world's largest manufacturing nation with a manufacturing capacity covering all industrial sectors, which makes it possible to see Chinese products in nearly all countries and regions in the World (Huang 2022, 8).¹ Although China is highly integrated into the global supply chain and it has nearly limitless access to technical knowledge,

¹ In terms of GDP, in 2021 China was the world's second largest economy at 17.7 trillion US dollars after the United States at \$23.3 trillion and it was bigger than the EU at 17.2 trillion US dollars (World Bank 2022). Its growth rate has slowed recently, due to the shift in part from investment and manufacturing expansion towards consumption and services for the population (Windsor 2017, 44).

it is surprising that Chinese products still fail to meet safety requirements. This is also valid for the products within the scope of European Directive 2006/42/EC on machinery and European Directive 2014/35/EU on electrical equipment designed for use within certain voltage limits. While the former regulates safety rules for the machinery products from hand-held drills to e-scooters, the latter does the same for the electrical products from household appliances to phone chargers. These products consist of a great deal of the products used by non-professional users.

The situation raises a question about the links between cultural roots and low product safety ratings of China. Available studies on Chinese product safety are mostly related to great safety incidents in food and toy sectors such as Sanlu Company melamine case and few of these studies deal with the cultural aspects of the problem such as *guanxi* (relationship). Therefore, this study will be a humble addition to the cultural aspects of safety and quality in China for non-food products.

The first section is a brief introduction of product safety practices of European Union (EU) and China. Next, I will discuss China's current socioeconomic conditions and its transformation since late 1970s. The third section will be devoted to some key theories such as anomie theory and cultural elements related to the Chinese product safety such as *guanxi* and *mianzi* (face). In the last section, I will discuss how current socioeconomic ecosystem of China merges with certain traditional elements and affects the business practices regarding product safety while the state and the business take part in *guanxi* networks.

Product Safety Within European Union and China

There is no unanimous definition for safety in the literature and there are two approaches defining the safety: safety as an absolute term and safety as a relative term. Safety can be defined as the state of being safe, freedom from conditions that can cause death, injury, occupational illness, damage to property or environment. Similarly, safety can be defined as

condition of protection against harm, damage and non-desirable results whether it is physical, social, spiritual, financial, political, emotional, occupational and psychological (Zhu, Von Zedtwitz and Assimakopoulos 2018, 14). The other definition is relative freedom of risk or freedom of unacceptable risk; such that a product, process, or service can only be relatively safe since absolute safety is not possible in practice (Zhu, Von Zedtwitz and Assimakopoulos 2018, 15). Following the second relativistic approach Andy Yunlong Zhu, Max Von Zedtwitz and Dimitris Assimakopoulos define product safety as “whether the operation or use of a product, under normal or reasonably foreseeable condition of use, including duration, involves risk of injury or damage to health of users or damage to property or environment” (2018, 15). EU follows a similar approach for the product safety definition.² Both the safety — absolute and relative — are interrelated and product safety issues are often entangled with quality problems.

The concept of quality also does not have a unanimous definition. The term quality often creates confusion since it is understood as being superior or having exceptionally high in standards (Glover and Siu 2000, 868). Quality can be defined as conformity to reliable and consistent standards that satisfy particular needs of a market (Glover and Siu 2000, 868). But the most formal and general definition can be given as the definition proposed by the International Organization for Standardization (ISO): ‘The degree to which a set of inherent characteristics fulfill requirements’ (as cited in Cheng, Li, and Luo 2014, 3).

Product safety is not directly mentioned in quality definition; but it can be inferred from the same definition that product safety is an aspect of product quality as a requirement to be fulfilled. Although according to Zhu, Von Zedtwitz and Assimakopoulos (2018, 7) product

² “Safe product shall mean any product which, under normal or reasonably foreseeable conditions of use including duration and, where applicable, putting into service, installation and maintenance requirements, does not present any risk or only the minimum risks compatible with the product's use, considered to be acceptable and consistent with a high level of protection for the safety and health of persons” (Directive 2001/95/EC on General Product Safety, Article 2, Paragraph b).

safety is generally overlooked as an independent variable in the quality management; Hong Cheng, Dandan Li and Lianfa Luo (2014, 12) states that for countries experiencing economic transition like China, product safety is the most important aspect for the product quality for consumers. Due to this interconnectedness in transitional and developing countries like China, product quality and product safety will be assumed same for the following sections of this study.

Within EU a General Product Safety Directive (GPSD) for both domestic and imported nonfood consumer products was introduced that establishes a general obligation for the manufacturers to place only safe products into the EU market (Alemanno 2009, 175). GPSD also sets out conformity assessment criteria and procedures which are based on manufacturer's self-declaration of compliance that is CE³ marking (Alemanno 2009, 175). If a manufacturer affixes CE marking to a product, it means that the manufacturer declares the conformity of the product with the legal requirements (European Commission n.d.). Affixing the CE marking does not require additional assessments by a national product safety authority or third party auditors (Ruohonen 2022, 354). In addition, there are technical directives and product standards specific to certain group of products. For a product to be deemed safe according to European legislation, the product needs to comply with related technical Community directive and related European standard.

Unfortunately, European legislative approach to product safety is substantially reactive; authorities act mostly in case of the identification of an unsafe product. There are no proactive custom controls for unsafe products at EU border except for documentation checks which enables exporters easily satisfy custom formalities and deliver third country products to European market where they circulate freely until a safety problem has been identified (Alemanno 2009, 171, 184). After all, considering the vast amount of different goods from different parts of the world within a certain short time period, it is impossible and impractical

³ CE stands for *Conformité Européenne* (European Conformity).

to completely check the safety of each product before entering to the EU region. As a result, together with the lack of direct actions against manufacturers established outside of the EU, the impossibility of checking every product in terms of safety except for some documentation checks (documents which can be easily prepared) create incentives for malfeasance.

European product safety legislation suffers from fragmentation and incoherence which is partly due to the difficulty of legislating consumer goods due to rapid pace of product innovation and technological progress and partly due to different cultures, historical trajectories of the member states and the power struggles between the organized interests of consumers and producers within the states (Ruohonen 2022, 346). Jukka Ruohonen claims that there are also allegations about EU's product safety legislation being used for protectionist objectives against third country products especially Chinese products (2022, 346).

Despite these problems, the EU works closely with other countries through bilateral, trilateral or multilateral cooperation to share information on dangerous products, to coordinate standardization efforts and to ensure manufacturers around the world are aware of product safety requirements of the EU (European Commission n.d.). The EU's cooperation with China, one of the biggest exporters of consumer products, was established in 2006 by the help of a memorandum of understanding which sets up a framework for better communication and cooperation on product safety between the Commission and the General Administration of Customs of the People's Republic of China (GACC) (European Commission n.d.).

Within this cooperation, RAPEX⁴-China system enables regular and rapid transmission of information between EU and China, where EU provides Chinese product safety authorities with information on products that have been identified as dangerous and originated from China (Alemanno 2009, 184-185). Chinese authorities investigate this information and take necessary

⁴ Rapid Exchange of Information System (RAPEX) is a database established in early 2000s that enables tracking of notifications sent by the product safety authorities of the EU member states about dangerous consumer products except food and pharmaceutical products (Ruohonen 2022, 349).

measures to prevent further movement of these dangerous products from China to EU (Alemanno 2009, 185). In addition, the Safe Non-food Consumer Products in the EU and China (SPEAC) project, aiming to reduce the unsafe Chinese products on the EU market is an information and training program to help Chinese manufacturers and other actors in the supply chain provide safe products (SPEAC n.d.).

With respect to EU, China's product safety legislative framework is still in developing stage. For developing countries like China, development of consumer protection legislation is a recent phenomenon and enforcement of the law generally lags behind (Zhao and Flynn 2015, 32). In the earlier times of People's Republic of China; the lack of consumer protection laws, which also covers product safety, was parallel to other socialist regimes as a result of centrally planned economy focusing on industry only where there was no competition between enterprises contributing to a lack of incentives to improve product safety (Thomas 2014, 757). The concept of individual consumer did not exist in China, a concept that is alien to communist ideology (Zhao and Flynn 2015, 33; Thomas 2014, 757). Therefore, the notion of individual consumer is a relatively new element that began to emerge with Deng Xiaoping's market reforms in late 70s (Zhao and Flynn 2015, 34).

As a result, Chinese legislation on defective products emerges with the promulgation of two important laws in early 90s. Law of the People's Republic of China on Product Quality (PQL) and Law of the People's Republic of China on the Protection of Consumer Rights and Interests (CRIPL) are the main components of Chinese product liability legal structure which were promulgated in 1993 (Thomas 2014, 755; Zhao 2002, 581; Zhao and Flynn 2015, 34-36; deLisle 2009, 28). Kristie Thomas claims that in line with many other countries in the Asia-Pacific region, the main influence on China for the creation of these laws has been the EU Directive rather than the US (2014, 755). Moreover, with the enactment of the 2009 Tort

Liability Law of the People's Republic of China (TLL) the product liability system in China is largely complete (Thomas 2014, 755).

CRIPL is China's primary consumer protection statute, which covers various rights of consumers where two of them stands out in terms of product safety; the right to the inviolability of personal and property safety and the right to demand compensation when personal injury or property damage occurs (Zhao and Flynn 2015, 35). Though the law states obligations for business in terms of product safety, it does not provide legal consequences for a business owner who fails to comply with these obligations and according to some scholars, this leads to lack of effectiveness and weakness of the law (Zhao 2002, 583, 585; Zhao and Flynn 2015, 35). On the other hand, PQL lays a stronger foundation for consumer protection with respect to CRIPL and contains clear statements about liability of the businesses in terms of product safety (Zhao 2002, 592; deLisle 2009, 28; Thomas 2014, 759; Zhao and Flynn 2015, 36).

The main authority responsible for product safety in China is General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China (AQSIQ), whose powers and responsibilities are stated in PQL, including product quality inspections, standardization and enforcement of product recalls (Thomas 2014, 768). AQSIQ inspects Chinese manufacturers in terms of quality, product safety, process capability and tests the products before issuing export licenses to the manufacturers (Zhu, Von Zedtwitz and Assimakopoulos 2018, 120).

A Country in Transition Since 70s

Under China's socialist market economy many major corporations are state owned enterprises (SOEs) controlled by the government (Paulet and Rowley 2017, 7). In the vertically structured Chinese economy, SOEs dominate the upstream economy while privatization has been progressing downstream in consumption of goods and services (Windsor 2017, 63). State-

owned assets dominated the electric power, machinery, metallurgical and petroleum and petrochemical industries in terms of the distribution of manufacturing industries (Huang 2022, 43). In addition, like in many Western countries Chinese private firms are commonly small and medium enterprises, most of which are family enterprises (Paulet and Rowley 2017, 5).

Industrial and economic development of China was not smooth and there were interruptions to the industrialization process several times (Huang 2022, 7). When Mao Zedong was in power (1949-1976), China was undisturbed by foreign influence and implemented strict social and political discipline as a means of controlling its citizens (Glover and Siu 2000, 876). During this era, the country was characterized by a communist command economy and a fully established totalitarian one-party regime, both of which were under the personal and ideological control of Mao Zedong (Windsor 2017, 50). However, from 1958 to 1961, China experienced significant losses due to the Great Leap Forward and the country's industrial system was severely damaged during the Cultural Revolution as well (Huang 2022, 7).

After Mao era, China began to move from a closed, centrally planned economy to a more market oriented economy through reforms and changes that were undertaken gradually (Paulet and Rowley 2017, 1). The year 1978 was a turning point for China, when Deng Xiaoping started an economic reform program initiating an open-door policy in which influx of foreign technology and management knowledge and international trade was encouraged (Glover and Siu 2000, 877). During his term, stress on class struggle was reduced in favor of a focus on efficiency and prosperity, the rule of law was supported except criticism of the regime and there was also increased economic and spiritual attention paid to advanced Western countries (Windsor 2017, 51). There was an intense focus on “growth at any cost” in the following years (Bergsten et al. 2008, 78). Market economy’s values, norms and institutions were to be learnt and adopted, while becoming rich was a highly regarded life goal and people were encouraged to work hard to get rich (Ip 2008, 218).

Moreover, introduced in 1978, a radical program of decentralization enabled local governments to collect their own taxes and to develop their own sources of income, which in turn gave significant autonomy to local officials and accelerated China's economy (Bergsten et al. 2008, 76). However, this also engendered the conflict between the central and local governments, which will be discussed in detail in the last section.

China is unique with its rapid industrialization that has made it the second biggest economy in the World. However, Huang claims that this rapid industrialization together with the large land size and the population of the country creates some problems for its economic situation (2022, 1). Some of these problems that he mentions are unbalanced and inadequate industrialization which is characterized by huge differences in regional industrialization levels, insufficient number of world-class manufacturing enterprises, big quality gap between China and the World, the gap between urban and rural areas, unfair income distribution, the gap between the rich and the poor (2022, 10-32). In addition, the low-cost, export-oriented strategy that China has pursued has seemingly produced various negative impacts, including harm to domestic resources, no improvement in welfare of the workforce, increased trade tensions, while also undermining the growth of domestic consumption (Huang 2022, 22).

Anomie and Chinese Guanxi

China has had a rapid process of economic and industrial change in a very short span of time that is unbalanced and non-homogeneous in terms industrial and economic development levels of different regions and partly problematic as I discussed earlier. There has been significant focus on economic growth, while the economy transforms from a centrally planned communist economy to a capitalist economy, although not fully. During such transformations, the society changes as well. Many theories deal with the effect of these transformations on the society. One such theory is anomie theory.

Shared cultural values guide and approve of the goals that individuals set for themselves and their methods. Anomie occurs when the influence of these values to regulate behavior weakens (Bernburg 2002, 729). Anomie means that the state of confusion or lack of norms that occur when there is no social control in a society. Failure of the social mechanisms that regulate behavior, particularly during times of transition or change such as economic turmoil, political changes and social revolutions causes anomie (Çam and Irmak 2014, 1298).

Émile Durkheim (1960 [1893]) introduced the anomie concept in his book *The Division of Labor in Society*. He explains that industrial and commercial activities are notable sources of demoralization, as many individuals' life is passing through industrial and commercial environment, which is feebly ruled by morality, but mostly exists outside of the moral sphere (Durkheim 1960 [1893], 4). He claims, "Social life comes from a double source, the likeness of consciences and division of labor" (1960 [1893], 226). He argues that two kinds of social solidarity exist: Mechanical solidarity connecting the members of a society through collective consciousness and organic solidarity originating from set of rules for the division of labor (1960 [1893], 398). In simpler societies such as agrarian societies, mechanical solidarity directly binds the individual to the society by collective consciousness such as shared beliefs. However, in more complex societies such as industrial societies of today, everyone has his/her own role, duties and personality and they are bind to society with predefined relationships, which constitutes organic solidarity. Normally division of labor produces social solidarity, but sometimes it may lead to different even contrary results because the relations of the units within the group are not regulated, that they are in a state of anomie (Durkheim 1960 [1893], 353-368).

While industrial functions become more specialized, conflict becomes livelier and revolts become more frequent instead of increase in solidarity (Durkheim 1960 [1893], 354-355). As division of labor becomes more and more deep and complex by increasing industrial

and commercial activities, the individual becomes isolated and his specialized activity links him to his private interests, which has a very vague relationship with public interests (Durkheim 1960 [1893], 357-358). Leslie T. Chang gives intriguing examples of vagueness between the private interests of the workers and the public interests in *Factory Girls* (2008). The book is about the female migrant workers and their challenging lives and dreams in Dongguan, Guangdong, one of China's largest factory cities. Chunming, one of the workers says that she wants to contribute to society and she believes by living a happy life and being a good person is a contribution to society (Chang 2008, 406). In Chunming's case, the division of labor in the factory so deep that it makes her confuse her private interests of living a better life with a public interest as Durkheim states.

Anomie results from the lack of collective forces established for the regulation of individuals' social life (Durkheim 2005 [1897], 350). During rapid economic growth these forces cannot be established immediately and the limits between what is possible and the impossible, what is just and what is unjust are unknown. Durkheim states that anomie is a chronic state in commercial and industrial spheres where society cannot exercise regulative forces limiting material and immaterial passions of people and as a result, people become more prone to suicide since they cannot satisfy their unlimited desires (Durkheim 2005 [1897], 213, 215). Durkheim states that for the poor limits are well set and they are more protected against suicide, while wealthy feels less limited due to his self-dependency and ease of overcoming obstacles, which makes him less tolerant any limit that he cannot breach and more prone to suicide (Durkheim 2005 [1897], 214). In today's world, lower class, working class and even parts of the middle class are focused to certain preset goals that are defined for them by society such as sustaining daily life, owning a house and a car, going to a vacation and so on. Durkheim's claims are valid as long as there are no catastrophic incidents that make these preset goals unachievable. On the other hand, upper classes of the society require more and more and

cannot be satisfied both materially and spiritually which makes them engage in self-harming activities like using drugs, which can be considered as a way of suicide.

While Durkheim claims that anomie emerges from the lack social factors regulating and limiting individual desires, Robert K. Merton argues that anomie occurs when there is a conflict between cultural goals and institutional means to obtain them (1968, 220). As technically most effective methods of achieving goals are preferred against institutionally prescribed conducts, the integration of the society weakens and anomie ensues (Merton 1938, 674). In competitive sports events, when success is interpreted as winning the game, then there may be an implicit premium placed on the use of technically efficient but illegal methods (Merton 1938, 675). For instance, a football player may fake his/her injury to guarantee a penalty kick for his/her team from the referee. As another example from the academic field, Jianping Lu claims that although China is high in the list in terms of number of papers and citations, anomie is prevalent as disorders in format, misspellings and improper expressions of language, and misconduct in ethics especially in the forms of fabrication, falsification, and plagiarism in research papers (2020, 256-257).

Based upon Merton's view, Steven F. Messner and Richard Rosenfeld's institutional anomie theory suggests that when materialistic goal orientations of the capitalist economy become dominant over the normative controls of social institutions (e.g., the economy, the family, the polity) anomie is likely to ensue and resulting weakening of normative controls leads to high levels of deviant behavior such as including crime (1997, 1396). The absence of norms can create a pressure within the social structure of companies to engage in nonconforming rather than conforming behaviors such as tax evasion, cutting down product quality or safety in order to meet performance goals, especially when these companies face high competition or institutional barriers to meet the goals (Luo 2008, 187). In his study on food crimes in Zhejiang Province of China, Hongming Cheng finds that individuals and businesses

engage in food crime due primarily to social moral climate where economic goals are assigned high priority with respect to non-economic or social goals (2012, 265). For instance, among the farmers he interviewed some admitted that although they know it is unethical, they have to use high amount of pesticides and other chemicals in order to produce crops with best possible prices (Cheng 2012, 257-258).

Anomie blends with the culture and cultural elements of a society. British anthropologist Edward Burnett Tylor (1871, 1) defines culture as follows; “Culture or Civilization... is that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society.” Andrew R. Hale (2000, 7) adds elements related to safety to this definition and defines safety culture as “the attitude, beliefs and perceptions shared by natural groups as defining norms and values, which determine how they act and react in relation to risk and risk control.” In a similar manner, Zhu, Von Zedtwitz and Assimakopoulos define product safety culture as shared attitudes, values, perceptions and beliefs which determine how a group act and react in relation to product safety (2018, 21). Although there may exist some cross-cultural risk threshold above which no consumer should be expected to suffer, consumers in developed countries have different expectations for safety than consumers in developing countries such as China (Coglianese, Finkel and Zaring 2009, 8).

These differences stem from cultural logic referring to the way people interpret their surroundings by applying natural logical principles based on and specific to the cultural context they are in (Enfield 2000, 40). When people within a group share certain cultural ideas, they can make similar inferences based on these shared premises, which leads to predictable convergence in their thinking (Enfield 2000, 35). For instance, Elizabeth F. Vann found that in Vietnamese consumer markets while there is a distinction between real and fake goods, this distinction does not share the same notions of authenticity and intellectual ownership as in the

global market (2006, 286). Rather it is informed by notions of hierarchy and interdependence, and surfaces and contents that have little to do with authenticity and intellectual property (Vann 2006, 295). Therefore, it is important to understand the cultural environment to interpret why people do the things they do.

With its vast territory covering various geographical regions, its population near 1.5 billion including more than fifty ethnic groups it is difficult to draw a homogeneous cultural image of China. Po Keung Ip argues that beneath the image of cultural uniformity, there are cultural differences between provinces and regions contributing rich diversities to ‘Chinese culture’ and instead of one culture, China has many cultures with some shared overlapping cultural cores while displaying distinguishable variations (2008, 222).

Social orientation is the fundamental value orientation of the Chinese people, which refers to attention of members of a society to social communication or recognition of the value that it is easier for people to obtain social resources by the help of interaction (Zhai 2022, 96-97). Social orientation has not changed for thousands of years during social and cultural changes of China, and it is the value basis for the survival of Chinese people (Zhai 2022, 96). Therefore, social interactions play an important role in Chinese culture. Guanxi and mianzi two important social concepts that requires further explanation.

Guanxi can be defined as relationships or social connections based on mutual interests and benefits, achieved by reciprocal exchange of favors, and giving social status between guanxi parties both at individual and organizational levels, i.e., the relationships or ties between people, firms, or even between individuals and the government (Zhang and Hong 2017, 19-20). Xuewei Zhai argues that guanxi has had substantive importance in Chinese history and still affects the transformation of China’s social structure, the development of the market economy, and personal success to certain extent (2022, 229). Guanxi has its roots in Confucianism, which emphasizes role of loving others, treating them well, and kinship starting with the family for a

harmonious and ordered society (Zhang and Hong 2017, 21-22). They claim that lack of an adequate legal system, uncertain, unstable, inefficient business infrastructure following the reforms of late 70s, made Chinese people rely more on guanxi than the formal and official ways for protection and risk avoidance (2017, 23). Duan Windsor also claims that guanxi is more important than either laws or formal agreements such as contracts (2017, 55-56). Juelin Yin and Ali Quazi warn that guanxi may violate the principles of justice, undermine merit-based competitiveness in organizations and damage society's economic, legal, and ethical institutions (2016, 824-825).

Mianzi, another important ambiguous social concept in Chinese culture, can wield influence in guanxi relationships (Zhang and Hong 2017, 30). Mianzi is recognition of one's social standing and position by others and losing mianzi is more important for a Chinese manager than his/her Western counterparts (Lockett 1988, 488-489). Zhang and Hong claim that Chinese people attach great importance to their mianzi and protecting it is the main objective in Chinese society rather than losing it which will happen if someone fails his/her duties in a practice of guanxi (2017, 30).

As cultural goals in rapidly developing China become more and more oriented towards financial success as a whole society, the institutional means lag behind to adapt themselves and to meet and monitor these goals. Moreover, since the country is transforming, new cultural goals will emerge as well which requires new institutional means. As the inadequacy of institutional means become more predominant social solidarity collapses, anomie exists in the society and overwhelms collective elements of the mechanical solidarity of Chinese society such as guanxi and mianzi. In the next section, I will discuss this phenomenon in terms of product safety related to the state, business and consumers.

Product Safety in China: State, Business and Guanxi

The product safety ecosystem in China connects the state and business entities with a complex network of guanxi in a rapid changing environment characterized by strong anomie. Each entity in this ecosystem integrates into the network at varying degrees. I will start the discussion with the anomic situation of the Chinese society and the increase and corruption, which merges with the guanxi practices. After that I will move to state and business sector and discuss how these entities take part in practices negatively effecting product safety, which is dominated by corrupted guanxi at certain points.

In the previous sections it was mentioned that China has a legislative system that is in development stage, the consumer concept is relatively new with the country transforming rapidly from a socialist centralized economy to a decentralized market economy with intense focus on “growth at any cost.” While China has been making a remarkable economic progress, it also has been moving towards a morally degraded society encouraging illicit and immoral business practices (Luo 2008, 183). This disruption in moral values and norms created an environment of anomie where people’s actions are shaped and motivated by pure self-interests and greed (Ip 2008, 214). In today’s China, economic success has more priority than social goals which leaves individuals and corporations to act to maximize their profits with no moral norms to guide them (Cheng 2012, 265). As Sanne Philipsen and Romie Littrell (2011, 40) claims, traditional Confucian values of morality seem to be replaced by a focus on creating economic wealth at any cost that precedes all other cultural values. An example to such replaced Confucian values can be given as the emphasize on commercial ethics which forbids cheating or sale of inferior products (Luo 2008, 186).

This lack of moral restrains, emphasis on rapid economic growth and wealth accumulation together with decentralization in the 1980s and early 1990s, which expanded local officials’ power over funds and resources led to the flourishing of corruption in China

(Bergsten et al. 2008, 97). Bergsten et al. explained that corruption was also endemic and widespread during the imperial period and the following nationalist period, after which it was tried to be prevented in Mao era until its return to earlier levels in post-1978 reform period (2008, 93). Systematic corruption in China infiltrated political, economic, and moral spheres and led to serious social inequalities at every level (Luo 2008, 186). Similarly, Windsor (2017, 55) notes the pervasiveness of corruption in China and states the fact that Chinese people who have benefit from economic growth tend to tolerate corruption.

As moral norms and values weakens in China, *guanxi* gradually intertwines with corruption and the perception of *guanxi* changes from an honored cultural element to a corrupted rent seeking practice (Luo 2008, 187). Traditional reliance on *guanxi* blurs the line between what is legal and illegal as it fills the vacuum that was created by the lack of moral norms and values that has been guiding economic and social behavior (Bergsten et al. 2008, 97). Being a process of reciprocal exchange, *guanxi* involves corruption in a business-government relationship because someone needs to pay monetary favors to key government officials, if he/she wants to have rare resources, rare information, special treatment, or protection (Zhang and Hong, 2017, 34). As a result, Chinese firms engaging in immoral activities may not feel any guilt or fear, using corrupted *guanxi* or *guanxi* based corruption to evade government investigations and legal actions against them (Luo 2008,187).

Although achievements in legislation in China are striking, the law-based environment has not yet been improved and law enforcement, law abidance, legal supervision are still weak (Li 2019, xiv). Lin Li claims that rule of law has been weakened by rule of man, which is manifested through local protectionism, illegal administration, deliberate lawbreaking by a handful law enforcement personnel, some citizens' belief in power and relationship rather than the law, law enforcement for rent seeking, serious corruption through misuse of law (2019, xiv-xvi).

For the product safety laws in China, many scholars have the view that the enforcement and implementation of the law is poor, difficult, inconsistent, and inefficient (deLisle 2009, 30; Cheng 2012, 267; Thomas 2014, 773). Enforcement of the product safety laws is decentralized down to a local level, but it can be hampered by local protectionism since local officials avoid taking legal actions against manufacturers producing dangerous products in order not to harm the local economy and perform their *guanxi* roles (Thomas 2014, 773).

The program of rapid decentralization was followed since 1978, giving local officials great autonomy as they gained right to collect their own taxes and create sources of revenue, which in turn strengthened a central-local friction. However, decentralization was not limited to reform era. The communist regime retained the decentralized practices of the imperial times (Philipsen and Littrell 2011, 36). Tension was inherent in this system of “dual rule,” which was on rise since the radical decentralization of the reform era particularly over economic issues (deLisle 2009, 36). Therefore, as Bergsten et al. (2008, 75, 78) claims central government’s ability to impose its will throughout China is very limited, and it is due to the intense focus on “growth at any cost” since the early 1990s.

Local officials are evaluated based on their economic performances in their regions which encourages overlooking of other regime goals (deLisle 2009, 36). They face the dilemma of choosing between following central orders that may harm local economic interests and focusing local economic goals that diverge from central policies (Bergsten et al. 2008, 77). Jacques deLisle claims that a similar logic applies to the product safety, especially for dangerous products that are not consumed locally (2009, 36). An unsafe product may injure China’s reputation and export markets, but it may not harm the locality that much while enforcing product safety-related regulations and imposing sanctions to local enterprises may harm the local economy more (deLisle 2009, 36).

Factories producing unsafe or counterfeit goods are often the most important actors of their local economies as a source of revenue and employment, which make local officials turn a blind eye to product safety issues in order to prevent job losses and decrease in revenue (Bergsten et al. 2008, 78). Such problems are more common in rural areas than urban areas, where respect for law is generally lower and local economic dependence on a couple of enterprises is higher (deLisle 2009, 36). In addition, the fact that local officials have personal stakes in major local enterprises and these enterprises may affect them through personal connections, corruption, and other avenues makes them condone violations of product safety and sway the court to rule in favor of these enterprises (deLisle 2009, 36; Bergsten et al. 2008, 79).

In a morally degraded environment with lax legislation and entangled with corrupted *guanxi* networks, some Chinese firms do not see a problem about producing and selling unsafe products. In addition, some other factors also lead to low product safety performance of these firms. The most prominent of these factors can be given as increasing cost cutting pressure, long supply chains involving many small producers, cleverness at evading detection for safety-related issues, large number of counterfeit products, quality fade, poor product safety surveillance by the Chinese and foreign governments, high focus on *mianzi*, labor structure and demography, consumer structure and demography (Luo 2008, 185; Berman and Swani 2010, 41; Philipsen and Littrell 2011, 17, 40; Cheng, Li and Luo 2014, 6; deLisle 2009, 26-27; Cheng 2012, 267; Glover and Siu 2000, 86).

Supply chains in large countries such as China can be very vast and complicated which prevents tracking back the source of an unsafe product and taking necessary legal actions (Coglianese, Finkel and Zaring 2009, 8). Chinese firms who do not want to turn down their multinational consumer's high number of production demands, may re-outsource some of its production to a different Chinese company which may also outsource to smaller companies

(Flynn and Zhao 2015, 5). Such long and ever-changing supply chains make it impossible to track the origin and inspect the quality of raw materials and manufacturing processes (Berman and Swani 2010, 42). Flynn and Zhao claims that longer supply chains occur as a result of cultural expectation, as a way of fulfilling guanxi roles to reciprocate and return favors (2015, 7).

On the other hand, Chinese firms are also skillful in evading detection of safety related issues, such as manipulating the results of product safety tests, quality fade and changing shipping procedures like using a third country (Berman and Swani 2010, 39, 42). Quality fade refers to the deliberate deterioration in the quality level of the product by the manufacturer with respect to initial quality level agreed upon by foreign importer and Chinese manufacturer (Philipsen and Littrell 2011, 17). In this practice, quality of the product is slowly decreased in successive batches as a deliberate means of decreasing costs, even until the product fails in the target market (Berman and Swani 2010, 39).

Similarly, some Chinese manufacturers have been known to provide safety test reports that shows data on samples that meet the testing requirements (Berman and Swani 2010, 42). This can be also counted as a form of quality fade, though the product may be unsafe from the beginning. For instance, during the market surveillance activities on product safety in European market, it is common to find unsafe products from China that looks safe in terms of certification and labelling. The safety related test reports may belong to a certain sample of product produced for fulfilling the test requirements. Products in the market may just look the same in terms of outer image and the form but may be totally different than the sample in terms of safety and quality requirements. Moreover, safety related test reports, other certification and labelling of the product may also be completely fake and copycat.

Manipulating the results of product safety tests and quality fade are mostly due to the poor product safety surveillance by the Chinese and especially foreign governments. In the first

section, it was mentioned that there are no direct actions against manufacturers established outside of the EU and it is impossible to check every product in terms of safety, except for some documentation checks. Not to mention, in EU legislation, self-declaration of the manufacturer is adequate to deem a product safe. Therefore, many copycat unsafe products can freely and easily move in the EU market by just carrying a CE mark on them until a detailed inspection or a safety related incident occurs.

Labor demography in the Chinese firms is another important factor for product safety. Chinese manufacturers generally employ migrant workers who are often former agricultural workers with low level of education and desire to return their hometowns without any attachment to the company, its long-term survival, products and product quality (Glover and Siu 2000, 869, 873, 879). Chinese manufacturing companies do not invest a lot of time and money in training and development of these migrant workers who change their jobs frequently to companies offering better prospects, which means their interest are short-term and money oriented (Philipsen and Littrell 2011, 35).

As mentioned before not losing mianzi is very important for Chinese people. As long as they can protect mianzi Chinese firms do not seem obey to contractual agreements on product specifications (Philipsen and Littrell 2011, 40). Glover and Siu found that Chinese managers tend to concentrate upon their individual departments rather than overall goals of the company, since they do not want to take responsibility and be exposed the risk of losing mianzi, which generate a number of organizational consequences such as low product quality (2000, 874). They also note the communication problem in the firms, which lead to low quality products, as a result of low-involvement, low-initiative and multi-lingual nature of the migrant workforce.

Chinese firms are also responsible for most of the counterfeit products in the EU market, products that look the same with the authentic products but often lack the quality and safety level of the authentic products (Berman and Swani 2010, 42). Cheng, Li and Luo claims that.

in China, not only do firms produce and sell these unsafe counterfeit products with a weak sense of responsibility, but also customers tolerate these products' existence and want to buy them for a lower price than the authentic products' price (2014, 6, 15). In addition to price concerns, this tolerance may be due to fact that Chinese people have different notions of product quality and safety than people in developed countries as mentioned in the previous sections.

Conclusion

Great number of products in the world market provided by the global supply chains are difficult to track their origins, production details, and material details not only by individuals but also governments as well. As one of the biggest suppliers of the chain, Chinese products draw attention with the high number of product safety issues. It is ironic that, in ancient times, China was renowned for producing exceptionally quality products such as bronze items, silk fabrics, ceramics and architectural projects (Glover and Siu 2000, 868). On the contrary, this is not valid anymore for some products and Chinese products are notorious in terms of low product quality and product safety. Not to mention, there is no lack of knowledge related to product quality and product safety, since China is highly integrated into the global supply chain. Not only China has its own legislation but also it cooperates with other countries and organizations like the EU in terms of product safety.

Cultural elements specific to Chinese context and logic largely affects the product quality and safety in China. The rapid transformation from a communist economy to a market economy with intense focus on economic growth and inadequate institutional tools has created a highly anomic environment which corrupts cultural elements of relationship-based Chinese society like *guanxi*. The state and the business sector are parts of the products safety ecosystem connected with *guanxi* networks in this environment with high anomie density. Their practices under the *guanxi* networks give rise to safety ratings for Chinese products.

While central government takes regulatory steps towards product safety, it struggles with the implementation of the regulation. Decentralized in terms of revenues, local governments tend to ignore other policy goals including product safety for the sake of economic growth that is mostly tied to local manufacturers producing goods that are not safe. Corruption is prevalent while local officials are in the same networks of guanxi together with the manufacturers.

Parallel to this, with the aim of making profit companies use various methods to produce unsafe products like quality fade or preparing misleading documents and marking; they also produce counterfeit products. Labor structure is another problem which is consisted of mostly migrant workers who have no attachment to the company and its products and since they seek short term gains. In order not to lose mianzi, people do not take responsibility in product safety related issues. It is also hard to track an unsafe product's origin due to very long supply chains and extreme re-outsourcing as part guanxi networks.

Chinese consumer may have different understanding of the notions of safety and quality. However, rural customers in China are much more prone to harm by products due their lower educational and financial level, while urban consumers can search for alternatives such as imported goods. Companies use this as well while also knowing that most of their products are not consumed locally and the enforcement mechanisms are not adequate.

In addition to related to product safety, Chinese government also needs to focus on reducing the strength of the anomie in the society by making necessary institutional improvements as well. Decreasing the economic stress on people would be helpful reducing the anomie. Fighting poverty and lifting millions of people from poverty is in Chinese governments agenda for a while. However, there are still millions waiting to be saved in the vast country.

In the meantime, maintaining the cooperation with the EU would be beneficial for improving and updating product safety infrastructure. Legislative framework and the related

enforcement mechanisms should be gradually improved and updated to prevent local officials from overlooking the product safety issues. While developing legislation modeled on EU examples, it is also crucial to take into consideration the idiosyncratic cultural elements of the society such as guanxi and mianzi.

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