

The New Challenge of Communist Corporate Governance

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THE ISSUE

- **The Chinese Communist Party (CCP or the “Party”) is currently strengthening the presence and powers of internal Party organizations located within Chinese companies** to ensure greater oversight and influence over China’s commercial sector.
- In addition, as part of what it calls the “modern enterprise system with Chinese characteristics,”¹ **the CCP is requiring that companies codify a role for these Party organizations in their corporate charters.**
- **These new developments challenge traditional understandings of corporate autonomy, and by extension, how Chinese companies should be treated under existing international trade agreements and by the regulatory and investment review bodies of foreign governments.** Because the CCP might well attempt to extend this push into foreign private companies operating in China, these new actions pose a very real threat to the operational independence of foreign-invested enterprises (FIEs).
- **To formulate an effective response, companies and governments in market economies should increase their understanding of how the CCP operates at the grassroots level and work to ensure greater transparency and understanding of the overall level of Party influence within specific firms.** To further this transparency, U.S. policymakers could consider requiring securities issuers in the United States to provide enhanced corporate disclosures relating to CCP activities within their firms. The U.S. government should also consider reviving open-source data collection initiatives to publish and translate key CCP regulations and Party documents in order to increase understanding and spur further analysis of the Party system.

INTRODUCTION

The CCP is advancing a new model of corporate governance that seeks to insert the Party directly into certain corporate decisions and increase its overall supervision of the domestic economy. This move marks a significant step-change from the Party’s previous presence within domestic companies, which was more ad hoc and uncoordinated. The new approach provides the CCP with a more opaque mechanism for communicating official directives to commercial enterprises, strengthens its potential influence over company operations,

and threatens the security of confidential business information. Because Chinese firms operate globally—including within the United States and other advanced economies—the implications from this development are of great importance to the international trading and investment system, which is largely predicated on clear demarcations between “public” and “private.”

This push to increase the authority of the Party within companies is occurring on two tracks. First, the Party is strengthening the role of internal Party organizations

(党组织) established within companies. Although required since the 1993 PRC Company Law,² these internal Party cells were relatively weak for many years and predominantly concerned with Party organizational issues such as education and recruitment.³ Since 2012, however, the Party has increased their presence in private companies and state-owned enterprises (SOEs), with media reports suggesting they are exercising a growing influence on management.⁴

Second, the CCP is promoting the “modern enterprise system with Chinese characteristics” (中国特色现代企业制度), a new form of corporate governance that calls for inserting certain “Party building” provisions directly into corporate charters,⁵ Although the specific amendments vary by company, in many SOEs—and even some private companies—these “party building” provisions include giving the company’s internal Party organization a voice in management decisions⁶ and ensuring that key personnel of the Party organization also serve in management or board positions.⁷ Already required for SOEs, the CCP has recently begun to extend this system to private enterprises.⁸

As the United States and other market economies assess the independence of Chinese companies from the Party-state, they must confront the varying and ever-evolving means by which Beijing influences key actors within companies and across society at large. This influence often comes not just from government laws requiring corporate or individual compliance with national security requests, but also from the formal and informal workings of firms’ internal Party organizations—and, in certain companies, from the overlap of key Party organization members with corporate management and the board of directors.

For example, in April 2018 a website run by the CCP Organization Department released an article about the Chinese internet giant Tencent, heralding the significant overlap between the company’s Party organization and its management. According to the article, Tencent’s information security management team, which also handles “public opinion guidance,” is led by a deputy secretary of the firm’s internal Party organization, and 80 percent of the team are Party members.⁹ The article also states that eleven members of the Tencent Party organization are company executives or heads of major business departments.¹⁰ This overlap between the Party organization and firm management suggests a deeper and more surreptitious influence on company operations than is commonly assumed,¹¹ particularly as Xi Jinping has made clear that all Party members should “keep in mind that their first identity is as a Party member, and their first duty is to work for the Party.”¹²

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THE ROLE OF PARTY ORGANIZATIONS WITHIN COMMERCIAL ENTERPRISES

Under the 1993 PRC Company Law, all firms with three or more Party members are required to establish a Party organization.¹³ Yet for nearly two decades following this law’s passage, this requirement was only lightly enforced.¹⁴ In 2012, the CCP released a measure calling Party organizations the CCP’s “fighting bastion” within enterprises and setting out twenty specific provisions for strengthening their presence and their coverage in the private economy.¹⁵ This push appears to have worked: in 2018, the Organization Department reported that 73.1 percent of private companies had established a Party organization, up from 58.4 percent in 2013.¹⁶ That same year, the CCP Central Committee issued a decision calling on the Party to further “accelerate” the establishment of Party organizations in private companies to ensure that “Party organizations are in place anywhere the work of the Party extends.”¹⁷

What is this Party work? As set out in the CCP Constitution, Party organizations in private enterprises are instructed to implement the Party’s principles and policies within the enterprise, promote the overall development of the enterprise, and ensure that the enterprise closely follows state laws and regulations.¹⁸ In addition to these general requirements, in 2018 the CCP Central Committee promulgated a regulation defining the work of Party branches (党支部), which are the basic unit of the Party organization (see Table 1). Although this regulation covers Party branches in all non-Party organizations—including SOEs and government agencies—it also contains two provisions specifically targeting their work in private enterprises.¹⁹ The first of these (Art. 10) largely restates the requirements of the CCP Constitution, adding an additional line about “building an advanced enterprise culture.”²⁰ The second (Art. 24) deals with

personnel issues and calls for a private company's Party branch to "generally" select their Party secretary from the management ranks of the business and to focus on ensuring this person is from the "backbone" of the business.²¹ This general push to ensure overlap with company management is also evident in the case of SOEs, as will be discussed below.

The Party's general promotion of Party organizations in the private sector has sparked its share of foreign complaints. In late 2017, two European trade groups began to push back against efforts by their SOE joint venture partners to write the internal Party organization into the company charter.²² In May 2018, the US-China Business Council noted that certain SOE joint venture companies had asked some of their foreign partners to "alter their articles of association to support Party groups within the joint venture, even going so far as to request that they be amended to allow critical matters to be approved by the party organization before they are presented to the board."²³ A 2018 analysis of the Party-state's role in the domestic Chinese economy prepared by the European Commission notes that Party organizations in both SOEs and private companies "can potentially wield significant influence, and allow for the CCP to directly influence the business decisions of individual companies."²⁴

For SOEs, the role of the Party is better defined thanks to two recent regulations targeting the work of internal Party organizations in SOEs.

The first of these regulations defines the work of "leading Party members groups" (党组), a specific type of Party organization that serves as a "leadership core" within non-Party organizations.²⁶ In the commercial sector, these groups are usually found within the central state-owned enterprises (SOEs), but they may technically be established in any non-Party organization.²⁷

While certain elements of the work of leading Party members groups were touched upon in previous CCP regulations, until 2015, the Party lacked a comprehensive regulation addressing these groups and setting out their main roles and responsibilities.²⁸ In 2015, the CCP Central Committee passed the "Regulations on the Work of CCP Leading Party Members Groups" (later amended in 2019),²⁹ which requires these groups to:

- "Generally" ensure that their members have positions on the corporate board and in senior management—a system the Party calls "two-entry and cross-appointment" (双向进入,交叉任职).³⁰
- Discuss and decide on certain "major issues" of the enterprise, including the implementation of higher-level CCP orders, as well as "business development strategies" and significant company investments.³¹

Table 1: Types of Party Organizations (党组织)²⁵

Party-group Like Party Committee 党组性质的党委	Party organizations set up in certain state agencies (such as the Ministry of Foreign Affairs or the Ministry of Public Security), supervisory organs (SASAC, PBOC) and in all centrally owned financial enterprises. Though called "Party Committees," they function in practice as a leading Party members group.
Leading Party Members Group 党组	A specific type of Party organization charged with acting as a "leadership core" for a range of non-Party organizations including central and local state agencies, social and cultural organizations, and enterprises. In enterprises, they are typically found in the central SOEs.
Grassroots Party Committee 党的基层委员会	A type of grassroots Party organization that exists where 100 or more Party members are present in an organization or where a higher-level Party organization has approved its establishment. A grassroots Party committee may establish and oversee the work of smaller Party general branches or Party branches under it.
Party General Branch Committee 党的总支部委员会/党总支	The committee that serves as the leadership core of a Party general branch.
Party General Branch 党的总支部	A type of grassroots Party organization that exists where there are 50–100 Party members in an organization or where a higher-level Party organization has approved its establishment.
Party Branch Committee 党支部委员会	A committee formed to handle the leadership duties of the Party branch in any organization where there are 7 or more Party members.
Party Branch 党支部	The basic unit of grassroots Party organizations, established when there are 3–50 Party members in an organization.

- Supervise and promote “the timely and full implementation of leading Party members group’s decisions by the leadership team of the work unit [i.e., company] in accordance with laws and the [company] charter.”³²

Although these requirements are only binding on leading Party member groups (党组), in January 2020 the CCP Central Committee issued a second regulation targeting the work of SOE Party organizations (党组织) and calling for these organizations to exercise similar personnel and decision-making powers within all SOEs.³³

As CCP regulations issued under the CCP Constitution, both of these measures exist in a separate legal sphere outside the state legal system set up under the PRC Constitution.³⁴ While CCP regulations are binding on Party members and organizations, they are not binding on non-Party entities such as a commercial enterprise—which could explain the use of “generally” in the first bullet point and the “company charter” reference in the third, providing some leeway in interpretation. This poses an issue for the CCP, as more independently inclined companies may decide to push back against attempts to increase Party influence over their operations—given that they are, technically speaking, not legally required to accept such influence under the state legal system. To avoid this result, the Party is now pushing for legal codification of these CCP requirements within corporate charters. Because corporate charters are legally binding on the companies themselves, acceptance of such a proposal by Chinese enterprises would essentially legalize the Party requirements under state law.³⁵

BUILDING THE MODERN ENTERPRISE SYSTEM WITH CHINESE CHARACTERISTICS

The campaign to formalize the role of Party organizations in corporate governance was first focused on SOEs, with the goal of building the “modern state-owned enterprise system with Chinese characteristics” (中国特色现代国有企业制度).³⁶ In 2016, Xi Jinping stated that:

The “characteristic” feature [“特”] of the system of modern state-owned enterprises with Chinese characteristics [“中国特色”] is that it integrates the leadership of the Party into all aspects of corporate governance, embeds the enterprise’s Party organization [党组织] in the corporate governance structure, and clarifies and implements the legal status of the Party organization in the corporate governance structure.³⁷

As the CCP promoted this system, numerous government and CCP measures were issued requiring various types of SOEs to codify an operational role for their internal Party organizations in their corporate charters.³⁸ In 2017, the State-owned Assets and Supervision Commission (SASAC)—China’s chief SOE regulator and ultimate shareholder—announced that the country’s 100 largest SOEs had all formally amended their charters to give the Party group a role in corporate governance and that the head of the company’s Party group also served as board chairman in 74 SASAC-regulated companies.³⁹ In January 2020, specific regulations for SOE Party organizations were released, reiterating that all SOEs must write the Party organization into their corporate charters in order to “implement [落实] the legal status of the Party organization in the company’s governance structure.”⁴⁰

These requirements now appear to be extending to private companies. Over the last year, references to the “modern state-owned enterprise system with Chinese characteristics” have diminished in official discourse, with state officials and Party documents now preferring the term “modern enterprise system with Chinese characteristics.”⁴¹ This omission of the “state-owned” modifier suggests an expansion of the term beyond its original confines.

This reading is further confirmed by what appears to be the first application of the term to private companies. In September 2020, the CCP issued a regulation directing its United Front Work Departments (UFWDs) to “guide” private enterprises to “improve their corporate governance structure and explore the establishment of a modern enterprise system with Chinese characteristics.”⁴² Shortly after, the vice-chairman of the All-China Federation of Industry and Commerce—an enterprise-focused organization under the UFWD—gave a speech in which he called for internal Party organizations to clarify their role in the corporate governance structure of private companies, in order to build the “modern enterprise system with Chinese characteristics.”⁴³

EXAMPLES OF PARTY ORGANIZATION INFLUENCE IN COMMERCIAL ENTERPRISES

Because of the UFWD measure’s recent issuance, there have so far been few media reports about its implementation. However, the measure appears to continue a trend of greater Party-corporate integration that has been occurring for the last few years and which has been widely reported on by Chinese media.

For example, a 2018 *People's Daily* article extolling the benefits of “red [i.e., CCP] productivity” notes that in a Samsung subsidiary the “seven Chinese executives of the company are all Party members and 74 percent of middle managers and above are Party members.”⁴⁴ Another 2018 article on Nissan’s automotive joint venture Dongfeng Motor Co. notes that their Party organization has been written into the enterprise charter, with members of the Party organization playing a role in human resources decisions.⁴⁵

A March 2018 article entitled “Our Country’s Internet Industry is in the Midst of a ‘Party Building Wave’” provides further macro-level insight into Party-building within the technology sector, highlighting then-recent efforts to form Party organizations in major Chinese internet companies. The article reports that in Sina Weibo a nine-member “public opinion research and judgment team” has been formed, consisting of five Party members and three applicant Party members, which holds weekly meetings to “timely detect and deal with negative public opinion” emanating from Sina’s 361 million average monthly users.⁴⁶

Other news reports highlight the influence of Party organizations on management decisions. A commentary piece on *Guancha.cn*, one of China’s largest news and opinion websites, notes that Mercedes-Benz established a Party organization in its local joint venture in 2013. According to the author, “the secretary of the Party organization participates in the company’s economic management meetings through the entire process and has full authority to participate in the company’s major decision making.”⁴⁷ Likewise, an August 2018 article in *Zhejiang Daily* notes that 39 listed companies in Taizhou had amended their articles of association to integrate the Party organization, including to ensure that the “Party organization participates in the decision-making of major issues within the enterprise.”⁴⁸

While it is unclear how representative these reports are, they underscore that the policy aims described are more than just aspirational goals held by the Party—they are being implemented across society and popularized in official sources, as both a distinctive feature and a strength of the Chinese system.⁴⁹

CONCLUSIONS AND ADVICE FOR POLICYMAKERS

A commentary posted on the Party’s *Qiushi* (Seeking Truth) website has labeled this new system a “major

innovation,” predicated on unique Chinese characteristics and benefitting enterprise development.⁵⁰ But for the rest of the world, the prospect of a major national government exercising informal and formal control over its domestic companies (potentially including FIEs) raises legitimate concerns. Such actions not only blur traditional distinctions surrounding the independence of corporate actors but also provide a surreptitious means for the Party-state to make implicit and unofficial requests of private companies, be it through the internal Party organization or through the Party members employed by the company. This design also raises questions over whether a Party member’s “first duty” to work for the Party would require their compliance should a higher-level Party authority request that they carry out a given task within their company.

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To better respond to these efforts, policymakers should:

- **Understand that the mere presence of an internal Party organization does not necessarily represent outright control by the CCP, but that it does represent the potential encroachment of politics on corporate decision-making.** While one might think that the CCP seeks to control or approve all decisions made within China, in fact the Party’s conception of the “socialist market economy” includes a significant degree of market-oriented reforms and managerial independence.⁵¹ This independence is cabined, however, by the presence and power of the internal Party organization, which reserves the right to pressure decisions in line with CCP interests at any time. Thus, any assessment of the level of a Party organization’s influence on management must be determined on

a case-by-case basis based on existing evidence and logical inferences.⁵²

- **Increase tracking and analysis of CCP regulations and other key policy documents.** The strengthening of the CCP's role in society under Xi Jinping has resulted in a rise in the number and importance of CCP regulations (党内法规). The Xi Jinping administration strengthening the CCP's role in society has resulted in a rise in the number and importance of CCP regulations. Often overlooked, better analysis of these regulations would help contribute to a more sophisticated understanding of how the CCP operates at every level of Chinese state and society. In particular, the U.S. government should consider resurrecting *opensource.gov*, or establishing a similar website, to provide increased availability and access to important and newly issued CCP and PRC regulations in their original language and, ideally, in English translation. Greater access to such documents would increase understanding of the Chinese system at the federal level and, if made available to the public, help increase the quality and depth of third-party research and analysis.
- **Increase transparency and understanding of Party organization work.** Policymakers should consider increasing public disclosures on Party organization activity within major Chinese companies listed on U.S. equity markets or involved with inbound investment funds. For such investments, greater understanding of how these Party organizations function could contribute to more directed information discovery in the course of the CFIUS review process. For example, this could include requiring detailed information on the Party membership of key executives and board members, a list of the members of the company's internal Party organization, and disclosure of any reference to the Party organization or the CCP in the company's articles of association (or its parent company's).⁵³
- **Increase public and private efforts to defend against CCP influence in FIE operations.** Efforts to increase the formal or informal role of Party organizations

in FIEs must be met with a strong response from foreign governments, industry trade groups, and the companies themselves. In 2017, a consistent response from individual companies and foreign trade groups successfully pushed back against increasing efforts by Chinese SOEs to require their foreign joint venture partners to amend their articles of association to insert the Party in corporate governance.⁵⁴ In 2018, a coordinated response to Chinese efforts to force global airlines to include Taiwan as a PRC territory fell apart when collective action on behalf of the airlines collapsed.⁵⁵ These examples illustrate both the importance of a united approach in responding to Chinese state overreach and the practical limitations of such cooperation where individual interests differ. Greater awareness and illustration of the costs (reputational or otherwise) of continuously ceding operational autonomy to the CCP, particularly in strategic sectors, might help generate the will to coordinate efforts on industry pushback. ■

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ENDNOTES

- 1 See for instance “Decision of the Central Committee of the Communist Party of China on Several Major Issues Regarding Upholding and Perfecting the Socialist System with Chinese Characteristics and Promoting the Modernization of the National Governance System and Governance Capability,” CCP Central Committee, Sec. VI.1 [中共中央关于坚持和完善中国特色社会主义制度 推进国家治理体系和治理能力现代化若干重大问题的决定], Xinhuanet, October 31, 2019, http://www.xinhuanet.com/politics/2019-11/05/c_1125195786.htm. See also “Hao Peng Accepted an Interview with the Central Mainstream Media to Talk about the Current Development Trend of Central Enterprises,” SASAC Website [郝鹏接受中央主流媒体采访 谈当前中央企业发展态势], August 11, 2020, <http://www.sasac.gov.cn/n2588020/n2877938/n2879597/n2879599/c15343606/content.html>.
- 2 “PRC Company Law,” Standing Committee of the National People’s Congress, Art. 19 [中华人民共和国公司法], promulgated December 29, 1993, amended December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, and October 26, 2013.
- 3 A historical look at the atrophy of Party organizations and attempts at reform is found in Chapter 7 of David Shambaugh, *China’s Communist Party: Atrophy and Adaptation* (Berkeley: UC Press, 2008).
- 4 CCP Central Committee, “Opinion on Strengthening and Improving the Party Building Work of Non-Public Enterprises (trial)” [关于加强和改进非公有制企业党的建设工作的意见(试行)], May 24, 2012. See also Michael Martina, “Exclusive: In China, the Party’s Push for Influence Inside Foreign Firms Stirs fears,” Reuters, August 24, 2017, <https://www.reuters.com/article/us-china-congress-companies/exclusive-in-china-the-partys-push-for-influence-inside-foreign-firms-stirs-fears-idUSKCN1B40JU>. (“A sales and marketing head in China for a major U.S. consumer goods firm said its party cell had recently become more active, and had pushed for locating a new facility in a district where the local government was promoting investment, a move the company made.”)
- 5 “Party building” refers to efforts to ensure and improve upon the overall health, functioning, and resilience of the CCP as a governing organization through the maintenance of a proper organizational structure, high-quality cadres, and strict ideological discipline. See, for example, CCP Member Network, “Organizational Party Building Work: What is it? When to do it? How to do it?” CCP Member Web [机关党建工作：是什么、干什么、怎么干] via www.12371.CN, December 13, 2018, <http://www.12371.cn/2018/12/13/ARTI1544662067625229.shtml>.
- 6 Lauren Yu-Hsin Lin and Curtis J. Milhaupt, for example, find that 68 percent of listed SOEs had inserted “decisionmaking” provisions in their corporate charters as of December 31, 2018. These provisions typically require company management to consult with the Party organization before major decisions. Lauren Yu-Hsin Lin and Curtis J. Milhaupt, “Party Building or Noisy Signaling? The Contours of Political Conformity in Chinese Corporate Governance” *European Corporate Governance Institute - Law Working Paper* No. 493 (2020); *Stanford Law and Economics Olin Working Paper* No. 545; City University of Hong Kong Centre for Chinese and Comparative Law Research Paper Series Paper No. 2020/005 (2020), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3510342.
- 7 Ibid. The same study found that 52 percent of listed SOEs had inserted “personnel” provisions in their corporate charter as of December 31, 2018. The study also found that 6 percent of listed private enterprises had amended their corporate charters to insert Party building amendments, although these amendments were more likely to be of “symbolic” provisions such as voicing support for the work of the Party organization or funding its activities out of the company budget.
- 8 Xinhua News Agency, “Regulations on the Work of the Primary-level Party Organizations of State-Owned Enterprises of the Chinese Communist Party (for Trial Implementation),” CCP Central Committee, Art. 13 [中国共产党国有企业基层组织工作条例（试行）], issued January 5, 2020, effective December 30, 2019), www.gov.cn, January 5, 2020, http://www.gov.cn/zhengce/2020-01/05/content_5466687.htm [hereinafter “SOE Party Organization Work Regulations”]; Xinhua News Agency, “Opinions Concerning Strengthening United Front Work in the Private Economy in the New Era” [关于加强新时代民营经济统战工作的意见], CCP Central Committee www.gov.cn, September 15, 2020, http://www.gov.cn/zhengce/2020-09/15/content_5543685.htm. For a translation, see Scott Livingston, *The Chinese Communist Party Targets the Private Sector* (Washington, DC: CSIS, October 8, 2020), <https://www.csis.org/analysis/chinese-communist-party-targets-private-sector>.
- 9 Liu Yun, “Tencent: When the ‘Penguin’ wears the Party Emblem,” CCP Member Web [“腾讯：当‘企鹅’戴上党徽”] via BackChina.com, April 2, 2018, <https://www.backchina.com/news/2020/08/09/703089.html>. The “penguin” reference refers to the company mascot. This article can no longer be found on CCP Member Web; however, a copy of the original article before its removal is on file with the author.
- 10 Ibid.
- 11 Recent academic inquiries into Tencent’s online censorship have focused on the interplay between Party-state directives and firm implementation, treating the company as mostly an independent entity. Ruan et al. (2020), for instance, concludes that censorship in China is carried out as result of an interaction between government officials and companies whereby governments signal sensitive events to be managed and companies carry out implementation based on this signal, sometimes resulting in overbroad censorship. The finding that Tencent’s censorship team is mostly Party members suggests another factor for consideration. Lotus Ruan et al., “The Intermingling of State and Private Companies: Analysing Censorship of the 19th National Communist Party Congress on WeChat,” *The China Quarterly* (2020): 1–30.
- 12 Quoted in Jiao Zhanfeng, “The Inevitable Requirement of Maintaining a High Degree of Consistency with the Party Central Committee: Transforming Party Loyalty into Concrete Actions,” *People’s Daily* [同党中央保持高度一致的必然要求有的放矢：把忠诚于党落实到具体行动中], August 15, 2019, http://paper.people.com.cn/rmrb/html/2019-08/15/nw.D110000renmrb_20190815_3-08.htm. See also Fu Qiao, “Party Members Should Cherish their ‘First Identity,’” *People’s Daily* [党员该珍视自己的“第一身份”], August 13, 2016, [cpc.people.com.cn/pinglun/n1/2016/0413/c241220-28273810.html](http://paper.people.com.cn/pinglun/n1/2016/0413/c241220-28273810.html).
- 13 PRC Company Law, Art. 19.
- 14 Shambaugh (2008) notes a 2000 investigation by the Central CCP Organization Department that found that 82 percent of private companies lacked a Party organization. Shambaugh, *China’s Communist Party* 136. See also Bruce J. Dickson, “Threats to Party Supremacy,” *Journal of Democracy* 14, No. 1 (2003), which notes that the Party was “virtually absent” from private companies.
- 15 CCP Central Committee, “Opinion on Strengthening and Improving the Party Building Work”
- 16 “2017 Statistical Communique of the Chinese Communist Party,” CCP Member Web [2017年中国共产党党内统计公报] via www.12371.CN, October 1, 2017, <http://www.12371.cn/2018/08/27/>

- ARTI1535321642505383.shtml.
- 17 The directive in Chinese is “加快在新型经济组织和社会组织中建立健全党的组织机构，做到党的工作进展到哪里，党的组织就覆盖到哪里。” CCP Central Committee, “Decision of the Central Committee of the Chinese Communist Party on Deepening the Reform of Party and State Institutions” Sec. 3.2 [中共中央关于深化党和国家机构改革的决定], February 28, 2018.
 - 18 In the CCP Constitution and CCP regulations, private enterprises are usually referred to as “non-public economic organizations” [非公有制经济组织]. “Constitution of the Chinese Communist Party,” CCP Central Committee, Art. 33 [中国共产党章程], issued September 6, 1982 and last amended October 24, 2017 [hereinafter “CCP Constitution”]. Technically the CCP Constitution is the CCP “Charter” (章程), but it is regularly translated as “constitution” in both official and unofficial sources. Chapter 5 deals with so-called “primary-level” or “grassroots” level Party organizations (基层党组织), which include those Party organizations formed within enterprises.
 - 19 Although there is no central-level CCP regulation specifically targeting private enterprise Party groups, local-level Party committees (i.e., the Party government at the local level) have issued various guidelines promoting Party building work in the sector. For a discussion of efforts in Anhui province see Xiaojun Yan and Jie Huang, “Navigating Unknown Waters: The Chinese Communist Party’s New Presence in the Private Sector,” *China Review* 17, No.2 (2017): 37–63.
 - 20 “Regulations on the Work of the Party Branches of the Chinese Communist Party (for Trial Implementation),” CCP Central Committee, Art. 10(5) [中国共产党支部工作条例（试行）], October 28, 2018, <http://politics.people.com.cn/n1/2018/1126/c1001-30420219.html>. (Hereinafter “Party Branch Work Regulations.”)
 - 21 *Ibid.*, Art. 24.
 - 22 The European Chamber of Commerce in China, “Chamber Stance on the Governance of Joint Ventures and the Role of Party Organizations,” Press release, November 3, 2017, https://www.eurochamber.com.cn/en/press-releases/2583/chamber_stance_on_the_governance_of_joint_ventures_and_the_role_of_party_organisations; Delegations of German Industry of Commerce, “Increasing Business Challenges – Delegations of German Industry and Commerce in China Concerned About Growing Influence of Chinese Communist Party on Foreign Business Operations,” November 24, 2017. (Original document no longer available but cited in other reports. See, for example, “China’s Trade-Disruptive Economic Model: Communication from the United States, World Trade Organization, https://docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S009-Html.aspx?Id=246786&Box-Number=3&DocumentPartNumber=1&Language=E&HasEnglishRecord=True&HasFrenchRecord=True&HasSpanishRecord=True&Window=L&PreviewContext=DP&FullTextHash=371857150; Daniel H. Rosen, Wendy Leutert, and Shan Guo, *Missing Link: Corporate Governance in China’s State Sector* (San Francisco, CA: Asia Society, 2018), <https://rhg.com/research/missing-link-corporate-governance-in-chinas-state-sector/>).
 - 23 US-China Business Council, “Fact Sheet: Communist Party Groups in Foreign Companies in China,” *China Business Review*, May 31, 2018, <https://www.chinabusinessreview.com/fact-sheet-communist-party-groups-in-foreign-companies-in-china/>.
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 - 27 SOE Party Organization Work Regulations, Art. 4. See also CCP Leading Party Members Groups Work Regulations, Art.5.; CCP Leading Party Members Groups Work Regulations, Art. 2 (“The leading Party members group is a leading organization established by the Party in . . . economic organizations, cultural organizations, and other non-Party organizations.”)
 - 28 For example, see “Work Regulations of the CCP Local Committees (for trial implementation),” CCP Central Committee, Art. 5(5) [中国共产党地方委员会工作条例(试行)], Apr. 5, 1996 (calling on local Party committees to support the work of leading Party member groups in non-Party organizations in their jurisdiction); Holly Snape and Weinan Wang, “Finding a place for the party: debunking the ‘party-state’ and rethinking the state-society relationship in China’s one-party system,” *Journal of Chinese Governance* (2020), <http://eprints.gla.ac.uk/221214/>.
 - 29 CCP Leading Party Members Groups Work Regulations.
 - 30 CCP Leading Party Members Groups Work Regulations, Art. 14. See also SOE Party Organization Work Regulations, Art. 13; SOE Party Organization Work Regulations, Art. 14. See also “Guiding Opinions on Further Improving the Corporate Governance Structure of State-owned Enterprises,” State Council, Sec. 5(3) [国务院办公厅关于进一步完善国有企业法人治理结构的指导意], April 24, 2017.
 - 31 CCP Leading Party Members Groups Work Regulations, Arts. 16–17.
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 - 34 For an overview of how CCP regulations fit into the state legal structure, see Ling Li, “Rule of Law’ in a Party-State – A Conceptual Interpretive Framework of the Constitutional Reality of China,” *Asian Journal of Law and Society* 2, no.1 (January, 2015), <https://ssrn.com/abstract=2546463>.
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 - 37 “Xi Jinping: Insisting on the Party’s Leadership of State-owned Enterprises Must be Consistent,” Sohu [习近平：坚持党对国有企业的领导，必须一以贯之], April 13, 2019, https://www.sohu.com/a/307762296_364628. See also Zhou Wan Fu, “Perfect the Modern Enterprise System with Chinese characteristics,” Seeking

- Truth [完善中国特色现代企业制度], December 12, 2019. (“The key to perfecting a modern enterprise system with Chinese characteristics is to grasp the key of combining the party’s leadership with corporate governance, and through strengthening system construction, make the party’s leadership and corporate governance highly unified and organically integrated.”)
- 38 These regulations first targeted central SOEs and then expanded from there. Regulations summarized in Guo Kejun, “Path and Mechanism Analysis – State-owned Enterprises Party Building Work enters the [Corporate] Charter,” Zhonglun Law Firm [国企党建工作进章程——路径及机制分析], August 1, 2017, <http://www.zhonglun.com/Content/2017/08-01/1843041618.html>.
- 39 The Party organization is identified here as “党委（党组）,” the same term used in Art. 33 of the CCP Constitution to refer to the “leading Party members groups or Party committees” of SOEs; See Tom Mitchell, “China’s Communist Party Seeks Company Control Before Reform,” *Financial Times*, August 14, 2017, <https://www.ft.com/content/31407684-8101-11e7-a4ce-15b2513cb3ff>. See also Dai Guocheng, “74 SOEs have already Realized that the Chairman of the Board and the Party Secretary are the Same Shoulder and they will have full time Party Secretaries by the End of the Year,” *The Paper* [74家央企已实现董事长党委书记一肩挑，年内配齐专职副书记], December 18, 2016, https://www.thepaper.cn/newsDetail_forward_1582539; Lin and Milhaupt, “Party Building or Noisy Signaling?” (finding that 90 percent of listed SOEs had amended their charters to include Party building provisions as of December 31, 2018).
- 40 SOE Party Organization Work Regulations, Art. 13.
- 41 See for instance Xinhua News Agency, “Decision of the Central Committee of the Communist Party of China on Several Major Issues Regarding Upholding and Perfecting the Socialist System with Chinese Characteristics and Promoting the Modernization of the National Governance System and Governance Capability,” CCP Central Committee, Sec. VI.1 [中共中央关于坚持和完善中国特色社会主义制度 推进国家治理体系和治理能力现代化若干重大问题的决定]. See also “Hao Peng Accepted an Interview with the Central Mainstream Media to Talk about the Current Development Trend of Central Enterprises,” SASAC Website [郝鹏接受中央主流媒体采访 谈当前中央企业发展态势].
- 42 UFWs carry out the Party’s “united front work” at home and abroad to “co-opt and neutralize sources of potential opposition to the policies and authority” of the CCP. Domestically, UFWs are present at each rung of the CCP organizational hierarchy to oversee non-Party organizations in their jurisdiction. For an explainer focused on UFWs both generally and particularly with respect to overseas work, see Alexander Bowe, *China’s Overseas United Front Work: Background and Implications for the US* (Washington, DC: U.S.-China Security and Economic Review Commission, 2018), https://www.uscc.gov/sites/default/files/Research/China's%20Overseas%20United%20Front%20Work%20-%20Background%20and%20Implications%20for%20US_final_0.pdf; “Opinions Concerning Strengthening United Front Work in the Private Economy in the New Era,” CCP Central Committee (关于加强新时代民营经济统战工作的意见), September 15, 2020, http://www.gov.cn/zhengce/2020-09/15/content_5543685.htm. For a translation, see Scott Livingston, *The Chinese Communist Party Targets the Private Sector* (Washington, DC: CSIS, October 8, 2020), <https://www.csis.org/analysis/chinese-communist-party-targets-private-sector>.
- 43 For instance, a 2013 piece states that the UFW “leads the internal leading Party member’s group of the All-China Federation of Industry and Commerce [ACFIC] and guides the work of the ACFIC.” In Chinese, the applicable text is “领导全国工商联党组，指导工商联工作。” “The Main Responsibilities of the United Front Work Department,” China United Front News Network [中央统战部主要职责], December 10, 2013; “Ye Qing: Promote the Organic Integration of the Party’s Leadership System and Private Enterprise Governance System,” *China Business Times* [叶青：推动党的领导制度体系与民企治理体系有机融合], September 17, 2020, http://www.acfic.org.cn/ldzc_311/jzhld/yq/yqgzhd/202009/t20200917_245057.html.
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- 46 “Our Country’s Internet Industry is in the Midst of a ‘Party Building Wave,’” China Organization and Personnel News, [“我国互联网企业涌动 ‘党建潮’”], March 26, 2018, http://www.xinhuanet.com/renshi/2018-03/26/c_129837894.htm.
- 47 Lu Ning, “Multinational giants begin to identify with China’s ‘governing party culture,’” *Guancha.cn*, [“跨国巨头开始认同中国 ‘政党文化’”], April 24, 2015. https://www.guancha.cn/LuNing/2015_04_24_317099.shtml?web.
- 48 Ding Shan and Xu Ziyuan, “39 listed companies in Taizhou, Zhejiang ‘insert Party building into the charter,’” *Zhejiang Daily*, [“浙江台州39家上市公司 ‘党建入章’”], Xinhuanet, August 10, 2018, <http://dangjian.people.com.cn/n1/2018/0810/c117092-30221892.html>.
- 49 For example, see “Why the Party Flag Is Waving High over Sino-foreign Joint Ventures: Investigative Report on the Party Building work of the Chang’an Automotive Joint Ventures,” *People’s Daily* [“党旗何以在中外合资企业高高飘扬——长安汽车合资企业党建工作调研报告”], March 16, 2015; “The establishment of a party group in the leading organs of non-party organizations is an important organizational and institutional arrangement made by our party based on national conditions, and it fully embodies our party’s unique political, organizational, and institutional advantages.” Feng Zhou, “The essential characteristics and practical requirements of the Party group system,” *Study Times* [党组制度的本质特征和实践要求] via www.cpcnews.cn, May 31, 2019, <http://theory.people.com.cn/n1/2019/0531/c40531-31112663.html>.
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- 52 The Freeman Chair in China Studies at CSIS is currently working on a project to provide a new taxonomy of Chinese corporate types based on their relative level of CCP influence.
- 53 A good example of this is contained in Sec(b) of the proposed Holding Foreign Companies Accountable Act, S.945, 116th Congress (2019–2020), <https://www.congress.gov/bill/116th-congress/senate-bill/945/text>. However, Sec. 3(b)(5) of that bill could be better

phrased to include any “reference” to the CCP rather than any “charter” of the CCP, which unnecessarily constrains the requirement to language that matches what’s found in the CCP Constitution (aka CCP Charter).

- 54 Author interview with former industry trade group representative, November 2020. For background see Michael Martina, “Exclusive: In China, the Party’s Push for Influence Inside Foreign Firms Stirs Fears,” Reuters, August 24, 2017, <https://www.reuters.com/article/us-china-congress-companies/exclusive-in-china-the-partys-push-for-influence-inside-foreign-firms-stirs-fears-idUSKCN1B40JU>.
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