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***Shanzhai* and Common Prosperity: How China's Grassroots
Entrepreneurs Helped It Fake Social Harmony
in an Era of Gross Inequality**

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Shanzhai and Common Prosperity: How China's Grassroots Entrepreneurs Helped It Fake Social Harmony in an Era of Gross Inequality

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Abstract

In the early noughties, China's several-hundred-million migrant workers — at once the primary driving force behind the country's miracle boom and its most 'left behind' demographic — developed and rallied behind a type of imitation mobile phone handset that would later become known as *shanzhai*. Emerging at the height of China's reform era (1978-2017), during which the Chinese Communist Party's (CCP) preoccupation with developing the economy had contributed to a growing gap in income inequality, the *shanzhai* culture in some ways served to temporarily mitigate the socially destabilising effects of class distinction. Despite their often-illegal practices, the *shanzhai* entrepreneurs were tolerated and even endorsed by lawmakers, this article argues, for the sake of preserving social harmony throughout China's 'gilded age' of economic overdrive. Considering recent events, the once flourishing grassroots *shanzhai* culture is likely to find itself in the crosshairs of Xi Jinping's post-reform era (2017-present) crackdowns, as the CCP shifts its focus from economic development to achieving 'common prosperity' by means of consolidation of its authority.

Keywords

China, *shanzhai*, Harmonious Society, Common Prosperity

山寨と先富論：中国の民衆出身の起業家が深刻な格差社会における社会的調和の偽造をどのように助けたか

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要旨

2000年代初頭、奇跡的な好景気の原因力であると同時に、かつては最も「取り残された」層でもあった数億人の中国移民労働者は、後に「山寨 *shanzhai*」として知られるようになる一種の模造携帯電話端末を開発し、これを支持した。中国共産党が経済発展に注力した結果、所得格差が拡大した改革時代（1978年～2017年）に登場した山寨文化は、ある意味、階級による差別の影響を一時的に和らげる役割を果たしていた。本稿は、山寨を製造していた企業家たちは経済偏重の「金メッキ時代」の直中にあった中国において、しばしば違法な行為を行っていたにもかかわらず

わらず、当局からは社会的調和を維持するために大目に見られていたばかりか、是認されていたと主張する。近年の出来事を考慮すると、かつて栄えた草の根の山寨文化は、中国共産党が経済発展から権威の強化による「共同繁栄」の達成へと焦点を移す中、習近平の改革後（2017年～現在）の取り締まりの標的になる可能性が高い。

キーワード

中国, 山寨, 和諧社会, 共同繁栄

Introduction

On 2 December 2008, millions of viewers of China's most watched state television programme China Central Television's (CCTV) nightly Central Network News (*Xinwen Lianbo* 新闻联播),¹ were taken to the bustling Beijing Muxiyuan Wholesale Mobile Phone Market 北京木樨园手机批发市场, where the reporter declared he was 'there for the *shanzhai* 山寨:

Since the advent of the first *shanzhai* mobile handsets in 2003, a myriad of *shanzhai* products has appeared. *Shanzhai* has evolved from an economic behaviour into a sociocultural phenomenon.²

The report, the first in mainstream state media, introduced the word *shanzhai* — broadly meaning 'imitation', and most typically a cheap copy of a brand-name mobile phone handset — into the lexicons of hundreds of millions of households across the nation overnight.

For many of China's estimated 273 million migrant workers,³ however, *shanzhai* was already an integral part of their lives. In 2007 alone, a year before the report, of an estimated 750 million handsets produced in China, over 150 million were designated as *shanzhai*, generating a total of USD 40 billion in revenue, and

sustaining 200,000 jobs.⁴

Although originally associated with cheap imitation mobile phone handsets, typically produced by and for China's migrant workers for whom brand-name products were prohibitively expensive, by the time the CCTV report had aired, *shanzhai* consumption was no longer a simple economic activity, but in some cases a statement, if ironic, of one's socioeconomic status, at once expressing a desire for material gratification and acceptance, while reflecting one's hopeless plight.

The *shanzhai* culture, inspired by the grassroots spirit of imitation and mockery behind the original handsets, had permeated throughout every corner of Chinese society. There were *shanzhai* celebrities, *shanzhai* impersonations of Mao Zedong and Barack Obama,⁵ *shanzhai* versions of CCTV's popular Spring Festival Gala and *Lecture Room* 百家讲坛 television programmes,⁶ a *shanzhai* European-style shopping street lined with *shanzhai* versions of internationally renowned brands,⁷ and even a *shanzhai* police station.⁸ It seemed that for every original, a *shanzhai* version could be found somewhere in China. Indeed, by 2009, *shanzhai* was of such social significance that it featured as a prominent topic on the agenda of the 2009 'Two Sessions' 两会, attracting both

praise and criticism from prominent members of the National People's Congress (NPC) 中华人民共和国全国人民代表大会 and the Chinese People's Political Consultative Conference 中国人民政治协商会议 (CPPCC).⁹

Despite its prevalence, the wide range of activities and phenomena that had become unified under the *shanzhai* moniker has resulted in various interpretations of its significance among both Western and Chinese commentators. In an attempt to explain the historical origins of the contemporary *shanzhai* phenomenon, Andrew Chubb presents the argument that *shanzhai* can be understood as a modern form of 'Grabism' 拿来主义, or the notion of 'grabbing' and appropriating foreign ideas for China's specific national circumstances, first proposed by the influential writer Lu Xun 鲁迅 in a 1934 essay.¹⁰ This is a view that is shared by a number of prominent *shanzhai* critics, including the cultural analyst Pei Yu 裴钰, who argues that *shanzhai* is a 'rubbish culture', characterised by shameless catch-up, unbecoming of a modern superpower.¹¹

Xiao Yuefan argues that Maoism, not 'Grabism' is in fact the underpinning ideology of *shanzhai*, noting that hundreds of Chinese language articles on the subject make use of Maoist theory to decode the contemporary phenomenon.¹² Xiao even goes as far as to make the bold assertion that Mao's disastrous Great Leap Forward 大跃进 (1958–1962) campaign, which led to the between 15–55 million deaths and constituted the largest famine in human history, was a 'mass *shanzhai* campaign'. As William Hennessey points out, however, this interpretation risks missing a crucial distinction between 'bottom-up' grassroots movements

and 'top-down' policy-driven activity.¹³ This is an important distinction to make, the Shanghai commentator Zhu Dake argues, because although in popular discourse *shanzhai* is commonly associated with imitation, its true defining feature is its grassroots nature. Indeed, with view to the etymology of the term — literally, 'mountain stronghold' — it is evident that *shanzhai* carries connotations of civilian rebellion and seclusion from official rule. To overlook this, argues Zhu, risks overstating the role of officialdom in encouraging the civilian ingenuity that led to its prominence, or to misrepresent its true nature by allowing state-sponsored capitalists and brazen pirates to masquerade as part of a widely celebrated civilian culture.

Barton Beebe goes a step further in an attempt to unravel the socio-economic rationale for the emergence of *shanzhai*, making the argument that *shanzhai* and sumptuary regulations introduced by the Chinese Communist Party (CCP) for Party members in 2012 are in fact two sides of the same 'social stability' coin — albeit addressing the issue from opposite directions.¹⁴ Beebe puts it succinctly: '*shanzhai* goods were a reaction by the non-elite (grassroots) at least symptomatic of, if not an incitement to, social instability'.¹⁵

Although Beebe provides a satisfactory explanation for the reasons behind the emergence of *shanzhai*, the question of why the CCP tolerated a movement that, as he puts it, serves as a potential 'incitement to social instability', remains unanswered. Indeed, since the emergence of the *shanzhai* handsets in 2003, the CCP has on numerous occasions taken actions in the spheres of both policy and

rhetoric to enable and, to some degree, endorse the production and consumption of *shanzhai* products.¹⁶

Through a review of the history of *shanzhai*, paying particular attention to the socio-political context within which the *shanzhai* phenomenon emerged and prospered in the early-2000s, this article attempts to, from the perspective of the political-economy, provide an explanation for the CCP's changing attitudes towards the phenomenon, and identify the plausible utility of the *shanzhai* culture to the CCP in two eras during which it has pursued distinct political and economic goals. It argues that, despite lingering issues of legality and safety, for the CCP, *shanzhai* has served to temporarily mitigate the potentially socially destabilising effects of growing inequality in China's growth-focused reform era (1978–2017). It finds that *shanzhai* was tolerated by the CCP because of its possible utility in temporarily bandaging a fundamental social contradiction, but as Xi Jinping's administration shifts the Party's core focus from growth to stability in the post-reform era (2017-present), phenomena with a flavour of class distinction—whether that be the conspicuous consumption and ostentatious public displays of wealth of China's social élite, or the shadow culture of consumption of low-quality, civilian-made fakes by its disenfranchised—are likely to be swept up by the Party's crackdowns in the name of 'common prosperity'.

Defining *shanzhai*

Although the word *shanzhai* carries connotations of imitation, the liberal application of the term to everything from mobile phones with playful

but obvious variations on brand-names like 'NOKLA' instead of 'NOKIA' or 'Samsang' instead of 'Samsung',¹⁷ to blatant piracy,¹⁸ has led to widespread confusion on what the word actually means, and how the phenomenon should be dealt with. Following the airing of the CCTV report, *shanzhai* culture had become of such social significance that scores of prominent figures from China's business, intellectual and political spheres were giving their two cents on its implications, and the appropriate social response.

In his 2011 collection of essays titled *China in Ten Words* 十个词汇里的中国, the acclaimed Chinese writer Yu Hua 余华 selected *shanzhai*, alongside 'revolution' 革命 and 'disparity' 差距, as one of ten words to describe contemporary Chinese society. As Yu Hua observes, the *shanzhai* ideology has its roots in anarchy and the ridicule of oppressive official, or mainstream culture:

[The term *shanzhai*]... [o]riginally referred to a fenced-off mountain village. Later, it was extended to mean an impoverished area, inhabited by peasants, as well as housing outlaws and pillagers. This term has a connotation of resistance to authority. With the increasing popularity of lower cost, highly functional *shanzhai* mobile phones in recent times, the word *shanzhai* has given 'imitation' a new meaning.

...Counterfeit, infringement, non-standard, mocking, pranks. These obsolete terms may enter the State of Imitation, and become servants to the ruler – *shanzhai*. It is fair to say that the term *shanzhai* captures an anarchist spirit more vividly than any other term in modern Chinese.¹⁹

Where Yu Hua sees chaos and ambiguity, the Shanghai-based cultural critic Zhu Dake 朱大可 sees a conspiracy by brazen pirates to hijack civilian dissent for profit:

The use of the word *shanzhai* in the manufacturing industry to describe clone versions of mobile phones and other digital products is a misuse of rhetoric, and an inappropriate borrowing of the semantic meaning of *shanzhai*, which is to establish a counterculture in co-existence with the dominant culture of the nation-state — or, literally, ‘to occupy another mountain’. This is either evidence of the demise of literacy in the technology industry, or a conspiracy to deliberately manipulate discourse. The manufacture of imitation goods is not ‘*shanzhai*’ at all — it is piracy, through and through.²⁰

While Zhu Dake might take issue with the misappropriation of the *shanzhai* moniker by pirating profiteers, his concern is less to do with moral judgement, and more to do with semantics. In his view, the *shanzhai* culture can be seen as an extension of the *liumang* 流氓 or ‘rogue’ spirit of the 1980–90s, characterized by the transgressive behaviour and a rejection of orthodox culture.²¹ CPPCC committee member and former CCTV Spring Gala host Ni Ping 倪萍 goes a step further — perhaps recalling the CCP’s own origins as a guerrilla movement — declaring at the 2010 CPPCC that the *shanzhai* counterculture was not only ‘piracy in disguise’, but in its instigation of sentiments of indifference, helplessness and ridicule of the status quo, posed a real threat to the social fabric:

The young people of today have been

contaminated by this so-called *shanzhai* culture, and have called it a representation of ‘grassroots culture’. But what is real, and what is fake? What is beautiful, and what is ugly? We must educate our young in a healthy and proper manner, so that they may distinguish the fake from the real, the good from the bad, and the beautiful from the crude... *Shanzhai* culture is dominated by counterfeits, copies and piracy. This so-called *shanzhai* culture is masquerading under the guise of civilian and grassroots culture, yet the activities they partake in are completely different... *shanzhai* is characterised by piracy, so we must reject *shanzhai* culture... undertake legal, administrative and social measures to put a stop to it...²²

Although *shanzhai* exists in juxtaposition to, and often mocks orthodox culture, especially in the case of *shanzhai* copies of foreign brand products, there appears to be some appeal in the notion of consuming ‘Sinified’ 中国化 or ‘domestically produced’ 国产 versions of desirable foreign goods. Sinification assumes that China is culturally and historically unique, and thus when foreign technologies and ideas are borrowed, they need to be adapted to suit the unique Chinese ‘national situation’ 国情.²³ Some *shanzhai* products are thereby marketed as patriotic alternatives to expensive foreign goods, with added features developed with Chinese users in mind. The ownership of these products presumably evokes a sense of nationalistic pride, and a sense of superior utility among some Chinese consumers.²⁴ Like its anarchic spirit, though, this aspect of *shanzhai* sits uncomfortably with the CCP’s overarching historical narrative and ‘great

power' ambitions. As the cultural analyst Pei Yu 裴钰 argues, the prevalence of the *shanzhai* phenomenon is evidence that China remains trapped in a cycle of catch-up and copying, a process that began with the Qing Empire's disastrous defeat in the First Opium War — an event that the CCP identifies as the beginning of China's 'century of humiliation' at the hands of foreign invaders and oppressors:

The first imitator, that is, the first *shanzhai* activist was Li Hongzhang and his Westernisation Movement. Two centuries ago, the copying began. Now, two centuries later, we're still copying. What age do we live in? We live in an age of innovation, an age where innovation is the most core value of all — and China is still copying, as if we never left the nineteenth century.²⁵

The appropriation of foreign technology and ideas for China has remained a key point of contention and constant theme since the end of the First Opium War, throughout China's self-proclaimed 'century of humiliation', and well into the CCP's rule. From the foundation of the CCP in 1921 (under the influence of the Communist Party of the Soviet Union and Communist International) by Chen Duxiu 陈独秀 and Li Ta-chao 李大钊, to the enactment of the Great Proletarian Cultural Revolution 无产阶级文化大革命 by Mao Zedong drawing on what Lenin called *kulturnaya revolyutsiya* ('cultural revolution') in his 1923 essay *On Cooperation*,²⁶ to the ideological justification of a socialist market economy amidst the 1978 economic reforms under the leadership of Deng Xiaoping as 'socialism with Chinese characteristics' 中国特色社会主义, the Sinitification of foreign ideas has persisted throughout the modern history of

China, and indeed continues to this day.

If we accept Pei Yu's argument that *shanzhai* is merely 'the same stuff with a new label'²⁷, then it isn't surprising that some of China's most significant technology enterprises and their flagship products — such as Lenovo, Baidu and Alibaba Group's Taobao²⁸ — are often seen in and outside China in a similar light to the *shanzhai* handsets featured in the CCTV report. Although indeed the success of these so-called 'Copy-to-China' (or 'C2C') businesses may be attributable in part to the value proposition that their products are better tailored to Chinese consumers, it is difficult to overlook the fact that the government has more-or-less enabled a domestic monopoly by shutting out foreign competitors by means of the country's notorious 'Great Firewall of China'.²⁹

China's fake elite

Perhaps the most important distinction that can be drawn between the initially illicit and quintessentially grassroots *shanzhai* culture and the 'Copy to China' enterprises, who directly benefited from protectionist legislation, is the degree to which the CCP has actively sponsored the activity. Under the guise of a free market economy, by virtue of unrivalled access to the CCP's top ranks and its resources, the 'C2C' enterprises made their well-connected founders — many of them returnees 海归 belonging to the People's Republic of China's (PRC) first cohort of overseas students — exceedingly wealthy and influential. For the CCP, this presented a chance to modernise the domestic technology industry, but in a controlled way that ensured the benefits generated remained within China — and indeed, that this happened on the Party's

own terms, free of foreign influence, and deeply integrated with the Party.

Throughout the mid-to-late 2010s, products developed by businesses with roots in the 'C2C' model, including notably Alibaba's mobile payment system Alipay and Tencent's instant messaging software WeChat, achieved almost ubiquitous coverage in the domestic market, all but shutting out meaningful competition, both domestic and international. By mid-2020, Alipay had amassed a userbase of 1.3 billion,³⁰ and as of mid-2020, WeChat had a similar 1.17 billion users.³¹

Once the subject of international derision for their unscrupulous business practices and flat-out plagiarism, the C2Cs, many of which listed on overseas stock exchanges, found unlikely friendship in investors from all over the globe, eager to get a slice of the action in China's miracle boom. In 2014, Alibaba, a company with its beginnings in an eBay clone, raised USD 25 billion in its IPO, and by 2020, had the sixth highest global brand valuation.³² As Alibaba founder Jack Ma seems to admit, his company, like the other C2Cs, owed much of its success to the restrictive market conditions created by the CCP, and its ability to better adapt to China's unique 'national situation' than their foreign competitors:

eBay may be a shark in the ocean, but I am a crocodile in the Yangtze River.³³

'Tide-riders' like Ma would be in for a nasty surprise, though, when the tidal flow of their proverbial Yangtze River was no longer in their favour.³⁴ As the revolutionary and founding leader of the Republic of China Sun Yat-sen

observed:

World progress is like a tidal wave. Those who ride it will prosper, and those who sail against it will perish.³⁵

In late 2020, just days before what would have been the world's largest Initial Public Offering (IPO) in history, Jack Ma used his platform at the Bund Summit, with an audience of Vice President Wang Qishan and Central Bank Governor Yi Gang, to slam China's financial regulators for hindering innovation with exceedingly strict risk controls.³⁶ Ma didn't get the enthusiastic response he was hoping for. He was immediately denounced in the press, summoned by regulators for a 'meeting' days later, had his IPO called off, and disappeared for months. His was the first high profile case in what would be an ongoing series of crackdowns on free-wheeling capitalists, who the CCP appears to want to remind are subservient to the Party.³⁷

Given that the overwhelming majority of the 'red capitalists' behind the 'C2C' enterprises are members of the 'red aristocracy' — that is, ancestors of high-ranking CCP officials³⁸ — it can be said that they are fundamentally intertwined with the Party, and thus part of an official culture. It could be argued that their emergence and prominence is attributable to a mix of nepotism and opportunism, and although their products enjoy the patronage of Chinese citizens from all walks of life, the entrepreneurs behind the 'C2C' enterprises find themselves at the crux of the CCP's 'principal contradiction' 主要矛盾.

The 'principal contradiction', a concept rooted

in Maoist thought,³⁹ refers to a fundamental problem that the Party's policymaking seeks to resolve, without allowing the issue to exacerbate to the point of becoming an 'antagonistic contradiction'. Drawing on Marxist-Leninist thought, Maoist theory holds that the proletariat and bourgeoisie classes are fundamentally diametrically opposed in their concerns and objectives, and acknowledges the impossibility of compromise between these social classes. Non-antagonistic contradictions may be resolved through non-violent means, but should an issue become of fundamental contradiction — most typically the contradiction between the peasantry and the landowning class — class struggle ensues.

Cognisant of its revolutionary origins, the CCP is acutely aware of the potential for unresolved class struggle to corrode its mandate. As Mao argues in his 1937 essay *On Contradiction*:

... so long as classes exist, contradictions between correct and incorrect ideas in the Communist Party are reflections within the Party of class contradictions. At first, with regard to certain issues, such contradictions may not manifest themselves as antagonistic. But with the development of the class struggle, they may grow and become antagonistic.⁴⁰

Following the CCP's victory and formation of the PRC in 1949, as outlined in his 1957 essay *On the Correct Handling of Contradictions Among the People*, the 'principal contradiction' under Mao's leadership was that of the struggle between the proletariat and the bourgeoisie — a notion that would lead the Party to preserve its mandate through the enactment of a wide-

reaching, violent purge known as the Great Proletarian Cultural Revolution.

In 1981, at the 6th Plenary Session of the 11th Central Committee of the Chinese Communist Party, the 'Resolution on Certain Questions in the History of Our Party Since the Founding of the People's Republic of China' 关于建国以来党的若干历史问题的决议 was adopted, marking a departure of the 'principal contradiction' from Maoist class struggle to 'the ever-growing material and cultural needs of the people versus backward social production'.⁴¹ This decision would guide the series of economic reforms carried out over the following three decades, which would favour the modernisation of the economy over resolving issues of class distinction and inequality, and, as Deng Xiaoping put it in 1985, 'let a few get rich first' 让一部分人先富起来.⁴² Now that 'the few', no doubt inclusive of the entrepreneurs behind the 'C2C' enterprises, have 'gotten rich', the CCP finds itself faced with another existential contradiction, arguably the same contradiction that enabled it to form government in the first place — the social gap is wider than ever before.

Letting the Gini out of the bottle

While those few who did 'get rich' amassed enormous wealth against the backdrop of economic reforms, the gap between the élite and the vast majority of the country's population only widened further, at an exponential rate. By 2014, one percent of China's population controlled one third of the nation's total wealth.⁴³ Income inequality continued to worsen throughout the reform period, as demonstrated by the increase in the official Gini coefficient figure released by the Chinese National Bureau

of Statistics (NBS), from 0.30 in 1980, to 0.412 in 2000 and 0.474 in 2012.⁴⁴

The Gini coefficient measures income distribution on a scale of zero to one, where zero denotes absolute equality and one signifies absolute inequality. When the Chinese Gini coefficient first exceeded 0.40 in 2000, the government stopped reporting the figure for a period of twelve years. A Gini coefficient above 0.40 is generally seen as indicating a 'high' level of income inequality and is regarded by the United Nations as the point at which social unrest becomes a risk.⁴⁵ After the NBS stopped reporting the Gini coefficient, studies conducted by reputable Chinese academic institutions have estimated China's Gini coefficient to be far higher than previously suggested. In a study published by the Southwestern University of Finance and Economics in 2010, for example, the Gini coefficient was calculated to be approximately 0.61. In a more recent Peking University report, the figure was estimated to be as high as 0.73 in 2014.⁴⁶ Whether the true Gini coefficient is closer to the government figure of 0.474 or the Peking University calculation of 0.73, the level of income inequality in China is well within the range in which social discontent — and the manifestation of an 'antagonistic contradiction' — becomes a real possibility.

Throughout the reform period, hundreds of millions of migrant workers flocked from the countryside to economic centres — particularly the Shenzhen Special Economic Zone, established in 1980 — in hope of a better life as the country embraced liberal economic policies. The migrant workers, of whom in 2014 there were an estimated 273 million,⁴⁷ provided a formidable pool of inexpensive workers that

would become the driving force behind China's manufacturing boom and its economic miracle.⁴⁸

Mobile phones would be of particular importance to this demographic as a means of staying in touch with family. In an early 2000s advertisement for the country's dominant cellular telecommunications provider, China Mobile, a child from rural Shaanxi province whose family has migrated to an urban area visits the seaside and makes a call to his grandfather who has never seen the ocean before. Speaking into the small handset, he says: 'Grandpa! Listen to the sound of the sea!'⁴⁹

China's total number of mobile subscriptions grew over the preceding decade from 650,000 in 1993 to approximately 230 million in 2003.⁵⁰ Yet, this still meant that less than one fifth of China's population had a mobile phone subscription.⁵¹ For many, mobile phones remained a luxury product. The handset market was largely dominated by Motorola and Nokia, both offering comparable products. A high-end Nokia 8810 — the company's flagship handset — was introduced to China in 1998 at a price of RMB 16,000.⁵² The average annual income at the time was RMB 7479.⁵³ Even in 2003, higher-end handsets with functionalities such as WAP (Wireless Application Protocol) Internet access could cost as much as RMB 8000⁵⁴ — over half the average annual income for rural households.⁵⁵ For most, calling grandpa with a Nokia phone from the seaside was an aspirational, but unrealistic dream.

Identifying the potential market for more affordable mobile phones, a total of seventeen domestic producers, including notably Ningbo Bird, Datang Communications, Zhongxing and Huawei, developed lower-end handsets, and

quickly took a significant share of the local market,⁵⁶ growing from a collective 8% share in 2000 to 60% by 2003.⁵⁷ Ningbo Bird, the largest producer at the time with a market share of 15% in 2003,⁵⁸ established competitive advantage by developing partnerships with international industry leaders like BengQ, Quanta and LG, giving it unrivalled access to wholesale components needed to manufacture handsets.⁵⁹ Despite having a significant impact on the market share of international competitors such as Nokia, Motorola, Samsung, Ericsson and Siemens,⁶⁰ the cost of handsets remained inhibitive, and production remained heavily reliant on expensive, proprietary imported components.⁶¹ The barrier to entry for would-be competitors was raised further by the introduction of expensive licensing regulations in 1998, which put restrictions on the number of vendors allowed to participate in the industry.⁶² Only manufacturers and importers with at least RMB 200 million in registered capital were allowed to apply for a Telecommunications Handset Production Permit 手机牌照.

Despite making handsets somewhat cheaper, with a domestically produced Ningbo Bird still costing up to RMB 4000,⁶³ mobile phones remained a desirable, and increasingly necessary, but unaffordable product for the majority of China's population — particularly its several-hundred-million migrant workers who were building the country's economic miracle in the city and required a means of staying in touch with family back home.

The grassroots entrepreneurs behind what would later become known as the *shanzhai* handsets, often migrant workers themselves, would up-end the mobile phone market with

the introduction of the mobile phone system-on-a-chip, developed by Taiwanese semiconductor producer MediaTek in late 2003.⁶⁴ Whereas the manufacture of mobile phones previously involved a complex international supply chain for various proprietary components and software, the MediaTek chip provided a readymade bundle for the basic functionalities of a mobile phone.⁶⁵ Producers using the MediaTek chip only had to design the exterior housing for the telephone handset — in many cases, imitating that of desirable high-end brand handsets — and add any additional peripheral components to the predesigned circuit, such as a camera or a loudspeaker. As one *shanzhai* producer put it in a 2009 interview:

You needed a design house. You needed software guys. You needed hardware design. But now, a company with five guys can do it.⁶⁶

The MediaTek chip gave China's guerrilla handset producers the tools to engage in what Clayton M. Christensen dubs 'disruptive innovation' — that is, creating products which are 'cheaper, simpler, smaller, and, frequently, more convenient to use' than those of incumbent firms.⁶⁷ As Christensen notes in his 1997 bestseller *The Inventor's Dilemma*:

The innovation transforms something that used to be so costly, only the very rich had access to it. These innovations make it so affordable and simple that normal people can do what only the rich and very skilled could do before.⁶⁸

By the time of the release of the MediaTek chip in 2003, owing to the large amount of

foreign investment in manufacturing and number of migrant workers employed by the technology manufacturing industry, Shenzhen was home to a large technologically literate population, comprised primarily of migrant workers. Foxconn, a contract manufacturer which today makes the iPhone for Apple Inc., alone employed over 400,000 workers in Shenzhen until it moved its operations to Zhengzhou in 2010.⁶⁹

China's grassroots 'stand up'

With their own personal circumstances in mind, the technical skills and now the technology, Shenzhen's grassroots entrepreneurs were quick to identify and exploit the opportunity to produce cheap, albeit illegal, handsets for people like themselves. The resulting handsets — which would first be known as 'black handsets' 黑手机, because they were uncertified, unregulated and produced by unregistered businesses⁷⁰ — were able to cut costs by skipping research and development, and circumventing expensive regulatory certification fees, as well as a value added tax (VAT) of 17%.⁷¹ Where a Ningbo phone would cost RMB 4000, using the MediaTek chip, a black handset mimicking a more expensive and desirable brand phone could be made for less than RMB 400.⁷²

Ignoring the regulatory red tape and no longer requiring a complex manufacturing process, savvy entrepreneurs could rush a handset to market within about a month (compared to an estimated 18 month turnaround for legitimate producers)⁷³, with a per-handset cost of around RMB 400, by contracting a so-called 'design house' to replicate the exterior casing and operating system design of a brand

handset,⁷⁴ and purchasing the MediaTek chip, as well as any necessary peripheral components — such as a camera lens, or loudspeaker — from one of Shenzhen's wholesale marketplaces, such as 'China's Silicon Valley', Huaqiangbei.

By comparison, taking into account the typical prototyping cost of RMB 400,000, the certification cost of RMB 200,000, as well as the other various overheads such as advertising and warranty, the break-even cost of a licensed handset was estimated to be double the estimated RMB 800 per-unit cost.⁷⁵ To cover their initial investment, a licensed producer would have to sell around 15 million units at the sales tax inclusive break-even price of RMB 1550.⁷⁶ The producers of the 'black handsets' could take their products to market at a third of that price, and still turn a profit by selling just 10,000 handsets.

The fast pace of the market meant that producers had to innovate and distinguish their products to remain competitive. Beyond offering a cheaper version of a desirable brand good, the producers began adding novel features to the phones not available in mainstream products, many of which catered specifically to China's migrant worker population. Often residing in cramped communal quarters, migrant workers did not have access to their own television units, leading some producers to add a television antenna to their handsets. In light of expensive inter-provincial call fees, many migrant workers previously kept two phone lines — one to call family back home, and one for life in the city where they were working. This led to the proliferation of the 'dual-SIM' 双卡双待 feature, which has today become standard on many mainstream handsets.

By 2005, MediaTek was reportedly shipping two million chips to Mainland China each month, almost exclusively used for production of these unregulated handsets.⁷⁷ Incumbent producers like Ningbo Bird urged the government to crackdown, and warned consumers of the dangers of consuming these potentially dangerous electronics, in a bid to retain the status quo.⁷⁸ This would lead to the late 2005 *Plan for the Restoration of Order in the Mobile Telecommunications Market* 移动电话机市场秩序专项整治方案,⁷⁹ which led the central government to repeal the 1998 licensing regulations in 2007,⁸⁰ all but endorsing the phones once produced on the outskirts of legality instead of cracking down on the ‘black handsets’ — no doubt to the surprise of the holders of the expensive permits.

By the time of the 2007 decision to repeal licensing regulations, there were an estimated 150 million of these previously illegal handsets in production annually.⁸¹ No longer explicitly outlawed, the ‘black handsets’ became known as ‘*shanzhai*’ — literally, ‘mountain stockade’ — a Cantonese term (*saanjaaih* 山寨) that originally referred to small family-run factories (*saanjaaih chong* 山寨廠) in 1950–60s Hong Kong.⁸²

By 2009, months after the CCTV report, in Shenzhen alone, there were an estimated 3000 modern *shanzhai* factories, over 400 design houses, and more than 3000 retailers for *shanzhai* handsets. Although the restriction on licensing no longer existed, these small businesses often operated without a license, continued to produce copyright infringing products, paid no tax, and failed to provide basic consumer protections like warranty.

Fake harmony

Though the *shanzhai* entrepreneurs were likely mainly concerned with making a profit without getting caught, their products, and the problems they solved by catering to the disenfranchised ‘non-consumers’ of the orthodox economy, intertwined them with the Party’s ‘principal contradiction’ between ‘unbalanced and inadequate development and the people’s ever-growing needs for a better life’, and a need to maintain a ‘Harmonious Society’.

Having manifest as the result of entirely civilian activity on the margins of the CCP’s economic drive to ‘let a few get rich first’, the *shanzhai* products served to potentially conceal the impacts of income inequality, and temporarily ease class tensions, by providing China’s lower-income earners with access to a shadow market of goods that resemble desirable products that would otherwise be beyond their reach. The Party’s tolerance of the goods, despite their violation of copyright and other laws is, as the Shenzhen University legal scholar Duan Liyue 段礼乐 has identified, possibly due to a need to maintain social stability.⁸³

Alongside its contemporaneous need to develop the economy, the Party was acutely aware of the growing risk of social instability as the income inequality gap continued to widen. In 2004, the Hu Jintao administration outlined its goal of establishing a ‘Harmonious Society’ 和谐社会,⁸⁴ complementing the Party’s centenary goal of creating a ‘Moderately Prosperous Society’ 小康社会 by 2020.⁸⁵ Though government officials have repeatedly stated on record that the reason for non-enforcement of intellectual property laws is logistical difficulty,⁸⁶ it is far

more likely, as Duan hints in a 2009 article, that the government is complicit in turning a blind eye to these illegal practices, so long as they continue to serve the CCP's policy objectives:

There is a widely held view that China's poor implementation of intellectual property protection is the cause of the rampant *shanzhai* phenomenon.... As a matter of fact, it was not ineffective enforcement of intellectual property laws that caused the *shanzhai* phenomenon to emerge. It was, to the contrary, the logic of consumption behind the purchase of *shanzhai* products that led to the non-enforcement of intellectual property laws.⁸⁷

Indeed, the CCP is renowned for taking brutally efficient and forceful action in dealing with issues it takes seriously, especially those that threaten to disturb social order, making logistical difficulty an unlikely reason for lack of enforcement. Recent examples include its response to the COVID-19 pandemic, which saw it initially punish 'rumour spreaders' including Dr. Li Wenliang 李文亮, before taking the unprecedented move of locking down Wuhan overnight.⁸⁸ Its constant efforts in cyberspace to control information and stamp out dissent via its infamous Great Firewall are another.

But the Party is also quick to retroactively avail itself of alternative narratives where public sentiment is stacked against it. Take, for example, the subsequent state-sanctioned nationwide mourning of the death of rehabilitated rumour-spreader-turned-martyr Li Wenliang in February 2020,⁸⁹ who was originally detained by police in December 2019 for 'spreading rumours about a SARS-like infectious disease'.

With the Party's tacit endorsement, for a period, the *shanzhai* handsets enjoyed widespread use among China's lower-income earners, providing a similar experience to owning brand products they were not able to afford. Though this temporarily serves the purpose of making previously inaccessible products and technology available to the lower strata of society, the consumption logic behind *shanzhai* makes it an inherently unviable solution to social inequality. As Yu Hua observes, the *shanzhai* phenomenon emerged out of grassroots aspiration to participate in elite culture, and despite providing a temporary solution, only serves to exacerbate the fundamental problem:

When health is impaired, inflammation ensues, and the copycat [*shanzhai*] trend is a sign of something awry in China's social tissue. Inflammation fights infection, but it may also lead to swelling, pustules, ulcers, and rot.⁹⁰

Indeed, *shanzhai* merely serves as a temporary solution to a fundamental social problem. The consumption of *shanzhai* imitations ultimately serves to reinforce perceptions of class distinctions, and even make the original product more desirable by comparison. One extreme example of this is the case of a 17-year-old boy who was reported to have sold one of his kidneys for RMB 20,000, in order to buy an iPhone and an iPad.⁹¹

More generally, with the initial novelty of owning something resembling an expensive product having worn off, consumers are becoming increasingly scrutinous of the safety hazards posed by *shanzhai* products,⁹² and looking

to new domestic producers for affordable, streamlined, and higher quality alternatives. Negative reports surrounding the safety of civilian-made shanzhai phones abound, including a case in 2014 in which a cheap uncertified battery inside a handset exploded, killing four people, and the decision to introduce aviation laws that forbid the use of all mobile phones in Chinese aircraft, due to the risk of excess radiation emitted by the unregulated devices.⁹⁴

When the gilding fades

For the CCP, which announced in early 2021 that it had eradicated poverty,⁹⁵ such extreme displays of social inequality risk the manifestation of an ‘antagonistic contradiction’ that could pose a real threat to social stability, and its mandate. It could be argued that it is these concerns, along with slowing economic growth, that have led the Xi Jinping administration to shift its focus from developing the economy to addressing domestic inequality and bolstering a sense of national pride.

In October 2017, at the 19th National Congress of the Communist Party of China, Xi Jinping declared a shift in the Party’s ‘principal contradiction’ to the ‘contradiction between unbalanced and inadequate development and the people’s ever-growing needs for a better life’.⁹⁶ In August 2021, a little over a month after the CCP celebrated its 100th anniversary, at the 10th meeting of the Central Committee for Financial and Economic Affairs 中央财经委员会, PRC President Xi Jinping further specified that his government would crack down on excessive wealth to ensure ‘common prosperity for all’ 共同富裕, taking aim at the inequalities of the PRC’s ‘gilded age’.⁹⁷

The ramifications of this strategy shift were wide-reaching and rapid. For the once wildly profitable USD 120 billion education industry, which the government declared had been ‘hijacked by capital’,⁹⁸ a recent ban on commercial tutoring sent education stocks crashing.⁹⁹ The announcement that the CCP would begin regulating ‘excessive income’ and ‘encourage’ the wealthy to contribute more to society led to a spike in corporate donations,¹⁰⁰ and shaved EUR 61.7 billion from the collective market valuation of luxury brands Louis Vuitton, Hermès and Burberry — which had originally forecast that Chinese consumers would account for almost half of total luxury consumption in 2021.¹⁰¹

Though the famous and wealthy have found themselves within the crosshairs of the CCP’s ostensible crackdown on inequality, when viewed within the context of the Party’s broader actions, the crusade for ‘common prosperity’ seems more likely to be part of a series of efforts to consolidate its authority by coercing the various alternative concentrations of power and influence — whether they be businesses, celebrities or academics — into integrating themselves into a ‘common fate’ 共同命运 with that of the CCP, and purging those who refuse. Businesses have been reportedly forced to give the CCP shares and voting rights,¹⁰² while celebrities have been denounced and ‘cancelled’ for making politically incorrect statements,¹⁰³ with their fan culture becoming the next target in a crackdown on the mobilization of the public behind anything or anyone that contradicts the Party’s official ‘China Story’.¹⁰⁴

In Xi Jinping’s post-reform era, the *shanzhai* culture once again finds itself at the crux of

the Party's 'principal contradiction', albeit in a less favourable position. Carrying connotations of poverty and anarchy, for the Xi Jinping administration, the *shanzhai* culture is at odds with both the CCP's rhetoric, and its authority. Indeed, the once ubiquitous *shanzhai* phones have become so unpopular that in 2020, many of the stores in Huaqiangbei, once renowned for being a mecca for mobile phone enthusiasts, had shifted their focus to the retail of cosmetics due to a decline in sales.¹⁰⁵ In their place, and in line with the CCP's 'Made in China 2025' 中国智造 initiative — which aims to move China away from being the 'world's factory' and to become a key leader in 10 key industries, including information technology —¹⁰⁶ consumers are increasingly turning to streamlined domestic producers like Huawei and Xiaomi for higher quality, distinctly Chinese handsets.¹⁰⁷

Where in the past it has allowed shadow cultures — like the *shanzhai* culture, and the *liumang* culture before it — to co-exist with, and often transgress official culture, as the CCP moves towards consolidating the authority of official culture and its rule, these grassroots movements are likely to become increasingly *non grata* in Xi Jinping's post-reform China. In lieu of commercialised dissent, the Chinese populous can look forward to consuming nationalism as the country marches towards the PRC's centenary goal of becoming a 'fully developed, rich and powerful' nation by 2049.

Conclusion

In order to understand the significance of the *shanzhai* culture both as a civilian movement in its own right, and as a case study for Chinese governance, this paper has considered the

origins of the *shanzhai* phenomenon and the context within which it was able to thrive. The initially illegal imitation 'black handsets', which would later become known as the *shanzhai* handsets that first popularised the term, emerged at the height of China's economic miracle as a quintessentially civilian response to growing socioeconomic inequality, a movement which upended the status quo to put previously unaffordable life-changing technologies into in the hands of China's enormous migrant worker population. In light of this historical context, and a consideration of the etymology of the term *shanzhai*, it can be concluded that despite widespread application of the term as an alternative for 'fake', the true meaning of *shanzhai* is to establish a civilian counterculture adjacent to official culture. With view to the ideological ramifications of the emergence of the *shanzhai* phenomenon for the CCP, this initially illegal and sometimes transgressive counterculture was tolerated throughout the late reform era, at a time when the CCP's focus was on economic growth, because it served to temporarily mitigate the impact of potentially destabilising socioeconomic inequality.

In drawing this conclusion, this paper points to the demise of the civilian-driven *shanzhai* culture in Xi Jinping's post-reform era, in which the CCP's focus has shifted from economic growth to achieving 'common prosperity'. Given the recency of this shift, it remains to be seen how the Party will deal with transgressive civilian movements like the *shanzhai* culture, and further research might focus on how this develops with overarching policy changes. In giving holistic consideration to historical, socioeconomic and ideological readings of the *shanzhai* phenomenon, this paper has taken

shanzhai as a case study for understanding and commenting on the broader interplay between civilian culture and government in the PRC.

The analytical approach and conclusions of this paper may be applied to future studies of other socioeconomic phenomena in the PRC, and analysis of the CCP's responses and rationale. Although this paper has specifically focused on the *shanzhai* phenomenon, it points to the overarching ideological framework within which the Party's response to *shanzhai* can be reconciled with its actions in other areas, and viewed within a longer tradition of interplay between civilian and official culture in China. In the same way this paper has considered *shanzhai* with relation to the historical *liumang* movement and the CCP's core ideological framework, further research might analyse the reasons for the emergence of, and official response, to related civilian movements such as the 'lie flat' 躺平 *tangping* movement.

Notes

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