Abstract

Since China began liberalizing its economy in 1978, it has experienced what is commonly referred to as an economic miracle, achieving 10% growth year-in-year-out for decades by revamping itself a labour-intensive, export-driven “factory” for the developed world. After three decades of manufacturing driven growth, Xi Jinping and the CCP are looking to pivot once more, this time towards a consumption and service-oriented economy they hope will guarantee greater stability, albeit at lower growth rates. This paper explores how the authoritarian Chinese government is fostering a type of innovation and economic growth that economists generally associate with neoliberal market economies.
Introduction

In recent weeks, dozens of bright orange bicycles have seemingly burst into existence throughout Wesleyan University’s campus. Owned and operated by the company Spin, students (and anyone else with the application on their phone) can locate bicycles nearby, scan a QR code on the bike through their phone, and rent the bike for 50 cents per half-hour. When a ride is complete, users simply scan their QR code once more and leave the bike nearby wherever their destination may be.\(^1\) While the concept of bike shares has existed for decades, they have succeeded with varied effect when put into practice. But this new, dockless smart bike share has proven different as students can regularly be seen cycling throughout campus. Who came up with this innovative new mobility solution? Where did it originate? Not in Silicon Valley as one might presume, but in Beijing, China.

In recent years, Chinese technology companies have been on the rise. The numbers of firms are multiplying, and many are pioneering original solutions to problems people face in China and throughout the world. These companies are proving themselves to be competitive not only in China with other Chinese firms, but against foreign companies from capitalist countries too. China’s authoritative, and now dictatorial state nurtures the type of innovation and growth – a type economists frequently associate only with neoliberal market economies – necessary to spur on China’s quasi-private sector by encouraging the elite to join the private sector. This process has tied entrepreneurial success to support for the CCP, and led to increasing points of contact and collaboration between private firms and the CCP in areas of government interest.

Within the fields of Political Science, Economics, and East Asian Studies, there has

\(^1\) See “Steps: How to Use Spin.”
arguably been no topic more thoroughly researched and written about than China’s economy and economic rise over the last forty years. This fascination is due in part to Western academia’s genesis in enlightenment thinking and is specifically grounded in the work of Adam Smith, seen as the original modern economist. His pièce de résistance, *The Wealth of Nations*, idealizes a capitalist society in which a private market-economy that is inherently good coexists with a government that is inherently bad. The Chinese economy provides a foil for enlightenment-centric thinkers who have previously held with certainty that a limited government market economy is the only productive way to organize society. The more recently published and multidisciplinary work – *A Variety of Capitalism ... with Chinese Characteristics?* – provides a more fluid contextual approach. It examines, compares, and contrasts a variety of quasi-capitalistic systems, including the neoliberal model, the German coordinated model, and attempts to place the emerging Chinese model within the spectrum established by prior economists. Through a macroeconomic lens, it examines how the Chinese government manipulates companies and its economy as a whole. Finally, there are the (other more modern) scholars like Edward Tse, who focus on individual entrepreneurs, private firms, and their actions that drive forward economic growth in China. This essay sits at the intersection of these three approaches and explores their synergies–by considering how the Chinese government engages with Chinese companies and entrepreneurs and how these agents respond in turn.

This essay focuses on three specific Chinese firms – Alibaba, Xiaomi, and Ofo – each representative of a different generation of private enterprise in China. While all three may be considered technology companies, their businesses are very different. Alibaba began in online

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2 See Smith, “Wealth of Nations”
3 See Peck and Zhang, “A Variety of Capitalism...With Chinese Characteristics?”
4 See Tse, “China’s Disruptors”
commerce; its vast portfolio now extends throughout the economy. It is the oldest company examined, representative of a first generation of entrepreneurial Chinese firms, and the only one founded during the 20th century. The second firm under consideration, Xiaomi, began as a software developer and phonomaker before expanding the types of hardware it manufactures and now into the “Internet of Things (IoT).” It may be considered part of a second wave of Chinese entrepreneurship. Lastly, Ofo, an online application and real life mobility solution, is the youngest firm I research and is at the forefront of a new generation of innovative Chinese firms. I rely on both qualitative and quantitative data in my research. I use quantitative economic statistics from these companies and the Chinese economy as a whole to trace ongoing economic trends and to consider how these specific companies have succeeded in the China’s economic ecosystem. In addition, I use qualitative data collected from academic work, news reports, and primary sources to distill the intentions and impact of key agents and institutions actions upon each other and the system in which they operate.

**Background and History**

In 1978, two years after the death of long-time leader Mao Zedong, the Chinese Communist Party (CCP) initiated the liberalization of its economy and opened China’s doors to the world at large. Beginning with Deng Xiaoping and continuing up to this day with Xi Jinping, the process of liberalization has proceeded slowly, marked by infighting within the top CCP ranks. However, it has moved forward nonetheless. In 1988, the Chinese government

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5 See “The Jack Ma Way”, NYTimes
6 See Kline, “Behind the Fall and Rise of China’s Xiaomi”
7 See Gallagher, “Reform and Openness.”
8 See Fewsmith, “Elite Politics”
legalized private enterprise; and in 2001, China joined the World Trade Organization. In pivoting both economically and ideologically from its Marxist roots, the CCP effectively staked its legitimacy to govern to the progress and development of the Chinese economy.\textsuperscript{10}

They have succeeded in driving economic growth forward in a remarkable fashion. Since 1978, China has experienced what has become commonly referred to as an “economic miracle,” achieving a 10 percent growth rate year-in-year-out for decades on end.\textsuperscript{11} Prior to its “opening” in 1978, China’s economy was agrarian-focused, with huge swathes of the population concentrated in rural areas. But over the last forty years, the CCP has revamped the economy into a labour-intensive and export-driven “factory” for the developed world.\textsuperscript{12} The government welcomed and encouraged foreign direct investment, private enterprise expanded, multinational companies moved into and partnered with Chinese firms, cities and coastal regions rose in importance as people migrated towards urban hubs in huge numbers, and tens of millions of people rose out of poverty.\textsuperscript{13}

In recent years, China’s economic growth rate has begun to taper off as the manufacturing driven expansion has begun to reach its limits.\textsuperscript{14} While China’s economy remains strong, the CCP and China have reached a turning point. Four decades after its initial liberalization, Xi Jinping and the CCP are looking to transform China’s economy once more, this time into a consumption and service orientated economy that they believe will guarantee greater socio-political and economic stability–albeit at lower growth rates–and position China to emerge

\textsuperscript{9} See Tse, X
\textsuperscript{10} See Perry, Pages 309-331
\textsuperscript{11} See Babones, “China’s Predictable Slowdown.”
\textsuperscript{12} See Peck and Zhang, \textit{2. Registers of capitalist variety: a Chinese exception?}
\textsuperscript{13} See Rawski, pages 139-156
\textsuperscript{14} See Babones, “China’s Predictable Slowdown.”
as a world superpower in the latter half of the 21st century.\footnote{See “What China Wants,” The Economist}

This pivot is already underway. In the past two years, the Chinese government has released a series of significant plans designed to act as a road map for the renovation of the Chinese economy. These plans may be distilled into three distinct parts. First, the government’s “Made in China 2025” plan aims to develop and modernize Chinese manufacturing capacity across, “ten strategic...sectors such as aerospace and robotics.”\footnote{See Abraham, New America.} Beijing hopes to shift from simple to complex fabrication—from textiles to computer chips. A key goal of this plan is to, “ensure entire supply lines are developed in country” to cut down on reliance on global supply chains and other countries as well as to guarantee that the country will be a leader in the manufacturing of cutting edge technology goods throughout a variety of industries.\footnote{See Abraham, New America.}

The 2017 State Council-released, “A Next Generation Artificial Intelligence Development Plan,” lays out a government plan for China in Artificial Intelligence (A.I.) that is just as ambitious, if not more so than its manufacturing plan. It calls for China and Chinese companies to match and ultimately supercede the US as the dominant world-player in A.I. by the year 2030.\footnote{See the original version here.} While China currently lags behind the U.S. in terms of A.I. know-how in key areas, they have been quickly catching up—Chinese researchers have outpaced all competitors in the amount of published research on deep learning (an advanced form of A.I.) since 2014.\footnote{See Technology Review article} But most importantly, the plan lays out a vision in which the government and China’s private companies—who are far more advanced in A.I. research—can exploit new and existing synergies to advance national and private interests that will require the “establishment and normalizing of

\footnote{See “What China Wants,” The Economist} \footnote{See Abraham, New America.} \footnote{See Abraham, New America.} \footnote{See the original version here.} \footnote{See Technology Review article}
mechanisms for communication and coordination among scientific research institutes, universities, enterprises, and military industry.”\textsuperscript{20} The government can provide nearly unlimited funding for research and development that will advance private interests because the government believes that “AI applications in agriculture, transportation, social security, pension management, public security, and a host of other government functions will enable the government to provide new levels of service and benefit to the Chinese nation.”\textsuperscript{21}

Most recently, the Cyberspace Administration of China and the China Securities Regulatory Commission released a joint announcement laying out how the Chinese government and private sector can collaborate to advance national interests and hasten China’s transformation into a cyber superpower on par with the United States.\textsuperscript{22} The policy changes will make it easier for Chinese firms to access the capital they need to continue growing on the mainland. Rather than listing their stocks on foreign exchanges, Chinese companies will have a greater incentive to list their stocks on Chinese (or Hong Kong’s) exchanges.\textsuperscript{23} Doing so will allow Chinese investors to profit from that organization’s success, and compel it to adopt and express values similar to the CCP, who act as gatekeepers to this capital. This edict ultimately steers market activity closer to government objectives and, “coupled with other proposed measures, such as government ownership stakes in high-tech companies and the increasingly active role of Party committees in some firms,”\textsuperscript{24} will simultaneously allow firms to succeed financially while the CCP tightens its control over them. Three successful companies in China are a window into the CPP’s goals with regard to innovation, technology, and economic

\textsuperscript{20} See Kania, “China’s Plan to ‘Lead’ in AI”
\textsuperscript{21} See Triolo and Webster, “China’s Plan to ‘Lead’ in AI”
\textsuperscript{22} See document \textit{here}
\textsuperscript{23} See \textit{“Unleashing China’s Capital Markets to Build a ‘Cyber Superpower’.”}
\textsuperscript{24} See \textit{“Unleashing China’s Capital Markets to Build a ‘Cyber Superpower’.”}
development in China.

**Case Study #1: Alibaba**

The Chinese technology and e-commerce giant Alibaba is one of the most well known companies not only in China but around the world. Originally founded in 1999 by its now famous leader Jack Ma, the company has accumulated wealth and power as quickly as any Western firm. Alibaba was one of China’s first businesses to capitalize on the internet. It is a major player across industries–Alibaba.com as a marketplace for brand-to-brand transactions, Taobao as a marketplace for consumer-to-consumer transactions, the finance sector with Alipay and its Ant Financial arm, cloud computing, artificial intelligence, and more. After being valued at approximately 230 billion dollars after its debut on the New York Stock Exchange in 2014, Alibaba has since doubled its value–today it is worth nearly 480 billion dollars.

Does this not scare the CCP? Ma only began Alibaba after several years working for the Chinese government with the State Owned Enterprise (SOE), Hangzhou Telecom. At the time, the CCP was only beginning to encourage government employees and Chinese elite to consider entering the private sector. A charismatic man, the connections Ma established through his two years of working at Hangzhou Telecom helped him expand Alibaba at a breakneck speed in the first decade of the 21st century. During the company’s initial burst of expansion during the 2000s, Alibaba relied heavily on foreign investment from the Japanese financial behemoth

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27 See Alibaba [stock prices](https://www athbaba.com/stock).
Softbank and the American technology firm Yahoo.\textsuperscript{30} But as the 2010s approached and the company continued to grow, Alibaba’s strategy shifted seismically. In 2012, it paid 7.6 billion to buy stock back from Yahoo, and then almost immediately began reselling these stocks to well-heeled, politically connected Chinese investors through “the country’s sovereign wealth fund and two private equity firms. One of those firms was Boyu Capital, which was co-founded by Alvin Jiang, the grandson of former president Jiang Zemin. Not long after, New Horizon Capital, a private equity firm co-founded by the son of Wen Jiabao, then prime minister, also bought a large block of Alibaba shares.”\textsuperscript{31} This strategy not only allowed Mr. Ma and Alibaba to continue aggressively pursuing growth without the government interfering to slow the process; the move also provided them with the knowledge that the CCP supported them as they did so.

While Alibaba remains listed on the New York Stock Exchange, its corporate structure allows a select few individuals—in this case Mr. Ma and his lieutenants—to retain control complete control over the direction of the firm without giving up the benefits that foreign capital extends.\textsuperscript{32} This structure, referred to as an Variable Interest Entity (VIE), leads to an unequal system in which two investors, one foreign and one Chinese with CCP connections, could invest an equal sum of money in Alibaba, but the investor with CCP connections would have an outsized influence.

As Alibaba has continued to expand in recent years, the government and firm have continued to nurture their relations with the other and found new areas of contact and projects on which to collaborate. Jack Ma has personally engaged in a quest to woo elite party officials with

\textsuperscript{30} See “The Jack Ma Way,” NYTimes
\textsuperscript{31} See “The Jack Ma Way,” NYTimes
\textsuperscript{32} See Schumpeter in the Economist
his words and through corporate or philanthropic actions. In all of his many interviews with both state and foreign media, Ma is restrained, advocating for technology companies to follow the rules and respect for the Party.

“'No country in the world has such an environment: only the Communist Party of China has self-advanced and self-innovated in the past five years. The work of China’s clean and honest government has attracted the attention of the world: there’s no county in the world like this.'”

He announced the establishment of the Alibaba Poverty Relief Fund that will donate 1.5 billion dollars in an effort to eradicate poverty in China. Additionally, Alibaba has extended its Taobao platform into rural China and Ma’s philanthropic foundation, The Jack Ma Foundation, has pledged 30 million dollars to increasing educational infrastructure in rural areas, effectively doing the CCP’s job for it.

The Chinese Communist Party is not a passive partner. According to state law, “every firm with more than 100 employees must have a party cell, whose leader reports directly to the party in the municipality or province.” Alibaba is not excluded from this legislation, and the CCP is intentionally overt in its presence. Within the offices of Alibaba’s primary competitor, Tencent, a report recently noted, “A chart on the wall shows how many employees are party members (more than 8,000 this year). Another display lists the monthly schedule for employees’ party education.”

In a seemingly bizarre contradiction, while these employees’ political allegiances lie with the CCP, they are responsible for the daily upkeep, managerial decision

33 See “Alibaba Pledges RMB 10 Billion to Combat Poverty in China” in Alizila
34 See quote from Jack Ma in Masha Borak article in Technode
35 See “Alibaba Pledges RMB 10 Billion to Combat Poverty in China” in Alizila
37 See “Tech Giants Feel the Squeeze as Xi Jinping Tightens His Grip,” NYTimes
making, and economic growth of one of the largest privately held organizations in the history of
the world.

The government is also prodding Chinese technology firms to collaborate more directly
with it as it attempts to realize its plans (discussed in detail above) to become a cyber
superpower. As Zhong and Mozur report, “tech giants have joined with government institutes to
run labs in fields like quantum computing, deep learning and human-computer interaction. Soon,
Chinese citizens may even be able to use their accounts on Tencent’s and Alibaba’s apps as
digital versions of their national ID cards.” The government has appealed to Alibaba for help
with extremely specific problems, like leveraging Alibaba’s expertise in A.I. for the task of,
“developing ‘smart city’ infrastructure.”38 Technology executives are similarly joining CCP
advisory groups; some are even joining the National People’s Congress;39 and approximately half
of all CEOs in China are believed to be members of the CCP.40 Last year, Alibaba (alongside
Tencent and Baidu) invested close to 12 billion dollars in the technology SOE China Unicom,
the type of state-run firm Alibaba has outcompeted over the last two decades.41 The rise in its
valuation illustrates that its relationship with the government is not adversely affecting its
business, if anything, it is propelling it forward. But it’s not the only model for innovation in
China today.

Case Study #2: Xiaomi

38 See “Tech Giants Feel the Squeeze as Xi Jinping Tightens His Grip,” NYTimes
39 See Lei Jun in China Daily Article
40 See Peck and Zhang, 3.1. Market Socialism or State Capitalism?
41 See “China’s Online Giants Back $12 Billion Deal to Shake Up State Firm,” NYTimes
Xiaomi is a Chinese smartphone maker founded in Beijing in 2010. China has long been home to the factories that build and assemble the sleek Iphones and Android devices that are ubiquitous in our world today. But while these phones were built in China, they were designed in the West (or Japan) and then shipped back to these wealthier nations to be sold.\footnote{See Shirky, page 13} Even as Chinese people grew wealthier themselves, affordable options for phones were limited. Xiaomi changed this by offering a Chinese-designed and manufactured phone, targeted at China’s burgeoning middle class. Its features and quality are on par with its foreign competitors, and with a more feasible price tag attached.\footnote{See Shirky, page 93} The company entered the market at the perfect moment, “at a time when smartphone penetration was under 10 percent, Lei Jun and his co-founders could see the way the country was going. By 2012, just a year after they launched their first phone, Lei said, ‘I expect two-thirds of Chinese people will be using smartphones by 2013’...(He was right).”\footnote{See Shirky, page 95} By 2014, only four years after Lei Jun founded the company, Xiaomi was the number one phone vendor in China, with more than 60 percent of the Android market in China. Through innovative marketing, software, and hardware, the company was outcompeting foreign and domestic brands.\footnote{See Shirky, page 34}

However, Xiaomi appeared near demise when its sales precipitously, “plunged in 2016, pushing the company from first to fifth place among China’s smartphone makers.”\footnote{See Kline, “Behind the Fall and Rise of China’s Xiaomi”} Many analysts and observers of the market assumed that Xiaomi would fade after this seemingly inexplicable drop. Part of Xiaomi’s initial appeal was that it was only available to buy online. And while successful during the first few years of the company’s existence–it limited the number
of cheap knock-offs that are prevalent at malls and markets around the country—this strategy soon proved detrimental to growth. But Xiaomi adapted, not only overhauling, “smartphone hardware, R&D, supply chain, and quality-management teams” and processes, but completely reinventing their sales strategy. The company began selling their phones through retail stores and expanded their product portfolio, “creating an, “ecosystem of some 100 startups as partners to provide Xiaomi with other internet-connected home and tech products that would draw customers to its stores.” In the year after instituting these changes, the business experienced such torrential growth that experts believe that Xiaomi, the company they proclaimed doomed a year ago, “could overtake Oppo, Huawei, and Apple in the next year to become the world’s second-largest smartphone vendor, behind Samsung.” When Xiaomi lists on the Hong Kong Stock index later this year under a VIE structure similar to Alibaba, it is expected to be valued somewhere between 10 billion and 100 billion dollars.

Unlike Alibaba, Xiaomi was not started by a former government employee. However, Alibaba’s Jack Ma and Xiaomi’s founder Lei Jun do share many similarities. Lei also retains control over the organization he began, is charismatic, and like Ma, is rockstar famous in China. After attending Wuhan University and graduating in 1989 with a degree in Computer Science, Lei immediately became involved with private enterprise. Since joining Kingsoft in 1992, he has started and piloted a series of businesses to success, as well as invest in many others. Though Lei Jun’s entire adult life has been spent in business, he was appointed as a delegate to the National

See Kline, "Behind the Fall and Rise of China’s Xiaomi"
See Kline, "Behind the Fall and Rise of China’s Xiaomi"
See Kline, "Behind the Fall and Rise of China’s Xiaomi"
See “Xiaomi Files in Hong Kong for World’s Biggest IPO Since 2014,” Bloomberg News
People’s Congress in 2013, and remains actively involved with Chinese politics through this venue as well as through government organized business forums.

While the majority of its business is in hardware, Xiaomi regards itself as an internet and technology company similar to Alibaba. Looking to compete with businesses like Alibaba and Tencent, “Xiaomi... announced [in November] a broad strategic partnership with Chinese search giant Baidu to co-develop conversational AI products for the Internet of Things (IoT) market.” (Wired) In 2017, Lei Jun publicly endorsed the development of a national strategy for A.I. But it is the company’s hardware that makes it the model that the Chinese government envisions for both the modernization of its manufacturing sector and pivot towards an consumption focused economy. Poverty has dropped in China from 84 percent in 1981 to 13 percent in 2008.51 Xiaomi has developed a product that perfectly fits at the intersection of quality design and financial feasibility for a rising tide of Chinese people. The size of the Chinese market is truly astounding, “If you make something that appeals to 5 percent of the Chinese population, you have a potential market the size of France.”52 The firm is emblematic of the Chinese government’s desire for a shift from manufacturing low-quality goods for the West to high-quality goods for Chinese consumers.

Case Study #3: Ofo

Ofo, founded in 2014 by Dai Wei, is the youngest company this essay explores and analyzes. While bike sharing is not a new idea, Ofo, along with the Chinese firm, Mobike, developed and implemented dockless bike sharing. First in China, and now around the world,
this innovation has decreased the cost of transportation, increased convenience for consumers, and has several potential sustainable business models. It has grown exponentially (and been copied by a myriad of competitors) around the world. While its first public bikes appeared in Beijing in 2016, today, Ofo has more than 200 million users in more than 250 cities, with 10 million active bicycles that offer 32 million daily rides, and has accounted for approximately 8.5 billion rides taken around the world. One Ofo co-founder believes that China will one day be able to support 300 million rides per day on its own. (The Economist)

Dai Wei is one of the youngest founders of a highly successful entrepreneurial venture in China–Ofo’s development began while he was still in college. Dai attended Peking University, which along with Tsinghua University, is one of the two most prestigious schools in the country and an incubator for China’s future leaders and elite. While there, he participated in college politics, “as the Chairman of Guanghua School Students’ Association and the President of Peking University Students’ Union.” (Crunchbase) With a population of roughly 35,000 undergraduate and graduate students combined, this is no small feat. And particularly at Peking, where only the smartest, most ambitious (and politically-connected) students are accepted, this achievement and demonstration of leadership signals Dai’s aptitude. But following graduation, Dai Wei did not immediately enter into a comfortable job in one of China’s large cities in an established company or with the government. Rather, in a decision that is notably reminiscent of Xi Jinping’s own decision to initially serve outside traditional urban CCP strongholds, “Dai spent one year as a volunteer teacher in the poverty-stricken region in Qinghai, China.” After

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53 See “Escape velocipede,” The Economist
54 See Ofo figures and statistics collected on various pages of ofo.com.
55 See “Escape velocipede,” The Economist
56 See Crunchbase Profile on Dai Wei
returning to China’s capital, he did not join the CCP (at least outright as a politician) as once might have been expected of a former student political leader at Peking University. Instead, he took the lead at Ofo.

Since its inception, Ofo has proven to be an investor darling, receiving more $700 million in funding from Alibaba while its main Chinese competitor, Mobike, has received extensive investment from Alibaba’s greatest adversary, Tencent. Although Ofo is currently not profitable as it expands around the world at a rapid rate, it is widely viewed as having the potential to be profitable—the question is how? Outwardly, Ofo maintains that, “rental fees alone could make them profitable” if they were to stop expansion; still, there are more methods of revenue generation.\(^{57}\) Advertisements and partnerships with other brands could generate more money, but the easiest path to prosperity lies in Ofo’s partnership with Alibaba and the data it collects and could share from its users’ rides.\(^{58}\) As one co-founder of Ofo, Zhang Yanqi stated to *The Economist*, “Alibaba, ‘already knows how much [users] spend, where they spend it and what they spend it on. But with us they have a very strong idea of people’s total activity.’”\(^{59}\) With the CCP’s law requiring every company with more than 100 employees contain a party cell that reports directly to the government,\(^{60}\) alongside Alibaba and Ofo’s voluntary cooperation with the CCP, this data stands not only to help Alibaba in its business but also assist the Chinese government in its administrative and surveillance initiatives.

Because of its socially-minded mission and the logistical necessities that accompany planting thousands of bikes in cities, cooperation between Ofo and the government is imperative

\(^{57}\) See “Escape velocipede,” The Economist
\(^{58}\) See “Escape velocipede,” The Economist
\(^{59}\) See “Escape velocipede,” The Economist
\(^{60}\) See “Why China Can’t Innovate,” Harvard Business Review
to Ofo’s success. Environmental pollution stemming from China’s economic rise represents one of the greatest threats to the CCP’s grip on power. Historically, environmental catastrophes have been seen as an indictment of the current Chinese government's legitimacy and preceding indicator of regime change. Therefore, the CCP is actively working to reduce pollution and its harmful impacts. In Beijing, home to China’s national government and birthplace of Ofo, vehicular pollution accounts for 22.2% of the city’s infamous smog. Ofo is an ideal partner for the CCP–its bike service has saved over 4 billion pounds of carbon dioxide. In turn, the Chinese government is the optimal partner for Ofo. As the firm has run into problems in the process of realizing its business plan–bikes thrown into heaping public piles, canals, and stored within households–the government has maintained its support. Because it is a priority of the national government, municipalities have allowed Ofo to troubleshoot the problems it has encountered.

**Comparative Analysis**

Alibaba, Xiaomi, and Ofo are all exceptionally successful Chinese technology companies. Each was founded during a different entrepreneurial wave of activity in China, and while their business models and size vary, the companies comparative similarities and differences are instructive.

One striking similarity amongst the three firms is the presence of a charismatic, male leader in Jack Ma, Lei Jun, and Dai Wei at each one. But significant differences remain among

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61 Take from a Class Reading
63 See Wang, Bamboo Bicycles Beijing
64 See Ofo statistics
65 See “The Return of Pedal Power,” The Economist
these men and their firms. Jack Ma was a government employee prior to the founding of Alibaba; he was not a member of China’s elite. Prior to university, Ma had to take the mandatory college entrance exams four times before being placed in a teachers college in his native Hangzhou that was decidedly not elite and only started his own business after visiting the United States.\textsuperscript{66} Lei Jun, who is slightly younger than Jack Ma, similarly did not attend Peking University or Tsinghua University, nor did he work in the government prior to career in business, but he accumulated a significant amount of social and political capital through his prior business success before starting Xiaomi in 2010.\textsuperscript{67} Finally, Dai Wei, who founded Ofo while still in college, attended Peking University and was even involved with campus politics.\textsuperscript{68} The differing origin stories of the three founders is indicative of the CCP’s changing priorities. The value placed on private business, entrepreneurship, and innovation has increased over time, and with it, the incentive for China’s elite to become involved. Encouraging Chinese elite to participate in the private sector allows for the government to exert more influence within it using these individuals as conduits. While earlier generations of entrepreneurs—represented by Ma and Lei—emerged from various rungs of society, today’s Chinese entrepreneurs, like Dai Wei, overwhelmingly emanate from the top of society. Even when the CCP does not begin with close ties to individual entrepreneurs, it works to nurture and develop those ties. All three leaders, when asked publicly, speak affectionately about the CCP. Lei Jun’s entrepreneurial success has even translated into his inclusion into the National People’s Congress.\textsuperscript{69} Business leaders are said to make up approximately 20 percent of the 3000 delegate Parliament.\textsuperscript{70}

\begin{itemize}
  \item \textsuperscript{66} See “The Jack Ma Way,” NYTimes
  \item \textsuperscript{67} See Tse, page 68
  \item \textsuperscript{68} See Crunchbase Profile on Dai Wei
  \item \textsuperscript{69} See Lei Jun in China Daily Article
  \item \textsuperscript{70} See “Chinese Lawmakers’ Wallets Have Grown Along With Xi’s Power,” NYTimes
\end{itemize}
The type of innovation that has occurred at each company and in China across time has shifted. Alibaba, one of the oldest technology firms in China was founded when internet access in China was minimal and the CCP had just begun to encourage the growth of private enterprise. It had to build from the ground up, and so it borrowed the ideas and modifications successfully made by the Western firms at the forefront of their industry at home. Frequently, Alibaba took these ideas and simply adapted them to suit China’s market. Intellectual property theft has proven to be a major problem for many foreign (and some domestic) firms doing business in China. Xiaomi took this a step further with its user interface and Chinese designed phones. While smartphones were not a new concept, cheap high-quality smartphones designed to appeal specifically to Chinese sensibilities was new, and it worked. Today, Alibaba and Xiaomi have largely caught up to their foreign competitors in terms of expertise and knowledge. While neither has made significant headway into Western markets as of now, they are operating alongside and keeping pace with their foreign competition in their innovations and product.

Ofo represents a reversal of this classic spread of technology and growth. As an Chinese company, it initiated the concept of dockless bike sharing. Now these bikes are showing up in cities and on campuses across the United States. Ofo’s inventiveness has been duplicated by multiple companies in America—case in point, Spin at Wesleyan. Ofo is the embodiment of the CCP’s hopes and dreams regarding innovation.

**Conclusion**

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In their recently published book, *Can China Lead?* three of America’s most prominent scholars of China—Regina M. Abrami of the Wharton School and William C. Kirby and F. Warren McFarlan of Harvard University—assert that while China has achieved extraordinary economic growth over the last 40 years, it will be incapable of transforming itself into a innovatively dominant world power because of the Chinese Communist Party’s omnipresence in the economy. They are wrong. There will be more Ofo’s. Rather than hinder innovation and growth, the Chinese government’s decisive policies and practices have already shown and will continue to demonstrate that government influence and coordination with quasi-private companies and entrepreneurs can actually spur on higher-level economic development. China has constructed an alternative economic growth model that has the potential to posit it as an (if not the) global hegemon by the crux of the 21st century and beyond. American businesses, politicians, academics, and security-experts should take note. At a time when the United States appears to be ceding its place in international politics, more countries will look to emulate the still-under-construction Chinese model. The United States must not be complacent if it wants to outcompete China over the next 100 years. Rather than assume America’s brand of capitalism will inevitably prevail, the US government must carefully assess and craft a strategic response to the emerging Chinese brand of state-private capitalism.

72 See Can China Lead? Page XVII.
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