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Abstract

Surveys conducted in China suggest that the Chinese are not generous with their resources - their money, time, or help. However, there is much evidence to the contrary, when viewing the data with different lenses. Giving is increasing and the growth of civil society is accelerating. This thesis examines the individual philanthropic giving that occurs in the Peoples Republic of China (PRC). By “following the money” this study fills in a gap in available academic literature, and investigates the influences on giving behavior and the particular giving characteristics of the Chinese. This paper examines the social, cultural, economic and political factors; the regulatory framework - such as laws and regulations; and, other developments occurring around the PRC by local authorities responding to civil society crises in transparency and reporting requirements. The research strategies employed throughout are: (1) quantitative surveys, (2) qualitative ethnographic research methods, and (3) field research conducted during 2011. By using recent events such as the Sichuan earthquake in 2008 - when Chinese individuals donated record amounts of resources - and the public trust crisis of 2011, this study reflects on the current issues influencing giving. The qualitative research provides an in-depth look at the historical influences on giving. Data have been collected from government, civil society, and business reports; international and domestic surveys; media reports; PRC statutes and regulations. Some view Chinese as lacking generosity, but perspective on this issue is particularly important when considering the cultural, economic and political differences between people groups compared. This thesis explores the giving that occurs in the PRC and the influences on that giving - which we call - individual philanthropic giving with Chinese characteristics. By following the money, this thesis provides a comprehensive perspective and interpretation of the giving that currently occurs in the PRC and how it differs from giving in other countries around the world.
# Table of Contents

Abstract ............................................................................................................................... ii

Table of Contents ............................................................................................................... iii

List of Tables ....................................................................................................................... v

List of Figures ..................................................................................................................... vi

List of Abbreviations ........................................................................................................ vii

Acknowledgements .............................................................................................................. viii

Dedication ........................................................................................................................... viii

Introduction ......................................................................................................................... 1

  Literature Review ........................................................................................................... 4
  Methods ........................................................................................................................... 9
  Why Individual Giving? ................................................................................................. 9
  What is Individual Philanthropic Giving? ..................................................................... 12
  Giving and Civil Society ............................................................................................... 13

Chapter 1: Chinese Characteristics ..................................................................................... 15

  Economic ......................................................................................................................... 19
    Rapid Industrialization and Neoliberalism ............................................................... 21
    Wealth Creation ......................................................................................................... 22
    Business Culture ........................................................................................................... 24

  Socio-Cultural ................................................................................................................. 25
    Cultural Influences ...................................................................................................... 27
    Culture of Business ..................................................................................................... 28
    Religion and Philosophy ............................................................................................. 29
    Familial Influences ...................................................................................................... 31
    Trust ............................................................................................................................. 32
    Extreme Wealth .......................................................................................................... 35
    Diaspora Giving .......................................................................................................... 36
    International Donors ................................................................................................. 37
    Technology .................................................................................................................. 37

  Political ............................................................................................................................ 39
    12th 5-year Plan ............................................................................................................ 41
    Non-Profit Incubators ................................................................................................. 41
    Taxes ............................................................................................................................. 42
# Table of Contents

Media ........................................................................................................................................ 43  
Social Welfare and Insurance ................................................................................................. 44  
Individual Saving .................................................................................................................... 45  
Volunteerism ........................................................................................................................... 46  

**Chapter 2: Regulatory Framework** ..................................................................................... 47  
  Public Welfare Donations Law ............................................................................................... 47  
  Individual Income Tax Law ..................................................................................................... 48  
  Enterprise Income Tax Law ..................................................................................................... 49  
  Interpretation of Tax and Donation Laws ............................................................................... 51  

**Chapter 3: Further Evidence** ............................................................................................... 53  
  Transparency Survey ............................................................................................................... 53  
  The National Charity Law ......................................................................................................... 54  
  Institutional Behavior and Differences .................................................................................... 56  
  Guidelines for Transparency .................................................................................................... 57  
  Local Authorities Develop Transparency Regulations .......................................................... 59  

**Conclusion** .......................................................................................................................... 61  
  Overall Significance of This Research ................................................................................... 64  
  The Limitations of This Research ........................................................................................... 64  
  Application of the Findings ...................................................................................................... 65  
  Future Research Directions ...................................................................................................... 65  

**Bibliography** ........................................................................................................................ 67  

**Appendix** ............................................................................................................................... 76
List of Tables

Table 1: Trust in institutions in the PRC .............................................................................................................. 32
Table 2: Total donations (1999-2011): recorded by Ministry of Civil Affairs .................................................. 76
Table 3: Sichuan earthquake donations breakdown .......................................................................................... 77
Table 4: Trust in NGO’s by education level (2008) .......................................................................................... 78
Table 5: Trust in NGO’s by religion (2008) ........................................................................................................ 79
List of Figures

Figure 1: Survey response for donating money to charity and volunteering time ........... 10
Figure 2: Total recorded donations (2005-2011) in billion Chinese remimbi ................. 18
Figure 3: Gini Coefficient of the PRC, Canada and USA .............................................. 23
Figure 4: Trust in NGO’s between 2002-2008 ................................................................. 33
Figure 5: Public satisfaction with civil society information disclosure ............................. 54
List of Abbreviations

ABS – Asian Barometer Survey
ADB – Asian Development Bank
APPC – Asia Pacific Philanthropy Consortium
CASS – Chinese Academy of Social Science
CCDIC – China Charity and Donation Information Center
CCP – Chinese Communist Party
CFC – China Foundation Center
COP – Center on Philanthropy at Sun Yat-sen University
CSR – Corporate Social Responsibility
CYL – Communist Youth League
GATT – General Agreement on Tariffs and Trade
GONGO – Government-Organized Non-Governmental Organization
ICS – Institute on Civil Society at Sun Yat-sen University
ISTR – International Society for Third-Sector Research
MCA – Ministry of Civil Affairs
MoF – Ministry of Finance
NPC – National People’s Congress
NPI – Non-Profit Incubators
NGO – Non-Governmental Organizations
NPO – Non-Profit Organizations
OECD – Organization for Economic Co-operation and Development
PRC – People’s Republic of China
RCSC – Red Cross Society of China
SVG – Social Venture Group
VAT – Value Added Tax
WTO – World Trade Organization
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Introduction

An international poll asked individuals in 153 countries ‘if they had donated money to a charity.’ The response from the People’s Republic of China (PRC) is discouraging. Of East Asian countries surveyed, the Chinese give the least. When compared to the rest of the world, the response is not much better - just 11% of respondents indicated that they had given money within the last month - ranking near the bottom, at 120 of 153 countries. In 2010, a much heralded visit to the PRC by two of the world’s most giving individuals, Warren Buffet and Bill Gates - there to encourage the Chinese rich to consider giving away some of their wealth - was largely unsuccessful. In the press, the visit was portrayed (in both the East and West) as evidence of Chinese stinginess. Even more troubling are the results of an international report that indexes countries according to their ‘giving of money,’ ‘volunteering of time,’ and ‘helping a stranger.’ Of the countries indexed, the PRC ranks in the bottom 10th percentile - ranking below Algeria, Mozambique, and Togo; and just above Cote d’Ivoire and the Palestinian Territory.

This evidence suggests that the Chinese are not generous with their resources - their money, time, or help. But is this true? What we hear about is the staggering growth in the PRC and stories of untold riches that are being created - is it really true that they are not sharing their resources? In a socialist state so rooted in cooperative social, political and economic systems - do the Chinese really give so little in comparison to other countries?

The argument made throughout this paper is that the Chinese are generous, and are giving at increasing rates. Giving has increased dramatically over the past decade in the PRC. Over the past six years giving has had an average annual growth rate of 171%; from 3.1 billion Chinese Remimbi in 2005, to 35 billion in 2011. Civil society - the largest recipient of donations - is

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1 The GALLUP® WorldView World Poll included this question in 2010 and 2011. (Copyright © 2009 Gallup, Inc. All rights reserved. The sample size is at least 2,000 with a margin of error ± 3 percentage points. Data was retrieved March 2010 and February 2012.)

2 Two years during the same period of time have had greater total giving. In 2008, total giving was 107 billion Chinese Remimbi and in 2010, the total was 70 billion. Over the past twelve years (1999-2011) the average annual growth rate is 1450%; from the relatively small total of 200 million Remimbi in 1999, to 35 billion in 2011. The total growth rate between 2005-2011 is 1029%; and between 1999-2011, it is 17400%. All donation figures are collected by the Ministry of Civil Affairs and published in annual reports and posted on their website. For more information, see Table 2 in the Appendix.
also growing rapidly, growing by 60% between 2007 and 2010. Press coverage of benevolent behavior and giving is becoming ‘popular’ with famous actors and rich individuals sharing their wealth. Fundraising appeals in the media and on the web are commonplace. Where terms like ‘charity’ and ‘philanthropy’ were once not heard of, they are now becoming widespread. Within business circles, corporate giving in the name of corporate social responsibility (CSR) is of growing interest. This evidence suggests that the Chinese are generous with their resources - and that they do give their money - at increasing rates.

If the polling evidence suggests that Chinese are not generous with their resources, then why do other indicators - such as overall increased giving, civil society and fundraising - support the opposite? Is it because the rest of the world is increasing their giving at a greater rate than the PRC? Or, is it because the rest of world (the other 152 countries in this case) have been increasing their giving for a longer period of time and thus the comparison is based on two different scales? Are differences in culture or social norms, religious or familial customs, causing these discrepancies? Or does it have to do with dissimilar economic or political systems? The answer is likely at little bit of all of the above - but there must also be reasons of greater significance that shape these differences more than others. What are they and what do they have to say about the current state of giving in the PRC, and more importantly - what does the future hold? These are important questions that have broad consequences for Chinese society as well as the rest of the world.

One answer to the divergent evidence is that these two perspectives are rooted in different interpretations of society and giving behavior. The Poll and Index are produced from a Western perspective - one where gathering information about whether or not an individual gives to charity (volunteers and help strangers) is an authoritative indicator for giving behavior. This is, however, not an authoritative indicator of giving behavior in the PRC. Giving occurs in different forms in the East than in the West. While a westerner is accustomed to giving to a ‘charity,’ a Chinese individual is less so. While giving does occur, as will be explored in this paper, the characteristics are different. In most western countries it is seldom the case to give money to the government for charitable purposes. In the PRC, the government is a large collector of
donations.\textsuperscript{3} When the GALLUP® Poll was taken; did respondents include giving made to the government as money donated ‘to a charity’?

There are other characteristics unique to Chinese giving contexts that skew polling data as well. Giving does not always occur voluntarily. Sometimes individuals are coerced into giving donations through their employer by peer pressure mechanisms. There are even reports where employees of government and state owned enterprises have their wages garnished without permission. In response to the Sichuan earthquake, ‘special party dues’ were requested to respond to the relief effort.\textsuperscript{4} Would a respondent include these types of ‘giving’ in their survey response?

This paper will explore the giving that occurs in the PRC and the influences on that giving - which we will call - \textit{individual philanthropic giving with Chinese characteristics}. To understand these particular characteristics, we will begin by examining the social, cultural, economic and political factors that influence giving in Chapter One. The first section details the economic influences, such as the significance of industrialization and neoliberalism on Chinese society as well as wealth creation and business practices. The second section considers the social and cultural influences which include religious and philosophical beliefs, familial customs, dimensions of trust, and the significance of diaspora giving and technology on giving. The last section includes an evaluation of the political influences which include the current five-year plan (Twelfth Guideline: 2011-2015), the role of taxes as incentives and behavior modifiers, the effect of media and, changes that are occurring to social welfare and insurance structures.

Chapter two examines the regulatory framework - such as laws and regulations - that influence giving. In this section, the existing tax and donation laws that stipulate the types of permissible giving will be examined; followed by an evaluation of the laws’ effectiveness in regulating giving. Chapter three reviews other developments occurring around the country by local authorities responding to crises related to transparency and reporting requirements of civil society. It

\textsuperscript{3} During the Sichuan earthquake relief in 2008 the government was the single largest collector of charitable donations. (See Table 3 in Appendix for more information.) Additionally, in 2010, “60 percent of donated funds were given to government-supported organizations” such as: 34.8% to various foundations, 22% to federations and 20.6% to all levels of Civil Affairs offices. Xinhua, March 16, 2011, accessed February 25, 2012, http://www.chinadaily.com.cn/usa/china/2012-02/16/content_14624775.htm.

\textsuperscript{4} See Table 2: Sichuan earthquake donations breakdown in the Appendix.
also provides an analysis of the proposed Charity Law being considered by the National People’s Congress and other national level initiatives being made to encourage giving. Throughout this paper recent events will be used to further illustrate the characteristics of giving in the PRC. The two events most commonly used to demonstrate PRC giving are the Sichuan earthquake in 2008 - when Chinese individuals donated record amounts of materials towards the relief efforts - and the public trust crisis of 2011.

“Follow the money” may indeed be a cliché, but it is an apt investigative technique to understand Chinese characteristics of individual philanthropic giving in the PRC. By following the money (and resources), this paper will provide an interpretation of how giving in the PRC differs from giving in other countries around the world. This paper also offers academics and professionals alike with a framework for future research and practical applications on the topic.

**Literature Review**

The lack of academic literature and research on giving in the PRC is noteworthy. There exists much literature about civil society but little on the specifics of giving. The literature that does exist focuses almost exclusively on topics of civil society, which include: non-government organizations (NGO), non-profit organizations (NPO), foundations, civic and social associations, and government-organized non-government organizations (GONGO’s), on topics ranging from transparency to independence, administrative issues to program management, to name a few. Most of these resources offer insights on how civil society has developed in the PRC, but little about the resources that support their growth. What motivates individuals to give to civil society in the PRC? Ultimately, we intend to understand: Who’s giving, to Who, and Why?

This paper intends to fill this gap in the academic literature by drawing on the resources that are available about giving and philanthropy in the existing civil society literature. Though somewhat unconventional for a paper of this kind, government, civil society, and business reports;

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5 It is debated whether or not GONGO’s should be categorized as civil society organizations in the PRC. For the purposes of this paper, GONGO’s have been included as part of civil society because the majority of their activities fall outside of the state and market sectors.

6 It is important to note that while the subject of this paper focuses on individual philanthropic giving, there are many reasons, which will be explored below, to include businesses and corporations when discussing individual behavior.
international surveys; media reports; statutes and regulations will also be used to bolster the argument contained herein.

The limited independent literature on individual giving and philanthropy is likely due in part to the difficulty in providing a comprehensive insight about what has, and continues to be, an area of murky understanding. Giving is principally overseen by the Ministry of Civil Affairs (MCA, minzhèng bù, 民政部) and other quasi-government organizations (such as the Red Cross Society of China, the China Charity Federation and other GONGO’s) because of the limitations that are imposed on organizations for the collection of financial and material donations. Much of the information available that does exist about giving in the PRC is derived from government sources, which complicates the partiality and perspective of the information published. Furthermore, the statistics that are published by the MCA consist only of those that are reported to the government – which largely are the big donation collectors (government agencies and GONGO’s). Donations made to grassroots civil society organizations are often not represented in the official statistics. Although the donations made to grassroots organizations are likely to be diminutive when compared to the giving that occurs to the government and GONGO’s, lack of this data does represent a sizable statistical gap. Furthermore, government statistics only capture the activities of the organizations that are officially registered with the Ministry of Civil Affairs. However, as Yang Tuan of the Chinese Academy of Social Sciences (CASS) has reported, less than half of the civil society organizations (including grassroots organizations) that operate in the country are officially registered. These realities are due to the difficulties involved with the registration process and the limited scope of activities that are currently permissible by Chinese law. Because of these statistical gaps and the absence of any independent reporting organizations, the ability to provide a fully comprehensive overview of the philanthropic sector in China is limited.

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7 Government agencies, such as the MCA during the Sichuan earthquake, collected donations.

8 “I hope the definition of charity organizations can be broader in the charity law - with goals of serving the public interest or common good, all kinds of social organizations taking part in activities like poverty alleviating, educational, medical or cultural activities should be included in … from this broad sense, the country now has about 1 million charity organizations, among which 410,000 are registered,” said Yang Tuan, chief editor of the Blue Book report and researcher with the social policy research center under CASS. Lan Tian, “Nation to have charity law within 2 years,” China Daily, September 17, 2009, accessed February 25, 2012, http://www.chinadaily.com.cn/china/2009-09/17/content_8701441.htm.
There are government entities that are focused exclusively on civil society and philanthropic behavior, but their information does not offer a comprehensive perspective on the state of matters in the PRC. The most comprehensive annually published government resource about the growth of the sector has only been available since 2007. *The Annual Report on China’s Philanthropy Development* – known as the *Blue Book Report* – is produced jointly by the Ministry of Civil Affairs and CASS. It is wide-ranging and informative, but a fundamentally incomplete data source that provides macro-level information about philanthropic sectors in the PRC. The annual report outlines the various issues that the sector focuses their activities on, as well as provides statistics about the previous years’ growth and includes suggestions for future development of the sector. Another government resource is the China Charity and Donation Information Center that “promotes the credibility of charitable organizations standards”\(^9\) and disperses information about the sectors activities in China.

There are independent organizations and academic institutions that are producing literature and statistics on giving and philanthropy in the PRC. China Development Brief\(^10\) has proved invaluable for its resources and personnel support during the research and writing phases of this paper. Their *Special Issue: Philanthropy and Civil Society in China (Summer 2011)* proved to be a timely confirmation of many of the conclusions contained within this paper. The China Foundation Center\(^11\) (CFC) provides resources on public and private foundations as well as foreign do-

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\(^9\) Charitable contributions in the public information center (China Charity & Donation Information Center) is sponsored by the Ministry of Civil Affairs and was established in October 2006. The Center focuses on promoting the credibility of charitable organizations standards, creating a third-party evaluation system to guide the establishment and industry self-regulatory mechanisms, gradually establishing charitable contributions statistical information, and provides disclosure and public announcements (http://www.donation.gov.cn).

\(^10\) China Development Brief is an independent, non-profit publication devoted to strengthening constructive engagement between China and other countries (http://www.chinadevelopmentbrief.com/ and http://www.chinadevelopmentbrief.cn/).

\(^11\) The China Foundation Center maintains a database about foundations in the PRC to increase transparency and public confidence in charities; and actively promotes the growth of donations to solve social problems (http://www.foundationcenter.org.cn).
nations. China Philanthropy (a Blog of the Social Venture Group\textsuperscript{12}) provides a comprehensive perspective on the developments of philanthropy in the PRC. Chinese academic institutions also provide resources and published articles. The most helpful of these are: Sun Yat-sen University’s Center on Philanthropy (COP) and Institute on Civil Society (ICS), Chinese University of Hong Kong’s Centre for Civil Society Studies, the Center for Governance and Civil Society at the University of Hong Kong, NGO Research Center at Tsinghua University, Center for the Third Sector, Shanghai Jiao Tong University, and Civil Society Center at Peking University.\textsuperscript{13} North American institutions that served as resources include: The Hauser Center for Nonprofit Organizations at Harvard University\textsuperscript{14}, The Center on Philanthropy at Indiana University\textsuperscript{15}, and the Center for Civil Society Studies at the Johns Hopkins Institute for Policy Studies\textsuperscript{16}. International institutions that have proved invaluable to this research process include: the Asia Pacific Philanthropy Consortium (APPC)\textsuperscript{17} (now a project of Give2Asia), the International Society for Third-Sector Research,\textsuperscript{18} and Give2Asia\textsuperscript{19} of The Asia Foundation.\textsuperscript{20}

Of particular interest to this paper is the conclusion offered by \textit{Investing in Ourselves: Giving and Fund Raising in Asia}, which confirms what cultural anthropologists have long stated - “that philanthropy takes place everywhere, in all cultures” - and in Asia, philanthropy is not a Western import.\textsuperscript{21} There are many influences that Western philanthropy and civil society have exerted on Asian giving, but the foundations for giving - the motivations behind Asian giving - are not West-

\textsuperscript{12} Social Venture Group's (SVG) mission is to assist individuals, families, businesses and foundations to identify and evaluate strategic charitable opportunities in China. SVG performs due diligence, ongoing monitoring and evaluation of projects to empower donors’ giving decisions. They seek to build a community of Chinese and overseas donors for China social sector in the 21st century (http://blog.socialventuregroup.com/).

\textsuperscript{13} An exhaustive list of research institutions in China is included in the Appendix.

\textsuperscript{14} http://www.hks.harvard.edu/hauser/
\textsuperscript{15} http://www.philanthropy.iupui.edu/
\textsuperscript{16} http://ccss.jhu.edu/
\textsuperscript{17} http://www.asiapacificphilanthropy.org
\textsuperscript{18} http://www.istr.org/
\textsuperscript{19} http://give2asia.org/
\textsuperscript{20} http://asiafoundation.org/

ern. The argument contained within this paper agrees with this conclusion and will explore the non-western influences and highlight the characteristics of Chinese giving.

Although this paper is not about the development of civil society in the PRC, it recognizes that civil society is intricately linked to giving behavior. That said, there are many issues that concern civil society as well as giving that need to be reviewed throughout this paper. One of those is the debate over whether civil society is state-led, or autonomous in the PRC. Brook and Frolic (*Civil Society in China*) advance the idea of a state-led civil society. The argument throughout this paper supports the view that the largest entities within the broadly defined ‘civil society’ - such as GONGO’s - are state-led; but the majority of civil society - that is the majority of registered and unregistered civil society organizations - are not state-led. These civil society organizations are largely autonomous and permitted to act freely within their registered charter. This debate affects giving in two ways: the collection of donations and the securing of financial grants. The state-led entities have broad access to these two revenue streams. They are permitted to fundraise and are benefactors of government grants. The non-state-led segment of civil society are not permitted to fundraise (except for rare circumstances) and administrative obstacles often prevent access to government grants.

*Spirit of Chinese Philanthropy*, published in 1912, provides a very insightful perspective on the thought, practice, and historical influences on philanthropy in China. This volume was particularly important for its overview and evaluation of all entities that existed in China which worked in the field of philanthropy such as: charities; grass roots organizations that met the needs of aged women and widows, orphans, destitute, and sick; clan organizations; village community societies; and the government’s involvement.22

Because this paper also focuses on the government factors that influence giving and philanthropic behavior, a thorough review of laws, policies, and official communications was conducted. Some of the most informative resources are the current tax laws (individuals and corporations) that influence behavior and incentivize giving. For example, if a person or entity gives resources to an organization, they can claim a tax deduction for their giving up to a statutorily

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regulated amount. Of particular importance were the implementing regulations that give further explanations about how to interpret the tax laws.

**Methods**

The research methods employed in this paper are both qualitative and quantitative. The process of selecting the appropriate methods began with a thorough review of the publicly available social, economic and political resources. During this process, two quantitative international surveys and one domestic survey were discovered and are utilized throughout. They provide both a broad perspective on giving and philanthropic behavior in the PRC as well as indicators for social and economic influences. They are: the *Asian Barometer*, co-hosted by the Institute of Political Science, Academia Sinica and The Institute for the Advanced Studies of Humanities and Social Sciences, National Taiwan University; and, *Gallup’s Worldview World Poll*.

Qualitative methods were used to gather an in-depth understanding of the influences that govern philanthropic giving in Chinese culture. Ethnographic research methods were also employed to investigate the influences that Chinese culture, Confucian thought, religious beliefs, family and business structures, and other cultural influences that affect giving patterns.

Field research was conducted during October and November 2011, which consisted of semi-structured conversations with civil society and philanthropy practitioners, and academics in Beijing and Shenzhen, China; Hong Kong; and Vancouver, Canada. Although the conversations that occurred during that period of time are not directly quoted in this paper, the non-participant observation and learning that occurred during this field research proved invaluable to understanding and interpreting other data used in the research and writing of this paper.

Additionally, an analysis of documents and materials included a thorough review of media publications (between October 2010 and March 2012), NGO annual reports, academic literature, philanthropy and civil society periodicals and journals, and organization and government reports.

**Why Individual Giving?**

Individuals from all societies give their time and money to causes, but levels of giving between regions and countries of the world differ greatly. A recent report called the *World Giving*
Index – which interprets Gallup’s Worldview World Poll statistics – provides an original and comprehensive global perspective on charitable behavior. This report scored individuals in 153 countries – covering 95% of the world's population – on whether they had donated money to an organization, volunteered their time, or helped a stranger. China ranked near the bottom of the index at 147th.23

The breakdown of who is giving in the PRC - according to the GALLUP® Worldview statistics - is particularly thought provoking. Figure 1 shows the responses to the questions about whether or not the respondent had “donated money to a charity” and “volunteered [their] time to an organization” in four age categories. Just 12% of those surveyed between the age 15 and 24 answered “yes” to having donated money; and only 8% of those aged 50 years or more answered “yes” to the same question. Of those surveyed, only 6% in the 15-24 age bracket said

**Figure 1: Survey response for donating money to charity and volunteering time.**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Donated money</th>
<th>Volunteered time</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>25-34</td>
<td>9%</td>
<td>4%</td>
</tr>
<tr>
<td>35-49</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>50 and over</td>
<td>8%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Data retrieved from the GALLUP® WorldView database, March 2010. (Copyright © 2009 Gallup, Inc. All rights reserved.)

23 By comparison, Canada was ranked 3rd, after Australia and New Zealand, and the United States was ranked 5th. Other notable rankings in the Asia Pacific region are: Thailand (25th), Republic of Korea (81st), Singapore (91st), Japan (119th), Vietnam (138th), and China (147th). This index ranking was the impetus for this paper’s topic and research. Charities Aid Foundation (CAF), *The World Giving Index 2010* (United Kingdom: CAF, 2010).
that they had volunteered their time and only 2% of those aged 50 or more did the same. The younger respondents are more likely to give money and volunteer their time than the older age brackets.\textsuperscript{24} One begins to ask, why is a culture with traditions of charity and benevolence throughout history at the bottom of a global giving index? And, what are the social, cultural and political influences that encourage or discourage giving in the PRC?

Much of the existing research on giving in the PRC is centered on wealthy and celebrity giving, corporate social responsibility, and corporate giving. However, if the PRC trends towards giving patterns in other parts of the world, corporate giving will only represent a small portion of total charitable activities when compared to individual giving. For instance, in the United States, corporate philanthropic contributions represent four percent of total charitable giving and individuals represent 75%.\textsuperscript{25} By comparison, over 60% of charitable giving in China originates from for-profit businesses.\textsuperscript{26} But, giving by wealthy and famous individuals in the PRC represents only a small percentage of total donations.\textsuperscript{27} Because this paper focuses on the issue of individual giving that has been largely overlooked by previous academic research - and not on corporate and celebrity giving that represents a small and decreasing portion of total giving - this paper’s findings will explain issues that have substantial influence on the future of giving and the growth of civil society in China.

Worldwide, individual giving has increased dramatically over the past few decades.\textsuperscript{28} Although individual giving in China has grown at a slower rate, exhibits more varied behavior, and is exceptionally susceptible to negative public opinion – there is much opportunity for growth. Civil society, which is a sector that is dependent on individual and corporate philanthropy to sus-

\textsuperscript{24} GALLUP® asked the following questions in their poll: “Have you done any of the following in the past month? How about donated money to a charity? How about volunteered your time to an organization? How about helped a stranger or someone you didn’t know that needed help?” (Data was retrieved from the GALLUP® WorldView database on March 2010. Copyright © 2009 Gallup, Inc. All rights reserved.)

\textsuperscript{25} Contributions in 2009 by source are in billions: Individuals, 227.4 (75%); Foundations, 38.4 (13%); Bequests, 23.8 (8%); and, Corporations, 14.1 billion (4%). (Giving USA Foundation, \textit{Giving USA 2010: The Annual Report on Philanthropy for the Year 2009} (Chicago: Giving USA Foundation, 2010), 4.)


\textsuperscript{27} See “Extreme Wealth” for more information on this topic.

\textsuperscript{28} Hudson Institute, \textit{The Index of Global Philanthropy and Remittances 2010} (Washington: Hudson Institute, 2010).
tain their activities, is also growing. With the dramatic economic growth China has experienced in the past three decades, individual philanthropic giving has the potential for equally dramatic expansion. Plainly stated, the reason individual giving was chosen as the topic of this paper is because it will likely become the single largest source of philanthropic giving in the PRC.

**What is Individual Philanthropic Giving?**

The term used throughout this paper - individual philanthropic giving - is a term that attempts to integrate many different terms such as: charity, philanthropy, benevolence, welfare and donations for both the eastern and western reader. To the western reader, some of the terms used to describe philanthropic giving in the PRC, when translated into English, would be difficult to understand. In the PRC, there are words used that are widely accepted, and those that are not. For instance, *philanthropy* (慈険事業) is a widely understood and accepted word in western cultures. However, in the PRC, “philanthropy” has a bourgeois, or capitalist flavor to it that may elicit thoughts of humiliation due to a history of having to rely on the alms of foreign missionaries. Although the usage of philanthropy is growing in the PRC, the term still has negative connotations associated with it. Similarly

Individual philanthropic giving, is the voluntary provision of financial or material donations made by an individual compelled by the desire to improve the material, social, and spiritual welfare of humanity.

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29 Willie Cheng and Sharifah Mohamed, *The world that changes the world: how philanthropy, innovation and entrepreneurship are transforming the social system*, (Singapore: Wiley, 2010), 22-23.

30 A term that is often used in the PRC is “social welfare” (社会福利).

31 Less than two decades ago, the term “non-governmental organization” (非政府组织) implied *antigovernment activism*. (Nick Young, “Richesse Oblige, and so does the State: Philanthropy and Equity in China,” in *Diaspora philanthropy and equitable development in China and India*, ed. Peter F. Geithner et al. (Cambridge, Massachusetts: Global Equity Initiative, Asia Center, Harvard University, distributed by Harvard University Press, 2004), 58.)


Giving and Civil Society

After the state and the market exists the third pillar of society – civil society. As opposed to the market and the state, civil society is based on voluntary social relationships. It consists of civic and social organizations and institutions that seek, through collective action, common interests, principles and values. Although distinctions between civil society, the state, and the market are often hard to distinguish in the PRC, the most poignant idiosyncratic characteristic is a voluntary or altruistic focus of civil society’s activities.

In the West, civil society has emerged as a powerhouse of oppositional politics and social transformation.34 Rapid changes to social and political structures brought about by neoliberal changes to commerce and governance have caused much consternation in many societies. In response to this growing concern, civil society has offered an alternative perspective to both the state and the market. Groups of people have increasingly been turning to civil society to coordinate collective action, form consensus, and petition their rights on issues of inequality and injustice. The efforts of civil society have become an integral part in addressing society’s common interests at the national or international level through consensus and collective action.

However, civil society largely consists of non-elected organizations and institutions.35 The common interests that they address are often decided by a non-democratic process and have limited accountability. The funding mechanisms by which they operate are periodically shrouded in secrecy – making it easy for individuals (and corporations) to influence their initiatives and activities. But, there are many civil society organizations which are democratic in nature and are accountable. These organizations tend to exhibit the following three characteristics: transparency, independence and reliability.36

In the PRC, the development of civil society institutions has largely been limited by the state because of concerns about the collective action they are known for organizing in other places in

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35 David Harvey, A Brief History of Neoliberalism (Oxford: Oxford University Press, 2005), 78.

36 These organizations are reliable in the sense that they are able to be trusted, or have a significant cache of social trust.
the world. Any critique of government performance, the rapid expansion of the economy, changes in socio-economic status, labor unrest, or inequality that would likely be heralded by civil society in the PRC is not welcome. Therefore, the existence of civil society and the growth of philanthropy is limited to defined areas of operation. Civil society in the PRC is not free to engage in debate about societal issues of concern but rather relegated to address issues of healthcare and education – issues that often don’t elicit protest. The oppositional (and coordinative) politics of western civil society is not welcome in the PRC. These realities have resulted in a small and passive civil society that has limited opportunities for both their opportunity to grow and to define its future.

The regulatory boundaries imposed on civil society intersect the individual philanthropic giving that occurs in the PRC in numerous ways. For example, if an individual does not have an entity to give money to – giving will be affected. Likewise, if an individual is not solicited for money – giving will be affected. If incentives exist for giving, but no one knows about them – giving will be affected. In Chapter One, we begin to explore these and other Chinese characteristics that influence individual philanthropic giving.

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37 Timothy Brook and B. Michael Frolic, Civil Society in China (New York: M.E. Sharpe, 1997), 9-10.
Chapter 1: Chinese Characteristics

- For 2,000 years the Chinese were subjects; since 1949 we have been citizens. This [Sichuan earthquake] is very important to awaken a sense of volunteer spirit and civil society, even if it does not exist yet.\(^{38}\)

In 2008, the Chinese people responded to the tragic earthquake in Sichuan Province with unprecedented record-shattering donations.\(^{39}\) The total given in the weeks following the earthquake was more than to total given during the whole previous year.\(^{40}\) Volunteerism also spiked with an outpouring of support. Individuals from all over the country loaded supplies into personal and public transportation, and headed to the disaster area to assist with the relief efforts.

The government had allowed organizations to collect donations and coordinate relief efforts, both of which were previously solely the responsibility of the government, or government-organized non-government organizations (GONGO’s). Because of these changes, there was much to be optimistic about from the perspective of civil society organizations in China. Civil society was able to operate with autonomy and without much government oversight in the days immediately following the disaster.

Optimism ran high because in the People’s Republic of China (PRC) there is a tension between civil society and government.\(^{41}\) A tension that is longstanding and rooted in the PRC’s wariness of the activities and motivations of civil society. This tension plays itself out in the ways

\(^{38}\) This statement is made by the founder of an NGO named Zhai Yan shortly after the Sichuan earthquake, whose organization offers psychological counseling to earthquake victims. (Peter Ford, “China quake: controls cautiously lifted on flood of volunteers,” *The Christian Science Monitor*, May 29, 2008.)


\(^{40}\) Within the two weeks following the earthquake 30.876 billion yuan was given, which was just short of the total donations given in 2007, 30.9 billion yuan. The total donations attributed to the earthquake relief efforts, as reported by the Ministry of Civil Affairs, is 76 billion yuan. (Jia Xijin, “Chinese Civil Society After the 512 Earthquake,” *Policy Forum Online*, 08-056A, July 22, 2008, accessed February 2, 2012, http://www.nautilus.org/publications/essays/napsnet/forum/security/08056Jia.html.)

\(^{41}\) Brook and Frolic, *Civil Society in China*, 72.
the PRC regulates and monitors the activities of civil society organizations, and by curtailing their ability to raise money for their activities with laws and regulations.

Although not said in the same words, many individuals thought that the Sichuan earthquake (known as the Wenchuan Earthquake in the PRC) had been the tipping point for the development of civil society in the PRC. The state-run media heralded the outpouring of support, and as a result, a nationalistic swell of pride consumed the nation with reports of heroism and extreme acts of charity. This then encouraged more giving and volunteering. During this time, solicitations for donations were ubiquitous; television, newspapers and the Internet were filled with opportunities to give money. Many individuals gave money and volunteered for civil society organizations that had never given before.

The context within which the earthquake occurred is also particularly important. May 12, 2008 (when the first and largest earthquake occurred) was just three months before the Beijing Olympics. The PRC was getting ready to show off their country to the world when the earthquake struck. For seven years, China had been promoting and preparing for this international event. Pride and nationalism ran high in the run-up to the Games. This had a large significance on the response of the government and citizens to the earthquake. Had the earthquake occurred at a different period of time – it is likely that the response would have been different. The location of the earthquake is also important. It was in an area that does not have many ethnic tensions (as opposed to the 2010 Yushu earthquake located in the Tibetan Autonomous region) and therefore the government had fewer concerns over the activities of civil society while

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43 China was awarded the Olympic Games on July 13, 2001.

44 On April 14, 2010, the Yushu earthquake struck the Tibetan Autonomous region; nearly 2,700 were reported dead and over 12,000 injured.
in the region. The response could also be linked to the size and scale of the natural disaster - over 69,000 persons died in the event - one of the largest natural disasters in recent history. In 2012, the expected tipping point has not become a reality. Total donations in 2011 are only half of the total donations in 2010; and a third of donations given in 2008. These decreases are largely due to many well-publicized media reports highlighting issues surrounding the transparency of donations and the unfettered spending of those donations. Public sentiment in 2011 exhibits both positive and negative perceptions.

However, there are many examples across the country forecasting rapid growth of the sector. They do not involve natural disasters this time, but rather laws and regulations. Cultural, political and economic factors have changed since 2008. Giving has grown significantly over the past decade. Many indicators point to a surge of charitable giving if the PRC provides opportunities for individuals to donate resources, and civil society organizations the opportunity to solicit donations. The PRC has been drafting a Charity Law that outlines regulatory changes that could harness the charitable behavior of 1.34 billion people to address the social, cultural and economic needs of Chinese society and the world. The question remains though: Is individual philanthropic giving in the People’s Republic of China now at a tipping point?

Globally, individual philanthropic giving has grown dramatically over the last three decades. In the PRC, growth has also occurred in dramatic proportions but has been concentrated in the past decade. In 2005, total donations reported to the Ministry of Civil Affairs was 3.1 billion Chinese Remimbi (490 million USD). Between 2005 and 2010 giving has increased dramatically. In those five years, giving increased to 70 billion Chinese Remimbi (11 billion USD) - an increase of 2,158%.

\[ \text{In addition, more than 374,000 persons were injured. It affected more than 45 million people in 10 provinces and regions. More than 5.3 million buildings collapsed and more than 21 million buildings were damaged. Some 15 million people were evacuated and more than 5 million were left homeless. The economic loss was estimated to be 86 billion USD. (US Geological Survey poster, “M7.9 Eastern Sichuan, China Earthquake of 12 May 2008,” poster, USGS, May 2008.)} \]

\[ \text{Donations in 2010 were 70 billion yuan, and early data predicts total donations to be 35 billion yuan ($5.6 billion USD) in } 2011, \text{ “Charity Briefs,” China Daily, January 16, 2012, accessed January 17, 2012, http://www.chinadaily.com.cn/cndy/2012-01/16/content_14450117.htm.} \]

\[ \text{Literature suggests that this growth began in the early 1990’s. But, the literature that does exist is very limited, so this period of time is omitted from this paper.} \]
But, for the first time since 2005, giving has actually decreased in 2011 (when excluding the Sichuan earthquake relief\textsuperscript{48}). Between 2010 and 2011, giving has deceased by 50% to 35 billion Remimbi (5.5 billion USD). Figure 2 illustrates the growth and recent decline in giving.

Individual and corporate philanthropic giving is a small, but growing portion of China’s Gross Domestic Product (GDP). Total charitable giving is 0.01% of GDP, lower than other BRIC economies, and much lower than many developed economies which exhibit a figure closer to 2.2% of GDP\textsuperscript{49}. Since statistics started being recorded on philanthropic giving, corporations have been the single largest givers. However, in 2008, CASS reported that individual donations surpassed corporate donations for the first time, accounting for 54 percent of the total

\textbf{Figure 2: Total recorded donations (2005-2011) in billion Chinese remimbi}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure2.png}
\caption{Total recorded donations (2005-2011) in billion Chinese remimbi.}
\end{figure}

2005-2010: Data from the \textit{Annual Report on China’s Philanthropy Development} published jointly by the MCA and the CASS, 2011 data is preliminary and published by the CCDIC.

\textsuperscript{48} Government statistics distinguish between the giving that occurred in response to the Sichuan earthquake and the giving that occurred for other purposes.

donations.\textsuperscript{50} Since then however, corporations have retaken their place as the single largest contributing sector. While corporate philanthropy will continue to grow with the increased international and domestic focus on corporate social responsibility (CSR), individual contributions are likely to increase at a higher rate and surpass corporate donations permanently in coming years.

Civil society is also growing at a fast pace. The total number of organizations is increasing annually. The Ministry of Civil Affairs has reported that the total number of civil society organizations has increased by 60\% between 2007 and 2010.

China’s GDP growth has hovered around 10\% for the past two decades.\textsuperscript{51} Although tempting to correlate the growth of GDP with giving, they are not directly connected. The growth of an economy does have a large significance on the growth of the giving and civil society because individuals (and corporations) have increased disposable income and time (and profit margins) to offer as contributions. But, having the capacity to donate money, or time does not necessarily directly correlate to changed behavior. It only provides the opportunity for individuals to contribute, or participate.

There are also the non-economic factors that influence giving such as socio-cultural and political influences. Understanding them allows for a broader and more thorough perspective on the motivations that influence individual philanthropic giving. The sections below offer a detailed analysis of the economic, socio-cultural and political factors that influence giving.

\section*{Economic}

Since the end of World War II, the world has experienced the greatest economic expansion history has ever seen. This growth was spurred largely by initiatives motivated by the conviction that the world must not repeat the economic and social conflicts that brought about the last global war. Changes in global trade were largely the avenues by which these changes occurred but also included the state and civil society.

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\textsuperscript{50} As reported by “New charity law to bring sector into line in S China,” Xinhua, September 24, 2010.
\textsuperscript{51} World Development Indicators, The World Bank.
The General Agreement on Trade and Tariffs (GATT), which subsequently became the World Trade Organization (WTO) were established to govern universal trade. (In 2001, the PRC becomes a member of the WTO after 15 years of negotiations.) But the global set of trade rules were not the only international agreements established, underlying the trade rules were norms that guided the new trade principles. These norms were based on western ideals of human dignity and individual freedom that were assumed to be the ‘central values of civilization’. The same ideals that undergird GATT and the WTO also influence the development and purpose of states and the role of civil society - and philanthropic giving.

Neoliberalism, deregulation, liberalization, and privatization are terms that represent market-driven and market-centered approaches to economic and social order – guided by ideals of human dignity and individual freedom. These terms, and their underlying meaning, all support the opinion that the private sector (market) is efficient, and the public sector (government) is less so. Neoliberalism also supports opening markets to competition, increasing the role of the private sector to influence political and economic priorities of the state and increasing the role for the private sector to provide services to the public that have traditionally been provided by the state. These market-centered approaches actively oppose and curb the power of the state. Armed with the rationale that provides more efficient and cost effective alternatives to public sector services, the private sector has gained both market access into traditional public sector services, as well as reaped large profits from their activities.

The effects of neoliberalism are far reaching. Virtually no sector of society is untouched by the market-motivated rationale of neoliberalism. From social policy on a state-wide level to everyday consumer decisions, the ingrained notions of neoliberalism have profound influence. Most consumers, government officials and businesspersons agree with the notion that the cheapest and most efficient option is the best choice. This decision makes much rational and economic sense. After all, the ideals of neoliberalism were created from Western norms that believe that human dignity and individual freedom are fundamental human rights. Supplying consumer-

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52 Harvey, *A Brief History*, 5.

focused services cheaper and quicker to more members of society makes a lot of rational and economic sense.

The significance of neoliberal policies on individual philanthropic giving and the development of civil society in the PRC is not well understood, but has likely both spurred and curtailed its growth. The PRC government has both embraced neoliberal principles and rejected them. The international trade rules and the institutions that promote neoliberalism have largely been adopted (GATT and WTO), but the underlying norms and central values have not. Differences in culture, governance and history all have large significance on the acceptance, or rejection of these rules and norms. Many of the effects of the PRC’s embrace of neoliberal policies on individual giving can only be drawn in loose correlations, but the following topics do offer some rich insight into how neoliberal policies have influenced individual giving in the PRC.

**Rapid Industrialization and Neoliberalism**

Rapid industrialization, spurred by neoliberal changes to commerce and governance structures, have created never-before-seen economic growth in the PRC. Since the conflicts of World War II, the PRC has lifted numerous persons from poverty, more than doubled it’s population, and spurred an economic revolution that continues today. This growth has resulted in the expansion of a middle and upper class that has disposable income to purchase goods, and with the potential to give to others.

China embraced neoliberalism ‘with Chinese characteristics’ under the leadership of Deng Xiaoping beginning in 1978. His Xiaokang (xiǎokāng, 小康) reforms stimulated competition between state-owned firms and allowed market forces to flourish within China’s borders.\(^5^4\) Deng’s neoliberal reforms threw off the central planning of the past and integrated market socialism and promoted wealth creation. His now famous quote questioning “what does it matter if it is a ginger cat or a black cat as long as it catches mice?” epitomizes the changes in economic policy that occurred under Deng’s leadership. In effect, the whole of China was opened up to market forces and foreign capital, though still under the watchful eye of the Chinese Communist Party.

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\(^{54}\) Harvey, *A Brief History*, 120.
To do so, the PRC incorporated market-based mechanisms to achieve economic development in an increasingly globalized world. The state opened itself to foreign investment to acquire the technologies and manufacturing processes that offer greater benefit and profits.

Because of China’s emerging role as an economic and political leader, it is increasingly exposed and affected by the international community. These exposures have influenced the development of giving and civil society. Individuals and businesses are increasingly getting involved in the development of civil society by donating resources and time. The inequalities that resulted from neoliberalism, however, have persisted and the underprivileged have increasingly turned to civil society in times of distress. As reliance on civil society increases, more resources are needed. Deadly disasters in recent years such as the Sichuan earthquake and Zhouqu mudslide “have propelled people to lend helping hands and promote the philanthropic course in China,” says Vice Minister of Civil Affairs Dou Yupei.

Wealth Creation

Deng’s famous quote, “to get rich is glorious,” epitomizes both the opportunities and consequences of his reforms on the economy and society. Chinese communism’s ethos of social organization based on holding all property in common was changing. His reforms did not benefit all Chinese equally though. Income inequality was becoming an issue of increasing concern. Increases in production and GDP growth disproportionately benefited the managers and owners of businesses. Worker benefits from the economic growth that occurred was not proportional and only included small increases in wages and social protections.

This gap between the rich and poor is best illustrated by the Gini coefficient – a measure of inequality. Figure 3 represents the Gini coefficient in the PRC, Canada, and the United States.

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55 Ibid., 125.
57 “China encourages philanthropy through legal, institutional measures,” People’s Daily Online, March 08, 2011.
In all three countries the ratio has increased in the past few decades. As can be seen though, the increase is particularly dramatic in the PRC during the 1970’s and 1980’s. Inequality is increasing. Profits and the reduced cost of production created by liberalizing economies do not benefit everyone in society. In 1986, workers began to express their angst against rising inequality. They began to protest. Protests by students sympathetic to the plight of the workers and a number of other worries culminated in 1989. The violent crackdown of the Tiananmen Square protests in that year indicates that neoliberalism changes ‘with Chinese characteristics’ made to the economy were not going to be accompanied by advancements in other areas of society such as human, civil or democratic rights.\(^{59}\)

But, this inequality has created surplus wealth that has created opportunities for philanthropic giving. Motivated by cultural, Confucian and Buddhist notions of charity and benevolence, many individuals that have surplus income have begun giving a portion of their wealth to meet the needs created by the rising inequalities.

\(^{59}\) Harvey, *A Brief History*, 123.
Business Culture

Business in China is a personalized venture, often viewed as a family or individual entity. This differs from western culture that often views business as a corporate - shared by all members - venture that maintains a detachment from personal and familial activities. From the smallest family owned and operated businesses, to the largest of corporations in the PRC, the philanthropic activities of businesses are “often personalized as the good deed of the particular key figure of the business concerned.” Philanthropic activities of a corporation are therefore commonly viewed as the philanthropic activities of an individual or family that operates the company. This is of particular importance because, as discussed above, businesses represent a large proportion of total donations given annually. Furthermore, because the activities of businesses gain a competitive edge by limiting information, so too are the decisions made about giving. Business or corporate giving are private decisions that often lack transparent public reporting of their activities.

Corporate Social Responsibility - or CSR - is the new buzzword within the global corporate community. Consumers are demanding more socially conscious business practices and products for their consumption - and corporations are responding. Further spurred by profit margins and a changing corporate culture that increasingly focuses on social and ecological issues as part of their product streams and business plans, corporations have started to promote their giving and socially responsible behaviors to consumers. Corporations that do not respond to this growing interest in CSR risk loosing market share. In response, many businesses have begun initiatives to market themselves as socially responsible – which often, is in the form philanthropic giving. This shift has brought some transparency to the philanthropic activities of businesses in the PRC. Chinese corporations are experiencing these consumer pressures and are starting to embrace corporate social responsibility. But, how much the growth of CSR in the PRC has influenced giving trends is difficult to extrapolate; and, where the line is drawn be-


tween pure ‘individual’ giving and giving that occurs by businesses on behalf of individuals, is
difficult to answer.

The economic influences on giving are largely an overview of the opportunities that have
been created for giving to occur in the PRC. The vast amounts of wealth and surpluses that
have developed in the past few decades increase the opportunities for individuals to give. Busi-
nesses are focusing on being socially conscious by pursuing CSR. Neoliberal policies that have
largely benefited market interests have also set the foundation for growth of civil society and
organized giving. Concepts such as transparency and the suggestion that government may not
be the best at solving all of society’s needs are ideas that will likely benefit the growth of philan-
thropic engagement over the long term.

Although none of these factors alone are going to fundamentally shift giving, they are some
of the influences that affect individual philanthropic giving. Without the opportunities that the
economic growth of the past few decades has created, the growth in giving that has occurred at
the same time, would not be possible. We now turn to the social and cultural factors that influ-
ence giving.

**Socio-Cultural**

Social and cultural influences on giving cannot be understated. They are the foundation from
which people are motivated to give. An individual’s sense of charity, compassion, generosity,
patronage and, benevolence – words often associated with philanthropic giving behavior – are
influenced by the culture that surrounds them, the family that they are a part of, the society they
live in, and the religion that influences all of the above. Socio-cultural influences vary greatly be-
tween individuals, cultures and regions of the world. In the PRC this is no different.

The response to the Sichuan earthquake is a good example of how social and culture influ-
ences motivate giving. As pictures and video footage of the aftermath of the earthquake filled
news sources, feelings of empathy – which is the ability to identify with and understand another
person’s feelings of difficulties 62 – were omnipresent. Images were streaming night and day de-
tailing the suffering that was occurring. The public response was also being covered as “Chi-

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62 Definition from Encarta World English Dictionary.
nese and international media were allowed free reign in the earthquake region. The response was an unprecedented outpouring of philanthropic behavior. People began to give of their time, money and materials.

The display of philanthropic behavior and giving was highly influenced by the social conditions of the time. The behaviors of those highlighted in the news reports were influencing the behaviors of individuals across the PRC and the world. The tremendous societal response by volunteers, companies and civil society organizations included donating funds, volunteering and collecting materials to be sent to the earthquake zone. A week after the earthquake, just one organization (the Communist Youth League, 共青团) reported having about 200,000 volunteers in the earthquake areas. The government had also mobilized over 130,000 PLA soldiers and paramilitary police. The social response was unprecedented. After just two weeks, public donations exceeded 30 billion Yuan (4.7 billion USD).

To many at the time, this event was thought to be the tipping point for philanthropic behavior in the PRC. Media heralded 2008 the “Year of the Volunteer” and the “Year of Civil Society”. The unprecedented response was thought to have changed something in the social fiber of Chinese culture. The cultural motivations were thought to have tipped towards continued support of and interaction with civil society as well as continued giving. Alas, it was not to be. The social resonance around the event waned shortly after the news stopped reporting on the event and the nation turned to other, more positive news, the 2008 Beijing Olympics.

There are however many social outcomes from the Sichuan earthquakes public engagement that will continue to influence the future of giving in China. Many persons gave money (and volunteered) that had not previously. This engagement is one of the keys to continued growth in giving. This is because individuals that are involved in the work of the organization they give to are more likely to give on a regular basis and increase their giving over time.\textsuperscript{70} The most important outcome though may prove to be indications that the social capital of civil society organizations is growing.

\textbf{Cultural Influences}

Chinese culture – the beliefs, customs and practices and social behavior of a particular nation of people\textsuperscript{71} – is influenced by two traditions, major and minor.\textsuperscript{72} Minor traditions are guided by sets of rules and personal regulations that influence citizens’ everyday existence. Major traditions are influenced by classical works of Chinese history, which are borne of Confucian, Buddhist and Taoist thoughts. Of the cultural traditions, social solidarity, participation in society (and rites), benevolence, and success are the most appropriate customs and practices to discuss within the context of this paper.

At the core of any culture is social solidarity – which are the social connections that bind society together. In Chinese culture, the family is the fundamental connector. The family (or clan) is the basic unit of society and therefore the most important to maintain. In particular, is the attention given in Chinese culture to limiting personal burden on the rest of the family unit – and the society as a whole. For instance, if an individual cannot contribute to the wellbeing of the unit, then the individual blames him, or herself. Requiring any assistance from society is perceived as inappropriate and is avoided with much effort by the individual and family.\textsuperscript{73}


\textsuperscript{71} Definition from Encarta World English Dictionary.


The major traditions of self-sustenance, based on Confucian ethics that emphasize the cohesion of family and clan, are also important to note. In Chinese culture, if one member of the unit suffers, the cohesion suffers and possibly the whole unit will suffer from the inabilities of one member of the unit. Therefore, because all members of the unit are intrinsically linked, providing for a member of the family, or clan can be seen as a sustaining of one’s own self.74

Culture of Business

The culture of business in China revolves around the family business.75 Commerce is often conducted with extended family. A single patriarch within the family often fosters these economic relationships and retains ultimate control of the operations. Yet the lines between purely economic and familial are often blurred.76 Sometimes these family business networks span the globe within the scope of their operations77 and rely heavily on the performance and trust of other family members to succeed economically.

Paternalism plays a large role in the social order and power structure of business in China. Influenced by the social and moral obligations of playing the role of ideal Confucian leader, a paternal leader is a “benevolent autocrat who readily accepts the duty to undertake responsibility for his dependents. These dependents may be his family and its extensions, and those treated as honorary members such as long-term employees.”78 As a result, employers and employees often view their business relationship as similar to a family relationship.

Another influence is the belief that informal personal relationships and connections (commonly referred to as guānxi, 关系) are more important than formal, contractual, or legal arrangements. For this reason, it is possible that most of the individual philanthropic giving that

74 Ibid., 21.


76 This also furthers the notion of major traditions of Confucian ethics for family cohesion.


occurs has a preference towards informal arrangements. This is in direct contrast to the preferred formal arrangements that often occur between western civil society and donors.

A Chinese family business views its responsibly to their employees differently than a business in other cultures. Many of the services that governments provide in other societies - that are provided through garnished wages in the form of taxes - Chinese businesses provide directly to the employee. Many of the social welfare and safety net programs such as: subsidized housing, elder care, food assistance and healthcare, are provided by an employer.

The ‘giving’ that occurs directly between and employer and employee is not captured in statistics, or other charitable benchmarks in the PRC. Additionally, much of the giving that occurs is directly given to individuals rather than using a philanthropic organization to disperse benefits.

**Religion and Philosophy**

Religion and philosophy have a heavy influence on socio-cultural dynamics of all societies. In the PRC, many religions are practiced, but the four most followed are: Buddhism, Taoism, Christianity and Islam. In addition to religion, the philosophies of Confucius also have a large effect on the society. To fully understand the socio-cultural realities of philanthropic giving, an overview of these two influences are important to consider.

The teachings of Confucius guide almost all areas of Chinese society and culture. Government, education and even etiquette are influenced by what were at one time the official state philosophies of China. The Confucian ideal virtue of ren (rén, 仁) - benevolence, charity, love and humaneness - is reinforced by both Buddhism and Taoism. On the topic of giving, Confucius and Mencius both believed that philanthropy was a distinguishing characteristic of man. When Confucius was asked about philanthropy his answer was, “it is to love all men.” These philosophies continue to influence Chinese culture and giving patterns.

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Taoists, on the other hand, offer a different opinion of philanthropy. Chuang-Tzu has written on the destructive nature of philanthropy citing it to be “a false outgrowth of human nature and as a disturbing factor in human wellbeing.”\footnote{Ibid., 20.} His reflections come from an imaginary conversation between Laozi (author of the Tao Te Ching) and Confucius on the topic in which Laozi says that philanthropy and charity is against natural providence and the moral order.\footnote{For more insight into this topic see: Chuang Tsu, \textit{Mystic, Moralist, Social Reformer}, trans. Herbert A. Giles. (London: 1889); or, Yu Yue Tsu, \textit{The Spirit of Chinese Philanthropy}, 20.} However, Taoists are also supportive of ren because, “all things, human and natural, are reciprocally related.”\footnote{Deeney, “Neglected Minority,” 165-166.}

The practice of philanthropic giving in Buddhism is motivated by two commonly practiced precepts. One practice is motivated by the opportunity to make merit and the second is an opportunity to aid a person in need. Both practices are seen as important steps in one’s journey to Nirvana.\footnote{Asia Pacific Philanthropy Consortium, \textit{Investing in Ourselves}, 8.} Ren is reinforced by the Buddhist bodhisattva Guanyin (Guānyīn, 觀音), the compassionate Goddess of Mercy.\footnote{Deeney, “Neglected Minority,” 165.}

Christianity and Islam’s influence on giving in the PRC is more difficult to understand. Both religions encourage giving, but with different practices. Tithing is a central tenet of Christianity in which the believer voluntarily gives one-tenth of one’s income to a religious or charity organization. Followers of Islam practice zakat, which is the giving of a fixed portion of wealth to assist the poor and needy. In the PRC, Christianity has influenced and shaped charity since the nineteenth century, through missionary and other supported organizations, which further facilitated the transfer of Christian service traditions.\footnote{Nick Young, “Richesse Oblige, and so does the State: Philanthropy and Equity in China,” in \textit{Diaspora philanthropy and equitable development in China and India}, ed. Peter F. Geithner et al. (Cambridge, Massachusetts: Global Equity Initiative, Asia Center, Harvard University, distributed by Harvard University Press, 2004), 44-45.}

Samuel Williams (\textit{The Middle Kingdom}, 1849) provides some insight into the common practices of individual philanthropic giving and the influence that religion had during that period of
time. Williams states that, “good acts are considered proofs of sincerity; the classics teach benevolence, and the religious books and tracts of the Buddhists inculcate compassion to the poor and relief of the sick. Private alms of rice or clothes are frequently given, and householders pay a constant poor tax in donations to the beggars quartered in their neighborhood.”87 Although the influence of religious and philosophical practices cannot be quantified, they are important to consider when in the broader cultural context.

While the traditional influences that religion and philosophy have on giving have been reviewed, it is important to note that the status quo of religion, and religious organizations in the PRC are rooted in history. The suspicions that were raised with the Falun Gong era impact the ability of religious groups to create or support civil society organizations today. As a result of the tensions between Falun Gong and the government in recent history, the government is concerned about the funding that every religious organization receives.88

However, this perspective may be changing. On Monday, February 27, 2012, the State Administration for Religious Affairs issued a notice that “actively encourages and supports religious groups to engage in charity activities.”89 The regulation requires faith-based charities to function as non-profit organizations and guarantee their financial transparency through regular disclosure of expenditures and donors.90

Familial Influences

Family, as described above, is the primary relationship approached for philanthropic purposes, but sometimes the needs of an individual surpass what a family, or clan can provide. When this occurs, the individual is inclined to approach other resources for assistance. In Chinese culture an individual in need cannot approach just anyone for assistance, an individual can

only - with cultural appropriateness - approach those that the individual has a relationship with that is based on obligation and trust. *Obligation* in the sense that if asking someone outside of the family unit for assistance, that individual must return the favor in the future. *Trust* in the sense that when returning the favor in the future, the favor will be adequate and equal to what had been given. Thus, there is much risk in both the asking for, and, the giving of assistance to those that are not trusted associates. Because of the primary role of the family and clan in Chinese culture to address philanthropic needs within the unit, approaching members of society outside of this unit occurs less than in many other cultures.91

**Trust**

Trust is the currency by which civil society sustains itself.92 Without trust, donations cease, volunteers stop volunteering, projects fail and civil society ceases to exist. In the PRC, trust of civil society is in constant flux. Although no studies exist that conclusively cross-tab trust and giving in the PRC, it does play a large role in influencing the charitable behavior of individuals.

**Table 1: Trust in institutions in the PRC**

| Source: Asian Barometer Survey, Department of Political Science, National Taiwan University (Taiwan: 2008), by permission. |
|---|---|---|---|---|
| National Government | None at all | 0.3% | Not Very Much Trust | 5.0% | Quite a Lot of Trust | 25.4% | A Great Deal of Trust | 69.3% |
| Local Government | 3.8% | 38.1% | 38.8% | 19.3% |
| The Courts | 1.9% | 21.3% | 39.4% | 37.4% |
| The Police | 2.1% | 25.4% | 36.4% | 36.0% |
| NGO's | 10.9% | 60.4% | 19.2% | 9.5% |
| Newspaper | 2.8% | 47.4% | 32.8% | 17.0% |


One indicator that may be used is a poll conducted by National Taiwan University called the *Asian Barometer Survey (ABS)*. The ABS has conducted two surveys in the PRC (in 2003 and 2008) that have asked respondents to rate their trust in different institutions in the PRC. The results from 2008 are included in Table 1. Of the institutions that respondents rated, over 69% indicated “a great deal of trust” in the national government which is the highest of all institutions. The lowest response in this category is NGO’s with just 9.5 percent of respondents indicating “a great deal of trust.” The institution that respondents have “not very much trust” in are the NGO’s, with 60%.

The figures from 2008 only offer a part of the story however. When responses from 2008 are compared to a similar survey conducted in 2002 the overall situation is worse. Trust in NGO’s is decreasing over time. Figure 4 shows the overall decrease of trust in NGO’s between 2002 and 2008. The number of respondents that indicate “not very much trust” increased and the re-

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**Figure 4: Trust in NGO’s between 2002-2008**

<table>
<thead>
<tr>
<th>Response Category</th>
<th>2002</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decline to answer</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Can not choose</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do not understand the question</td>
<td>12.5%</td>
<td>12.5%</td>
</tr>
<tr>
<td>A Great Deal of Trust</td>
<td>25.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Quite a Lot of Trust</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Not Very Much Trust</td>
<td>37.5%</td>
<td>37.5%</td>
</tr>
<tr>
<td>None at all</td>
<td>50.0%</td>
<td>50.0%</td>
</tr>
</tbody>
</table>

Source: Asian Barometer Survey, Department of Political Science, National Taiwan University (Taiwan: 2003 and 2008), by permission.

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93 Asian Barometer Survey (ABS), Department of Political Science, National Taiwan University (Taiwan: 2003 and 2008).
spose of “quite a lot of trust” decreased. However, the percentage or individuals that indicated “a great deal of trust” increased over time.94

To bring life to these statistics and connect trust in NGO’s to individual giving is a Chinese businessman’s thoughts on trust of civil society, saying “he could not trust China’s charity organizations.” He has “helped more than twenty college student[s] with their education by giving money to them directly.” His reason for giving directly to students rather than trusting charity organizations to do it for him, was that he wanted to “know exactly how every penny [he] donate[s] is used, yet most charity organizations don’t give detailed explanations.”95

Another perspective is offered by a Sociology professor at Shandong University named Wang Zhongwu who believes that “most Chinese do not want to admit how rich they are for fear of being blackmailed by illegal charity groups to donate.”96 Not only do individuals not trust civil society to administer their donations properly but they also fear being solicited for donations.

The 2008 China Report Charitable Contributions (2008年度中国慈善捐助报告) published by the Ministry of Social Welfare explains this mistrust even further. After the Earthquake of 2008, the Ministry conducted a survey in Beijing about public perceptions of charitable organizations. The results were concerning. Of those that responded to the survey, “more than 50% of respondents worried about money being misappropriated, or [lost due to] corruption.”97 When more than 50% of citizens are concerned that the donations they make to civil society organizations will either be misappropriated, or lost to corruption, it is likely that mistrust and negative public perception is one of the larger obstacles to individual giving.

These three examples illustrate that mistrust of civil society organizations is well established in the PRC. For individual philanthropic giving to increase, trust will have to be developed. For trust to be developed, transparency and accountability need to be addressed.

94 For further information about trust in NGO’s by education level and religious affiliation, see: “Table 4: Trust in NGO’s by education level (2008)” and “Table 5: Trust in NGO’s by Religion (2008)” in the Appendix.
96 Ibid., 2.
97 Chinese quote: “但是50%以上受访担心善款被挪用或腐败”.

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Extreme Wealth

Much of the focus and attention on giving in the PRC surrounds the extremely wealthy. Many have heard about the dinner held in Beijing that Bill Gates and Warren Buffet coordinated in late 2010 to encourage giving. Just as in other parts of the world, the larger the donation, the more attention it is given in the media. This paper attempts to focus however – not on the attention-grabbing donations of millionaires and billionaires – but on the smaller contributions made by individuals that go largely unreported that play a very significant role in total giving. This paper is principally about understanding the giving of those other than the extremely wealthy of the PRC.

However, for a complete contextual understanding of giving in the PRC, a brief overview of the individual philanthropic giving of the very wealthy is appropriate. The PRC is a country of extreme wealth and extreme poverty. Often, the first contributors to philanthropic initiatives are those with the largest disposable income – which tend to be the rich. In China, there are many who are rich. In 2010, Chinese news sources reported that there are 477,000 USD millionaires in the PRC. Of that number, 1,363 Chinese individuals had wealth of at least $150M USD and of those, 189 Chinese individuals had a wealth of at least one billion USD.98

Although it is not possible to equate this wealth with actual giving, there is a resource that provides an insight into the giving behavior of some wealthy individuals. Published annually for the past seven years, the Hurun Philanthropy List99 ranks the top 100 most generous Chinese individuals. The list identifies the individuals and attempts to provide the motives behind the donations by publishing the sectors that the giving is directed towards and the company that the individual is affiliated with. Their statistics include “cash and cash equivalents pledged with legally binding commitments” and “donations made through companies owned 50% or more” by the individual. The total giving for the 100 individuals listed over the past 5 years is 3.6 billion USD.100 This is a rather large sum, but not so large when considering that over the past 5 years,

100 These calculations were made by the author using currency exchange rates on December 9, 2011. Please see the “2010 Hurun Charity List” for a complete list of names, sectors and companies, found here: (http://www.hurun.net/hurun/listcn181.aspx) (accessed February 2, 2012).
39.5 billion USD has been donated. Therefore, although the large donations and donors receive the most media attention, the donors that do not make the top-100 list represent the majority of giving in the PRC. The larger, less-recognized and acknowledged portion, is the focus of this paper.

**Diaspora Giving**

Perhaps one of the best ways to understand the socio-cultural factors that influence individual philanthropic giving in the PRC is to look outside of it borders. Diaspora philanthropy - the “giving back” to an individual’s country of origin - provides an opportunity to parse socio-cultural factors from other factors that influence giving. Conclusions could be drawn from a comparison between the giving patterns of Chinese residing within the PRC to the giving patterns of those that live outside the PRC borders.

Diaspora philanthropy is a large and growing part of global philanthropy resource transfers as diaspora communities increase in size and create wealth. The transfer of resources have a large influence on the receiving communities and organizations that these resources support and have generated much academic and political interest.\(^{101}\) Advancements in communications and banking technology have further facilitated the connections between the diaspora and the receiving communities. All of these factors combine for a rapid escalation in the transfer of resources in the last few decades.\(^{102}\)

However, much of the flow of resources are informal transfers that take the form of remittances to family and relatives in the homeland; and because of this, information on the amount, purpose, and geographic destination is scarce.\(^{103}\) Donations to civil society organizations do occur, but again, information is not readily available.\(^{104}\)

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1. The government entity that is statutorily mandated to oversee and assist these transfers is the Departments of Overseas Chinese Affairs.
3. Ibid., xvi.
4. There are a few academic books that thoroughly evaluate diaspora philanthropy that are important to review if further inquiry is required. See the Bibliography for a full listing of academic articles on diaspora giving.
International Donors

International organizations are also financial contributors to philanthropic efforts. From US-based foundations between the years 2002-2009 alone, 2583 grants were made to 658 distinct grantees. The total value of this giving was $442,925,349 USD. But, the majority of US-based grantmakers support government-controlled groups such as academic institutions (the largest recipients are: Chinese Academy of Agricultural Sciences, Tsinghua University, Beijing University, Chinese Academy of Social Sciences and Beijing Normal University) government agencies (Ministry of Health and Education), and GONGO’s (Chinese Preventative Medicine Association and Chinese Association of STD & AIDS Prevention & Control). By total value, between the years 2002-2009, 86.01% of the US-based grants went to government ministries, education institutions, and GONGO’s.¹⁰⁵ When considering this international giving to the total official giving that occurred over the same period of time, this represents only a fraction of donations.¹⁰⁶

Technology

The power of technology and social media to disperse information and petition individual philanthropic giving can not be understated. The Sichuan earthquake is a prime example of the power technology has to convey messages and images and ultimately influence giving. During the days that followed the earthquake, images of the disaster relief efforts were everywhere. Within the PRC, if a person was watching television, reading newspapers, listening to the radio, or surfing the internet, an individual would be hard pressed to escape the appeals for money and resources.

Technology is likely to increase participation with the activities of the philanthropic sector as well as increase financial support. Financial support for Sichuan was raised with simple phone text messages - these technological resources will likely continue to increase participation. Sites like Weibo (an internet platform in the PRC similar to Twitter) multiply the potential audience for donation requests and disseminate information about organization activities.


¹⁰⁶ Between 2005 and 2009, Total donations were 184.2 billion remimbi ($29.1 billion USD). See Table 2.
With advances in technology, it is easier for individuals and organizations to solicit donations. In a recent article in China Daily, the story highlighted the outpouring of support for a boy from a family too poor to pay for medical treatments. The netizen response to this boy’s medical needs was $68,750 USD in donations. Another example is of an organization that sent an appeal on Weibo using images of children in ragged clothes with to plea for clothing. The message was forwarded 120,000 times and over 700 packs of clothing were received by the organization.

Another effect of technology on giving that is particularly unique to the PRC is the backlash by the netizen community against individuals - mostly rich and famous - that pledge money to charities, but do not follow through on their commitments. In recent years, there have been numerous instances where individuals have allegedly pledged donations and not fulfilled their commitment. Zhang Ziyi, a famous film star, was accused of discrepancies between the 1 million yuan ($147,000 USD) she pledged to the China Red Cross shortly after the Sichuan earthquake and the amount she actually gave, 840,000 yuan ($123,000 USD). The “scandal” filled the media as Zhang worked to clear her name. This type of backlash is much less common in the West.

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108 Ibid., 22.

109 Zhang Ziyi is known for her roles in “Crouching Tiger, Hidden Dragon,” “House of Flying Daggers” and “Memoirs of a Geisha.”

Political

Giving in the PRC is heavily regulated and controlled by the government.\textsuperscript{111} To understand why the government regulates and controls giving, a brief discussion on how the government views the civil society more generally, is necessary. To complete this, an understanding of the PRC’s views on the role of governance is required.

Differing from the liberal paradigms of western thought – where citizens have a right to share in their own governance through democratic means - the PRC governs in a more patrimonial way. Although, Article 2 of the Constitution of the People’s Republic of China designates that “all power in the People’s Republic of China belongs to the people” this does not indicate that the Chinese government is held accountable for its actions, or seeks guidance from the people in the dealings of the government. The PRC is guided by a patrimonial relationship with its citizens, one that views its responsibility as providing for the wellbeing of the people, but not responsible to the people.

Because of these underlying norms, the Chinese government is suspicious of any increased influence of any non-state entities that may vociferate for increased government accountability. The growth of philanthropic giving in the West has resulted in the growth of civil society. This in turn has resulted in, among other things, an increased public awareness about economic, political and environmental issues. Due to these realities in other areas of the world, the growth of civil society is likely perceived as a threat to the PRC’s form of governance.

However, in slight contradiction to the concerns above, the Chinese government has also begun decreasing the reliance of its citizens on the State - the so called welfare state model - a remnant of the original communist manifesto that guided the development of social programs since the formation of the People’s Republic of China. The likely partner in this transfer of reliance away from the government is civil society, or some other type of non-state entity.\textsuperscript{112} Financial support from government coffers to support the social programs that the PRC has tradition-

\textsuperscript{111} This is supported by the widely accepted view that civil society in the PRC is “state-led civil society” as argued in B. Michael Frolics chapter of the same name in Brook and Frolic, Civil Society in China. This point is supported further by Yu Keping’s views of government-led civil society in Yao Ying’s, “Chronicle of political reform foretold,” China Daily, October 23, 2009, accessed January 17, 2012, http://www.chinadaily.com.cn/opinion/2009-10/23/content_8837301.htm.

\textsuperscript{112} See “12th 5-year Plan” section for more information on this topic.
ally provided is likely to continue, but the charitable work would largely be conducted by civil society. The sector would be relied upon to address the short-term needs of the citizens in times of need, such as environmental disasters as well as long-term needs such as employment services, poverty eradication, and education related services. In so doing, the PRC government would reduce the reliance of the people on the government while also addressing the needs of the citizens.

These two interests are at odds with each other. The PRC desires a decreased reliance on the government for a variety of needs that it has traditionally provided its citizens on the one hand, but also fears the expansion of a sector that will raise awareness about social-cultural issues that may threaten its power and legitimacy on the other. A cautious and calculated step forward is a likely outcome of these competing interests.

However, if the PRC pursues a path of greater civil society development and perceives that the sector has overreached its statutory mandate, it has two levers to control the sector’s activities. The first is in the form of direct government control of sector activities and organizations by the Ministry of Civil Affairs. This Ministry carries out most of the tasks related to civil society such as: formulating social assistance programs, creating policies and standards; overseeing social organizations, foundations, and private non-enterprise units; developing social welfare planning, policies and standards; as well as promoting and overseeing charity organizations and charitable contributions.\textsuperscript{113} If the PRC decides to curtail the growth of the sector, it need only revoke the registration of an existing civil society organization and crack-down on their activities.

The second lever is financial. This could occur through actions by the PRC to eliminate the incentives for charitable giving such as tax deductions for businesses and individuals. Without a revenue stream, civil society could cease to exist.

This section describes some of the issues that influence giving in the PRC. Although these topics are not purely “political,” they are issues that are in some way related to the political ideologies or strategies of the PRC government.

12th 5-year Plan

Every five years the PRC develops a plan for the overall development of the country. It offers a perspective on the most pressing issues that the government would like to focus on over the next five years. The document is a good first point of reference on any issue of interest in the PRC. Chapter 39 of the 12th 5-year plan\textsuperscript{114} discusses the strengthening and construction of social organizations. The chapter outlines the need to establish a management system and to prioritize the development of charity and community social organizations. The statement that is of most interest is in the first paragraph, where it states: “improve the supporting policies, promote the government to transfer functions to social organizations, [and] open more public resources and fields”.\textsuperscript{115} By transferring functions away from the government and providing the resources to social organizations,\textsuperscript{116} this document furthers the policy shift away from the welfare state model employed since the cultural revolution.

However, the chapter ends with a statement that clearly indicates that the PRC wants the social organizations to develop and strengthen but at the same time wants to keep a watchful eye on their growth by “strengthen[ing] the supervision and management of social organization[s].”

Non-Profit Incubators

In some instances local government is showing more innovation and is ahead of the national government on many issues connected to philanthropic giving. One of the best examples of this are the four designated Non-Profit Incubators (NPI). Since 2007, NPI\textsuperscript{117} have been cultivating and supporting startups and small to medium sized NGO’s.\textsuperscript{118} Through their work these incubators have recognized the “growing enthusiasm towards charity among the general public” and

\textsuperscript{114} The 12th 5-year plan is to be implemented from 2011-2015.

\textsuperscript{115} English translation provided by the Delegation of the European Union in China.

\textsuperscript{116} “Social organizations” does not equal “civil society.” In the PRC, “social organizations” includes quasi-government organizations such as the All-China Federation of Trade Unions, Youth Federation, and Federation of Industry and Commerce that are closely aligned with the government. But, the usage of this term does not exclude civil society either.

\textsuperscript{117} The Shanghai NPI began operating in 2007, Beijing and Chengdu in 2008, and Shenzhen in 2010.

\textsuperscript{118} “NPI Overview,” \url{http://www.npi.org.cn/english/aboutus_01.html}. 41
that “it is still quite difficult for resources to reach innovative grassroots NGO’s” because of the existing “legal limitations on tax exemption and fund-raising qualifications.”\textsuperscript{119} In response to these two realities, NPI have created a public charity foundation that is supported by the Shanghai Civil Affairs Bureau. This fund-raising platform is called the Shanghai United Foundation and acts as a granting and monitoring organization for entities associated with NPI.

This initiative is an encouraging step made by local government ahead of the national government to address both the administrative and financial needs of philanthropic organizations. However, this initiative is quite small and represents only a handful of organizations.\textsuperscript{120} Additionally, the question should be asked: why add a layer of bureaucracy to donation collection by creating the Shanghai United Foundation in the first place? This is likely due to the “monitoring” aspect of Shanghai United Foundation’s role as a public foundation with close links to the government.

\textbf{Taxes}

However mundane taxes tend to be perceived in modern societies - they are not mundane. Taxes are regularly the most politically debated issues that also have some of the largest economic influence on society. Taxation has two general perspectives by which it functions. The first being taxation as a means of generating revenue for the state and the second being taxation conducted by the state as a means of regulating behavior. An example of the former is a value added tax (VAT) or simplified taxes, the latter would be most of the remaining forms of taxes levied by governments worldwide. The latter is also the form of taxes used by the PRC for both individual and corporate taxation.

It is important to make a distinction between the two types of taxes, because when governments levy taxes for more than the purpose of generating revenue, political ideology is involved. As is the case in most countries in the West, the PRC uses taxes to encourage or discourage behavior - alternatively known as behavior modification. Within this framework of understanding it may be concluded that corporate or individual taxation laws that offer incentives for giving to


\textsuperscript{120} Shenzhen has 6 NPO’s in its incubator project and provides service to 4 other organizations; Chengdu has incubated 8 NPOs; Beijing has 9 NPO’s; and, Shanghai is unknown.
the philanthropic sector - whether monetary or otherwise - is a form of behavior modification by
governments through incentives for certain behaviors.121 Most governments utilize behavior modification - particularly with respect to their tax policy.

The benefits to encourage, or discourage behavior through tax incentives are many. States use this to their advantage by utilizing a universal pursuit - the perpetual desire to decrease their tax burden. “But in the world nothing can be said to be certain except death and taxes.”122 These are not encouraging words but rather the reality of current society. However futile it is to try to reduce one’s tax burden, citizens are always eager to attempt such behavior; and, States use it to their advantage. States are able to encourage and discourage the behavior of its citizens deemed important and necessary for State growth in the short and long term. In some societies, tax incentives are offered to companies that develop new technologies through research and development - which benefits the State by encouraging the creation of new industries and economic growth. The tax incentives offered to individuals and companies, in the form of tax deductions to encourage philanthropic giving, are of particular interest to this paper. The statutes and regulations that influence behavior related to tax are reviewed in Chapter 2.

**Media**

Coverage of social needs within the PRC and appeals to assist those in need have a large influence on giving in the PRC. As was the case with the Sichuan earthquake, when the coverage and appeals began, the money started rolling in.

To understand the influences that the media has on giving, a brief review of the role that media has played in encouraging or discouraging giving in China is appropriate. The historic levels of charitable donations that occurred in response to the Sichuan earthquake is an example of how, when a situation necessitates action, the government controlled media is employed to increase public awareness. Anyone present in China after the disaster, would have witnessed countless news stories and appeals to the populace for support of the people of Sichuan. But

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what was the motivation behind the appeals? Surely the largest motivating factor was of care for those impacted by the disaster, but another motivating factor is likely less altruistic - nationalism.

A brief overview of domestic and international media reports concerning China will inadvertently result in the discovery of numerous instances of civil unrest. Corruption, unemployment, land disputes, health concerns, and working conditions are common reasons for civil unrest. The issue that best distracts the Chinese people away from these concerns is the use of nationalism. Few concerns can bring citizens together like national pride. Nationalism is a currency that is often fostered and used by governments to instill a cohesive bond between citizens and to redirect public attention.

In the case of the Sichuan earthquake, as information about the disaster turned from the initial reports about the incident to questioning the reasons for such large numbers of deaths in public buildings, the public discourse changed quickly to public outcry against what was seen as poor construction of public buildings due to public official corruption. This groundswell of negative public discourse was abruptly redirected. Nationalism was used as an issue to divert the negative public attention away from corruption and anger at the PRC. The media apparatus began using messages that focused on patriotic efforts made by the volunteers at the disaster site and encouraged financial donations to organizations that were helping the people affected by the natural disaster. One result of the increased focus on the patriotic efforts made by volunteers was historic levels of donations given towards the relief effort.

**Social Welfare and Insurance**

Chinese society, as is the case in many developing countries, lacks fully developed social welfare programs - sometimes called socioeconomic safety nets - to assist the poor and vulnerable in times of need. Services such as subsidized housing, elder care, food assistance and healthcare are available in China, but access to the resources is limited and varies between regions. Due to the lack of access to these social safety net programs, Chinese families must often respond to the needs of the members of their own family.

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Social insurance programs such as pensions, healthcare, unemployment insurance, and other such services that provide benefits to Chinese citizens do exist, but are largely under-utilized. At present, most social insurance programs are provided by the businesses that employ the worker instead of the State. This worker benefits in this model because he/she externalizes some of the risks of saving for retirement by pooling resources but, this is potentially harmful due to the possibility that the business will not make good on their promises for future support. The Chinese government does not have programs that ensure the financial security of pension funds like many advanced economies have in order to support pensioners when their funds cease to provide income to those that rely on it. A national pension system does exist, but it does not cover all citizens at this time. Due to these realities, Chinese families save a great portion of their annual income for their retirement. These realities offer an opportunity for civil society to address these societal needs - as is happening in some areas of the country - but also create a limiting factor for giving because families must rely on their own resources for future emergency and long-term financial requirements.

Individual Saving

Personal savings rates in China are some of the highest in the world. Varying reports put the figure somewhere around 30% of the annual income that is saved for future use. This figure indicates that individuals have a larger pool of resources to draw from to give to charity if they choose to. However, having the resources doesn’t translate to increased giving. Having the ability to give and actually giving, are two very different matters and rely heavily upon the social and economic situation of the individual. In the PRC, most of this money is saved for speculative future medical expenses and retirement and as a contingency fund.

With the unknown risk of health and retirement being a future financial burden, the constraints on the annual budget of a Chinese family to contribute to philanthropic activities are significant. It may be that because of these, and other unknown future expenses, annual saving is high and individual charitable giving is meager. The 2010 World Giving Index report indicates that only 11% of Chinese respondents have given money to an organization.

However, when contrasting this figure with the giving levels in other countries in Asia that also lack developed social welfare and insurance programs, a different perspective is offered. Sixty-four percent of respondents from Lao People’s Democratic Republic give money, 73% in Thailand, 27% in Korea; and 33% in Mongolia. From these comparisons it can be argued that the absence of social welfare and insurance programs are not the sole reason for decreased giving in the PRC.

Volunteerism

As the State continues to move away from providing support directly to the citizens it will increasingly rely upon the services of philanthropic organizations to provide services to individuals, and those organizations will increasingly rely upon the assistance of volunteers.

Although just 4% of Chinese respondents to The World Giving Index survey said they ‘volunteered their time,’ it is on the rise in the country. The Office of the China Youth Research Society offers this insight into volunteering, “since the birth of China’s reform ... the whole of society has gradually [been] involved in the formation of volunteer service.” As citizens begin volunteering and giving of their time they will also likely increase their financial giving.

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128 Charities Aid Foundation (CAF), World Giving Index 2010 (United Kingdom: CAF, 2010), 20.
129 Office of the China Youth Research Society, China’s comparative analysis of volunteer service system (China: Office of the China Youth Research Society, 2010), (中国改革开放以来诞生的志愿事业，也经历了从活动到体系的转变过程，全社会参与志愿服务的热潮逐渐形成。).
Chapter 2: Regulatory Framework

The regulatory framework is the basic structure underlying the opportunities that individuals and businesses have for donating resources. It defines the ways in which civil society organizations can solicit resources and operate in the PRC. The regulatory framework defines how much individuals can give, to whom and for what reasons. Recent changes to the regulatory framework have generally been positive and this is integrally related to the vast increase in donations over the past decade - particularly in the years following the Sichuan earthquake.\(^\text{130}\)

The following sections provide an overview of the statutes and implementing regulations that influence giving. Tax laws for both individuals and enterprises are reviewed as well as new developments in the areas of transparency and reporting requirements that may have a large consequences on the future of individual philanthropic giving in the PRC.

Public Welfare Donations Law

The Public Welfare Donations Law (Gōngyì shìyè juānzèng fǎ, 公益事业捐赠法) forms the foundation for the government's regulatory framework and defines the purpose, management and responsibilities of all issues associated with donations. More than just a legal framework, it communicates the principles and motivations supporting the law. Chapter 1, Article 1 offers this:

- These regulations are drawn up in order to encourage donations; standardize the behavior of donors and recipients [shou zeng]; protect the legal rights of donors, recipients and beneficiaries; and promote the development of public welfare undertakings.\(^\text{131}\)

\(^{130}\) Ming, *Emerging Civil Society in China*, 165.

The Law goes on to define public welfare undertakings as disaster relief, poverty alleviation, and other undertakings that promote social development and progress.\footnote{Public Welfare Donations Law art. 3.} It stipulates the appropriate use and management of donations.\footnote{Public Welfare Donations Law art. 4-23.}

Transparency and reporting requirements are addressed in three Articles of the Law. Article 20 requires recipient organizations to submit annual reports to the government about the "use, management, and supervision of donations." Article 21 goes on to state that if the donor asks about the use and management of donated assets, the recipient should respond truthfully. Article 22 requires recipients to "make public the conditions, use and management of donations and must accept the supervision of society."\footnote{Translation provided by China Development Brief and located at: http://www.chinadevelopmentbrief.com/node/299 (accessed January 24, 2012).}

To encourage donations, the Law specifies that corporations, enterprises, individuals and private small business will enjoy tax benefits - but does not define the amount or the regulations on how to access those benefits.\footnote{Public Welfare Donations Law art. 24 & 25.} It only states that if donations are made under the stipulations of this Law, that the entities will “enjoy tax benefits.” These benefits are defined in the respective tax laws.

**Individual Income Tax Law**

The most direct link between individual giving and tax law are the incentives offered to individuals for charitable giving in the form of tax deductions. The Individual Income Tax Law (Gérén suǒdēshuì fǎ, 个人所得税法) allows individuals to deduct as much as thirty percent of their taxable income for these purposes. Article 6 states that “donations to education and other public welfare undertakings shall be deducted from the taxable income in accordance with the stipulations of the State Council.”\footnote{Individual Income Tax Law art. 6, sec. 6.} As with any statute, interpretation (if offered) is important to ensure appropriate application of the law. The ‘Regulations for the Implementation of the Individual Income Tax Law of the People’s Republic of China’ offer this insight:
• Donations to education and other public welfare undertakings mentioned in …

Article 6 of the Tax Law refers to donations made by individuals via social organizations and government institutions to educational and other social welfare undertakings and to regions hit by natural calamities, or poverty-stricken regions.

• The donation by a taxpayer not exceeding 30% of the taxable income of which a taxpayer has filed tax returns may be deducted from the taxable amount.\textsuperscript{137}

The PRC allows for as much as 30% of an individual's taxable income to be deducted from their taxable amount. (By comparison, the United States allows for a deduction of up to 50% of an individual's taxable amount\textsuperscript{138}). The Individual Income Tax Law both incentivizes and creates the opportunity for individuals to give to civil society and education organizations.

**Enterprise Income Tax Law**

As previously discussed, the separation between individual and business activities is difficult to distinguish in the PRC. For this reason a brief depiction of enterprise taxation is appropriate to discuss. Let us now consider the incentives through which the PRC influences the philanthropic giving of enterprises.

The first is The Enterprise Income Tax Law (\textit{Qǐyè suǒdēshuǐ fǎ}, 企业所得税法)\textsuperscript{139} which allows enterprises to deduct a portion of their taxable income for charitable donations. More accurately, Article 9 states that the “portion of expenditures incurred in the form of charitable donations by an Enterprise that falls within 12% of its total profit for the year may be deducted when calculating taxable income.”\textsuperscript{140}

Previous to being updated on January 1st, 2008, this tax law only allowed for a 3% deduction. It can be concluded that the four-fold increase in 2008 was a political decision intended to

\begin{footnotesize}
\begin{enumerate}
\item\textsuperscript{138} In some limited instances, US Law only allows for the deduction of 20-30%.
\item\textsuperscript{139} 集体所得税法 found at: \url{http://cszh.mca.gov.cn/article/zcfg/200804/20080400013550.shtml} (accessed January 19, 2012).
\item\textsuperscript{140} Enterprise Income Tax Law art. 9.
\end{enumerate}
\end{footnotesize}
increase giving by enterprises to further support the efforts of the State to remove itself from financially supporting philanthropic efforts. The changes made to the law were fortuitously timed before the May 12, 2008 Sichuan earthquake that resulted in historic levels of contributions towards the relief efforts in response to the disaster.141

A more complete understanding of the changes made in 2008 are provided by the 'Implementing Regulations for the PRC Enterprise Income Tax Law.' The Implementing Regulations - which often accompany new laws in the PRC - provide a more comprehensive understanding of how the text of the law is to be interpreted. For example, the use of “charitable donations” - which some un-official sources translate as “public welfare donations” - in the text need clear explanations for application of the law.

Article 51 of the Implementing Regulations defines a “charitable donation” as a “donation made by an enterprise through a public welfare social organization or a people’s government or department thereof at the county level or above and used for a public welfare undertaking.” Similar to the Individual Income Tax Law, an enterprise can receive as much as a 12% tax deduction for any donation made to a social organization or the PRC government as long as the organization that is given the donation is used for a public welfare undertaking.

The Implementing Regulations go on to define a “public welfare social organization” as a foundation, charitable organization, or other such social organization that satisfies the following conditions:

I. it has been registered in accordance to the law and has legal personality;
II. its purpose is to develop public welfare undertakings on a non-profit basis;
III. all of its assets and the increase in value thereof belong to the legal person;
IV. its returns and operational balance are mainly used for undertakings that are consistent with the objective for which the legal person was established;
V. after its termination, the remaining property will not vest in any individual or for-profit organization;
VI. it does not engage in any business unrelated to the objective for which it was established;
VII. it has sound financial accounting systems;

VIII. donors do not in any way participate in the distribution of the social organization’s property; and

IX. other conditions as specified by the State Council’s departments in charge of finance and tax together with the State Council’s civil affairs department and other such registration departments.\textsuperscript{142}

Although these conditions seem to stifle philanthropic giving by necessitating requirements of both the donor and donee, the list of conditions actually encourages greater transparency and accountability. These Regulations should help instill trust in the civil society sector which it currently lacks.

Insight into the political ideology that influenced the changes made to the Enterprise Income Tax Law are provided by the Minister of Finance’s speech delivered to the Tenth People’s Congress before enactment. His speech outlined the rationale for technical changes as well as the expected changes in enterprise behavior that would be brought about by the new Enterprise Income Tax Law. The Minister of Finance (MoF) stated that “encouragement of ... environmental protection and energy conservation, ... promotion of public welfare, support to disadvantaged groups, and special tax reduction and exemption for relief of natural disasters”\textsuperscript{143} were integral parts of the overall changes made to the Law. This is further proof that the behavior modification of enterprises in the PRC and increased support for the activities of philanthropic organizations through increased donations and revenue were intricately involved in the creation of this law.

**Interpretation of Tax and Donation Laws**

For these tax and donation laws to influence giving, individuals and enterprises would have to know about the benefits of the law, how to claim a deduction, know which organizations qualify for the statute and regulations for implementation, and presumes that individuals and enterprises pay taxes. If an individual or enterprise is aware of these issues, the incentives to give, as defined by these laws, are further reduced by bureaucratic institutional obstacles. To receive a tax deduction, the organization that the individual or enterprise has donated to must have ob-

\textsuperscript{142} Implementing Regulations for the PRC Enterprise Income Tax Law. (Translation provided by China Law Practice, Euromoney Institutional Investor PLC, 2008), 6.

\textsuperscript{143} Jin Renqing (Minister of Finance), explanation on the Draft Enterprise Income Tax Law of The People’s Republic of China (Delivered at the Fifth Session of the Tenth National People’s Congress on March 8, 2007).
tained approval from the MoF and the State Administration for Taxation. These information and bureaucratic obstacles have the potential to turn an incentive to giving into an impediment to giving. An example of how difficult it is for an individual to receive a tax deduction is provided by the experience of an MCA senior official that received a 500 yuan ($79 USD) deduction after two months of persistence and ten administrative steps.

To fully assess the effects of these laws it is important to know how many individuals and enterprises claim a deduction on their taxes. Such numbers are not currently available but would provide a more complete picture about how widely this tax policy influences charitable giving. Without this information - it is hard to determine how influential these laws are, and whether or not they are behavior modifiers.

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Chapter 3: Further Evidence

Transparency Survey

In 2010, the China Charity and Donation Information Center (CCDIC) conducted a survey of organizational transparency practices and individual perceptions of civil society transparency. For organizations, the results of the survey were collated to form a transparency index that rated the five categories of organizations surveyed. Based on information voluntarily given by the organizations surveyed, such as: financial and management information practices and availability (as well as thirty-seven other indicators); ‘foundations’ were found to be the most transparent, followed by ‘social groups’ (which include RCSC and China Charity Federation), and then ‘international organizations’. However, this index does not mean that organizations are transparent. It just compares the practices of one organization against the practices of another. And, what the organizations said in the survey doesn’t always match reality either. The survey found that of the 99 organizations surveyed, 1/5 of the organizations did not have a website, and 43% of organizations’ information was either outdated, or difficult to find.

To understand more about the public’s perception of how transparent organizations are, the survey report includes three important figures from the individual respondents. The first represents the responses to how satisfied the public is with civil society’s disclosure of information. Figure 5, indicates that 91% of respondents are not satisfied with the current transparency of civil society. Second, of those surveyed, more than half had donated resources, and of those, 90% had never received feedback from the organization that they gave to. Third, individuals indicated in the survey that they want to know more about civil society’s business activity (79% of respondents), financial information (73%), basic information (44%), and, internal manage-

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146 The organizations types are: foundation (基金会); private non-enterprise units (民办非企业单位); social groups (社会团体); international organizations (国际组织); and, other organizations (其他组织). CCDIC, 2010 China Transparency Report (2010年度中国慈善透明报告) (Beijing: CCDIC, 2010).

147 Foundations, were rated 2.85 on the index; social groups, 2.66; international organizations, 2.48; private non-enterprise units, 2.22; and other, 1.84. Ibid., 14.

148 Ibid., 21.
ment information (36%). These findings reiterate the point that people are giving, but are unsatisfied with the transparency of the organizations they give to. Civil society is not providing information about the use of the funds they receive and if they do have this information, it is either difficult to find, or not on the internet. This difficulty translates into one of the recommendations of the report - to create national reporting standards - so that the information (if it exists) is more accessible and transparent to the public.

The National Charity Law

Since 2008, public announcements have been made by the Ministry of Civil Affairs about the drafting of national Charity Law (Císhàn fǎ, 慈善法). In 2008 Senior officials at the MCA expressed, that the law would be passed “in no more than one or two years.” Since then, announcements have continued but no passage or promulgation have yet occurred. Media reports have acknowledged continued delays due to the “lack of practical experience of charity work.

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149 Ibid., 20.
150 Ibid., 23.
and difficulties in balancing the interests of different groups.”\textsuperscript{152} The Law has been listed on the legislative agenda of the National People’s Congress (NPC) Standing Committee but has remained in a drafting phase in the State Council Legislative Affairs Office since 2010.

Many professionals believe that the Charity Law will address many of the heretofore unaddressed or ambiguous issues surrounding giving and civil society. These issues may include: defining (and allowing) donation solicitation and collection by private foundations and other civil society organizations, defining the nature of charity organizations, standardizing the preferential tax policy, streamlining the registration process for civil society, defining the internal governance of civil society, and particularly, establishing transparency and reporting requirements for civil society organizations. However, reports indicate that many of the primary changes contained in the draft law lack consensus within the government about the overall role of civil society in the PRC.\textsuperscript{153}

Throughout 2011, announcements continued about the Law in the press. As the scandals broke throughout the year, the press published quotes and stories in support of the passage of the Law - saying that “institutional rules are needed to regulate and supervise the country’s charity operations.”\textsuperscript{154}

The continued delay in passage of a national Charity Law establishing transparency and reporting requirements (as well as other improvements) of civil society, has further deteriorated the publics’ trust in civil society. The NPC’s slow action has resulted in the MCA to promulgate their own transparency guidelines. Provincial and local governments have also acted in the fol-


In the PRC, like most other governments around the world, institutions - although working for the same government - have differing priorities and interpretations of their role in government. The competing mandates often work themselves out in policy. This is likely the case when considering the Charity Law.

The MCA was asked to draft the Charity Law and submit it to the State Council and National People’s Congress. While the MCA does have a large role in the oversight and administration of giving in the PRC, the MoF oversees changes in tax reform. The final draft of the Charity Law is likely to include changes to tax exempt status of organizations and other tax related issues.

It is likely that the MCA has a more progressive interpretation of what the Charity Law should consist of with a focus on monitoring and supporting civil society. Their draft of the law


156 For Ministry of Civil Affairs responsibilities, see: http://www.mca.gov.cn/article/zwgk/jggl/zyzz/.

157 For more information, see: http://www.mof.gov.cn/.


and the tax related issues are likely to support the increased tax preferences for civil society. Conversely, the MoF is likely to have a more traditional view of the purpose for the Charity Law, because it is responsible for the administration of fiscal policy and government macroeconomic issues. It’s interpretation would therefore be inclined towards limiting overall tax deductions because they would decrease the revenue stream for government expenditures. These and other differences in institutional behavior are likely to continue influencing giving opportunities.

**Guidelines for Transparency**

This year (2011), was a difficult year for giving and civil society. Numerous scandals were reported and publicized throughout the year which affected giving dramatically - emphasizing the connection between public perception of civil society and donation levels. During the three months after the Guo Meimei scandal donations declined by 80%. This was the best known incident, but there were many others during 2011. Issues surrounding financial over-

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161 Guo Meimei claimed that she worked at the Red Cross Society of China (she did not) on Sina Weibo (which verifies professions) where she blogged about her wealth through posts about her cars, travel and other upper-class trappings. Going viral in June 2011, the scandal resulted in public distancing and eventually apologies from the Red Cross Society of China and a closure of the commercial arm that Guo claimed to work for.


163 In April, a photograph of a restaurant receipt for a 9,859 yuan ($1,510 USD) meal hosted by the Shanghai Red Cross was posted on the web. In July, the tennis star Li Na publicly shunned the Red Cross and gave a donation directly to a recipient in her home town. Pan Yan, “Trust in charities waning,” *Global Times*, April 19, 2011, [http://china.globaltimes.cn/society/2011-04/646502.html](http://china.globaltimes.cn/society/2011-04/646502.html).
sight of civil society resources were so damaging in some places that organizations were shuttered because of public mistrust.\textsuperscript{164}

Transparency, trust and accountability were the central themes in the media and blog postings during that period of time. Most called for improved transparency and reporting requirements to restore public trust to these organizations. Repeated calls for information about the murky institutional inter-workings of the organizations in question were also made.

However, public disapproval was not directed at all civil society. It was drawn particularly at state-affiliated organizations (in this case the Red Cross Society of China\textsuperscript{165}). But, in the end, the scandals affected donations sector wide.\textsuperscript{166}

In response to the continued scandals and calls for improvements in the sector - and likely due to the lack of a national Charity Law - the MCA promulgated new Charity Donations Disclosure Guidelines (公益慈善捐助信息公开指引) on December 30\textsuperscript{th} 2011.\textsuperscript{167} These guidelines are for “all types of charitable organizations” and are intended to “enhance the transparency of information, improve the social credibility of the charity organizations, to guide the effective use of charity resources, and promote sustained and healthy development”\textsuperscript{168} of charitable giving to

\textsuperscript{164} It has been reported that a public foundation in East China will be shut down due to fraud and transparency issues. The Ningbo Anti-cancer Health Foundation is said to have lost credibility since 2007 when it raised 1.5 million yuan but gave 45 percent of its donations to an advertising company that was involved with its fundraising campaign. The local authorities have responded by banning the Foundation. See Zhang Yuchen He Dan, “Jet Li’s One Foundation goes public,” January 12, 2011, accessed January 12, 2012, http://www.cdeclips.com/en/nation/fullstory.html?id=58537.


\textsuperscript{166} Ibid.


\textsuperscript{168} Chinese text: 第一条 为增强慈善捐助信息的透明度，提高公益慈善组织的社会公信力，引导公益慈善资源的有效使用，推动慈善事业持续健康发展 (Translation provided by Google Translate).
the public. These guidelines are a step towards better transparency and reporting of donations in response to the deteriorating environment, but after-all, they are only “guidelines.”

Local Authorities Develop Transparency Regulations

Even before the scandals of 2011, local authorities recognized the need for improved transparency requirements. Provincial and city governments have developed their own standards to thwart misappropriation of civil society resources. The following examples provide an insight into the ways local authorities have moved ahead of the national PRC government on this issue.

Jiangsu Province was the first local authority to pass their own regulations in January 2010, which went into effect on May 1, 2010. Articles 14 and 15 directly address the issues of transparency by requiring the establishment of financial management and auditing, as well as requiring that annual reports be made publicly available and include: information about organization leadership (board of directors and staff), financial statements, audit reports, distribution of work funds and staff wages, and the condition and effectiveness of charitable programs.

The Henan Province Civil Affairs Office released their own regulations on October 25, 2011. The “Measures for Donation Information Openness in Henan” require civil society organizations to disclose publicly their donation information and if they do not meet these measures face closure by the authorities. The measures also require civil society organizations to respond to in-

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169 The Guidelines are “intended to guide specifications for public information of the various charity organizations and institutions, local government authorities to develop relevant policies and regulations to provide a reference text for the understanding of the community and the public, access to and supervision of charitable contributions information to provide a reference standard, thereby enhancing the transparency of the charitable contributions of information and improve the social credibility of the charity organization, and guide the effective use of charity resources, and promote sustained and healthy development of philanthropy” (Translation provided by Google Translate) The original Chinese text: 本指引旨在为各类公益慈善组织和机构公开信息提供指导性规范，为地方政府主管部门制定相关政策法规提供参考性文本，为社会和公众了解、获取和监督慈善捐助信息提供参照性标准，从而增强慈善捐助信息的透明度，提高公益慈善组织的社会公信力，引导公益慈善资源的有效使用，推动慈善事业持续健康发展。


171 Called the “Regulations on Promotion of the Public Welfare” 《江苏省慈善事业促进条例》were passed by the Jiangsu Provincial People’s Congress and are available here: [http://www.iccsl.org/pubs/JiangsuChin-engl.pdf](http://www.iccsl.org/pubs/JiangsuChin-engl.pdf).
queries by donors about the allocation of their resources - and if they do not - donors may report their inaction to Civil Affairs.

Ningxia Autonomous Region, released the “Regulations on Promoting Charity” (慈善事业促进条例) on November 1, 2011 which requires civil society organizations to report their budget to the local Civil Affairs office every six months. The Regulations also require organizations to disclose publicly a detailed annual financial and donation report that includes how resources were used (including working expenses and staff salaries) by January 30th each year.

Ningbo City passed their own “Regulations on Promoting Charity Causes” a month before Ningxia to curb popular negative perceptions of civil society. Recognizing the need to enhance the credibility of civil society organizations, the regulations require organizations to make public their fundraising activities 20 days after a fundraising campaign and submit a report to Civil Affairs “to facilitate public oversight of the whole process.”172 The organization is also required to issue donation receipts and open itself to external audits.

Guangzhou City passed similar “Regulations on Donations” (广州市募捐条例) October 26, 2011,173 requiring an annual audit “in order to enhance transparency” of civil society resource allocation. These Regulations go one step further than the previous provinces and cities however by providing an opportunity for civil society organizations to fund-raise.174 As passed, these Regulations provide the first opportunity for civil society organizations to solicit their own funds without the direct oversight of a government entity or for a brief allowance as witnessed after the Sichuan earthquake. The purposes of these fund-raising activities do come with certain limitations175 and requires that fundraising activities (the money spent to solicit funds) not exceed 20% of the annual budget.


173 The Regulations are similar to those passed by the Guangzhou People’s Congress. Ibid.

174 The ability to fund raise in Guangzhou had previously been restricted to the Red Cross and public foundations. These Regulations removed the previous limits. Ibid.

175 The limitations are: supporting the old, disabled, save the solitary, poor and needy, and disaster relief (如为扶老、助残、救孤、济困或者赈灾目的而设立的该类组织。). Ibid.
Conclusion

• “If people stop donating due to the lack of transparency of nonprofit organizations...the development of China’s modern charity will have no hope.”176 Yongguang Xu (Narada Foundation Chairman)

This paper has evaluated the two diverging perspectives of giving in the PRC. One rates the giving that occurs to a ‘charity;’ the other, includes characteristics specific to the Chinese context. It has been argued throughout this paper that rating giving in purely western terms of giving is not appropriate - even misleading. China has a long history of benevolence and charity-like organizations that continue to influence charitable behavior today. Giving is increasing dramatically and civil society is growing.

It has also been argued that a decay of trust in civil society organizations has resulted in an alarming decrease in giving. There are however solutions that can reverse this trend. Political decisions to improve the transparency and reporting requirements of these organizations could serve to bolster trust. When trust is restored, giving will increase.

This paper has also provided an overview of the social, cultural, economic and political influences on giving in the PRC. Chinese socio-cultural and religions underpinnings, and current economic climate all point towards increased growth in giving. Political decisions such as changes to tax laws, drafting a national charity law, and instituting transparency guidelines, have also generally supported the growth individual philanthropic giving and the development of civil society.

The following conclusions can be drawn:

**Individual giving is growing.** Remarkable economic growth has provided an opportunity for increased giving as incomes rise and disposable resources grow. These changes have cre-

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ated the opportunity for the burgeoning new sector of society that is increasingly providing services that the PRC government has traditionally provided.

**Individual giving is changing.** The modification and development of tax, donation and civil society laws have encouraged and incentivized individuals to give resources. Individuals are increasingly giving to civil society organizations, a shift from the historical model of giving directly between donor and donee, or to a voluntary society, or benevolence association located in an individual’s own community.

**Chinese giving is different from western giving.** Unlike giving that occurs in western countries, the majority of donations go to government departments, state-led organizations (Chinese Red Cross, China Charity Federation) and public foundations. During the Sichuan earthquake the proportion was even higher - 94% of public donations went to the government, the Red Cross Society of China, and charity federations.

**Individual philanthropic giving is at a critical juncture.** Public sentiment has shifted against giving and civil society due to repeated publicized scandals and concerns about transparency. The year 2011 has typified the public’s skepticism about the collection, use and dissemination of resources by civil society organizations. Total donations have decreased by 50% from 2010 levels and down 67% from 2008 levels.

**National transparency and reporting requirements are needed.** It has been argued throughout this paper that the PRC government has not moved fast enough on the issues that plague the growth of individual philanthropic giving. The scandals that have occurred in 2011 could have largely been avoided. Transparency and reporting requirements would help to curb future scandals and build trust in civil society. National policy needs to be enacted to improve transparency and oversight requirements, to strengthen trust in civil society, and to reduce the negative consequences of the current statutory requirements.

**Local authorities are moving ahead of the national government.** With the developments witnessed around the country, such as in Guangzhou, individuals are beginning to have oppor-

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177 Combined, 61.22% of total donations made in 2009 were received by the Ministry of Civil Affairs, China Red Cross, China Charity Federation and public foundations. *2009 Giving Summary*, Ministry of Civil Affairs, September 25, 2010.

178 See Table 3 for more detail on these calculations.
tunities to donate to civil society organizations that have not been able to solicit funds in the past. Innovative solutions, such as the NPI affiliated Shanghai United Foundation are also providing opportunities for organizations to solicit and receive resources for their operating and program expenses.

**The government needs more giving and civil society.** The PRC government is uncomfortable with the expansion of civil society, because of the potential threat to the status quo. The dilemma though, is that it also needs to decrease reliance on the state for needs that it has traditionally provided. As the PRC balances the growth of giving and civil society with heavy regulations and monitoring due to fears about subversive activities; while also addressing the needs of the people - the result will be a shift towards a greater reliance on the financial support of individuals to support the services once provided by the state.

**Unchecked giving concerns the government.** As with the concerns about the growth of civil society, unchecked and unmonitored giving has the potential to support subversive activities. Opportunities for organizations to solicit funds and for individuals to give to civil society will increase, but oversight of these funds will continue for the foreseeable future.

**Neoliberalism influences giving.** Neoliberal changes to commerce and governance have both spurred and curbed the growth of giving and civil society. The structural adjustments necessitated by neoliberal principles and changes to government revenue streams have resulted in the reduction of government programs. These changes have spurred the growth of civil society to meet the needs of individuals that were once dependent on the state for assistance. Likewise, the increasing financial and personnel needs of civil society organizations have required an increase in philanthropic resources. Individuals that have benefited from neoliberal economic changes will increasingly practice philanthropic giving to dampen the affects of inequality.

**Interest in civil society is growing.** Inequality, a growing gini coefficient, a changing society and governance shifts all contribute to a growing interest in the issues addressed by civil society. As the middle class grows and more individuals have disposable income, more individuals will have the ability to act on their Confucian social-cultural motivations for giving.
Giving is not always altruistic. Individuals give for many reasons. There are those that give because they are motivated by benevolence. There are also those that are motivated by more selfish motives. Giving sometimes serves to quell inequality, raise the profile of an individual, or play a role in business and governmental relations. In the PRC, these realities have particular peculiarities. Individual philanthropic giving is therefore not altogether altruistic.

Overall Significance of This Research

This paper provides an innovative investigation of the influences on giving and an interpretation of the underlying motivations in the PRC. This review has also provided an overview of the critical juncture in the relationship between the state and civil society in China - one that could develop into mutual assistance if adequate reforms are made to transparency and reporting requirements. It has also laid out policy recommendations for reasonable advances and opportunities for future growth.

The Limitations of This Research

The availability of accurate data is the single largest limitation of this research. Although the MCA does publish more information than might be expected, there still exists an acute lack of data about donations made to organizations that either don’t report their activities to the PRC government, or are not officially registered and also don’t report their activities. Of the over one million organizations that are believed to exist in the PRC, fewer than half are registered.\(^{179}\) Those that are not registered - it is assumed - do not report their activities and financial accounts. Additionally, the statistics that do exist are those made available by the PRC government. No non-governmental independent organization is currently tracking total donations, raising further concerns about the accuracy of the information that is published. As more information becomes available and independent organizations begin reporting on the overall flow of resources, more advanced study can occur on this topic.

The surveys that were used in this research were limited in scale and scope. The Worldview poll represents only 2,000 respondents from a country of 1.3 billion people. The Asian Barometer is a slightly larger sample size with 3,154 respondents.

Much of the information contained within this research relies heavily upon official government announcements, literature and news media reports. Relying on the press in the PRC is a limitation in its own right. Independent reports and evaluations were used in instances that they were available, but inevitably the majority of these independent reports relied on PRC news sources. This approach provides a country-wide perspective of giving, but does not provide much information about regional and local realities and advancements.

Academic resources to draw from are very limited. Literature abounds on topics of civil society which did provide a useful perspective on the overall development of the sector in the PRC, but lacked a thorough evaluation of individual philanthropic giving.

This paper has described only a slice of modern Chinese history with respect to giving culture. History - particularly in China - influences the giving that occurs today, and the laws and institutions that exist in the current context. While a thorough review of the historical factors that influence giving in the PRC today was not included, an attempt was made throughout this paper to draw the influence of history on the issues raised herein.

Application of the Findings

The findings of this paper may inform policy directions and decisions. It is this author’s opinion that with small changes to the regulatory structure in the PRC - as recommended - unprecedented giving will start to occur.

This paper could also function as a road map for navigating the nuances of Chinese culture, business practices, and government regulations that influence giving in the PRC. International foundations, NGOs and academics may use this paper to further inform their understanding of giving in China.

Future Research Directions

If the regulatory changes that are recommended in this paper become reality, individual philanthropic giving will continue to grow at a rapid pace. In the near term, this growth will first be
felt within the borders of the PRC as government begins increasing its partnership with civil society to address the social needs of the country. In the long term, this growth will be felt around the world. Already, Chinese civil society organizations are looking beyond their own borders to provide aid to victims of natural disasters.\textsuperscript{180} As this trend becomes more common, Chinese giving will start to have a great influence on the shape, form and character of international disaster relief. This trend will undoubtedly continue into other international concerns such as poverty alleviation, environmental issues, and other international aid issues and will influence the direction of future work in these areas.

The following are other areas that are suggested research directions:

- Conduct a quantitative study to better understand the questions: How many Chinese know that their charitable giving qualifies for a tax deduction?

- Develop a case study that evaluates these two hypotheses: If transparency and donation reporting requirements of organizations receiving donations are improved, then trust in these organizations and individual philanthropic giving will increase. If improvements are not made to increase transparency and reporting, then philanthropic giving and trust will deteriorate.

- Complete a comparative analysis of giving and philanthropy in East Asia.

Bibliography


PRC. “Individual Income Tax Law.” Article 6, Section 6.


_____.”Enterprise Income Tax Law.” Article 9.

January 9, 2012.


Yan, Zhai. “‘512’ Sichuan dizhen NGO zhenzai diaocha baogao” (Investigative Report on NGO Disaster Relief in the “512” Sichuan Earthquake), Zhiyuande liliang 4 (The Power of Volunteering), (2008).


## Appendix

### Table 2: Total donations (1999-2011): recorded by Ministry of Civil Affairs

All figures are Billion Chinese Renminbi.

<table>
<thead>
<tr>
<th>Year</th>
<th>Donations</th>
<th>Sichuan earthquake relief</th>
<th>Total Donations</th>
<th>Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>0.2</td>
<td></td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>0.39</td>
<td></td>
<td>0.39</td>
<td>95%</td>
</tr>
<tr>
<td>2001</td>
<td>0.23</td>
<td></td>
<td>0.23</td>
<td>-41%</td>
</tr>
<tr>
<td>2002</td>
<td>0.79</td>
<td></td>
<td>0.79</td>
<td>243%</td>
</tr>
<tr>
<td>2003</td>
<td>1.19</td>
<td></td>
<td>1.19</td>
<td>51%</td>
</tr>
<tr>
<td>2004</td>
<td>1.69</td>
<td></td>
<td>1.69</td>
<td>42%</td>
</tr>
<tr>
<td>2005</td>
<td>3.1</td>
<td></td>
<td>3.1</td>
<td>83%</td>
</tr>
<tr>
<td>2006</td>
<td>10</td>
<td></td>
<td>10</td>
<td>223%</td>
</tr>
<tr>
<td>2007</td>
<td>30.9</td>
<td></td>
<td>30.9</td>
<td>209%</td>
</tr>
<tr>
<td>2008</td>
<td>31</td>
<td>76</td>
<td>107</td>
<td>246%</td>
</tr>
<tr>
<td>2009</td>
<td>33.2</td>
<td></td>
<td>33.2</td>
<td>-69%</td>
</tr>
<tr>
<td>2010</td>
<td>70</td>
<td></td>
<td>70</td>
<td>111%</td>
</tr>
<tr>
<td>2011</td>
<td>35</td>
<td></td>
<td>35</td>
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</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>293.69</td>
<td></td>
</tr>
</tbody>
</table>

Data source: Ministry of Civil Affairs reports and websites. Information available here: http://cws.mca.gov.cn/.
<table>
<thead>
<tr>
<th>Type of organization</th>
<th>Amount received (¥100 million)</th>
<th>Proportion (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Departments of Civil Affairs</td>
<td>209.38</td>
<td>32.1</td>
</tr>
<tr>
<td>Other central functional departments of government</td>
<td>44.65</td>
<td>6.8</td>
</tr>
<tr>
<td>Other local functional departments of government</td>
<td>28</td>
<td>4.3</td>
</tr>
<tr>
<td>Special party dues</td>
<td>97.3</td>
<td>14.9</td>
</tr>
<tr>
<td>Red Cross Society of all levels</td>
<td>138</td>
<td>21.1</td>
</tr>
<tr>
<td>Charity Federation of all levels</td>
<td>96.53</td>
<td>14.8</td>
</tr>
<tr>
<td>National public fund-raising foundations</td>
<td>10.64</td>
<td>1.6</td>
</tr>
<tr>
<td>Local public fund-raising foundations</td>
<td>28</td>
<td>4.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>652.5</strong></td>
<td><strong>100</strong></td>
</tr>
<tr>
<td><strong>Total: Government, the Red Cross Society of China, and charity federations</strong></td>
<td><strong>613.86</strong></td>
<td><strong>94</strong></td>
</tr>
</tbody>
</table>

Data sources: China Charity Information Center, “Donation for 5.12 Earthquake Disaster Relief Sets Record”, China Philanthropy Times (special issue of All-China Charity Conference), December 12, 2008. Information collected by Shawn Shieh and Guosheng Deng, adapted by permission.
<table>
<thead>
<tr>
<th>Trust in NGOs</th>
<th>Total</th>
<th>None at all</th>
<th>Not Very Much Trust</th>
<th>Quite a Lot of Trust</th>
<th>A Great Deal of Trust</th>
<th>Do not understand the question</th>
<th>Can’t choose</th>
<th>Decline to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>5098 (100%)</td>
<td>1182 (100%)</td>
<td>995 (100%)</td>
<td>341 (100%)</td>
<td>1419 (100%)</td>
<td>74 (100%)</td>
<td>588 (100%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>11.60%</td>
<td>49.10%</td>
<td>14.10%</td>
<td>9.00%</td>
<td>7.90%</td>
<td>9.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9.40%</td>
<td>52.30%</td>
<td>14.40%</td>
<td>12.30%</td>
<td>9.00%</td>
<td>5.70%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>12.30%</td>
<td>57.50%</td>
<td>7.40%</td>
<td>9.00%</td>
<td>7.90%</td>
<td>17.30%</td>
</tr>
<tr>
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<td></td>
<td></td>
<td>9.00%</td>
<td>53.00%</td>
<td>14.20%</td>
<td>11.20%</td>
<td>14.50%</td>
<td>3.00%</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>7.90%</td>
<td>67.40%</td>
<td>11.20%</td>
<td>14.20%</td>
<td>11.20%</td>
<td>14.80%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5.70%</td>
<td>62.90%</td>
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<td></td>
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<td>17.30%</td>
<td>79.80%</td>
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<td>3.30%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>4.20%</td>
<td>30.60%</td>
<td>-</td>
<td>-</td>
<td>17.30%</td>
<td>7.20%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>5098 (100%)</td>
<td>1182 (100%)</td>
<td>995 (100%)</td>
<td>341 (100%)</td>
<td>1419 (100%)</td>
<td>74 (100%)</td>
</tr>
</tbody>
</table>
| Source: Asian Barometer Survey, Department of Political Science, National Taiwan University (Taiwan: 2008), by permission.
Table 5: Trust in NGO’s by Religion (2008)

<table>
<thead>
<tr>
<th>Trust in NGOs</th>
<th>Total</th>
<th>Roman Catholic</th>
<th>Protestant</th>
<th>Islam</th>
<th>Buddhist</th>
<th>Taoism</th>
<th>Other</th>
<th>None</th>
<th>Decline to answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>None at all</td>
<td>8.30%</td>
<td>11.10%</td>
<td>5.40%</td>
<td>23.30%</td>
<td>11.00%</td>
<td>5.20%</td>
<td>12.70%</td>
<td>7.90%</td>
<td>6.70%</td>
</tr>
<tr>
<td>Not Very Much Trust</td>
<td>45.70%</td>
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<td>40.00%</td>
<td>54.30%</td>
<td>44.10%</td>
<td>31.00%</td>
<td>33.50%</td>
<td>47.10%</td>
<td>20.60%</td>
</tr>
<tr>
<td>Quite a Lot of Trust</td>
<td>14.50%</td>
<td>5.80%</td>
<td>21.10%</td>
<td>11.60%</td>
<td>13.10%</td>
<td>2.90%</td>
<td>6.80%</td>
<td>15.00%</td>
<td>8.10%</td>
</tr>
<tr>
<td>A Great Deal of Trust</td>
<td>7.20%</td>
<td>4.50%</td>
<td>7.00%</td>
<td>5.50%</td>
<td>8.20%</td>
<td>-</td>
<td>11.50%</td>
<td>7.20%</td>
<td>7.80%</td>
</tr>
<tr>
<td>Do not understand the question</td>
<td>3.10%</td>
<td>9.30%</td>
<td>8.20%</td>
<td>-</td>
<td>2.10%</td>
<td>4.80%</td>
<td>1.70%</td>
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<td>2.40%</td>
</tr>
<tr>
<td>Can’t choose</td>
<td>18.10%</td>
<td>14.20%</td>
<td>13.70%</td>
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<td>19.60%</td>
<td>52.70%</td>
<td>33.90%</td>
<td>17.00%</td>
<td>40.10%</td>
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<tr>
<td>Decline to answer</td>
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<td>-</td>
<td>4.50%</td>
<td>-</td>
<td>1.90%</td>
<td>3.50%</td>
<td>-</td>
<td>2.80%</td>
<td>14.30%</td>
</tr>
<tr>
<td>Total</td>
<td>5098</td>
<td>13 (100%)</td>
<td>128 (100%)</td>
<td>24 (100%)</td>
<td>625 (100%)</td>
<td>54 (100%)</td>
<td>16 (100%)</td>
<td>4119 (100%)</td>
<td>119 (100%)</td>
</tr>
</tbody>
</table>

Source: Asian Barometer Survey, Department of Political Science, National Taiwan University (Taiwan: 2008), by permission.