ABSTRACT. Guanxi involves interpersonal obligations, which may conflict with other obligations people have that are based on general or abstract moral considerations. In the West, the latter have been widely accepted as the general source of obligations, which is perhaps tied to social changes associated with the rise of capitalism. Recently, Western ethicists have started to reconsider the extent to which personal relationships may form a distinct basis for obligation. In administration and management, salient bases for decision-making include deontological, consequentialist and personalist ethics. The first may be reflected in a bureaucratic approach, the second in a price system, and the third in arrangements like guanxi. Each has positive and negative aspects, but problems arise when they lead to conflicting obligations, as may occur for an office holder who has some obligations based in deontological considerations and others based in personal relationships. This is a type of conflict of interest. Such conflicts have been considered in the West, and remedies proposed. Problems arise especially in cases where it is not clear how to prioritise different obligations, and this has been noted as a difficulty in the Chinese legal system. Questions that need to be answered include not only questions about how to deal with conflicting obligations, but also questions about what institutions to accept as giving rise to obligations. Institutions themselves may be problematic not only because of their consequences for economic productivity, but because they are internally incoherent, and this may be manifested in frequent conflicts faced by office holders.

KEY WORDS: conflict of interest, guanxi, institutions, lawyers’ ethics, personalism, professional ethics, role obligations

Over the past few years there has been an increasing literature on the Chinese concept of guanxi, sometimes translated as “relation”, sometimes as “backdoor connections” (DeFrancis, 1997: 211). Guanxi has been considered from a number of directions, including some increasingly detailed discussions from an ethical perspective (e.g. Dunfee and Warren, 2001; Leung and Wong, 2001; Provis, 2004; Tan and Snell, 2002).

The literature is beset by controversy over the exact nature of guanxi, and over the extent to which guanxi differs from what can be found in other communities by way of networking, social capital and gift economies (Gold et al., 2002a). In some ways, at least, the idea seems to resemble some other culture-specific concepts like the Russian blat (Gold et al., 2002a: 14). This paper is oriented not toward resolution of these issues, but toward Western phenomena that raise some similar ethical questions. The specific aim is to consider whether our ethical approach to guanxi can be further developed by recent discussions about ethics and conflicts of interest. To pursue that aim, it will be necessary to consider some general questions about different approaches to ethical issues, both in China and the West.

Particular versus general obligations

The idea of guanxi is a vague one, but there seems to be reasonable agreement that guanxi at least goes beyond simple reciprocal exchange of favours: it does not generally seem to be associated with “fee-for-service” bribery (Xin and Pearce,
1994: 164). Luo outlines a series of differences between corruption and guanxi (Luo, 2000: 199–202), even though he also suggests that guanxi can be used as a basis for corrupt behaviour (Luo, 2000: 55). In general, guanxi involves long-term personal relationships with some element of interpersonal commitment and affect. However, the fact that guanxi revolves around continuing relationships between individuals can make some other ethical concerns such as nepotism more salient (Yeung and Tung, 1996: 57). Concern for another with whom one has a relationship may manifest itself through favours of various sorts, from protecting or promoting the individual in an organisation, to providing information that allows insider trading.

That guanxi involves personal relationships seems to be true as a matter of definition, but what also seems true is that guanxi generally involves obligations as one aspect of those relationships. Often, it may also involve some interwoven element of sympathy or emotional attachment. Thus, in her biography, Wang Ling gives an account of an incident in which her fiancé is disappointed at her refusal to use her position as a judge in the Nanchang Railway Transport Court to help one of his family: “He scolded me, saying that I didn’t understand his love, that I owed him so much yet would not repay him” (Wang, 2002: 154). Nevertheless, it seems as though obligation is more fundamental to guanxi than the element of emotional attachment (Kipnis, 2002).

If guanxi does indeed involve obligations between persons, a prominent ethical question then is how these obligations are related to other ethical and moral commitments people have. Looking at the sort of case described by Wang Ling, the issues seem to revolve around the extent to which obligations are grounded in general or abstract moral considerations, versus the extent to which they are grounded in concrete personal or social relationships. We might feel that as a matter of ethics it is clear that a judge ought to not use her position to assist a friend or a family member, but if we accept that she has an obligation to her fiancé, as well as an obligation to act in accordance with the abstract moral requirements that apply to her position as a judge, the question is how to articulate the considerations that make us say the latter ought to prevail.

This tension between obligation based on personal relations and other obligations based on more abstract or general relations is a theme identified by a number of writers about China and about guanxi (see e.g. Fan, 2002; Jones, 1994). Literature about guanxi refers to the social changes that China has been undergoing, to explain the past and to suggest likely future directions (see e.g. Dunfee and Warren, 2001; Fan, 2002; Gold et al., 2002b; Standifird and Marshall, 2000; Xin and Pearce, 1994).

Weber identified “personalism” as characteristic of past Chinese society, saying that “hitherto in China no sense of obligation has existed toward impersonal communities, be they of political, ideological, or any other nature” (Weber, 1951: 209). He contrasted this with the Occident, and elsewhere he emphasised the extent to which Western capitalism had been associated with the development of “rational structures of law and administration” (Weber, 1930: 25). However, there are continuing debates about the extent and significance of differences between China and the West in those respects, as there are also in regard to the uniqueness of guanxi (cf. Guthrie, 2002).

At the same time as capitalism was growing, in a context of developing rational legal structures, Hirschman has suggested that there was a move toward making and evaluating decisions on the basis of individuals’ “interests”, conceived in distinction from their “passions” (Hirschman, 1977). While Hirschman comments on differences between Weber’s story of capitalist development and his own (Hirschman, 1977: 128–131), they share an understanding of a period of change in Europe when the basis for action was moving toward more rational calculation. If we accept Hirschman’s account of a growing emphasis on the idea of interests as a basis for such calculation, we may expect the idea of a “conflict of interest” to arise as such conflicts pose a problem for such rational calculation.

Below, we shall come further to the idea of a conflict of interest in contexts where guanxi creates interpersonal obligations, but here we may also note that writers on Western feudalism have emphasised the extent to which it, too, revolved around networks of personal relationships (Bloch, 1965). Weber’s focus on the association between capitalism and the development of formal legal structures overlaps to some extent with the view presented by Marx and