

Copied goods and the informal economy in Brazil and China

Outlining a comparison of development models

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Abstract

Since the 1980s, China and Brazil became increasingly interconnected, based largely on the production, distribution and consumption of cheap Chinese products. These countries have different cultural and historical attitudes to copied goods and non-regulated economic activities. However, over the last decade the dominant nations of the world system have been strengthening enforcement against piracy. This means that China and Brazil are now supposed to deal with the so-called piracy and their marketplaces. Based on ethnographical research of the commodity chain from China to Brazil from 1999 to 2009, this paper argues that Brazil and China react in different ways to the repression of piracy imposed by major international actors. Despite the fact that the informal economy and the market for copies play an important role in both countries, the Chinese state views such activities as drivers of its development, while the Brazilian state interprets them as obstacles.

Keywords: China; Brazil; counterfeits; informal economy

Resumo

Desde os anos 1980, a China e o Brasil, através dos fluxos da globalização popular, passaram a se conectar como nenhum outro momento da história, criando uma cadeia global de mercadorias baseada na produção, distribuição e consumo de produtos chineses baratos. Esta cadeia uniu países com diferentes noções culturais e históricas sobre o mercado de cópias e sobre atividades econômicas não regulamentadas. No entanto, a última década é caracterizada pelo fortalecimento da repressão contra a pirataria, que é imposta

de forma homogênea de cima para baixo pelas nações dominantes do sistema mundial. Consequentemente, a China e o Brasil são pressinados a combater a chamada pirataria e seus mercados de distribuição. Com base em uma etnografia que seguiu por uma década uma cadeia completa de commodities da China ao Brasil (1999-2009) este artigo argumenta que estes países reagem de diferentes maneiras às políticas impostas pelos principais atores internacionais. Apesar do fato de que a economia informal e o mercado de cópias desempenham um papel importante em ambos os países, o estado chinês encara atividades tais como condutores de seu desenvolvimento, enquanto Estado brasileiro interpreta-os como obstáculos.

Palavras-chave: China; Brasil, pirataria, economia informal

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Since the 1980s, China and Brazil, have become increasingly interconnected through flows of *globalization from below* (Ribeiro 2010). A global commodity chain has come into being based on the production, distribution and consumption of cheap Chinese products, which are made under a labor-intensive regime and whose sale is partially regulated by the different States involved.

The contact made possible through the formation of this chain resulted in the emergence of a process not only of a flow of goods, people and information, but also of friction, since the legitimacy of this market is not unambiguously accepted. In the end, the definitions of piracy, counterfeiting, copying, smuggling, contraband and informal work are not universal, and are subject to modifications according to the historical, economic, political and cultural contexts of each nation-state.

China and Brazil have developed distinct public discourses in regards to certain economic practices. This issue is clearly apparent when the China-Brazil chain is observed from a longitudinal perspective, since the market for cheap Chinese goods has linked up countries with differing moral and legal views in relation to the informal economy, distinct tolerance levels concerning the production of copies and diverse views about intellectual property rights. These disparities have led to conflicts of interest and points of view that arise in light of the international transit of particular goods.

1 This paper was originally presented at American Anthropological Association Meeting, in 2011, in the panel Challenges of Brazilian Anthropology: a Global view. I thank Bela Feldman-Bianco for the organization of the panel and Cristiana Bastos and the colleagues for the comments. I am also grateful to Peter Fry and to two referees who have read this paper and contributed decisively to the final version.

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This article then, aims to explain the formation of a *global commodity chain from below* which united China and Brazil in the 1980s in order to (1) understand how the notion of copies and informal economy are conceived by the Chinese and Brazilian States; and, (2), to observe how such conceptions are representative of the development models of both countries.

I reach the conclusion that the production of copies, the maintenance of informal work and the personal ties maintained between state agents and the market are perceived in almost diametrically opposing ways by these two countries: Chinese state views such activities as drivers of its development, while Brazilian state interprets them as obstacles.

However, the complexity of this argument is that, despite these different conceptions, the economic and cultural realities of these two countries are quite similar in terms of the role that the non-regulated trade of copies has played in both societies. Besides the structural economic importance of this market, other similarities can be observed, from an anthropological point of view, about the ways it operates in the sphere of everyday life, especially since, in both China and Brazil, a good part of this chain is bolstered by the strength of personal ties.

In this situation characterized by similar economic practices, but distinct understandings of them, Brazilian anthropology is presented with certain challenges. In looking at the Chinese situation, we realize that some conceptual frameworks – such as ideas about informal, illegal and illicit economies – are not always adequate since they were built upon a western dualistic construct, which presupposes that economic practices must be purely formal and controlled according to economic interests.

In this sense, to analyze one part of China's economy from the perspective of informality and piracy, is not only potentially reductionist, but perhaps Orientalist - in a 'Brazilian style' - imposing Western categories on another reality, ignoring the historical and cultural complexity of the phenomenon, which, I argue, cannot be expressed through purely dualistic concepts, such as legal and illegal, formal and informal, licit and illicit. Apart from that, it is important to point out that these categories do not even account for the Brazilian reality, in that they are inspired by the ideals of an impersonal and rational market, which, although incorporated into Brazilian ideological understandings, never took into account the many manifestations of low-budget markets within the country itself. Brazilian economic practices themselves

have been shown to be contrary to the notions of a rational, bureaucratic and impersonal market.

My research sought to follow a global commodity chain from start to finish: from a factory in China to low-budget markets in Brazil. The trajectory of the research, however, started in the reverse direction. From 1999 to 2003, I studied the street vendor marketplace in the city of Porto Alegre. Afterwards, during 2004 and 2005, I visited and lived in the vicinity of the Brazil-Paraguay border, which constitutes a redistribution center for the flow of Chinese goods to Brazil. Lastly, between 2006 and 2007 I conducted fieldwork for eight months, in factories and distribution centers for copies and other cheap goods in the city of Shenzhen, Special Economic Zone of China. From 2009, I have returned to my field site in Porto Alegre in order to follow the changes that have taken place over the decade of my research.

The paper is divided into two parts. It begins with an analysis of the historical formation of the global commodity chain that links China to Brazil, providing an understanding of the basis upon which the conceptions of certain economic practices were built. Following that, it examines Brazilian and Chinese realities, introducing some elements from my ethnographic research in these countries in order to show how similar practices are valued differently in the two countries.

A global commodity chain from below: old roots, new policies

The market for cheap Chinese products has connected China and Brazil, via Paraguay, through international trade routes that were established in the 1980s. Since then, as at no other time in their history, the two countries have become closely interconnected.

In order to understand this process I will adopt here the concept of *global commodity chain from below*, joining the contemporary studies of global commodity chains (Bestor 2000, 2001; Foster 2005; Freidberg 2004; Geriffi 1999; Hansen 2002; Hughes 2001; Ziegler 2007; etc.) with Ribeiro's theory about non-hegemonic globalization from below. As Bestor points out:

The structure of a commodity chain—the links, stages, phases, and hands through which a product passes as it is transformed, combined, fabricated, and distributed between ultimate producers and ultimate consumers—is a

highly fragmentary and idiosyncratic social formation, itself the product of the often minutely calibrated linkages, the provisioning relationships, that exist between every pair of hands along the way (2001: 80).

Theoretically and methodologically, this approach follows the social life of a given commodity (Appadurai 2006), such as its design, production, promoting, distribution, sale and, finally, its consumption (Gereffi 1999). As an anthropologist, I have been interested in understanding the human side of economic exchanges, observing how large-scale processes may be comprehended by social agents in their daily lives.

The singularity of the chain I study is that the actors, commodities and practices need to involve “techniques of illegality” (Pinheiro-Machado 2011), in other words, their economic activities are only partially regulated by States. In this way, as an alternative to the notion of “informal economy” Ribeiro proposes the concept of non-hegemonic globalization from below

because their activities defy the economic establishment everywhere on the local, regional, national, international and transnational levels. Consequently, they are portrayed as a threat to the establishment and feel the power of political and economic elites who wish to control them. The attitudes states and corporations hold towards them are highly revealing. Most of the time such activities are treated as police matters, as the focus of elaborate repressive action (2006: 19).

Classifying the market I study as a *global commodity chain from below* I aim to point out not only that I observe many parts of a singular productive process, but also that I avoid as much as possible dualist classifications such as formal/informal, legal/illegal, economy/non-economy, market/state and so on. *From below* is not related to social classes of the actors involved in the chain (even despite the fact that many of them are recruited by low-income sectors, especially in Brazil), but is an alternative way of conceiving a market which is not completely aligned with the principles of the major international organizations of the world system.

Historical roots that united Brazil and China

Although this chain has been formed recently, its genesis dates way back. In China, from 1700 to 1845, the so-called Canton System – through the unique

waterways of the Pearl River Delta in Guangdong Province – drove one of the largest and most dynamic port regions in the world, characterized by foreign trade of opium, ceramics and silver. The abundance of ports in the region resulted not only in the outflow of goods, but also of people. Although there was an immense effort on the part of the Qing Empire to regulate this market, contraband and other practices that were not controlled and planned by the government played a powerful role in the economy of that period, opening new markets and port areas (Dyke 2005; Sahlins 2004).

According to Dikotter (2007), China also began to specialize in the mass production of goods by copying foreign products – such as English watches, for example – which aroused fascination among the Chinese in the late nineteenth and early twentieth centuries. In that period, these products were already being made on the basis of a labor-intensive model, popularizing consumer goods not only in China, but in different countries within the range of the Canton System. The production of these copies was not considered an illegal or marginal activity, but rather an extremely important facet of the economy, not only because it played a role in import substitution and the expansion of domestic industry, but also because the culturally-constructed connotation in relation to copying and imitation held a positive value, as compared to that in the West today.

In the twentieth century, the Canton System and the system for producing copies and other mass consumption products came to an end. During the time China was closed off to the world during the Maoist years, the world capitalist system expanded to Asian countries, transferring factories and technology to countries such as Japan in the 1950s and 60s, and Hong Kong, South Korea and Taiwan in the 1970s and 80s, in exchange for cheap labor (Gereffi 1999).

In 1957, the island of Taiwan, opposed to Mao's revolution, signed diplomatic agreements with Paraguay, which recognized the island as a sovereign country for pragmatic reasons. These agreements primarily served to facilitate migration. The opening of the Friendship Bridge in 1975 – connecting the Brazilian city of Foz do Iguaçu with Ciudad del Este in Paraguay – constituted a milestone in attracting traders, since there was an open thoroughfare right at the international border. In light of this promising opportunity, the city received a heavy influx of people from Taiwan, which was at its peak in producing goods whose prices were based on a labor-intensive and cheap workforce.

Thus, together with immigrants from other nationalities, one of the world's largest commercial centers was formed in the 1970s for small goods, copies and trinkets, initially under the "Made in Taiwan" label.

In the early 1980s, the Chinese government began to implement reforms arising from economic liberalization, restoring ties with Taiwan. The focus of development was placed on maximizing the old mercantile attributes of the Pearl River Delta and Canton System. Zones, cities and entire coastal areas were opened up, which came to be considered special for production and export. Local industry was encouraged, which rekindled its know-how, especially in the production of copies and household gadgets. Following the model of Japan, Hong Kong and Taiwan, cheap prices were the result of a mass production model, based on intensive and non-regulated labor practices, put forth as an alternative for remedying poverty in the countryside.

Under this scenario, millions of Chinese went to Guangdong during the economic reform, especially from rural areas, while many Cantonese emigrated from the country, forming one of the most recent waves of the Chinese Diaspora, for the purpose of marketing, worldwide, everything that their country started producing in abundance: copies, trinkets and other products that were marketed for unbeatable prices. Within this context, from the 1980s on, many Cantonese went to Ciudad del Este, Paraguay, and joined up with the Taiwanese, forming a Chinese community specialized in selling cheap Chinese goods, thus furnishing mass goods for much of South America. "Made in Taiwan" gave way to "Made in China".

In the 1980s and 90s, this border trade provided employment opportunities for hundreds of thousands of people in Brazil during the restructuring of the Brazilian democracy and, subsequently, the economic opening of the country. "Made in China" markets multiplied throughout the country, at which time vendors began to make weekly trips to get the latest items that were arriving in the country. Commonplace goods, electronics, cosmetics, ornaments, replicas etc. were available for the first time at affordable prices for different social groups, especially the middle and lower classes.

The rise of "Made in China" goods caused a great change in low-budget Brazilian markets. Until then, street vendors in the large cities sold odds and ends, crafts, fruit and fish. The genesis of these markets is rooted in the rural exodus of freed slaves, tenant farmers and other underprivileged groups in the country (Kovarick 1975, 2001; Oliveira 2003, Pesavento 1991, 1992; Silva

1971). However, this economic activity, although essential for that part of the population which didn't have their slice of the pie in terms of national wealth, has always been classified as something of an excrescence in relation to the country's mainstream development and, therefore, as a target for modernizing and hygienist policies. "Made in China" goods caused markets to take on unprecedented proportions in the urban fabric of large cities, and changed their nature: from local odds and ends to global manufactures.

In downtown Porto Alegre, in particular, street vendors began to sell "Made in China" merchandise as of the 1980s, going weekly to Paraguay to stock up in the Chinese stores. Until 2009, there was a street vendor marketplace in the center of the city with around 500 authorized sellers. This market was surrounded by another market, which involved hundreds and even thousands of non-authorized street vendors in the vicinity of the main marketplace. In 2009, a shopping mall was built by the state in order to 'organize the chaos' – as this market was generally designated by the local media (Pinheiro-Machado 2003) -, where authorized and not-authorized traders were welcome. Actually this policy is not an isolated and local case but rather a response to the new world scenarios of the 21st century.

China and Brazil post-TRIPS Era

The 21st Century is characterized by major global transformations that demonstrate a more balanced power structure in the international system. This is the result of the performance of emerging nations such as China and Brazil, which are the 2nd and the 6th largest world economies, respectively, and together are part of the BRICS group. In 1995 and 2001, respectively, Brazil and China became World Trade Organization (WTO) members and signatories of the Trade-Related Aspects of Intellectual Property Rights (TRIPS) Agreement. The post-TRIPS era is characterized by a restructuring of the world market, strengthening the force of hegemonic nations over developing countries' domestic markets.

Brazil, fearing it would suffer sanctions from the dominant economic system and seeking to position itself as an emerging country in the international arena, took firm action against 'informality', 'piracy', 'contraband and

smuggling' in the 2000s. After having been put onto the 'priority watch list'³ of the Special 301 Report⁴ prepared by **the** United State Trade Representative (USTR), the Brazilian government began investing millions in the repression of piracy. Discussions about the criminal nature of "Made in China" markets reigned in the media and all activities involved in this chain came to be seen as illegal and unlawful.

Since 2003, Brazilian government actions have sought to combat this trade, by eliminating the structure of the border trade (Pinheiro-Machado 2011). The National Council for Combating Piracy (Conselho Nacional de Combate à Pirataria) was created in the Ministry of Justice and had by 2011 elaborated 99 actions against piracy (MPEE 2011)⁵. In Porto Alegre, as already mentioned, the street market was moved to a low-budget shopping mall in an attempt to regularize and control the economic practices of street vendors, who are now encouraged to operate as shop owners and formal entrepreneurs (Pinheiro-Machado 2011; Scalco 2010). All these efforts were recognized by USTR, and Brazil left the Priority Watch List (MPEE 2011)⁶. In 2012, being congratulated by Ron Kirk, leader of USTR.

In China the repression of so-called piracy and associated marketplaces is more recent than in Brazil. China joined the WTO in 2003, 08 years after Brazil. According to a USTR Report, China has been on the priority watch list for eight years and subject to a special monitoring program under Section 306 of U.S. trade law since the late 1990s. The Chinese Vice-Minister of Commerce Chong Quan reacted to this, announcing that "developed countries should help developing countries in dealing with the challenges posed by Intellectual Property Rights (IPR) protection, rather adopting a critical and punitive approach"⁷.

3 This list put Brazil as a country which deserved to be watched and therefore was not a favorite partner in the circuit of The Generalized System of Preferences, GSP.

4 Under Section 301 of the amended Trade Act of 1974 the USTR must by April 30th of each year: «identify (1) those foreign countries that (A) deny adequate and effective protection of intellectual property rights, or (B) deny fair and equitable markets access to United States persons that rely upon intellectual property protection, and (2) those foreign countries identified under paragraph (1) that are determined by the Trade Representative to be priority foreign countries»

5 Media Piracy In Emerging Countries, 2010. Available at <http://piracy.ssrc.org/>

6 Media Piracy In Emerging Countries, 2010. Available at <http://piracy.ssrc.org/>

7 Source: China.org.cn May 2012

Compared to Brazil, the Chinese efforts to leave the list are less persistent. Some raids of tourists' marketplaces have been promoted by police, especially in the main cities such as the Silk Market in Beijing⁸, and others in Shanghai. In 2008 there was an increase in law enforcement during the Olympic Games. Official agencies note that government has been promoting advertising campaigns against piracy, and raids in the key marketplaces where the goods are sold. However, the production of copies remains almost untouched, and the imitation industry continues to thrive. The feeble efforts against piracy in China are directly related to two interdependent facts. First, this industry provides resources for the fast growth of national export-driven economy. Second, following Alford's arguments (1995), the notion of IPR is a recent fact in Chinese history, having been strengthened in the post-Mao era.

Pressure from the United States and other global players obliged both China and Brazil to abide by a series of guidelines on combating the trade of counterfeited goods. However, the degree of adherence to the TRIPS agreement and USTR Special 301 is not uniform, and inspections run up against deeply engrained national concepts regarding the role of copies and informal economy. As Vann (2006: 289) points out "although there is now arguably a "global" set of IPR standards to which most market-oriented countries are held, their development has not followed a linear, 'progressive' path toward homogenization". I argue that Brazil and China diverge in their development strategies. The global commodity chain from below which I studied, now occupies a central role in the development model of both countries - as an enemy or an ally. It does not signify the demise of the global commodity chain that unites Brazil and China from below, but rather a broad process of adaptation, restructuring and changes in flows.

Copies and informal economy supported by personal ties: similar practices, opposing values

Throughout the chain, personal ties take on different nuances, depending on the legitimacy of non-regulated or non-accepted activities. In China, personal ties appear to be *in favor* of the State, whereas in Brazil, on the contrary, they are deemed to work *against* the State. The traditional system of the exchange

8 See: http://news.xinhuanet.com/english/china/2011-12/23/c_122476155.htm

of *favors* among the powerful and their distribution from the powerful to the weak in exchange for loyalty, are now being redefined negatively as corruption and nepotism.

China: informal economy as development

In general terms, non-state-regulated activities have played an important role in the history of the country, especially opium smuggling and the maritime piracy of the Canton System, even though control over commercial activities had always been centralized in the hands of the imperial court. The State attempted to stop these activities especially when it lost control of domestic trade during the period preceding the opium war (Bello 2003).

In China, according to Dikotter (2007), imitation did not have a negative meaning. The market for copies, in turn – which in the West today is called piracy – has a strong historical link with the Chinese government, being considered a source of development of the arts and the economy.

It can be argued that since the Han Dynasty up until the present, copies have played an important role in the national scheme of things, just as culturally, the Chinese notion of intellectual property and copyright are quite singular: copying represents an avenue for learning, and being copied confers prestige. According to Confucian thoughts, to imitate is the way to apprehend tradition and benevolence. The old models must be incorporated and learnt from a source of authority, as well as transmitted by rituals that venerated the past (Granet 2004; Xia 2000). Thus, laws are useless when compared to past influences (Alford 1995). Along China's history, the subjective incorporation of rules was associated with a fragile legal system. Wherever humanity is benevolent, as Confucius suggests, laws are unnecessary. Acting according to correct models of human action (Starr 2010) is the norm, since good models are clearer than laws. In this way, some Chinese scholars have argued so far that norms as introspective and unconscious, therefore, written laws are not efficient (Qi 2005; Xia 2000).

Throughout Chinese history countless paradigmatic events demonstrate the importance of copies for State and its absence of IPR. For example, during the Song Era (618-907), the Emperor Huizong obligated civil servants to copy his own paintings, setting up a formal academy of arts (Gascoigne 2010). In the second half of nineteenth century, government promoted a vast

campaign for strengthening of national industry, strongly supporting the mass production of copies of European manufactures (Dikotter 2007).

When China opened up to the world in 1979, it fomented certain economic activities, deemed capable of rapidly developing the country: production of copies, mass production and labor-intensive methods – all of which, to some extent, was a shock to the Western world. “Making money”, on the basis of the new national idea dictated by Deng Xiaoping, that “to get rich is glorious”, became the emblem of an entrepreneurial lifestyle. According to my entrepreneur informants, there was a tacit social agreement that it was necessary first to grow and create jobs after which working conditions and the quality of domestic industry could be improved.

Thousands of factories, so-called sweatshops, were opened especially in the province of Guangdong. The vast majority adopted the same work system: minimum wage, dorm rooms and meals for employees in exchange for almost non-stop work behind machines that copied pre-established models. Jobs were created in factories, and a floating population of approximately 200 million migrants from the countryside filled the positions offered (Harvey 2008; Li Zhang 2001; Pun 2003, 2005; Solinger 1999). The major media in European countries⁹ and United States¹⁰ depicted this process with unease and even repudiation, denouncing the violation of human rights, human exploitation, and the excess of informal activities used in this process for spurring on domestic industry, as well as the illegal and criminal nature of the goods produced.

What I found during my fieldwork in Shenzhen, however, were very different perspectives. I carried out ethnography among entrepreneurs (*small and medium-sized enterprise owners*), and employees of shops that sell copies of branded goods. As complementary source of data, I interviewed some journalists and professors, as well as collected daily news from the local and national means of communication. In all these sources I hardly found the expression “piracy”.

However, with my Brazilian and Western background, I usually started my questions imposing this category to my informants: “what do you think

9 For example, BBC denounces sweatshops in China (Jul 2002) Available at: http://news.bbc.co.uk/2/hi/programmes/from_our_own_correspondent/2139401.stm

10 For example, the editorial of The New York Times (Jul 2010), available at <http://www.nytimes.com/2010/07/06/opinion/06tue2.html>

about piracy?” Anxiously waiting for answers, I felt frustrated with the informant’s reactions. Some of them looked at me with a misunderstanding expression. Others obviously felt completely comfortable with my question, while I had taken great caution to formulate it - choosing the proper words to employ, as if asking about a crime. Day-by-day, I noticed that the only person who felt uncomfortable with the word ‘piracy’ was I myself.

While many recognized the existence of human exploitation in China, at the same time, many informants said, with pride, that such rapid growth would not have been possible within a strictly formal labor and tax system, as conceived in the West. Low prices, they argued, can only be sustained under these conditions. This explains why I came across so many informants in my fieldwork who viewed this aspect of the economy as something necessary and even positive.

An informant – Shang, a 36 year-old businessman who imports wines from Canada to Shenzhen – has used the famous Deng Xiaoping’s sentence “*It doesn’t matter if the cat is white or black, so long as its catches rats*” to explain China’s boom. When I asked him about piracy, he replied with another question: “*what is the fastest way to grow? What is the fastest way to generate jobs?*” According to his words, the market for copies is a black cat that nobody finds beautiful, but it is efficient in its final goal. He continued: “*the market of copies is a problem for other countries, not for China. They want to come to China, so they have to put up with the consequences...*”

One of the sites I conducted my fieldwork, LuoHu Shopping Mall in Shenzhen, is a notable example for conceiving copies in China. It is a famous seven-story shopping center with a large variety of inexpensive copies of famous brand watches, clothes, shoes, electronics, handbags, etc. The building is established beside the Chinese Custom House on the border between Shenzhen and Hong Kong. It is common to see Customs officers and other authorities circulating at the shopping without causing any embarrassment to the sellers.

At Luohu shopping center, I daily followed the routine of sales. One of the issues that drew my attention were the differences between Chinese and foreign consumers. As long as foreign people showed their purchases to their friends saying how smart they were because they had acquired a perfect *replica* of a Rolex watch for a cheap price, Mainland Chinese consumers usually left the store saying “I bought a Rolex”. An informant, owner of a toy factory,

explained to me his point of view about his Rolex watch: “Western people think this Rolex [he pointed at his wrist] is not a Rolex because it is a replica. For us, this is a Rolex, a real one. The difference is the origin, because this was made in China, and for us, it’s better to help national industry”.

The informants showed that they were concerned with China interests, IPR seeming to be a problem for others. In fact, it was after China’s entry into the World Trade Organization (WTO) in 2001, that negative public discourse began to emerge in the official media about the market for copies. However, this discourse has not become current among the population as a whole. Thus, we find in China, a system that ascribes social legitimacy to what we deem as informal labor activities and production based on copies. This provides an environment in which ties between officials and businessmen in this economic sector are strong, with both committed to the same development project, which is not necessarily linked to the ideals of economic practices established in the West, but primarily to the local rules of social relationships and cultivating life.

At least since the classic works of Max Weber (1968) and the Chinese anthropologist Fei Xiaotong (1980), a vast amount of Chinese or foreign literature has shown that the cultivation of social connections is central to Chinese society. From the twentieth century on, in particular, the *guanxi* system of exchanges within social relationships has been considered supreme in social, economic and especially political life (Gold 1985; Gold et al. 2002; Hwang 1987; Jacobs 1979; Kipnis 1996, e 1997; Smart 1993, 2002; Wank 1996, 2000; Yan 1996). In the post-Mao era, the importance of cultivating *guanxi* was addressed as a means to penetrate the business world. This phenomenon was called *guanxixue* (the art of *guanxi*), which could be expressed as *guanxilology*. That is, it is the wisdom acquired to achieve and maintain good relationships with people in positions of power in order to derive benefits. However, what at first glance could be classified as a simple form of corruption, for the Chinese, is a strict system of etiquette, based on feelings, affection, interest, honor, harmony and balance. It is believed that some basis in the past must exist for forming relationships (place of origin, kinship, place of work or study) and this basis can generate a shared destiny throughout a lifetime. *Guanxixue* is the art of cultivating particular ties through attitudes and the offering of gifts (Yang 1994).

When this cultural system of gift-giving is transposed to the world of business, it ends up generating intense links between State and market, and

public and private life. Abiding by *guanxi* ceremonies and their complex etiquette, the circulation of gifts between officials and businessmen is not construed as bribery, since these exchanges occur over a long period of time, thereby placing business interests on the same level as sentiments arising from established relationships.

In Shenzhen, I attended numerous events of a relaxed social nature, such as banquets and karaoke, which unfolded between State officials and businessmen, in which there was a circle of gift exchanges, both material (drinks, teas and cigarettes) and immaterial (facilitating bureaucratic matters). On these occasions, it can be noted that a shift in power relations has taken place between these players. If during the times of the Cultural Revolution it was the authorities who doled out luxury items (such as cigarettes and cognac) in exchange for good productivity in the communes (Gold 1985; Oi 1985), today, they distribute symbolic power in exchange for luxury items.

At one banquet I attended, a police officer, who had recently been given a rare tea set by an entrepreneur promised the donor that he was speeding up, among his peers in the party, the process to regularize one of his factories. While the factory owner gave the gift to the policeman, he said to me: “*look! Take a picture!*”. Smiling at the camera, he complemented: “*if you want to learn about Chinese culture, the first thing you have to know is that relationship is very important in China*”.

These events tend to corroborate Nee’s point of view that power relations between these two axes (market and State) have been de-verticalized and are now more symmetrical, since entrepreneurship gained symbolic and economic capital with the opening up of Chinese economy (1989, 1992). This model unites economic actors and State agents through *guanxi*. It was strengthened during communism – appearing under the concept of “second economy” – and developed a new facet in the post-Mao era. Although theorists of transition (Nee 1989, 1992) defend the idea that these strong ties will disappear with the rationalization of the market economy and, consequently, with the strengthening of the weak institutions (Guthrie 2002); other authors argue that *guanxi* is more important than ever (Bian 2002). One might argue that ideal impersonal market conditions are unattainable in practice, *guanxi* continues central. (Wank 1996 e 2002).

My argument follows this line of thought, in the belief that, at present, officials and businessmen are committed to the same (and singular) model

of national development. In the Post-Mao era, entrepreneurship is no longer an enemy; on the contrary, it is an ally. The Chinese government, in turn, is much more interested in legitimizing this system rather than controlling it – contrary to Brazil’s case. That is why *guanxi* in China continues to be so much stronger and legitimate than the *favor* in Brazil.

Brazil: informal economy as marginality

Over the decades, a strong and negative moral stigma has built up around low-budget market trade and the informal market in Brazil. The roots of this process are very old and go back to the historic relationship between informality and marginality.

Based on Western concepts of rational economic practices, Brazil’s ideology concerning modernity has, for a long time, regarded the informal economy as an unfortunate survival from the past; a setback to national development. From this perspective, development requires the regularization and moralization of certain practices – which range from urban sanitation policies that occurred in the 19th and 20th centuries (Borba 1993; Carvalho 1999; Franco 1998; Monteiro 1992, 1995; Pesavento 1991, 1992) to recent actions for combating smuggling and piracy.

Contesting this perception, from the 1970s on, Brazilian social sciences began to criticize “dualistic reasoning”, which divided the economy into opposite poles, between formal and informal, legal and illegal, and showed the so-called ‘signs of underdevelopment’ in the country were not a ‘thing’ or a ‘bubble’ that is distinct from modernization. Contrary to existing ways of thinking, some anthropologists and sociologists sought to demonstrate that the evolution of capitalism needed underdevelopment, in a relationship in which poverty is an indispensable pole that allows wealth to grow. Authors such as Oliveira (2003), Kowarick (1975, 1994), Machado da Silva (1971), Oliven (1980), among others, were of great importance for their analysis of “marginalization”, showing that it was the byproduct of the transformation of capitalism and, in addition, that informal work promoted the circulation of income among low-income sectors of society, thereby feeding into the economy.

Thus, Latin American theorists, just as they assimilated the concept of informal economies, also criticized it, demonstrating that it was a precarious notion which, even though it might account for an economic reality of Latin

America, was skewed by neoclassical economic principles, which separated public and private spheres, emotion from reason, interest from feeling, conceiving economic practices by means of ideal types that would supposedly lead toward rationalization and impersonality.

Currently, the issues in the academic field have become more complex. We are not only dealing with low-budget local markets that need to be cleared from the streets, but also an informal, globalized and interconnected market. At present, ethnographies on street vendor marketplaces, for example, not only continue to show the rationality of their economic exchanges and the feedback relationship between the legal and illegal, but also the importance of understanding this in relation to the transnational flow of people and goods (Mafra 2005; Pinheiro-Machado 2005; Pires 2011; Piza 2011; Rabossi 2001, 2004; Silva 2007).

Thus, since the end of the 1970s, this discussion has been formulated and reformulated within the context of Brazilian social sciences. This is because, although there is no doubt that porous boundaries exist between the legal and illegal, the practices and political discourses of the Brazilian State continue to reproduce this dualism. State authorities continue to combat piracy, informality and contraband, that are treated as impediments to national development – even more so now that Brazil is seeking to position itself as a serious emerging player in international relations.

In fact, while street markets have been historically considered as a marginal facet of the national economy, this is even more the case in the post-TRIPs era. Most of street markets are now related to a global phenomenon that links people and commodities *from below*. Combating piracy and its marketplaces is now mandatory, and in this context Brazil has found a new enemy of its development: the cheap goods made in China .

Over the years, individuals working in certain non-state-regulated, or partially regulated activities, such as street vendor markets, have been seen as occupying a position on the fringes of legality and development. Although “Made in China” products are widely consumed by the Brazilian population and drive a significant and important portion of the national economy, public discourse strongly condemns certain individuals (street vendors and peddlers), practices (informal trade) and goods (unauthorized copies). Informality and piracy have thus become a widespread binomial for illegality and criminality.

A governmental advertising campaign publicized on all commercialized DVDs movies is a paradigmatic example of such a process. It shows a street vendor of pirated movies who does not have coins for the change. Instead, he offers candies to the client, but actually gives him bullets (in Portuguese candy and bullet are the same word – *bala*). The street vendor is portrayed as a cheat. The advertisement, which clearly relates piracy to drug traffic, ends with the following message: *The money that circulated in piracy chain is the same that circulates in organized crime. Piracy is a crime*¹¹. Despite the fact that there is no evidence on connection between the two supply chains, mainstream media constantly shows them as linked (MPEE 2011).

Actually, there is nothing very new in this way of thinking. I had already observed it in my research on the street markets of Porto Alegre. In documents from the first half of the 20th century – when the city dreamed of becoming a sort of European and *civilized* metropolis (Pesavento 1991) – I found a discourse very similar to the contemporary one¹². In 1944, a headline of the most important magazine of that period - *Revista do Globo* - stated: *“The end of the world: it is hard to earn a living in the underworld of streets”*. A decade later, the same magazine announced *“abusive street market: [...] it is unacceptable that it exists in a disorganized way, replete with sellers and surrounded by strident shouts”*.

In the beginning of 2000s, when local government was discussing the removal of street vendors from the public areas, the media discourse was very similar to the old one. For example *“downtown degeneration: the disorder is so expressive that population are not able to move in the public thoroughfares because of street vendors.* (Correio do Povo, 2001). The new fact is that such “chaos” is now related to violence, and street vendors to the mafias. *“More policeman against street vendors”* (CP 5/06/00), *“violence among street vendors”* (CP 14/12/00), *“how the street vendors mafia acts”* (CP 10/06/00), *“fights with street vendors hurts five policemen”* (CP 25/06/03) *“central area is stage of new conflicts”* (CP 27/02/04).

In other papers (Pinheiro-Machado 2008), I have tried to show that, although there is this negative view of the so-called informal market, the logistics of this market are of great economic importance to the formal sector itself, feeding distribution centers, food services and transportation from Porto Alegre to Ciudad del Este. That side of low-budget street markets, however,

11 Check at <http://www.youtube.com/watch?v=uRobzdMTyCk>

12 I collected data from archives of the local magazine *Revista do Globo* from 1920s to 1960s

which deals with the porosity of boundaries between the realm of the legal and illegal, is little mentioned in the media or public discourse, which insists on spouting the old argument that they are fruits of social deviance, a widespread plague in the urban fabric and a hindrance to development.

During my fieldwork, I found that Porto Alegre's street vendors were constantly obliged to circumvent established rules, authorities and agents, feeling impelled to constantly to justify themselves. Vendors were always telling their clients that they were "clean" and "honest": *"I'm honest, ma'am, I just want to work and the government doesn't let me"* or *"I'm not a cheat, I am just a worker who offers cheaper goods to folks"*. The impeccable manner in which they organized their stalls and treated customers represented a continuous effort to "prove" how much they could be considered as reputable people who sold reliable merchandise.

My informants' identity of honest vendors was contrasted to non-registered street vendors who operated in adjacent areas. Despite the fact that both groups sold made in China copies and other commodities, registered street vendors used to say that they did not sell piracy, but only "good things". For them, "bad things" were sold by the others. Differently from the vendors in China – where informants proudly sell replicas, and have clear awareness of the origin of the articles they sell – my informants reproduced the media discourse, claiming that piracy was wrong. Thus, when they said that their products were genuine, they were not cheating, since they actually believed in the quality of the products they brought from wholesale stores of Paraguay (such as toys). With little or no knowledge of the supply chain beyond Paraguay, my informants did not recognize their products as copies, even though they knew that commodities did not come from the original factory.

In a hostile environment, street vendors felt "alone" in the world, lacking not only social legitimacy, but also legal support. This reinforced the importance of personal ties among a handful of colleagues, since the environment they worked in was seen as extremely competitive – which can be noted in the expression "market law: every man for himself". The State was also seen as an enemy: an entity that only came on the scene to "suck" money from them in exchange for provisional and informal permission for their activities. Local and federal police were known as "leech worms".

When vendors engaged in economic exchanges with State officials, such exchanges occurred in the form of bribes – a sporadic practice with no form

of bonding, quite different from *guanxi*. Contrary to the situation in China, contact between the market and agents of the Brazilian state is characterized by a rough and pragmatic form of personal contact that is resented by both parties. Physical and symbolic aggression between government inspectors and policemen with vendors are commonplace. Routinely street vendors run away when they see policeman and other authorities circulating among the marketplace. These events are common not only in Porto Alegre and in all Brazilian cities. I had become so familiar with the situation in Brazil that I felt more nervous than my informants when I saw policemen crossing the LuoHu Shopping Center.

During an episode, in which I accompanied some merchants who were traveling to Paraguay to buy goods, the bus we were on was held up at gunpoint by four masked bandits who behaved with great cruelty. All the vendors' money was taken from them and we were held hostage for an hour. What to me was a situation of horror, to them was commonplace. However, apart from considering the incident normal, what surprised me was the fact that they didn't want to report the crime to the police, because they considered the latter just as much "thieves" as the assailants. A street vendor, already accustomed to the violence of the assaults, told me she felt she couldn't go to the police, because she was someone who did "wrong" things (smuggling) from a legal point of view and, for this reason, she had no right to file complaints about anything.

Thus, not only in the street vendor marketplace where the ethnography was conducted, but also in Brazilian street markets in general, personal ties and reciprocity take place between peers – and not between vendors and the local authorities as in China – in an effort to guarantee some security in everyday life. Within this gift exchange circuit, neighboring vendors lend each other small change and credit card machines, bring back goods from trips or take care of each other's stall when they need to go to the bathroom, etc. Moreover, due to the fact that they engage in economic activities that are not subject to the laws that regulate the formal economy, vendors do not enjoy a series of social rights and labor benefits and protection offered to formal sector workers.

I observed cases where, in the absence of retirement pay, long-time vendors collected money to give a salary to the oldest ones who were no longer able to come to work, or extreme cases when colleagues joined forces to pay for a person's health care treatment or even the funeral of someone who

died. When this gift exchange circle between colleagues is broken, the culprit will suffer be accused of ingratitude. The negative feeling provoked by non-reciprocity is deeply felt, especially in a context where personal relationships between peers are one of the only ways to sustain economic practices. Ingratitude, in this context, is simply an indicator of the importance of bonds as a form of pragmatic and emotional support, for the development of an activity that, both State and society, consider both legally and morally inferior.

Conclusions

A global commodity chain joins “from below” countries with different cultural and historical notions of copied goods and non-regulated economic activities. Despite this fact, for many years, the chain satisfied the needs of both China and Brazil – the two sides of the chain. However, the last decade has been characterized by the strengthening of repression of piracy, imposed unilaterally from the top down by dominant nations of the world system. Consequently, China and Brazil now have to deal with the so-called piracy and their marketplaces, aligning their domestic policies with the interests of the main international actors.

In this paper I have endeavored to show that Brazil and China, linked by a commercial chain, strategically aim to position themselves in the global arena in unconventional ways. I have shown how each of these countries, the reaction to the repression of piracy is distinct.

Both the Brazilian and Chinese realities, as opposed to a “rational” system based on bureaucratic actions, point toward a body of imperfect, unfinished and negotiated market activities where personal ties are significant. The production and sale of copies, non-regulation of labor relations, non-payment of taxes and exchanges between state and market agents are present in both countries and are a characteristic of their development agendas, requiring measures and a position in the face of demands from the WTO and other regulatory agencies of the international system.

However, even though China and Brazil have similar social issues and political agendas in regards to the share of the economy driven by globalization from below, these countries, due to different cultural traditions and historical trajectories, have different interpretations of similar practices that occur throughout the chain in question. Generally speaking, the Chinese

state of one end of the chain understands that the informal economy and the production of copies are a necessary, structural and strategic part of its development. At the Brazilian end, in contrast, these practices are defined as informal, illegal, illicit and immoral, and interpreted as a vestige of underdevelopment. The same practices, which are subject to the same roles in both societies are sometimes valued *in favor of* State, sometimes *against* the State.

Finally, the tensions engendered by the link between China and Brazil pose a series of challenges to the academic field and, in particular, to Brazilian anthropology. The force of the Chinese presence in our day-to-day life will lead to the expansion of research on that country. In doing so, conventional theoretical frameworks— such as Western notions of piracy and informality – will become increasingly inadequate. Such categories will need to be re-examined in the light of a reality that is plural and complex, in addition to engaging in what Roulleau-Berger (2011) calls the *de-Westernization* of sociological thought which means paying attention to the history, needs, and cultural legacies within the concrete situations that bring Brazil and China closer together.

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Received January 31, 2012, approved 6 June, 2012