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China's Corporate Social Credit System: A Study of Its Application and Developmental Prospects

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前言

当被称为 "改革开放 "的改革措施于 1978 年启动时，中国迎来了几十年的巨大经济增长。然而，这种增长是有代价的，因为在这个快速现代化的国家，不正当的市场行为变得常见。中国政府面临着执行法律和法规的问题，以保证市场秩序。正是在这种情况下，社会信用体系被构想出来。

自从 2014 年国务院公布的《社会信用体系建设规划纲要》中首次明确提出社会信用体系以来，社会信用体系一直是国际关注的焦点。媒体大多关注该体系最具争议性的方面，即其对个人的影响，往往耸人听闻，甚至曲解这一体系，而学术研究大多将社会信用体系定性为一项政策计划，旨在加强对法律和法规的遵守。本论文将遵循后一种描述。

本论文的主题是社会信用体系对企业的影响，我们称之为企业社会信用体系。我们可以把企业社会信用体系描述为中国政府开展的项目，即利用社会信用框架——基于在特定地区和特定行业数据库中收集的信息，以及对高分的奖励和对低分的惩罚——和技术来监督和评价企业，以指导市场行为。

本论文的第一章将试图对企业社会信用体系做一个基本的理论概述。我们将首先看到导致政府开始发展信用管理系统的主要因素：其中第一个因素是改革开放后普遍存在的不正当市场行为；第二个因素是缺乏一个发展中国家所必需的可靠的信用报告系统，这导致了信息不对称，从而导致经济效率低下。

第一章将继续追溯从 1999 年开始的社会信用体系建设的最初步骤。在这一部分，我们将试图说明社会信用体系在最初构想时的主要经济性质。然后，我们将描述国务院《社会信用体系建设规划纲要》的内容，以便深入了解中国政府希望社会信用体系成为什么。

在下面的部分，我们将研究奈特和克里默斯所确定的社会信用体系的三个主要组成部分。第一，我们将看到哪些是信用信息的来源，看看国家信用信息共享平台收集的数据集；第二，我们将通过研究《关于加快推进失信被执行人信用监督、警示和

惩戒机制建设的意见》来分析奖惩机制；第三，我们将看到信用主体的信用信息如何通过信用中国平台向公众披露。

第一章最后将说明社会信用体系目前似乎是高度分散的，各地方行政部门都在开发不同的系统，尽管中国政府正在采取措施进行整合。由于这种高度的分散性，第二章将重点讨论一个地方系统，即浙江省正在开发的企业社会信用体系。

第二章将首先描述有关浙江省企业社会信用体系的一些基本概念和关键词：“八八战略”，信用 “531X ” 工程，以及“最多跑一次”和“简政放权、放管结合、优化服务”（简称“放管服”）的改革。接下来将对信用 "531X "工程进行展开，该工程提出聚焦企业、自然人、社会组织、事业单位和政府机构5类主体，构建三大体系：公共信用指标体系、信用综合监管责任体系、公共信用评价及信用联合奖惩体系。

我们将从分析公共信用指标体系（由用于将信用主体分为五类的评分机制以及用于评价的信用信息类型组成）和公共信用评价体系开始描述信用 “531X” 工程。对于这后一部分，我们将比较浙江省的信用信息平台（信用浙江）和国家信用信息平台（信用中国）。

然后，我们将转而描述构成信用综合监管责任体系的两个方面。一是以信用为中心的市场监管机制，按照 "两随机、一公开 "的制度，进行 "事中事后监管"。二是社会机构协同监管机制，依靠行业自律、信用承诺等行动或信用服务机构。

第二章的最后部分将重点讨论信用联合奖惩体系。我们不仅会看到根据国家法律和省级法规失信企业可以受到的惩戒措施，而且还会看到惩戒制度的两个方面，这也是惩戒制度公平运作的组成部分：信用异议和信用修复。

本论文的第三章将扩展信用修复的概念，正如我们将看到的，这一概念可以被认为是社会信用体系的 "最后一步"，旨在通过给失信主体第二次机会使体系公平，并鼓励这些失信主体努力改正其行为。

我们将从国家和地方政府为建立信用修复机制所采取的第一步开始，从 2016 年首次提出，到随后几年提出的更具体的政策。然后，我们将看到被称为信用服务机构的私营公司如何在信用修复机制中发挥作用。

第三章将继续描述在新冠达六发生期间对有效的信用修复机制的需求，这既是通过增加医疗领域关键企业的经营和获得贷款的便利性来对抗大流行病的工具，也是在不可抗力使企业无法按照法律和标准开展业务时对其信用受到影响的公司的补救措施。

第三章的最后部分将重点讨论围绕信用修复机制的讨论，包括政府内部和公众舆论，特别是关于该机制中仍需解决的问题。

Introduction

When the program known as “reform and opening-up” was launched in 1978, China saw decades of huge economic growth. However, this growth came with a price, as unscrupulous market behaviour became rampant in the rapidly modernizing country. The Chinese government was faced with the issue of enforcing laws and regulations that were to guarantee market order. It is in this context that the Social Credit System was first conceived.

Ever since it was first clearly outlined in the “Planning Outline for the Construction of a Social Credit System” announced by the State Council in 2014, the Social Credit System has been at the centre of international attention. Whereas media mostly focused on the system’s most controversial aspect, its implication for individuals, often sensationalising or even misinterpreting the phenomenon, academic research mostly characterized the SCS as a policy program with the aim of strengthening compliance with laws and regulations. This thesis will follow the latter characterisation.

The subject of this thesis is the Social Credit System’s implication for businesses, what we call the Corporate Social Credit System. We can describe the Corporate Social Credit System as the project undertaken by the Chinese government to use the Social Credit framework – based on information gathered in region- and industry-specific databases, as well as rewards for high scores or punishments for low scores – and technology in order to monitor and rate businesses, with the aim to guide market behaviour.

The first chapter of this thesis will try to give a mostly theoretical overview of the Corporate Social Credit System. We will begin by seeing the main factors that led the government to begin the development of a credit management system: the first of these factors was the prevalence of fraudulent market behaviour that followed the reform and opening up; the second was the lack of a reliable credit reporting system necessary for a developing country, which led to information asymmetry and, consequently, to economic inefficiency.

The first chapter will continue by tracing the first steps towards the construction of the Social Credit System, starting from 1999. In this part we will try to show the

predominantly economic nature of the Social Credit System as it was first conceived. We will then describe the content of the State Council's "Planning Outline for the Construction of a Social Credit System" in order to gain an insight of what the Chinese government wants the Social Credit System to be.

In the following section we will study the three major components of the SCS as identified by Knight and Creemers: firstly, we will see which are the sources of credit information, taking a look at the data sets collected by the National Credit Information Sharing Platform; secondly, we will analyse the rewards and punishments mechanism through the study of "Opinions concerning Accelerating the Construction of Credit Supervision, Warning and Punishment Mechanisms for Persons Subject to Enforcement for Trust-Breaking"; thirdly, we will see how information about credit subjects is disclosed to the public through the Credit China Platform.

The first chapter will end by showing how the Social Credit System currently appears to be highly fragmented, with different systems being developed by local administrations, although the Chinese government is taking steps towards integration. Because of this high fragmentation, the second chapter will focus on one local system, that is the Corporate Social Credit System that is being developed by Zhejiang Province.

The second chapter will start by describing some of the basic concepts and keywords regarding Zhejiang Province's Corporate Social Credit System: the "Double Eight Strategy", the credit "531X" project, and the "Run at Most Once" and "Streamline the Government, Delegate Power, and Improve Government Services" reforms. The following sections will then expand on the credit "531X" project, which proposes to build the Social Credit System by focusing on five types of credit subjects (enterprises, natural persons, social organizations, public institutions, and government agencies) to build three major systems: the Public Credit Indicator System, the Comprehensive Credit Supervision and Responsibility System, and the Public Credit Evaluation and the Joint Reward and Punishment System.

We will start describing the credit "531X" project by analysing the Public Credit Indicator System (composed of the scoring mechanism used to divide credit subjects into five categories, as well as the type of credit information used for evaluation) and the Public

Credit Evaluation System. For this latter part we will compare the credit information platform of Zhejiang Province (Credit Zhejiang) with the national platform (Credit China).

We will then move to describing the two aspects that comprise the Comprehensive Credit Supervision and Responsibility System. The first is the credit-centring market supervision mechanism, which conducts "Continuous Monitoring" according to the system called "Two Randoms, One Public". The second is the Collaborative Supervision Mechanism, which relies on industry self-discipline, actions such as credit commitment, or credit service agencies.

The final part of the second chapter will focus on the Joint Reward and Punishment System. Here we will see not only the disciplinary measures a trust-breaking company can be subjected to according both to the national law and to provincial regulations, but also two aspects of the Punishment System that are integral to its fair functioning: Credit Objection and Credit Repair.

Finally, the third chapter of this thesis will expand on the concept of Credit Repair, which, as we will see, can be considered the "final step" of the Social Credit System, aimed at both making the system fair by giving trust-breaking entities a second chance, and encouraging these trust-breaking entities to make efforts to correct their behaviour.

We will start by the first step taken both by the state and by local governments to build a Credit Repair Mechanism, from the first time it was proposed in 2016, to more specific policies put forward in following years. We will then see how private entities called Credit Service Agencies play a role in the Credit Repair Mechanism.

The third chapter will continue by describing the need for an effective Credit Repair Mechanism during the COVID-19 crisis, both as a tool for fighting the pandemic by increasing the ease of operating and obtaining loans for key enterprises in the medical sector, and as a remedy for companies whose credit had been affected when *force majeure* prevented enterprises from conducting their business according to laws and standards.

The final part of the third and last chapter will focus on the discussion surrounding the Credit Repair Mechanism, both within the government and in the public opinion, concerning especially the problems with the mechanism that still need to be addressed.

1. China's Corporate Social Credit System: An Overview

China's Social Credit System (SCS) 社会信用体系 has been a major projects of the government of the People's Republic of China (RPC) for almost 25 years[1], although it only started attracting international attention when it was first clearly outlined in the "Planning Outline for the Construction of a Social Credit System" 社会信用体系建设规划纲要, announced by the State Council 中华人民共和国国务院 in 2014 as part of the twelfth five-year plan[2].

Since its announcement, the project has received international media attention, mostly focusing on its most controversial aspect – its implication for individuals – and often characterized by misinterpretation and sensationalism which tried to paint it as an "Orwellian system premised on controlling virtually every facet of human life"[3]. Academic research, on the other hand, characterized the SCS as a policy program with the aim of strengthening compliance with laws and regulations[4]. Following the latter characterization, this thesis will focus on the SCS's implication for businesses, an aspect that received relatively little focus[5], even though the system was first conceived to regulate market behaviour, as we will see in this chapter.

This chapter will analyse the background and origins of what has been called the Corporate Social Credit System (CSCS) 企业信用体系, the project undertaken by the

[1] Xinyong Zhongguo 信用中国 (Credit China) (2019, October 22). "Lin Junyue: Weisheme shuo shehui xinyong tixi jianshe qi shi yu 1999 nian?" "林钧跃：为什么说社会信用体系建设起始于 1999 年？" (Lin Junyue: Why Do We Say that the Construction of the Social Credit System Started in 1999?), [https://www.creditchina.gov.cn/xinyongyanjiu/xinyongyanjiujiaodianwenzhang/201910/t20191021_172722.html].

[2] Zhonghua renmin gongheguo guowuyuan 中华人民共和国国务院 (State Council of the People's Republic of China) (2014, June 14). Shehui xinyong tixi jianshe guihua gangyao (2014—2020 nian) 社会信用体系建设规划纲要 (2014—2020 年) (Planning Outline for the Construction of a Social Credit System (2014-2020)) [http://www.gov.cn/zhengce/content/2014-06/27/content_8913.htm].

[3] Matsakis, Louise (2019, July 29). How the West Got China's Social Credit System Wrong. *Wired* [https://www.wired.com/story/china-social-credit-score-system/].

[4] Engelmann, Severin, Chen, Mo, Dang, Lorenz, Grossklags, Jens. (2021). Blacklists and Redlists in the Chinese Social Credit System: Diversity, Flexibility, and Comprehensiveness. *Proceedings of the 2021 AAAI/ACM Conference on AI, Ethics, and Society (AIES '21), May 19–21, 2021, Virtual Event, USA.*

[5] European Chamber of Commerce in China (2019). *The Digital Hand: How China's Corporate Social Credit System Conditions Market Actors*.

Chinese government to use the Social Credit framework and technology in order to monitor and rate businesses, with the aim to guide market behaviour[6].

We will start by clarifying the meaning of "Social Credit System", as well as some related keywords. In the second section, we will see the main factors that led the government to begin the development of a credit management system. In the third section, we will then study the first step towards the creation of the CSCS, as well as the most important plan outlining the goals, logic, and mechanisms of the system, and the pilot projects that originated following this plan. A fourth section will focus on the three main components of the SCS, namely the entities involved in data-gathering and the type of data gathered, the system of punishment for subjects considered untrustworthy, and the mechanism for sharing public credit information. Finally, we will see that, far from being an all-encompassing centralized system of control, the SCS appears to be highly fragmented, although steps are being taken towards further integration.

1.1. Some Definitions

To avoid misunderstandings of unclearness later on, in this first part we will start by clarifying the definition of Social Credit System, as well as the meaning of the words "credit" and "integrity", both fundamental to understand the SCS.

For the purpose of this thesis, we will borrow Schaefer's definition of the word "credit" 信用 as "trustworthiness", "in expansive terms, simultaneously understanding it as a measure of one's basic reputability, honest dealings in business, timely repayment of debts, contract fulfilment, and compliance with regulatory obligations"[7]. The Social Credit System project therefore proposes to monitor and assess the trustworthiness of four types of credit subjects, namely individuals, businesses, government officials, and the judicial administration, through information gathered in region- and industry-specific databases, with rewards for high scores or punishments for low scores[8].

[6] Ibid.

[7] Schaefer, Kendra (2020, November 16). China's Corporate Social Credit System: Context, Competition, Technology and Geopolitics, *Trivium China*.

[8] Zhounghua renmin gongheguo guowuyuan 中华人民共和国国务院 (State Council of the People's Republic of China) (2014, June 14).

"Credit" bears a similar meaning, but must not be confused, with the word "integrity" 诚信 which, as we will see, is also a recurring concept in documents relating to the SCS. The meaning of "integrity" is less economic in nature and refers mostly to the "core socialist values" of honesty, trustworthiness, and sincerity in all aspects of society[9].

1.2. The Context of the Corporate Social Credit System

The project undertaken by the Chinese government to create the Corporate Social Credit System cannot be understood unless we first consider the context in which it was conceived at the end of the 1990s. The first element that characterized this context was the prominence of fraudulent behaviours in the Chinese market after the 1980s economic reforms. A major problem for the Chinese government was ensuring effective implementation and enforcement of laws and regulations against dishonest market behaviour[10], which "continued despite numerous bans"[11]. Two examples of this issue will be presented which were particularly common in China, namely food safety incidents and intellectual property rights infringement. The second element was the lack of a reliable credit reporting system necessary for a developing country, which led to information asymmetry and, consequently, to economic inefficiency. We will see how the removal of this issue through the creation of a credit reporting system was considered fundamental for the development of the private sector in China.

1.2.1. Fraudulent Market Behaviours

Efforts by the Chinese government to build a credit management system are said to have begun in 1999, when a team at the Chinese Academy of Social Sciences was tasked by then-premier Zhu Rongji with researching solutions to "Establish a National Credit

[9] Zhang, Chenchen (2020). Governing (through) trustworthiness: technologies of power and subjectification in China's social credit system. *Critical Asian Studies*, *52(4)*, 565-588.

[10] Creemers, Rogier (2018, May 9). China's Social Credit System: An Evolving Practice of Control.

[11] Zhonghua renmin gongheguo guowuyuan 中华人民共和国国务院 (State Council of the People's Republic of China) (2014, June 14). Shehui xinyong tixi jianshe guihua gangyao (2014—2020 nian) 社会信用体系建设规划纲要 (2014—2020 年) (Planning Outline for the Construction of a Social Credit System (2014-2020)) [http://www.gov.cn/zhengce/content/2014-06/27/content_8913.htm].

Management System" 设立国家信用管理体系[12], and continued throughout the early 2000s and the Hu Jintao administration. These efforts were led by the need to find solutions to different kinds of unscrupulous market behaviours that plagued China during the rapid economic growth of the post-reforms period and that the government believed to be a hinderance to the creation of the Socialist Market Economy[13].

Examples of such unscrupulous market behaviours can notoriously be found in the food industry. Food safety incidents in the early 2000s include well known scandals such as the production and selling of counterfeit baby formula that led to the death of 13 infants in Anhui province in 2003[14] and the incident concerning Chinese insecticide-tainted dumplings exported in Japan in 2008, which led to a strain in diplomatic relations between the two countries[15]. Following these and similar incidents, both Chinese public opinion and foreign parties dealing with China felt the need for a credit system which would certify the trustworthiness of companies and individuals operating in the food industry, as was noted in an article published in the Journal of Epidemiology and Community Health in 2013 [16].

Another of the main issues foreign companies had to face when doing business in China related to Intellectual Property Rights protection. According to statistics by the European Commission Taxation and Customs Union, in 2006 China was the main source of counterfeit goods, with 79% of all articles seized by European customs for IPR infringement coming from the PRC[17]. A high-profile example of IPR infringement

[12] Xinyong Zhongguo 信用中国 (Credit China) (2019, October 22). "Lin Junyue: Weisheme shuo shehui xinyong tixi jianshe qi shi yu 1999 nian?" "林钧跃：为什么说社会信用体系建设起始于 1999 年？" (Lin Junyue: Why Do We Say that the Construction of the Social Credit System Started in 1999?), [https://www.creditchina.gov.cn/xinyongyanjiu/xinyongyanjiujiaodianwenzhang/201910/t20191021_172722.html].

[13] Schaefer, Kendra (2020, November 16). China's Corporate Social Credit System: Context, Competition, Technology and Geopolitics, *Trivium China*.

[14] Yardley, Jim (2004, May 5). Infants in Chinese City Starve on Protein-Short Formula, *The New York Times*, [https://www.nytimes.com/2004/05/05/world/infants-in-chinese-city-starve-on-protein-short-formula.html].

[15] Sieg, Linda, Ueno, Teruaki, Nishiyama, George (2008, February 4). Japan to check China factory over poison dumplings, *Reuters*, [https://www.reuters.com/article/us-japan-china-food-idUST19003620080204].

[16] Wu, Yongning, Chen, Yan (2013, January). Food safety in China, *Journal of Epidemiology and Community Health*, *67*, 478–479.

[17] European Commission Taxation and Custom Union. (2016) *Summary of Community Customs Activities on Counterfeit and Piracy. Results at the European Border - 2006*.

happened in 2006, when Starbucks won a case against a Shanghai rival using the same Chinese name, Xingbake[18]. While foreign companies struggled to defend their Intellectual Property and to operate within China's enforcement framework [19], the Chinese government recognized IP protection policies as essential to build a developed country[20].

The Chinese government was faced with the problem of enhancing legal and regulatory implementation, enforcement and compliance regarding these issues[21], and the inability to put a stop to corrupt business practices led to a lack of trust between economic actors[22]. The government's position regarding this problem can be exemplified by the Executive Meeting of the State Council presided by then-premier Wen Jiabao on the 19th of October 2011. During this meeting, it was noted that

> *"at present, the lack of integrity in society is still quite prominent. Phenomena such as commercial fraud production and sale of counterfeit goods, false reports, and academic misconduct continue despite prohibition".*

This lack of integrity

> *"not only harms economic and social development, disrupting the market and social order, but also damages social justice, harms the interests of the masses, and hinders the progress of national and social civilization".*

It was therefore necessary for all levels of government to "give great importance to the establishment of a social integrity and credit system"[23].

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[18] Fowler, Geoffrey A. (2006, January 3). Starbucks Wins China Court Case over Trademark. *The Wall Street Journal* [https://www.wsj.com/articles/SB113618843802035727].

[19] Nelson, Christina (2012, October 1). Enforcing Intellectual Property Rights in China. *China Business Review,* [https://www.chinabusinessreview.com/enforcing-intellectual-property-rights-in-china/].

[20] Zhonghua renmin gongheguo guowuyuan 中华人民共和国国务院 (State Council of the People's Republic of China), "Guowuyuan guanyu yinfa guojia zhishi chanquan zhanlüe gangyao de tongzhi" "国务院关于印发国家知识产权战略纲要的通知" ("Notice of the State Council on Issuing the Outline of the National Intellectual Property Strategy"), [http://www.gov.cn/zwgk/2008-06/10/content_1012269.htm].

[21] Creemers, Rogier (2018, May 9). China's Social Credit System: An Evolving Practice of Control.

[22] Aho, Brett, Duffield, Roberta (2020). Beyond Surveillance Capitalism: Privacy, Regulation and Big Data in Europe and China. *Economy and Society, 49(2)*, 187-212.

[23] Guowuyuan bangongting 国务院办公厅 (Office of the State Council), "Wen Jiabao zhuchi zhaokai guowuyuan changwu huiyi. Bushu zhiding shehui xinyong tixi jianshe guihua" "温家宝主持召开国务院常务会议。部署制订社会信用体系建设规划" ("Wen Jiabao chaired an executive meeting of the State Council.

1.2.2. Lack of a Credit Reporting System

The original purpose of the project called the Social Credit System was to begin the creation of modern credit reporting and rating practices mostly limited to the context of bank lending[24]. An efficient, competitive banking system was an accession requirement for the WTO[25], which China joined in 2001. The Chinese government had started to be aware of the need for a modern credit reporting system since the economic reforms took off and reached the banking sector, therefore efforts to build such a system both within and outside of the state-controlled banks started in the 1980s[26].

Dai analyses the SCS project as part of a global trend towards what he calls "reputation state", meaning that governments seek to obtain and use "reputation information" – "a set of descriptive and/or evaluative information about an actor […] which in a way or another tells us about such actor's characteristics and help us predict future act" – in the fields of law and governance. According to Dai, the importance of reputation information lies in the fact that rational actors seek it in order to make decisions, therefore affecting both the decisionmaker and the reputation subject. It follows that reputation technologies, such as those built by the SCS project, would enhance economic efficiency by reducing information asymmetry.[27]

Information asymmetry happens when one party is in possession of relevant information that the other party lacks. In the field of banking, information asymmetry leads to two phenomena that harm the efficient allocation of financing: *adverse selection* and *moral hazard*. Adverse selection happens when banks lack information about the creditworthiness of borrowers, leading to a rise in interest rates. As those companies least likely to repay loans are also the most likely to accept high interest rates, under the effects of adverse selection the risk of default grows. Moral hazard happens after the borrower has acquired the loan: as banks are unable to supervise the borrowing company,

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Deployment and formulation of a social credit system construction plan"), [http://www.gov.cn/ldhd/2011-10/19/content_1973304.htm].

[24] Dai, Xin (2020). Toward a Reputation State: A Comprehensive View of China's Social Credit System Project. In Everling, Oliver (ed.). *Social Credit Rating*. Wiesbaden: Springer Gabler.

[25] Zhang, Guibin, Smyth, Russel (2009, September-October). An Emerging Credit-Reporting System in China. *The Chinese Economy, 42(5),* 40-57.

[26] Dai (2020).

[27] Dai (2020).

borrowers are likely to take risks that will lead to default. To avoid information asymmetry, banks may face transaction costs in order to obtain information about the borrower before granting the loan or to supervise them after the loan has been granted.[28]

In an article published by Zhang and Smyth in 2009, it is noted how the creation of a credit reporting system was fundamental for the development of the private sector in China: the problem of information asymmetry was more severe in the case of private firms, as it was easier for banks to acquire information about state owned enterprises (SOEs). Therefore, it was difficult for private firms to obtain either bank credit or equity financing from formal channels.[29] For this reason, according to Tsai, private firms in the 1990s and early 2000s relied on informal (and often illegal) channels to obtain financing, spacing from interpersonal borrowing to more institutionalised mechanisms such as grassroot credit cooperatives or even unsanctioned private banks.[30] This situation was obviously unacceptable for a fast developing and liberalising country with an expanding private sector[31].

1.3. The Birth of the Corporate Social Credit System

As mentioned above, the first government efforts to build a credit management system are traced back to 1999. In the first part of this section, we will retrace the main steps of the construction of the SCS, starting from 1999 and continuing throughout the administration of President Hu Jintao and Premier Wen Jiabao. The second part will focus on the document considered the most authoritative blueprint for subsequent efforts to build the SCS, the "Planning Outline for the Construction of a Social Credit System", issued by the State Council in 2014. In the third part, we will see how after the issuing of the "Planning Outline for the Construction of a Social Credit System" pilot projects were developed both by private companies and by local administrations.

[28] Huang, Cheng, When, Ya, Liu, Zhifei (2014). Analysis on Financing Difficulties for SMEs due to Asymmetric Information. *Global Disclosure of Economics and Business, 3(1)*, 77-80.

[29] Zhang, Smyth (2009).

[30] Tsai, Kellee S. (2002). *Back-Alley Banking: Private Entrepreneurs in China*. Ithaca: Cornell University Press.

[31] Zhang, Smyth (2009).

1.3.1. Towards the Creation of the Corporate Social Credit System

When the project of "Establishing a National Credit Management System" was launched at the Institute of World Economic and Politics of the Chinese Academy of Social Sciences in 1999, fundings came from Huang Wenyun, "a pioneer of China's credit system". The Shenzhen businesswoman had encountered significant financial loss when one of her products had been counterfeited and sold across the city. On a visit in the United States in 1999, Huang was impressed with the American credit system and concluded that a similar system would be necessary for the development of her country. She then wrote the first of what would be four letters regarding the topic to Premier Zhu Rongji, emphasising the need for the construction of a credit management system in China. The same year, Zhu Rongji tasked the Institute of World Economic and Politics with researching solutions to "Establish a National Credit Management System", and Huang started providing financial and professional support[32].

The task force included two scholars who would be among the main contributors in the creation of the social credit theory in China, Lin Jinyue and Gao Lu. Lin and Gao were sent to Europe and the United States to research credit management practices in developed countries. A report of their findings was submitted to Zhu Rongji in January 2000[33], which proposed a model to catch up with credit reporting systems in developed countries within ten years. The model presented some innovations that differentiated it from foreign systems, such as a mechanism to punish untrustworthy enterprises based on joint punishment from both the government and the market[34].

[32] Ma Peigui 马培贵 (Ma Peigui) (2012, September 9). Zhongguo xinyong tixi jianshe di yi ren 中国信用体系建设第一人 (The Pioneer of the Construction of the Social Credit System), *Shenzhen tequ bao 深圳特区报 (Shenzhen Special Zone Daily)* [http://news.sina.com.cn/o/2012-09-09/071925132300.shtml].

[33] Ibid.

[34] Lin Junyue 林钧跃 (Lin Junyue) (2016, August 1). Shehui xinyong tixi lilun de chuancheng mailuo yu chuangxin 社会信用体系理论的传承脉络与创新 (The inheritance of the social credit system theory and it theoretical innovations) [http://www.ccmpc.org.cn/policy/page/1368.html].

In the same period, government efforts were not limited to research[35]: a pilot credit examination system was launched in Shanghai in July 2000[36], and legislation work started in 2002, with the 16th National Congress of the Chinese Communist Party[37]. This Congress, which saw outgoing President Jiang Zemin's theory of the Three Represents recognised as a guiding ideology of the Party, along with Marxism-Leninism, Mao Zedong Thought and Deng Xiaoping Theory[38], was the first time the social credit system was mentioned at the political high level[39]. In President Jiang's report on how to "Build a Moderately Prosperous Society in All Respects and to Open up New Prospects for Socialism with Chinese Characteristics", efforts towards a Social Credit System suitable for a modern market economy were listed among the economic reforms necessary to build a "moderately prosperous society", improve the socialist market economy and accelerate modernization.[40]

Among the important concrete policies and organizational measures of the early 2000s, it is worth mentioning the establishing by the State Council of a first Inter-Ministerial Joint Conference for the Establishment of the SCS in April 2007. Its fifteen members, which included the National Development and Reform Commission 国家发展改革委, the Ministry of Commerce 中华人民共和国商务部 and the People's Bank of China 中国人民银行, reflected the original primarily economic purpose of the SCS project,

[35] Xinyong Zhongguo 信用中国 (Credit China) (2019, October 22). "Lin Junyue: Weisheme shuo shehui xinyong tixi jianshe qi shi yu 1999 nian?" "林钧跃：为什么说社会信用体系建设起始于 1999 年？" (Lin Junyue: Why Do We Say that the Construction of the Social Credit System Started in 1999?), [https://www.creditchina.gov.cn/xinyongyanjiu/xinyongyanjiujiaodianwenzhang/201910/t20191021_172722.html].

[36] Ma (2012).

[37] Xìnyòng Zhōngguó 信用中国 (Credit China), "Línjūnyuè: Wèishéme shuō shèhuì xìnyòng tǐxì jiànshè qǐ shǐ yú 1999 nián?" "林钧跃：为什么说社会信用体系建设起始于 1999 年？" (Lin Junyue: Why Do We Say that the Construction of the Social Credit System Started in 1999?), [https://www.creditchina.gov.cn/xinyongyanjiu/xinyongyanjiujiaodianwenzhang/201910/t20191021_172722.html].

[38] Permanent Mission of the People's Republic of China to the United Nations (2002, November 14). *16th CPC National Congress closes* [https://www.mfa.gov.cn/ce/cegv//eng/zgbd/zgbdxw/t85777.htm].

[39] Creemers (2018).

[40] Jiang Zemin 江泽民 (Jiang Zemin) (2002, November 8). Quanmian jianshe xiaokang shehui, kaichuang Zhongguo tese shehui zhuyi shiye xin jumian 全面建设小康社会，开创中国特色社会主义事业新局面 (To Build a Moderately Prosperous Society in All Respects and to Open up New Prospects for Socialism with Chinese Characteristics) [http://www.reformdata.org/2002/1108/5970.shtml].

unlike the subsequent interministerial commission of 2012, which would include a broader membership.[41]

Another important step has already been mentioned in 1.1.1, namely the Executive Meeting of the State Council presided by then-premier Wen Jiabao on the 19th of October 2011. During the course of this meeting, it was emphasized how the establishment and improvement of the SCS should be one of the priorities of the Twelfth Five-Year Plan for National Economic and Social Development (2011-2015)[42]. The main tasks listed during this meeting for the construction of the SCS anticipate the 2014 "Planning Outline for the Construction of a Social Credit System", which will be discussed below.

1.3.2. The Planning Outline for the Construction of a Social Credit System

The "Planning Outline for the Construction of a Social Credit System"[43] (hereby Outline) was issued by the State Council on the 14th of June 2014. In its preamble, the Outline states that

> *"the construction of a Social Credit System is an important method to perfect the Socialist Market Economy and accelerate and innovate social governance, and it is of great significance to enhance the integrity awareness of members of society, create a good credit environment, raise the overall competitiveness of the country and stimulate the development of society".*

The SCS should help enforce regulation against "dishonest" behaviour in "all aspects of society", such as commercial fraud, production and sale of counterfeit goods, and tax evasion, which "continue despite numerous bans". The Outline sets 2020 as the deadline

[41] Creemers (2018).

[42] Guowuyuan bangongting 国务院办公厅 (Office of the State Council), "Wen Jiabao zhuchi zhaokai guowuyuan changwu huiyi. Bushu zhiding shehui xinyong tixi jianshe guihua" "温家宝主持召开国务院常务会议。部署制订社会信用体系建设规划" ("Wen Jiabao chaired an executive meeting of the State Council. Deployment and formulation of a social credit system construction plan"), [http://www.gov.cn/ldhd/2011-10/19/content_1973304.htm].

[43] Zhonghua renmin gongheguo guowuyuan 中华人民共和国国务院 (State Council of the People's Republic of China) (2014, June 14). Shehui xinyong tixi jianshe guihua gangyao (2014—2020 nian) 社会信用体系建设规划纲要 (2014—2020 年) (Planning Outline for the Construction of a Social Credit System (2014-2020)) [http://www.gov.cn/zhengce/content/2014-06/27/content_8913.htm].

for the perfection of those that Knight and Creemers consider the three major components of the SCS, namely the databases containing credit information about all elements of society, a system of rewards for trust-keeping and punishments for trust-breaking, and a mechanism of sharing credit information, both between different administrations and industries, and between the government and the public[44].

The Outline offers guidelines to create an environment characterized by "integrity" in four key areas: government affairs, business, social relations, and judicial administration. Regarding the construction of "business integrity" 商务诚信, what in this thesis we call the Corporate Social Credit System, the Outline describes with no lack of detail all the fields that the SCS needs to regulate, covering all fields going, for instance, from production to pricing, from e-commerce to advertising. In the section providing instructions to create credit information systems, the Outline states that each industry should create credit information databases to be shared with other industries. Particular attention should be given to information regarding key areas, such as environmental protection, health and safety, and the intellectual property. The section furthermore states that it is up to each local administration (at any level, be it provincial or municipal) to gather credit information, monitor credit subjects, and create data sharing platforms.

Perhaps one of the most interesting aspects of this document – and surely the most relevant for this thesis – is the mechanism of incentives and punishments that it outlines. This mechanism is paramount to the operation of the SCS, as it "directly affect the credit behaviour of all social entities". For companies, incentives for honest behaviour and punishment for dishonest behaviour work on two levels. On the first level, business entities are rewarded and punished through a market mechanism based on reputation: the government should "strengthen the propaganda around enterprises that are models of integrity and the exposure of typical cases of dishonesty"; furthermore, individual enterprises are encouraged to monitor their clients' credit to prevent credit risk. In other words, dishonest entities are punished by the removal of information asymmetry[45].

[44] Knight, Adam, Creemers, Roger (2021). Going Viral: The Social Credit System and COVID-19. [Available at: https://ssrn.com/abstract=3770208].

[45] Yan, Jun (2021). A Theoretical Foundation and A Mechanism Construction of Credit-Breaking Punishment. *Journal of Sociology and Ethnology 3(2),* 36-45.

On the second level, the Outline states that the government should give preferential treatment concerning, for instance, administrative approvals to credit subjects deemed trustworthy and establish "blacklists" (黑名单) [46] for untrustworthy persons (both natural and legal). The reward and punishment system needs to be multi-department and cross-regional, so that "the trustworthy can enjoy benefits everywhere, and the untrustworthy can hardly walk a step" (守信者处处受益、失信者寸步难行).

In order for the reputation-based punishment to work, it is paramount that the credit information sharing mechanism is perfected. This mechanism is comprised of traditional credit reporting agencies, which provide professional credit investigation services for privates and work closely with industries and local administrations, and of data sharing platforms, which will be discussed later in this chapter.

It is worth pointing out that the project envisioned by this Planning Outline aims not only at mechanically supervising credit subject and carrying out punishments and rewards, but at changing society at its core by making the sort of behaviour described in 1.1.1 morally unacceptable. At this purpose, the Panning Outline proposes to carry out training programs to "strengthen the culture of integrity", particularly in industries in which dishonest behaviour has been most prevalent.

1.3.3. Pilot Projects

Following the issuing of the Planning Outline, pilot projects were launched both by private companies and by local governments. Of the eight private companies that received permission by the PBC to launch pilot projects in 2015, one of the best known is Sesame Credit[47], a feature of Ant Financial's Alipay. Sesame Credit's idea of "social credit" seems purely economic in nature, as the program evaluates users' social credit based on their consumer behaviour[48]. Given concerns over private firms' ability to give independent credit scores, and perhaps also because of the tensions between tech giants such as

[46] Although the Planning Outline envisions a mechanisms comprised of both rewards and punishments, it is worth noting that blacklists are more common than "redlists" (红名单) for trustworthy behaviour, which are not mentioned in this document. See Engelmann et al (2021).

[47] Kostka, Genia (2019). China's social credit systems and public opinion: Explaining high levels of approval. *New Media & Society 21(7)*, 1565-1593.

[48] Chong, Gladys Pak Lei (2019). Cashless China: Securitization of everyday life through Alipay's social credit system—Sesame Credit. *Chinese Journal of Communication 12(3)*, 290-307

Alibaba (parent company of Ant Financial) and the Chinese government, in 2017 none of the eight temporary permissions were transformed into official licenses[49].

Although it is interesting to see how the Chinese government cooperates with private companies for the functioning of the Social Credit System, pilots launched by local governments are certainly more relevant for those who want to study the application of the System to enterprises. Since 2014, such pilot projects were launched in 43 cities, with 28 "model cities" selected between 2018 and 2019 for nationwide implementation[50]. These projects are more similar to the system envisioned by the Planning Outline, focusing on promoting law-abiding behaviour through a system of punishments and rewards directed towards different credit subjects (therefore not limited to consumers)[51].

1.4. Major Components of the Social Credit System

As mentioned while discussing the Planning Outline, the Social Credit System is comprised of three major components: the databases containing credit information about credit subjects; a system of rewards for trust-keeping and punishments for trust-breaking; a mechanism for sharing public credit information. In this section, we will elaborate on each of these components[52]. First, we will see which are the sources of credit information, taking a look at the data sets collected by the National Credit Information Sharing Platform 全国信用信息共享平台 (NCISP). Secondly, we will analyse the rewards and punishments mechanism through the study of "Opinions concerning Accelerating the Construction of Credit Supervision, Warning and Punishment Mechanisms for Persons Subject to Enforcement for Trust-Breaking" 关于加快推进失信被执行人信用监督、警示和惩戒机制建设的意见, issued by the General Office of the Central Committee of the Chinese Communist Party and the State Council on the 25th of September 2016. Finally, we will see how information about credit subjects is disclosed to the public through the Credit China Platform 信用中国网.

[49] Kostka (2019).

[50] Drinhausen, Katja, Brussee, Vincent (2021, March 3). China's Social Credit System in 2021: from Fragmentation towards Integration. *Mercator Institute for China Studies (MERICS)*.

[51] Kostka (2019).

[52] Knight, Adam, Creemers, Roger (2021).

1.4.1. Databases and Data Gathering

As we have seen above, both industries and local administrations are required to gather and share credit information. To understand exactly which are the sources of credit information and what type of information they gather, it is necessary to look at the National Credit Information Sharing Platform 全国信用信息共享平台 (NCISP), "the data backbone of the Social Credit System"[53]. The NCISP, a national data platform developed by the NDRC, integrates information from both local and central government authorities and systematises it in three categories: information that is fully available to the public; information that has to be made partly available to the public; information that has to remain accessible only to the government[54].

The platform has 400 data sets collected from 42 central agencies and local governments. Just over half (210) of these data sets are provided by six government agencies: the NDRC is the main provider, with 73 datasets, followed by the Ministry of Industry and Information Technology (34), the Ministry of Agriculture (28), the National Health and Family Planning Commission (27), the Ministry of Transport (24), the Ministry of Housing and Urban–Rural Development (24)[55].

As for the type of information that is gathered, about two thirds (261) of the data sets gather information regarding firms and commerce, while only a fifth (74) concerns individuals, and fewer still social organizations (32) and government affairs (33), which is coherent with the predominantly economic nature of the SCS. Almost two thirds of the data sets (244) gather basic information necessary to identify credit subject; of the remaining data sets, most (119) focus on trust-breaking information, while only 37 include rewards-related information[56].

Finally, if we want to know precisely which credit information is gathered and which authority is responsible for obtaining it, we can consult the National Basic

[53]Meissner, Mirjam (2017). China's Social Credit System: A Big-Data Enabled Approach to Market Regulation with Broad Implications for Doing Business in China. *Mercator Institute for China Studies (MERICS)*.

[54] European Chamber of Commerce in China (2019). *The Digital Hand: How China's Corporate Social Credit System Conditions Market Actors*.

[55] Liang, Fan, Das, Vishnupriya, Kostyuk, Nadiya, Hussain, Muzammil M (2018). Constructing a Data-Driven Society: China's Social Credit System as a State Surveillance Infrastructure*. Policy & Internet, 10(4).*

[56] Ibid.

Catalogue of Public Credit Information 全国公共信用信息基础目录[57]. This catalogue provides a list of all credit information that all credit subjects nationwide must share. Provincial authorities are encouraged to create their own catalogues in order to address issues specific to their administration (as we will see in the next chapter).

1.4.2. The Punishment System for Untrustworthy Subjects

The criteria for being entered in social credit redlists and the resulting rewards are rather unclear, compared to the more substantial information regarding blacklist[58]. It appears that "good credit" is the result of nothing more than compliance with laws and regulations and that the main reward for good behaviour is found in increased ease of doing business – less frequent supervisions and easier access to administrative licenses[59]. In short, the reward for good behaviour rests in the lack of punishment. For this reason, we believe it is more useful to focus on punishments rather than rewards. This section will therefore look at the punishment mechanism for "persons subject to enforcement for trust-breaking" 失信被执行人, also referred to in some documents as "Lao Lai" ("老赖") – "the epitome of financial dishonesty in China"[60].

To better understand the system of punishment for subjects deemed untrustworthy, it is useful to look at a document issued by the General Office of the Central Committee of the Chinese Communist Party and the State Council on the 25th of September 2016 and called "Opinions concerning Accelerating the Construction of Credit Supervision,

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[57] Guojia fazhan gaige wei, renmin yinhang, shehui xinyong tixi jianshe bu ji lianxi huiyi 国家发展改革委、人民银行、社会信用体系建设部际联席会议 (The National Development and Reform Commission, the People's Bank of China, the Inter-Ministerial Joint Conference on Social Credit System Construction). Quanguo gonggong xinyong xinxi jichu mulu (2021 nian ban) 全国公共信用信息基础目录(2021 年版) (National Basic Catalogue of Public Credit Information (2021 Edition)) [https://www.ndrc.gov.cn/xwdt/tzgg/202112/P020211231396828288425.pdf].

[58] Engelmann, Severin, Chen, Mo, Fischer, Felix, Kao, Ching-yu, and Grossklags, Jens (January 29–31, 2019). Clear Sanctions, Vague Rewards: How China's Social Credit System Currently Defines "Good" and "Bad" Behavior. *FAT*'19: Conference on Fairness, Accountability, and Transparency (FAT* '19),* Atlanta, GA, USA.

[59] Guowuyuan bangongting 国务院办公厅 (General Office of the State Council) (2019). Guowuyuan bangongting guanyu jiakuai tuijin shehui xinyong tixi jianshe goujian yi xinyong wei jichu de xinxing jianguan jizhi de zhidao yijian 国务院办公厅关于加快推进社会信用体系建设构建以信用为基础的新型监管机制的指导意见 (Guiding Opinions of the General Office of the State Council on Accelerating the Construction of the Social Credit System and Building a New Credit-Based Supervision Mechanism) [http://www.gov.cn/zhengce/content/2019-07/16/content_5410120.htm].

[60] Ibid.

Warning and Punishment Mechanisms for Persons Subject to Enforcement for Trust-Breaking"[61]. This document details what kind of punitive measures untrustworthy persons (both natural and legal) should be subjected to in every relevant field and offers guidelines to improve disclosure and credit information sharing between departments, as well as mechanisms to enforce court orders.

In the preamble, the document states its aim to further improve the capability of enforcing the people's courts' orders and to build a system of credit supervision, warning and punishment based on the principle of "joint punishment", meaning that persons entered in blacklists for trust-breaking must be "punished everywhere". As we can see from its listed basic principles, in order to put in place this system of joint punishment, information sharing between local administrations and departments, as well as state organs, organizations, and enterprises, is fundamental.

These *Opinions* provide a detailed list of fields in which untrustworthy persons are subject to punishment. Of particular significance for enterprises, we can note limits on the issuance of bonds, exclusion from government support and subsidies, and restrictions from qualifying to operate in certain areas considered of key importance, such as real estate and pharmaceutical and food industries – as we recall, the food industry was particularly plagued by frauds and scandals (see 1.1.1). Furthermore, blacklisted persons must be subject to stronger supervision and more frequent inspections. Finally, it is worth noting that not only government bodies, but also social organizations, enterprises and work units are encouraged to actively check blacklists in order to apply punishment for trust-breaking.

The *Opinions* also provide operational guidelines for managing blacklists, which is the responsibility of People's Courts. Strict rules and standard must be set and followed when entering a person or entity's name in a blacklist. When a trust-breaking person subject to enforcement has carried out all their legal duties, the People's Courts must remove their name and information from the blacklist within three days. Once the

[61] Zhōnggòng zhōngyāng bàngōng tīng, guówùyuàn bàngōng tīng 中共中央办公厅、国务院办公厅 (General Office of the Central Committee of the Chinese Communist Party, State Council of the People's Republic of China) (2016, September 25). Guānyú jiākuài tuījìn shīxìn bèi zhíxíng rén xìnyòng jiāndū, jǐngshì hé chéngjiè jīzhì jiànshè de yìjiàn 关于加快推进失信被执行人信用监督、警示和惩戒机制建设的意见 (Opinions concerning Accelerating the Construction of Credit Supervision, Warning and Punishment Mechanisms for Persons Subject to Enforcement for Trust-Breaking) [http://www.scio.gov.cn/32344/32345/42294/44631/xgzc44637/Document/1695613/1695613.htm].

person's name has been removed from the blacklist, all punitive measures must cease. This process is called Credit Repair 信用修复 and its purpose "is to guide and encourage credit entities to correct dishonest behavior, eliminate adverse effects, rebuild good credit, protect the legitimate rights and interests of credit entities, improve the credit level of the whole society, and create a good credit environment". Credit Repair is not limited to blacklisted entities, applies to all trust-breaking credit subjects that want to improve their credit status. [62]

Another element that is worth pointing out is certainly the focus these *Opinions* put on the use of internet technology. Information and communication technology has already been introduced in Chinese courts [63], the *Opinions* [64] encourage the integration and perfection of the existing court informatization system and the realization of networks with all entities involved in social credit, as well as the sharing of blacklists with the public through internet platforms that will be discussed in the following section.

1.4.3. Disclosure of Public Credit Information

We have said in 1.2.2 that, in the case of companies, incentives for honest behaviour and punishment for dishonest behaviour work on two levels. The previous section focused on the second level, we will now elaborate on the first: business entities are rewarded and punished through market mechanisms based on reputation. Credit information regarding "good" and "bad" behaviour is disclosed to the public through specific internet platforms: individuals and entities are encouraged to seek out this information before dealing with a company.

[62] Guojia fazhan gaige wei 国家发展改革委 (National Development and Reform Commission). Xinyong xiufu guanli banfa (shixing)信用修复管理办法(试行) (Measures for the Administration of Credit Repair (for Trial Implementation)). [https://www.ndrc.gov.cn/yjzxDownload/fj120210512.pdf].

[63] Xu, Allison (2016). Chinese judicial justice on the cloud: a future call or a Pandora's box? An analysis of the 'intelligent court system' of China. *Information & Communications Technology Law, 26(1),* 59-71.

[64] Zhōnggòng zhōngyāng bàngōng tīng, guówùyuàn bàngōng tīng 中共中央办公厅、国务院办公厅 (General Office of the Central Committee of the Chinese Communist Party, State Council of the People's Republic of China) (2016, September 25). Guānyú jiākuài tuījìn shīxìn bèi zhíxíng rén xìnyòng jiāndū, jǐngshì hé chéngjiè jīzhì jiànshè de yìjiàn 关于加快推进失信被执行人信用监督、警示和惩戒机制建设的意见 (Opinions concerning Accelerating the Construction of Credit Supervision, Warning and Punishment Mechanisms for Persons Subject to Enforcement for Trust-Breaking) [http://www.scio.gov.cn/32344/32345/42294/44631/xgzc44637/Document/1695613/1695613.htm].

Each legal entity is assigned an eighteen-digit Unified Social Credit Code 统一社会信用代码[65]: the public can look up a company's credit information using its full legal name or their Unified Social Credit Code. The central government publishes credit information that has to be made public through the web portal of the NCSIP, the Credit China Website 信用中国网 (www.creditchina.gov.cn)[66], managed by the National Public Credit Information Centre[67]. Provincial administrations manage their own Credit China websites, which we will see later in this thesis.

Figure 1: Credit China Website homepage.

Through the Credit China Website, which has been operative since June 2015, the public can read all the laws and regulations about social credit issued by the relevant departments, both at the central and local level (Figure 1, Policies and Regulations 政策法规). It is also possible to use the search bar (Figure 1, Search Bar) to look up the credit information of single company. All bad credit information is published on the website

[65] Zhonghua renmin gongheguo guowuyuan 中华人民共和国国务院 (State Council of the People's Republic of China), Guowuyuan guanyu pizhuan fazhan gaige wei deng bumen faren he qita zuzhi tongyi shehui xinyong daima zhidu jianshe zongti fang'an de tongzhi 国务院关于批转发展改革委等部门法人和其他组织统一社会信用代码制度建设总体方案的通知 Notice of the State Council on Approving and Forwarding the Overall Plan for the Construction of the Unified Social Credit Code System by the National Development and Reform Commission and other Departments for Legal Persons and Other Organizations [http://www.gov.cn/zhengce/content/2015-06/17/content_9858.htm].

[66] European Chamber of Commerce in China (2019). *The Digital Hand: How China's Corporate Social Credit System Conditions Market Actors*.

[67] Guojia gonggong xinyong xinxi zhongxin 国家公共信用信息中心 (National Public Credit Information Centre). "Xinyong zhongguo" wangzhan jianjie "信用中国" 网站简介 (Introduction to the "Credit China" Website) [http://www.ncpci.org.cn/ztzl/202010/t20201022_213913.html].

until the company remedies the untrustworthy behaviour and applies for Credit Repair[68]. At the moment, it appears that it is not possible to find blacklists on the national Credit China Website, which can be found in some provincial websites[69].

Figure 2: Guangzhou Tencent Technology Co., Ltd.

In order to know whether a company is considered trustworthy, it is necessary to visit its page. Figure 2 shows the page of Guangzhou Tencent Technology Co., Ltd. Next to the name of the company, we find written in red "trustworthy encouraged subject" 守信激励对象. Beneath the basic information regarding the company, we find eight sections regarding different types of credit information. We can usually find information about the first four, namely "administration" 行政管理 (i.e. licenses), "honest behaviour" 诚实守信 (which usually concerns the timely payment of taxes), "behaviour blacklisted for serious

[68] Zhongying zhengfu menhu wangzhan 中央政府门户网站 (Portal of the Central Government) (2015). "Xinyong Zhongguo" Wangzhan kaitong yunxing "信用中国" 网站开通运行 (The "Credit China" Website Is Opened and Runs) [http://www.gov.cn/xinwen/2015-06/02/content_2872126.htm].

[69] Regional website will be discussed later in this thesis.

trust-breaking" 严重失信主体名单, and "abnormal operations" 经营异常. The other four are "credit commitment" 信用承诺 (simply put, a practice through which a company, in the process of obtaining an administrative license, guarantees compliance with regulation before the compliance review has been conducted in order to speed up the process[70]), credit rating 信用评价, judicial sentences 司法判决, and others.

Figure 3: Chongqing Tianchuang Construction Co., Ltd.

Figure 3 shows us the Credit China page of a construction company in the municipality of Chongqing which has been blacklisted for not complying with court orders. Where Tencent had been labelled as a trustworthy subject, this company is labelled as an "untrustworthy punished subject" 失信惩戒对象. Under the section "behaviour blacklisted for serious trust-breaking" we can find which infractions resulted in negative credit and the code of the relative court cases.

[70] Xinyong Zhongguo (Shanxi) 信用中国（陕西）(Credit China (Shaanxi)) (2022, March 7). Shichang jianguan lingyu xinyong chengnuo shishi cunzai de wenti ji pojie lujing 市场监管领域信用承诺制实施存在的问题及破解路径 (Problems Existing in the Implementation of the Credit Commitment System in the Field of Market Supervision and Solutions) [http://credit.shaanxi.gov.cn/393/11486229.html].

1.5. Current Picture: between Fragmentation and Integration

In the previous section, we saw that the "Planning Outline for the Construction of a Social Credit System" set 2020 as the deadline for the formulation of the basic laws and regulations for social credit, the creation of a credit reporting and sharing system covering all society, and the establishment of a system to reward the trustworthy and punish the untrustworthy. As we are now past that deadline, we propose to look at the current situation. In the first part of this section, we argue that the Social Credit System is currently highly fragmented. We will then see advantages and disadvantages of fragmentation. In the second part, we will see the steps the Chinese government is taking towards integration.

1.5.1. A Fragmented System

In 1.2.2, we discussed the "Planning Outline for the Construction of a Social Credit System", which up until now is the most authoritative blueprint for government efforts towards the SCS. We saw that the Outline provides guidelines for the creation of industry-specific credit databases, and that information gathering and sharing should be the responsibility of regional administrations[71]. The implementation of these guidelines led to a situation characterized by multiple SCSs, with blacklists varying in type and number[72], each of them with its own criteria, and different punitive measures[73].

This fragmentation has certainly some advantages. First, its inherent flexibility allows each regional system to be swiftly redirected when new policies need to be implemented. Each province and city can use the SCS to address its most pressing issues[74]. A report published by the Mercator Institute for China Studies (MERICS) in 2021 gives us

[71] Zhōnghuá rénmín gònghéguó guówùyuàn 中华人民共和国国务院 (State Council of the People's Republic of China) (2014, June 14). Shèhuì xìnyòng tǐxì jiànshè guīhuà gāngyào (2014—2020 nián) 社会信用体系建设规划纲要 (2014—2020 年) (Planning Outline for the Construction of a Social Credit System (2014-2020)) [http://www.gov.cn/zhengce/content/2014-06/27/content_8913.htm].

[72] Engelmann et al (2021).

[73] Liu, Chuncheng (2019, November). Multiple Social Credit Systems in China. *Economic Sociology, 21(1),* 22-32.

[74] Aho, Duffield (2020).

an insight on how different administrations use the SCS to target their key sectors[75][76]. Another advantage of the fragmentation is that it allows a certain degree of experimentation. Since 2014, SCS projects have been launched in 43 pilot cities, and between 2018 and 2019 28 of these "model cities" have been selected to test the nationwide implementation of the SCS[77]. This kind of experimentation at the local level before nationwide adoption is not new to Chinese policymaking and it has been of vital importance for the economic development of China[78].

However, this multiplicity of systems also brings disadvantages. For instance, companies operating in different Chinese cities need to keep track of various regional and sectorial blacklists and their potential impact on their business. Just because something does not lead to blacklisting under a particular system, it does not mean it will not in another. For instance, the aforementioned MERICS report shows that, where warnings lead to score deduction under the Jiangsu system, they do not in Wuhan. Moreover, the report points out some worries related to the fairness of local systems. One such worry relates to proportionality[79]: a case from Wuhan is presented, where two companies owing about 600 yuan in fines found themselves in the same blacklist as companies that defaulted on debts amounting to almost 90 million yuan[80].

1.5.2. Towards Integration

The Chinese government seems to be keen to respond to the challenges described above. I propose as examples two documents that testify to the government's efforts towards integration. Firstly, we have the "Guiding Opinions on Further Regulating the Scope of Inclusion in Public Credit Information, Punishments for Untrustworthiness, and Credit

[75] Drinhausen, Katja, Brussee, Vincent (2021, March 3). China's Social Credit System in 2021: from Fragmentation towards Integration. *Mercator Institute for China Studies (MERICS)*.

[76] For further examples of the flexible use of the SCS to tackle new policy challenges, see Engelmann et al (2021).

[77] Drinhausen, Brussee (2021).

[78] Heilmann, Sebastian (2008). Policy Experimentation in China's Economic Rise. *Studies in Comparative International Development, 43*, 1–26.

[79] Drinhausen, Brussee (2021).

[80] Wàn qín 万勤 (Wan Qin) (2019, October 31). Wǔhàn gōngbù dì 5 pī shīxìn bèi zhíxíng rén míngdān: Yǒurén yīn qiàn 593.55 Yuán bèi xiànzhì chūjìng 武汉公布第 5 批失信被执行人名单：有人因欠 593.55 元被限制出境 (Wuhan Announces the List of the Fifth Batch of Dishonest Persons Subject to Enforcement: Some People are Restricted from Leaving the Country Because They Owe 593.55 yuan). Ch*ángjiāng rìbào 长江日报 (Yangtze Daily)* [https://page.om.qq.com/page/OxNwtSojeWIoadlUTuEStOsg0].

Repair to Build Long-Term and Effective Mechanisms for Establishing Credit-Worthiness (Draft for Solicitation of Public Comments)" 关于进一步规范公共信用信息纳入范围、失信惩戒和信用修复构建诚信建设长效机制的指导意见（征求意见稿）(hereby Guiding Opinions), issued by the National Development and Reform Commission and the People's Bank of China in July 2020. The second is called "Measures for Managing the List of Untrustworthy Enterprises with Serious Violations (Draft Revisions for Solicitation of Public Comments)" 严重违法失信企业名单管理办法(修订草案征求意见稿) (hereby Measures) and was issued by the State Administration for Market Regulation in February 2021.

The 2020 Guiding Opinions[81] have as their aim the "further standardization and improvement of the mechanisms for designating, recording, collecting, sharing, disclosing, punishing, and repairing untrustworthy conduct". The scope of the credit information must be clearly delineated in accordance with the National Basic Catalogue of Public Credit Information, which in turn must be periodically updated by the Inter-Ministerial Conference on the Establishment of a Social Credit System (hereby Inter-Ministerial Conference). The scope of blacklists for the seriously untrustworthy must be strictly limited, according to the principle of "seeking progress while maintaining stability" through "prudence and moderation". The Inter-Ministerial Conference must also draft and periodically update a national uniform list of punishment measures for blacklisted entities. Punishment measures must correspond to the untrustworthy conduct, in accordance with the principles of legality and proportionality and with the national uniform list, and excessive punishment must be avoided. Finally, mechanism supporting Credit Repair for entities that have corrected their trust-breaking behaviour must be established.

[81] Guójiā fāzhǎn gǎigé wěi, rénmíng yínháng 国家发展改革委、人民银行 (National Development and Reform Commission, People's Bank of China). Guānyú jìnyībù guīfàn gōnggòng xìnyòng xìnxī nàrù fànwéi, shīxìn chéngjiè hé xìnyòng xiūfù gòujiàn chéngxìn jiànshè cháng xiào jīzhì de zhǐdǎo yìjiàn (zhēngqiú yìjiàn gǎo) 关于进一步规范公共信用信息纳入范围、失信惩戒和信用修复构建诚信建设长效机制的指导意见（征求意见稿）(Guiding Opinions on Further Regulating the Scope of Inclusion in Public Credit Information, Punishments for Untrustworthiness, and Credit Repair to Build Long-Term and Effective Mechanisms for Establishing Credit-Worthiness (Draft for Solicitation of Public Comments)) [https://hd.ndrc.gov.cn/yjzx/yjzx_add.jsp?SiteId=339&mc_cid=79dc007423&mc_eid=4f18c05255].

The 2021 Measures[82] provide detailed directions for the management of blacklists. First, a comprehensive list of seriously untrustworthy behaviour is provided. Companies are to be entered into the List of Untrustworthy Enterprises with Serious Violations in circumstances that endanger the public's physical health and security in their lives (such as the production and selling of food containing dangerous substances or of illegal medicines) or undermine the order of fair market competition (for instance, IPR infringement), or if they refuse to perform legally prescribed obligations (such as correct their behaviour after being ordered to do so).

Secondly, procedures for entry and removal are described. Before departments for market oversight and management decide to enter a company in a blacklist, they must notify the entity, informing them of the reasons for the listing. If the company does not object within 10 working days, it is entered into the blacklist, from which it will be removed after 3 years. The company can be removed from the List of Untrustworthy Enterprises with Serious Violations if they apply for Credit Repair, proving that they corrected their behaviour and performed their legally prescribed obligations, except for cases where Credit Repair is prohibited, for instance if the company have been blacklisted two or more times.

These two documents clearly exemplify the Chinese government's intention to further standardize the SCS. However, there is still a long road ahead and it is unlikely that we will see a completely developed and unified SCS soon.

1.6. Concluding Remarks

In this chapter I aimed at giving an overview of the Social Credit System in China and its application on businesses, what we call the Corporate Social Credit System. The picture that emerges is that of a tool to enforce compliance with laws and regulations through a system that works through gathering of a big amount of data, sharing of relevant information with the public, and a system of rewards and punishments that extends

[82] Shìchǎng jiānguǎn zǒngjú 市场监管总局 (State Administration for Market Regulation). Yánzhòng wéifǎ shīxìn qǐyè míngdān guǎnlǐ bànfǎ (xiūdìng cǎo'àn zhēngqiú yìjiàn gǎo) 严重违法失信企业名单管理办法(修订草案征求意见稿) (Measures for Managing the List of Untrustworthy Enterprises with Serious Violations (Draft Revisions for Solicitation of Public Comments)) [https://www.samr.gov.cn/hd/zjdc/202102/t20210210_326053.html].

through various regions and industries based on the concept that "the trustworthy can enjoy benefits everywhere, and the untrustworthy can hardly walk a step".

This system was first conceived to put an end to every sort of dishonest market behaviours that plagued China since the beginning of the 1980s market reforms. This problem was recognized by the Chinese government as not only harmful to economic and social development, but also damaging to social justice and to the progress of national and social civilization. Furthermore, the lack of a credit reporting system in China was hindering the development of a competitive private sector: indeed, lending institutions were distrustful of private companies, as it was easier for them lending institution

The economic nature of the SCS can also be seen from the official story about its inception: the first think tank for the creation of a credit reporting system in China was founded by a Shenzhen businesswoman who faced financial losses when her products were counterfeited and wished for her country a credit system like that she had seen in America. Although the SCS has now developed beyond its original scope, it still bears the mark of its predominantly economic function. The 2014 "Planning Outline for the Construction of a Social Credit System", which is considered the most authoritative blueprint for subsequent efforts to build the SCS, states that "the construction of a Social Credit System is an important method to perfect the Socialist Market Economy" and "raise the overall competitiveness of the country".

We have followed by considering the three major components that, according to Knight and Creemers, form the SCS: the databases containing credit information about credit subjects; a system of rewards for trust-keeping and punishments for trust-breaking; a mechanism for sharing public credit information. Regarding the data-gathering component, we have observed two interesting aspects: first, about two thirds of the data gathered concern firms and commerce, while, for comparison, only a fifth concerns individuals; second, there are three times as much information concerning trust-breaking behaviour than rewards-related information. For this last reason, when observing the system of rewards for trust-keeping and punishments for trust-breaking, we have focused more on the latter. Punishment for trust-breaking works on two levels. The first is a set of disciplinary measures that are interdepartmental, according to the principle that untrustworthiness must be "punished everywhere". The second level is reputation-based and brings us to the third major component: information about untrustworthiness is

shared with the public through a data sharing platform (Credit China). Through this platform it is possible to consult the credit files of companies, which mostly include information regarding administrative licenses, the timely payment of taxes, and non-compliance with laws and regulations.

Finally, we have seen how the SCS is being developed through a kind of policymaking process that is characteristic of the economic development of the PRC, based on regional experimentation following national guidelines, which is then followed by selection of "model pilots" and finally by nation-wide implementation. Because of this process, the SCS appears to be highly fragmented, with each regional administration developing its own system in order to tackle issues prevalent in its territory. Although there have been efforts on the part of the central government to further standardize the SCS in its local application, the fragmentation is still prevalent. For this reason, in the next chapter I will study one of most developed of these regional systems.

2. Zhejiang Province's Corporate Social Credit System

As we have seen in the first chapter of this thesis, China's Social Credit System in its current form is not a unified, all-comprehensive system judging all credit subjects nationwide by the same standards. Far from it, the SCS is extremely varied in its regional implementation. This is due to a kind of policymaking process characteristic of China, based on regional experimentation followed by selection of "model pilots" and finally by nation-wide implementation[83]. It is not surprising, then, that in the case of the SCS local government are more advanced than the national legislation, more so in particularly developed regions[84].

For this reason, this chapter will focus on the Social Credit System of a single region. We have chosen to analyse the case of Zhejiang Province for two reasons: first, Zhejiang is one of China's most economically developed coastal provinces, home of a thriving private sector which includes, for instance, tech giant Alibaba Group; moreover, Zhejiang was one of the first provinces to start implementing its own SCS as early as 2002, and in its current state its system is one of the most developed, especially in its application to businesses (meaning the Corporate Social Credit System)[85].

In this chapter, we will start by learning some of the basic concepts and keywords regarding the SCS in Zhejiang: the "Double Eight Strategy", the credit "531X" project, and the "Run at Most Once" and "Streamline the Government, Delegate Power, and Improve Government Services" reforms. Sections 2 to 4 will relate to the basic components of its Corporate Social Credit System as described by the credit "531X" project: the Public Credit Indicator System, the Comprehensive Credit Supervision and Responsibility System, and the Public Credit Evaluation and the Joint Reward and Punishment System. In the second section, we will see how the Public Credit Indicator System interacts with the Public Credit Evaluation system to gather credit information, assign scores to credit subjects, divide them into categories, and share the information gathered and processed with the public.

[83] Heilmann (2008).

[84] Li Hangmin (2016). Research on the Construction and Optimization of China's Regional Credit System. *Advances in Social Science, Education and Humanities Research (ASSEHR), 75*, pp. 184-188.

[85] Lin, Lauren Yu-Hsin, Milhaupt, Curtis J. (October 2021). China's Corporate Social Credit System and the Dawn of Surveillance State Capitalism. *ECGI Working Paper Series in Law, Law Working Paper N° 610/2021*.

The third section will focus on the Comprehensive Credit Supervision and Responsibility System, how supervision is conducted through the "Two Randoms, One Public" principle and the methods of collaborative supervision. Finally, the fourth section will analyse the Joint Reward and Punishment System.

2.1. Zhejiang's Social Credit System: Context and Keywords

Work to create a Social Credit System in Zhejiang started in 2002, when the 11th Party Congress of Zhejiang Province first mentioned the construction of "Credit Zhejiang"[86]. This happened around the same time as the 16th National Congress of the Chinese Communist Party mentioned in the first chapter, which started legislation work to build the SCS at the national level[87].

The following year, the construction of a SCS in Zhejiang became one of the key goals of the "Double Eight Strategy" 八八战略[88]. This expression, which can be often found in documents regarding the Zhejiang SCS, indicates a plan formulated by current President Xi Jinping, who at the time was the Zhejiang Provincial Party Secretary, to "give full play to advantages in eight aspects" ("发挥八个方面的优势") and "promote measures in eight aspects" ("推进八个方面的举措"). Of the eight points described by this strategy, which includes development goals such as creating a "green Zhejiang" or accelerating the integration between rural and urban areas, the seventh proposes to "effectively strengthen the construction of the rule of law and of credit, as well as institutional efficiency."[89].

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[86] Zhongguo Jinrong Xinxi Wang 中国金融信息网 (China Financial Information Network) (2021, April 21). Fahui "Xinyong Zhejiang" jichu zuoyong zhuli Zhejiang gaozhiliang fazhan jianshe gongtong fuyu shifan qu 发挥 "信用浙江" 基础作用助力浙江高质量发展建设共同富裕示范区 (Give full play to the basic role of "Credit Zhejiang" to help Zhejiang high-quality development and build a demonstration area for common prosperity) [http://credit.hangzhou.gov.cn/art/2021/4/12/art_1229634564_28376.html].

[87] Permanent Mission of the People's Republic of China to the United Nations (2002, November 14). *16th CPC National Congress closes* [https://www.mfa.gov.cn/ce/cegv//eng/zgbd/zgbdxw/t85777.htm].

[88] Zhongguo Jinrong Xinxi Wang 中国金融信息网(China Financial Information Network) (2021, April 21).

[89] Xinhua Wang 新华网 (Xinhua Net) (2020, April 1). Xinwen lianjie: Xin Jinping Zong Shuji tidao de "Baba zhanlüe")新闻链接：习近平总书记提到的 "八八战略" (News link: The "Eight-Eight Strategy" mentioned by General Secretary Xi Jinping) [http://www.xinhuanet.com/politics/leaders/2020-04/01/c_1125801536.htm].

The SCS is also related to another of the government of Zhejiang Province's goals, the "Run at Most Once" reform "最多跑一次"改革. The end goal of this reform, which was presented in 2016, is to simplify bureaucracy, so that when natural and legal persons present any sort of application they do not need to "run" from one office to the other, but the bureaucratic process will be completely automatized and digitalized[90]. The SCS relies precisely on this automatization and digitalization to work. At the same time, the SCS infrastructure, with its systems of data gathering and sharing, is fundamental for the achieving of the "Run at Most Once" reform goals[91].

Another expression that can often be found in documents regarding the SCS, particularly in Zhejiang, and that reflects the need for automatization, it the reform to "Streamline, Delegate, Improve" 放管服 (short for "Streamline the Government, Delegate Power, and Improve Government Services" 简政放权、放管结合、优化服务). This reform, which was first mentioned by Premier Li Keqiang in a national teleconference held by the State Council on May 9, 2016, has three goals: first, to decentralize and simplify administrative power; second, to strengthen supervision of government departments; third, to reduce government intervention in the market, as well as administrative costs for market entities[92]. We can see how this reform is related to the "Run at Most Once" reform mentioned above and how the SCS can be considered a tool to achieve both.

In the same year these two reforms were presented, then Deputy Secretary of the Provincial Party Committee Yuan Jiajun advanced the "531X" credit project[93]. This project proposes to focus on five types of credit subjects (enterprises, natural persons, social

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[90] Zhejiang ribao 浙江日报 (Zhejiang Daily) (2018, November 28). Zhejiang shixian "zuiduo pao yici" zhixiang quan fugai 浙江实现"最多跑一次"事项全覆盖 (Zhejiang achieves full coverage of "run at most once") [http://www.gov.cn/xinwen/2018-11/28/content_5344035.htm].

[91] Lanxi shi renmin zhengfu 兰溪市人民政府 (Lanxi Municipal People's Government) (2021, June 24). Zhuanfa: yi xinyong tixi jianshe shenhua "zuiduo pao yici" gaige 转发：以信用体系建设深化"最多跑一次"改革 (Forwarding: Deepen the Reform of "Run at Most Once" with the Construction of the Credit System) [http://www.lanxi.gov.cn/art/2021/6/24/art_1229288165_59237525.html].

[92] Daoxian Renmin Zhengfu 道县人民政府 (People's Government of Daoxian) (2019, September 18). Fanguanfu gaige shi zhi shenme? 放管服改革是指什么? (What is the "streamline the government, delegate power, and improve government services" reform?) [http://www.dx.gov.cn/dx/fgfggzl/201909/9f7e8c84a37f40b09dacdf6cd72f37a7.shtml].

[93] Zhejiang zhengwu fuwu wang 浙江政务服务网 (Zhejiang Government Service Network). Xinyong "531X" gongcheng 信用"531X"工程 (Credit "531X" Project) [http://zld.zjzwfw.gov.cn/art/2020/4/10/art_1229004464_42545501.html].

organizations, public institutions, and government agencies) to build three major systems. The first is a "Public Credit Indicator System" 公共信用指标体系 which collects, stores, and shares credit information with the public. The second is a "Comprehensive Credit Supervision and Responsibility System" 信用综合监管责任体系, which is responsible for credit inspections whose frequency vary based on the trustworthiness of the credit subjects (meaning that entities that have proven to be trustworthy will receive fewer inspections than those responsible for trust-breaking). The third is the "Public Credit Evaluation and the Joint Reward and Punishment System" 公共信用评价及信用联合奖惩体系, responsible for rewarding and punishing all credit subjects based on different levels of trustworthiness. These three major systems combine to form a unified public credit information platform and the resulting system must be applied in several key areas[94].

According to the authorities of Zhejiang Province, the basic framework of the credit "531X" project has been completed and now covers 2.58 million enterprises, 41.88 million natural persons, 61 thousand social organizations, 32 thousand public institutions, and 4,753 government agencies[95]. In the following sections, therefore, we will see how the three systems of the project are applied to companies in order to study the current state of the CSCS in Zhejiang.

2.2. Public Credit Indicator and Public Credit Evaluation Systems

In this section, I will analyse the first of the three big systems described by the credit "531X" project, the Public Credit Indicator System, together with part of the third system,

[94] Zhonggong Zhejiang sheng wei bangongting, Zhejiang sheng renmin zhengfu bangongting 中共浙江省委办公厅、浙江省人民政府办公厅 (General Office of the Zhejiang Provincial Committee of the Communist Party of China, The General Office of the People's Government of Zhejiang Province) (2020, April 20). Zhejiang "Guanyu jiakuai tuijin xinyong "531X" gongcheng goujian yi xinyong wei jichu de xinxing jianguan jizhi de shishi yijian" 浙江《关于加快推进信用"531X"工程构建以信用为基础的新型监管机制的实施意见》 (Zhejiang "Implementation Opinions on Accelerating the Advancing of the Credit "531X" Project to Build a New Credit-Based Supervision Mechanism") [http://m.fangchan.com/policy/35/2020-04-01/6699491443930894531.html].

[95] Zhejiang zhengwu fuwu wang 浙江政务服务网 (Zhejiang Government Service Network). Xinyong "531X" gongcheng 信用"531X"工程 (Credit "531X" Project)

the Public Credit Evaluation and the Joint Reward and Punishment System. The reason behind this choice is that I believe that in order to delineate the current state of Zhejiang Province's SCS it is necessary to start from the Public Credit Indicator System, which cannot be described without considering the Public Credit Evaluation aspect of the third system. The Joint Reward and Punishment System will be described in a later section.

This section is composed of two parts. In the first, we will see the scoring mechanism used to divide credit subjects into five categories, as well as the type of credit information used for evaluation. The second part will focus on data sharing by comparing the credit information platform of Zhejiang Province (Credit Zhejiang) with the national platform (Credit China).

2.2.1. Scoring and Public Credit Information Catalogues

The scoring system developed by Zhejiang Province is an example of how provincial SCS are pioneers of elements which – at the moment – are not part of the national SCS but should eventually be adopted nationwide[96]. All credit subjects in Zhejiang Province (except for natural persons[97]) are evaluated by the Public Credit Evaluation System, which assigns them a score from 0 to 1000 and divides them in five levels based on trustworthiness: subjects with a score of 850 or above are rated as "excellent" 优秀 (or A[98]); : subjects with a score between 800 and 849 are "good" 良好 (B); subjects with a score between 750 and 799 are "average" 中等 (C); subjects with a score between 700 and 749 are "fairly poor" 较差 (D); and finally, subjects with a score below 700 are considered "poor" 差 (E)[99].

[96] European Chamber of Commerce in China (2019). *The Digital Hand: How China's Corporate Social Credit System Conditions Market Actors*.

[97] Zhongguo Jinrong Xinxi Wang 中国金融信息网(China Financial Information Network) (2021, April 21).

[98] Zhejiang sheng fazhan he gaige weiyuanhui 浙江省发展和改革委员会 (Zhejiang Provincial Development and Reform Commission) (2019, July 8). Sheng fazhan gaige wei guanyu yinfa "Zhejiang sheng hangye xinyong jianguan zeren tixi goujian gongzuo fang'an" 省发展改革委关于印发《浙江省行业信用监管责任体系构建工作方案》的通知 (Notice of the Provincial Development and Reform Commission on Printing and Distributing the "Work Plan for the Construction of the Industry Credit Supervision Responsibility System in Zhejiang Province").

[99] Zhejiang sheng fazhan he gaige weiyuanhui 浙江省发展和改革委员会 (Zhejiang Provincial Development and Reform Commission) (2020, August 4). "Zhejiang sheng wulei zhuti gonggong xinyong pingjia zhiyin (2020 ban)"《浙江省五类主体公共信用评价指引（2020 版）》("Zhejiang Province Guidelines for Public Credit Evaluation of Five Types of Subjects (2020 Edition)" [https://www.zj.gov.cn/art/2020/8/17/art_1229203589_1181993.html].

The evaluation is based on data gathered by the Public Credit Indicator System. Credit data is of three kinds: "basic data" 基础信息, which provides "neutral" information necessary to identify the subject, as well as information about administrative licenses; "negative information" 不良信息, that is all sort of information that classifies the subject as untrustworthy; and "trust-keeping information" 守信信息, that is all information that classifies the subject as trustworthy[100].

The exact sort of information required is detailed in public credit information catalogues. In the first chapter, we have mentioned the National Unified Public Credit Information Catalogue in relation to the efforts by the Chinese government to standardize the SCS (see: 1.4.2)[101]. The national Catalogue provides a list of information that must be required by credit subjects nationwide. This list must be integrated by Provincial Public Credit Information Catalogues[102].

For this thesis, I have decided that rather than examining the complete Zhejiang Provincial Credit Information Catalogue, it would be useful to see which information influences the credit score of companies and in what way. In order to do that, I have chosen to use a list of Corporate Public Credit Evaluation Indicators 企业公共信用评价指标 provided by the "Zhejiang Province Guidelines for Public Credit Evaluation of Five Types of Subjects (2020 Edition)" 浙江省五类主体公共信用评价指引（2020 版）[103]. This document provides not only the list of credit information used to evaluate market entities, but also the authority responsible for collecting each information item and the weight each item holds in the computing of the entity's credit score.

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[100] Zhejiang sheng fazhan he gaige weiyuanhui 浙江省发展和改革委员会 (Zhejiang Provincial Development and Reform Commission) (2021, August 24). Zhejiang sheng gonggong xinyong xinxi guanli tiaojian 浙江省公共信用信息管理条例 (Zhejiang Provincial Regulations on the Administration of Public Credit Information) [https://fzggw.zj.gov.cn/art/2021/8/24/art_1229561684_2327360.html].

[101] The 2021 edition of the Catalogue can be found at this link: https://www.ndrc.gov.cn/xwdt/tzgg/202112/P020211231396828288425.pdf

[102] The most recent edition I have found of the complete Zhejiang Province Public Credit Information Catalogue is the 2019 one: https://zjjcmspublic.oss-cn-hangzhou-zwynet-d01-a.internet.cloud.zj.gov.cn/jcms_files/jcms1/web3063/site/attach/0/6561d8d031f145c9908be03029472269.pdf

[103] Zhejiang sheng fazhan he gaige weiyuanhui 浙江省发展和改革委员会 (Zhejiang Provincial Development and Reform Commission) (2020, August 4). Zhejiang sheng wulei zhuti gonggong xinyong pingjia zhiyin (2020 ban) 浙江省五类主体公共信用评价指引（2020 版） (Zhejiang Province Guidelines for Public Credit Evaluation of Five Types of Subjects (2020 Edition) [https://www.zj.gov.cn/art/2020/8/17/art_1229203589_1181993.html].

As we have said, credit subjects, including companies, are assigned a score from 0 to 1000. Different sorts of information hold a different weight. First, 80 points are assigned based on the "Basic Situation" 基本情况 of the company: 40 points concern "Key Personnel Information" (i.e., whether legal representatives of the company are included in any sort of credit blacklist); 40 points concern "Operative Information" (i.e., whether any abnormal operation has been recorded).

Secondly, 195 points are assigned based on information regarding "Finance and Taxation" 金融财税: 135 points concern financial information (i.e., if there is any criminal record in the area of finance); the other 60 points concert tax information (simply put, whether the company regularly pays its taxes).

Thirdly, 90 points are assigned based on information regarding "Governance" 管治能力: simply speaking, this category aggregates information regarding product quality, production safety, and environmental protection (30 points each).

Almost half the points (450) are assigned based on "Compliance with the law" 遵纪守法: 200 points concern the area of administration (i.e., whether any administrative penalty has been recorded); 130 points concern judicial information (i.e., whether the company failed to comply with any court order); the remaining 120 points concern "Information of Serious Dishonesty" (meaning that 120 are deducted if the company is entered in the list of seriously untrustworthy entities).

Finally, 185 points are assigned based on "Social Responsibility" 社会责任. This category is interesting because it is the only one in which points are not deducted for bad conduct, but rather assigned for good behaviour, for instance whether the company donates to charity (65 points) or is entered into a redlist (120 points).

2.2.2. Data Sharing: the Credit Zhejiang Platform

Another aspect of the Public Credit Indicator System is that it relies on the provincial public data platform to share credit information. This provincial platform, called Credit Zhejiang 信用浙江 (https://credit.zj.gov.cn), is similar to the Credit China platform described in 1.3.3. However, there are notable differences that are worth dwelling on.

Figure 4: Credit Zhejiang Website homepage.

Figure 5: Redlists and Blacklists in the Credit Zhejiang Website.

From a cursory glance to the homepage, the two websites appear similar, even if not identical. Comparing figure 4 to figure 2, we can see that most of the basic functions are the same. However, when we scroll down, we find the first notable difference (figure 5): on the Credit Zhejiang platform it is possible to consult redlists and blacklists. The redlists and blacklists on the Credit Zhejiang platform are divided into national

(respectively 4 and 6) and regional (4 and 10). A redlist for "Class A Taxpayers" A 级纳税人 and a blacklist for "Persons Subject to Enforcement for Trust-Breaking" 失信被执行人 exist at both national and provincial levels, while the other are quite different. This may be because the SCS is used at the provincial level to tackle issues that are prevalent locally, as we have discussed in the previous chapter[104].

An issue I have encountered with the Credit Zhejiang website is that when I look up many blacklisted companies through the website search bar, no results come up, as if the company did not exist. I have not had the same problem with companies that are entered into redlists. Nothing I have found in legal documents explains this. At first, I thought that the reason might be that some companies might have closed business as a result of blacklisting. However, a search into the national credit sharing platform has disproved this theory. As we can see from figures 6 and 7, the company called Dengfeng Haonan Refractory Co., Ltd. (登封市昊南耐火材料有限公司), which has been entered in the list of "Persons Subject to Enforcement for Trust-Breaking" of Zhejiang Province on August 23, 2022, appears not to exist in the Credit Zhejiang platform but can be found in the Credit China platform and is registered as still operative. We can only suppose that this lack of information is the result of an imperfect functioning of Credit Zhejiang.

Figure 6: Search for Dengfeng Haonan Refractory Co., Ltd. in the Credit Zhejiang Website.

[104] It is interesting to see how some lists appear to have been created *ad hoc* for a specific situation. For instance, the "blacklist for dishonesty in the field of housing and urban-rural construction" only contains one credit subject.

Figure 7: Credit File of Dengfeng Haonan Refractory Co., Ltd. in the Credit China Website.

Let us move to the credit subject pages. Figure 8 shows the page of Alibaba Co., Ltd. Compare it with the company page of Tencent in the Credit China website (Figure 3). Here, instead of classifying companies as either "trustworthy encouraged subject" or "untrustworthy punished subject", the page shows, next to the basic information identifying the company, its Social Credit Score (in this case, just above 900 points, placing Alibaba in the "excellent" category). The credit score is constantly updated, as we can see from the "evaluation time" 评价时间 shown under the score (the screenshot was taken on August 19th).

The eight sections in which credit information are divided are also different: here we have administrative licenses 行政许可 and qualifications 资质/资格 (which are classified as "basic information"); administrative penalties 行政处罚 and punishment for dishonesty 失信惩戒 ("negative information"); incentives for trust-keeping 守信激励 ("trust-keeping information"); and risk warning 风险提示 (issued when an entity is at risk of being blacklisted), priority concerns 重点关注, and others (all classified as "other information"). In the case of Alibaba, we can find information about administrative licenses, qualifications, and trust-keeping behaviour. The "trust-keeping information" section lists three items: Alibaba was listed as "Class A Taxpayers" in 2017 and 2018, ad

in 2019 was one of the top 30s most profitable companies in the software business in Zhejiang Province.

Figure 8: Alibaba (China) Co., Ltd.

It is interesting to note that an entity may be blacklisted for one sort of trust-breaking behaviour but not be rated as “poor”. Take the example of Zhejiang Tongda Magnetic Industry Co., Ltd., a company that manufactures and exports magnetic core materials, transformers, plastic products, and electronic components (Figure 9). This company was entered into the “List of the Seriously Untrustworthy in the Ecological Environment” 生态环境严重失信名单 for two administrative penalties received in 2021, the first for starting the construction of an air separation plant without having obtained

authorization nor having designed safety facilities, the second for not being in compliance with safety and health standards. The company, however, was listed as a “Class A Taxpayer” from 2017 to 2020, raising its score to around 780, which rates as “average”.

Figure 9: Zhejiang Tongda Magnetic Industry Co., Ltd.

2.3. Comprehensive Credit Supervision and Responsibility System

The subject of this section is the second of the three big systems described by the Credit “531X” project, that is the Comprehensive Credit Supervision and Responsibility System. We will analyse two aspects of the system. The first is the credit-centring market

supervision mechanism, which conducts "Continuous Monitoring" according to the system called "Two Randoms, One Public". The second is the Collaborative Supervision Mechanism, which relies on industry self-discipline, actions such as credit commitment, or credit service agencies.

2.3.1. Credit Supervision: Two Randoms, One Public

The term "credit supervision" indicates a credit-centring market supervision mechanism. Zhejiang Province adopts the national system of "continuous monitoring" 事中事后监管[105]. Whereas before authorities were accustomed to "monitoring at the point of entry" 事前监管, meaning that, for example, inspection was conducted before granting administrative licenses, through "continuous monitoring" inspections are conducted during (事中) and after (事后) granting licenses to ensure that market entities continue to meet granting conditions[106].

The credit supervision mechanism aims at furthering standardisation and automatization according to the principle of "streamline, delegate, improve". In order to do that, the Chinese government decided to adopt a supervision method called "Two Randoms, One Public" 双随机、一公开[107]. "Two Randoms, One Public" refers to a credit supervision method according to which the Ministry of Commerce randomly selects the inspections objects (credit subjects to be inspected) and the credit inspectors, and promptly discloses with the public the information gathered through the inspection, as well as the subsequent punishments and rewards, through the data sharing platform

[105] Zhongguo gongshang bao 中国工商报 (China Industry and Commerce News) (2016, May 11). Zhejiang bushu shizhongshihou jianguan 浙江部署事中事后监管 (Zhejiang Deploys Continuous Monitoring) [https://www.samr.gov.cn/djzcj/gzdt/201605/t20160511_283021.html].

[106] Zhongguo jingji shibao 中国经济时报 (China Economic Times) (2015, August 20). Yi xiandai zhengfu zhili zhidao chuangxin shizhongshihou jianguan fangshi 以现代政府治理之道创新事中事后监管方式 (Use Modern Governance to Innovate Continuous Monitoring) [http://www.gov.cn/xinwen/2015-08/20/content_2916207.htm].

[107] Guowuyuan bangongting 国务院办公厅 (General Office of the State Council) (2019, July 17). Guowuyuan bangongting guanyu jiakuai tuijin shehui xinyong tixi jianshe goujian yi xinyong wei jichu de xinxing jianguan jizhi de zhidao yijian 国务院办公厅关于加快推进社会信用体系建设构建以信用为基础的新型监管机制的指导意见 (Guiding Opinions of the General Office of the State Council on Accelerating the Construction of a Social Credit System and Building a New Credit-Based Supervision Mechanism) [http://www.gov.cn/zhengce/content/2019-07/16/content_5410120.htm].

described in 2.2.2[108]. This method is based on the principle that 守信者无事不扰，失信者利剑高悬 (roughly translated as "the trustworthy shall not be disturbed, and the untrustworthy should be constantly supervised")[109].

Random inspections can be "targeted" or "non-targeted". The term "non -taregeted random inspection" 不定向随机抽查 refers to "random selection of inspection objects and of law enforcement inspectors without setting constraints before random inspections", meaning that all inspection objects are equally likely to be selected for inspection. On the other hand, "targeted random inspection" 定向随机抽查 refers to random selection of inspection objects and of law enforcement inspectors within a limited range according to specific conditions such as the industry field, region, production and operation scale, risk level of the inspection object according to the needs of the work.

In order to understand how targeted random inspections work, two concepts are important. The first is the "proportion and frequency" of random inspections, which means that the frequency of inspections of credit subjects in a particular industry depends on the importance of said industry in the national economy. This concept must not be confused with the second, the "probability" of random inspections, which refers to the probability that a specific inspection object is selected for random inspection. The probability is mainly determined by the proportion and frequency of random inspections within the industry and by the credit status of the inspection objects, meaning that credit subjects with a low credit score are more likely to be selected. As a principle, an entity should not be subjected to more than two random inspections within a year. However, the number increases for entities that are part of key industries or that have been blacklisted[110].

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[108] Zhongguo zhengfu wang 中国政府网 (Chinese Government Network) (2018, June 8). Hewei "Shuang suiji, yi gongkai"? Li Keqing weihe ruci zhongshi zhe zhao? 何谓"双随机、一公开"？李克强为何如此重视这招？ (What is "Double Random, One Open"? Why does Li Keqiang attach so much importance to this move?) [http://www.gov.cn/guowuyuan/2018-06/08/content_5296904.htm].

[109] Xinyong Zhejiang 信用浙江 (Credit Zhejiang) (2021, June 28). Zhejiangsheng shehui xinyong tixi jianshe zenme zuo? Xinyong jianguan qingkuang ruhe? 浙江省社会信用体系建设怎么做？信用监管情况如何？ (How to build a social credit system in Zhejiang Province? How is the credit supervision situation?) [http://www.szzj.gov.cn/art/2021/6/28/art_1228968613_59023816.html].

[110] Shangwubu bangongting 商务部办公厅 (General Office of the Ministry of Commerce) (2018, August 16). Shangwubu "Shuang suiji, yi gongkai" shishi xize (shixing) 商务部"双随机、一公开"实施细则（试行） (Detailed Implementation Rules of the Ministry of Commerce for "Two Randoms, One Public" (for Trial

From what we have seen, we can say that the Credit Supervision System is a closed loop, where standards for classifying credit subjects according to trustworthiness are created, supervision is conducted before, during, and after the classification, and the credit score of all entities is constantly updated and fed back into the regional public data sharing platform[111].

2.3.2. Collaborative Supervision Mechanism

Another important aspect of the Comprehensive Credit Supervision and Responsibility System that is important in order to achieve the "streamline, delegate, improve" goal is called the Collaborative Supervision Mechanism with Social Institutions 社会机构协同监管机制: the government works with social institutions to improve the supervision of credit subjects[112]. This collaboration may take many forms; here we will see three: industry self-discipline, credit commitment, and credit service agencies.

Social institutions such as industry associations and chambers of commerce are encouraged to carry out industry self-discipline 行业自律. These institutions should inquire about the credit status of all market actors within their industry, they should construct industry-specific early monitoring and warning mechanism, report entities responsible for trust-breaking, raise membership levels for members with a good credit status and lower membership levels for – or even expel – members with a low credit status[113].

Implementation)) [link to document can be found here: http://www.gov.cn/zhengce/zhengceku/2018-12/31/content_5438343.htm].

[111] Xinyong Zhejiang 信用浙江 (Credit Zhejiang) (2021, June 28). Zhejiangsheng shehui xinyong tixi jianshe zenme zuo? Xinyong jianguan qingkuang ruhe? 浙江省社会信用体系建设怎么做？信用监管情况如何？ (How to build a social credit system in Zhejiang Province? How is the credit supervision situation?) [http://www.szzj.gov.cn/art/2021/6/28/art_1228968613_59023816.html].

[112] General Office of the Zhejiang Provincial Committee of the Communist Party of China, The General Office of the People's Government of Zhejiang Province (2020, April 20). (Zhejiang "Implementation Opinions on Accelerating the Advancing of the Credit "531X" Project to Build a New Credit-Based Supervision Mechanism".

[113] Hangzhou shi dishisan jie renmin daibiao dahui changwu weiyuanhui disishisan ci huiyi 杭州市第十三届人民代表大会常务委员会第四十三次会议 (Standing Committee of the 13th Hangzhou People's Congress) (2022, March 7). Hangzhou shi shehui xinyong tiaoli 杭州市社会信用条例 (Hangzhou Social Credit Regulations) [http://credit.zj.gov.cn/art/2022/6/21/art_1229636804_2408586.html].

Collaborative supervision also manifest itself through a process called "Credit Commitment" 信用承诺. The establishment of a Credit Commitment System was first put forward in 2019, with the issuing of the Guiding Opinions of the General Office of the State Council on Accelerating the Construction of a Social Credit System and Building a New Credit-Based Supervision Mechanism 国务院办公厅关于加快推进社会信用体系建设构建以信用为基础的新型监管机制的指导意见[114]. The aim of Credit Commitments is to make administrative processes faster and easier: when an entity applies for administrative licenses, if it has good credit status but incomplete application materials, it can submit a written commitment to provide the missing documents within a specified time limit; the application will then start being processed before all the necessary credit material has been submitted.

All Credit Commitments submitted in Zhejiang Province can be consulted through the Credit Zhejiang website[115], in the "Credit Announcement" 信用公示 section. Figure 10 shows the Credit Commitment submitted on August 24, 2022, by a company called Huzhou Xingrui Financial Consulting Co., Ltd. The company applied for a qualification as an accounting and bookkeeping agency. In order to speed up the process, they submitted an "approval alternative": instead of going through the usual long approval process, the firm guarantees that all the documents submitted are true, legal, and valid, and that self-examination has been carried out to ensure that all standards to become an accounting and bookkeeping agency are met. If the company is found to be in violation of the credit commitment, it will be punished according to the law, the unfulfillment of the commitment will be included in the negative credit information, and the qualification will be revoked.

Finally, Credit Service Agencies 信用服务机构 represent an important aspect of the Collaborative Supervision Mechanism. Credit service agencies are intermediaries which mainly deal in credit services for privates such as credit investigation and evaluation,

[114] Guowuyuan bangongting 国务院办公厅 (General Office of the State Council) (2019, July 17). Guowuyuan bangongting guanyu jiakuai tuijin shehui xinyong tixi jianshe goujian yi xinyong wei jichu de xinxing jianguan jizhi de zhidao yijian 国务院办公厅关于加快推进社会信用体系建设构建以信用为基础的新型监管机制的指导意见 (Guiding Opinions of the General Office of the State Council on Accelerating the Construction of a Social Credit System and Building a New Credit-Based Supervision Mechanism) [http://www.gov.cn/zhengce/content/2019-07/16/content_5410120.htm].

[115] Link: https://credit.zj.gov.cn/jyh/#/home/informCreditPromise?token=null&flag=n

credit rating, credit management consulting and credit training. The channels from which these agencies acquire credit information are mainly provincial government organs specially created, entities subject to credit investigation, organizations such as commercial institutions that keep files on credit subjects, and public media. The construction of a credit service industry is considered an important element of the national economic development and must be conducted at the county level of the government[116].

承诺企业名称	湖州星瑞财务咨询有限公司
统一信用代码	91330501MA2D1CD2XH
承诺类型	审批替代型
承诺事由	审批替代型，申请办理会计代理记账机构执业资格审批
承诺作出时间	2022-08-24
承诺受理单位	湖州市财政局

信用承诺承诺内容

一、所提交的申请材料真实、合法、有效；二、已知晓行政审批机关告知的全部内容；三、已对照法定条件和《代理记账管理办法》（财政部令第98号）要求进行了自查，能够满足行政审批机关告知的法定条件、标准和要求；四、上述陈述是申请人真实意思的表示；五、若违反承诺和作出不实承诺的，愿意承担相应法律责任。本中介机构知悉并同意：如出现以欺骗、贿赂等不正当手段取得中介机构执业许可，或以告知承诺方式取得中介机构执业许可后财政部门首次证后监督检查发现实际情况与承诺内容不符的情形，将接受相关法律法规的处理，直至被撤销中介机构执业许可，并主动交回证书。

Figure 10: Credit Commitment of Huzhou Xingrui Financial Consulting Co., Ltd.

2.4. Joint Reward and Punishment System

The last element of the Credit “531x” project we have left to discuss is the Joint Reward and Punishment System. Here we will talk in more detail about the system of punishment for untrustworthiness that we have seen in the first chapter. With the term "punishment for untrustworthiness” we mean

[116] Zhejiang sheng fazhan gaige xingzheng zhuguan bumen 浙江省发展改革行政主管部门 (Zhejiang Province Development and Reform Administrative Department) (2021, April 20). Zhejiang sheng xinyong fuwu jigou guanli zhanxing banfa 浙江省信用服务机构管理暂行办法 (Interim Measures for the Administration of Credit Service Agencies in Zhejiang Province) [https://credit.shaanxi.gov.cn/318/94521.html].

"the use of the judiciary, administration, the market and other means by state organs and organizations authorized by laws and regulations to manage public affairs [...] in accordance with laws and regulations in order to punish those responsible for dishonest behaviour."

We will start this section by learning which disciplinary measures a trust-breaking company can be subjected to according both to the national law (through the National Basic List of Disciplinary Measures for Untrustworthiness) and to provincial regulations (according to the Supplementary List of Punishment Measures for Dishonesty). Although these disciplinary measures are paramount for the functioning of the SCS, as it is they which guarantee compliance with laws and regulations and render the system effective, they are not the end goal[117]. For this reason, the second part will look at two aspects of the Punishment System that are integral to its fair functioning: Credit Objection and Credit Repair.

2.4.1. The National Basic List of Disciplinary Measures for Untrustworthiness and the Provincial Supplementary List

The best source consult in order to learn the punishments trust-breaking entities may be subject to is the National Basic List of Disciplinary Measures for Untrustworthiness 全国失信惩戒措施基础清单[118] issued by the NDRC, the People's Bank of China, the Inter-Ministerial Joint Conference on Social Credit System Construction. Unless otherwise specified by laws, regulations, or policy documents the Party Central Committee and the State Council, disciplinary measures implemented by public management organs (state organs and organizations authorized by laws and regulations to manage public affairs) cannot exceed the scope of this list. Special supplementary lists may be compiled by local authorities, provided that they are strictly based on laws and regulations.

[117] Yuan, Wei 袁玮 (2021, July 7).

[118] Guojia fazhan gaige wei, renmin yinhang, shehui xinyong tixi jianshe bu ji lianxi huiyi 国家发展改革委、人民银行、社会信用体系建设部际联席会议 (The National Development and Reform Commission, the People's Bank of China, the Inter-Ministerial Joint Conference on Social Credit System Construction) (2022, January 1). Quanguo shixin chengjie cuoshi jichu qingdan (2021 nian ban) 全国失信惩戒措施基础清单(2021 年版) (National Basic List of Disciplinary Measures for Untrustworthiness (2021 Edition)) [https://www.ndrc.gov.cn/xxgk/zcfb/ghxwj/202112/P020211231393058370544.pdf].

The 2021 version of the National Basic List of Disciplinary Measures for Untrustworthiness, which started being effective of January 1st, 2022, includes 14 items divided into three categories: first, we have measures implemented by public management organs in accordance with laws and regulations that impair the rights and interests of credit entities or increase their obligations (for instance, restrictions in market or industry access); the second category is composed of management measures implemented by public management organs according to the needs of performing their duties, which do not involve derogation of the rights and interests of credit entities or increase their obligations (for instance, restrictions in application for funds or targeting as key supervision subjects); finally, we have measures implemented independently by organizations other than public management agencies.

Let us see the disciplinary measures that legal persons can be subject to:

- Item 1 refers to market or industry bans: market entities which are responsible of major violations will be prohibited from entering a specific market or industry for a certain period of time. For instance, if a company has been found trying to win a tender by means of bribery or fraud, it will be disqualified from all tenders for a period.
- Item 7 refers to restrictions on access to fiscal fundings: companies which are entered in the list of "seriously untrustworthy entities" will not be granted fiscal fundings for projects for a certain period.
- Item 8 refers to limitations on the enjoyment of preferential measures: for instance, trust-breaking companies will not be able to apply for financial support from the government.
- Item 9 refers to restrictions from being evaluated for merit appraisals: if a company is responsible for trust-breaking behaviour, any honour they may have received will be revoked and they will not be evaluated for future merit appraisals.
- Items 10 and 11 refer to the disclosure of bad credit information of untrustworthy entities.
- Item 12 refers to the inclusion in the scope of key supervision (according to the principle of "Two Randoms, One Public").
- Items 13 and 14 encourage government departments and market entities to independently consult the credit status of the credit subjects they interact with.

There are also disciplinary measures that involve legal representatives and key personnel of trust-breaking legal persons. For instance, a legal representative of a trust-breaking entity may be prohibited from leaving the country (Item 5) or from enjoying luxury consumption, which may include anything from travelling first class to sending one's children to high fee private schools (Item 4).

The Provincial Development and Reform Commission of Zhejiang Province has issued an exposure draft of the 2022 Supplementary List of Punishment Measures for Dishonesty 浙江省失信惩戒措施补充清单[119]. This document does not advance new punitive measures compared to the national list, but rather expands the scope of those already existing in order to tackle the province's key issues. For instance, the supplementary list expands on Item 8, clarifying that trust-breaking entities will not be granted the High and New Technology Enterprise Certification 高新技术企业认定, which would allow them certain benefits such as a Corporate Income Tax rate of 15%, as opposed to the 25% statutory rate[120].

2.4.2. Credit Objection and Credit Repair

In order to guarantee the accurate and fair application of the punishment mechanism, two processes are indispensable: Credit Objection 信用异议 and Credit Repair 信用修复. Credit Objection happens when the credit information gathered and reported presents mistake that need to be corrected. Credit Repair, as explained in the first chapter, takes place when a credit subject has corrected its trust-breaking behaviour and credit information needs to be updated. These processes need to be smooth and rapid as to avoid creating problems to the entities involved[121]. Furthermore, both processes are examples of the "Run at Most Once" reform: as we will see, once the application has been submitted,

[119] Zhejiang sheng fazhan he gaige weiyuanhui 浙江省发展和改革委员会 (Zhejiang Provincial Development and Reform Commission) (2022, April 27). Zhejiang sheng shixin chengjie cuoshi buchong jingdan (2022 ban) (xiuding zhengjiu yijian gao) 浙江省失信惩戒措施补充清单（2022 版）（修订征求意见稿） (Supplementary List of Punishment Measures for Dishonesty in Zhejiang Province (2022 Edition) (Revised Draft for Comments)) [available here: https://fzggw.zj.gov.cn/art/2022/4/27/art_1599567_58934028.html].

[120] Ao qi zhengce tong 粤企政策通 (Guangdong Enterprise Policies) (2021, January 7). Gao xin jishu qiye rending 高新技术企业认定 (High and New Technology Enterprise Certification) [https://sqzc.gd.gov.cn/rdzt/zchb/content/post_3161400.html].

[121] Yan, Jun (2021). A Theoretical Foundation and A Mechanism Construction of Credit-Breaking Punishment. *Journal of Sociology and Ethnology 3(2),* 36-45.

the whole process is completely automatized and should take no more than a few working days.

The Credit Zhejiang website provides a map explaining all the passages to present a Credit Objection[122]. First, a Credit Objection can be presented if the following criteria are met: the entity's credit report presents a factual or typographical error; the report continues to present negative credit information beyond the specified period (we will discuss "natural repair" later); the credit subject has been placed in the List of Seriously Untrustworthy Entities without meeting the criteria. If any of these requirements are met, the entity can file an objection at the Provincial Credit Centre 省信用中心. The objection will be handled by the Provincial Credit Centre itself or by the Provincial Big Data Bureau 省大数据局. The website does not specify within how long the credit subject can expect to receive the result of the application, although according to the Measures for Managing the List of Untrustworthy Enterprises with Serious Violations discussed in 1.5.2, the decision should be made within 5 working days[123].

According to the Interim Measures for the Administration of Public Credit Repair in Zhejiang Province issued by the Provincial Development and Reform Commission[124], the aim of Credit Repair is to

> *"encourage and guide the subject of bad information to take the initiative to correct illegal and dishonest behaviours, eliminate negative social influence, improve their own credit level, and create a social environment of honesty and trustworthiness."*

[122] The map can be found at this link: https://credit.zj.gov.cn/col/col1229636053/index.html.

[123] Shìchǎng jiānguǎn zǒngjú 市场监管总局 (State Administration for Market Regulation). Yánzhòng wéifǎ shīxìn qǐyè míngdān guǎnlǐ bànfǎ (xiūdìng cǎo'àn zhēngqiú yìjiàn gǎo) 严重违法失信企业名单管理办法(修订草案征求意见稿) (Measures for Managing the List of Untrustworthy Enterprises with Serious Violations (Draft Revisions for Solicitation of Public Comments)) [https://www.samr.gov.cn/hd/zjdc/202102/t20210210_326053.html].

[124] Zhejiang sheng fazhan he gaige weiyuanhui 浙江省发展和改革委员会 (Zhejiang Provincial Development and Reform Commission) (2018, December 28). Zhejiang sheng gonggong xinyong xiufu guanli zhanxing banfa 浙江省公共信用修复管理暂行办法 (Interim Measures for the Administration of Public Credit Restoration in Zhejiang Province) [these measures can be downloaded here: https://credit.zj.gov.cn/col/col1229636056/index.html].

Considered how pervasive disciplinary measures for trust-breaking can be, both from a regulatory point of view and as bad publicity for the entity subjected to them, companies are usually eager to repair bad credit[125].

There are two types of Credit Repair: the first is "natural repair" 自然修复 (sometime referred to as "time-related repair" 时间信用[126]), which means that bad information will be deleted from the credit file of the subject after 5 years from the date of identification; the second type is called "repair by application" 依申请修复, in which the subject with negative credit information submits an application to the public credit information provider that has confirmed the existence of trust-breaking behaviour. Public credit information providers at all levels (including municipal and county levels) are responsible for handling Credit Repair within their own unit.

In order to apply for Credit Repair, the following criteria must be met: first, the legal and administrative obligations related to the trust-breaking behaviour have been fulfilled; second, the entity must apply for Credit Repair within a certain period from the registration of the negative information (the period may vary between different industries, but generally speaking should not be shorter that one year); no new bad information has been registered in the entity's credit file within this period.

If the criteria described above are met, the entity can submit the "application for credit repair", completed with documents proving the fulfillment of legal and administrative obligations. The public credit information provider will receive the document: if they are incomplete, the applying entity will be notified within 2 working days; if they are complete, a decision whether to grant credit repair will be made within 15 working days. In the case that credit repair is granted, the entity's credit will be repaired within 2 working days and the public credit information provider will publish the information on its portal, where it will remain for 5 working days. Objections can be made whether the Credit Repair is refused (by the entity) or is granted (by stakeholders).

[125] Yuan, Wei 袁玮 (2021, July 7). "Xinyong xiufu" jizhi tisheng shehui xinyong shuiping "信用修复"机制提升社会信用水平 (The "Credit Repair" Mechanism Improves the Level of Social Credit), *Zhongguo dianxinye 中国电信业 (China Telecom Industry)*, pp. 72-74 [http://sk2.doc361.com/qikan/215c51f27c037bfd39c88e1e0f4cf11d.html].
[126] Ibid.

It is also important to note that, even if Credit Repair is granted, the existence of previous bad information will not be completely removed from the public credit information provider's portal, but rather it will be marked as "information that has been repaired and will no longer be used as negative information".

2.5. Concluding Remarks

In this chapter we have tried to give a picture of what the SCS looks like in practice. In order to do so, we have taken in exam a provincial project, since the system varies greatly in its regional application.

The Social Credit System of Zhejiang Province is based on a project that has been introduced in 2016, called the credit "531x" project, which proposes to rate five types of credit subjects (enterprises, natural persons, social organizations, public institutions, and government agencies) through the interaction of three major systems (the Public Credit Indicator System, the Comprehensive Credit Supervision and Responsibility System, and the Public Credit Evaluation and the Joint Reward and Punishment System). The credit "531x" project exemplifies some of the major reforms undertaken both at national and provincial level in order to simplify and automatize bureaucracy, improve the efficiency of government institutions and guarantee the full implementation of the rule of law. These reforms include the "Double Eight Strategy" and the "Run at Most Once" and "Streamline, Delegate, Improve" reforms.

We started outlining the provincial CSCS by analysing how the Public Credit Indicator System interacts with the Public Credit Evaluation aspect of the third of the three major systems in order to rate enterprises on a scale from 0 to 1000, divide them into 5 categories (excellent or A, good or B, average or C, fairly poor or D, poor or E), and share the information obtained through the provincial public data sharing platform (Credit Zhejiang). We have seen that Zhejiang Province utilizes precise criteria to rate enterprises, as proved by the Corporate Public Credit Evaluation Indicators, a detailed list of information gathered about enterprises, each item holding a different weight, which determine a credit score that is the least arbitrary and the most standardized as possible. Regarding the information sharing aspect, through a comparison with the national public

data sharing platform, Credit China, we have seen that although Credit Zhejiang is more developed in some respects (ability to consult redlists and blacklists, presence of the credit score in each entity's file), in others it needs to be improved (lack of information about some credit subjects).

We followed by analysing the Comprehensive Credit Supervision and Responsibility System. Zhejiang Province adopts the national system of "continuous monitoring", rather than "monitoring at the point of entry", to ensure that the credit score of each entity is up to date. In order to achieve furthering standardisation and automatization according to the principle of "streamline, delegate, improve", the Comprehensive Credit Supervision and Responsibility System adopts a supervision method called "Two Randoms, One Public": the Ministry of Commerce randomly selects the inspections objects (credit subjects to be inspected) and the credit inspectors, and promptly discloses with the public the information gathered through the inspection, as well as the subsequent punishments and rewards, through the data sharing platform. The frequency of inspections depends on the importance of a particular industry to the national and provincial economy and on the credit score of each entity: companies with a low credit score will be subjected to more frequent visits, as "the trustworthy shall not be disturbed, and the untrustworthy should be constantly supervised".

The last aspect of the system we have described is the Joint Reward and Punishment System. Punishments for trust-breaking behaviour cannot be arbitrary, but must strictly follow the National Basic List of Disciplinary Measures for Untrustworthiness and eventual Supplementary List of Punishment Measures for Dishonesty. The 2021 version of the national list includes nine disciplinary measures that can be applied to trust-breaking enterprises, divided into three categories: measures implemented that impair the rights and interests of credit entities or increase their obligations; management measures implemented by public management organs according to the needs of performing their duties, which do not involve derogation of the rights and interests of credit entities or increase their obligations; measures implemented independently by organizations other than public management agencies. The provincial supplementary list does not provide further measures, but expands on those provided by the national list in order to cover issues that are key for the provincial economy.

We have seen two processes which not only are paramount for the fair application of the Reward and Punishment System, but are also examples of the "Run at Most Once" reform. Credit Objection happens when the credit information gathered and reported presents mistake that need to be corrected, whereas Credit Repair takes place when a credit subject has corrected its trust-breaking behaviour and credit information needs to be updated. In both cases, once the application has been made by the credit entity whose credit information must be corrected or updated, the process is handled entirely by the relevant government departments and should take no more than 15 working days.

As we have said, the end goal of the Social Credit System is to ensure compliance with laws and regulations and encourage trust-breaking entities to correct their behaviour. For this reason, we believe that it is worth expanding on the concept of Credit Repair. We will do so in the next and final chapter of this thesis.

3. A Second Chance for Trust-Breakers: the Credit Repair Mechanism

As mentioned before, the Credit Repair Mechanism is paramount to the fair and effective application of the Social Credit System. Indeed,

> *"The objective of implementing disciplinary sanctions for trust-breaking is not to permanently nail the defaulters to a pillar of shame. […] A credit repair mechanism is specifically designed to give trust-breaking subjects the opportunity to rectify their mistakes and reform themselves. […] Failure to give [trust-breaking subjects] an effective opportunity to repair their credit over a long period of time is not only against fairness and justice, but may also cause serious social problems."*[127]

The construction of a Credit Repair Mechanism in China is relatively recent, compared to the whole Social Credit System. Credit Repair has been identified a key aspect of the SCS that need development in the "Fourteenth Five Year Plan", as testified by a series of notices issued by the State Council such as the "Notice on Printing and Distributing the 14th Five-Year Plan's Market Supervision Modernization Project" 关于印发"十四五"市场监管现代化规划的通知[128].

In this chapter, we will focus mostly on what in Chapter 2 we defined as "repair by application", in which the subject with negative credit information submits an application to the public credit information provider that has confirmed the existence of trust-breaking behaviour: we will try to deepen our understanding of this mechanism, its role within the SCS and its current state of development.

[127] Zhongguo Gongshang Shibao 中国工商时报 (The China Business Times) (2019, April 1). Xinyong xiufu shixian yu fazhi lujing fenxi 信用修复实践与法治路径分析 (Credit Repair Practice and Legal Path Analysis) [https://credit.ningbo.gov.cn/art/2019/4/1/art_1229562011_44013.html].

[128] Guowuyuan 国务院 (State Council) (2021, December 14). Guanyu yinfa "shisiwu" shichang jianguan xiandaihua guihua de tongzhi 关于印发"十四五"市场监管现代化规划的通知 (Notice on Printing and Distributing the 14th Five-Year Plan's Market Supervision Modernization Project) [http://www.gov.cn/zhengce/content/2022-01/27/content_5670717.htm].

Firstly, we will see the first step taken both by the state and by local governments to build a Credit Repair Mechanism, from the first time it was proposed in 2016, to more specific policies put forward in following years. Secondly, we will see how private entities called Credit Service Agencies play a role in the Credit Repair Mechanism. We will then see how Credit Repair was an important tool to fight the COVID-19 pandemic, by increasing the ease of operating and obtaining loans for key enterprises in the medical sector. The final part of this chapter will focus on the discussion surrounding the Credit Repair Mechanism, both within the government and in the public opinion, concerning especially the problems with the mechanism that still need to be addressed.

3.1. First Steps Towards the Credit Repair Mechanism

The construction of a Credit Repair Mechanism was first proposed in 2016. Article 21 of the "Guiding Opinions of the State Council on Establishing and Improving the System of Joint Incentives for the Trustworthy and Joint Punishments for the Untrustworthy to Accelerate the Construction of Social Integrity" 务院关于建立完善守信联合激励和失信联合惩戒制度加快推进社会诚信建设的指导意见 states:

> *"The initiating department and the implementing department of the joint disciplinary measures shall, in accordance with laws, regulations and policies, specify the joint disciplinary period for various types of dishonest behaviour. Those who rectify the trust-breaking conduct and eliminate the adverse effects within the prescribed period shall no longer be subject to joint disciplinary measures. Establish a social encouragement and care mechanism conducive to self-correction and active self-renewal, and support trust-breaking individuals to repair their personal credit through social welfare services and other means."*[129]

[129] Guowuyuan 国务院 (State Council) (2016, May 30). Guowuyuan guanyu jianli wanshan shouxin lianhe jili he shixin lianhe chengjie zhidu jiakuai shehui chengxin jianshe de zhidao yijian 国务院关于建立完善守信联合激励和失信联合惩戒制度加快推进社会诚信建设的指导意见 (Guiding Opinions of the State Council on Establishing and Improving the System of Joint Incentives for the Trustworthy and Joint Punishments for the Untrustworthy to Accelerate the Construction of Social Integrity) [http://www.gov.cn/zhengce/content/2016-06/12/content_5081222.htm].

However, the Credit Repair Mechanism is still underdeveloped, as serious efforts to build and perfect it have only recently started. An article published by the China Business Times in 2019 states that "at present, China has established some rules in credit repair one after another, but the effectiveness of these rules is relatively low, the system is fragmented, and the rules are not perfect"[130].

In this section, we will see two of the first documents that outlined efforts to build a Credit Repair Mechanism. The first is called "Guiding Opinions of the General Office of the State Council on Further Improving the Dishonesty Restraint System and Building a Long-term Mechanism for Integrity Construction" 国务院办公厅关于进一步完善失信约束制度构建诚信建设长效机制的指导意见 and was issued on April 2019. This document distinguishes between "serious" and "general trust-breaking" and provides directions to repair credit in each case. The second of the documents we will see is the "Announcement on Matters Relating to Tax Credit Repair" 关于纳税信用修复有关事项的公告 issued by the State Taxation Administration, which provides specific directions to repair credit in the case of taxation related untrustworthiness.

3.1.1. Document 527: Provisions for Serious and General Trust-Breaking

One of the first documents to offer specific directions towards the creation of a Credit Repair Mechanism is called "Guiding Opinions of the General Office of the State Council on Further Improving the Dishonesty Restraint System and Building a Long-term Mechanism for Integrity Construction" 国务院办公厅关于进一步完善失信约束制度构建诚信建设长效机制的指导意见[131], also known as "Document 527" 527 号文件, issued on April 1st, 2019. These opinions distinguish between "serious trust-breaking" 严重失信行为 and "general trust-breaking" 一般失信行为 and provide different credit repair measures for each type.

[130] (The China Business Times) (2019, April 1).

[131] Guowuyuan bangongting 国务院办公厅 (General Office of the State Council) (2019, April 30). Guowuyuan bangongting guanyu jinyibu wanshan shixin yueshu zhidu goujian chengxin jianshe changxiao jizhi de zhidao yijian 国务院办公厅关于进一步完善失信约束制度构建诚信建设长效机制的指导意见 (Guiding Opinions of the General Office of the State Council on Further Improving the Dishonesty Restraint System and Building a Long-term Mechanism for Integrity Construction) [https://www.ndrc.gov.cn/xxgk/zcfb/tz/201905/t20190514_962445.html?code=&state=123].

The term “serious trust-breaking” refers to “illegal trust-breaking which is severe, serious in circumstances and socially harmful to a high degree”. It includes firstly acts that damage the physical health and life safety of natural persons, seriously disrupt the market order, or endanger national defence, or non-compliance with court orders; secondly, aggravating circumstances as prescribed by laws and regulations; thirdly, trust-breaking to such a high degree that it is considered serious by the department which records the illegal behaviour and imposes administrative penalties. The opinions stipulate that information about serious trust-breaking behaviour shall appear on the credit information sharing platform for a minimum period of six months and a maximum period of three years from the date of the administrative penalty decision. On the other hand, with “general trust-breaking” we mean illegal behaviour which is “of a lesser nature, with minor circumstances and a smaller degree of social harm”. In this case, negative credit information shall appear on the credit information sharing platform for a minimum period of three months and a maximum period of one year.

For general trust-breaking, credit repair shall follow a relatively straightforward procedure and be easy to obtain. Applicants for credit repair shall provide relevant identity materials and materials concerning the administrative penalty to the credit information platform, verify that all requirements for credit repair as listed on the credit information sharing platform have been met, and publicly make a credit repair commitment. If the relevant department decides that all the requirements have been met, negative information will be repaired, provided that the minimum sharing period has expired.

In the case of serious trust-breaking, the procedure to obtain credit repair is slightly more demanding. In addition to the requirements for general trust-breaking, applicants which wish repair serious trust-breaking behaviour are required to attend training on the topic. Here, these opinions refer to the “Notice of the General Office of the National Development and Reform Commission and the General Office of the People's Bank of China on Strengthening Credit Supervision of Untrustworthy Entities” 国家发展改革委办公厅人民银行办公厅关于对失信主体加强信用监管的通知[132]. The notice

[132] Guojia fazhan gaige wei bangongting Renmin yinhang 国家发展改革委办公厅人民银行办公厅 (General Office of the National Development and Reform Commission and the General Office of the People's Bank of China) (2018, July 24). Guojia fazhan gaige wei bangongting Renmin yinhang guanyu dui shixin zhuti jiaqiang xinyong jianguan de tongzhi 国家发展改革委办公厅人民银行办公厅关于对失信主体加强信用监

stipulates that the legal representatives of untrustworthy entities must attend at least three hours of training in order to obtain Credit Repair. The training shall include lectures on topics such as the policies and regulations concerning the construction of the national Social Credit System, the Joint Reward and Punishment Mechanism and its impact on various types of subjects, and the procedures to obtain credit repair.

3.1.2. Sector-Specific Measures: Credit Repair in the Field of Taxation

Credit Repair for every type of trust-breaking conduct is managed by the department that recorded the untrustworthy behaviour. For this reason, many government organs issued documents statements regarding Credit Repair. For instance, in November 2019, a few months after Document 527 was issued, the State Taxation Administration 国家税务总局 issued an "Announcement on Matters Relating to Tax Credit Repair" 关于纳税信用修复有关事项的公告[133], with the aim of encouraging entities with bad tax paying records to correct their behaviour.

According to the announcement, corporate taxpayers with bad credit records may apply for Credit Repair if they meet one of the following conditions:

1. First, if they have failed to handle tax declaration, tax payment and information filing within the statutory period and have since made up for it.
2. Second, in the case of failure to pay taxes, partly or fully, or late payment of fees and fines, and have been rated D level taxpayers, provided that the full amount is paid within 60 days from the time limit.
3. Third, if the untrustworthy taxpayer has fulfilled their legal obligations and has been released from the non-regular account status by the tax authorities.

If condition 1 is met and the taxpayer makes up for the trust-breaking before the negative information has been recorded in the public credit information sharing platform,

管的通知 (Notice of the General Office of the National Development and Reform Commission and the General Office of the People's Bank of China on Strengthening Credit Supervision of Untrustworthy Entities) [https://www.ndrc.gov.cn/xxgk/zcfb/tz/201808/t20180802_962263_ext.html].

[133] Guojia shuiwu zongju 国家税务总局 (State Taxation Administration) (2019, November 7). Guanyu nashui xinyong xiufu youguan shixinang de gonggao 关于纳税信用修复有关事项的公告 (Announcement on Matters Relating to Tax Credit Repair) [http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5139577/content.html].

the entity's credit will be repair automatically without need to apply. If conditions 2 or 3 are met, the untrustworthy taxpayer can apply for Credit Repair within the end of the year following the registration of the negative credit information. Tax authorities will evaluate the request and eventually grant Credit Repair, but the D-rated taxpayer will not be upgraded to A level. Credit Repair for serious trust-breaking can only applied once every fiscal year, whereas no such limit exists for general trust-breaking.

In an article written in June 2020 for the Workers' Daily 工人日报[134], Zhou Yi wrote that since the State Taxation Administration had started implementing the policy described above, about 700,000 enterprises had been granted an "upgrade", with 60,000 of them being upgraded to A level. Zhou reported the case of a textile factory in the Zhejiang Province city of Ningbo, which had been able to obtain a 4 million yuan loan after being upgraded from B to A level. The company had encountered liquidity issues due to the pandemic, therefore the tax authorities had promptly opened the verification process after receiving the application in order to help them obtain the loan.

3.1.3. Putting It All Together: Measures for the Administration of Credit Repair

Two years after the documents we have just discussed, in 2021, the National Development and Reform Commission issued the "Measures for the Administration of Credit Repair" 信用修复管理办法[135]. This document puts together some elements that we have observed in Document 527 and in the Announcement on Matters Relating to Tax Credit Repair and provides detailed directions on handling Credit Repair cases.

The first element that we have already seen and that we find again in these Measures is a distinction between different levels of trust-breaking, here called "serious untrustworthiness" 严重失信 and "minor untrustworthiness" 轻微失信. These levels of

[134] Zhou Yi 周怿 (2020, June 22). Shixin "maozi" ruhe zhai? Xinyong Xiufu rang shixin qiye you "lu" kezhou 失信"帽子"如何摘？信用修复让失信企业有"路"可走 (How to Remove the "Cap" of Dishonesty? Credit Repair Gives Trust-Breaking Companies a "Way Out"). *Gongren ribao 工人日报 (Workers' Daily)* [http://www.ce.cn/macro/more/202006/22/t20200622_35175606.shtml].

[135] Guojia fazhan gaige wei 国家发展改革委 (National Development and Reform Commission) (2021, May 12). Xinyong xiufu guanli banfa (shixing)(zhengqiu yijian gao) 信用修复管理办法(试行)(征求意见稿) (Measures for the Administration of Credit Restoration (for Trial Implementation) (Draft for Comment)) [available here: https://www.ndrc.gov.cn/yjzxDownload/fj120210512.pdf]

untrustworthiness lead to different administrative punishments. Administrative punitive measures for serious untrustworthiness includes:

1. Withholding or temporarily revoking licenses.
2. Lowering qualifications or restricting production or business activities.
3. Suspension of production or business activities, or closing down the untrustworthy business.
4. Fines over 1 million yuan.

Any other punishment involves minor untrustworthiness. The decision to classify the trust-breaking conduct as serious or minor is made by the authority that registers it.

Minor and serious untrustworthiness are not publicized on the public credit information sharing platform for the same length of time. In the case of minor untrustworthiness, information on the untrustworthy conduct will be shared for one year since the decision on imposing administrative punishment is made, while information on the administrative punishment received will be shared for three years; in the case of serious untrustworthiness, information on the untrustworthy conduct will remain on credit websites at all levels for three years, while information on the administrative punishment will remain for five years. There is also the case of information that must be publicized permanently: this includes administrative punishments such as revocation of licenses, orders to close down businesses, and permanent restrictions on production and business activities. Legal persons and unincorporated organizations that have been given three or more administrative penalties for serious untrustworthiness within a year will also see their negative credit information permanently publicized on credit websites.

In order to be allowed to apply for Credit Repair, legal persons and unincorporated organizations must correct their untrustworthy conduct, send a legal representative to participate in Credit Repair training, and make a public credit commitment. Credit Repair can be obtained after the negative credit information has been publicized for three months in the case of minor untrustworthiness, or six months in the case of serious untrustworthiness.

When applying for Credit Repair, the trust-breaking entity needs to provide two documents. The first is the opinion of the "identifying unit" 认定单位 (the authority that identified the trust-breaking conduct), stating that the obligations specified by the

administrative penalty have been fulfilled. The second is a "Letter of Commitment to Credit Repair" 信用修复承诺书[136] signed by the legal representatives of the trust-breaking entity. In the Letter of Commitment to Credit Repair, the entity states that after the trust-breaking conduct happened, the entity accepted its punishment, paid its legal obligations, and worked towards rectifying its behaviour, and that it would bear full legal responsibility if the information provided in order to obtain Credit Repair proved to be false. In that case, the submission of false information would be recorded as negative credit information and the entity would not be able to obtain Credit Repair for any trust-breaking conduct for the next 3 years.

3.2. Credit Repair and Private Participation: Credit Service Agencies

Article 39 of the Measures for the Administration of Credit Repair states the importance of third-party Credit Service Agencies for the development of the Social Credit System and its Credit Repair Mechanism[137]. We have already mentioned Credit Service Agencies 信用服务机构 in Chapter 2, in the context of the Collaborative Supervision Mechanism with Social Institutions (see: 2.3.2). The "Interim Measures for the Administration of Credit Service Agencies in Zhejiang Province" 浙江省信用服务机构管理暂行办法 define Credit Service Agencies as

> *"intermediaries established in accordance with the Company Law and other relevant laws and regulations and approved by the relevant state registration authorities, mainly engaged in credit investigation and assessment, credit rating, credit management consulting, credit training, merchant account management and other credit service businesses[138]."*

[136] A template for the Letter of Commitment to Credit Repair can be found in the Credit Wenzhou website: https://credit.wenzhou.gov.cn/art/2022/5/17/art_1229636158_33.html

[137] National Development and Reform Commission (2021, May 12).

[138] Zhejiang sheng fazhan gaige xingzheng zhuguan bumen 浙江省发展改革行政主管部门 (Zhejiang Province Development and Reform Administrative Department) (2021, April 20). Zhejiang sheng xinyong fuwu jigou guanli zhanxing banfa 浙江省信用服务机构管理暂行办法 (Interim Measures for the

A first batch of thirteen Credit Service Agencies that could conduct Credit Repair training had already been announced in 2019 by the National Public Credit Information Centre 国家公共信用信息中心[139]. The Credit Training Certificate 信用培训证明 issued by these agencies would be used as valid material when applying to government authorities for Credit Repair.

Credit Repair training should follow the provisions stipulated by Document 527, meaning that it should last at least three hours and include lectures on topics such as the policies and regulations concerning the construction of the national Social Credit System, the Joint Reward and Punishment Mechanism and its impact on various types of subjects, and the procedures to obtain credit repair.

An article published by Caixin Global in 2020 point out issued concerning Credit Repair training conducted by Credit Service Agencies[140]. The concern mainly focuses on the ease with which Credit Training Certificates can be obtained. According to the article, untrustworthy entities pay from 1,700 yuan to 8,000 yuan for a short training followed by a test (that in one case results comprised of 20 multiple-choice questions, requiring a 60% score to pass), with additional 500 yuan to 1,000 yuan for Credit Training Certificates. The article quotes professor Dai Xin, an expert on the SCS who we have already mentioned in Chapter 1:

> *"When a company predicts... that it will be able to restore its credit rating by attending a daylong study session and spending a few thousand yuan, it is effectively destroying the incentive to act within the bounds of the law".*

These concerns are certainly worth considering. However, it is also worth noting that, contrarily with what the article implies, Credit Repair is not automatically granted

Administration of Credit Service Agencies in Zhejiang Province) [https://credit.shaanxi.gov.cn/318/94521.html].

[139] Guojia gonggong xinyong xinxi zhongxin 国家公共信用信息中心 (National Public Credit Information Centre) (2019, July 2). Guanyu fabu ke chengdan xinyong xiufu zhuanti peixun renwu de xinyong fuwu jigou mingdan (diyi pi) de baogao 关于发布可承担信用修复专题培训任务的信用服务机构名单（第一批）的公告 (Announcement on the Release of the List of Credit Service Agencies that Can Undertake Special Training on Credit Restoration (First Batch)).

[140] Zhou, Tailai, Walsh, Matthew (2020, May 30). In Depth: How Chinese Companies Can Exit Social Credit Blacklists. *Caixin Global* [https://asia.nikkei.com/Spotlight/Caixin/In-Depth-How-Chinese-companies-can-exit-social-credit-blacklists].

after finishing Credit Repair training. According to Document 527, which the article also mentions, untrustworthy entities applying for Credit Repair must, in addition to completing training, provide proof that all the requirements for Credit Repair have been met (meaning that the company has corrected their trust-breaking behaviour and paid its legal obligations)[141].

3.3. Credit Repair During the COVID-19 Crisis

The reason why the National Development and Reform Commission decided to issue the Measures for the Administration of Credit Repair in 2021 might be found in an unexpected and unprecedented crisis that, in the previous two years, caused an increased need for Credit Repair: the COVID-19 pandemic.

In the first chapter of this thesis, we have said that the fragmentation of the SCS, as well as the high degree of experimentation it allows, are useful when the government needs to quickly implement new policies (see: 1.5.1). The last two years provided us with an example of this use of the SCS: when the COVID-19 pandemic swept the country, both central and local authorities needed to draw from all their resources to face the crisis. The SCS was one of these resources[142].

In this section we will see the ways in which the Credit Repair function of the SCS was used to fight the COVID-19 epidemic. We will start with the immediate response to the crisis, with a case study from Zhejiang Province that illustrate the use of Credit Repair to allow companies key in controlling the pandemic to obtain financing. We will then see how these initial efforts mutated into a specific policy, called the "Green Channel" for Credit Repair.

3.3.1. Immediate Response to the Crisis

One of the first measures adopted by the Government to face the pandemic was not only to crack down on untrustworthy conduct that endangered public health, as one might have well expected, but also to actively support medical facilities and businesses that

[141] General Office of the State Council (2019, April 30).
[142] Knight, Adam, Creemers, Roger (2021).

were pivotal to controlling the spread of the virus[143]. An example comes from Zhejiang Province, specifically from the city of Yiwu.

Nanning News reports the case of a medical equipment manufacturer of the city of Yiwu. The company had been sued by a previous partner in 2017 and had been ordered to pay compensation for over 1.2 million yuan. Because of its failure to fulfil obligations, the company had been included in the list of untrustworthy entities in November 2018. Since the outbreak of the pandemic, in order to fight the virus, the company had increased production of products that have become scarce, such as infrared thermometers. However, because of its negative credit status, it had been unable to obtain fundings and production was limited. Therefore, the company applied for Credit Repair.

On January 31, 2020, the People's Court of Yiwu City urgently approved the Credit Repair request. On the same day after obtaining Credit Repair, the company, which had been identified as one of the 36 key medical equipment manufacturers in Zhejiang Province, was able to obtain from the Yiwu Rural Commercial Bank a loan of 1 million yuan, which allowed them to expand production.[144]

3.3.2. The Green Channel to Credit Repair

Measures affecting Credit Repair were implemented almost immediately after the outburst of the COVID-19 pandemic. Zhejiang province provides us with an example. As early as February 21, 2020, the Office of the Joint Conference on Credit Construction in Zhejiang Province 浙江省信用浙江建设工作联席会议办公室 issued the "Notice on Doing a Properly Managing Credit Services During the Epidemic Prevention and Control Period to Encourage Enterprises to Actively Fulfil Social Responsibilities" 关于疫情防控期间做好信用服务推动企业积极履行社会责任的通知[145].

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[143] Meissner, Mirjam (2017). China's Social Credit System.

[144] Nanning Xinwen Wang 南宁新闻网 (Nanning News Net) (2020, February 1). Zhejiang fayuan jinji wei yiqing fangkong wuzi gongying qiye xiufu xinyong, dangtian ji huo 100 wan yuan xinyong daikuan! 浙江法院紧急为疫情防控物资供应企业修复信用，当天即获 100 万元信用贷款！ (A Supplier of Epidemic Prevention and Control Materials Was Granted Urgent Credit Repair by the Zhejiang Court and Obtained a Credit Loan of 1 Million Yuan on the Same Day!) [http://www.nnnews.net/p/3023011.html].

[145] Zhejiang sheng xinyong Zhejiang jianshe gongzuo lianxi huiyi bangongshi 浙江省信用浙江建设工作联席会议办公室 (Office of the Joint Conference on Credit Construction in Zhejiang Province) (2020, February 21). Guanyu yiqing fangkong qijian zuohao xinyong fuwu tuigong qiye jiji lvxing shehui zeren de tongshi 关于疫情防控期间做好信用服务推动企业积极履行社会责任的通知 (Notice on Doing a Properly Managing Credit Services During the Epidemic Prevention and Control Period to Encourage Enterprises to Actively

The Notice proposes three objectives fundamental to the use of the SCS to fight the pandemic. The first is to "strengthen credit supervision and enhance the conscientiousness of enterprises to maintain economic and social order": enterprises must actively cooperate with the government to implement epidemic prevention policies and protect the health of their employees. The second objective is "to increase credit incentives and enhance the initiative of enterprises to participate in social welfare activities": information about companies' donations to charities and such actions will be broadly publicized in order to encourage enterprises to contribute to societal welfare.

The third objective is the one that interests us the most. Authorities need to "optimize credit services and effectively protect the legitimate credit rights and interests of enterprises". Among the measures listed to achieve this objective, we find the opening of a "Green Channel" 绿色通道 for Credit Repair: special arrangements to facilitate the Credit Repair of enterprises will be implemented in particular cases. These cases include:

- Enterprises involved in the prevention and control of the epidemic and in medical care.
- Enterprises supplying living goods to the population.
- Enterprises that have not been able to fulfil their legal obligations because of the impact of the pandemic.

Sectors of the economy that were mostly impacted received particular attention when implementing the "green channel" policy: on March 2020, an article by Xinhua News Agency reported that the Zhejiang Provincial Market Supervision Administration 浙江省市场监督管理局, together with Alibaba Group, had launched a Credit Repair program for enterprises that had become "untrustworthy" because the pandemic. According to the article, the fields of logistic and delivery had been particularly impacted, as *force majeure* prevented enterprises from conducting their business according to laws and standards[146].

Fulfil Social Responsibilities) [http://www.yuhang.gov.cn/art/2020/2/21/art_1228991792_41962544.html].

[146] Tang Yun 唐云 (2020, March 5). Zhejiang wei yin "yi" shixin qiye doudi tichu "xinyong xiufu" jihua 浙江为因"疫"失信企业兜底推出"信用修复"计划 (Zhejiang Launched a "Credit Repair" Plan for Untrustworthy Enterprises Due to the "Epidemic"), *Xinhua she 新华社 (Xinhua News Agency)* [https://www.imsilkroad.com/news/p/404050.html].

As the Chinese government continues to adopt a zero-COVID policy to avoid the spread of the virus, authorities need to keep open the green channel of Credit Repair. A recent case shows us the importance of the green channel to handle special situations. This case involves Zhejiang Hanhao Industrial Co., Ltd. 浙江瀚豪实业有限公司, a company based in Nanhu, a district in the province of Zhejiang[147]. The company had become untrustworthy in 2020, when it was found in violation of the Production Safety Law of the People's Republic of China 中华人民共和国安全生产法[148]. In March 2022, the company provided all the documents for Credit Repair. However, Zhejiang Hanhao Industrial Co., Ltd. is a foreign-funded enterprise, whose legal representative live abroad and because of the zero-COVID policy could not travel back to China to sign the necessary documents. A green channel had to be opened to simplify the process and allow the company to obtain Credit Repair.

3.4. Remaining Problems Concerning the Credit Repair Mechanism

Since the outbreak of the COVID-19 virus revealed the great need for a Credit Repair Mechanism within the Social Credit System, great discussion has surrounded the creation of this mechanism, not only at government level, but also in the public opinion and within academia. This discussion has highlighted some remaining problems within the system that we believe are worth discussing.

To identify the remaining problems that need to be addressed in order to build a Credit Repair Mechanism, we will draw from two sources. The first is a paper titled "Suggestions for Countermeasures to Improve Credit Repair for Closed-Loop Enhancement of the Social Credit System" 完善信用修复促进社会信用体系闭环提升的对

[147] Tang Xiaolun 唐潇伦 (2022, May 02). Kaitong xinyong xiufu "lǜse tongdao", Nanhu "zhifalan" gaoxiao fuwu huo qiye dianzan 开通信用修复"绿色通道"，南湖"执法蓝"高效服务获企业点赞 (The Efficient Service of a Nanhu Officer in Opening a "Green Channel" for Credit Repair is Praised by the Company) [https://www.cnjxol.com/51/202205/t20220502_976344.shtml].

[148] Details of the case can be found in the Credit Zhejiang page of the company: https://credit.zj.gov.cn/jyh/#/home/searchDetail?name=浙江瀚豪实业有限公司&type=E&uscc=dh16OPJ2lB5aa2dtyZsveiq4COTnr7gBSJzhhc2EccPb9LjMaUGoWX4rCrD%2FDB89nUn7b5nIX%2B5NLOttXyD3IJBntYbgmz5fEs6xNgjPzpECx2vb89pps4zU8B3qF9fxm6gTHvkTZCIHjpXa1dOULgRudkrPl%2FVrk3jhYL%2F%2BI6g%3D&timestamp=1663102097073&areaCode=330402.

策建议 by Chen Li, a Shanghai based lawyer specialized in Social Credit. The second document was issued by the Anshun Intermediate People's Court 安顺市中级人民法院, in Guizhou Province, and is titled "Difficulties in Repairing the Credit of the Untrustworthy and Suggestions" 修复失信人信用存在的困难问题及意见建议.

3.4.1. Ununiform Credit Repair Standards

The first issue concerning the Credit Repair that the article by Chen Li points out is a lack of uniformity in Credit Repair Standards. This lack of uniformity concerns both definitions regarding Credit Repair and the conditions to obtain it[149].

We can see the lack of uniformity in definitions regarding Credit Repair in the documents that we have examined early in this chapter. Let us take as an example the distinction between serious and general trust-breaking. Document 527 provides a set of behaviours that are considered serious trust-breaking, such as damage the physical health and life safety of natural persons[150]. The 2021 Measures for the Administration of Credit Repair, on the other hand, define serious trust-breaking (or serious untrustworthiness) in relation to the type of administrative punishment received by the untrustworthy entity, for instance suspension of production or business activities[151].

As for the ununiform requirements for obtaining Credit Repair, let us compare the Interim Measures for the Administration of Public Credit Repair in Zhejiang Province issued by the Provincial Development and Reform Commission in 2018, which we have examined in chapter 2, with the national Measures for the Administration of Credit Repair. The latest stipulate that Credit Repair can be obtained after the negative credit information has been publicized for three months in the case of minor untrustworthiness, or six months in the case of serious untrustworthiness.[152] According to the Interim Measures for the Administration of Public Credit Repair in Zhejiang Province, however,

[149] Chen Li 陈丽 (2021, September 16). Wanshan xinyong xiufu cujin shehui xinyong tixi bihuan tisheng de duice jianyi 完善信用修复促进社会信用体系闭环提升的对策建议 (Suggestions for Countermeasures to Improve Credit Repair for Closed-Loop Enhancement of the Social Credit System), *Shangye jingji 商业经济 (Business Economy)* [http://kjt.ah.gov.cn/kjzx/ztzl/kycxjs/120570781.html].

[150] State Council (2016, May 30). Document 527.

[151] National Development and Reform Commission (2021, May 12).

[152] Ibid.

the minimum period before an entity can apply for Credit Repair may vary between different industries, but generally speaking should not be shorter that one year[153].

3.4.2. Delays in the Credit Repair Process

The second issue pointed out by Chen Lei is that the Credit Repair Mechanism seems to be lagging in most administrations. This problem is due to the fact that the process to obtain Credit Repair has not been fully digitalised and automatised. In many cities, the process is conducted mainly offline, and problems are solved through phone calls. Differently from what one might expect, the problem was not greatly improved during the pandemic: although "telephone application" and "online application" were introduced to reduce social contact, in most cases the process also require the submission of paper documentation[154].

Zhejiang Province provides examples of authorities that are trying to solve these problems. As we recall, among the development strategic goals of Zhejiang Province we find efforts to simplify and digitalise bureaucracy, such as the "Run at Most Once" reform, which aims at completely automatize and digitalise bureaucratic processes once a natural or legal person has presented an application[155]. Many authorities also accept applications for Credit Repair online, such as the city of Hangzhou[156] and the Zhejiang Province Tax Service of the State Taxation Administration 国家税务总局浙江省税务局[157].

[153] Zhejiang Provincial Development and Reform Commission (2018, December 28).

[154] Chen Li (2021, September 16).

[155] Lanxi Municipal People's Government (2021, June 24).

[156] Hangzhoushi xinyong Hangzhou jianshe lingdao xiaozu bangongshi 杭州市信用杭州建设领导小组办公室 (Office of the Credit Hangzhou Construction Leading Group) (2020, December 7). Guanyu "xinyong Zhejiang" "xinyong Hangzhou" wangzhan de buliang xinxi kaizhan xinyong xiufu de zanxing xuzhi 关于"信用浙江""信用杭州"网站的不良信息开展信用修复的暂行须知 (Interim Notice on Credit Repair of Bad Information on the "Credit Zhejiang" and "Credit Hangzhou" Websites) [http://credit.drc.hangzhou.gov.cn/ck/secondDetail.html?parent=29&menu=115&data=199e4d88621e4288b8ea042329ded60d].

[157] Guojia shuiwu zongju Zhejiang sheng shuiwu ju 国家税务总局浙江省税务局 (Zhejiang Province Tax Service of the State Taxation Administration) (2022, September 8). Xinyong xiufu xianshang ban, chengxin nashui xiang hongli! 信用修复线上办，诚信纳税享红利！ (Credit Repair Online, Enjoy the Benefits of Honest Tax Payment!) [http://zhejiang.chinatax.gov.cn/art/2022/9/8/art_11924_562615.html].

3.4.3. Hinderance to the Development of Private Enterprises

As for the problems pointed out by the "Difficulties in Repairing the Credit of the Untrustworthy and Suggestions" issued by the Anshun Intermediate People's Court, the first is that the Punishment Mechanism restricts private enterprises in such a way that it hinders their development and makes it difficult to repay their debts and, as a consequence, to obtain Credit Repair[158].

As the document explains – and as we have already seen – bad credit information greatly limits the business opportunities of an enterprise, both in terms of legal restrictions and of reputation. This situation hinders the development of the enterprise. As a consequence, it will be more difficult for an enterprise to obtain the necessary assets to repay its debt, which is a prerequisite for obtaining Credit Repair.

3.4.4. Lack of Awareness Regarding Credit Repair

Finally, the problem that both documents point out is a lack of awareness or of understanding of Credit Repair by both market entities and government departments responsible for granting it[159][160]. The Suggestions issued by the Anshun Intermediate People's Court also note a lack of a positive incentive mechanism to promote Credit Repair[161].

In an article about the difficulties in obtaining Credit Repair for enterprises that have been labelled as untrustworthy, published in the "Outlook Weekly" 瞭望周刊社 in October 2020, the journalist interviewed a series of enterprises in Jiangsu Province. According to the article, most of them had never heard about Credit Repair, while those that did knew very little about the process[162].

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[158] Guizhousheng Anshunshi zhongji renmin fayuan 贵州省安顺市中级人民法院 (Intermediate People's Court of Anshun City in Guizhou Province) (2021, April 15). Xiufu shixinren xinyong cunzai de kunnan wenti ji yijian jianyi 修复失信人信用存在的困难问题及意见建议 (Difficulties in Repairing the Credit of the Untrustworthy and Suggestion) [https://www.creditchina.gov.cn/xinyongyanjiu/xinyongjiedu/202104/t20210413_232052.html].

[159] Chen Li (2021, September 16).

[160] Intermediate People's Court of Anshun City in Guizhou Province (2021, April 15).

[161] Ibid.

[162] Zheng Shengzhu 郑生竹 (2020, October 26). Shouxinzhe chuchu shouyi, shixinzhe chuchu shouxian, xinyong xiufu zhilu nanzai nali 守信者处处受益，失信者处处受限，信用修复之路难在哪里 (The Trustworthy Cenefit Everywhere, the Untrustworthy Are Restricted Everywhere, and the Road to Credit

According to the Anshun Intermediate People's Court, this lack of awareness, coupled with the absence of an incentive mechanism complementary to and as effective as the punishment mechanism, is responsible for the failure of the companies in implementing credit management in their risk avoidance strategy. To solve this problem, the Anshun Intermediate People's Court suggest strengthening the incentive mechanism for particularly trustworthy enterprises and widely use their cases as examples for others, in order to raise awareness and make credit management an integral part of the corporate risk avoidance strategy[163].

3.5. Concluding Remarks

In this chapter I aimed at outlining the functioning of what we can consider the final step of the Social Credit System, that is the Credit Repair Mechanism. The objective of this mechanism is, on the one hand, to make the SCS fair by giving trust-breaking entities a second chance, and on the other hand to encourage these trust-breaking entities to make efforts to correct their behaviour.

First, we have learnt that the Credit Repair Mechanism is a rather recent aspect of the SCS. Although its construction was first proposed in 2016, serious efforts only started in 2019 with the issuing of the "Guiding Opinions of the General Office of the State Council on Further Improving the Dishonesty Restraint System and Building a Long-term Mechanism for Integrity Construction", more widely known as "Document 527". This first document was followed by industry specific regulations issued by relevant departments, such as the "Announcement on Matters Relating to Tax Credit Repair". We also analysed the "Measures for the Administration of Credit Repair", issued two years after the first documents and synthesising elements pertaining to both, such as the distinction between different levels of trust-breaking (minor/general or serious) and the need to attend Credit Repair training in order to obtain Credit Repair.

In the following section we expanded on the concept of Credit Repair training by seeing how private entities called Credit Service Agencies are entrusted to conduct them

Repair is Difficult), *Liaowang Zhoukan she 瞭望周刊社 (Outlook Weekly)* [http://lw.xinhuanet.com/2020-10/26/c_139468230.htm].

[163] Intermediate People's Court of Anshun City in Guizhou Province (2021, April 15).

and issuing Credit Training Certificates, which are considered valid material when applying to government authorities for Credit Repair. We have also seen how the services provided by such agencies are seen as problematic because of how easily they seem to make obtaining Credit Repair. However, we have also noted that attending Credit Repair training does not automatically grant Credit Repair, as it is only one of the requirements, which include providing proof that the company has rectified their trust-breaking behaviour.

We then moved on to see how the outbreak of COVID-19 saw an increased need for Credit Repair. As soon as the virus started spreading, authorities used Credit Repair to make it easier for medical equipment manufacturers and other companies involved in the pandemic prevention to expand production and operate with increased ease. Furthermore, a "green channel" for Credit Repair was opened in order to help not only those companies involved in the pandemic prevention we have just mentioned, but also enterprises supplying living goods to the population and those who had not been able to fulfil their legal obligations because of the impact of the crisis. These green channels remain open as the Chinese government continues to adopt a zero-COVID policy, as testified by a case dating March 2022, when a green channel was opened to help a company whose legal representatives resided abroad and could not travel back to China to sign the relevant documents for Credit Repair.

The final part of this chapter focused on the discussion, both at the government level and in the public opinion, surrounding the Credit Repair Mechanism. We have analysed two documents that we considered representative of this discussion, the first being a paper written by Chen Li, a lawyer specialized in Social Credit, and the second being the "Difficulties in Repairing the Credit of the Untrustworthy and Suggestions" issued by the Anshun Intermediate People's Court. From the analysis of these two documents, four major issued have emerged:

1. A lack of uniformity in Credit Repair Standards, concerning both definitions regarding Credit Repair and the conditions to obtain.
2. Delays in the Credit Repair Process due to an incomplete digitalisation and automatization.

3. The Punishment Mechanism restricts private enterprises in such a way that it hinders their development and makes it difficult to repay their debts and, as a consequence, to obtain Credit Repair.
4. A lack of awareness or of understanding of Credit Repair by both market entities and government departments responsible for granting it.

The picture that emerges from all the elements we have analysed in this chapter is that of a mechanism that is necessary for the fair and effective functioning of the Social Credit System, but that is still in its developing phase. Although the COVID-19 crisis made the development of Credit Repair a more pressing matter, steps still need to be taken to perfect this mechanism.

Conclusion

The picture we have tried to paint of China's Social Credit System is that of a tool to enforce compliance with laws and regulations through a system that works through gathering of a big amount of data, sharing of relevant information with the public, and a system of rewards and punishments that extends through various regions and industries based on the concept that "the trustworthy can enjoy benefits everywhere, and the untrustworthy can hardly walk a step". We have also focused on the impact this system has on businesses, that is to say what we call the Corporate Social Credit System, as we believe it to be predominantly economic in nature. Indeed, The 2014 "Planning Outline for the Construction of a Social Credit System" states that "the construction of a Social Credit System is an important method to perfect the Socialist Market Economy" and "raise the overall competitiveness of the country".

In the first chapter, we have described the three major components of the Social Credit System as identified by Knight and Creemers: the databases containing credit information about credit subjects; a system of rewards for trust-keeping and punishments for trust-breaking; a mechanism for sharing public credit information. Analysing the data-gathering component seems to have confirmed our interpretation of the system as mainly concerning businesses: about two thirds of the data gathered concern firms and commerce, while, for comparison, only a fifth concerns individuals. Another interesting finding is that there are three times as much information concerning trust-breaking behaviour than rewards-related information. For this reason, we have mainly concerned ourselves with the punishment mechanism for trust-breaking rather than with rewards for trust-keeping. We have seen how this mechanism works on two levels: the first is a set of interdepartmental disciplinary measures; the second level is reputation-based and works through the third major component, that is data sharing. Information about untrustworthiness is shared with the public through a data sharing platform called Credit China.

We have concluded the first chapter by seeing how the SCS is being developed through a kind of policymaking process that is characteristic of the economic development of the PRC, based on regional experimentation following national guidelines, which is then followed by selection of "model pilots" and finally by nation-wide

implementation. Because of this process, the SCS appears to be highly fragmented, with each regional administration developing its own system in order to tackle issues prevalent in its territory. For this reason, in the second chapter we have decided to focus on one of these regional systems in order to give a picture of what the SCS looks like in practice. We have chosen to analyse the case of Zhejiang Province for two reasons: firstly, Zhejiang is one of China's most economically developed coastal provinces, home of a thriving private sector which includes, for instance, tech giant Alibaba Group; secondly, Zhejiang was one of the first provinces to start implementing its own SCS as early as 2002, and in its current state its system is one of the most developed, especially in its application to businesses.

We started the second chapter by introducing the basis of Zhejiang Province's Corporate Social Credit System, that is the credit "531x" project. This project was introduced in 2016 and proposes to rate five types of credit subjects (enterprises, natural persons, social organizations, public institutions, and government agencies) through the interaction of three major systems (the Public Credit Indicator System, the Comprehensive Credit Supervision and Responsibility System, and the Public Credit Evaluation and the Joint Reward and Punishment System). The credit "531x" project exemplifies some of the major reforms – such as, for instance, the "Streamline, Delegate, Improve" reform – which have been undertaken both at the national and the provincial level in order to simplify and automatize bureaucracy, improve the efficiency of government institutions and guarantee the full implementation of the rule of law.

We started outlining Zhejiang Province's Corporate Social Credit System by analysing how the Public Credit Indicator System interacts with the Public Credit Evaluation aspect of the third of the three major systems in order to rate enterprises based on indicators holding a different weight, divide them into five categories, and share the information obtained through the Credit Zhejiang platform. We have compared the Credit Zhejiang platform to the Credit China platform in order to highlight how although the former is more developed in some respects, in others it needs to be improved. We followed by analysing the Comprehensive Credit Supervision and Responsibility System, seeing how Zhejiang Province adopts the national system of "continuous monitoring", rather than "monitoring at the point of entry", to ensure that the credit score of each entity is up to date. To simplify this process, the frequency of inspections varies based on the

credit score of each entity. The last aspect of the system we have described is the Joint Reward and Punishment System, which strictly follows the National Basic List of Disciplinary Measures for Untrustworthiness and the provincial Supplementary List of Punishment Measures for Dishonesty.

We have concluded the second chapter by seeing two processes which not only are paramount for the fair application of the Reward and Punishment System, but are also examples of the "Run at Most Once" reform. Credit Objection happens when the credit information gathered and reported presents mistake that need to be corrected, whereas Credit Repair takes place when a credit subject has corrected its trust-breaking behaviour and credit information needs to be updated. As the end goal of the Social Credit System is to ensure compliance with laws and regulations and encourage trust-breaking entities to correct their behaviour, we decided that the concept of Credit Repair was worth expanding, which we did in the third and final chapter of this thesis.

We have begun the third chapter by seeing how the Credit Repair Mechanism is a rather recent aspect of the SCS: although its construction was first proposed in 2016, serious efforts only started in 2019 with the issuing of the "Guiding Opinions of the General Office of the State Council on Further Improving the Dishonesty Restraint System and Building a Long-term Mechanism for Integrity Construction", more widely known as "Document 527". We have also seen subsequent efforts to regulate the Credit Repair Mechanism, such as the "Announcement on Matters Relating to Tax Credit Repair" and the "Measures for the Administration of Credit Repair". These documents highlight important aspects of the Credit Repair Mechanism, such as the distinction between different levels of trust-breaking and the need to attend specific training in order to obtain Credit Repair. We then expanded on the concept of specific training to obtain Credit Repair by seeing how private entities called Credit Service Agencies are entrusted to conduct them and issuing Credit Training Certificates. Although these agencies are seen as problematic because of how easily they seem to make obtaining Credit Repair, we have noted that attending training does not automatically grant Credit Repair, as it is only one of the requirements. Part of the third chapter was dedicated to how the outbreak of COVID-19 saw an increased need for Credit Repair: authorities not only used Credit Repair to make companies involved in the pandemic prevention operate with increased ease, but also

opened “green channels” for Credit Repair to aid those who had not been able to fulfil their legal obligations because of the impact of the crisis.

The final part of the third chapter, and therefore of this thesis, focused on the discussion, both at the government level and in the public opinion, surrounding the Credit Repair Mechanism. We have identified four major issues concerning Credit Repair that remain to be solved: a lack of uniformity in Credit Repair Standards; delays in the Credit Repair Process due to an incomplete digitalisation and automatization; difficulties created by the Punishment Mechanism in developing one’s business and therefore repaying one’s debts, which hinders the obtaining of Credit Repair; a lack of awareness or of understanding of Credit Repair by both market entities and government departments responsible for granting it.

The picture that emerges from all the elements we have analysed in this chapter is that of a mechanism that is necessary for the fair and effective functioning of the Social Credit System, but that is still in its developing phase. We can presume that the Credit Repair Mechanism will be one of the points of focus of both national and provincial efforts to develop the Social Credit System in the next years.

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Deploys Continuous Monitoring) [https://www.samr.gov.cn/djzcj/gzdt/201605/t20160511_283021.html].

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for common prosperity) [http://credit.hangzhou.gov.cn/art/2021/4/12/art_1229634564_28376.html].

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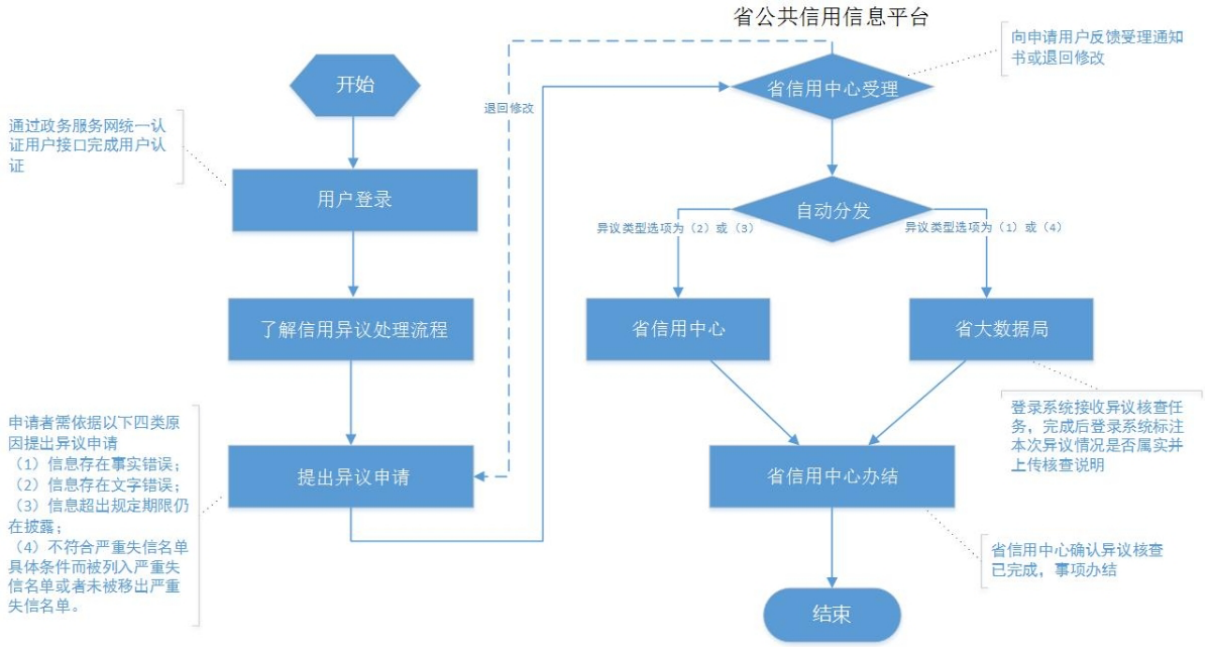
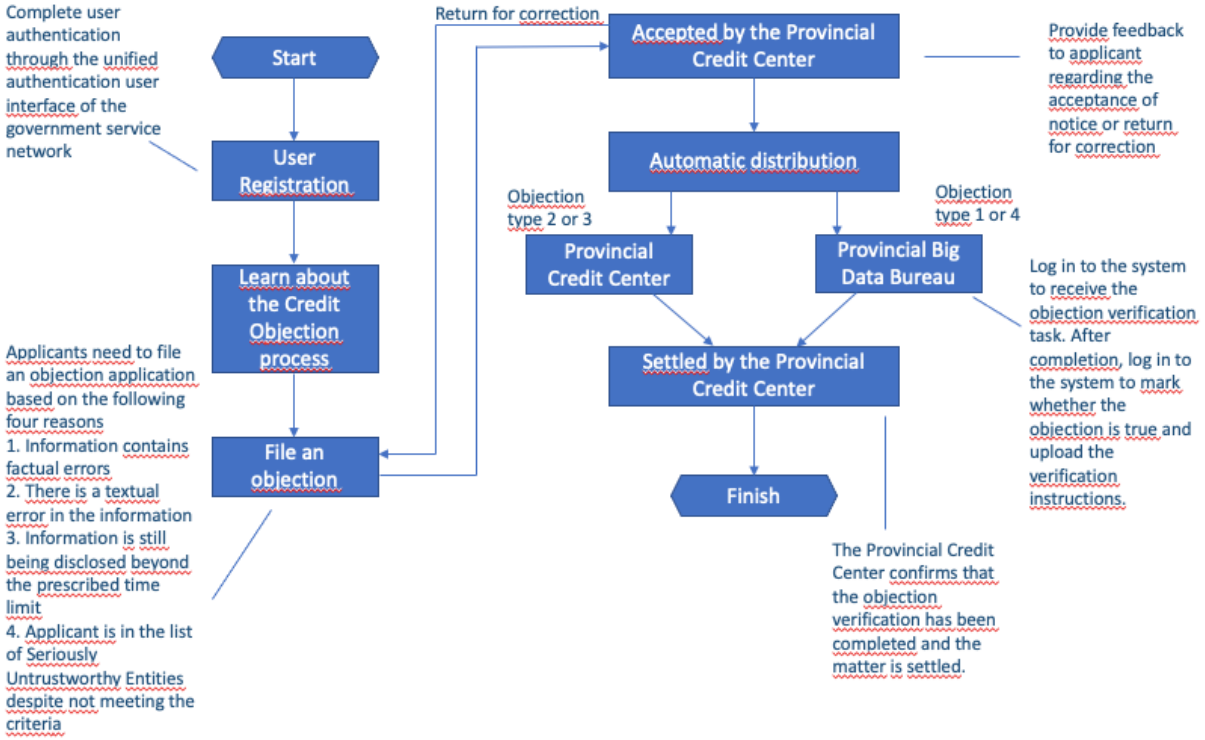
Annex 1

Map to Credit Objection in the Credit Zhejiang Website.





Annex 2

浙江省五类主体公共信用评价指引（2020 版）

企业公共信用评价指标

一级指标	权重1	二级指标	权重 2	三级指标	权重3	指标说明	数源部门
基本情况	80	主要人员信息	40	主要人员严重失信信息	20	法定代表人、董监高、实际控制人等主要人员列入严重失信名单等信息	有关部门、法院系统
				主要人员未履行生效裁判信息	20	法定代表人、董监高、实际控制人等主要人员未履行生效裁判信息	法院系统、有关部门
		经营信息	40	经营异常信息	20	列入经营异常名录信息	市场监管部门
				非正常户信息	20	被认定为非正常户信息	税务部门
金融财税	195	金融信息	135	融资未履行生效裁判信息	50	有无与融资信贷领域相关的未履行生效裁判信息	法院系统、有关部门
				融资刑事犯罪信息	60	有无与融资信贷领域相关的刑事犯罪记录信息	法院系统、有关部门
				金融逃废债信息	15	金融逃废债信息	金融部门

				存量权益登记信息	10	未按规定参加境外直接投资存量权益登记信息	人行部门
		税费信息	60	社保缴纳信息	30	社保费用欠缴信息	税务部门
				税收缴纳信息	30	税收欠缴信息	税务部门
管治能力	90	产品质量信息	30	监督抽查信息	30	工程质量、产品（食药品）等监督抽查结果信息	住房城乡建设、市场监管、海关等部门
		安全生产信息	30	安全生产事故和隐患信息	30	安全生产事故、安全生产监督检查情况、重大火灾隐患等信息	应急管理、住房城乡建设、消防等部门
		环境保护信息	30	突发环境事件信息	30	突发性环境污染事件和辐射污染事件信息	生态环境部门
遵纪守法	450	行政管理信息	200	行政处罚信息	90	行政处罚信息	有关部门
				行政强制信息	60	行政强制信息	有关部门
				行政事项承诺信息	20	在行政事项办理过程中作出信用承诺但未履行的信息	有关部门
				其他行政认定不良信息	30	不构成行政处罚，但经部门认定的其他不良行为信息	有关部门
		司法处理信息	130	其他未履行生效裁判信息	50	除失信被执行人和融资领域外，单位未履行生效裁判的信息	法院系统、有关部门

				其他刑事犯罪信息	60	除融资领域外，违反刑法规定构成犯罪的信息	法院系统、有关部门
				虚假诉讼信息	20	被法院认定的且未构成刑事犯罪的虚假诉讼信息	法院系统
		严重失信信息	120	严重失信名单信息	120	列入严重失信名单（失信被执行人）的信息	有关部门、法院系统
社会责任	185	公益慈善信息	65	志愿服务信息	30	参加志愿服务信息	省委宣传部（省文明办）、团省委
				慈善捐赠信息	35	慈善捐赠信息	省红十字会、民政部门
		守信激励信息	120	红名单信息	60	列入红名单信息	有关部门
				荣誉奖励信息	60	县级及以上人民政府或政府部门颁发的荣誉奖励信息	有关部门

Zhejiang Province Guidelines for Public Credit Evaluation of Five Types of Subjects (2020 Edition)

Corporate Public Credit Evaluation Indicators

Primary Indicator	Weight 1	Secondary Indicator	Weight 2	Tertiary Indicator	Weight 3	Explanation	Data Source Department
Basic Information	80	Key Personnel Information	40	Key Personnel included in the list of seriously untrustworthy persons	20	Legal representatives, directors, supervisors, senior executives, actual controllers and other key personnel included in the list of seriously untrustworthy	Relevant departments, court system
				Information about Non-Compliance with Effective Court Decisions	20	The legal representative, directors, supervisors, senior executives, actual controllers and other key personnel have not complied with court decisions	Court system, relevant department
		Operative Information	40	Abnormal Operations	20	Included in the list of abnormal business operations	Market Supervision Department

				Abnormal Accounts	20	Identified abnormal accounts	Tax department
Finance and taxation	195	Finance	135	Non-compliance with court judgements related to finance	50	Information on any outstanding judgments in relation to the financing of credit areas	Court system, relevant departments
				Financial criminal offences	60	Information on any criminal convictions related to the field of financing and credit	Court system, relevant departments
				Financial debt evasion	15	Information related to financial debt evasion	Department of Finance
				Information related to stock interests	10	Failure to participate in the registration of stock interests in foreign direct investment as required	People's Banking Department
		Taxation	60	Information related to social security payment	30	Information related to social security payment	Tax department
				Information related to tax payment	30	Information related to tax payment	Tax department
Governance	90	Product quality	30	Supervision and sampling	30	Information on the quality of works, products (food and	Housing and Urban-Rural Development, Market

						drugs) and other supervision and sampling results	Regulation, Customs and other departments
		Safe production	30	Production safety accidents and hazards	30	Information on production safety accidents, production safety supervision and inspection, major fire hazards, etc.	Emergency Management, Housing and Urban-Rural Development, Fire Protection and other departments
		Environmental protection	30	Environmental emergencies	30	Information on sudden environmental pollution incidents and radiation pollution incidents	Environmental department
Compliance with laws	450	Administrative information	200	Administrative penalties	90	Administrative penalties	Relevant departments
				Administrative enforcement	60	Administrative enforcement	Relevant departments
				Commitment information on administrative matters	20	Information on credit commitments made in the course of administrative matters but not fulfilled	Relevant departments
				Other administratively negative information	30	Information on other malpractices that do not constitute	Relevant departments

						administrative penalties, but are recorded by the department	
		Judicial information	130	Other information on non-compliance with decisions in force	50	Information on the failure of units to comply with the ruling in force, except than in the area of defaulted executors and financing	Court system, relevant departments
				Information on other criminal offences	60	Information that constitutes an offence under criminal law, other than in the area of financing	Court system, relevant departments
				Fraudulent litigation information	20	Information on false proceedings that have been determined by the court and do not constitute a criminal offence	Court system
		Serious untrustworthiness	120	List of the seriously untrustworthy	120	Included in the list of the seriously untrustworthy	Court system, relevant departments
Social reponsibility	185	Charity	65	Volunteering	30	Participated in volunteering work	Provincial Party Committee Propaganda Department (Provincial Civilization

							Office), Provincial Youth League Committee
				Charitable Donations	35	Charitable donations	Provincial Red Cross, Civil Affairs Department
		Incentives for trustworthiness	120	Information regarding redlists	60	Subject entered in Redilists	Relevant departments
				Honours and awards	60	Honorary awards issued by the people's government or government departments at the county level and above	Relevant departments