

# Organizational Formations of Organized Crime in China: perspectives from the state, markets, and networks

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*Chinese lawmakers and law-enforcers have viewed the hierarchical structure as the defining feature of organized criminal organizations. Such a flawed framework has hampered China's recent efforts to fight organized crime. Based upon organization theory, this paper argues that by adapting to the changing institutional environment, Chinese criminal forces have chosen a variety of organizational structures ranging from hierarchy to the market and the network. The recently uncovered cases point out that networks have become a more popular organizational form than the traditional hierarchies (such as secret societies) and contractual relationships in illicit markets. By offering a classification of organizational formations of organized crime in today's China, the author suggests network analysis as a new tool to help China's law enforcement effectively respond to surging organized crime.*

## Introduction

After a period of absence from the consciousness of the Chinese people, organized crime and the criminal underworld have resurged in today's China.<sup>1</sup> But this resurgence has been elusive for the Chinese state authority which has had difficulty in grasping its full meaning, and baffling for scholarly researchers who have faced abundant conceptual confusions. For example, many terms, such as 'criminal group', 'mafia-style syndicates', 'dark force', and 'the underworld society', are vaguely defined and are often used concurrently or interchangeably. Several cognitive gaps also exist in the discourse on China's resurging criminal world. First, the official stance continues that only 'criminal groups with mafia characteristics' have emerged

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1. An Chen, 'Secret societies and organized crime in contemporary China', *Modern Asian Studies* 39(1), (2005), pp. 53–72; J. H. Chung, H. Lai and M. Xia, 'Mounting challenges to governance in China: surveying collective protestors, religious sects and criminal organizations', *The China Journal* 56, (July 2006), pp. 1–31; M. Xia, 'Assessing and explaining the resurgence of China's criminal underworld', *Global Crime* 7(2), (May 2006), pp. 151–175.

in China, but not that a criminal underworld exists. This is far from the popular perception. Second, due to references to *The Criminal Law* and *The Criminal Procedural Law*, scholars of jurisprudence tend to be skeptical about the existence of a criminal underworld, while historians and social scientists have warned of such a threat, with a severity probably comparable to that under the Nationalist (KMT) regime. Third, the public security apparatus (China's police) has dubbed more criminal groups as 'mafia-style organizations' than the court can comfortably accept. These disagreements point to a key issue under our concern: how to determine that the criminals have created an 'organization'.

In *The Criminal Law of the People's Republic of China* (passed in 1979 and revised in 1997), Article 294 stipulates that the characteristics of a criminal syndicate include

carrying out lawless and criminal activities in an organized manner through violence, threat, or other means, with the aim of playing the tyrant in a locality, committing all sorts of crimes, bullying and harming the masses, and doing what has seriously undermined the economic and social order.

Three types of crime are identified as being related to organized criminal syndicates: 'organizing, leading, and actively participating in' criminal syndicates, 'recruiting members in the Mainland' by the overseas Chinese triads, and government officials' 'harboring and conniving at' criminal activities by criminal syndicates.<sup>2</sup> According to Chinese criminal law and its legislative and judicial interpretations, both 'organizational structure' and 'organizational behavior' are essential prerequisites for qualifying some groups as organized criminal groups (OCGs). However, the old way of thinking of the Chinese government looked only for tight-knit organizations with a pyramid-like structure. Consequently, an immediate problem has posed to the lawmakers and researchers how to define, to the police department how to identify and investigate, and to the prosecutor and the court how to prosecute and convict organized criminal groups.

During the national campaign of 'striking against organized crime (OC) and eradicating the dark forces' (*dahei chu'e*) (December 2000–December 2002), numerous defendants and their lawyers used a shrewd strategy of disavowing themselves from such an organization to deflect charges of 'criminal groups with mafia characteristics' to which severe penalties apply. The No. 2 chief of Liang Shengli group in Xuchang, Henan contested the charges in court by saying: 'To qualify as a crime of criminal groups with mafia characteristics it needs organization, discipline and uniform activities. We had none of them. All of the people I knew were my partners in business'.<sup>3</sup> The defense lawyer for a major OC case in Sichuan presented to the court such a legal reasoning:

My client was a charismatic person who exercised influence by personal friendship and gave out business to his cohorts. For them, to conduct business meant to have money to make. When he needed to settle something with someone, he just called upon his cohorts

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2. R. G. Broadhurst, ed., *Crime and Its Control in the People's Republic of China* (Hong Kong: The University of Hong Kong Centre for Criminology, 2004), p. xv.

3. Li Houjian, *Jiaomie Zhongyuan Heibang* [*Eradicating Criminal Gangs in the Central Plains*] (Beijing: Jiancha Chubanshe, 2002), p. 241.

and later paid them. It was like a monetary transaction, but did not constitute an organized criminal group.<sup>4</sup>

Some judges were receptive to this kind of argument and reluctant to apply the clauses on the ‘crimes of criminal groups with mafia characteristics’. One municipal public security bureau director complained,

Nowadays the gangsters are also cracking law books. They no longer make up a roster, maintain a payroll, or set up a clear-cut organization. The current law that interprets organization too rigidly has become outdated. It is impairing our effort to fight OC.<sup>5</sup>

This probably gives one explanation as to why the number of cracked criminal groups declined from 150,000 to 73,000, while the filed criminal cases have jumped from 1.6 million in 1994 to 4.4 million in 2001. The fact that Chinese contemporary OC is so elusive arises from the limitations of the conceptual tools that Chinese lawmakers, judges, legal scholars, and lawyers alike have adopted. The conventional understanding of criminal organizations exclusively as hierarchies creates blind spots in the examination of organized crime.

Clearly, the practical problems that law enforcement and judicial agencies in China encountered in the anti-crime campaign have generated a strong need for a theoretical clarification and classification of organizational forms for OC. By following organization theory I will argue that the institutional evolution of OC in China has been interacting with its changing institutional environment, which specifically consists of a strong state with consistent tough anti-crime policy and the emerging, and some already matured, illicit markets (such as drug trafficking and use, the sex industry, and the smuggling of illegal immigrants). In addition to their traditional secret society-style hierarchies, Chinese OCGs have adopted new organizational forms: first, market mechanisms (contracts and payments) are more often used for illicit transactions; second, criminal networks, which can integrate vertically and horizontally with hierarchies (including state bureaucracy and business firms) as well as market mechanisms have increasingly become the dominant organizational form for OC in China.

The remainder of this paper consists of the following sections: (1) the theoretical framework for analyzing criminal networks; (2) the organizational metamorphosis of Chinese OC from traditional hierarchies toward contemporary markets and networks; (3) the cases illustrating organizational forms of OC in contemporary China; (4) a concluding section stating the ramifications of this paper for defining, identifying, and investigating OC.

### **Theoretical framework**

According to Max Weber, social action creates social relationship; as social relationship acquires regularity, institution is created. Around the institution,

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4. Interview, 29 March 2004.

5. Interview, 2 April 2004.

members and leaders gradually settle down with stability and continuity, and an organization is born.<sup>6</sup> Weber says, ‘A social relationship which is either closed or limits the admission of outsiders will be called an organization when its regulations are enforced by specific individuals: a chief and, possibly, an administrative staff, which normally also has representative power’.<sup>7</sup> He continues

Whether or not an organization exists is entirely a matter of the presence of a person in authority, with or without an administrative staff. More precisely, it exists so far as there is a probability that certain persons will act in such a way as to carry out the order governing the organization; that is, that persons are present who can be counted on to act in this way whenever the occasion arises.<sup>8</sup>

Since Weber, two traditions have developed in the study of organization. The explicit or strong tradition is the traditional bureaucratic approach that puts more stress on ‘formal’ and ‘bureaucratic’ organization. In Weber’s theories on bureaucracy, the hierarchical structure improves the technical efficiency of an organization, especially in the context of increasing complexity in social and economic life. In examining the creation of hierarchical firms in business, R. H. Coase found that, as an alternative to the market mechanism, the hierarchical ownership of a firm also economizes on the transaction costs.<sup>9</sup> Thus, as a dominant form of organization for the past 3,000 years, the hierarchy or bureaucracy, its design, structure, rules, and culture were the central subject of organization development and organizational architecture in the twentieth century.

Related to Coasian comparative transaction cost theory, an eclectic tradition has been extrapolated in line with the social network analysis. The network approach defines an organization more loosely as ‘any stable pattern of transactions between individuals or aggregations of individuals’.<sup>10</sup> It argues that in the institutional matrix for facilitating transactions, a progression from markets to networks and to hierarchy can be considered by social actors for an organizational form.<sup>11</sup> (1) ‘Going to the market.’ Through contract (written or implied) and monetary payment, goods and services can be purchased from autonomous suppliers in the market. (2) ‘Creating a hierarchy.’ Through vertical integration and employment relationship, goods and services can be provided within a hierarchical organization, such as a firm, an army, or a Mafia family. The polar alternative of market vs. hierarchy often entails a trade-off: the market generates stronger incentive intensity and autonomous (or spontaneous) adaptation to the environment, but it also incurs transaction costs and sometimes market failures. In contrast, the hierarchy provides control, reliability and stronger cooperative (or intentional) adaptation to the environment, but it also incurs organizational costs and bureaucratic failures. Since no perfect solution can be

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6. M. Weber, *Economy and Society* (Berkeley, CA: University of California Press, 1978), vol. 1, ch. I and vol. 2, Appendix 1.

7. *Ibid.*, vol. 1, p. 48.

8. *Ibid.*, p. 49.

9. O. E. Williamson and S. G. Winter, eds, *The Nature of the Firm* (New York: Oxford University Press, 1993).

10. W. Ouchi, ‘Markets, bureaucracies, and clans’, in P. J. Buckley and J. Michie, eds, *Firms, Organizations and Contracts* (Oxford, UK: Oxford University Press, 1996), p. 455.

11. O. E. Williamson, *Organization Theory: From Chester Barnard to the Present and Beyond* (New York: Oxford University Press, 1995), p. 231.

found, a practical solution located in between is often sought. (3) 'Taking a network strategy.'<sup>12</sup> Networks, which can be defined as 'a set of nodes (e.g. persons, organizations) linked by a set of social relationships (e.g. friendship, transfer of funds, overlapping membership) of a specified type', are a third way to organize transactions.<sup>13</sup> William Ouchi calls this third distinctive mechanism 'the clan form' (meaning an organic association), which 'resembles a kin network but may not include blood relations'. Its one big advantage is to 'be very efficient in mediating transactions between interdependent individuals', for its socialization of individuals into the organization creates congruent individual objectives, a sense of affiliation and solidarity.<sup>14</sup>

Professional criminals are rational entrepreneurs of illicit transactions to pursue wealth and power. In assessing which organizational form to choose to achieve their fundamental goals, professional criminals take two factors into consideration: in the short run, tactical efficiency to achieve their goal; and in the long run, strategic security to evade punishment. To maximize both efficiency and security, professional criminals have to first interface with their institutional environment primarily dominated by the state, the economic market, and the family structure. Depending on the nature of the state, the availability and structure of the market, and the characteristics of the family structure, the criminal groups will identify their niche to survive and accordingly adopt an organizational form to thrive. Being parasitic and opportunistic, professional criminals usually are reluctant to pose a head-on challenge to the hegemonic organizations. Instead, they either apply a strategy of difference so that they invent unconventional, flexible, and indiscernible organizational forms to minimize disturbance to and attention from the hegemonic institutions; or, they apply a strategy of mimicry to adopt the forms and symbols from hegemonic institutions to camouflage the parasitic and sabotaging nature of their activities.

Due to its very nature, the field of crime is full of obstacles and dangers impeding the completion of illicit transactions from one individual to another (for example, consumers and suppliers), from one stage to the next (production, distribution, and consumption), and from one locality to another. As Ronald Burt has instructively argued, a 'structural hole' or a 'gap' often exists 'between two individuals with complimentary resources and information'. Needed is a third person that can act as an entrepreneur or a broker to connect the two isolated individuals and fill the gap. In other words, as a structural hole exists impeding the smooth flow of information and transaction, a 'social bridge' can be built by an entrepreneurial third person to take profit.<sup>15</sup> Differences exist between 'predatory crime' and the market-based

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12. *Ibid.*, p. 221.

13. N. Nohria and R. G. Eccles, eds, *Networks and Organizations: Structure, Form, and Action* (Boston, MA: Harvard Business School Press, 1992), p. 4; W. W. Powell and L. Smith-Doerr, 'Networks and economic life', in N. J. Smelser and R. Swedberg, eds, *Handbook of Economic Sociology* (Princeton, NJ: Princeton University Press, 1994), p. 368.

14. Ouchi, 'Markets, bureaucracies, and clans', p. 445.

15. See: R. S. Burt, *Structural Hole: The Social Structure of Competition* (Cambridge, MA: Harvard University Press, 1992); N. Lin, *Social Capital: A Theory of Social Structure and Action* (New York: Cambridge University Press, 2001), p. 71; C. Morselli, *Contacts, Opportunities and Criminal Enterprise* (Toronto, Canada: University of Toronto Press, 2005).

‘enterprise crime’ (some are the so-called victim-less crimes, such as prostitution, drug abuse, and gambling). Except for the predatory violent criminals (such as robbers and thieves) who tend to organize into small and tightly knit cliques, most organized professional criminals have to be concerned with the scale of vice service, reliable flow of illicit goods, and the long-term sustainability of the market. Therefore, OC can become a huge and complex business where too many intersections are involved and many social bridges need to be built and maintained. For example, prostitution has always been a huge and lucrative business for criminal syndicates. To bring sex workers and patrons together, pimps are crucial. As the places of supply for prostitutes often differ from the venues where customers are (e.g. many Eastern European women have been smuggled into Western Europe and North America), the selecting, trafficking, organizing, and marketing of sex workers becomes complicated. In the case of illegal drugs, meticulous management and streamlining are also needed for bringing the raw materials of drug production from the fields, to the labs, to the wholesalers, then to retailing drug dealers, and finally to the hands of millions of consumers. One important feature of contemporary OC is that it is not exclusively restricted to the underclass and underworld; rather, frequent interfacing takes place between the upperworld and underworld to facilitate the transaction process and often also to service the consumption of vice products by the members of ‘normal society’. For their own security, both core criminal figures and social elites would like to maintain a minimal exposure to each other and a distance from the immediate crime scene by surrounding themselves with numerous layers of actors whose main activities range from legal, semi-legal, shady, to illegal domains. The individuals who are rich in social capital, who are able to interact with different layers and act as social bridges in social networks, become important constructive blocks for criminal enterprise. However, they are more like catalysts, often in the mask of a legitimate role instead of dirty-handed crooks; therefore, they can easily evade the reach of legal instruments. Considering such circumstances, besides formal organization, informal cooperation within the setting of a social network should also be the central focus of criminal investigation and detection. In the Chinese context that appreciates particularistic ties and reciprocity, the *guanxi* (connections) culture has had an enormous impact upon all social actors and organizations.<sup>16</sup> Thus, a network analytic tool will certainly prove incisive and instructive in detecting OC.

### **Historical adaptation of Chinese criminal organizations**

Both social scientists and law enforcers in China as well as in the West have followed a stereotypical paradigm for organizational formations of criminal groups. OCGs, either the Mafia families or the Chinese Green/Red Gangs, are often believed to exist as tight, pyramid-like, and hierarchical structures. Within them, a division of labor is followed, the unequivocal command line and strong discipline are enforced; and the leadership and membership are clear-cut. For example, Phil Williams summarizes the major components of the traditional ‘Mafia model’ as follows: ‘A clear-cut hierarchy,

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16. T. Gold, D. Guthrie and D. Wank, *Social Connections in China: Institutions, Culture, and the Changing Nature of Guanxi* (New York: Cambridge University Press, 2002).

well-defined role specialization within the hierarchy, the exercise of control, authority and initiative from the top downwards, the attempt to establish monopoly control over illicit markets, the use of violence and the use of corruption'.<sup>17</sup> In an authoritative guideline for investigating organized crime in China, the Chinese police agency characterizes the internal structure of organized criminal groups as a 'pagoda':

Horizontally, a set of concentric circles is identifiable: the leaders or chieftains occupy the core of the criminal groups with mafia characteristics. Around the leadership are core members who are responsible for communication and coordination between the inner circle and the outer layer. The ordinary members are in the outer layer. Vertically, a power structure is formed as a pyramid: the leaders or chieftains sit atop the pyramid with enormous authority, and the subordinate members must worship them. In the middle are the core activists, who actively organize and participate in crimes, and also build their own authority and status on the basis of their superior capacity and rich experiences of committing crime. At the bottom are the ordinary participants.<sup>18</sup>

During the 'striking against organized crime and eradicating dark forces' campaign, the People's Supreme Court prepared a reference handbook to guide the courts nationwide on how to adjudicate cases involving criminal groups with mafia characteristics. It identified the organizational attributes of organized crime as 'tight organizational structure, clear division of labor, and strict discipline'. It stipulated,

Criminal groups with mafia-style characteristics have tight and well-knit internal structure and a sizeable membership. They have internal strata and role specification for members, who follow disciplinary action. The organizational structure often manifests as a pyramid shape. Some organizations also enforce codified rules and commandments.<sup>19</sup>

In fact, the characterization of OCGs mentioned above is far from accurate. It is true that the Mafia groups (both in Italy and the United States) were originally embedded in families and kinships; patriarchic control was one major organizational attribute. However, this 'secret web of crime and corruption' in the United States was open to 'constant research and the adaptation of new techniques'.<sup>20</sup> Despite his accusation being partially responsible for the stereotypical image of the Mafia, US Senator McClellan also drew the American people's attention to 'a national network of allied mobs, one of the main elements of which is the Mafia group'. A great segment of this 'underworld alliance' was 'closely linked by nationality, blood, marriage, and background'.<sup>21</sup>

During the past 100 years, China has experienced radical regime changes from a feudal dynasty, to warlordism, to the Nationalist (KMT) government, to Mao's repressive totalitarian regime, and finally to the neo-authoritarianism under rapid reform. The Chinese secret societies of crime—namely the Green Gang, the Red Gang (the Society of Brothers, *Gelaohui*), the triads (the Heaven and Earth Society,

17. P. Williams, 'Organizing transnational crime: networks, markets and hierarchies', *Transnational Organized Crime* 4(3 & 4), (Autumn/Winter 1998), p. 72.

18. Yang Yujuan, *Investigations of Organized Crime [Youzuzhi Fanzui Zhengcha]* (Beijing: Zhongguo Renmin Gong'an Daxue Chubanshe, 2003), pp. 177–178.

19. Nan Ying, *Dahei Chu'e Shenpan Cankao [A Trial Reference Book for 'Striking against Organized Crime and Eradicating the Dark Forces' Campaign]* (Beijing: Renmin Fayuan Chubanshe, 2003), p. 285.

20. J. L. McClellan, *Crime without Punishment* (New York: Duell, Sloan and Pearce, 1962), pp. 125–126.

21. *Ibid.*, pp. 128–129, 132.

*Tiandianhui*, or the Hong League, *Hongmen*), and religious cults—also demonstrated important adoptions of new organizational techniques and adaptations to the new environments. Since they varied initially in their organizational structures when formed during the mid-eighteenth century (some cults emerged earlier), the four systems of Chinese secret society have developed different strategies to adapt and this has also resulted in different degrees of success.

Originating from both the Luo Cult and mutual-help guilds among the sailors along the Grand Canal, the Green Gang adopted a master–disciple relationship as its organization foundation. Twenty-four Chinese characters were assigned to the ladder of different generations; another 24 characters were added, as the Green Gang expanded. Therefore, the organizational structure was a secretive and closed patriarchy. An applicant for membership first had to find an inductor who was already a member and was able to introduce the applicant to a master. If the master agreed to take the applicant as a disciple after having carefully evaluated his background and character, a complex initiation ceremony with elaborate rituals would be held at an incense altar. As a member of Green Gang, he had to abide by the *Ten Rules of the Society, Ten Commandments, Ten Disciplines, Ten Discretions, and Ten Family Rules*. Violators of these rules received severe punishment: ‘Beat violators of the rules to death no matter what’.<sup>22</sup>

The Society of Brothers, as its name indicates, was created through a fictive sworn brotherhood among all members, who were classified into ten grades for different roles. The applicant had to endure complex rituals and ceremonies to become a member. All brothers and elders belonged to five halls [*tangkou*] that were further divided into numerous gates [*gongkou*]. Those living in the same place belonged to one port [*matou*] and treated each other equally. They had argots and secretive gestures with which to communicate and identify each other. However, the relationship between the ‘dragon head’ and ordinary members was hierarchic. The code of discipline for the members to follow was called *Ten Articles and Ten Clauses*. Nevertheless, one conspicuous organizational development strategy for the Society of Brothers was ‘to reach out in many directions and to expand through linking with each other’. It also extended its tentacles into the army, government, commerce, and the police departments.<sup>23</sup>

Entering the twentieth century, as it expanded to the Yangtze delta, the Society of Brothers converged with the Green Gang and therefore got the name ‘Red Gang’. Later, the Green and Red Gangs almost merged into one family, which indicates that the two organizations had relaxed their organizational structures to become more open and receptive to each other. Especially for the Green Gang, it became increasingly difficult to maintain its rigid master–disciple relationship. One example concerns Huang Jinrong (the Chieftain of Green Gang in Shanghai) and his ‘pupil’ Chiang Kaishek. As Chiang took over Shanghai in the capacity of Commander-in-Chief for the North Expedition Army of the Nationalist Government, Huang wanted

22. Guo Xuyin, *Qingbang Mishi* [*The Secret History of Green Gang*] (Shanghai: Shanghai Renmin Chubanshe, 2002).

23. Rang Haiguang, *Zhongguo Tufei* [*Banditry in China*] (Chongqing: Chongqing Chubanshe, 2004), p. 145.

to show a more collegial relationship with Chiang and returned the ‘pupil card’ to Chiang, severing the old teacher–pupil relationship.<sup>24</sup> During the early half of the twentieth century, the Green/Red Gang continued to relax the rules and to increase its openness. Several important structural changes followed: modern societies and associations were created within the Green/Red Gang; the induction ceremony was greatly simplified. The background of members became broader and included people from almost every stratum of the society, shedding its old image of an underclass society.<sup>25</sup>

The triads were the most open and egalitarian among the four systems of Chinese secret societies. The founding of the Heaven and Earth Society was inspired by the blood covenant at the Peach Garden among three historical heroes during the period of the three kingdoms.<sup>26</sup> Not surprisingly, the triads adopted a complex system of rituals and ceremonies for initiation. The blood oath and sworn brotherhood created a strong identity and solidarity. Members were given cloth or paper certificates, and were taught argots and secret body gestures. They all pledged to *The Thirty-Six Oaths, Twenty-One Rules, Eleven Commandments, and Ten Punishments*. Although the different ‘mountains’ of the Hong League did not subordinate to one central headquarters or each other, they had maintained and strengthened a core ideological system through secretly copying and circulating the Secret Documents [the so-called Bottom of the Sea]. The knowledge of these secrets became a theoretical foundation for a new spin-off organization. Within each mountain, a hierarchic structure with a clear division of labor was developed; but the pledge of ‘all brothers are equal’ was also respected. The Green Gang vertically stratified, while the triads horizontally replicated. As a saying goes, ‘The Green Gang is a line and the Hong League is a plane’ (*Qingbang yitiao xian, hongmen yida pian*).<sup>27</sup> In terms of an organizational structure, the former could be more coherent and powerful; but as an organization development strategy, the latter was more resilient. After the Chinese Communist revolution, the surrender of Huang Jinrong to and the cooperation of Du Yuesheng with the new regime dealt a fatal blow to the Green/Red Gang. However, the triads continued to survive in the Chinese communities outside of mainland China.

As on the mainland, the triads started to converge with the Green/Red Gang and some cults; in overseas regions, such as Southeast Asia and the United States, they continued to adapt. Two important developments emerged: (1) the capitalist economy provided the opportunity for some triads to turn into business-like entities (such as Kongsis in Southeast Asia); (2) the local political system encouraged some of them to adopt the form of a modern political party, for example, the Zhigong Party was created among overseas Hong League members. One interesting phenomenon

24. Guo, *Qingbang Mishi*, pp. 287–288.

25. Huang Jianyuan, *The Green, the Red, and the Black: The Chinese Green/Red Gang and Western Mafia [Qing, Hong, Hei: Zhongguo Qinghongbang he xifang Heishoudang]* (Nanjing: Jiangsu Renmin Chubanshe, 1998), p. 197; B. Martin, *The Shanghai Green Gang: Politics and Organized Crime, 1919–1937* (Berkeley, CA: University of California Press, 1996), pp. 18–27.

26. The oath is in M. Roberts’ translation of Luo Guanzhong, *Three Kingdoms* (Beijing: Foreign Language Press, 2003), vol. 1, pp. 13–15.

27. See: Wang Chunwu, *Hongmen, Qingbang, Paoge [Hong League, Green Gang and the Society of Brothers]* (Chengdu: Sichuan Renmin Chubanshe, 1993), p. 104.

was that some triads were also receptive to the local democratic environment. For example, The 24 Society in Singapore stipulated in its Provisional Rules that ‘all members shall have the right to elect or to be elected. Elections shall be held once every four months’. Capable and esteemed officers might serve consecutive terms, ‘but may not do so for three consecutive terms for the sake of fairness’.<sup>28</sup>

In comparison with the triads, although the Green/Red Gang was the most powerful and influential criminal secret society in Chinese history, it was quickly eradicated by the Chinese communist system in a few years. The triads, on the other hand, also lost the mainland as their base, but found plenty of opportunities to thrive overseas through the migration of Chinese laborers. No wonder the West has had more knowledge about the triads than the Green/Red Gang and an average reader tends to equate the triads to the Chinese criminal underworld. After China started its reforms in the late 1970s, the triads then returned to the mainland and emerged as the most systematic and best-organized criminal groups. The different historical fates are not a coincidence, but are attributable to the structural differences of these two systems.

The Chinese secret societies during the past 100 years demonstrated historical adaptation and significant reconfigurations.<sup>29</sup> Their opportunism predisposed their versatile strategies for reconfiguration. Clearly, during the modern era, the secret societies relaxed their hierarchical and patriarchic structure, linked themselves with the state and the army, exploited the market mechanisms, and used legitimate associational forms (even modern democratic institutions) for their metamorphoses. They tried to survive and seek new opportunities for growth in the turbulent social changes by participating in political revolutions, creating political alliances with major military and political forces, and infiltrating the governments. In the early twentieth century, to exploit the newly available markets (both legitimate and illicit) created by the burgeoning capitalism in modern China, the criminal gangs turned crime into a business. On the one hand, they invested in business to own banks and factories; on the other hand, they also became involved in rackets (e.g. smuggling and selling opium, running gambling and prostitution houses). During the KMT era, the convergence of the state and criminal underworld was evident. Criminal chieftains became part of the legitimate political structure. In the mid-1950s the creation of a strong communist state and the elimination of the market economy left little space for predatory criminal organizations. Nevertheless, the OCGs still tried to be more creative and unconventional. For example, facing forceful ideological mobilization and penetration from Mao’s regime, some religious cults, those that were more spiritual and escapist particularly in the underdeveloped countryside and mountain areas, managed to retreat into social institutions such as families, kinships, and clans to survive, recuperate and wait for new opportunities. Their survival strategies included: ‘spreading teachings by mouth and linking together by hearts’, ‘getting rid of icon figures and images’ (but sometimes using Mao’s portrait instead), ‘eliminating registration forms and initiation rituals’, ‘maintaining

28. The Police Department Document, *Chinese Secret Societies in Singapore* (The Malaysian-Singaporean Collection at the Library of the National University of Singapore, 1958).

29. Qin Baoqi, *Qingmo Minchu Mimi Shehui de Tuibian [The Metamorphosis of Secret Societies during the Late Qing and Early Republican Era]* (Beijing: Zhongguo Renmin Daxue Chubanshe, 2004).

no roster’, ‘conducting only one-way contact’, and ‘recruiting more actively among family members’.<sup>30</sup>

### Contemporary organizational formations of organized crime

Biding time for almost a quarter of a century, the secret societies and other criminal groups found long-awaited opportunities for their organizational revival since the mid-1970s when fundamental changes occurred to the Chinese political economy and society.

First, the ten-year Cultural Revolution opened a Pandora’s box: Mao’s stained charisma, the weakened state legitimacy, damaged social morality, and the collapsed economy. All of these prompted a leadership succession and the transformation of China’s political economy under Deng Xiaoping. Second, as the reforms were kicked off first in the countryside and later expanded to the urban areas (in particular the coastal cities), the central state lost part of its capacity to govern but tried hard to stem the loss of political control. As a result, the central state carried out tough anti-crime policies so that OCGs had difficulty revitalizing as national or regional hierarchic organizations to challenge the state. However, the state has become more pervious to societal forces. Especially local governments, strained by insufficient funding and rent-seeking activities, became vulnerable to corruption and infiltration of criminal forces. Third, the economy started and continued to move toward a market economy. Transitional chaos and loss of order were generated. The absence or low quality of market regulations left many loopholes for entrepreneurial criminals. The formation of illicit national markets for prostitution, drugs, human smuggling, and bootlegging further offered a windfall of opportunities to the criminal forces. Fourth, the globalization of crime has deeply connected China’s criminals with the overseas transnational OCGs—in particular with the triads from Taiwan, Hong Kong, Macao, Southeast Asia, and the United States. Global collaboration has been carried out in the smuggling of drugs, illegal immigrants, weapons, and other commodities.<sup>31</sup> As OC spreads throughout China, it has also entered a process of globalization—China has become a strong link in the global chains of vice industries (e.g. drug trafficking, human smuggling, counterfeit production, and money laundering) and a destination for many overseas Chinese triads and other international OCGs. Criminal organizations and networks based in China are major components of this global development and these emerging loose alliances.<sup>32</sup>

When these developments are examined together, the institutional environment for criminal organizations has the following characteristics: the threshold of entry is low due to the shrinking state reach at the remote ends of the system and the absence of a dominant OCG to act as a gatekeeper for the criminal underworld. The chances of creating a national hierarchy through vertical integration under the watchful eyes

30. Tan Songlin, ed., *Zhongguo Mimi Shehui [Secret Societies in China]* (Fuzhou: Fujian Renmin, 2002), vol. 7, pp. 79–83.

31. The Investigation Bureau, the Ministry of Justice, *Dalu, Tai Gang Heibang Diaocha Yanjiu [Investigations and Research on the OC Gangs in the Mainland, Taiwan, and Hong Kong]* (Taipei: Ministry of Justice, 1998), p. 386.

32. *Mapping the Global Future: Report of the National Intelligence Council’s 2020 Project*, (December 2004), p. 96, available at: <http://www.bookstore.gpo.gov>

of the Party-state hierarchy are slim. Border areas (both internal administrative and international) are porous for lateral linkages as both decentralization and marketization proceed. The subaltern structure (both geographic and demographic, which mean both the grassroots and underclass) has been expanding to provide more space. The newly created infrastructures for both a globalized market economy and a decompressed society could be easily utilized for evil purposes. If it is not possible to replace the Communist Party-state hierarchies, chances exist for the criminal forces to creep up like vines on their lower-level offices for eventual infiltration and capture.<sup>33</sup>

Based upon revealed cases, organizational forms for Chinese OC can be classified into three major types: traditional hierarchies, ‘hermit-crab’ hybrid organizations, and criminal networks.

### *Traditional hierarchies*

Like the Chinese traditional secret societies, many OCGs adopt a hierarchical structure with a society name, a chief, rituals of induction, argots, etc. Examples include the Hongxing Society in Guangxi, South Asian Chengshen Trading Group (Nanya Chengshen Maoyi Huishe) in Shanghai, Zhang Ziqiang (Cheung Tse-keung)’s ‘Big Circle Gang’ [*daquan bang*] in Guangdong, ‘the Waterhouse Gang’ [*shuifang bang*] in Foshan, and the ‘Storm One Family’ [*baofeng yizhu*] in Shenzhen. Many OCGs also impose strict rules and codes for maintaining their coherent hierarchic organization. The Di Shaowei group in Yibing, Sichuan, adopted detailed rules and disciplinary codes. Its ‘Handbook for Employees’ included four chapters and 17 clauses, stipulating clear punishments (such as cutting the tongue, or a finger, hand, or leg, and execution, etc.) for those who disobey orders, betray the group, or damage the group interest.<sup>34</sup>

These kinds of criminal groups were created in three ways. One was the spontaneous revival. This is a strong pattern in many regions where traditional secret societies, religious cults, and banditry once thrived. For example, in Xuchang, Henan, the ancient culture of sworn brotherhood still strongly influences the local people. In the late 1990s, hundred of gangs were created and later got out of control.<sup>35</sup> One report from the local public security agency in Hechuan County, Chongqing, observed the strong relationship between the traditional gang culture and the current pattern of crime:

Wherever gangs, secret societies and bandits used to be rampant, there are severe gang crimes today. Such a pattern is evident in the ports and urban areas where the lower-class people concentrate, as well as in the remote countryside and mountain areas. The Huaying Mountain area used to be a stronghold of the Society of Brothers; there many elderly peasants once joined this society. Although this society was disbanded after the

33. See: M. Xia, ‘The criminal–political nexus in China: an assessment’, in *Woodrow Wilson Center Asian Program Special Report* no. 124, (September 2004), pp. 12–18.

34. Li Wenyang and Tian Hongjie, ‘*Dahei Chu’e*’ *Xingshi Falu Shiyong Jieshuo* [Interpretations and Applications of Criminal Law Clauses for ‘Striking against OC and Eradicating Evil Forces’] (Beijing: Qunzhong Chubanshe, 2001), p. 61.

35. Li, *Jiaomie Zhongyuan Heibang*.

Liberation, even during the heydays of the Cultural Revolution, the peasants took pride in their past association with the Society of Brothers. The common feature of chats in the farm fields and at the dinner table was anecdotes about the society or the romantic lives of some of its leaders. Influenced by such negative culture, the children living in mountain areas tend to blindly worship heroes, romanticize robbery and looting, put stress on loyalty to brotherhood, develop combative personality, and become good at banding up and forming gangs.<sup>36</sup>

In Hebei, Hunan, Sichuan, Anhui, Northern Jiangsu, and Zhejiang, blood oaths and sworn brotherhoods were widely used by criminals to organize themselves.<sup>37</sup> In Xiamen, Fujian, the law enforcement agency also attributed the revival of gang crime there to the strong tradition of triads since the modern era, in particular, the deeply rooted culture of *Jiaotou*—local groups of juvenile delinquents and adult gangsters.<sup>38</sup>

A second method was the simulated restoration. The model for simulation includes crime-based movies produced in the US, Hong Kong and China, such as *The Godfather*, *The Water Margin*, *The Story of Three Kingdoms*, and many of Hong Kong writer Jin Yong's movies. A survey claimed that among 250 gangs uncovered in Yiyang, Hunan, 30% were inspired by movies and TV dramas.<sup>39</sup> In 1989, the 'Storm One Family' [*baofeng yizhu*] was created among 60 + youngsters in Shenzhen with inspiration from a Hong Kong TV series. They had a master, two guardians, seven young masters, and 54 blood warriors in hierarchic order, and followed the Ten Rules of the Gang.<sup>40</sup> In 1990, Shen Changhai in Shiwen Township, Fushun, Liaoning organized 17 criminals into 'The No. 2 Garrison Gorillas'—an obvious copycat of an American TV series that swept over China in 1980.<sup>41</sup> Liang Shengli, the chieftain of the biggest organized criminal group in Xuechang, Henan, was intellectually influenced by *The Godfather* and 'deliberately applied the principles from *The Godfather* to the management of his crime factions'.<sup>42</sup>

The third method was the induced development as a result of the return of the triads to the mainland. The lure of China created by its opening-up policies and the push from local police anti-crime drives ushered many triads in Taiwan, Hong Kong, and other places back to the mainland to seek opportunities. As the beachhead for their landing, Guangdong discovered at least 30 triads (including 14K, Waterhouse, Sun Yee On, Wo Shing Wo, etc.) with several hundred members from adjacent

36. Zhongguo Jingcha Xuehui [Police Science Society of China], *Dangdai Zhongguo Nongmin zhong de Fanzui Yanjiu Lunwen Xuan* [Selected Papers on Crimes among the Peasants of Contemporary China] (Beijing: Zhongguo Renmin Gong'an Daxue Chubanshe, 1998), pp. 128–129.

37. Zeng Huafeng, *Anfang Heibang* [Spying on Gangsters] (Beijing: Guangming Ribao Chubanshe, 2002), pp. 334–339; Cai Shaoqing, *Zhongguo Mimi Shehui Gaiguan* [A Survey of Secret Societies in China] (Hangzhou: Zhejiang Renmin Chubanshe, 1998).

38. Lu Zhicheng, 'Xiamenshi liumang banghu huodong tanxi' ['An analysis of hooliganism and gang activities in Xiamen'], in Wang Dazhong, ed., *Yantai Yanbian Jingji Kaifaqu Xinde Shehui Wenti Yanjiu* [A Study of New Social Issues in New Development Zones in the Coastal and Border Areas] (Beijing: Zhongguo Renmin Gong'an Daxue Chubanshe, 1997), pp. 386–387.

39. Cai, *Zhongguo Mimi Shehui Gaiguan*, p. 18.

40. Li Fuhai, *Zhuijiao Heishehui* [Exterminating the Criminal Underworld] (Guangzhou, Guangdong: Nangfang Ribao, 2004), p. 80.

41. Liang Rixian et al., *Zhongguo Dalu Haiwai Huayi Heibang Miwen* [Secret Reports of Organized Criminal Groups in Mainland China and Overseas Chinese] (Huhehot: Neimenggu Renmin Chubanshe, 1997), pp. 281–295.

42. Li, *Jiaomie Zhongyuan Heibang*, p. 150.

Hong Kong, Macao, and Taiwan.<sup>43</sup> The Shenzhen Municipal Public Security Bureau in 1991 reportedly identified that among 52 hotels, dancing clubs, and entertainment centers run by overseas investors, 32 (62%) had an organized crime background.<sup>44</sup> In the late 1980s, the infiltration of the ‘United Bamboo’, ‘The Four Seas’, and other Taiwan gangs was found in Fujian Province.<sup>45</sup> The Japanese Yakuza group, the ‘China Dragon’ (*Zhongguo Long*) gang in England, and the Fuqing Gang in the US also landed in Zhejiang, Fujian and other coastal areas. Shanghai Public Security also found several dozen high-ranking gang members from Taiwan who used Shanghai as a haven as Taiwan authorities launched anti-gang campaigns.<sup>46</sup> In the late 1990s, Zhang Ziqiang, the chapter head of the Hong Kong Big Circle in Guangzhou and Wan Kuok-koi, alias ‘Broken-Tooth Koi’ of the 14K Society in Macao, masterminded many high-profile kidnapping and bank-robbery cases in the Pearl River delta.<sup>47</sup>

### ‘Hermit-crab’-type hybrids

These are criminal groups that take over the shells of legitimate hierarchies, such as business firms, non-governmental organizations, and the state bureaucracies (in Chinese, *gongsi hua*; *shetuan hua*; *jiceng zhengquan hua*). Examples include the Yuanhua Group, which took over government offices, especially the Customs House in Xiamen; Liu Yong’s Jiayang Group in Shenyang, which existed as a private enterprise; and the Pinyuan Group in Yunnan, which occupied the local mosque. And numerous cults are cases in point.

*Corporate-like OCGs.* The primary aim of organized violence is to accumulate wealth. Creating a business front is an easy way to launder the dirty money and preserve existing wealth and possibly increase it. In addition, a business front not only creates a safe place for the dirty money, but also provides a safe haven for criminals through a legitimate gathering site, organizational structure and coherence, and seemingly legal employment. For example, Zhang Jun, the notorious bank robber who led a gang of more than a dozen members in the 1990s, used part of his looted money to open up a restaurant for his mistress. The mistress turned out to be his crucial assistant, the restaurant a safe haven for him.<sup>48</sup>

More important, as self- and government regulations in the Chinese market economy were not mature, ‘robber barons’ turned out to be the primary beneficiaries

43. Liu, *Zhujiao Heishehui*, pp. 55–94.

44. *Ibid.*, p. 67.

45. Cai, *Zhongguo Mimi Shehui Gaiguan*, p. 8.

46. Huang Fucheng, ‘Jingwai heishehui zuzhi shentou huodong de zhuyao fangshi ji ezhi duice’ [‘Main types of infiltration by overseas organized criminal groups and policy suggestions’], in Wang Dazhong, *Yanhai Yanbian Jingji Kaifatu Xinde Shehui Wenti Yanjiu*, pp. 331–343; Wang Zhiming *et al.*, *Dangqian Zhongguo Liudong Renkou Fazui Yanjiu* [A Study of Crime of the Floating Population] (Beijing: Zhongguo Renmin Gong’an Daxue Chubanshe, 2002), p. 276.

47. Da Yang, *Zhongguo Jiaohai Da’an* [Key Cases of China’s Campaign against Organized Crime], volume on Hong Kong and volume on Macao (Lanzhou: Gansu Wenyi Chubanshe, 2002); Zhou Lijun, *Heise Fengbao* [The Black Storm] (Beijing: Zuoqia Chubanshe, 2002); B. Lintner, *Blood Brothers: Crime, Business and Politics* (Australia: Allen & Unwin, 2002), pp. 70–135.

48. Zuomuniao Zazhishe [Woodpecker Magazine], *Guaitai* [Monster] (Beijing: Qunzhong Chubanshe, 2002), p. 131.

of the Dickensian plus Mafia capitalism in China. Wild ambition assisted by corrupt political power and crude violence can produce successful criminal entrepreneurs such as Chen Kai in Fuzhou and Lai Changxing in Xiamen (both cases are from Fujian province); Zhang Wei in Wenling, Zhejiang; and Liu Yong in Shenyang, Liaoning. The tragedy for the current Chinese political economy is that as organized criminals have an incentive to find a legitimate cover, many governmental officials also want to have reliable and convenient businesses to help them out (e.g. acting as an ATM machine for officials). A business entity, particularly in service industries (restaurant, entertainment, and hotel, etc.) and real estate provide a common ground for criminal forces, business people, and government officials to meet.

*As 'associations'.* This particular form is most likely to be used by religious cults and superstitious sects. I must point out here that many of them are benign, despite the fact that the Chinese communist regime has legally criminalized such a use of citizens' freedom of association. Since the 1980s, many cults started coming back in the form of *qigong* societies, Buddhist associations, and folk religion research associations. Several government-banned 'cults' in China, including the Falun Gong, Zhonggong, and Hu Wanlin's Zhongnan Palace, all existed legally, occasionally as cultural and civic associations. Now in some rural and mountain areas, clans and associations for constructing common ancestral temples and renewing/compiling genealogies have also been revitalized for some illegal purposes, such as religious cults, shamanism and superstition, clan fights, etc.<sup>49</sup> As the state continues to retreat from many aspects of social life and society keeps moving toward higher levels of diversity and pluralism, we expect to see more criminal organizations masquerading as civil associations.

*Becoming components of local regimes.* After having controlled a certain number of businesses and accumulated some wealth, most OCGs seek connections with political power. The political–criminal nexus can be varied, ranging from bribing and recruiting family members of officials as well as officials themselves, influencing the process for cadre appointment and elections, embedding into local government agencies and controlling them, entering people's congresses and people's political consultative conferences, becoming the de facto government or the 'second government', and finally, criminalizing local regimes and forming a gang rule.<sup>50</sup>

The existing problems with the cadre appointment and promotion system have led to the 'selling and buying of positions', which were rampant in some provinces (Heilongjiang's political earthquake and the resulting large-scale cadre reshuffle is one typical example). As 'money opens many doors', inevitably, the criminal gangs used their money (as well as other manifestations of money, such as cars, houses, beautiful women, and so on) to promote their members in government. Both Lai

49. Ye Zhaoqing, Zhu Dayin and Geng Changjun, *Laizi Zhongguo Shehui Diceng de Baogao* [A Report from the Lower Stratum of China] (Wuhan: Changjiang Wenyi Chubanshe, 2004).

50. Xia, 'The criminal–political nexus in China'; M. Pei, *China's Trapped Transition* (Cambridge, MA: Harvard University Press, 2006), pp. 159–166 and 219–222. I must point out that many cases in Pei's collection of 50 'local mafia states' are 'organizational crimes' (corruption cases), but not 'organized crime' as defined in my discussion here.

Changxing and Chen Kai put a large number of ‘their men’ in important government posts. Lai had said this about these people:

My men belong to three types. Those I buy off with money are not reliable. Those with whom I am friend are more trustworthy. Nevertheless, the best and most loyal are those people on whom I have spent money to promote. Like the employees in my company, they are dependent upon me for their livelihoods. Certainly they have to work for me.<sup>51</sup>

Indeed, Lai devoted a lot of time, money, and energy to the promotion of his people to important positions in the government.

As the central government has loosened its control over local elections, many grassroots offices have become the trophies that criminal forces want to claim. At present, one major threat is from the clan networks that are able to control the majority of the votes in some village or local elections. Some so-called ‘dark forces’—local tyrants and bullies—turned to elected officials. Now one of the worst developments of all in the Chinese society is the convergence of kinship networks, religious sects and cults, and criminal forces at the grassroots level, particularly in the countryside of poor provinces; as a result, the local tyrants who have the backing of all three of these forces captured local state agencies in defiance of the central government and its policies. For example, in the border regions of Henan, Anhui, and Northern Jiangsu, two processes of the criminalization of the state and society have been aggravating each other and creating the typical *problematique* of China’s governance crisis: rampant witchcraft and shamanism, active religious sects and cults, revived kinships, and criminal groups are converging to form a dark force in the villages; this dark force is either able to resist state power, or to capture and take over the local state power. Under this kind of local tyranny (often based upon the support of a hegemonic clan), official corruption and the arbitrary enforcement of laws and policies by imposing excessive fines and applying violence then intensify the hostility between peasants and local state representatives, which generates more riots and unrest, or collective petitions to the government at the higher levels.<sup>52</sup> According to one study, among 43 OCGs with 55 ringleaders destroyed from 1998 to 2001, six gang leaders (that is one out of ten) were the party secretary, village head, and team head in rural areas.<sup>53</sup> Chinese scholars describe this phenomenon as ‘village rule by villains’ (*e’ren zhicun*), ‘hooliganism of the local government’ (*defang zhengquan liumanghua*), or a ‘sultanistic state’.<sup>54</sup> A case in Xiamen, Fujian illustrates such a dangerous scenario:

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51. *Ibid.*, p. 14.

52. For more information, see: Chen Guidi and Chun Tao, *Zhongguo Nongmin Diaocha [Investigations of Peasants in China]* (Beijing: Renmin Wenxue Chubanshe, 2004) on Anhui; Ye Zhaoqing, Zhu Dayin and Geng Changjun, *Laizi Zhongguo Shehui Diceng de Baogao [Reports from the Lower Strata of China]* (Wuhan: Changjiang Wenyi Chubanshe, 2004) and Chao Jingqing, *Huanghebian de Zhongguo [The China Beside the Yellow River]* (Shanghai: Shanghai Wenyi Chubanshe, 2000) on Henan; Zhao Shukai, *Zongheng Chengxiang [Going between Cities and the Countryside]* (Beijing: Zhongguo Nongye Chubanshe, 1998) and Wang Shengzhi, *Woba Heidao Gaocanle [I Tricked the Gangsters]* (Beijing: Zhongguo Jiancha Chubanshe, 2003) on Northern Jiangsu; for a theoretical analysis, see: Chung *et al.*, ‘Mounting challenges to governance in China’.

53. Kong Simeng and Chang Qing, *Zhongguo: Tiaozhan Heishehui [China: Challenging the Underworld Society]* (Nanning: Guangxi Renmin Chubanshe, 2003), p. 330.

54. He Qinglian, *Zhongguo Xiandaihua de Xianjin [The Pitfalls of Modernization in China]* (Hong Kong: Broad Press, 2003), especially chs. 8, 9 and 10; Xiao Gongqin’s essay in Pei Minxin, *Zhongnanhai de Xuanze [The Choices for Zhongnanhai]* (Singapore: Global Publishing, 2003); Yang Zewan, *Sannong Wenti yu Nongcun Jingwu [The Issues of Countryside, Peasants and Agriculture and the Rural Police Affairs]* (Beijing: Qunzhong Chubanshe, 2003); Zhongguo Jingcha Xuehui, *Dangdai Zhongguo Nongmin zhong de Fanzui Yanjiu Lunwen Xuan*.

in the early 1990s, Zhang Guobing, the Secretary of the Communist Youth League in Dongfu Township, also led a street-gang of 13 hooligans to harass, extort, and terrorize residents within their ‘turf’. On 16 December 1994, Zhang and his associates extorted a truck for agricultural purposes from a person named Long Hai. After receiving a report on this activity, the Dongfu Township Police Station detained Zhang and one accomplice. Four other gang members (all sharing the surname Zhang) mobilized their kinship clan and led more than 160 mobs in an attack on the police station on the evening of the same day. They vandalized the office, destroyed police motorcycles, wounded the station chief and other security patrol guards, broke into the suspects’ cell, and rescued Zhang Guobing and his friend. The protection of the kinship clan and the disorder in the community made it impossible for the police to pursue this case.<sup>55</sup>

### *Criminal networks*

In regard to criminal organizations that have assumed the form of networks, the current Chinese scholarship reveals two shortcomings: first, the absolute majority of scholars and practitioners equate criminal organizations with pyramid-type hierarchies; only a small number of scholars have realized that criminal organizations can also exist as networks. For example, Kang Shuhua and his associates classified organized crime with three organizational forms: loose, tight, and network.<sup>56</sup> He Bingsong also pointed out that it is misleading to perceive criminal organizations as having one uniform structure and to neglect the ‘flexible networks’.<sup>57</sup> However, even those scholars who have accepted networks as one form of organized crime sometimes inadvertently fall into the second shortcoming, namely, they tend to think that hierarchical organizations are still a superior and more effective organizational form in comparison to criminal networks; the latter ultimately would evolve into hierarchies once the opportunity came.<sup>58</sup> As we have already discussed, under the two pressures of a strong state and dynamic markets (including black markets), criminal networks are both flexible and effective forms of organization. Instead of criminal networks evolving into hierarchies, we may see that many hierarchical criminal cliques would adopt the network form of organization for easier coordination and safer cooperation in the coming decades. These organizational forms consist of a finite set of actors and a series of linkages, ties, and relationships among criminals and groups. There are three types as discussed below.

*A multi-polar network.* Under a multi-polar network, numerous centers (or nodes) of criminals can co-exist. The earliest case I have been able to identify is the criminal network formed among Song Yongjia (alias ‘Qiao the Fourth’), Hao Weitao (alias ‘Lame Hao’), Wang Weide (alias ‘Little Ke’), Yang Deguang (alias ‘Steamed Bun Yang’) and Chen Weibing (alias ‘Little Fei’) in Harbin, Heilongjiang. They were

55. Lu Zhicheng in Wang Dazhong, *Yantai Yanbian Jingji Kaifaqu XindeSshehui Wenti Yanjiu*, p. 390.

56. Kang Shuhua, ed., *Dangdai Youzuzhi Fanzui yu Fangzhi Duice [Contemporary Organized Crime and Responses]* (Beijing: Zhongguo Fangzheng Chubanshe, 1998), p. 175.

57. He Bingsong, *Youzuzhi Fanzui Yanjiu [A Study of Organized Crime]* (Beijing: Fazhi Chubanshe, 2002), p. 261.

58. For such erroneous logical thinking, see: *Ibid.*, pp. 247 and 261; Wang, *Dangqian Zhongguo Liudong Renkou Fanzui Yanjiu*, pp. 283–284.

active during the 1980s and were executed in 1991. Many Chinese narratives disagree on how to categorize this criminal group (or these criminal groups). Some reporters claimed they represented five groups, some said three, and some said one. One official report stated:

Qiao the Fourth, Lame Hao, and Little Ke were three ‘overlords’ of the ‘black Tao’ in Harbin. They occupied one turf, controlled sizable force and wealth, and had huge influence. In contrast, Steamed Bun Yang and Little Fei were like flowing waters of evil: they did not fight for turf, desired no independence; rather they depended on these three ‘overlords’ for survival and opportunity. Meanwhile, they also maintained certain discretion and their own organizations—two die-hard groups of assassins for hire. They were lackeys, helpers, and butchers for Qiao the Fourth, Lame Hao, and Little Ke in exchange for monetary gain. As Little Ke robbed mailbags at the post office, they came out to provide assistance. As Qiao the Fourth attacked and smashed dance halls, they acted as club-wielding hit men. As Lame Hao conspired for revenge, they turned into cold-hearted paid assassins. They provided all the bodyguards for Qiao the Fourth, Lame Hao and Little Fei . . . These five hooligan groups sometimes collaborated closely, sometimes were on their own. Sometimes they did business and made money together; sometimes they competed against each other for dominance and vanity, resulting in the ‘black eating black’ gang fights.<sup>59</sup>

Although Song might be the first among equals, these five groups often coordinated and collaborated with each other, but never merged into one. A careful reading of the reports from different sources confirms that they were networks.

Another example is the Liu Shiwan group in Neijiang, Sichuan that formed lateral alliances with criminal groups in Chengdu, Qionglai and other cities in Sichuan. ‘The OCGs in Chengdu and Neijiang penetrated into each other and mutually linked together.’ As the law enforcement agencies cast out a dragnet in Neijiang, the key members of the local criminal groups fled to Chengdu to seek a hideout from the criminal underworld there.<sup>60</sup> The criminal underworld in Chengdu also hired those fugitive desperadoes as assassins or used them to settle some thorny conflicts with their enemies. One police officer who participated in handling this case said: ‘The OCGs from different areas in Sichuan often coordinate and help each other, although no single organization has been found that is able to control the entire province’.<sup>61</sup> Although a national criminal syndicate has not yet been formed, coordination of criminal activities across regions and provinces would facilitate such an attempt. There is an indication that some ringleaders are seeking the opportunity to form a national organization.<sup>62</sup>

A ‘cobweb’ (*zhizhuwang*). Under a cobweb structure, a hegemon occupies the center of the network and other smaller players are allowed to interact among

59. Zhao Dongping, *Honghei Dabosha [The Contests between the Red and Black: Stories of Combating Organized Crime for the Fifty Years in the Republic]* (Guangzhou: Guangdong Jingji Chubanshe, 2000), pp. 221–222.

60. Zhang Chengong, *Tianfu Zhiguo Mo yu Dao [Devil and Justice in the Heavenly Kingdom]* (Beijing: Qunzhong Chubanshe, 1998), pp. 174, 244; Zhang Chengong and Yang Haibo, *Xingjing Bense [The True Qualities of Criminal Police]* (Beijing: Jiefangjun Wenyi Chubanshe, 2000).

61. Interview, 2 April 2004.

62. He Ping and Wang Zhaojun, *Zhongguo Dalu Heishehui [The Criminal Underworld in Mainland China]* (Taiwan: Shibao Wenhua, 1993), p. 43; Kang Shuhua and Wei Xinwen, *Youzuzhi Fanzui Toushi [An Analysis of Organized Crime]* (Beijing: Beijing University Press, 2001), pp. 143–144.

themselves; however, they interact with the hegemon with higher frequency and deference. In such a criminal network, there can be a dominant group and a dominant leader who can command more respect from other criminal groups. For example, in Xuchang, Henan, more than 200 criminal groups were cracked down since the late 1990s and many of them were independent from each other but accepted or acknowledged the hegemony of Liang Shengli, who was the first among equals. Instead of a simple pyramid structure, a stratified unipolar system was adopted for their organizational linkages, under which a hegemon existed with a set of second-tier groups. Referring to his ‘huge pyramid-shaped system’, Liang confessed in the interrogation:

I am the acme of this pyramid. Under my leadership, Zhang Hongtao, Liang Gang, Wang Hui, Liu Dongfang, and others were the core. They also emulated me to develop their own organizations. All of these organizations were relatively independent from each other.<sup>63</sup>

It is said, ‘Liang Shengli was the big boss of the black Tao in Xuchang. Immortals from whatever background must bow to him if they want to set foot on the soil of Xuchang’.<sup>64</sup>

The network nature of this criminal system is clearly illustrated by the relationship between Li Qingwu and Liang Shengli: Li was a lieutenant of Liang’s and was assigned to collect protection fees from a trading place—The City of Shoe Stores. Later Li developed his army equipped with rifles and pistols and divided into one rifle team and four pistol teams. Quickly this branch became so powerful that it sped away from the orbit of Liang’s criminal empire. At some point, Liang plotted an abortive attempt on Li’s life.<sup>65</sup> However, as the No. 1 Brother in Xuchang, Liang took responsibility to arbitrate conflicts between Li and other gang members. For small groups, it was a good strategy to establish this kind of association. Although there was no direct control, many small groups did give respect to Liang and took cues from him. In a village on the outskirts of Xuchang, one local villain (An Shuqing) made friends with a number of hooligans and formed his own force. He later aligned with Liang and synchronized his group with the activities conducted by Liang in Xuchang. Ma Songgen, another villain, also led a group in an adjacent city. Although it did not belong to the Liang system, however, they ‘coordinated with each other and provided mutual assistance’.<sup>66</sup>

*A production and distribution chain (yitiaolong).* By forming a chain-like structure, criminals are linked up through production, supply, and demand lines. The basic dynamic for such a chain is from a producer (such as drugs) or suppliers (such as snakeheads) to the market. This kind of organizational form is very popular among drug trafficking groups and groups that smuggle women and children. In drug trafficking and smuggling women and children, regional and national criminal chains

63. Liu Ning and Tian Huiming, *Heise Youhuan [The Black Fear]* (Beijing: Wenhua Yishu Chubanshe, 2001), p. 7.

64. Li, *Jiaomie Zhongyuan Heibang*, p. 27.

65. Liu and Tian, *Heise Youhuan*, p. 9.

66. Li, *Jiaomie Zhongyuan Heibang*, pp. 27, 207–208 and 223.

are widely adopted. Regarding drug trafficking, the ‘China corridor’ connects Yunnan, Sichuan, Gansu, and Shanghai with Hong Kong, Macao, or the US. In 1990, the Ministry of Public Security successfully intercepted more than 221 kilograms of heroin and destroyed a trafficking group, which was led by a Gansu peasant with several dozen members (a total of 71 arrests) involved in four provinces (Sichuan, Yunnan, Gansu and Guangdong) and coordinated with drug trafficking groups in Burma, Hong Kong and Macao.<sup>67</sup> This coded ‘89/11’ international drug smuggling case—which was cracked in 1990 with collaboration among the public security agencies in Yunnan, Sichuan, Gansu and Guangdong—revealed a typical drug chain. It had the feature that ‘both the source and market of drugs were outside of the mainland, the smugglers within and without China were highly professionalized and specialized’. The suppliers of heroin were based in Burma; many Burmese smugglers sneaked it into China. In Yunnan border towns, the local drug dealers purchased it and then sold it to buyers from the inland provinces (Sichuan and Gansu). Carriers were hired to transport it to inland provinces. Some drug dealers based in Chengdu and Lanzhou, the provincial capital cities of Sichuan and Gansu respectively, distributed it downstream to buyers in Guangdong, who then sold it to Hong Kong drug dealers.<sup>68</sup>

In regard to smuggling women, criminal networks can be more sophisticated and more invisible since they tend to be organized around a core family and include members from an extended family with many housewives and grandmothers. In 1998, in Suqian, Anhui, a woman trafficking group led by two brothers included 105 members. For a period of eight years, they procured more than 300 women from Yunnan and Guizhou, transferred them from their villages, and finally sold them to Jiangsu, Shandong, Anhui, Hubei and Xinjiang. This was a typical national underground transportation line.<sup>69</sup>

The Yulin case of child smuggling, uncovered in 2003, revealed a criminal chain to purchase, transport, distribute, and sell children. In the city of Yulin, Guangxi, many newborn baby girls were abandoned. In 2001, Liu Yujie and his wife opened up a collection station for recyclable items. In their collecting trips by pedicab, they started picking up abandoned baby girls. Later they paid some local people to purchase baby girls at a price of between 500 and 800 Chinese yuan from several counties. Another two families, the Xin family and Xie family also entered this business around the year 2001. Later the local hospitals and their doctors and nurses also became involved in providing abandoned baby girls for a fee. After the procurement, several middlemen in Hubei and Henan bought the collected baby girls from these three families and transported them to markets in Henan and Anhui. At the beginning, baby girls were transported separately; later as more baby girls were collected, buses and taxis were hired to transport them from Yulin to Henan and Anhui. The baby girls were drugged to sleep as they were carried from one stage to

67. He, *Youzuzhi Fanzui Yanjiu*, p. 110; Zhongguo Jingcha Xuehui, *Dangdai Zhongguo Nongmin zhong de Fanzui Yanjiu Lunwen Xuan*, p. 296.

68. Cui Min, ed., *Duping Fanzui: Fazhan Qushi yu Ezhi Duice* [Crimes of Drugs: Trends and Policies] (Beijing: Jingguan Jiaoyu Chubanshe, 1999), p. 254; Gong'anbu Zhengzhibu [The Political Department], *Jindu Jiaocheng* [Textbook for Controlling Drugs] (Beijing: Jingguan Jiaoyu Chubanshe, 1998), p. 62.

69. Zhang Xi, *Zhongguo Daguai Da'an Shilu* [Investigative Reports on the Campaign against Women-Trafficking] (Beijing: Qunzhong Chubanshe, 2001), p. 247.

another. Once they were sent to Henan and Anhui, they were sold to individual families at 3,000–4,000 yuan. On 17 March 2003, 28 baby girls were intercepted from a hired long-distance bus. Less than two weeks later, another taxi was caught thanks to its mechanical breakdown; 13 baby girls were found in the car. For a period of 20 years, this underground chain alone had transported hundreds of baby girls.<sup>70</sup>

The ‘production chain’ differs from other organizational forms because there is no central coordinator for the entire crime process. The invisible hand of profits guides all of the participants. This illustrates that typically a tight criminal group is not needed, simply because many stages and transactions could be completed through the market mechanism. Therefore, the traditional perception that criminals resort to illegal methods for illegal activities has to be complemented by this new development: criminals now have legal methods (such as contracts in a market economy) to facilitate illegal transactions.

*A hub-and-spokes structure (lunfu).* In a hub-and-spokes structure, a central criminal entrepreneur coordinates illicit transactions with multiple actors one-dimensionally and keeps them away from each other. A professional criminal in Beijing applied a so-called ‘Frisbee’ (*feidie*) strategy to his drug trafficking: the drug lord recruited several retailers as his ‘Frisbees’, or the ‘UFOs’ (unidentified flying objects).

Everyone involved keeps one-way contact with him, no horizontal contact and communication occurs among the retailers. People do not know each other. Everyone listened to his instructions to perform their duties. He was the only person who could see the whole picture and controlled the overall situation.<sup>71</sup>

Another example of this strategy involves Zhang Yukun, the drug dealer from Yunnan who was executed in 1993. He once maintained an international drug smuggling group with 38 members. His nickname was ‘the mysterious drug king’, because he orchestrated a ‘drug conduit’ from Yunnan to Guangzhou and Hong Kong without blowing his cover. Drug criminals reportedly went to him one after another. They were scattered in Yunnan, Sichuan, Shanghai, Guangxi and other places. Thanks to his exceptional abilities for organization and coordination, he was able to assemble people from several provinces into one group within a few days; after teaching them simple lessons based upon his personal experiences, he quickly sent them out on their way to fulfill their own duties.<sup>72</sup>

## Conclusion

The theoretical and historical discussions and case studies on the recently uncovered OCGs cross-highlight one central theme of this paper: the choice of appropriate

70. Zhou Zhonggui, ‘Guangxi teda fanmai nüyinan jishi’ [‘Record of the investigating and solving an extremely shocking case of girl baby traffic in Guanxi’], *Zuomuniao* [Woodpecker] 149, (March 2004), pp. 4–13. For more discussion on this issue, see: K. A. Johnson and A. Klatzkin, eds, *Wanting a Daughter, Needing a Son: Abandonment, Adoption, and Orphanage Care in China* (St. Paul, MN: Yeong & Yeong Book Company, 2004), especially pp. 30 and 100.

71. Xiao Jun, *Xiexing* [Evil Nature] (Beijing: Zhongguo Wenlian Chubanshe, 2004), p. 528.

72. Fang Tian, *Jindu Dazhan* [Fight against Illegal Drugs] (Guangzhou: Guangdong Jingji Chubanshe, 2000), pp. 181–183.

organizational form by OCGs is not simple and pure. The OCGs have chosen organizational formations ranging from hierarchic (bureaucratic) structures to market mechanisms and to networks. Most of the time, they combine two or three forms at the same time depending on the changing institutional environment in which the state, the market, and society are the major components. As some groups have become tighter in organizational coherence, some other groups have pursued a different strategy for organizational development. More importantly, many OCGs have shed the rigid hierarchic structure and exist as loose and flexible networks. In order to retain the benefit of flexibility to evade law enforcement, more and more criminal organizations exist in the form of criminal networks. Many Chinese criminal groups have adopted similar networks to expand their organizations as well as to maintain flexibility. As a matter of fact, many groups, particularly religious sects and cults, are web-like networks. If sometime we can only see the nodes of criminals as dots without connections, we have to realize that market mechanisms work invisibly and seamlessly to connect these dots. The strength of the networks partially arises from the enabling and complementing function of markets.

As a UN document on transnational OC in 1994 explained,

At one end of the spectrum are those who see organized crime in terms of large hierarchical organizations that are structured rather like traditional corporations. At the other end are those who contend that 'for the most part, organized crime groups tend to be loosely structured, flexible, and highly adaptable'. . . . Rather than being seen in terms of dichotomies between small or large organizations and formal structures or informal networks, however, these dimensions can be best understood in terms of a continuum from small to large and from fluid network organizations to bureaucratic structures. In addition, it is important to consider the elements of continuity and evolution that characterize organized criminal groups. Moreover, some groups may combine elements of the formal hierarchical structure at certain levels, with a more amorphous fluid network at the lower levels.<sup>73</sup>

Judging by the theoretical analysis, historical development, and the current situation of OCGs in China, the tunnel vision of viewing OCGs exclusively through the lens of hierarchic structure is outdated. This thinking, which is strongly influenced by organizational forms under both feudalism and the centrally planned economy, has increasingly turned out to be a problem for defining, identifying, and investigating OC, for example, as illustrated by the 'striking against OC and eradicating dark forces' campaign. It is now the time to shatter the old mold of defining OCGs and to think outside the box. A wide range of conceptual tools can be chosen and applied in criminal investigation and judicial interpretation. Being 'big, tight, and hierarchic' is a sufficient, but not a necessary, indicator for the worsening situation of organized crime. Without being 'big and hierarchic', OCGs can find compensation for organizational effectiveness through linking up with each other. This tactic still creates an effect where 'the whole is bigger than the sum of the parts'.

Since organizational structure and organizational behavior are the two sides of the same coin, many behaviors only make sense when interpreted within the right

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73. P. Williams and E. U. Savona, eds, *The United Nations and Transnational Organized Crime* (London: Frank Cass, 1996), p. 4.

conceptual framework. Also, within the network environment, group behavior can become dubious and subtle. It can be better explained by contextualizing them within a particular subculture and value system (such as family and clan values and the same socialization in the penal system). Some organizational behavior is observable only as the organizational structure exists; therefore, it is difficult to identify an organizational structure after it has been disturbed or destroyed by law enforcement officials. In the age of the Internet, mobile phones and easy transportation, law enforcement agencies in China have to find a better way to collect organizational evidence against OCGs. In this regard the American application of network theory (such as ‘Coplink’ and ‘CrimeNet Explorer’) in criminal evidence collection has broken new ground and holds some promise of success in fighting both OC and terrorism.<sup>74</sup> The American legal practice against ‘conspiracy’ and many other preventive tactics against OC should also be carefully deliberated in the context of civil rights and liberties by the Chinese for possible adoption into China’s legislation in the near future.

Finally, the new lens offered from the network approach helps us to zoom in on the sophisticated part of OCGs. A warning is warranted: the danger of OCGs is not less severe simply because we have not seen their organization development toward a big and hierarchic structure. The absence of such a hierarchy actually is more deceptive and is diverting our attention away from a creeping but mounting threat. This has made it more challenging for the state to get a handle on it. Therefore, criminal networks in China may in fact have become more dangerous under these new circumstances than the leadership believes.

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74. P. R. Keefe, ‘Can network theory thwart terrorists?’, *The New York Times Sunday Magazine*, (12 March 2006), p. 16; R. V. Hauck *et al.*, ‘Using Coplink to analyze criminal-justice data’, *Computer*, (March 2002), pp. 30–37; H. Chen *et al.*, ‘Crime data mining: a general framework and some examples’, *Computer*, (April 2004), pp. 50–56; J. J. Xu and H. Chen, ‘CrimeNet explorer: a framework for criminal network knowledge discovery’, *ACM Transactions on Information Systems* 23(2), (April 2005), pp. 201–226; J. J. Xu and H. Chen, ‘Criminal network analysis and visualization’, *Communications of the ACM* 48(6), (June 2005), pp. 101–107.