

A Different Type of Social Power: Underground Criminal Organizations

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In an effort to fight underground criminal organizations, China's Ministry of Public Security launched a ten-month long nationwide campaign at the end of 2000 using the operation code-names *Fox Hunting*, *Raging Tide*, *Nil*, *Hurricane*, and others.

It is a known fact that a considerably large number of underground criminal organizations have emerged in our country, and these are mainly territory-based entities. China is divided into seven administrative levels: state, province, municipality, county (or larger districts and smaller cities), township, village (or sub-district), neighborhood. These criminal organizations have generally been formed along these lines, that is, within a province, a city, a county, a township, or a village. Some of the notorious criminal organizations that were outlawed several years ago and subsequently banned are *Xinjiang Gang* in Shanghai, *Beijing Gang* and *White Shark Gang* in Guangdong, *Ganzhou Gang* in Jiangxi Province, and the *Wolf Gang* in Shanxi Province. The membership of these organizations consists mainly of employees of business enterprises, "waiting for work" youths, and/or peasants. The fact that most of these gang members are friends characterizes their inter-member relationship. Some of the criminal organizations have a comparatively tight, linear-like structure reinforced by harsh disciplinary measures. Members are differentiated by ranks while the organizational structure models that of an extended family. There are also criminal organizations that are kinship-based (genealogical) or occupation-based (linked by the same type of crimes committed). Of the three types, most organizations are either territory-based or kinship-based.

Sophisticated Structure and Management

Both investigative reports and revelations from cracked criminal organizations indicate that these organizations are no longer gangsters pieced together for a single operation; on the contrary, they are becoming increasingly well organized and have proven to possess some sophisticated "organizational rules" and management styles. The following features are found in many of such organizations: stable membership consisting mainly of professional criminals, a multi-layer pyramid-like command system, and vertical leadership. On the very top is the patriarch of the organization, called "Big Brother" or "Leader." Under him are his lieutenants called "Second Brother," "Third Brother" and so on. The members engage in different functions. For example, in "Sable," a criminal organization in Ziyang of Sichuan Province, there existed the roles of "steward," "hatchet man," "executioner," "logistics man," and "scout." A member can be demoted to a lower rank or removed from his post. The "Big Brother" is often surrounded by a group of advisers to help plan the activities. Further down are people to carry out murders as well as robbery, and people to maintain legitimate business fronts while engaging in money

laundering. They also have their own ways of allocating wealth and providing benefits according to ranks. Tight control is sustained by rigid rules and security regulations. Those who disobey the boss or betray the organization are cruelly punished.

According to a report by the Criminal Investigation Office of Sichuan Public Security Department, underground organizations nowadays have started to emulate management styles of a modern corporation. The *Di Shaowei Clan* in Sichuan Province is a typical case. They have their own "Member Handbook" which contains four chapters with seventeen articles and serves as their "criminal law." The handbook specifies that whomever gives out confidential information, betrays the organization, jeopardizes its interests, or disobeys orders is subject to penalty measures ranging from cutting off the tongue, gouging out eyes, chopping off fingers, hands, or legs, or, ultimately, death. Some researchers have stated that the "current underground criminal organizations in China possess some unique features due to the fact that they both inherited the traits of the traditional triads and old gangster organizations and imitated sophisticated criminal groups abroad." These domestic criminal groups are little different than their counterparts in other countries, embodying all the necessary features of an underground criminal organization. Underground criminal organizations in the true meaning of the term have emerged in our country; therefore, their presence should not be ignored by those studying Chinese criminality and those working in law enforcement agencies.

The membership of criminal organizations tends to be young. They are either criminals at large or have spent time in prison or reeducation-through-labor camps; many of them have committed murder. They are young and daring, with no sense of morality. They are also determined and decisive, and are not afraid of taking ruthless actions. All these characteristics make them cold-blooded individuals. Some of them are ex-servicemen and thus have received formal military training. These ex-servicemen often become key figures, as they know how to operate weapons and fight battles, and are knowledgeable about police operations. In addition, the organization finds it convenient to use their old "comrades-in-arms" for cover operations.

Nowadays these organizations have a variety of sources for weaponry and are becoming increasingly better equipped. In the past, they relied on hunting rifles, homemade guns, and stolen weapons, but now with their much stronger financial capabilities, they can easily acquire smuggled weapons. Ironically, some of these weapons were initially sold by the Chinese government to foreign countries, but managed to find their way back into the country and fall into the hands of criminals.

Advanced technology is helping to improve the way criminal organizations conduct their business. Before taking an action, they carefully investigate the site, study the internal

circumstances, collect other relevant information, and decide on timing and an exit route. They have several plans to choose from, each being subjected to repeated analyses and testing. They are always best prepared in fraud cases involving extremely large amounts of money. They work diligently in preparation, and leave the "legal person"--whom they hired earlier--to face the consequences if the scheme is uncovered. When an operation is successfully carried out, the perpetrators have a means of transportation to quickly escape from the scene, and the gang leaders will relocate immediately to another city or to a foreign country. As a result, it takes a tremendous amount of police force and money to track them down. For example, Lu Wei, a gang leader in Jianyang of Fujian Province, stopped at dozens of cities, including Beijing and Shanghai, after committing a crime. He was constantly on the run and often switched hotels at night. It took the police several hundred workdays and hundreds of thousands of Chinese *yuan* to finally catch him.

The Merging of the "Black" and the "White": Gang Leaders with "Red Hats"

All investigations, including those of a few major cases already solved, point to a fundamental cause that enables the criminal organizations to flourish within a short period of time. That is, the gangs are well entrenched in the local political structure, particularly in law enforcement agencies, and thus are well protected by corrupt public officials. In comparison with their counterparts in the West, criminal organizations in Mainland China (the "black") have a deeper penetration into the social establishments (the "White"). In the West, the criminal organizations could be connected with law enforcement agencies and the judiciary, while in China their influence reaches not only the police and judges, but also those holding political and government offices. Some gang leaders themselves have acquired high-ranking political status (so-called "Red hats"). Zhang Wei from Wenling of Zhejiang Province is a good example. Not only was he the boss of his criminal organization, he also held eight public offices in several provinces and municipalities. He was vice chairman of the People's Political Consultative Conference of Yidu City, Hubei province, member of the Municipal Youth League Committee of Taizhou City, honorary president of a newspaper in Zhejiang province, vice president of the Young Entrepreneurs Association of Taizhou City, legal representative and chairman of the East Sea Group in Zhejiang province, legal representative and manager of Dongsheng Corporation in Shanghai, legal representative and general manager of Wenling Hengji Industrial Corporation, and legal representative and general manager of Taizhou New Century Decoration Co. Ltd.. He obtained the first four titles by bribing public officials and those titles served him well. He was found to have connections with officials in key positions, including the mayor and police chief. Of the sixty-seven public officials having close ties with him, forty-two were in government or party offices, fifteen in the judiciary, and ten in banking. For this reason his organization was called the "Red-Black Gang," and this is indeed an accurate description. It was black because

the organization was mainly underground, but at the same time it had a red cover due to its links with public officials.

In recent years quite a few major underground criminal organizations have been cracked in Jilin Province. Not long ago, Liang Xudong, head of the largest criminal organization in Jilin Province, was executed. He himself was a police officer and also had ties with over thirty government and party officials. Of these connections, there were political appointees as well as those holding offices in the Public Security Bureau, the Procuratorate, and the judiciary. For a long period of time, these officials provided Liang Xudong with cover, leaving his organization free to perform their criminal acts for years. Liang Xudong had access to thirty-five public officials; his network included twelve department heads in government, ten police officers, five public procurators, and four judges. It was under the protection of these public officials that Liang Xudong and his gang developed into a powerful force in that region. In Jilin's Helong City, Gu Decheng and his gang had grown to a criminal organization with considerable notoriety when Gu himself was elected member of the city's People's Political Consultative Conference and representative of the city's People's Congress. Liu Yong of Liaoning Province was both a gang boss and a well-known public figure. To outsiders, he was a member of Shenyang City's People's Congress in addition to being president of Shenyang Jiayang Group, and year after year his company was granted the title of Advanced Enterprise by the municipal government. Of the sixteen key members of this gang, three were police officers. Zhou Shounan was head of a criminal group in Baise of Guangxi Province. The public knew him as general manager of the entertainment department of Baise Hotel while in the underground he led a gang, *Hongxing Society*, which controlled the gambling business in the city. When his criminal activities were brought to light, the involvement of several key officials became known, including the former chief of the city police, Nong Jiayi, and the police chief in office, Li Hongzhuan. Also involved were political commissar of the police department Ma Sike, deputy police chief Huang Zhengxian, former commander of the public security team within the police department Liang Xincheng, and former deputy chief of the prefecture police department Tan Xueren.

People have been shocked by recent revelations of one criminal organization in Pingdingshan City, Henan Province. This organization had eleven members, among them six were members of a village committee, one was a probationary member of the communist party, and three were candidates for party membership. In eight years they committed over three hundred armed robberies targeted at private coal mine owners, victimized more than one hundred twenty innocent people of whom six were murdered, and got away with a total of one million and a half *yuan*. The fact that these people are able to hold dual roles, one in public and one underground, is more alarming than those criminals relying exclusively on bribery of officials.

Even more disturbing is the fact that gangsters have infiltrated into county and municipal level governing bodies. They pick their "surrogates" from other officials, even playing a role in assigning county and municipal administrative positions. In this way, social establishments controlled by corrupted officials have become a tool for organized criminals to prey upon their communities. It is the worst scenario one can imagine when the "white" and the "black" merge, namely, society is ruled by collaborating forces of public officials, particularly those in law enforcement, and criminal organizations.

Employment of Gangsters In Power Jockeying

It is also obvious that the values held by criminals have started to permeate social behavior. Underground criminal organizations' involvement in political life has appeared in several aspects. In recent years, certain public officials would seek criminal organizations' assistance when they fail to overpower their opponents in political maneuvers. It is against this background that incidents of "officials killing officials" have become quite plentiful. I present here a few publicized cases. In 1995 in Anyi County, county magistrate Chen Jinyun hired assassins to kill Hu Cigan, party secretary of that county, and Wan Xianyong, deputy party secretary; in March, 1997 in Yangchun City of Guangdong Province, municipal party secretary Yan Wenyao, deputy mayor Yang Qizhou, deputy director of Finance Office Lin Qiju were involved in a plot to murder the mayor and some of his associates; on June 28, 1999, former party secretary Li Changhe of Wugang City, had his subordinate Lu Jing, magistrate of Batai Township, and Lu's wife murdered; on March 16, 1999, a tax collector in Hainan Province assassinated Huang Chonghua, a public procurator; on March 26, 1999, the director of Fushun City's Judicial Bureau attempted to murder a county party secretary. All these cases involved underground criminal organizations. Some of the assassins were gang members, and some were "marginal" members of society.

The game in China's political circles is seldom played fairly. It is frequently the case that one's competitive performance does not lead to promotion, and therefore public officials have to resort to other means that have nothing to do with his/her ethics, ability, and performance. This way of selecting public officials causes the entire society to suffer from its consequences. With the introduction of influence by organized criminals, the process has become more chaotic and will certainly further erode the selection mechanism for public officials.

From "Black Income" to "Gray Income" to "White Income"

Involvement by Underground Criminal Organizations in Economic Activities

Underground criminal organizations started long ago to build their financial base. The entertainment circles were the first to breed underground crime elements and to be heavily impacted by underground criminal organizations. There was a special report entitled "Underground Criminal Organizations in Entertainment" in the February 10, 2001 edition of *Yangcheng Evening News*. The entertainment industry provides an ideal place for fame and profit. At a time when there are insufficient earnings, this industry proves to be a safe haven for money laundering. Currently the underground criminal elements within entertainment circles still have not fully matured, while the outside forces have established their influences. In the past few years, a number of cases caught public attention, such as the assassination of Ju Peng, the attempted murder of Mao Ning, as well as the beating up of some other star performers. The degree of violence employed by the underground forces in entertainment is, however, less apparent in comparison with some other circles in this industry.

Reports on the recent "eradicating underground criminal organization campaign" indicate that almost all criminal organizations are well financed, and all resort to violence in their efforts to collect wealth. Some gathered this wealth entirely by illegal means. Zhou Shounan is such an example. His open position was general manager of the entertainment department of Baise Hotel, but, behind the scenes, all gambling operations in the city were under his control. All his riches were generated this way. Liu Yong, president of Shenyang Jiayang Group, was different in that he was involved in both legal and illegal business activities, and employed illegal means in legal business operations. He accumulated seven hundred million *yuan* in a matter of several short years. Some organizations have a more cruel way of doing business, as shown in what Liang Shengli and his gang did in Xuchang, Henan Province. They operated a legal business in an illegal fashion. For example, they would use violence to drive out those already in the business if he wanted to be part of the trade. By adopting similar means his group became dominant in many trades in that region, including the garment, shoes and hats, construction, construction materials, transportation, and hospitality sectors. They also designated areas of influence for their members. They used violence to force customers to buy and suppliers to sell on their own terms and to collect protection fees and dividends. Thus the situation became outrageous: whatever trade they wanted to set foot in, the existing merchants would have to "automatically withdraw" for fear of disastrous consequences. In comparison, however, most small and medium-size gangs rely on collecting protection fees.

The masterpiece of their financial buildup is found in a recently revealed case in Lanzhou, where the criminal organizations plundered people of several hundred million *yuan* with artificial stock brokerages. According to reports, a number of stock brokerages appeared in Lanzhou City in 2000 such as Gangsu New China Investment Consulting, Lanzhou Lixin Economic Information Consulting, Lanzhou Xinda Economic Information Consulting, Wanweida Economic

Information Consulting, Hansu Mid Asia Finance, Guotai Finance, Xinlande Quantum Office, Gansu Gold Trade Co., Tiansheng Trade, and Gansu Aoran Trust. These firms settled down in remote areas or rented suites in high rises in downtown areas, then set up a simulated stock transaction system with a few dozen computers to process stock performance information obtained through satellite dishes, Internet providers, or cable TV. In such a manner, they swindled several hundred million *yuan* from their customers who had no idea that their money would go directly into the criminals' pocket instead of entering the stock market. Investigations indicate that only a handful of people were the masterminds behind the scene. They invested the embezzled money in legal business operations, mainly real estate. In this way, some of the major players even became distinguished personages in the business circles of Lanzhou or even the Northwest region. Their connections are found in every corner in the political arena. When the Lanzhou City Industry & Commerce Bureau reported these fraud cases to the city's Public Security Bureau, the latter refused to take action for "lack of sufficient evidence," and thus the criminals were able to continue with their wrong doings (Southern City Report, February 6, 2001). They did not stop even when CCTV's "Thirty Minutes on Economy" aired a series of reports on their criminal acts.

Internationalization of Criminal Organizations

The influence of the sophisticated criminal organizations in Hong Kong and Macao is on the rise. Not only are the relatively "unenlightened" organizations in the Mainland making efforts to emulate them, there have also been an increasing number of cases that were the result of collaborative undertakings by criminals from both the Mainland and these two areas. Gangsters from Hong Kong and Macao are particularly active in coastal areas. They take advantage of the current political and economic circumstances in the Mainland, where foreign capital is badly needed for economic reforms. Many people in both government and business circles are eager to achieve rapid growth by attracting foreign capital while there is no effective management and control measures. Consequently, they set up briefcase companies, make a fortune by fraud, and then disappear after the money is transferred abroad. Many such instances have caused tremendous losses to our country. These criminal groups do not stop there. They use a portion of the money to buy party and public officials. In December 2000, Guangzhou City's law enforcement forces uncovered an underground bank and arrested nine suspects, four of whom were from Taiwan. Police retrieved a very large sum of Chinese currency, some foreign currency, as well as many certificates of deposit used for money laundering from this illegal bank. One suspect by the name of Huang Awan admitted that the four members from Taiwan had been engaged in foreign currency laundering since 1998, and their business was mainly to help Taiwan businessmen transfer funds illegally from the Mainland to Taiwan. Their one-day transaction volume sometimes was as high as several million *yuan*. In the course of a couple of

years they had transferred fifty-eight million *yuan*.

Narcotics trafficking has become rampant internationally since the 1980s, and drug traffickers are also in contact with China's criminal organizations. They work together to operate drug trafficking networks in China. Also, stealing cultural relics is becoming widespread. While the Three George Project has attracted much of the world's attention for various reasons, most alluring to the criminals are the cultural relics at this historical site some of which date to over three thousand years. The site has become the hottest spot of cultural relics theft. It is estimated by foreign media that in the past twenty years or so a very large quantity of such national treasures have been smuggled out to the west, more than the stolen items added together in all previous years. Some extremely precious Neolithic items have also been sold to foreign countries. The organized criminals also engage themselves in smuggling people. In the early days, they were mainly involved in abducting and selling women and children. Now, their primary business is illegal immigrant trafficking. These organizations are often referred to as "snake gangs." The criminal organizations in Fujian Province play a key role in these operations. They are known for smuggling goods, people trafficking, and cross-border kidnapping. Some reports suggest that they have smuggled counterfeit Chinese currencies in the amount of ten to twenty billion *yuan*. Police have also seized over one thousand kilograms of ice (crystal meth) from these gangs. In five cases involving gun sales, police confiscated over three thousand guns plus over seventy thousand rounds of ammunition. But, these gangs are best known for immigrant smuggling. By the end of 1998, fourteen hundred snakeheads had been captured in that province, twenty thousand migrants were stopped on the seas, and over thirty thousand migrants had been returned from abroad. The number of cross-boarder kidnapping cases in this year is mind-boggling. In fact, over fifty such cases have happened in Fujian since 1993, with a huge sum of ransom money totaling several million US dollars. These cases were carried out jointly by domestic and foreign-based criminal organizations, involving many countries and areas such as the United States, Great Britain, Australia, Thailand, Hong Kong, and Taiwan.

In addition to what is described above, there are other equally alarming incidents. For instance, in some places the police "employ criminals to control criminals" or uniformed agents in charge of city management and transportation hire gangsters to collect extravagant fees. Moreover, in certain areas criminal organizations even function as government agencies. For instance, in Zhengzhou of Henan Province, the gangsters that were running "Tianma Shoe City" put the neighborhood committee and industry and commerce station out of work. The fact that these organizations can recruit easily from the increasing number of unemployed personnel has sounded a warning that the mission to overcome these criminal organizations is going to be extremely time-consuming and challenging.

Undoubtedly the underground criminal organizations are affecting our society in an increasingly significant way, and have virtually become one type of "public authority" in certain areas and circles, particularly for those living at the bottom of the society. Their presence, sanctioned by corrupted public officials, clearly constitutes an ominous threat to people's safety and wellbeing. Past experience, both at home and abroad, tells us that for the general public even tyranny is "more lenient" than those violent and ruthless underground criminal organizations.