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Extra-legal protection in China: How guanxi distorts China’s legal system and facilitates the rise of unlawful protectors

Peng Wang

Abstract
This paper incorporates the concept of guanxi—a Chinese version of personal connections, networks or social capital—into the discussion of police corruption and the rise of extra-legal protectors. Using published materials and fieldwork data collected from two Chinese cities (Chongqing and Qufu), it demonstrates how guanxi distorts China’s legal system by facilitating the buying and selling of public offices and promoting the formation of corrupt networks between locally-based criminals and government officials. China’s weak legal framework encourages individuals and entrepreneurs to employ guanxi networks to obtain private protection from alternative suppliers (e.g. corrupt government officials and street gangsters) in order to protect property rights, facilitate transactions, and fend off government extortion.

Keywords
Guanxi, corruption, extra-legal protection, quasi law enforcement, China

Introduction
Chinese businesses are increasingly turning to the extra-legal protection services supplied by organized crime groups and corrupt government officials. International scholars focus on two major aspects of extra-legal protection: mafia scholars emphasize the relationship between state failure and the rise of mafias in transitional countries and demonstrate that mafia groups function as quasi-governmental institutions providing private protection for people in need (Gambetta 1993; Varese 2001; Skarbek 2014). Political scientists emphasize how law enforcement agencies and state security forces produce, sell and distribute unlawful enforcement and protection services (Joireman 2011; Volkov 1999).

This paper identifies the reasons Chinese businesses employ extra-legal measures and offers an empirical study of extra-legal protection in contemporary China using fieldwork data collected from two Chinese cities, Qufu and Chongqing. Influenced by existing publications, the author’s research focused on two types of extra-legal protectors: corrupt government officials, especially police officers, and locally-based criminal groups. Fieldwork data agrees with Granovetter’s theory of embeddedness, which states that social action and outcomes, including economic action and outcomes, ‘are affected by actors’ dyadic relations and by the structure of the overall network of relationships’ (Granovetter 1992: 25). Evidence from China suggests that police and judicial activities are highly embedded in guanxi networks,
fostering corruption and injustice within China’s legal system. It also suggests that protection and enforcement mechanism choices are dictated by trust and reputation within guanxi networks.

Using published materials and fieldwork data, this paper incorporates the concept of guanxi into the discussion of police corruption and the rise of extra-legal protectors. It demonstrates the corruption-facilitating roles of guanxi, i.e. how guanxi distorts China’s legal system by facilitating the buying and selling of public offices and promoting the formation of corrupt guanxi networks between locally-based criminals and government officials. This paper also demonstrates the clash between guanxi and the formal legal system prevents law enforcement agencies from being able to provide sufficient protection for citizens, contributing to the rise of extra-legal protectors. The negative aspects of guanxi, emphasized by this paper, provide a new perspective for understanding corruption and organized crime in contemporary China.

Conceptual framework and hypotheses

The concepts

Extra-legal protector(s) This term refers to an individual or group of people specialising in the provision of private protection or quasi law enforcement through violence or the abuse of state power. The ‘private ordering’ theory, comparing state-sponsored law enforcement with alternative enforcement mechanisms, suggests four distinct types of enforcement mechanism—state enforcement, private-legal enforcement (e.g. private protection companies), private-illegal enforcement (e.g. mafia groups), and state-illegal enforcement (e.g. corrupt police officers) (Barzel 2000; Dixit 2004). The study of extra-legal protection in China should therefore focus on two types of protectors: state-illegal and private-illegal.

Volkov (2002: 65) regards ‘units of state police and security forces who are acting as private entrepreneurs’ as ‘state and illegal enforcement’ (also see Joireman 2011). Gambetta (1993) defines the mafia as a special type of organized crime group that specializes in producing, selling and distributing private protection. Varese (2010: 14, 17) makes a clear distinction between an organized crime group which ‘attempts to regulate and control the production and distribution of a given commodity or service unlawfully’ and a mafia group which ‘is a type of organized crime group that attempts to control the supply of protection’.

Guanxi The existing literature shows no consensus on the definition of guanxi. This paper follows the definition of guanxi suggested by Fan (2002): ‘guanxi is the process of social interactions that initially involves two individuals...the process will move on involving more parties, and stop only when a solution is finally found or the task is abandoned’ (pp. 549, 551). There is a set of specialized terms deriving from the word guanxi. For example, a guanxiwang or a network of guanxi is the sum total of one’s guanxi, comprising both vertical

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1 A direct translation might be personal connections or networks, but it has much more subtle meanings in the Chinese context. Yi and Ellis (2000) discuss the comparison between Chinese guanxi and Western networking.
and horizontal connections (Gold 1985). *Guanxi practice* refers to a series of social interactions involved in guanxi networks, like ‘the exchange of gifts, favors and banquets; the cultivation of personal relationships and networks of mutual dependence; and the manufacturing of obligation and indebtedness’ (Yang 1994: 6).

Four characteristics of guanxi, suggested by Jiang et al. (2012), are reciprocity, utilitarianism, transferability and intangibility. First, Chinese have ‘a strong sense of reciprocity for developing friendship and saving face for themselves’ (Su and Littlefield 2001: 201); a person will be viewed as untrustworthy if he/she violates the principle of reciprocity. Second, guanxi relations are maintained through mutual exchange of favors. Guanxi is a mixture of *ganqing* (sentiments) and *renqing* (favors). *Renqing*, the precondition for establishing guanxi, ‘provides a moral foundation for the reciprocity and equity that are implicit in all guanxi relationships’ (Luo 2000: 15). *Ganqing*, as the ‘affective component’ of guanxi, is defined by Wang (2007: 82) as ‘refer[ing] to feelings and emotional attachment among members of networks, [which is] often an indicator of closeness of guanxi’. Third, guanxi is transferable. As Luo (2000: 10) explains, ‘if A has guanxi with B and B is a friend of C, then B can introduce or recommend A to C or vice versa’; during this process, B functions as a middleman. Fourth, guanxi practice follows an invisible and unwritten code of reciprocity and equity (Yan 1996).

Guanxi is a double-edged sword. The term guanxi is applied indiscriminately by Chinese people to all forms of horizontal and vertical dyadic ties. Guanxi is described by Oi (1991: 131) as ‘a special system of exchange between persons of equal or unequal status; it can be clientelistic or nonclientelistic’. Clientelistic exchanges (such as between government officials and businessmen) tend to have negative effects, whereas nonclientelistic exchanges (such as between friends) tend to be positive.

An important category of clientelistic guanxi is patron-client relations. These relationships are formed when the government lacks transparency and powerful officials control all state resources (Gold et al. 2002). Battersby et al. (2011) find that guanxi practices in Chinese business merge with ‘patterns of patron-client relationship’ where the principle of reciprocity and the essence of *mianzi* (face) in guanxi exchange violate bureaucratic norms and undermine the rule of law. In other words, certain kinds of guanxi are closely associated with corrupt behaviours (e.g. favouritism and nepotism) (Luo 2008; Wang et al. 2014).

Although guanxi plays an important role in facilitating corrupt transactions (such as bribing government officials), it would be wrong to automatically equate guanxi with corruption. Guanxi can be benign and valuable. For example, drawing on the data collected through a multi-stage survey of residents, Zhang et al. (2009: 472) demonstrate that ‘residents who have strong neighbourhood guanxi are less likely to be fearful of crime in contemporary urban China’.

If cultural differences in network practices are set aside, guanxi in China might be equated with personal networking or connections in the West. The role of personal connections, however, differs according to whether a country has a strong or a weak institutional environment. The negative influence of personal connections in a transparent country (e.g. the UK and Germany) is limited by progressive social laws and openness of government,
while personal connections in an opaque country (e.g. China) are seen as corrupting the public administration. Openness and transparency strengthens people’s trust in government and protects the decision-making mechanism from the demands of personal connections. The opaque nature of the Chinese government, however, makes it difficult to see how public policy is developed and how the civil service operates, creating favourable conditions for people to employ personal connections (i.e. guanxi) rather than formal rules to get things done. This negative aspect of guanxi in the context of China’s weak institutional environment emphasises the importance of incorporating an analysis of these negative aspects into the examination of corruption and the rise of extra-legal protection.

**Extra-legal protection, guanxi and the PRC legal system: Hypotheses**

Chinese society has been characterized by the coexistence of guanxi and the legal system. Most China scholars stress the positive side of guanxi by discussing the substitutive and complementary relationships between the guanxi network and the legal system (Luo 2000; Peng 2003; Xin and Pearce 1996; Zhang et al. 2009). Guanxi has been defined as the most important form of informal institution in China, achieving what formal institutions are designed, but fail, to achieve (Xin and Pearce 1996). In the face of weak market structures, ill-defined property rights, institutional uncertainty, and incomplete institutional foundations, guanxi substitutes for formal institutional support (Nee 2000). This was especially true in the 1980s and 1990s, but still holds true today.

Since China gradually strengthened its legal framework and its socialist market dramatically expanded in the late 1990s, guanxi has gradually been transformed from a substitutive to a complementary informal institution (Potter 2002; Zhang and Keh 2009). This is caused by the limitations of guanxi-based governance. First, the guanxi network has to increase its size in order to meet the increasing demand from its members. When the guanxi network exceeds its optimal size, the ability to sanction misbehaviour is challenged and the costs of informing club members of the trustworthiness of all others increase (Schramm and Taube 2003). Second, as the market expands and the number of business partners increases, the costs of screening and testing a new partner also increase and switching to a new partner becomes riskier (Li 2003). However, transaction security offered by an institutional legal system can effectively deal with this problem (Buchanan 1965). In a well-established legal system, ‘the marginal costs of enforcing an (additional) contract between an (additional) transaction pair are negligible due to the fact that the contract is explicit, impersonal, and standardized, and that the police are on standby’ (Li 2003: 657). As a result, guanxi in the new century is identified as a complement rather than an alternative to the formal institutions (Dunning and Kim 2007; Li 2003; Schramm and Taube 2003).

The arguments on the substitutive and complementary relationships between two systems of order illustrate the changing significance of guanxi in China’s transitional economy. However, the existing literature neglects the negative influence of guanxi practice on China’s legal system. Guanxi, as an informal institution, starts off by substituting and complementing formal rules, but it eventually subverts new formal institutions. A theory of institutional interaction suggests that informal institutions, in some circumstances, undermine and contravene the newly-formed or existing formal institutions (Grzymala-Busse 2010).
The negative impact of the guanxi network on formal institutions is derived from the increasing intertwinement between guanxi and corruption (Luo 2008). From the perspective of guanxi-based governance, the provision of certain goods and the implementation of transactions (between money and power) among club members are normal or even necessary within the guanxi network, whereas these interpersonal activities may fall within the sphere of corruption when they are assessed from a legal perspective (Schramm and Taube 2004). The influence of guanxi is not limited to business transactions; law enforcement and judicial activities are also highly embedded in guanxi networks (Li 2011, 2012). The rules of the guanxi game (e.g. reciprocity and equity) encourage, even urge, police officers and judges to get things done regardless of bureaucratic norms and the rule of law. This line of thinking gives rise to Hypothesis 1:

The embeddedness of police and judicial activities in guanxi networks results in rampant corruption in China’s legal institutions.

The clash between guanxi-based governance and rule-based governance produces few positive outcomes in contemporary China. The resilience of guanxi networks undermines and distorts the legal framework, making China’s judicial system ineffective. Moreover, China fails to establish effective formal rules that ‘provide officials with legitimate justification for denying requests for favoritism’ (Potter 2001: 31). The absence of a reliable rule of law makes private firms subject to threatening interference and arbitrary extortion by party and government officials (Peng 2003; Xin and Pearce 1996). Both mafia emergence literature and the larger literature on private ordering suggest that the inability of the state to supply adequate or equal protection for its citizens will result in the rise of alternative mechanisms of protection and enforcement including state-illegal and private-illegal (Dixit 2004; Gambetta 1993; Hill 2003; Varese 2001; Wang 2011; Wang 2013). This gives rise to Hypothesis 2:

China’s weak legal system and rampant corruption prompts private property owners to employ extra-legal protectors (e.g. corrupt police officers and street gangsters) to protect private property rights, facilitate transactions, and deal with government extortion.

The rise of the mafia in Southern Italy was a response to ‘the absence of credible or effective systems of justice and law enforcement’ (Gambetta 2000: 160). Mafias are able to facilitate market exchanges among participants who distrust each other by enforcement of deals and promises (Gambetta 2000). Moreover, the mafia has thrived for centuries by continuously injecting ‘distrust into the market to increase the demand for the product [it] sells—that is, protection’ (Gambetta 2000: 173).

Gambetta’s arguments on distrust and the mafia may be less helpful in analysing the use of extra-legal protection services in contemporary China. Why do Chinese, in environments characterized by the absence of trust, trust criminals and corrupt government officials? Unlike normal market transactions, there are strong uncertainties about both the price of these illegal transactions and their results. The buying and selling of extra-legal protection or quasi law enforcement services, therefore, require a mechanism to reduce illegal transaction
costs, guarantee quality of services, and punish violators. In this case, guanxi as a strategic mechanism may be able to shelter both parties in illegal transactions. This leads the author to propose Hypothesis 3:

The buying and selling of extra-legal protection services is governed by trust and reputation within the guanxi network.

Data and methods

Research sites
All data for this study was collected from two cities: Qufu and Chongqing. Qufu, a small city, is the hometown of Confucius (and also the author). The author gained access to the local business community, the police archive and local court files. The data collected from Qufu is used to interpret how and why individuals and entrepreneurs resolve their troubles by using extra-legal protection and quasi law enforcement. The main obstacle in Qufu is also obvious: evidence about government officials’ involvement in selling illegal protection is extremely difficult to access as there is little archive material, and in-depth interviews would pose significant risks to both interviewer and interviewees.

Chongqing, on the other hand, is one of the biggest cities in in Southwest China with a population of more than 30 million. The Chongqing Government under the leadership of Mr BX recently achieved great success with an anti-mafia and anti-corruption campaign. From June 2009 to November 2011, 77 government officials, including over 20 senior police officers, were arrested for their involvement in corrupt networks and the supply of extra-legal protection to locally-based crime groups (Xinhua 2011). The anti-corruption campaign made it easier to gain access to open sources about how corrupt guanxi networks function and how corrupt police officers sell protection to locally-based criminal groups.

Data collection and analysis
The data collection in Qufu involved 22 in-depth semi-structured interviews with police officers, local government officials, entrepreneurs, private (illegal) bankers, lawyers and judges, as well as eight focus group discussions with a total of 23 interviewees including project managers from local construction companies, staff in local hospitals, and government officials. Entrepreneurs and private bankers’ experiences, in particular, provided valuable sources of data on the performance of local law enforcement agencies, the rise of debt collection gangs, and the importance of guanxi for private enterprises.

During the fieldwork in Chongqing, political factors emerged as a major obstacle in gaining access to interviewees. According to the Chongqing government, government officials, academics, and even journalists were not allowed to make any criticism of Chongqing’s anti-mafia campaign. The interviewees’ negative response almost destroyed the author’s plan of

2 At the editor’s request, the names of all the individuals mentioned in this paper have been anonymised.
3 Journalist A, Personal Communication, e-mail message to author, 26 December 2011; Journalist B, Personal Communication, e-mail message to author, 26 December 2011.
doing fieldwork in Chongqing. However, thanks to some local connections, the author managed to conduct one focus group discussion with three prosecutors and two police officers and nine semi-structured interviews with journalists, academics, prosecutors, taxi drivers, and a lawyer.

The author applied several strategies to acquire more data on Chongqing’s anti-mafia and anti-corruption campaigns. First, a close teacher-student relationship enabled the author to conduct interviews with two criminology professors in Shanghai, who specialize in research on Chinese organized crime and corruption. The comments from both professors provided valuable insights into Chongqing’s corrupt networks. The interviews were followed by frequent email communications with these two professors, which included thorough discussions on the emerging extra-legal protection market and corrupt guanxi networks in contemporary China.

Second, this study benefits from open source data from China and foreign countries. The CNKI database\(^4\) provided the author with access to a large number of journal papers, news reports, conference papers, and doctoral theses about the Chongqing crime crackdown. These open materials offered rich details, but their limitation was obvious: almost all these publications lacked evidence of independent thinking due to strict media control in China. The author therefore turned to the viewpoints of Western media. In order to ensure the reliability of the information from Western media, the author mainly focused on news reports or comments published by mainstream Western media, such as *The Times*, *BBC*, *The Economist*, *The Telegraph*, *The Guardian*, *The New York Times*, and *CNN*. In particular, this research pays attention to a series of news articles written by notable journalists, such as Jaime FlorCruz and Malcolm Moore, who have lived and worked in China for many years.

Third, after the removal of Mr BX\(^5\) as party chief of Chongqing in March 2012, the author attempted to get access to police archives and court files. Similar to the first request during the fieldwork in Chongqing, government officials still refused to offer any materials. The request for access to police records was also denied, which forced the author to adopt an alternative strategy. A review of existing literature helped the author to identify one law professor in Chongqing who has published a number of high-quality papers about Chongqing’s crime crackdown. A close relationship with the Chongqing government may be what allows this professor to obtain police and court files. The author employed his social networks to gain access to this law professor, but this professor refused to provide the data he possessed. This indicates that Chongqing’s anti-mafia campaign is still a politically sensitive topic.

Overall, the author carried out a total of 33 individual interviews, nine focus group discussions with a total of 28 participants, an extensive review of published materials, and a number of email communications. After data collection was completed, the author applied a systematic approach to the qualitative data by using NVivo software.

\(^4\) The CNKI database refers to the China National Knowledge Infrastructure database, which is the largest and most comprehensive academic database in mainland China.

\(^5\) Mr BX was removed from Chongqing leader post in March 2012. He was accused of abusing power, taking bribes and violating party discipline (Broadhurst and Wang 2014).
Guanxi and corruption: Evidence from Chongqing

The first hypothesis posits that guanxi’s negative effect on the legal system leads to serious corruption in contemporary China. The study of guanxi and corruption suffers from a lack of comprehensive statistical information because police records and court files about corruption cases are not available to the public in China (Guo 2008). Corruption cases revealed by the Chongqing crime crackdown seem different because part of the information about organized crime and corruption has been disclosed by the mass media. Consistent with the first hypothesis, guanxi undermines the criminal justice system in two ways: (1) facilitating the buying and selling of public offices, and (2) allowing locally-based criminals to create mutually beneficial networks with government officials.

The buying and selling of public offices in Chongqing

In China, the promotion of government officials has been largely influenced by unwritten rules, particularly the practice of guanxi (Shih et al. 2012; Warren et al. 2004). This phenomenon is mainly caused by the weak political and legal system which fails to clearly specify criteria for the distribution of public offices and to strictly enforce those criteria. The principle of reciprocity and the essence of maintaining face in guanxi practice, as Zhan (2012: 103) demonstrates, ‘encourages local officials to distribute promotions and opportunities to those closer to them in the network’. Moreover, the importance of guanxi forces individuals (lesser cadres and ordinary citizens) to cultivate relationships with those in power. The following paragraphs discuss the Chongqing case, which offers the best example of buying and selling offices in law enforcement agencies.

In departure from most crime crackdown campaigns conducted by local governments, Chongqing’s campaign against organized crime ‘was directed, unusually, at the kind of people who count: the wealthy businessmen and powerful officials who controlled the gangs and enabled them to flourish’ (Economist 2009: online). The Chongqing crime crackdown resulted in the end of numerous corrupt networks, especially within law enforcement agencies, and the reshuffle of at least 3,000 police officers in order to cut their links with organized crime groups (Wang and Ma 2010). The most influential network destroyed by this crime crackdown was within the Chongqing Public Security Bureau headed by Mr WQ, who served as the deputy head of the Chongqing Public Security Bureau from 1992 to 2008 and as director of the Chongqing Justice Bureau from July 2008 to August 2009.

Mr WQ was described by most interviewees as a trustworthy person.6 He regarded ‘the rule of ganqin’ in guanxi practice as being much more important than the rule of law.7 From Mr WQ’s perspective, the provision of assistance for promotions of middle and lower level officers within his guanxi networks was normal and even necessary, but transactions between Mr WQ and his subordinates were clearly defined as corruption from a legal perspective. Unlike the legal market, in which the price determines transactions between sellers and buyers, transactions in the market of buying and selling offices were determined

by interpersonal relationships between the holders and receivers of the benefits (Schramm and Taube 2003; Zhan 2012). In other words, Mr WQ may feel obliged to favour the people in his network rather than outsiders, to favour those closer to him over the others farther away in his network.

In order to secure promotions or gain better job opportunities, many middle and lower level police officers in Chongqing had to invest in establishing and maintaining a close relationship with Mr WQ. Moreover, people who were not members of Mr WQ’s guanxi networks tended to employ a middleman—a linking person who brings a buyer and seller from different networks together—to facilitate corrupt transactions (Zhao et al. 2011). Mr WQ, as the main supplier of offices, was convicted of providing assistance for more than 20 police officers to gain promotion and police candidates to secure places (See Table 1).

<table>
<thead>
<tr>
<th>Objective of Buying Offices</th>
<th>Office Buyer</th>
<th>Middleman</th>
<th>Office Seller</th>
<th>Amount of Money Transacted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same-level transfer to a better job</td>
<td>Mr WX</td>
<td>Mr CWQ</td>
<td>Mr WQ</td>
<td>¥1,190,000</td>
</tr>
<tr>
<td>Secure a place in the Chongqing Public Security Bureau</td>
<td>Mr GX</td>
<td>Mr CWL</td>
<td>Mr WQ</td>
<td>¥150,000</td>
</tr>
<tr>
<td>Promotion</td>
<td>Mr LL</td>
<td>N/A</td>
<td>Mr WQ</td>
<td>¥400,000</td>
</tr>
<tr>
<td>Promotion</td>
<td>Mr RC</td>
<td>Mr CWQ</td>
<td>Mr WQ</td>
<td>¥500,000</td>
</tr>
<tr>
<td>Same-level transfer to a better job or secure a position for demobilized military officer</td>
<td>Mr ZX</td>
<td>Ms ZH</td>
<td>Mr WQ</td>
<td>¥1,590,000</td>
</tr>
<tr>
<td>Promotion</td>
<td>Mr XG</td>
<td>N/A</td>
<td>Mr WQ</td>
<td>¥126,000</td>
</tr>
<tr>
<td>Promotion &amp; maintaining positions</td>
<td>Mr ZL</td>
<td>N/A</td>
<td>Mr WQ</td>
<td>¥270,000</td>
</tr>
<tr>
<td>Promotion</td>
<td>Mr LX</td>
<td>N/A</td>
<td>Mr WQ</td>
<td>¥49,000</td>
</tr>
<tr>
<td>Same-level transfer to a better job</td>
<td>Mr XX</td>
<td>Ms ZH</td>
<td>Mr WQ</td>
<td>¥1,770,000</td>
</tr>
<tr>
<td>Promotion</td>
<td>Mr HD</td>
<td>N/A</td>
<td>Mr WQ</td>
<td>¥95,000</td>
</tr>
<tr>
<td>Promotion &amp; same-level transfer to a better job</td>
<td>Mr WD</td>
<td>N/A</td>
<td>Mr WQ</td>
<td>¥155,000</td>
</tr>
<tr>
<td>Promotion</td>
<td>Mr CT</td>
<td>N/A</td>
<td>Mr WQ</td>
<td>¥60,000</td>
</tr>
<tr>
<td>Promotion &amp; same-level</td>
<td>Mr XQ</td>
<td>N/A</td>
<td>Mr WQ</td>
<td>¥370,000</td>
</tr>
</tbody>
</table>

*This table is designed by the author according to information from news reports released by Xinhua News Agency, the official press agency of the People’s Republic of China.*
In the Chongqing case, relational power stemming from guanxi networks enables Mr WQ’s subordinates to obtain promotions. As Shang et al. (2012) argue, relational power can be divided into two subcategories: direct and indirect. Direct relational power can be further divided into *ganqing* (affection) based relational power and *renqing* (felt-obligation) based relational power.

In an affection-based relationship, ‘the leader and his/her follower socialize outside work, discuss personal problems and exchange advice on personal issues’ (Jiang et al. 2012; Shang et al. 2012: 440). For example, Mr HD, Mr ZL and Mr CT, three middle-ranking police officers, were Mr WQ’s ‘personal bodyguards’ when Mr WQ enjoyed himself in nightclubs. This provided excellent opportunities for these police officers to share their personal problems and issues with their leader. Affection-based relationships therefore encouraged Mr WQ to distribute corrupt benefits (e.g. promotion opportunities) to his loyal followers (Xinhua 2010a).

Chen and Chen (2004: 316) argue that socially-expressive activities, such as celebration parties for marriages, birthdays and promotions, have a great impact on ‘affective trust and *ganqing*’. This is because celebrations provide good opportunities for lower-ranking officials to express their good wishes and greetings to their leaders. The Mr WQ case shows that the Spring Festival (the Chinese New Year), Mid-Autumn Festival, birthdays and occasions when Mr WQ went abroad on official business provided excellent gift-giving opportunities for low- and mid-level police officers and local businesses to send ‘Hongbao’—red envelopes containing money or shopping cards—to Mr WQ (Keyuan 2000; Li 2012). As Bracey (1992) states, gifts are converted into reciprocity, making the recipient indebted to the giver. The only thing that Mr WQ had to give in return was misuse of power or authority, which was also the only thing in which these bribers were interested.

Obligation-based relational power is generated from the exchange of emotional feelings (e.g. work-related problems and issues) between the leader and his or her subordinates (Shang et al. 2012). Social and economic transactions create a sense of indebtedness, resulting in a felt-obligation-based relationship between two parties (Vanhonacker 2004). For example, Mr PC and Mr WQ, two police chiefs, developed a very close working relationship because they had worked together for many years. It would have been difficult for Mr WQ to establish himself as an anti-crime hero without the assistance of Mr PC. In September 2000, with Mr PC’s significant contribution, Mr WQ successfully destroyed the Zhang Jun criminal syndicate and made himself China’s most reputable police officer (Ifeng 2010; Lu 2010). Mr WQ rewarded Mr PC by promoting him from lowly officer all the way to police chief.

In practice, it is extremely difficult to distinguish *ganqing*-based relationships from *renqing*-based relationships. In most corruption cases, these two types of relationship are simply mixed together. As Jiang et al. (2012: 209) argues:

<table>
<thead>
<tr>
<th>Transfer Type</th>
<th>Officer 1</th>
<th>Officer 2</th>
<th>Benefit Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Same-level transfer to a better job</td>
<td>Mr CX</td>
<td>N/A</td>
<td>¥30,000</td>
</tr>
<tr>
<td>Promotion</td>
<td>Mr ZXX</td>
<td>Mr DG</td>
<td>¥200,000</td>
</tr>
</tbody>
</table>

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1. In the Chongqing case, relational power stemming from guanxi networks enables Mr WQ’s subordinates to obtain promotions. As Shang et al. (2012) argue, relational power can be divided into two subcategories: direct and indirect. Direct relational power can be further divided into *ganqing* (affection) based relational power and *renqing* (felt-obligation) based relational power.

2. In an affection-based relationship, ‘the leader and his/her follower socialize outside work, discuss personal problems and exchange advice on personal issues’ (Jiang et al. 2012; Shang et al. 2012: 440). For example, Mr HD, Mr ZL and Mr CT, three middle-ranking police officers, were Mr WQ’s ‘personal bodyguards’ when Mr WQ enjoyed himself in nightclubs. This provided excellent opportunities for these police officers to share their personal problems and issues with their leader. Affection-based relationships therefore encouraged Mr WQ to distribute corrupt benefits (e.g. promotion opportunities) to his loyal followers (Xinhua 2010a).

3. Chen and Chen (2004: 316) argue that socially-expressive activities, such as celebration parties for marriages, birthdays and promotions, have a great impact on ‘affective trust and *ganqing*’. This is because celebrations provide good opportunities for lower-ranking officials to express their good wishes and greetings to their leaders. The Mr WQ case shows that the Spring Festival (the Chinese New Year), Mid-Autumn Festival, birthdays and occasions when Mr WQ went abroad on official business provided excellent gift-giving opportunities for low- and mid-level police officers and local businesses to send ‘Hongbao’—red envelopes containing money or shopping cards—to Mr WQ (Keyuan 2000; Li 2012). As Bracey (1992) states, gifts are converted into reciprocity, making the recipient indebted to the giver. The only thing that Mr WQ had to give in return was misuse of power or authority, which was also the only thing in which these bribers were interested.

4. Obligation-based relational power is generated from the exchange of emotional feelings (e.g. work-related problems and issues) between the leader and his or her subordinates (Shang et al. 2012). Social and economic transactions create a sense of indebtedness, resulting in a felt-obligation-based relationship between two parties (Vanhonacker 2004). For example, Mr PC and Mr WQ, two police chiefs, developed a very close working relationship because they had worked together for many years. It would have been difficult for Mr WQ to establish himself as an anti-crime hero without the assistance of Mr PC. In September 2000, with Mr PC’s significant contribution, Mr WQ successfully destroyed the Zhang Jun criminal syndicate and made himself China’s most reputable police officer (Ifeng 2010; Lu 2010). Mr WQ rewarded Mr PC by promoting him from lowly officer all the way to police chief.

5. In practice, it is extremely difficult to distinguish *ganqing*-based relationships from *renqing*-based relationships. In most corruption cases, these two types of relationship are simply mixed together. As Jiang et al. (2012: 209) argues:
‘Guanxi based on kinship usually starts from *ganqing* while other kinds of guanxi typically start from *renqing*. However, as time passes, both kinds of guanxi contain both *ganqing* and *renqing* components. The only distinction is the proportions of *ganqing* and *renqing* in guanxi. For example, business guanxi usually has less *ganqing* elements than other guanxi.’

Indirect relational power, also called network-based relational power, facilitates people who did not possess a direct guanxi relationship with Mr WQ to receive corrupt benefits in Mr WQ’s guanxi networks. As Shang et al. (2012) argue, this type of relational power is based on *mianzi* (face). A middleman (A) possesses the ability not only to bring the provider (B) and seeker (C) of corrupt benefits together, but also to make B feel obligated to C. The relationship between A and B indirectly affects the outcome of the request made by C.

As Table 1 shows, Mr CWQ was frequently invited to act as middleman when the help seeker was not a member of Mr WQ’s guanxi networks. Mr CWQ was a billionaire in Chongqing. Since 2000, Mr CWQ had created and maintained good guanxi with Mr WQ through continuous gift-giving on three types of occasion: special celebrations (e.g. birthdays), traditional Chinese festivals (e.g. Spring Festival) and returning from a long distance trip (Li 2010). Norms of reciprocity in guanxi networks made Mr WQ reluctant to say ‘no’ to Mr CWQ’s requests. If a favour request was not granted as expected, guanxi quality would be negatively affected and Mr WQ’s reputation in guanxi networks would be seriously damaged. As a result, people who did not possess guanxi with Mr WQ tended to find a middleman to gain job transfers within the Chongqing police system.

The buying and selling of public offices in Chongqing illustrates the importance of relational power in the distribution of government appointments. Guanxi in contemporary China exerts corrosive effects on the legal system. The Chongqing crime crackdown was followed by the reshuffle of mid- and high-ranking police officers in order to break corrupt guanxi networks within the police system and cut mutually-beneficial links between police officials and criminals (Liu and Li 2010).

**Corrupt guanxi networks between police officers and locally-based criminals**

The establishment of a close guanxi with high-ranking officials not only enables low- and mid-level police officers to gain promotions or transfers, but also safeguards their businesses with criminals. Unlike corrupt high-ranking government officials who make large amounts of money by selling government appointments or associating with legitimate businessmen, middle or lower-level police officers who want to earn such benefits have to associate with locally-based criminals or illegal entrepreneurs who are also eager to establish close guanxi networks with law enforcers (Chin and Godson 2006).

According to Antonopoulos (2013), the corrupt network between the criminal underworld and the political establishment can be created either through clientelistic relationships or bribery in the form of money, expensive gifts and/or services, and sex services, or through interpersonal, family guanxi links. Drawing on fieldwork data and extensive published materials, Wang (2013a) states that police officers in Mr WQ’s corrupt guanxi network were
largely involved in offering protection for locally-based criminal groups. Wang (2013b) describes Mr WQ’s corrupt network as a black empire which consists of three tiers. Mr WQ, the ‘godfather’ of Chongqing’s criminal underworld, sat on the top; the middle level consisted of Mr WQ’s six ‘heavenly guardians’, who were mid-level police officers in Chongqing; on the bottom were eight organizations with an underworld nature, which used to control Chongqing’s illegal markets such as gambling, prostitution, and drug trafficking and distribution.

Table 2: The most influential political-criminal nexus in Chongqing headed by Mr WQ

<table>
<thead>
<tr>
<th>Mr WQ:</th>
<th>Mr WQ was found guilty of:</th>
</tr>
</thead>
<tbody>
<tr>
<td>He served as the deputy head of the Chongqing Public Security Bureau from 1992 to 2008 and as director of the Chongqing Justice Bureau from July 2008 to August 2009.</td>
<td>1. Taking more than 12 million RMB in bribes to facilitate more than 20 officers to gain promotions or transfers; to help businessmen obtain illegal profits; and to provide protection to locally-based organized crime groups. Of these bribes, 756,500 RMB came from gang members.</td>
</tr>
<tr>
<td>2. Failing to explain the source of assets worth 10.44 million RMB.</td>
<td></td>
</tr>
</tbody>
</table>

Six ‘heavenly guardians’ of Mr WQ’s black empire

<table>
<thead>
<tr>
<th>Mr HD:</th>
<th>Mr LL:</th>
<th>Mr ZL:</th>
<th>Mr CT:</th>
<th>Mr QX:</th>
<th>Mr ST:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bribe Mr WQ with 90,000 RMB and an Omega watch between 2004 and 2008.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Eight locally-based criminal organizations which controlled Chongqing’s illegal markets

<table>
<thead>
<tr>
<th>Mr WT’s Gang</th>
<th>Ms XC’s Gang</th>
<th>Mr CM’s Gang</th>
<th>Mr AX’s Gang</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of activity: 13 years</td>
<td>Length of activity: 5 years</td>
<td>Length of activity: 8 years</td>
<td>Length of activity: 13 years</td>
</tr>
<tr>
<td>Size: 23 members</td>
<td>Size: 22 members</td>
<td>Size: 34 members</td>
<td>Size: 46 members</td>
</tr>
<tr>
<td>Active since: 1996</td>
<td>Active since: 2004</td>
<td>Active since: 2001</td>
<td>Active since: 1996</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mr WXJ’s Gang</th>
<th>Wang Sisters’ Gang (Ms WZ and Ms WW’s Gang)</th>
<th>Mr YN’s Gang</th>
<th>Mr FQ and Mr GGM’s Gang</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length of activity: 8 years</td>
<td>Length of activity: 15 years</td>
<td>Length of activity: 11 years</td>
<td>Length of activity: 3 years</td>
</tr>
<tr>
<td>Size: 24 members</td>
<td>Size: over 20 members</td>
<td>Size: 31 members</td>
<td>Size: 34 members</td>
</tr>
<tr>
<td>Active since: 2001</td>
<td>Active since: 1994</td>
<td>Active since: 1998</td>
<td>Active since: 2006</td>
</tr>
</tbody>
</table>

Unlike the mainstream viewpoint that Mr WQ protected these locally-based criminal groups directly, interview data suggests that, in most circumstances, it was low- and mid-level officers rather than Mr WQ himself who provided criminal protection for these criminals and

9 Table 2 is designed by the author. All the information in this table is from relevant news reports released by Xinhua News Agency from June 2009 to February 2012.
illegal entrepreneurs. Mr WQ’s main illegal business was the selling of public appointments. In order to maintain his reputation in guanxi networks, Mr WQ had to follow the principle of reciprocity—a key norm in guanxi practice—to return favours and offer gifts to his subordinates (bribers) such as securing their promotions and turning a blind eye to their corrupt transactions with criminal groups.

The direct transactions between Mr WQ and gang bosses only happened when Mr WQ’s ‘heavenly guardians’ were not able to meet the demands of these gang bosses. The Mr WT case is a good illustration of how the rule of guanxi obliged Mr WQ to offer corrupt benefits to illegal entrepreneurs (see Table 3). Mr WT, a billionaire and notorious gang boss, monopolized Chongqing’s hog slaughtering and pork market through threats and violence (Yi 2010). In mid-December 2003, Mr WDM, Mr WT’s brother, assigned two gangsters to ‘teach a lesson’ to a pig farmer who refused to sell pigs to the slaughtering company owned by Mr WT’s gang; this action ended in the death of that farmer (Wang 2009). Immediately after this incident, Mr WDM and two gangsters were arrested by the Criminal Investigation Department (CID) of the Chongqing Public Security Bureau.

In order to help his brother and gang members escape punishment, Mr WT had to make use of his guanxi networks and money. At the beginning, Mr WT employed his guanxi networks with Mr LZ and Mr YZ, both of whom were senior CID officers, to obtain confidential investigative information about this case. But he failed (Xinhua 2009). Mr WT then turned to a guanxi middleman, Mr LJ, with whom he had a long-term business guanxi. The long-term management of a luxury hotel enabled Mr LJ to create a wide guanxi network with high-ranking police officers including Mr WQ. Initially, Mr WQ refused to attend a dinner organized by Mr LJ (i.e. refused to give mianzi/face to Mr LJ). Then Mr HD, a key member in Mr WQ’s corrupt guanxi network and deputy chief of the CID, was invited by Mr LJ as an intermediary to persuade Mr WQ to offer help. After receiving 100,000 RMB, Mr HD organized a dinner and Mr WQ, Mr WT, and Mr LJ were invited. A close guanxi with Mr HD obliged Mr WQ to provide this favour. Mr WQ appointed Mr HD as a team leader to handle this homicide case. Mr HD halted the criminal investigation, and as a result, Mr WDM and his gangsters escaped conviction (Xinhua 2010b). This case illustrates that money is not the key factor for a corrupt transaction. Instead, government officials care more about the principle of reciprocity or the obligation to save mianzi within guanxi networks.

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10 A journalist, 29 December 2011, interview, Chongqing, People’s Republic of China.
11 Police officers and prosecutors, 20 December 2011, focus group discussion, Chongqing, People’s Republic of China.
12 The investigation of the case did not resume until the arrest of Mr WQ in 2009.
Table 3
Mr W T’s guanxi networks with police officers (Wang 2009)

This illustrates how the illegal entrepreneur, Mr W T, employs guanxi and money to interfere with criminal investigation and avoid punishment.

To sum up, the Chongqing case illustrates that low- and mid-level government officials have to employ guanxi networks and money to establish good relationships with high-ranking officials in order to gain promotions or transfers and obtain protection for their illicit businesses. Meanwhile, the acceptance of favours from others in their network places an obligation on high-ranking government officials because they will lose face (dignity or prestige) if they fail to provide the benefits the bribers desire.

Evidence from the Chongqing crime crackdown provides a good opportunity to examine the corruption-facilitating role of guanxi. Consistent with the first hypothesis, the negative influence of guanxi on the legal system leads to serious corruption, as it results in the rise of the market involving the buying and selling of government appointments and the formation of a dangerous collaboration between the political establishment and the criminal underworld. Police officers act as important suppliers of protection, offering safety and business opportunities to gang bosses and illegal entrepreneurs. Guanxi practices, especially in law enforcement agencies, facilitate corrupt transactions within and between public and private actors, which means China’s legal institutions are unable to provide equal and
sufficient protection for all private property owners. Ineffectual law enforcement prompts private individuals and entrepreneurs to seek alternative sources of protection including private-illegal and state-illegal enforcement.

The importance of guanxi in obtaining extra-legal protection
Evidence from China suggests that the choice of preferred protection and enforcement mechanism is affected by guanxi networks. Data gathered during fieldwork in Qufu provides an opportunity to verify the second and the third hypotheses. The following three cases are selected to investigate how private individuals and entrepreneurs employ guanxi networks to secure private protection to cope with government officials’ extortion, solve the problem of being stalked, and enforce loan repayment.

Coping with government officials’ extortion
In China, there are no standard rules on how to prepare company accounts, especially for private companies, thus it is very easy for tax auditors to find faults with income tax if they wish (Chang 2011). Private companies with sound business performance are normally targeted. Two types of counter-measures are applied by most entrepreneurs to confront government officials’ extortion.

The first strategy is the use of gang protection based on the guanxi network. Businessman A tends to ask for help from his friend (a reputable gang boss Z) to deal with the troubles brought by corrupt taxmen. A phone call from gang boss Z is enough to end the extortion activities. As businessman A says:

‘What the tax auditors want is money...if they find their activities will result in a terrible outcome like their families are threatened, all of them will stop their dirty businesses’. 13

The involvement of street gangs in fighting against extortion by the tax bureau is not unusual, where the political and legal system fails to clearly specify criteria which local governments must follow and to strictly enforce these criteria. The behaviours of these unlawful protectors include threatening phone calls, messages and unwanted appearances at an official’s home. The main cost of using extra-legal protection, suggested by businessman A, is ganqing touzi, which refers to the investment in personal relationships to build a close or good guanxi with street gangsters.

The second strategy is the use of guanxi networks to secure protection from government officials. Some local businessmen refuse to purchase protection from gangsters because they believe that street gangs are untrustworthy, and purchasing illegal services from them will diminish their reputation in the local community. 14 For example, businessman B, who is

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13 Police officers and entrepreneurs, 07 February 2012, focus group discussions, Shandong province, People’s Republic of China.
14 Entrepreneurs, 11 February 2012, focus group discussions, Shandong province, People’s Republic of China.
an influential entrepreneur, is more likely to use his personal guanxi network with government officials to resolve extortion by taxmen. As he describes:

‘Normally expensive drinks and food are enough to resolve these troubles. If not, I have to reply on personal relationships with senior government officials. Last year, inspection by tax auditors was so frequent. They found new problems in my income tax every time. This meant what they wanted were more than drinks and small gifts... In order to stop their disturbances, I turned to my friend X who is the head of the local government. My friend X helped me organize a dinner with the head auditor. From then on, there were fewer troubles because they realized that I had a close guanxi network with the local government’. 15

The background of these two businessmen may be useful to interpret why two wholly different types of counter-measures are applied. Businessman A operates a medium-size enterprise which is one of the fastest-growing companies in the local community, while a private company owned by businessman B is a leading enterprise which was owned by the local government and privatized in 2001. Businessman B is also a member of the local people’s congress. The social status of businessman B has enabled him to establish social connections with local authorities; as a result, the use of guanxi networks with government officials is regarded as the best strategy in preventing government officials’ extortion. By contrast, businessman A, who lacks a close guanxi with government officials but has a good relationship with gang bosses, is more likely to purchase quasi law enforcement services from the gang.

Solving the problem of being stalked

In China, legal sanctions and laws to protect the victims of stalking have been criticized as lacking. Victims of stalking who seek public protection from the legal system are often informed by state authorities that a police officer’s duty to intervene does not arise until the perpetrator has harmed them physically (Bradfield 1998). Interview data suggests that the possession of close guanxi with government agencies is inadequate to deal with the problem of being stalked.

Businessman C, a successful entrepreneur, operates a private company which has been ranked as one of the largest construction firms in the city. The secret of his success is nothing more than the creation of close guanxi relationships with the local government. In 2012, businessman C was stalked by unknown persons and received a series of threatening calls and messages. Using mobile phone surveillance systems, police officer D, a good friend of businessman C, provided the details of the persons (gangsters E and F) who made threatening calls. The police officer suggested that a face-to-face meeting with gangsters E and F was not a safe choice for businessman C. Then a reputable gang boss, G, introduced by one friend of businessman C, was invited to have a talk with E and F in order to find the person (businessman K) who was responsible. After obtaining the information, the problem of being stalked (which was caused by a commercial dispute) was finally resolved when a

15 A private firm manager, 26 May 2012, telephone interview, Shandong province, People’s Republic of China.
middleman, M, was involved in the talks between businessmen C and K. This is a perfect example of a complex web of connections (with police officers, businessmen and gangsters) successfully operating in a guanxi network.

The lack of anti-stalking laws results in two unintended consequences. On the one hand, stalking becomes the most effective means of enforcement applied by criminal groups, especially unlawful enforcers. For example, most ‘nail households’ will agree to change their residences after the experience of being stalked. On the other hand, victims of stalking who lack public protection have to purchase extra-legal protection, which facilitates the rise of the criminal protection industry.

**Debt collection mechanisms: how do underground banks enforce loan repayment?**

Underground banks are illegal but active in China’s coastal provinces where private firms prosper (Tsai 2004). The illegal status of underground lending organizations makes them more likely to ‘rely on trust, reputation or coercion and violence for payment of loans’ (Ayyagari et al. 2010: 3055). Trust and reputation in the guanxi network usually provide sufficient motivation to persuade underground borrowers to repay their loans. Where this proves insufficient, illegal bankers are forced to use the private enforcement services offered by criminal groups. The following paragraphs analyse how the debt collection mechanisms of underground banks work.

**Step one: urging the debtor to fulfil his debt through guanxi practice.** Access to underground lenders is usually based on networking through mutual friends (Ayyagari et al. 2010). When the payment is overdue, the introducer becomes the first enforcer to persuade the debtor to fulfil his responsibility. Failure to fulfil an obligation is closely associated with losing face (*mianzi*) or external prestige in guanxi networks. In order to protect his *mianzi* or dignity, the debtor tends to make the loan payments.

**Step two: the involvement of debt collectors (street gangsters) in claiming loans from debtors.** Underground banks usually hire debt collectors—most of whom are gangsters—to claim loans from debtors if guanxi practice does not work. Stalking, coercion and violence are major means of enforcement employed by debt collectors. However, the involvement of unlawful enforcers may be not effective in some situations, such as when the debt collector is the friend of both moneylender and debtor. The debt collector will lose his *mianzi* or prestige if he carries out enforcement duties regardless of the existing guanxi relationships. The failure of criminal enforcement compels moneylenders to resort to the courts.

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17 *Police officers and entrepreneurs*, 07 February 2012, focus group discussions, Shandong province, People’s Republic of China; *Entrepreneurs*, 09 February 2012, focus group discussion, Shandong province, People’s Republic of China.
18 A senior manager from the bonding company, 15 February 2012, focus group discussions, Shandong province, People’s Republic of China.
19 *Entrepreneurs*, 09 February 2012, focus group discussion, Shandong province, People’s Republic of China.
Step three: debt recovery through the courts. Although underground banks are not sanctioned by the government, the loan contract signed by both parties is sufficient for underground moneylenders to recover their debts. The information about high interest rates is not included in the contract, but the amount of money in the loan contract is a total of principal and interest. Even if the judges decide in favour of the plaintiffs, debt recovery is much slower than the use of debt collectors. For this reason, resorting to the courts is usually not regarded as the preferred choice.

To sum up: consistent with the second hypothesis, the fieldwork data suggests that extra-legal protection and quasi law enforcement are frequently used by private individuals and entrepreneurs to prevent government officials’ extortion, defend themselves against stalking and improve the efficiency of debt collection. Interview data also shows that the purchase of extra-legal protection by entrepreneurs is largely based on trust and reputation in the guanxi network, which is consistent with the third hypothesis.

Extra-legal protection is a positional good, ‘a good [is] valuable to some people only on condition that others do not have it’ (Hollis 1982: 236). Protection seekers who fail to establish guanxi networks with extra-legal protectors or who cannot find a proper middleman will find themselves unable to obtain reliable services, and thus become more likely to be extorted by illegal enforcers. Developing and maintaining guanxi with unlawful protectors, however, costs time, energy and money.

Using guanxi in the extra-legal protection market has both favourable and unfavourable consequences: on the one hand, it guarantees the quality of services, and thus induces individuals or entrepreneurs to purchase extra-legal protection. On the other hand, the guanxi network sometimes makes the services ineffective, for example when criminal enforcers who are invited to enforce loan repayment belong to the same network as the debtors, which would make enforcement extremely difficult.

Conclusion
This paper demonstrates how guanxi distorts China’s legal system and facilitates the rise of extra-legal protectors. The Chongqing case illustrates that relational power, rather than the rule of law, has always been the key to getting things done in China. Relational power gives rise to illegal job markets (the buying and selling of government appointments) and builds a political-criminal nexus. When the state is weak, private individuals and entrepreneurs tend to employ extra-legal protectors to protect rights, facilitate transactions and deal with government extortion. Moreover, in order to obtain cost-effective services, the use of extra-legal protection depends on existing guanxi networks with illegal protectors.

The study of extra-legal protection in contemporary China needs to focus on both private-illegal and state-illegal suppliers. Street gangsters that have established their reputation are frequently invited by businessmen to deal with troubles such as commercial disputes and

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20 Senior managers from the bonding company, 07 February 2012, focus group discussions, Shandong province, People’s Republic of China.
official extortion (also see Zhao 2012). Corrupt government officials, especially, police officers, have become key protectors in the criminal underworld, safeguarding criminal groups and their illicit businesses. These officials distribute unlawful protection services through guanxi networks, enabling entrepreneurs to obtain business opportunities and deal with problems brought by local government officials.

Guanxi in contemporary China is a double-edged sword. It provides a positive complement to the formal institutional framework, but it conflicts violently with the rule of law. This conflict threatens to undermine China’s legal system. When the establishment of a socialist market economy is not accompanied by an efficient legal framework protecting law enforcers and government officials from the demands of guanxi networks, the negative effects of guanxi become more obvious. The corruption, bribery and organized crime facilitated by guanxi are hindering the development of rule of law in China.

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