



Issues & Studies

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Acting Editor-in-Chief

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INSTITUTE OF INTERNATIONAL RELATIONS
NATIONAL CHENGCHI UNIVERSITY, TAIPEI, TAIWAN (ROC)

 **World Scientific**

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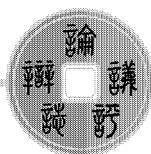
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CONTENTS

No Need for Draco's Code: Evidence from China's "Strike Hard" Campaigns Fang WANG, Shuo CHEN and Dan WANG	1850002
Building Global Brands for Chinese Private-Owned Enterprises: Strategic Paths to Upgrade the Value Chain Suyeon NO and Jooyoung KWAK	1850003
Explaining Taiwan's Cybersecurity Policy Prior to 2016: Effects of Norms and Identities Hon-Min YAU	1850004
The Institution of Petition and Authoritarian Social Control in Contemporary China Wooyeal PAIK	1850005

No Need for Draco's Code: Evidence from China's "Strike Hard" Campaigns

FANG WANG, SHUO CHEN AND DAN WANG

The occasional "strike hard" campaigns against crime launched by the Chinese government provide an opportunity to isolate the separate effects of severity and certainty of punishment on the crime rate. The "strike hard" campaigns increase the severity of the punishment but keep the certainty of the punishment unchanged. We use provincial panel data from 1988 to 2015 to examine the impacts of the two strategies on the crime rate with pooled mean group models. The empirical results show that a significant decrease in crime rates is associated with greater certainty of detection, but greater severity has no significant effect. A 1% increase in the detection rate (a measurement of certainty) predicts about 2.7% lower crime rate. The results are robust even after considering the endogenous nature of punishment policies and controlling for the measurement error in the officially reported data.

KEYWORDS: crime; punishment; severity; certainty; "strike hard" campaigns; China.

* * *



Spending on crime and the judiciary worldwide accounts for more than 1% of global gross domestic product (GDP) (Shaw, Dijk, & Rhomberg, 2003). Proper evaluation of crime-fighting strategies is thus important if public resources are to be used efficiently. Economic theory predicts that harsh punishment for crimes will deter criminality (Becker, 1968). Effective deterrence through harsh

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punishment depends on certainty, the probability of being punished, and severity, the degree of the punishment. Ensuring certainty suggests increasing judicial expenditure, especially the size of the police force. It emphasizes the importance of optimizing police deployment to minimize the time cost in response to alarm calls (Braga, 2008; Weisburd & Eck, 2004). Severity-oriented policies involve extending the sentences of convicted criminals (Levitt, 1996; Zimring, Hawkins, & Kamin, 2001). However, these two approaches have not demonstrated consistent impacts on criminality.

In this paper, we use the case of China to examine the effect of certainty and severity, given that the legal practices in China are not as institutionalized as in many other countries. The occasional “strike hard” campaigns against crime launched by the Chinese government provide an opportunity to examine the effects of severity and certainty of punishment on the crime rate separately. We use provincial panel data from 1988 to 2015 to test the impacts of the two strategies. Methodologically, punishment policies are by nature endogenous since an increase in the crime rate will pressure the government to enforce more severe laws (Ehrlich, 1973). We thereby apply pooled mean group (PMG) method to address this concern and find that certainty-oriented policies have significant effects on crime rates: a 1% increase in the detection rate will bring about 2.7% decrease in crime rate. The result is consistent with the literature that policies based on certainty are more effective than those on severity. To conduct the robustness check, we first follow the System-Generalized Method of Moments (GMM) approach to treat legal expenditure as endogenous variable. Then, we introduce new controls in the specification to solve the problem of measurement error in the official data and find that the baseline results remain robust. In addition, we also test the impacts of other variables on the crime rate, such as the pace of urbanization, income gap, education, proportions of rural to urban migrants in the city, and unemployment rate. These variables capture the unique characteristics of the Chinese economy during transition and the literature suggests that they may influence the crime rate as well.

The remainder of the paper is organized as follows. The second section provides some institutional background about “strike hard” campaigns in China. The third section discusses two punishment strategies: certainty-oriented policy and severity-oriented policy. Empirical analysis is in the fourth section, while robustness checks are in the fifth section. The sixth section concludes.

Institutional Background

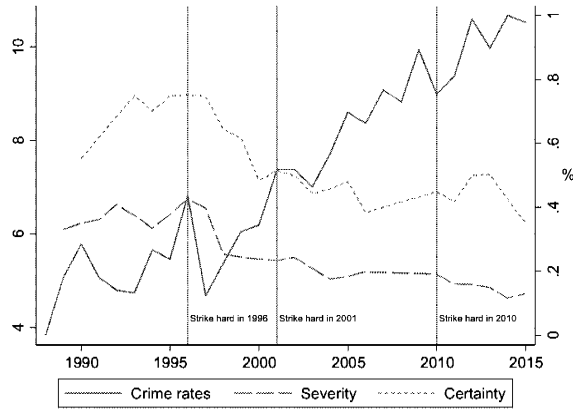
With the rapid economic growth of the past 30 years, China’s crime rates have increased dramatically, generating great concern among policy makers, researchers

and the public. Governments at all levels have made great efforts to curb the increase. The central government has increased judicial expenditure from ¥19.7 per person in 1989 to ¥351.6 in 2015¹; local governments have doubled legal expenditure from 2.92% to 6.74% of their annual budget. The legal system has, at the same time, increased the severity of punishments. Besides formulating harsher laws, it often relies on well-publicized “strike hard” campaigns that target large numbers of suspects of certain types of crimes and result in tough sentences. Since the first nationwide “strike hard” campaign in 1983, there have been large-scale campaigns in 1996, 2001 and 2010.

Chinese criminal policy tries to be “moderately strict” and the “strike hard” campaigns are a key approach (H. Wang & Li, 2011). The term describes a short-term campaign for policies encouraging heavier and quicker punishment for certain criminal activities (Ma, 2007). It was Deng Xiaoping, then chairman of the Central Military Commission, who stated in 1983 that, “Criminal cases and other cases of a hazardous nature have increased in recent years, which is unpopular. . . . Why not organize once, twice or three times severe strikes against those crimes? Every large or medium-sized city shall organize several such strikes. . . . Although we said before that we won’t organize any more political campaigns, we have to mobilize the masses to crack down on serious criminal activities” (Deng, 1993). In response, the Communist Party drafted “The Decision to Crack Down Severely on Criminal Activities” clarifying the target as seven specific categories of criminality and the principle of relying on heavier and quicker punishment. In September 1983, the Standing Committee of China’s National People’s Congress ratified the decision and modified the law to list 28 crimes that can incur a death penalty. The law was further revised in 1997 and the application of the death penalty was extended to 68 types of crime (Lu & Zhang, 2005). Since March 1991, the Central Committee of the Public Security Commission has been in charge of formulating policy, deploying resources and monitoring related to public security. It has organized four large-scale “strike hard” campaigns in 1983, 1996, 2001 and 2010.

Figure 1 shows the trend of reported crime rates, detection rate and heavy penalties from 1988 to 2015. The crime rate dropped significantly right after 1996 and 2001; the rates of heavy penalties are higher in 1996 and 2001. Note that the deterrence effect of the “strike hard” campaign is taken in the short run: the crime rate had a sharp decline after 1996, but quickly rebounded one year later. In less than four years, it bounced back and passed the level of 1996. Similarly, both 2001 and 2010

¹All prices in the paper are normalized to the price level in 2000.



Note: Crime rate is measured by the number of criminal prosecutions per 10,000 people. Share of heavy penalty is measured as the percentage of punishments with sentences of five years or longer.

Source: Annual reports by the provincial higher people's courts and higher people's procuratorates.

Figure 1. Crime rates and the share of heavy penalties.

campaigns reduced the crime rate for less than two years.² This trend prompts us to think whether “strike hard” campaigns can reduce the crimes effectively.

The underlying assumption of the “strike hard” approach is that punishment is the key to deterring crime, and severe penalties are more effective. This entirely ignores the importance of the certainty of the punishment. Certainty, which is measured by the detection rate, does not change much during the campaigns. For example, the nominal detection rate was 42.9% in 2001, even a bit lower than that in 2000 (45.2%) and 2002 (44.4%). Similar pattern could also be found in 2010 campaign. In addition to the severe penalty, recent studies argue that the short-term effect of the campaign could be attributed to the rapid processing of the government, which in turn increases the crime rate in the long run (Trevaskes, 2007). Nevertheless, the occasional “strike hard” campaigns against crime launched by the Chinese government, which increased the severity dramatically and unchanged the certainty, provide an opportunity to distinguish the separate effects of severity and certainty of punishment on the crime rate.³

²The first “strike hard” campaign in 1983 is considered to have had an effect on curbing the crime rate lasting three years (Shi, 2006).

³In the empirical part, we find that the effect of the variable indicating the “strike hard” campaign is insignificant (Model 1 of Table 2). After controlling the “strike hard” campaign dummy and the variable of the severity, the variable of the campaign is still insignificant (Models 2 and 3 of Table 3). But the coefficient decreases about 15% which means that seeking for rapid processing could increase the crime rates to some extent.

Severity and Certainty of the Punishment

A Theoretical Model

The theoretical model in this discussion is based on that of Becker (1968), treating criminal activity as a rational choice that maximizes utility within a series of constraints. It assumes that policy makers must choose to emphasize either severity or certainty.

The vector Z_i includes the proxies for an individual's characteristics. Assume individual i has two choices: to commit a crime, C^y , or not, C^n . If committing a crime, the probability of getting caught is p . Based on this assumption, individual i has three choices: Let $U^n(Z_i)$ be the utility of not committing any crime, $U^y(Z_i, 0)$ the utility of not getting caught after committing a crime, and $U^{y,p}(Z_i, L)$ the utility of getting caught and sentenced to L years. An individual will choose to commit a crime if the following condition holds:

$$pU^{y,p}(Z_i, 0) + (1 - p)U^{y,p}(Z_i, L) > U^n(Z_i). \quad (1)$$

Here, p represents the certainty of the punishment, and the imprisonment length L is the severity of the punishment. If Equation (1) holds true, one will choose to commit a crime. Otherwise, one will not. Further denote the probability of committing a crime for the whole of society as $\Pr(C|p, L)$. Assume that the product pL (expected imprisonment length) is a constant. Given pL , the policy maker's objective is to minimize government expenditure, which consists of two parts:

$$\lambda(p) + \mu(I),$$

where $\lambda(p)$ is a legislation cost; $\mu(I)$ is the cost of imprisonment while $I = \Pr(C|p, L) pL$. The government's choice on p and L depends on the negative utility function U of the criminal. If U is convex in L , i.e., the marginal utility of punishment increases with L , then as sentences lengthen, the criminal recognizes larger negative utility of getting one more unit of sentencing time. In that case, severity will be more effective for deterring crime. The rationale is with pL assumed as constant, an increase in L requires a decrease in p , and thus in $\lambda(p)$. Meanwhile, $\mu(I)$ will also decrease when p decreases and L increases. It is due to that both the decrease of p and increase of L reduce the expected utility of the criminal commit a crime. In Equation (1), although $(1 - p)$ increases with a decrease in p , since the utility function is convex, the negative utility increases faster than the increase in $(1 - p)$. The increase in the expected negative utility should then lead to a lower probability in Equation (1), meaning a drop in the overall crime rate $\Pr(C|p, L)$, which will lead to a drop in $\mu(I)$. So with pL constant and the utility function convex in L , increasing sentences will minimize government expenditure.

If U is instead a concave function of L , the result will be ambiguous. A decrease in p and an increase in L will lead to a drop in $\lambda(p)$, but the change in $\mu(I)$ cannot be determined because $(1 - p)U^{y,p}(Z_i, L)$ in Equation (1) can also increase. The increase in the negative utility could be slower than the increase in $(1 - p)$. Under this circumstance, the probability of Equation (1) holding true would be increased. That would then give the opposite result from the case in which U is convex in L : minimizing the government expenditure involves increasing p and decreasing L .

This theoretical model implies that the effect of punishment depends on the preference of the assumed risk.⁴ In a heterogeneous society, which strategy of the punishment is effective and further deters the crimes may not only depend on the model, but also relies on the empirical test based on the real data.

Empirical Findings

About severity

Severity has received scholarly attention since the 1970s when the American government tried to crack down crime by extending sentencing guidelines. The first wave of studies did not prove any effectiveness of severe punishments in reducing gun crimes (Loftin, Heumann, & McDowall, 1983; Loftin & McDowall, 1981, 1984). Later research targeted the effects of specific legislation. In 1994, California passed legislation specifying that normal sentencing guidelines would not apply to third time criminals, and they would be more severely punished with sentences of at least 25 years (“Three Strikes and You’re Out”). By 2006, 26 US states had similar legislations. New Zealand introduced something similar in 2010. A group led by Zimring found that such measures could lower the felony rate by 2%, but only among those already convicted twice (Zimring et al., 2001). Other studies found no clear effect of such legislation (Greenwood & Hawken, 2002; Stolzenberg & D’Alessio, 1997).

About certainty

There are two main ways to increase the certainty of the punishment: increasing the size (and thus the cost) of the police force and improving its deployment and rate

⁴Punishment is not just a deterrent, it also incapacitates the criminals. Please check Kessler and Levitt (1999) for the difference between deterrence and incapacitation. The empirical tests for incapacitation are incomplete in the literature. Durlauf and Nagin (2011a) suggest that the policy may apply to habitual criminals but it is difficult to identify the high-risk criminals in advance. In addition, crime policies could induce either positive or negative incentives for the criminals (Ehrlich, 1996). This paper focuses on the negative incentive: policy makers deter criminals through ex-post punishments (incapacitation).

of reaction to alarm calls. Targeting specific criminal activity increases certainty, but only for the activities targeted, normally a very limited subset for cost reasons.

Early studies found a positive relationship between the number of policemen or legal expenditure as a whole and crime rates. Later studies which are more careful about endogeneity also confirmed that an increase in police force numbers could significantly lower crime rates (Di Tella & Schargrotsky, 2004; Lundman, 1997). Keeping the cost of law enforcement unchanged, studies have shown that improving police deployment and the rate of reaction can also have an additional deterrent effect (Braga, 2008; Weisburd & Eck, 2004). Cohen and Ludwig (2003) found that extra police decreased the local crime rate in Pittsburg. Sherman and Weisburd (1995) later confirmed that finding with random experiments. Cracking down a specific crime also has a significant impact. Weisburd's group reviewed the effects of a targeted crack-down on 10 different offenses and found significant effects on curbing the observed rates of eight of them (Weisburd Telep, Hinkle, & Eck, 2010).

Empirical Analysis

Data and Variables

Chinese provincial level panel data from 1988 to 2015 are analyzed. The key-dependent variable is crime rate, defined as the number of criminal prosecutions per 10,000 people.⁵ The key explanatory variables are measures of severity and certainty. Severity is represented by the percentage of sentences longer than five years.⁶ Certainty is measured by the nominal detection rate as a proxy.⁷ Following the existing literature, detection rate in empirical analysis is measured by

$$\text{Detection rate} = \frac{\text{Number of the crimes that have been investigated by the police}}{\text{Number of the crimes known to the police}}.$$

The analyses controlled for a several socio-economic variables. The average wage and unemployment rate are included as potential reflection of the opportunity cost of crime; the population density represents the convenience of committing crime; the

⁵The existing literature also employs the similar measurement method. See Levitt (1996) and Chen (2012).

⁶Someone may concern that the severity of punishment could be influenced by the severity of the crime in certain year. If this is the case, the percentage of sentences longer than five years could capture the variations of both severity of the crime and the severity of punishment. We believe that this is not true for China since research has found that the change of the severity of the crime is quite stable over year (Hao, 2010).

⁷Please see Durlauf and Nagin (2011a), Ehrlich (1973), Forst (1976), Gibbs (1968), Sjoquist (1973), and Tittle (1969), for discussions of using the detection rate as a proxy for certainty.

Table 1.
Descriptive Statistics

	Observations	Mean	SE
Criminal prosecutions per 10,000 people	833	7.28	3.51
Percentage of five-year-and-longer sentences	656	0.26	0.13
Detection rate	617	0.52	0.18
Percentage of urban population	806	35.67	23.49
Population density (people/square km)	836	366.80	488.91
Average wage (yuan)	726	18,206.88	10,078.09
Urban–rural income ratio	817	2.77	0.68
Rural–urban migrants in 10,000 people	738	78.65	63.70
Legal expense per person (yuan)	768	213.29	309.78
Percentage of legal expense	766	0.06	0.01
Sex ratio	766	105.69	2.94
Enrollment rate for middle school	790	0.97	0.04
Percentage of adolescent boys (10–19 years old)	784	0.06	0.01
GDP per capita (yuan)	845	17,132.13	20,225.53
Unemployment ratio	751	0.03	0.01

Note: All statistics are absolute values adjusted to 2000 price levels. The logarithms of the values of all measures are used in the regressions.

Sources: Judicial expenditure data are from the *Finance Year Book of China*, including policing, other security, procurate, court, legislation and prison costs (Chinese Ministry of Finance, 2008); migrant data are from the national statistics on temporary resident populations; criminal prosecutions per 10,000 people are from reports by the provincial higher people's courts and higher people's procuratorates; detection rates are from the *Law Yearbook of China* and the *China Statistical Yearbook*; other data are from China's 55-year Compilation of Statistics and the statistical yearbooks of each province.

percentage of adolescent boys in the population reflects known physical or psychological factors influencing the crime rate; the sex ratio suggests the demand for sex; the middle school enrollment rate is included to represent the general education level; legal expense as a percentage of all government spending reflects the degree of emphasis on cracking down on crime.⁸ Table 1 presents the statistics describing these variables.

Empirical Modeling: Pooled Mean Group (PMG) Method

We applied a PMG method. Assume the relationship between punishment and crime in province i in year can be represented as

$$\text{Crime}_{it} = \alpha_1 \text{punishment}_{it} + X' \beta_1 + \mu_i + \text{year}_t + \varepsilon_{it}, \quad (2)$$

⁸Chiu and Madden (1998), Bourguignon (1999) and Soares (2004) suggested that inequality will cause the crime to go up. Glaeser and Sacerdote (1999) showed that higher population density will increase crime rates. Y. Wang (2014a, 2014b) found that China's judicial expenditure could significantly reduce the crime rate. Lin and Liu (2006) showed that the unemployment is positively related to the crime rate based on the data of Taiwan.

where *Crime* is the crime rate; *punishment* is a measure of either severity or certainty; and X' is a vector of all the control variables. The *year* variable is dummy to capture factors that affect all provinces equally, such as economic cycles or macroeconomic policies. μ captures provincial fixed effects such as traditions and culture.

The crime rate in one year tends to be affected by that in the previous years, and punishments are similarly serially correlated. Equation (2) is therefore converted into the following autoregressive distributed lag model (ARDL[p, q]):

$$\text{Crime}_{it} = \sum_{d=1}^p \delta_2 \text{Crime}_{i,t-d} + \sum_{d=0}^q \alpha_2 \text{punishment}_{i,t-d} + X' \beta_2 + \mu_i + \text{year}_t + \varepsilon_{it}, \quad (3)$$

where p and q are years of lag. If all of the variables in Equation (2) show first-order cointegration, i.e., $I(1)$, then for observation i , ε can be represented by an autoregressive process of order zero, i.e., $I(0)$. Re-parameterizing model (3) to correct for standard error,

$$\begin{aligned} \Delta \text{Crime}_{it} = & \theta_i (\text{Crime}_{i,t-1} - \pi_i \text{punishment}_{i,t}) + \sum_{d=1}^{p-1} \delta_3^* \Delta \text{Crime}_{i,t-d} \\ & + \sum_{d=1}^{q-1} \alpha_3^* \Delta \text{Punishment}_{i,t-d} + X \beta_3 \mu_i + \varepsilon_{it}, \end{aligned} \quad (4)$$

where $\theta_i = -(1 - \delta_2)$ is the group-specific error correction. θ_i should be negative if the relationship between crime and punishment can reach a long-term equilibrium. The key coefficient of interest is $\pi_i = \frac{\alpha_2}{1 - \delta_2}$, the long-term effect of punishment on crime.

For panel data with both large N and large T , the researchers normally use one of the three estimators. A fixed effect estimator (FE) would assume that punishment has the same impact in all provinces, only with different initial intercepts. Mean group (MG) estimator (Pesaran & Smith, 1995) allows for a different slope and intercept for each province. That fits the reality better but the estimation efficiency will be compromised due to a big drop in degrees of freedom. A PMG estimator (Pesaran, Shin, & Smith, 1999) lies between the FE and MG specifications. PMG is more flexible since it requires the slope to be same in the long run but different among different provinces in the short run. PMG is therefore applied to estimate the main equations. The relationship between variables is non-linear, thus maximum likelihood is used to estimate Equation (4).

The Baseline Results

Table 2 reports the coefficients estimated for Equation (4). The key variable of interest is the measure for punishment strategies. In Model (1), the dummy variable

Table 2.
Punishments and Crime Rates: PMG

Dependent Variable: ln(Criminal Prosecutions per 10,000 People)			
	(1)	(2)	(3)
Error correction term (θ)	-0.394*** (0.031)	-0.600*** (0.027)	-0.547*** (0.013)
Punishment, long-term (π_1)			
“Strike hard” campaigns	-0.025 (0.060)	-0.017 (0.011)	-0.019 (0.023)
Percentage of five-year-and-longer sentences (%)		-0.004 (0.007)	-0.003 (0.007)
Detection rate (%), long-term (π_2)			-0.027*** (0.001)
Short-term coefficients:			
Percentage of urban population	2.005	1.736	2.531
Population density	0.021***	0.027**	0.021*
Average wage	-0.040	0.030	0.008
Urban-rural income difference	0.038	0.011*	0.056
Rural-urban migrants per 10,000 population	0.017***	0.026***	0.011
Legal expense per person (yuan)	-0.021*	-0.014*	-0.021
Percentage of legal expense	-2.036**	-1.435**	-0.763*
Sex ratio	0.001	0.001	0.000
Enrollment rate in middle school	-5.039***	-3.005***	-4.285***
Percentage of adolescent boys (10–19 years old)	0.408	0.426	0.372
GDP per person (yuan)	0.025	0.015	0.036
Unemployment ratio	2.336	2.034	1.883
No. of provinces	30	30	30
Observations	640	613	574
Log likelihood	4,125.208	3,562.252	4,236.358

Note: Standard errors are in parenthesis. * ** *** indicate significance at the 10%, 5% and 1% level of confidence.

indicating a “strike hard” campaign appears as the proxy for severity, and in Model (2), it is the “percentage of five-year-and-longer sentence.” In Model (3), the “percentage of five-year-and-longer sentences” is used to measure severity and the detection rate to measure certainty. In models (2) and (3), “strike hard” year dummy variables are included in the analyses to capture the direct effects of such variable on the crime rate.⁹

The results shown in Table 2 are largely consistent with the theoretical predictions. First, the coefficient for the error correction term θ is as expected in all three

⁹Since the durations of three campaigns are all over one year, the values of year dummy for 1996, 1997, 2001, 2002, and 2010 equal 1. We thank the anonymous referee for the helpful suggestion.

models. It is negative and significant, suggesting that a long-run equilibrium can be reached between punishment and crime. Second, policies based on severity and certainty show different relationships with the crime rate. Models (1) and (2) suggest that neither severe strikes nor the percentage of long sentences has a significant effect on crime rate. On the other hand, a 1% improvement in the detection rate predicts 2.7% lower crime rate. The coefficients for the other socio-economic factors are mostly as expected. Note, however, that legal expense has a positive relationship with the crime rate. We attribute the counter-intuitive result to the reverse causality between the two variables: an increase in local crime apparently pressures the local government to increase legal expenditure. We will further discuss the issue in the robustness check in the following section. In terms of other control variables, the increase of the population density and rural–urban migration significantly rises the crime rate, while the expansion of the share of legal expense and the increase of enrollment rate in middle school significantly reduce the crime rate.¹⁰

Robustness Check

System–Generalized Method of Moments (GMM)

The results in Table 2 are subject to endogeneity problems that may cause inconsistent estimates.¹¹ Durlauf and Nagin (2011b) pointed out that punishments and crimes involve a lot of reverse causality. “Strike hard” campaigns in China affect the crime rates, and the crime rates also affect crime policies. GMM estimation is used to address the endogeneity problem. Both system–GMM and difference–GMM introduce lagged-dependent variables and eliminate any time-invariant fixed effects by first-differencing, but the latter uses the lagged values as instruments while the former uses the lagged values as instruments and the first-differenced terms as independent variables. Both techniques can yield consistent estimators, but system–GMM is more efficient due to the inclusion of all conditional moments.

GMM has to meet two conditions to generate consistent estimates: the error terms must not be serially correlated, and all the instrumental variables must meet the conditional moment requirements. The first condition means that the first-differencing

¹⁰Compared with the share of legal expense, the coefficient of the level of legal expense is negative, but its effect on the crime rate is not stable, the share of legal expense measures the priority of the legal expense in the total government expenditure, capturing various attitudes of the local officials to the crime. The result is consistent with recent research by Y. Wang (2014a, 2014b).

¹¹See Table 9.1 in Donohue (2009) for a literature review on dealing with endogeneity.

Table 3.
Punishments and Crime Rates: Robustness Checks

Dependent Variable: ln(Criminal Prosecutions in 10,000 People)			
	System-GMM (1)	“Dark Figure” Problem (2)	PMG Subsample PMG (3)
Crime rate, lag (1)	−0.712*** (0.040)		
Percentage of five-year-and-longer sentences	−0.105 (0.003)	−0.333 (0.615)	−0.000 (0.024)
Detection rate	−0.658*** (0.201)	−1.025*** (0.246)	−2.115** (0.740)
Urban–rural income difference		0.042*	
Enrollment rate in middle school		−2.015***	
GDP growth rate		1.012	
Strike hard years dummy		−0.344	
Province fixed effect	yes	yes	yes
Year fixed effect	yes	yes	yes
No. of provinces	30	30	13
Observations	103	435	355
m_1	0.038		
m_2	0.406		
Hansen’s p	0.441		

Note: Standard errors are in parenthesis. *, **, *** indicate significance at the 10%, 5% and 1% levels of confidence.

of the error term $\Delta\varepsilon_{it}$ has a significant first-order correlation and a non-significant second-order correlation. Bond (2002) defined the statistics m_1 and m_2 to test if these conditions are met. For the second condition, Sargan’s test is used, with the null hypothesis that the sample means of the instrumental variables and the error term moments $\frac{1}{N}Z'\hat{E}$ have a random distribution with mean zero. Since this analysis treated a long panel compared with the cross-sectional variables, the data are grouped by five-year intervals to restrict the time span to five periods. Both punishments and legal expense are treated as endogenous variables. Model (1) in Table 3 shows the system-GMM results. The requirements for statistics m_1 and m_2 and Sargan’s test are all satisfied. Current crime rates are indeed significantly related with the previous year’s level. The coefficients on the measures of severity and certainty are consistent with those in Table 2.

The Reporting Error Problem in Official Crime Data

Imagine scenario with 100 criminals (we never know the real number in reality) in a society of 100,000 people. Assume that in normal times, 80 victims reported the

crimes they suffered and 40 criminals were subsequently caught. Then the official crime rate should be 80/100,000, but the actual rate is 100/100,000. The official detection rate might be 40/80, but the actual figure is 40/100. During a “strike hard” campaign, suppose 90 victims reported and 60 criminals were caught. The reported crime rate would increase to 90/100,000, and the official detection rate would be 60/90 though the actual figures remain unchanged. Consistent with Figure 1, the reported crime rate during the campaign (0.09%) is higher than the normal which is 0.08%. The reported detection rate during the campaign is 66%, higher 16% of the normal. These increases suggest that the positive relationship between crime and punishment in Table 2 could be false. The actual crime rate, in fact, has never changed.

The difference between the reported crime rate and the actual crime rate is due to the reporting error, which creates “dark figure” for unreported crime (Biderman & Lynch, 1991; Figlio, 1994; Levitt, 1998; O’Brien, 1996). Dark figure (i.e., the reporting error) varies across time especially in the course of the campaign or not. The “reporting error” in this imaginary scenario is 10 in normal times and 20 during the campaign. Ignoring the reporting error will result in an overestimation of the effect of the punishment. The observed decline in the crime rate may be due to a failure to report rather than due to the deterrence effect of punishment. Therefore, we need to address this concern in the empirical analysis.

A seminal study by Soares (2004) has found that the reporting error is related to the degree of inequality, economic growth, and education level in a society. Therefore, we add these three additional variables to the estimation equation. Meanwhile, the aforementioned example shows that the campaign affects the reporting error. Thus, dummy variables indicating the “strike hard” campaign are also added. Specifically, the problem of the “reporting error” is addressed in two steps. Crime rates are first regressed against the five variables and the residual is calculated. The residual is then used as the dependent variable and regressed against the other explanatory variables in Equation (4). The results are reported in Model (2) of Table 3. The impacts of the severity and certainty of the punishment are similar to Model (1), but still not significant. The coefficient for the detection rate is higher, but a Hausman test suggests that the results are not significantly different from those in Model (1). These results imply that empirical tests using the official crime figure are appropriate.

Subsample Regression

Further examination of the “strike hard” campaigns shows that some provinces, especially those with low crime rates, just passively followed the administrative orders from the central government without actually exerting much real effort, unlike the

provinces which actively pursued the campaigns. The campaigns are extended throughout the country without considering regional differences. Therefore, using only data from provinces which actively executed the administrative orders could solve the endogeneity problem using the heterogeneity among provinces. Using the 2001 campaign as an example, data from the 13 provinces with crime rates lower than the national average between 1998 and 2000 are used to re-estimate Equation (4). The results are shown in Model (3) in Table 3. They are comparable to those presented in Table 2.¹²

Conclusion

The study uses Chinese provincial panel data from 1988 to 2015 to test the effects of the severity and certainty of punishment on the crime rate by employing error-corrected PMG models. The empirical results suggest that a significant decrease in crime rates related with the certainty of punishment but that severity does not have any significant predictive power. A one-unit increase in the detection rate (a measure of certainty) predicts a 2.7% lower crime rate. Robustness checks are able to discount the effects of endogeneity related to legal expenditure and the punishment strategy, under-reporting and the endogenous nature of the “strike hard” campaigns.

The results suggest that emphasizing certainty is more efficient. China’s crime rate can be reduced by reallocating the current resources without increasing the overall expenditure. Although the criminal policy of the central government has been transferred from “punishing severely” to “tempering justice with mercy” in 2006, the crackdown policies of increasing the severity of the punishment are still the mainstream and represent the public, academic, and policy makers’ preferences. Results in this paper point out the limitations of primarily relying on severe punishment. Specifically, the “strike hard” campaigns may only redistribute crimes in time and space instead of deterring and preventing them. The focus of the crime policy in China should shift from severity to certainty with measures that improve the detection rate and shorten the time needed to solve cases. This kind of strategy could be more applicable for the policy makers. By maintaining the stable expenditure and the number of police officers, redistributing resources more efficiently could gain more deterrence effects. Finally, the findings of this paper also prompt us to rethink China’s

¹²Using the 1996 “strike hard” campaign to re-estimate Equation (4) gives similar results. In addition, if the analysis is limited to provinces with crime rates below the national average before 2001 and 1996, the resulting 12 provinces still yield results similar to those of Table 2.

legal development. In the 1980s and 1990s, due to the limits of the enforcement ability and the judicial resources, it is reasonable to crack down on crimes in a short term by mobilizing resources and have the “strike hard” campaigns. However, the contemporary China has abundant judicial resources, and the crime rate has changed a lot. Thus, to seek more comprehensive and routine institutional legal reform rather than the campaign-formed crackdown would be an important issue that the Chinese government faces.

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Building Global Brands for Chinese Private-Owned Enterprises: Strategic Paths to Upgrade the Value Chain

SUYEON NO AND JOOYOUNG KWAK

While most private-owned enterprises (POEs) in China are engaged in subcontracting or do not own the product brands, the number of POEs with their own brands has increased rapidly, while some are even globally recognized. Since these POEs face high opportunity costs for own branding, given their dominant presence in the global subcontracting community, their own branding actions require contextual understanding of doing business in China. This study starts with the notion of how these POEs shift from subcontracting to own branding, and explores their respective own branding paths. We interviewed seven Chinese POEs in the fashion industry in Zhejiang Province: Babei, Baili, Sunrise, Aokang, Youngor, Kangnai, and JNBY. The case studies suggest how these firms built their brands in the global market, and why their trajectories differentiated in the course of own branding. Our study configures three types of own brand models for POEs: the competitive subcontracting, the toehold, and the home-linked organic models. POEs can continue subcontracting in their core business, while implementing own branding through diversification. Alternatively, they can segregate markets, pursuing own branding in one group of countries, while subcontracting elsewhere. In addition, they may establish wholly owned enterprises, and introduce their brands in a way that preserves their home market advantages. We identify two stimuli for Chinese POEs' global branding choices. Global branding strengthens domestic position as it becomes a signal for reputation. As the online platform reduces costs for global branding, and becomes popular, POEs are more likely to pursue global branding to become more competitive in the domestic market. Many POEs also continue to collaborate with the previous customers through strategic inter-dependence, such as distribution channel exchange.

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Due to unique co-existence with communism, China's private-owned enterprises (POEs) have attracted the attention of scholars, policymakers, and corporate managers. According to the State Council's latest release, POEs occupy approximately 60% of China's gross domestic production and 80% of social employment opportunities (The General Office of the State Council, 2016). Chinese POEs are the main actors that have contributed to "made-in-China" goods in the global market (D. Z. Zeng, 2010).

A recent particular note is that, while most are engaged in subcontracting, some POEs recently began to move positions on value chains through own branding. Despite the entrepreneurial spirit and strong profit-seeking motivation, POEs in China face visible disadvantages in own branding *vis-à-vis* state-owned enterprises (SOEs) (Fung, Kummer, & Shen, 2006; Huang, 2008). At the firm level, they have to challenge low-quality shadow casting over Chinese goods and stronger competition in price due to the policy bias under which POEs must compete against SOEs over resources in the domestic market. This has been a fundamental constraint for the growth of POEs (Ralston, Terpstra-Tong, Terpstra, Wang, & Egri, 2006; Tan, 2001).

Only a few being now recognized as successful businesses, it is noteworthy that POEs have achieved this status as a result of accumulation of technical knowledge of their core products, and acquisition of marketing capacity and market knowledge (Nie, Xin, & Zhang, 2009). Further, the upgrading mechanism occurs in combination with the globalization initiative. Some scholars argue that own branding triggers globalization. Owing to unfavorable local environment for subcontractors, competitive subcontractors that attempt own branding have to move overseas in order to lessen domestic disadvantages and explore the market to avoid competition (Lee, Song, & Kwak, 2015). Other scholars claim that own branding results from globalization. Firms can generate more gains from own branding when they pursue creation of learning, leverage, and linkage (LLL) overseas (Mathews, 2006) or when new entrants in the overseas market can possess dynamic capability, which increases awareness of brand equity, and leads to own branding (Amsden & Chu, 2003; Nie et al., 2009).

Because the interplay between local environment and firm strategy is substantial, paths to own branding are shaped by, for example, firm's capability (such as research and development (R&D) capacity) and the *chaebol's* dominance in Korea (Lee & Lim, 2001), or strategic motivation (such as expected costs for marketing and distribution)

in Taiwan (Chu, 2009). With this background, this study investigates how Chinese POEs have attempted to establish their own brands in the global market.

We select seven Chinese POEs with own brands in the fashion industry in the *Zhejiang* Province. In the fashion industry, the attempts for own branding are the most active and visible ones (Zhang, Kong, & Ramu, 2016). These firms reasonably represent the population of POEs in terms of experience and motivation. We consider the same locational context because the firms are under the same institutional environment.

We believe that our study contributes to relevant literature in at least two ways. First, it identifies how a path is created for Chinese POEs to build a brand globally. Existing studies on the own branding choices of Korean small and medium-sized enterprises (SMEs) (Lee et al., 2015) or Taiwanese SMEs (Chu, 2009) illustrate that the experience of being an own brand manufacturing/manufacturer (OBM) by non-national champions differs markedly to that of national champions. While existing studies focus on branding issues in Chinese multinational enterprises (MNEs) (H. Tang, 2011; D. Z. Zeng, 2010), we explore how POEs have implemented own branding in the global market. While most existing theoretical discussions focus on larger firms in advanced countries that outsource work (Chu, 2009), our research provides insights that can be used as a basis for future systematic analyses.

Second, while the benefits from own branding are known to be varied, such as brand awareness, brand equity, or profits, our study has found that brand building by Chinese POEs presumes growth of performance in the domestic market. The Chinese POEs in our research utilized global branding as a marketing tool for domestic operation. These firms also found the need for distribution channel exchange in their relations with the previous customers, managing the conflicts that arise from own branding at the low level.

This paper is organized as follows. In the following sections, we introduce relevant theories and explain our methodology, including the research setting and data. Subsequently, we present the case studies, and discuss the implications of our findings. The paper is then concluded.

Literature Review: Own Branding in Globalization by POEs

Own Branding in the Global Market

Subcontracting starts with own-equipment manufacturing (OEM), where a subcontractor can only produce as requested by the client. Experienced OEM firms may acquire product knowledge, called own-design manufacturing (ODM). ODM firms are

engaged in both manufacturing and product design, and thus, charge a higher mark-up (Hobday, 1995).

In marketing research, the brand has been regarded as the most valuable asset (Aaker, 1991), while in literature on strategy, forward integration means that the margin available to OBM is higher than that for subcontractors (OEM or ODM) (From OEM to Brands, 2013). However, the higher mark-up is not the only motivation for OBM, which also stresses strategic independence. For example, Korean toy makers who did not shift from OEM to OBM were crowded out of the market as they became increasingly reliant on customers and low prices for winning orders (Lee, Kim, & Kwak, 2012; Wilson, 2013). In addition, brand building helps firms move away from their previous image as producers of cheap goods (P. Gao, Woetzel, & Wu, 2003).

Existing research illustrates that the drivers for own branding are highly country specific (Amsden & Chu, 2003; Yeung, 2007). Own brand presumes the search for new business momentum, and often coincides with global expansion. In Korea, the transition to OBM tends to produce conflicts with the buyer firm because own branding means competition with the buyer firm. New OBM entrants have pursued internationalization in order to avoid direct competition in their current markets, while simultaneously lowering production costs to stay competitive, because lawsuits have frequently followed (Lee et al., 2015). This view posits that, in the process of catching up on the value chain, the degree of tension over knowledge leakage is closely related to the nature of the knowledge and the bargaining power of the buyer firm or industry structure. Accordingly, “global” branding — OBM in the global market — depends on the “relational cost” in the domestic market, and globalization is a solution (Chu, 2009).

While literature on catch-up states that own branding drives globalization, another stream of literature posits that own branding is an inevitable result of globalization. The increasingly fierce competition in the global market has sometimes encouraged subcontractors in developing countries to change their strategies. These firms became OBM to adapt to the global business environment. In Taiwan, the price competitiveness of firms in developing countries is gradually offset by new entries from other lower-wage countries, which necessitate the former’s continuous innovation, and ultimately, a shift to brand building (Amsden & Chu, 2003). Brand building was accompanied by foreign expansion from which new OBM entrants maintained price competitiveness *vis-à-vis* potential counterparts. The motivation was different from the Korean experience because some Taiwanese subcontractors remained without a brand in order to obtain strategic benefits.

Yeung (2007) observes three own branding strategies in leading Asian firms. In his study (2007), some firms, more than a mere subcontractor, have attained OBM through strategic partnership with leading MNEs. Alternatively, others have begun to

explore niche markets with category-killer items, developing proprietary expertise. The third option is to become a “global brand owner” by continuous upscaling and capital investment. These strategies have been undertaken through varying OBM routes, such as technical arrangement, joint ventures, acquisition of foreign brands, or establishment (Child & Rodrigues, 2005).

POEs in Globalization

The Chinese government has emphasized own branding as a policy agenda (Cao, 2010; H. Tang, 2011). The pressure first reached large firms — those who had already built brands in domestic markets — because they lacked branding power in the foreign market. Large Chinese firms preferred acquisition of foreign brands, forming joint ventures or organic brand building (From OEM to Brands, 2013). With abundant financial resources, these firms have exercised multiple strategic options (M. Zeng & Williamson, 2003).

In contrast, Chinese POEs have, thus far, shown different behaviors to that of SOEs. Relevant studies have treated Chinese firms homogeneously, without considering ownership types (H. Li & Atuahene-Gima, 2001; Y. Li, Liu, & Zhao, 2006) or have examined POEs at the industry level only (Siu, Lin, Fang, & Liu, 2006; Siu & Liu, 2005; Wilson, 2013). A shortage of literature is also a problem because a majority of POEs are subcontractors. Although the number of own brand POEs has increased, they are definitely rare because the exit ratio in the post own branding stage still remains high (Wilson, 2013). Many Chinese POEs are dependent on past routines or are locked into subcontractor positions on their way to being an OBM (H. Tang, 2011). Alternatively, the POEs attempting to establish own brands often focus too much on acquiring marketing skills. Even the most innovative POEs often reduce their R&D investments, and thus, lose competitiveness in the course of own branding.

In general, POEs have gradually moved up the value chain through a step-by-step process that facilitates understanding foreign customers and building brand recognition (P. Gao et al., 2003). Owing to their smaller size, POEs have the advantages of being less bureaucratic, and having more flexible decision-making processes (Tan, 2001). Further, they can identify opportunities in uncovered markets relatively quickly (Tan, 1996, 2001). As marketization has deepened, and the government has begun to promote domestic consumption, Chinese POEs have introduced more brands in the domestic market, and have essentially attempted own branding in foreign markets, though not all from the beginning stage (Abrami, Kirby, McFarlan, Wong, & Manty, 2008).

Firms from developing countries can gain learning (access to technical knowledge), linkage (formation of forward or backward links overseas), and leverage (value increase for the headquarters as a result of foreign expansion) (Mathews, 2006). Unlike firms in advanced countries that go overseas based on firm-specific advantages, firms in developing countries go overseas in search of firm-specific advantages. By internationalization, POEs acquire valuable knowledge available in the foreign market; utilize the foreign subsidiary to enhance the status in the domestic market; and benefit from home production for foreign sales.

Methodology

Research Background

This study aims to understand the strategic model of Chinese POEs as they transform from subcontractors (OEM) to their own brand (OBM) in the global market. We adopt a research design that enables both exploratory and qualitative studies, as we try to answer “how” and “why” questions, given the goal of our research (Ghauri & Grønhaug, 2010). The exploratory and qualitative approach obtains “thick” in-depth insights that are particularly desirable for studies that deal with business dynamics (Yin, 2014).

We search for firms that satisfy the following criteria. First, the sample firms should currently be attempting own branding in the global market (in any manner), while also possessing their own brands in the domestic market, because we want to control for the experience and OBM motivation aspects in firms. Second, they should be established and managed by individual owners. Third, they should be engaged in a manufacturing industry, and conduct substantial R&D for new product development.

Overall, we select the fashion industry, which falls basically on the SIC 23 and SIC 31 industries including apparel, shoes, and accessories because the technologies required for successful business operation in the fashion industry are less path dependent and less capital intensive than those of high-tech industries.¹ In addition, both R&D and marketing, along with distribution, are important for successful own branding in this industry.

¹SIC 23 represents the industry of manufacturing “apparel and other finished products made from fabrics and similar materials” and SIC 31 is the “leather and leather good” manufacturing industry. Although two industries are differently categorized, they share similar traits in terms of the fashion goods. Further, many apparel firms also sell shoes and accessories in their offline and online stores. Therefore, we recategorized them as the “fashion industry.”

Our research setting consists of the POEs in *Zhejiang* Province, where China initially experimented with a market economy, and 87% of registered firms are privately owned (China Bureau of Statistics, 2016). Geographically closer to *Shanghai*, firms in *Zhejiang* Province obtain valuable information from *Shanghai* consumers about product design trends and consumer needs in the global market. We confine our sample to a single region on the assumption that policies in the local government may affect POEs. In addition, given that light-manufacturing clusters are common in this province, we can obtain a larger pool of firms in the interview list.

The POEs in this industry have been under the pressure of cost reduction, product development, marketing, and international management. The high-end goods in the fashion industry are normally oligopolistic, while the middle and the low ends are highly competitive. Entry and exit ratios have been high in the industry. Since the domestic wage has continued to increase, the POEs are more aware of the importance of revisiting the subcontracting business model (Zhang et al., 2016).

In 2005, the China State Council released the first policy to promote non-state economy, including self-employed businesses and POEs. The core contents of this policy were to lower the entry barriers in the private sector, to offer POEs with financial and tax-related benefits, and to ensure legitimatization in the rights and interests for the non-state firms (China State Council, 2005). Subsequently in 2009, the State Council began to promote SMEs into the overseas mergers and acquisitions for effective access to technologies or brands in order to explore the overseas market (China State Council, 2009). In 2010, the State Council announced policies to guide the POE investments, encouraging their internationalization. Detailed policies focused on the “globalization” efforts in R&D, production, and marketing (China State Council, 2010). The POEs were encouraged into the development of strategic resources and the establishment of international sales network. The 2010 policy is especially worthy of noting, since it is the first attempt to support POEs particularly for own branding, creation of intellectual property rights (IPR), and establishment of independent sales network (China State Council, 2010).

Data Collection and Analytical Method

From January to March 2016, we interviewed 15 firms in the fashion industry in *Zhejiang* Province. Interviews were semi-structured, and lasted for approximately two to three hours per person. Interviews were conducted in Chinese by at least two researchers. For each firm, we met two to three managers on average. The managers worked for the firm for more than 15 years, and were engaged in international

operations or business strategies. After the interview, we cross-checked the research notes, and if necessary, proceeded with follow-up questions through e-mail or phone calls. The findings were then translated into English, as all authors are bilingual in English and Chinese.

After the field research ended, we identified patterns of brand building for Chinese brands. We excluded firms that did not make visible action for global branding or did not show global branding performance. A close examination of data collected from the fieldwork enabled us to finally select seven Chinese POEs that showed meaningful paths and performances to own branding. Table 1 presents the

Table 1.

Basic Profiles of the Firms in Our Case Study

	Babci	Baili	Sunrise	Aokang
Established year	1993	2003	1999	1988
Market share	25% in China	n.a.	Growth at 24% in 2016	Growth at 11.9% in 2016
Products	Neckties, interior textiles, fabrics	Neckties, rainboots	Glasses	Shoes and leather goods
Initial investment	10 million RMB	n.a.	n.a.	0.3 million RMB
Current employment*	3,478 employees	400 employees in neckties	500 employees	7,299 employees
	Youngor	Kangnai	JNBY	
Established year	1979	1980	1997	
Market share	Listed on Fortune China 500 in 2015	Growth at 6% in 2015	0.2% in China and 9.6% in China's designer's brand clothing market in 2015	
Products	Mens' clothes	Shoes, leather goods, underwear	General clothes	
Initial investment	20,000 RMB	n.a.	2 million RMB	
Current employment*	42,000 employees	4,000 employees	886 employees	

Note: *In the Chinese market.

Sources: Babci Necktie <http://www.babci.com/babci_about.php>; Aokang Shoes Annual Report (Zhejiang Aokang Shoes Co., Ltd., 2016); Youngor homepage <<http://youngor.com.cn/>>; Kangnai Shoes homepage <<http://www.kangnai.com/about.aspx>>; Kangnai news <<http://www.kangnai.com/newslist.aspx?id=137>> (accessed on July 22, 2016); JNBY Annual Report (2017–2017) (JNBY, 2017), complemented with authors' interviews.

basic profiles of our case firms, Babei Necktie (hereafter Babei), Baili Shoes (hereafter Baili), Sunrise Optical (hereafter Sunrise), Aokang Shoes (hereafter Aokang), Youngor, Kangnai Shoes (hereafter Kangnai), and JNBY. The sample firms do not necessarily perfectly match the population characteristics, but do sufficiently represent the fashion industry and the OBM markets.

In the case method, it is essential to ensure construct validity, internal validity, and reliability in data collection and analysis. First, construct validity identifies correct operational measures for the concept being studied (Yin, 2014, p. 46). In order to confirm construct validity, we use the operational measures that both industry and academia have agreed upon for usage, including the concepts of OEM, ODM, and OBM. Even when we define main constructs using specific concepts, the constructs are relevant to the original goal for the research.

Next, internal validity tests whether a suggested model is sensible (Yin, 2014, p. 46). In order to obtain internal validity, we conducted multiple-case study for pattern matching, rival theory explanation, and used replication logic across the cases. Since our study involves exploratory case studies, explanation building is less relevant. However, we try to build a general explanation that fits each individual case in attempt to produce an overall explanation. Seven firms differ in terms of sales growth rate, years of operation, product portfolio, target customers, product development, and branding strategy. This means we have enough similarities (ownership, business segment, and regional business environment and regulations) and variations to suggest a trustworthy model from which to draw conclusions (Sinkovics, Penz, & Ghauri, 2005).

Finally, reliability confirms the suggested model can be replicated by another rounds of research (Yin, 2014, p. 46). In order to demonstrate reliability, we document all procedures, and create multiple operational steps.

Case Studies

Competitive Chinese POEs on the own branding path have been acknowledged in the domestic market as “Chinese renowned brands,” or “inspection-free products” (Cao, 2010; Wilson, 2013). Chinese renowned brands are products manufactured by firms equipped with top-class production facilities and technologies. Despite these distinct commonalities, their strategic paths to OBM have varied. The following examination of seven firms in *Zhejiang* Province, Babei, Baili, Sunrise, Aokang, Youngor, Kangnai, and JNBY, illustrates the different paths.

Competitive Subcontractor Model: Babei, Baili, and Sunrise

Established in *Shengzhou* City in 1993, Babei has been a category killer for neckties since the outset. As *Shengzhou* is noted for silkworm farming, it has been ideally located for procuring silk for the raw material used in necktie production. *Shengzhou*'s necktie production started in 1984 when an international joint venture with a firm in *Hong Kong* introduced the necktie brand "Gent's." In the late 1980s, the necktie production firms in *Shengzhou* developed a direct sales method, where assistants promoted sales to the customer, which naturally led to own branding. The industry grew rapidly in the 1990s as the local government (*Zhejiang* Province) began to provide support for the necktie production clusters. As a result, firms moved into the clusters, and *Shengzhou* became the "global necktie factory" until the early 2010s, accounting for 90% of the domestic market and 60% of the international market (K. Gao, 2014, pp. 6–7).

In terms of production size, advancement in production facilities, and the product quality, Babei has been leading other products in the *Shengzhou* necktie clusters, representing the "made-in-China" neckties. The reputation is largely attributed to Babei's production technique. From the beginning, its founder, Jin Yao, actively sought to adopt upfront machinery, regarding the production line as the locus of competitiveness. Jin borrowed RMB 10 million to establish the business, and then continued to adopt leading-edge machinery (Shengzhou Necktie Industry Association, 2011).

As a result, 70% of Babei's total production is currently exported to advanced countries, including the United States, the European Union (EU), and Japan.² In 1996, Babei obtained exclusive subcontractor status to supply Pierre Cardin neckties, in addition to Valentino and Alpha Creation. The business strategy for Babei was centered on protection of the core market, and so was the global branding model. Babei has maintained the ODM position in the global necktie market because it fears customer loss with own branding, which would weaken the overall businesses. In the non-core market, Babei experimented with the launch of "Babei," its own brand, in the men's suit and home interior textile businesses, using the leverage of its reputation of offering exclusive global necktie brands. In order to promote "Babei," it participated in 20 exhibitions in both domestic and international markets. It once replicated "Qingming Shanghetu" (Along the River during Qingming Festival) with silk threads,

²Sources are from Babei homepage (accessed on July 22, 2016 from <http://www.babei.com/babei_about.php>).

a painting by Zhang Zehuan during the North Song dynasty. The work was intended to publicly demonstrate Babei's possession of global leading-edge textile manufacturing technology and computer-aided design systems, and was included in the Guinness Book of Records (Baiké, 2017).

In order to strengthen its global status as a leading subcontractor, Babei has invested in technical improvements on design and post-processing on fabrics. For quality enhancement of the textile texture, as well as on dyeing and textile finishing, R&D projects have proceeded jointly with the Ministry of Science and Technology. Aware that design is as important as quality control, Babei founded a design training school to increase the designer pool, and invested RMB 10 million in establishment of a necktie design institute. It also co-developed global uptrend fabric designs and digital non-circular application technology with McDerm, another renowned necktie subcontractor (K. Gao, 2014, p. 24).

In addition to the in-house development efforts, Babei exerted itself to acquire domestic and foreign firms in order to access design resources. In 2002, it acquired an Italian design company to strengthen the design capacity, and establish another design institute, Necktie and Fashion Design Research. This provided Babei with an internal database of more than 100,000 electronically documented designs. In addition, it spent RMB 60 million on collecting necktie designs distinct to ethnic groups around the world in order to better serve the varying needs of its global customers (K. Gao, 2014, p. 25).

At the same time, it continued to pay attention to cost reduction. In June 2012, Babei established two firms for the logistics of joint investments with eight firms and built a 653 km² silkworm production base in Western China, all of which was intended to reduce costs in raw materials and distribution ("Dachanye," 2010).

Every year, Babei spends 0.3% of annual sales revenue on R&D (Shengzhou Necktie Industry Association, 2011). However, most of its patents are design rights for fabrics. Among the 114 patents, it had registered by 2015, only four patents are related to inventions or utility models. Babei has highly focused on R&D related to design improvement for fabrics.³

Baili, an apparel and footwear firm in *Shengzhou* City, suggests a different aspect in the competitive subcontractor model. Baili started in 2003 with its first OEM subcontracting for manufacturing neckties. It used to focus on necktie items in the early business stage, but began to expand from 2004 to footwear (rain boots) manufacturing. As of 2017, the sales revenues for neckties and rain boots are almost equivalent. Rain boots are exported mainly through OEM, which accounts 80% of the

³Sources are from *Soopat* (accessed on January 15, 2017 from <<http://www.soopat.com>>).

total rain boots sales, while neckties are exported through ODM, which shares 95% of the total necktie sales.

Baili is assessed as competitive particularly in its capability of producing qualified products at lower costs, and managing customer relations. Despite the downturn in China's textile industry, it is still competitive with own design. The R&D team consists of more than 10 designers who work for improvement on product design and process. Despite the subcontractor position, Baili does not feel urged with the marketing needs. It has only 10 employees in marketing at the headquarters, and participation in major exhibitions is their marketing activity for buyer contact. However, Baili recently recognized the importance of brand building, which is a strategically significant shift, and began to sell in China with the "BL" brand. Although limited to the domestic market, Baili has been active with the BL branding through aggressive investments in advertising, and gaining experience, plans to go overseas.

The third case in competitive subcontracting model is Sunrise. Located in *Wenzhou* City, Sunrise is a subcontractor with design capacity for eyewear. Starting as a trading firm in 1999, it began manufacturing from 2011. *Wenzhou* used to be the popular location for manufacturing optical glasses, but several larger firms recently went bankrupt due to lower profitability. Albeit unstable prospects, it has maintained stable growth — 24% in 2016 and 15% in 2017. Sunrise introduces 1,000 new products every year, and 80% of them are manufactured under the ODM contract. Most clients are global multinational enterprises, and 90% of the sales revenue is generated from exporting. Like Baili, Sunrise has built its own brand "MiFan" in the domestic market. The firm is now preparing for overseas expansion with the same brand in the near future.

Toehold Model: Aokang and Youngor

Aokang has been a shoe manufacturer since 1988 in *Wenzhou* City. It operates two production lines in *Wenzhou* and one in *Chongqing*. In 1991, subsequent investments changed the ownership into the partnership form. Sales increased sharply from RMB 100,000 in 1988 to RMB 1 million in 1991. In 1993, it became an international joint venture, and it was the first firm in *Wenzhou* entitled by the government as a "national brand." From 1998, Aokang increased its direct store nationwide, and in the next year, it invested RMB 20 million to establish six additional production lines by importing machinery from Italy. The increase in production capacity led to the honorable title of a "Top 50 brand in *Zhejiang* Province" by the government (S. Tang, 2013). In 2015, Aokang was selected by the China Light

Industry Association for “The top 100 light manufacturing firms in China” (China National Light Industry Council, 2015).

Sales revenue for Aokang has continued to increase, with exports accounting for 10% to 20% of total revenue. Products are exported in the form of own design manufacturing, which means that Aokang conducted product designs. Aokang’s domestic market share has also continued to rise, and is now the third largest in China.

Its domestic brand value continued to increase, and was estimated to be RMB 17.92 billion in 2016, because Aokang expanded its focus to include branding. As of 2013, it operated 3,000 stores and 800 off-store sales kiosks in China. Currently, Aokang possesses three product brands (Aokang, Kanglong, and Honghuoniao), among which the “Aokang” brand entered foreign markets. Although more than 90% of sales revenue is drawn from China, it has been devoted to global branding since 2002. As early as 1999, Aokang registered its brand in 40 countries in preparation of internationalization. In 2002, it opened the first foreign stand-alone store in New York, followed by Italy and Jakarta.

Nevertheless, the own brand strategy turned out to be unprofitable, and Aokang left most markets except the United States and Italy. The failure in own branding was attributed to the cultural distance, absence of branding professionals, financial liquidity problems, or conflicts with ODM customers over sharing the distribution channel. Since then, Aokang’s own brand has focused on the domestic market, and the company continued to overcome low brand visibility by forming international partnerships. One example is its partnership with Geox, a well-known Italian shoe brand, with the fourth largest share in the global market for leisure-purpose shoes.

Aokang signed a strategic partnership with Geox in 2005 because the latter possessed more than 50,000 stores in 68 foreign countries. The contract specified a distribution channel exchange between Aokang and Geox, where the former would design, manufacture, advertise, and sell Geox products in China, and in return, the latter would distribute Aokang products outside of China. The partnership lasted from 2004 to 2012. During this period, Aokang learned advanced technologies from Geox in materials and site management. Through cooperation with Aokang, Geox enhanced its brand visibility in China, leading to 62 stores and sales revenue of RMB 100 million by 2007, representing 500% of its growth three years previously. Aokang expanded again to foreign markets, establishing subsidiaries in Italy, Spain, the United States, and Japan. However, the brand recognition did not grow as Aokang expected. Nevertheless, learning the advanced management skills was a meaningful result.

In 2008, it went through another international partnership with Valleverde, an Italian functional shoes brand. In 2010, Aokang further acquired Valleverde’s brand

ownership, taking responsibility for the production and sales. Valleverde provided R&D resources, patented technologies, and IPR-related legal services, while Aokang established an R&D center in Italy on the condition that any R&D outcomes would be shared by both parties (Dong & Zheng, 2013).

In order to maintain price competitiveness, Aokang has established production lines in Southeast Asia, while simultaneously endeavoring to diversify collaboration partners by acquiring agent status for Sketchers, a United States brand, which offers sales representative rights in *Hunan, Hubei, Zhejiang, Jiangsu, and Shanghai*. For the next few years, Aokang will assign foreign sales to prestigious foreign brands, rather than establishing wholly owned subsidiaries.

Since it established an R&D center in 2007, Aokang has tried to develop its own designs internally. Currently, 600 personnel are engaged in the R&D institute. Even imported machinery goes through internal adaptation to the Aokang design. As Aokang reinforced internal development, it stopped R&D cooperation with Geox in 2012. It established a technical college in 2007 to nurture engineers. However, Aokang assesses the R&D capability to be moderate, compared with industry leaders. It is strong with quality control, site management, and product design, but still needs more capabilities in material engineering and development. It requested the government to designate Aokang a state-level research lab in order to ease the problem of R&D personnel shortage because their problem is partially related to the typical dilemma of POEs — difficulty in recruiting personnel with advanced skills and expertise.

As its commitment to promote in-house R&D shows, the R&D expenditure by Aokang far exceeded the industry average (0.64% of sales revenue) (Zhejiang Aokang Shoes Co., Ltd., 2016). In 2015, it spent 1% of total sales revenue, but the budget was expected to increase to 3% in 2017. Of the 163 patents Aokang has registered, 12 patents are for inventions and 140 patents are utility models.⁴ It also has 109 international patents, registered at the Espacenet.⁵ Each year, Aokang introduces 8,000 to 10,000 new products.

Youngor, another firm in the toehold model, is the largest manufacturer for men's wear. Established in *Ningbo* in 1979, Youngor began OEM for Japanese shirts brands, and kicked off the "Youngor" brand as it formed the international joint venture in 1986. It went for initial public offering (IPO) at Shanghai Stock Exchange in 1998, and as of 2015, was the third largest textile and clothing manufacturer on the Fortune

⁴Sources are from *Soopat* (accessed on January 15, 2017 from <<http://www.soopat.com>>).

⁵Sources are from *Espacenet* (accessed on January 15, 2017 from <<https://worldwide.espacenet.com>>).

China 500 list. Currently, Youngor manages several brands, including Youngor, Hart Schaffner Marx, GY, Mayor, and Hanp.

The OBM strategy for Youngor is distinctively represented by overseas acquisition and distribution channel exchange. The first acquisition was Xin Ma Group, previously owned by a U.S.-based Kellewood, recording the most sizable acquisition in China's textile industry in 2008. The acquisition enabled Youngor to become equipped with production capacity of 80 million production units. Because the acquisition enabled Youngor to enhance design capacity, strengthen international manageability, and access international logistics channel because the Xin Ma Group worked with 20 global brands, either for subcontracting (including Polo and Calvin Kline) or for local licensing (including Nautica and Perry Ellis).⁶

After securing design capability through acquisition, it proceeded with the subsequent acquisition. In 2014, Youngor acquired Hart Schaffner Marx, a 130-year-old American men's wear brand. Before the acquisition, Youngor purchased the firm's Greater China local licensing rights in 2007. Collaboration over seven years enabled Youngor to understand the management structure and culture of Hart Scaffner Marx. After acquisition, Youngor took the approach to utilize the domestic sales network more, rather than aggressive advertising. It intended for viral marketing by displaying products of acquired brands at 447 local boutiques in China.⁷

As the global branding proceeded with distribution network exchange, Youngor began to sell multinational brands at local stores, including Pierre Cardin, which it franchises for, and in return, its products sell at the overseas stores of multinational brands.⁸ Youngor has been regarded the most competitive men's wear brand in the domestic market, while starting to toddle in the overseas market. In order to strengthen brand recognition, Youngor introduced Mayor in the overseas market, a high-end brand for which it began to collaborate with global high-quality textile firms from 2016, including Zegna, Loro Piana, Cerruti 1881, Albini, or Alumo.

Home-Linked Organic Model: Kangnai and JNBY

Kangnai was established in *Wenzhou* City in 1980 as a shoes manufacturer. In 1990, it became the first in the region to adopt production automation. Subsequently, the firm started to target middle to high-end segments. Since 1993, it won several

⁶Details for this acquisition are also illustrated in M. Li and Wu (2010).

⁷It is evaluated as a successful approach inside the firm. Several magazines, for example, Lan (2017), also report perspectives of industrial specialists, and the opinions are generally convergent.

⁸This approach is also confirmed by Xiao and Liu (2015).

honorable labels from the government with regard to quality control, and as a result, established a trademark in 1999. Since 1996, Kangnai has attempted to franchise the products, establishing 1,700 stores nationwide in China by 2002 (Zheng, 2002). As of 2013, Kangnai operates 14 regional subsidiaries, 28 branches, and 2,800 stores in China, and exports to 30 countries. Its exports amounted to USD 40 million in 2014 (Wei, 2015). While Kangnai started as an OEM in 1987 to penetrate foreign markets, it had a clear orientation for OBM because it observed that shoes manufactured and exported by Kangnai at a price of RMB 200 were later imported to China with a foreign label priced at RMB 3,000. Accordingly, Kangnai undertook OBM earlier than its peers. Russia was the first market to sell as “Kangnai.” However, it lost many customers in Russia as a result of own branding, which led to decline in the financial performance. Based on the Russian experience, from 2001, Kangnai began to actively use the overseas Chinese network for establishment of stand-alone boutiques. A foreign boutique, for example, was established in Paris and New York, both in 2001. Shortly after opening two flagship stores overseas, Kangnai also established a store in Rome, with the R&D mission of obtaining current information on market trends. The foreign stores were established by Chinese expatriates who were part of the *Wenzhou* network (Zhao & Niu, 2005). By 2012, Kangnai had established 230 foreign stores, including in Australia, New Zealand, and Vietnam (Bao, 2012).

Simultaneously, Kangnai became aware of the need to conform to technical standards and brand protection as an effective means to the global branding. In 2000, it joined SATRA, a shoe research institution, to update the technical standards in the industry. Its establishment of a joint venture with KKG, an Italian firm, also reinforced Kangnai’s focus on the international standard in the fashion industry (Zhao & Niu, 2005). Kangnai registered its local trademark in 40 countries. It was once considered a Westernized brand, but eventually decided back to the Kangnai brand to highlight Chinese-style design (C. Li, 2007, pp. 57–61).

Since 1994, Kangnai has focused on its overseas advertising through newspapers, magazines, signboards, and public transportation. As it gained popularity in the overseas market, it established a wholly owned subsidiary in major foreign markets, such as Italy and the United States. It has also been exploring emerging markets. For example, Kangnai invested and helped the Russian government construct the Far East Economy and Trade Cooperation District (FEETCD), located in *Ussuriysk*, formerly USSR. Major goods manufactured in FEETCD are shoes, textile, or construction materials. As of 2014, 27 firms entered the FEETCD (Ministry of Commerce, 2014), and Kangnai produced an amount of RMB 3.8 billion in 2014 (Wei, 2015).

Kangnai has operated R&D facilities in *Wenzhou*, *Guangzhou*, and in foreign markets, where it spends 3% of its annual sales revenue on new product development. As a result, Kangnai introduces more than 3,800 new models every year (Bao, 2012). Simultaneously, it has been active in co-development with foreign firms. For example, in 2006, it established a research laboratory in cooperation with SATRA, investing RMB 10 million, with a specific focus on shoe manufacturing technology, in order to enhance the brand power through increase in the functional effects.⁹

Another case is JNBY, a firm located in *Hangzhou*. Starting as a women's wear brand in 1997, JNBY now possesses five brands (JNBY, JNBY by JNBY, Croquis, Less, and Pomme de terre). It has pursued unique design, and been recognized as "Well-known Trademarks in China" by the government from 2010 to 2014. It used to focus on the offline sales, but recently began to be active in the use of online platforms like Tmall, JD, or VIP. In 2015, JNBY had 9.6% of the designer brand market, the largest share, and executed IPO at the Hong Kong Stock Exchange in 2016, which was the first among Chinese designer brands.

From the beginning, JNBY pursued own branding in both domestic and overseas markets. The first foreign entry was Russia in 2005, followed by Japan in 2006, Singapore in 2007, and the United States in 2010. As of 2016, JNBY entered 12 countries, and operates 29 stores. Except one store (in *Hong Kong*), overseas stores are managed by local licensees. In 2011, Forbes China selected JNBY as "Top 6 Chinese Brands with the Greatest Potential to Internationalize." However, it is still experiencing trials and errors in the overseas market, as the overseas sales share had continued to decrease from 2.3% in 2014 to 1.6% in 2015 and to 0.9% in 2016.

In order to survive in the competitive market, JNBY focuses on highly value-added functions, such as product design and marketing, and has committed more than 3% of sales revenue to product design for the recent five years. Production has been undertaken by a subcontractor.

Discussion

Our study suggests several noteworthy findings related to the own branding mechanism of Chinese POEs. First, the Chinese POEs prefer own branding in global markets through the outright acquisition of foreign brands. This is the same case with

⁹Sources are from Kangnai Group (accessed on July 22, 2016 from <<http://www.kangnai.com/about.aspx>>).

the “LLL model” suggested by Mathew (2006), but unlike the SOEs, the LLL effects for POEs were tied with own branding. Without own branding, the POEs would not be motivated to realize the LLL effects in countries where wages are higher than China. Further, global branding was intended for strengthening the position in the domestic market. More specifically, the POEs’ efforts for brand building in the global market presume the existence of benefits for domestic performance. The POEs took advantage of the fact that they were building global brands as a selling point in the domestic market because own branding in global market signals product quality, production capacity, and reliability. Therefore, paradoxically, global branding by Chinese POEs was highly domestic market-oriented. In order to prosper in the domestic market, they had to demonstrate to domestic consumers their global presence; otherwise, it was increasingly difficult to survive in China’s fashion-related industries.

Second, we have found that conflicts with the old subcontracting customers were also inevitable in the case of Chinese POEs when they began their own branding. However, the POEs adroitly managed to reduce the tension by distribution channel exchange with old customers, where Chinese firms take care of distribution for foreign brands and foreign brands, in return, import and distribute Chinese goods. According to our interviews, building distribution networks was the most expensive task for our sample firms, and although the customer relationship was no longer valid in own branding, the relationship with the previous customers did not necessarily turn hostile as long as both parties found mutual needs for cooperation.

Third, as recent improvement on the IT infrastructure provided the facilitated use of online platforms, Chinese POEs without exception were actively utilizing e-commerce as a marketing channel. Given that establishment of offline distribution network is highly costly, increasing popularity of such platforms is likely to encourage POEs to get involved in own branding in the overseas market.

In Table 2, we configure current OBM strategies for Chinese POEs in the fashion industry, where the POEs would fall largely in one of the three possible models. In the competitive subcontractor model, a subcontractor can build a firm’s name as a brand. Firms remain subcontractors, but because the firm name becomes established among clients and the end-users, the end-users (usually consumers) may rely on the subcontractor brand for the product purchase. It has happened that, as the value chain becomes increasingly complicated, “made by whom” or “designed by whom” are differentiated from the product seller. In this model, own branding is undertaken at the minimal level.

In contrast, the toehold model enables a combination of subcontracting and own branding. It has been the most popular model among Chinese POEs that we visited.

Table 2.
Global Branding Model

	Competitive Subcontracting Model	Toehold Model	Home-Linked Organic Model
Initial condition	Exporting in mode of subcontracting	Domestic leaders (subcontracting and own branding)	Domestic leaders (targeting global markets with own branding)
Overseas entry timing	1993 as ODM for Babei; 2003 as OEM for Baili; 2011 as ODM for Sunrise	1993 as ODM and 2002 as OBM for Aokang; 1979 as OEM and 1986 as OBM for Youngor	1987 as ODM and 1999 as OBM for Kangnai; 2005 as OBM for JNBY
Strategic goal	Building firm reputation in the core market and the product brand in the non-core market (as a result of diversification)	Building the product and firm brand	Building the product and firm brand
Brand building strategy	Participation into overseas exhibition; Export increase	Partnership with global brands	Compliance with global standards; overseas flagship store operation; overseas production base building
R&D strategy	Based on current customers	Based on the global market trend	Based on the global market trend
Case	Babei, Baili, and Sunrise	Aokang and Youngor	Kangnai and JNBY

Deliberate segregation of markets would lead to differentiation in branding strategies. A firm can continue subcontracting where it is less experienced with local customers, or when building distribution channels is risky. Alternatively, it may pursue own branding, where it possesses sufficient market know-how. The toehold model is chosen when competition is fierce, and firms can differentiate products and services in one market, while coping with the cost pressure using economies of scale and location advantages.

The home-linked organic model posits that firms pursue own branding at the product level. This model is typical for own branding, where a firm establishes its product brands and firm reputation. Despite the higher risks, the Chinese rationale for

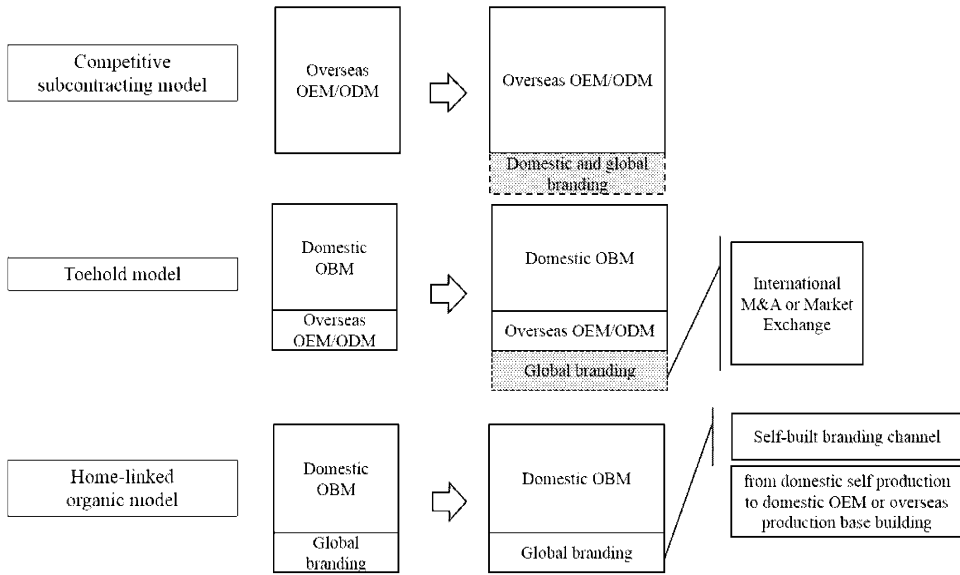


Figure 1. Findings: Transition from OEM to OBM.

the choice of the home-linked organic model is that, as long as the products satisfy the global standard, they offer a competitive price to local consumers. In this model, a linkage to the home country is still important, as illustrated by Mathews (2006). The firms in the home-linked organic model may conduct local production operations, but these should be pursued to maximally exploit home country advantages.

The firms in our cases showed differentiated choices over the own branding model, as Figure 1 shows. Their transition from OEM to OBM can be categorized into three types broadly. For example, Babei (competitive subcontractor model), owing to its subcontracting reputation, has exercised bargaining powers in its relationships with customers. Accordingly, even though the potential mark-up from own branding would be higher than that from ODM, Babei was cautious in using own branding.

The Babei strategy contrasts with the Aokang approach. Aokang still wanted to continue its subcontracting business with some partners because it focused on partnership formation. However, other partners were willing to let Aokang use their distribution channels in the host market in return for access to the Aokang sales network in China. Aokang confirmed similar needs for foreign entry, and based on mutual trust, agreed on cross-distribution, depending upon the attractiveness of the market for own branding.

The home-linked organic growth model illustrates the growth strategy of born-global firms. Kangnai, for example, noticed that, as the online purchase became more

popular, once product quality would go viral, marketing costs could be reduced. It focused on establishing flagship stores, importing products from China. It started local production where the local sales were satisfactory. For firms in this model, quality control was the core task; otherwise, firms should overcome disadvantages of own branding, non-local status, and the developing-country origin.

Overall, each model has strength and weakness. The strength of the competitive subcontracting model is minimal loss of current clients. The toehold model enables strategic optimization with the geographic variable, and home-linked organic growth model benefits from the greatest profit perspective. Simultaneously, the competitive subcontracting model may be tardy in promoting awareness among consumers. Moreover, the toehold model may be stuck in the middle dilemma, while the home-linked organic growth model faces the highest risk in own branding.

The Chinese POEs in our study suggest an interesting comparison with POEs in other countries. Lee et al. (2015) find that Korean POEs internationalize for the purpose of own branding because the tension with the previous customers prevented further growth in the domestic market. In order to compete with the previous customers, the Korean POEs had to increase price competitiveness, and went overseas. Amsden and Chu (2003) illustrate that Taiwanese POEs went overseas as the domestic wage rose, and began to pursue own branding for higher mark up. In contrast, Chinese POEs, unlike Korean POEs, did not pursue internationalization due to competition with the previous customers or, unlike Taiwanese POEs, did not go overseas in search for lower wage. Yet, Chinese POEs were still domestic market-oriented even when they went overseas with own brands. These firms, unlike the large Chinese SOEs or Korean POEs, had more opportunities for continuous cooperation with the previous customers.

Conclusion

The primary aim of this study is to enhance the understanding of ongoing important issues in academia and business. We have examined the approaches used by competitive Chinese subcontractors (ODM) as they have moved up their value chains. Although Chinese POEs have shown a surprising capability to overcome impediments of ownership and size, and have grown to become international exporters, few studies have focused on identifying the OBM trajectories within the value chain. Our study has attempted to fill the gap by exploring the OBM based on case studies.

Weak stability in political status and poor accessibility to financial resources have prevented Chinese POEs from own branding, which poses risks in establishing

distribution channels and recruiting marketing resources. Chinese POEs were previously engaged in subcontracting, making China a global factory. After accumulating decades of exporting experience, some POEs began to attempt own branding. The own branding movement, although not yet entirely popular, surely reflects a change in the business environment, where international customers who used to subcontract to Chinese firms have begun using subcontractors in other lower-wage countries.

Subcontractors who are able to conduct product designs may consider own branding as a response to this competitive pressure. Own branding requires marketing skills and distribution channels, a resource set different to that demanded as subcontractors. It also poses substantial risks as a result of severing the links with subcontracting clients, and turning them to the competitors. Therefore, own branding clearly presents a trade-off.

This study is based on the OBM cases of seven firms in *Zhejiang* Province that manufacture fashion-related products. Owing to increasing wages in China, we expected that subcontractors would face pressure with own branding, and that this would be strongest in the light manufacturing industry. Therefore, we chose *Zhejiang* Province, which possesses the largest number of POEs and several clusters of light manufacturing industries. One such industry is the fashion industry, which includes shoes, accessories, and clothing.

Our findings suggest that Chinese firms currently pursue three types of OBM strategies: the competitive subcontracting, the toehold, and the home-linked organic models. The competitive subcontracting model takes advantage of current production value chains that evolve into more divisions and specialization. For example, Babei, as a renowned necktie manufacturer, has continued subcontracting, but partially exposes its brand in non-core products. The toehold model exercises both subcontracting and own branding, depending on the market conditions. For example, Aokang has launched its own brand where its competitiveness is relatively strong, while still subcontracting elsewhere. The home-linked organic model shows that Chinese POEs possess own brands in foreign markets in a way that they still benefit from the low production costs in the home market.

Overall, we have found that Chinese firms consider three distinct ways to upgrade their value chains, while coping with the changing business environment. The call for own branding is clearer now than ever before. Although the risks of own branding perceived by Chinese POEs are distinct, we believe that this trend will continue to increase in future. Therefore, our study contributes to the literature in the areas of small- and middle-sized firm management and POEs in transitional economies by proposing that Chinese POEs, given the constraints and their respective strengths,

devise optimal ways to move from being subcontractors to establishing their own brands.

Nevertheless, our study has some limitations that suggest a need for further research. First, because our study is exploratory, the sample is based on Zhejiang Province in China and selected firms. Given the large diversity within China, we hope to include POEs from different regions in future work. Second, because this study analyzes the fashion industry only (although we studied other light industries during the interview processes), our findings cannot be generalized across industries. Future research should consider a research setting with a greater number of industries in order to determine industrial differences.

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Explaining Taiwan's Cybersecurity Policy Prior to 2016: Effects of Norms and Identities

HON-MIN YAU

This paper implements a constructivist approach from the discipline of International Relations (IR) to investigate the interplay between international politics and cyberspace, and explains why the Taiwanese government has been relatively slow to exploit cyber warfare for national-defense purposes prior to 2016. While this paper acknowledges the technology determinist's argument that new technology can set the direction of politics, developments in Taiwan have brought to our attention a different perspective, which is that politics can still shape the future direction and use of technology. This analysis enables us to understand, through the case of Taiwan, how politics trumps both technical decisions and the overall direction of technology. Looking closely at the case of Taiwan's cybersecurity contributes to the broader IR literature concerning the effects of norms and identities, and extends policy analysis to the domain of cyberspace. It establishes a dialogue between the IR literature and Cybersecurity Studies, and reduces the knowledge gap in understanding Taiwan's security policy.

KEYWORDS: Cybersecurity; constructivist; Taiwan; security policy.

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Cyberwarfare is viewed as offering an asymmetric advantage to a weaker over a stronger material military power (Clarke & Knake, 2011, pp. 47–49; Cornish, Livingstone, Clemente, & Yorke, 2010, p. 28; Kramer, Starr, & Wentz, 2009, p. 265; Nye, 2010, p. 1; Phillip, 2012, p. 316; Qiao & Wang, 1999). It facilitates a potential front for a small actor to manipulate financial systems in any corner of the world with access to a single internet cable. States like Russia and China may not yet be militarily invincible, but cyberwarfare can empower them to win a

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future conflict with a superior adversary with a couple of keystrokes (Arquilla, Ronfeldt, Barnes-Proby, Williams, & Christian, 1999, pp. 1–3). This asymmetric advantage is achieved by undermining an adversary's military information systems without firing a single bullet, which eventually weakens contemporary information-guided weapons and ammunition (Clarke & Knake, 2011).

On June 29, 2017, Taiwan finally established an Information, Communications and Electronic **Warfare** Command [emphasis added] to combat severe cyber challenges from China (Information, Communication and Electronic, 2017; Ministry of Foreign Affairs [MOFA], 2017). Taiwan has long perceived itself to be under constant cyber threat from China. The earliest accounts of cyberattacks were in 1999 when Taiwan President Lee Teng-hui defined Taiwan and China as having “special state-to-state relations” (*teshu guo yu guo guanxi*) (Bush, 2005, p. 57). As indicated by a renowned British military think tank, the British International Institute for Strategic Studies (IISS), in 2017 (McGann, 2017, pp. 41 & 45), the command was established after the incumbent Democratic Progressive Party (DPP) administration's call for “drastic” reforms in order to redress Taiwan's military weaknesses; one important initiative in regard to this was to include “establishing a cyber-warfare service to combat China's offensive cyber operations, even in peacetime” (IISS, 2017, p. 245). However, this empirical development brings our attention to a curious mismatch between perceptions and policy. The contradiction here is that despite Taiwan's feeling threatened by cyber threats from China, if cyberspace does provide the above asymmetric advantage, why did Taiwan, being technologically capable, only establish such a cyber-warfare unit 19 years after the first well-known cyberattacks in 1999? In light of the fact that empirical observations prior to 2016 suggest a course of action different from the contextual or historical circumstances specified by the technology determinist's logic of seeing material capabilities as the independent variables, we shall attempt to find a new way to explain what issues have shaped Taiwan's past decisions. Hence, the puzzle presented here is why “the Taiwanese government has been relatively slow to exploit this advantage for national-defense purposes,” as concluded by IISS's 2017 assessment (IISS, 2017, p. 333).

A Constructivist Analytical Perspective

Policy analysis involves the process of identifying the reasons behind Taiwan's decisions in regard to its cybersecurity. Morgenthau stated, “To give meaning to the factual raw material of foreign policy, we must approach political reality with a kind of rational outline, a map that suggests to us the possible meaning. . . . In other words, we

put ourselves **in the position of a statesman**. . . [emphasis added]" (Morgenthau & Thompson, 2005, pp. 4–5). Hence, a constructivist perspective sees the underlying reasons behind Taiwan's decisions as a kind of social knowledge, which is the result of social formation and acts as a social filter to decide an agency's actions (Wendt, 1992, p. 396). Following this perspective, this Taiwan-centric analysis is inspired by Katzenstein's 1996 work, *The Culture of National Security*, which addresses security issues by investigating the effects of norms and identities on an actor's decisions (Katzenstein, 1996). The advantages of this approach to Taiwan's cybersecurity are summarized as follows.

Firstly, regardless of whether cyberspace is treated as a metaphor or domain, a constructivist approach sees cyberspace as a part of the objective world by virtue of its intersubjective existence among people. Today, people can watch news in the format of text or videos. Individuals can share ideas through emails and chat rooms. Books can be borrowed and money can be transferred online. We shop and conduct entertainment activities via interactive websites. It is not only possible to observe the world of cyberspace, but also to act in this digital world. Our experience in cyberspace is so real to us that we can even feel our existence there. Secondly, although cybersecurity is a transnational problem, the way in which Taiwan and China interact makes interstate cooperation less likely. Hence, Taiwan's cybersecurity interests can only be secured by its efforts alone. This approach enables a Taiwan-centric analysis while considering local factors and culturally-sensitive considerations to reflect on Taiwan's unique international status (Katzenstein, 1996, p. 2). Thirdly, a profound regional history submerges Cross-Strait interactions under the nexus of both international and domestic politics. China can be treated by Taiwan as either an external military threat or an internal political adversary, and this approach could encompass both perspectives without overemphasizing a single aspect (Katzenstein, 1996, p. 14). This approach appreciates that both the international and domestic societies in which Taiwan is embedded can be investigated empirically via their historical settings, and have power to shape Taiwan's identities (Katzenstein, 1996, pp. 23–24). Fourthly, since the majority of cyberspace infrastructures are owned by the private sector, a constructivist position allows the investigation of a security issue beyond military security. This design reflects a trend of broadening security agendas in Contemporary Security Studies and the great complexity of interconnected cyberspace in the Cross-Strait area, which touches on more than just military capabilities (Buzan & Hansen, 2010, p. 54). Finally, using this approach, it is perceived that the cultural environment affects not only the incentives for different state behaviors but also the essential characteristics of state identity. Hence, Taiwan's cybersecurity could be different from other states due to

its unique relationship with China (Katzenstein, 1996, p. 9). In the following analysis, this paper focuses on Katzenstein's arguments in seeing norms and identities as independent variables and investigating how these factors shape Taiwan's policymaking decisions (Katzenstein, 1996, pp. 52–53). We first look into the social world of political elites to identify their social understanding of Cross-Strait relationships, and later explain what kind of norms constrain Taiwan's policy options.

The Social World of Political Elites

Understanding the cognition and imagination of major Taiwanese decision-makers, including their views of Cross-Strait interactions, identities, and applicable norms is made possible by being attentive to the language they use and the justifications they employ. Notably, Taiwan maintains three different identities with China in its political, economic, and military interactions, and the reasons for this are as follows.

Firstly, Taiwan has had various military conflicts with China since 1949, and Taiwan's quadrennial *National Defense Reports* still describe China as its sole security threat. The then-Minister of National Defense, Yen Ming, even stated on October 22, 2013 that militarily speaking, Cross-Strait relations were viewed as “a relation of hostility” (Legislative Yuan, 2014, p. 283; Li, 2013). The succeeding Minister of National Defense, Feng Shih-kuan, also stated on May 26, 2016 that Taiwan would fight to its last soldier in future conflicts with China (Legislative Yuan, 2016, p. 123). Secondly, Taiwan and China have become more economically interdependent since the 1990s (Lee, 2011, p. 4), and have been exercising mutual recognition as different economic entities under the framework of the World Trade Organization (WTO) since 2001 (Lee, 2011, p. 13). Not only do the majority of Taiwan's businesses have factories or branches in China, but also, according to statistics from the Mainland Affairs Council (MAC) (MAC, 2018), Taiwan's investments in China are increasing yearly. China is Taiwan's biggest security concern, but also its biggest economic partner. Such a view was vindicated by President Tsai Ing-wen (DPP), who explicitly pointed out on July 21, 2016 that “China is still our largest trading partner” (Weymouth, 2016). Thirdly, politically speaking, existing semi-official dialogues still focus on Cross-Strait technical and business matters, and are under the supervision of the MAC, a specialized agency separate from MOFA, the organization governing foreign relations. Though China is always portrayed in Taiwan's *National Defense Reports* as a military threat, it is also noteworthy that in these documents, Taiwan uses the term “People's Liberation Army (PLA)” instead of “China” to acknowledge the military existence of

both sides while circumventing the thorny implications of defining Cross-Strait political relations. In 2011, due to the lack of a written armistice between the two sides since 1949 (Bush, 2005, p. 36; Xu, 1979), the Kuomintang (KMT) proposed the idea of signing a peace agreement with China to end the military build-up in the region. The immediate problem was what the proper legal wording should be in referring to “Taiwan” in a Cross-Strait treaty, and that China disagreed with Taiwan’s *status quo*. The DPP was concerned that the agreement would endanger Taiwan’s sovereignty and put Taiwan in a subordinated position as a rebel group. These concerns were the result of an agreement between Tibet and China in 1951. The written agreement, the *Seventeen-Point Agreement for the Peaceful Liberation of Tibet*, portrayed Tibet as a local authority with asymmetric relations with China, which saw itself as the central authority (DPP, 2011). The DPP’s observation was representative of the ongoing political competition between the Chinese Communist Party (CCP) and Taiwan’s political parties. Due to the lack of consensus among people in Taiwan in defining Taiwan’s political relations with China, the Ma Ying-jeou (KMT) administration (2008–2016) later announced that there would be no particular schedule planned to reach such an agreement (Office of the President, 2010). By the end of the Ma administration in 2016, no further action had been taken to end the military enmity due to the complex political situation (Ministry of National Defense [MND], 2015a, p. 77). Hence, Taiwan’s military, economic and political relations with China happen to fit with Wendt’s metaphors of three cultures of anarchy, namely Hobbesian, Kantian, and Lockean social structures (Wendt, 1992, pp. 246–312). Taiwan has different interests in terms of its economic, political, and military relationships with China because there are elements of policy within these that are more nuanced and put less emphasis on the “threatening Otherness” (Buzan & Hansen, 2010, pp. 218–219). By following Katzenstein’s causal claims, whereby identities and norms contribute to policies, this paper explores plausible explanations as to why Taiwan’s cybersecurity prior to 2016 was constrained by the following three relationships.

Economic Cooperation

In Cross-Strait economic relations, conditions are often complementary (Brown, 2017, p. 18; Guo, 2012, p. 257). Since the 1990s, Taiwan’s economic model has aligned itself with China’s inexpensive labor and resources by lowering manufacturing costs and delivering competitive products. Even during the troublesome year of the 1996 Missile Crisis, cooperation and collaboration in the economic sector still became tighter and stronger (Lee, 2011, p. 1). Leading Taiwanese businesses like Taiwan

Semiconductor Manufacturing Company, Foxconn, Asus, Acer, and HTC all have manufacturing bases in China. The “Made in China” label in recent years has often meant “Made in Taiwan” (Landler, 2001; Liao, 2017; Trump Orders Review, 2017).

A Paradox of Interests

Taiwan faces an interesting paradox. On the one hand, commerce and investment in China’s ICT industry generate revenue and contribute to Taiwan’s Gross Domestic Product (GDP) growth (Bureau of Foreign Trade, 2017), but China has also consistently used political rhetoric to express its apparent intention to reunify Taiwan. Since a huge number of Taiwanese companies have invested in China, many Chinese-made products are actually manufactured by *tai shang*, Taiwanese businesses located in Mainland China. With regard to this issue, some observations are worth mentioning. Taiwan’s national procurement law prohibited the purchase of Chinese-made products by government projects in 2002 (Public Construction Commission, 2003). By 2009, such restrictions became unrealistic as the majority of Taiwan’s industries, including the ICT sector, had moved their factories to China. With an increasing number of disputes in fulfilling the contracts of public projects, Taiwan was forced to abandon such a limitation in 2009 (Public Construction Commission, 2009). In addition, immediately after the 1999 cyberattacks, Taiwan established the National Information and Communication Security Taskforce (NICST) to deal with cyber incidents. NICST’s first policy document in 2001 specified cyberattacks from China as its primary concern (NICST, 2001, p. 1), China’s cyber threat has been described in more moderate terms in follow-up documents since 2005. In 2005, the NICST referred to the threat to Taiwan as “hacker attacks and cyber warfare,” but indirectly named China by stating, “As we are facing a rapid change of development in the Cross-Strait situation, constructing an adequate defense capability in cyberspace is one of the important tasks” (NICST, 2007, p. 6). In 2009, the NICST stated “under the unique Cross-Strait regional situation, government agencies are facing a severe information threat,” later devoting an entire section to a discussion of different types of attacks “from cyberspace,” including hacker intrusions, malware, and defacing websites (NICST, 2009, p. 16). In 2013, the NICST’s latest policy paper in the Ma administration stated that, “Taiwan has unique political and economic surroundings, and when confronted with a complex and ever-changing global information communication technology (ICT) environment and information security threats, it is imperative that works related to the implementation and refinement of ICT security should be continued,” but specified threats under five key issues such as organized cybercrime, endangered credibility of the internet, risks to critical information infrastructures, attacks from advanced

persistent threats, and cyber warfare (NICST, 2013, p. 1). The former state-specific reference has been repacked into “unique political and economic surroundings,” and the NICST’s job has been transformed from defending attacks from a particular state to defending attacks from cyberspace in general.

The Economic Cooperation Framework Agreement (ECFA)

In 2008, the KMT government decided to deepen Cross-Strait economic integration while also believing that because of globalization, Taiwan was unable to ignore the significance of China. The ECFA was signed in 2010 with the intent to establish closer economic cooperation (Ministry of Economic Affairs [MOEA], 2010). Also in 2010, the government began preparing for negotiations of the Service Agreement, an ECFA follow-up action that would give Taiwan opportunities for further economic expansion in China. The Executive Yuan released this assessment:

Taiwanese businesses used to treat China as a manufacturing base instead of as a market. Hence, China’s domestic market is an unexplored territory, which needs our special attention now. Taiwanese enterprises need to adjust their business models along with China’s policy of encouraging domestic consumption in recent years. (Council for Economic Planning and Development, 2010, p. 38)

Another Legislative Yuan report in 2013 also made note of these delicate developments, and the Ma administration recognized the gradual saturation of Taiwan’s domestic markets with respect to information services and e-commerce, calling for legislators to give their approval to the Service Agreement (Legislative Yuan, 2013a, p. 161).

The Norms of Global Free Trade

Strategies are about priorities and choices. Taiwan’s strategy in the economic sector of cyber activities may be better summarized by Ma’s policy vision in an interview with TVBS, a Taiwanese television station, on May 15, 2009, in which he stated: “China is a threat, but also an opportunity for Taiwan” (R. Huang, 2009). Under the norms of global free trade and with their interest in continuous growth, Taiwanese businesses have increased their investment and cooperation with China in the development of the ICT industry since the 1990s. They have also done so regardless of occasional political or military tensions. Both Taiwan and China joined the WTO seeking better economic opportunities, and Taiwan has the incentive of maintaining an identity as a business partner with China under the force of market and the exercise of

free trade. As Ma also stated in his talk at Soochow University (Taiwan) on April 13, 2017,

Taiwan has trade deficits with a majority of countries, and we need a trade surplus from China to balance this commercial gap ... countries around the world also rely more and more on China, but Taiwan can enjoy the unique advantage of cultural competence. (Yu, 2017)

In March 2015, when asked about the major state-sponsored threat to Taiwan's cybersecurity, Vice Premier Chang San-cheng stated that Taiwan had no enemy in the international community except for China (Gold & Wu, 2015). Taiwan still perceived China as a threat to its cybersecurity, but considered China's cyberspace a huge market and an excellent business opportunity. Taiwan therefore believed that establishing a better market position in Chinese cyberspace than other foreign competitors was in its best interest. Taiwan not only played down its policy rhetoric, but also intentionally deepened its integration in the ICT sector. Taiwan's cybersecurity is not the security of its cyberspace, but is rather subsumed under the broader agenda of national development. However, while the collective anxiety about China's cyber threat also seemed to be legitimate, how would these political agencies drive Taiwan's behavior in the political exchanges of cyberspace? Such a valid question brings us to investigate Taiwan's cybersecurity in the political sector.

Political Competition

The weaponization of information via the transmission of social media has signified the power of cyberspace in influencing political ideas, as exemplified by the US assessment of Russia's interference in the 2016 US election (Office of the Director of National Intelligence, 2017). While the World Wide Web and other user-friendly interfaces in cyberspace make information potentially accessible for both destructive and constructive purposes, can this digital domain serve as a principal battlefield of information warfare that can allow Taiwan to disseminate new ideas or encourage political practices in the forms of deliberate subversion or destabilizing social arrangements within China's border? Can cyberspace be exploited in China to encourage change and revolt from the inside, rather than by the use of compelling force from the outside?

Divisions of Cyberspace

In contrast to the perception of a universal interconnected cyberspace, there is no single place for Cross-Strait politics in the virtual domain. The first obstacle is a

difference in written languages, namely that of Traditional and Simplified Chinese characters. Both Taiwan and China speak the same official language of Mandarin Chinese, but Mao Zedong (Mao, 1966, p. 708) in 1952 decided that the written language of China needed simplification to make it easier to learn and reduce illiteracy (Wang, 1995, pp. 60–61). Second is China's internet policy toward the outside world, known as the "Great Firewall of China" (GFW). Chinese telecom companies are state-owned, allowing China full control over network traffic via state-controlled critical communication nodes. China has installed various on-path systems to monitor, inspect, and block access to unauthorized websites or re-direct users to authorized websites as specified by Chinese law. Internet companies are also required to conduct near real-time self-censorship based on regular updates announced by the authorities (Arsène, 2012, p. 4; Goldsmith & Wu, 2006, pp. 95–97). Human censors are required to spot real discussions hidden under a camouflage of coded language or homophones, which automatic censors cannot detect. China's watertight defense mechanism, including tactics such as legal intimidation and censorship, fortifies China to compete in an ideological battlefield, giving other actors little room for political warfare within Chinese cyberspace (Demchak, 2011, pp. 286–287). However, unlike the Great Wall of China, the GFW was put in place not only to stop outsiders from entering Chinese cyberspace, but also to prohibit China's public from going out (Cheng, 2016, p. 55).

A Pluralist Political Environment

The aforementioned division of cyberspace in the Cross-Strait context creates an outward "pushing" force that prevents Taiwan from directly influencing China, while the political transformation of Taiwan also delivers a "pulling" force, making Taiwan's cyber activities more inward-looking. Although the mainstream political spectrum in Taiwan is frequently interpreted as a division between pro-unification and pro-independence stances (Copper, 2008, pp. 143–146; Rigger, 2011, p. 3), there are actually 335 different political parties supporting diversified political agendas (Department of Civil Affairs, 2018). There are socialist parties, such as the Green Party and Taiwan Labor Party, and there are parties speaking for special interest groups, such as the Peasant Party, the Military, Civil Servants, Firefighters, Policemen, and the Academics Party (MCFAP). There are parties promoting the immediate return of Taiwan to China, such as the Chinese Unity Promotion Party, and there are parties such as the Taiwan Jianguo Union (TJU), which has made it its goal to establish Taiwan as an independent country under its own name. On

November 8, 2011, Taiwan's Legislative Yuan removed Article 2 from the National Security Act, which explicitly forbade "people's assembly and demonstration in the name of supporting communism or the secession of state territory" (Office of the President, 2011, p. 47). Since then, both supporting communism and the secession of state territory have been an official part of Taiwan's political spectrum. Today, there are five parties in Taiwan supporting a communist ideology: the Chinese Communist League, the Taiwan Democratic Communist Party, the Republic of China Communist Party, the Taiwan Communist Party, and the Taiwan People's Communist Party. There is also a China Production Party supported by Mainland spouses with an explicit political manifesto of both worshipping Maoist ideology and pursuing China's reunification agenda for Taiwan (T. Luo & Wang, 2013). There are non-governmental organisations (NGOs) like onechina.org.tw, who have been orchestrating support within Taiwan for peaceful reunification since 1988. The Taiwan Civil Government (TCG), which sees Taiwan as part of *de jure* US military occupied territory based on its interpretation of international law, actively pursues the distinct aim of making Taiwan a territory of the US. As an individual's interpretation of Taiwan's international *status quo* is no longer evidence of subversion, can holding a different political ideology even be considered a problem in Taiwan? When Taiwanese nationalists, Chinese nationalists, socialists, communists or even non-Taiwanese are part of the available political options, who should the Taiwanese government speak for if it wishes to conduct a digital invasion of China in cyberspace?

Anti-Media Manipulation

Not only does Taiwan have difficulty finding a unified voice to influence China, but public opinion is also staunchly resistant to manipulation by the state. This is exemplified by the abolition of the Government Information Office (GIO) in 2012. The GIO, established in 1947, had been a central organization in Taiwan's management of internal media policies, censorship, and propaganda, providing guidance for public opinion and public diplomacy. However, as political development diversified in Taiwan from the late 1980s, the organization attracted criticism due to its controversial role in Taiwan's democratization movement, in which people became concerned about the political manipulation of the media (Y.-L. Chen & Hsiung, 2008, p. 3). As part of the government's efforts to remove such a stigma, an organization for technical regulations similar to the US Federal Communication Council was proposed in 1994 (Y. L. Liu, 1994). In 2001, the Executive Yuan put forward a proposal to set up the

National Communication Council (NCC) to administer domestic media technical policies (National Policy Foundation, 2014, p. 153). In 2003, the then-president, Chen Shui-bian of the DPP, publicly supported deactivating the GIO (Legislative Yuan, 2003, pp. 135–136). In 2005, the Legislative Yuan passed the organization law of the NCC, declaring its purpose to be prohibiting outside intervention in the mass media in order to protect constitutional freedoms of speech (Office of the President, 2005, p. 1). Although the NCC had been established in 2006, the new regulations positioned it as an organization of the executive branch that was directly subordinate to the Legislative Yuan. This was later found to be unlawful by the constitutional court based on the principle of “the separation of powers” (Judicial Yuan, 2006). A full revision of the regulations was completed in 2007 (Legislative Yuan, 2007, p. 485). Along with the latest planned restructuring of the Executive Yuan, the GIO finally ceased to function in 2012. Though some believe the act may eventually prove to be a mistake similar to the closure of the United States Information Agency (USIA) (K. B. Huang, 2013, pp. 22–24; Rawnsley, 2014, p. 167), the GIO finally ended its controversial functions in May 2012 as a result of Taiwan’s strong stance against state media manipulation.

Negative Attitudes toward Surveillance

Taiwan’s experience in “White Terror” also had an impact on state surveillance and later influenced attitudes regarding the management of cyberspace. When the Nationalist government recovered Taiwan from Japanese rule in 1947, the KMT began to imprison or execute anyone believed to be either its opposition or in sympathy with communists (Smith, 2008, p. 153). The White Terror refers to the years of martial law from 1947 to 1987. During this time, the Chinese Nationalist Party (Fell, 2006, p. 51; Hsiau, 2013, pp. 208–209; Hughes, 2006, pp. 1–2) abused the mechanisms of domestic surveillance at its disposal to halt Taiwan independence movements, often using the guise of opposing a communist infiltration (K. W. Chen, 2008, p. 196). No warrant or impartial third-party gatekeeper was needed to monitor the intelligence community or the conduct of law enforcement in terms of communication surveillance, as the legal foundation for their actions was based on various articles from the “Temporary Provisions for the Period of Mobilization for the Suppression of Communist Rebellion,” giving the state full authority to infringe on public privacy. These regulations violated Article 12 of the Constitution, which states that, “The people shall have freedom of privacy of correspondence,” and were eventually revoked in 1991 (Office of the President, 1991). Furthermore, in 1992, Article 100 of the Criminal Code was also modified, as it was considered to be a cause of the excessive use of state

power and a contributor to the White Terror. Under Article 100, both communists and Taiwanese independence proponents could be put in jail for treason. The article was later amended as follows:

Any person by **violence or threats** committing an overt act with intent to destroy the organization of the State, seize State territory, or, using illegal means, change the Constitution or overthrow the Government shall be sentenced to imprisonment for not less than seven years; the ringleader shall be sentenced to life imprisonment [emphasis added].

As it is only through violent means that activists can be jailed, freedom of speech in Taiwan henceforth received its full guarantee. Still, when the controversial legal foundations for state surveillance began to erode during Taiwan's democratization movement, a new law was urgently needed to fill the legislative vacuum. Such a law would inevitably inhibit criminal investigation, a very practical need of law enforcement. Taiwan's prudent attitude toward communication surveillance is exemplified by an eight-year debate (from 1992 to 1999), which culminated in the Communication Security and Surveillance Act, a fundamental surveillance law that was finally passed in 1999. However, the surveillance of citizens requires the close supervision of public prosecutors, and such an application depends on whether the specified case carries a potential penalty of over three years in jail (Legislative Yuan, 2015c, p. 154). As political speech is protected by Article 12 of the Constitution regarding freedom of expression, which states, "The people shall have freedom of speech, teaching, writing and publication," prosecutors are not allowed to suppress any statements that are pro-communism or pro-unification. Even during the spread of internet rumors that could potentially have a psychological impact on society, law enforcement is incapable of tracing the source in cyberspace, as the highest penalty for such crimes would never pass the requisite three-year threshold under the Social Order Maintenance Act.

Liberal Democracy: A Blessing or a Curse?

In short, Taiwan perceives China as a political rival, and interactions between Taiwan and China are largely more about winning the tacit consent of the people of Taiwan (Tian, Zhang, Kang, & Cai, 2015). As pointed out by President Tsai in 2016, "The government must seek out the will of the people before it makes any decisions. No administration in Taiwan can make decisions that go against the opinion of the people" (Hutzler & Hsu, 2016). China's one-party political system tends to make heavy use of state regulations over its communications and media outlets, while the political culture and democratization of Taiwan have caused it to institutionalize the

freedom of speech as an unshakeable norm, and these constraints continue to restrain the government's behavior in cyberspace. While China has more influence internationally, its authoritarian nature tends to undermine its domestic legitimacy. Taiwan wishes to make use of its own domestic legitimacy to compensate for its disadvantaged international position (Rawnsley, 2014, p. 168), hoping to use its idea of liberal democracy to encourage transformation in China. Although communist and unionist parties have already entered Taiwan's political sphere as a result of lawful political choices, none to date have had any success in earning political consent from the people of Taiwan. This indicates that the CCP's authoritative nature still has a very marginalized appeal in Taiwan. Consequently, Taiwan's strategy in the political sector appears to be a strategy of "getting others to want what you want," rather than a conventional strategy (Nye, 2004, p. 5). On the one hand, Taiwan's policy prior to 2016 appears to be winning the consent of its people; on the other hand, it is demonstrating to China an alternative political option without state distortion or aggression. This may one day encourage China to change its own political system, but in the meantime presents us with another challenge: While Taiwan and China find themselves in an environment of military enmity, will Taiwan continue to stick with a posture of non-aggression?

Military Hostility

Taiwan's military force is obviously not of a sufficient size to contend with China in the physical domain, but Taiwan's leading role in the information and technology industries may give it an advantage in the virtual battlefield of cyberspace (Industrial Development Bureau, 2013; Taiwan's Information-Technology Industry, 2013). Conventional logic would support the hypothesis that a technologically advanced state like Taiwan could utilize the unique nature of cyberspace as a realm with no territorial boundaries. Should this advantage be combined with the successful cultivation of its technological genius, an asymmetric advantage in cyberspace would be attainable and advantageous to Taiwan in a conflict with its sole and foremost superior threat, China.

Prudent Attitudes toward Cyber Offense

Taiwan maintained a relationship marked by military hostility with China even during the Ma administration from 2008 to 2016. It is noteworthy that the Ma administration purchased more than USD 20.1 billion of weapons from the US, an even larger investment in the US military than the two preceding administrations of Lee Teng-hui and Chen Shui-bian (Office of the President, 2016, p. 4). Ma's annual

average for US arms purchases was USD 2.51 billion, considerably more than the USD 1.05 billion of the Chen administration (2000–2008) and USD 1.35 billion of the Lee administration (1988–2000) (Tang, 2015). However, these military investments did not make use of Taiwan's resources in the realm of cyberspace.

Strategists tend to think about how to maximize their gains on the premise of conducting an offensive operation, and when thinking about cybersecurity, many often isolate the domain of cyberspace without considering material military power in the real world. Both of these premises are questionable, and in the case of the Cross-Strait conflict, they require further investigation. The fundamental question to ask is whether the Ma administration was taking an offensive military posture to counter China's military threat. As indicated in the "Military Strategy" section of the *2015 National Defense Report*:

... the ROC Armed Forces are adopting resolute defense and credible deterrence as the concepts of military strategy, and shall employ a **defensive posture** and avoid provocation accordingly [emphasis added]. (MND, 2015a, p. 84)

When faced with immediate military pressure from China, Taiwan's military has focused on "establishing capabilities of force preservation" (MND, 2015a, p. 76) in order to disrupt a potential amphibious invasion from China during wartime (W.-J. Chen, 2010, p. 128; Luo, 2004, p. 90). In fact, the military of Taiwan seemed to be focused largely on "sustainability" (MND, 2015a, pp. 79 & 84), as the scenarios indicated in the annual Han Kuang exercises (HKX) were all based on the premise of a PLA invasion (Taiwan Stages Military Exercises, 2015). Based on this understanding, could Taiwan's cybersecurity strategy be separated from its overarching defense stance? This is to say that cyberspace would not replace interactions in the physical world, but rather would be a part of them (Betz & Stevens, 2011, p. 116). Cyberspace is an area in which states and state interests may cooperate or collide, and both political and technical decisions in the physical world can reshape the behavior in the virtual domain. A cybersecurity strategy would inevitably make decisions based on circumstances in both the virtual and physical worlds. Hence, it is understandable that prior to 2016, Taiwan was very prudent in developing an offensive cyber strategy prior to the occurrence of any actual conflict in times of peace. Historically, Taiwan has always been cautious about being considered the aggressor in a physical conflict, and this assessment is supported by the following observations.

Firstly, Taiwan as a small state is not going to have sufficient physical military power to win any direct conflict with China, and it is not in Taiwan's military interest to start a fight. Staying on the defensive means accepting a passive role, ceding to the adversary the time and place to take action, though this could also be problematic if

Taiwan is looking for a quick and decisive endgame. Militarily, however, Taiwan is willing to maintain the current *status quo*. For Taiwan to engage in cyber warfare during peacetime would be contrary to its military guidelines of “not provoking incidents, not escalating conflicts, and reducing hostilities in order to avoid frictions arising from misjudgments or accidents that may lead to unnecessary conflicts” (MND, 2015a, p. 82). Such conduct could risk provoking China and justifying the use of force against Taiwan. The repeated recommendations in MND defense reports to adopt a defensive posture match Charles L. Glaser’s argument that a *status quo* power can mitigate mistrust by signaling peaceful intentions, communicating information about its motives by manipulating its military policies (Glaser, 1994, p. 68).

Secondly, even when an incoming physical conflict is unavoidable, the need for support from the international community is a crucial element of Taiwan’s overall survival strategy. In the section on China’s military strategy against Taiwan in the *2013 Quadrennial Defense Report*, it is stated,

... [China] hopes to justify and legitimize its right to war against Taiwan by manipulating the interpretation of international laws and laws of war, attempting to gain the right of military actions to prevent other countries from interfering with military conflict in the Taiwan Strait. (MND, 2013, p. 18)

As the aggressors in any conflict are typically condemned according to International Law and Practice (Krause & Williams, 2002, p. 162), Taiwan was careful not to be portrayed as the first to attack during a Taiwan Strait contingency in order to win support from the international community. Such support could come in material forms such as resources or military forces, or ideational forms such as rhetorical condemnations or diplomatic intervention. If Taiwan were to openly employ cyber warfare prior to the occurrence of a physical conflict, such action would generate a negative impression of Taiwan as an aggressor or troublemaker and be counterproductive to any military action in the physical domain. Short-term achievements do not necessarily produce long-term victories. Any gains in cyberspace would be insignificant if there were losses in a physical engagement in terms of the winning of either territory or international opinion.

Thirdly, it was observable in the 1996 Missile Crisis that in the event of physical conflict, Taiwan was prepared to receive any “first strike” (Legislative Yuan, 2004, p. 121; MND, 2015a, p. 84) from China in order to “justify” its military actions in self-defense (Qi, 2006, p. 177). As discussed in the Legislative Yuan throughout different administrations (Legislative Yuan, 2002, p. 120; 2004, p. 121; 2008, p. 163; 2013b, p. 293), as there are highly politicized implications for a first strike above the Taiwan Strait, the authority to give the direct command to engage is vested in the Minister of National Defense and not personnel on the ground. This was later

rephrased, after discussions in the Legislative Yuan, as the “counter first strike” (Legislative Yuan, 2009, p. 250), in more precise language (Qi, 2006, p. 176). While conflicts in cyberspace during the 1996 Missile Crisis were not yet as prevalent as they are today, the first military encounter was in the airspace above the Taiwan Strait. The Rules of Engagement (ROE) for front line pilots was specified by the MND as “Show no fear, do not withdraw, show no sign of weakness” (*bu weiju, bu huibi, bu shiruo*) and “Do not start a confrontation, do not escalate conflict, and reduce hostile behavior” (*bu yinfa zhengduan, bu shenggao chongtu, jiangdi didui xingwei*) (Huigu Dangnian Feidan, 2006; Legislative Yuan, 2015e, p. 7; Qi, 2006, p. 75). This indicates that if the enemy were to intrude onto Taiwan’s territory, the military could employ active defense measures to destroy the attacker. If the attacker were outside the territory of Taiwan, Taiwan must suffer a first strike. However, the problem with cyber warfare is that state-sponsored hackers are often located outside of Taiwan’s territory, and attacking them or their computers would have been highly politicized and problematic according to the military doctrine of the Ma administration.

Taiwan was simply not in the position to be the first to launch a pre-emptive attack, and its ROE were such that it would more likely be suffering a first strike from China. If Taiwan was not undertaking pre-emption in the physical domain, doing so in the virtual domain was not going to result in a better outcome. Such an asymmetric Cross-Strait arrangement made Taiwan sensitive to the dangers of provoking a physical war as the result of unwanted escalations from cyberattacks. This explains why the Ma administration did not use any form of cyber warfare against China.

Defense as the Primary Task

Even if the aforementioned discussion suggests that Taiwan had fewer incentives to provoke China, considering Taiwan’s ICT and military capabilities (Hong, 2013; Wu & Qiu, 2013), how can we know that Taiwan was not secretly leveraging the advantage of plausible deniability in cyberspace before 2016? An MND news release on May 25, 2015, immediately after the DPP’s proposal (Pan, 2015) to establish cyber command, provides us with an additional explanation. It stated:

The MND is closely following the guidance from the National Security Council and Executive Yuan to enhance our core capability ... however, if the proposed modification of the National Security Act can be successfully passed by the legislators, MND would be legally obligated to safeguard our digital territory during both peacetime and wartime. The MND calls for the public’s support in this modification. (MND, 2015b)

Understanding the lack of legal instruments to empower the government’s actions in cyberspace, as explained in the analysis of the political sector, the Ma

administration proposed to add Article 2-2 to the National Security Act on May 30, 2013 (Executive Yuan, 2013). However, the article was criticized by the opposition based on Taiwan's past experience under martial law, and concerns about creating another form of "White Terror" made legislators postpone bill's review (Legislative Yuan, 2015b, pp. 171–173). Taiwan's military is constrained by laws that regulate the military's role in normal peacetime affairs while ensuring it is prepared to counter foreign threats. Currently "disaster relief during peacetime and combat during war-time" (MND, 2013, p. 9) are the only military missions authorized by the National Security Act (Ministry of Justice, 2017). Taiwan has officially been in peacetime since the end of the Period of Mobilization for the Suppression of Communist Rebellion in 1991 (Office of the President, 1991), and according to Article 63 of the Constitution of the Republic China (1947), a declaration of wartime needs to be approved by the Legislative Yuan. Hence, for the MND to conduct any military activity other than disaster relief during peacetime, such as cyber activities in a private network, some additional legal commitments must be offered by the Legislative Yuan. The fundamental constraint is that Taiwan's military is a national army. The application of military force during peacetime requires the legal authority of legislation, while the PLA is more like an armed wing of the CCP, which can quickly mobilize its legal tools to justify any PLA decisions (Cheng, 2016, pp. 175–199). The PLA can simply follow the CCP concept of "rule-by-law" rather than the "rule-of-law" (Chin, 2014; Gewirtz, 2014; Orts, 2001, p. 57). The PLA's cyber strategy can exceed the domestic public's expectations, making use of national resources ranging from military to civilian and even private infrastructure, but Taiwan's military cannot. This is to say that China's legal instruments have developed to support the PLA's cyber strategy, while Taiwan's military strategy has developed within a given legal framework.

Ambiguous International Interpretations of Cyber Behavior

The international community is still in the process of shaping norms to specify the conduct of conflicts in cyberspace (Buchanan, 2017, p. 22), and there are no clear international rules to regulate the extent of military activities as exemplified by the 2007 Estonia and 2008 Georgia cyberattacks. A hostile act in cyberspace can be interpreted by states in different ways. States are likely to respond differently to cyberattacks based on their unique circumstances. In May 2014, the Federal Bureau of Investigation of the US indicted five Chinese military officials on charges of computer hacking and espionage. However, other than strong words, no practical and effective actions were taken to tackle these suspects. In contrast, in December 2014, Sony

Pictures was attacked by a group of hackers naming themselves the “Guardians of Peace (GOP).” The group was attempting to stop Sony’s plans to release a comedy based on a fictional assassination of North Korean leader Kim Jong-un. Although the GOP claimed sole responsibility, US intelligence later concluded that North Korea was behind the act, despite the country’s public denial of its involvement. The White House called this cyberattack a “serious national security matter” and proclaimed that a proportional response should be taken. Later, the US further tightened its economic sanctions on North Korea (Siddique, 2015). These cases portray a wide range of interpretations of cyberattacks, and it seems that the size of a state matters greatly in situations where there are no clear international norms.

The Normalization of Cyber-Espionage

Surprisingly, Taiwan did establish a new cyber division in the National Security Bureau (NSB) in May 2015 (Legislative Yuan, 2015a, p. 383). Governments always spy, and espionage is a recognized mission during both peacetime and wartime (Obama, 2014b). It was reported in 2013 that the US Defense Science Board had highlighted dozens of technology secrets that had been compromised by Chinese cyber-espionage (Gosler & Von Thae, 2013; Nakashima, 2013). Later in 2015, James Clapper, the US Director of National Intelligence, spoke at the House Intelligence Committee regarding the 2015 OPM data breach. He expressed grudging admiration for the act and stated that he believed the US spy agencies would do the same against other governments (Nakashima, 2015). While testifying in the House regarding “Worldwide Cyber Threats,” he further clarified on September 10, 2015: “[OPM has] been characterized by some loosely as an ‘attack,’ it really wasn’t. . . . There was no destruction of data or manipulation of data. It was simply stolen” (C-SPAN, 2015). US officials regard such breaches as within the traditional parameters of espionage, and there is a fine line between a cyberattack and cyber-espionage. Though it may appear a risky move, Taiwan’s founding of a new cyber division actually follows prevailing rules defined by conventional political vocabulary in international politics. The existing US cyber command is also notably subordinated to its “intelligence community.” Apparently, a government’s dealings in cyberspace can be considered not as military action, but as an act of intelligence. The 2014 Sony hackers were caught and condemned because they had committed an attack using either malware or unauthorized access to an adversary’s computer systems *outside* North Korea (Zetter, 2016). In contrast, the US National Security Agency (NSA) mass surveillance program, PRISM (Ackerman, 2013; E. C. Liu, Nolan, & Thompson, 2015, pp. 10–11), is conducted via

surveillance mechanisms set up at critical communication nodes *within* the US border to collect communication “metadata,” including information to specify communication parameters such as time, protocol and communication messages. Article 37 of the International Telecommunication Union (ITU) Constitution states that “Member States agree to take all possible measures, compatible with the system of telecommunication used, with a view to ensuring the secrecy of international correspondence. Nevertheless, they reserve the right to communicate such correspondence to the competent authorities in order to ensure the application of their national laws or the execution of international conventions to which they are parties.” Intercepting messages *within* a territory is acceptable based on the traditional interpretation of international norms regarding signal intelligence activities (Obama, 2014a). It has been reported that NSA uses the software HAMMERSTEIN and HAMMERCHAT, which it has installed on routers at network chokepoints to eavesdrop on secured communications via Voice over IP (VoIP) and Virtual Private Network (VPN) technologies (Weaver, 2014). The US government constantly uses language like “espionage,” or “intelligence gathering” to defend its surveillance techniques as a peacetime activity (Schneier, 2015, p. 74). Another document from the Canadian Communications Security Establishment revealed by Edward Snowden also indicates that intelligence agencies from the “Five Eyes” (Buchanan, 2017, p. 13), namely the US, UK, Canada, Australia, and New Zealand, have already shared various tools since 2010 to help conduct extensive network traffic analysis on backbone communications (Canadian Communications Security Establishment, 2015). It was reported multiple times in 2013 that the UK uses the TEMPORA project to tap in on international backbone and trunk communications (Ball, 2013; MacAskill, 2013; UK Surveillance Powers, 2015). The UK government created the National Cyber Security Centre (NCSC) within its Government Communications Headquarters (GCHQ) in 2016 in its efforts to step up its cybersecurity (UK Government, 2016, p. 10). Hence, who the NSB uses its surveillance against and what legal rules control that use are subject to the laws of Taiwan. As stated in Article 7 of the Communication Security and Surveillance Act, “When it is necessary to conduct surveillance on the following communications in order to collect intelligence on foreign forces or hostile foreign forces to protect national security, the head of the authority overseeing national intelligence may issue the interception warrant.” It was reported by the BBC that Egypt used the Snowden event to justify its right to monitor social media (Judah & Gade, 2014), and Indians were worried about the Snowden case, given their government’s strong citation of online surveillance (Bajoria, 2014). It is also noteworthy that the files revealed by Snowden cover many cyber-espionage activities by either the GCHQ (Courage Snowden, 2014; McDonald-Gibson, 2013) or

the NSA (Courage Snowden, 2015a, 2015b). In 2015, the NSB purchased a “Quantum Packet Signal Analyzer” and “Packet Connection re-oriented devices” for the establishment of its Division 7 (Legislative Yuan, 2015d, p. 454). International surveillance at critical communication nodes in Taiwan can be authorized by the intelligence director, and such an act seems to be in line with both domestic and international norms. Such espionage capabilities can be interpreted as a hostile act, but certainly not an act of war.

Implications

Taiwan’s actions can be explained from an analytical perspective, telling us that although cybersecurity is an instrument of its foreign policy delivering multiple impacts in the Cross-Strait context, its policies did not match the sentiments of its political rhetoric prior to 2016. This was the result of meticulous cost-effective assessment by political elites, viewing both domestic and international factors and spanning political, economic and military aspects. Prior to 2016, Taiwan’s choice to take a defensive posture in the cyber domain was a result of the government’s belief that it cannot go on the offensive, however it might want to behave. Furthermore, from 2016 onward, the constructivist framework used earlier seems to suggest that Taiwan’s cybersecurity posture has been subject to change prior to 2017, and this is likely the result of both souring political relations between the DPP and CCP as well as growing global attention toward cyber warfare (Klimburg, 2017, p. 301; Stoddart, 2016, p. 833). However, the future of Taiwan’s cyber warfare unit is still a matter deserving great attention. While the Tsai administration decided on an approach that was distinct from the previous administration’s, the realization and future success of this new strategy is still affected by the same real-world issues that troubled the Ma administration, such as concerns regarding infringing civil liberties, excessive state surveillance (Executive Yuan, 2017a, 2017b, 2017c), and Cross-Strait economic integration (Helvey, 2016). Identities and norms are among the many internal and external influences that will affect Taiwan’s realization of its cyber strategy. In the future, the Information, Communications and Electronic Warfare Command must also consider the norms promoted by the United Nations Group of Governmental Experts on Developments in the Field of Information and Telecommunications in the Context of International Security (UN GGE) in 2015. For instance, it is understood that states should not attack each other’s critical infrastructure (UN General Assembly, 2015, pp. 7–8). Taiwan will likely pay formal deference to the authority of growing international norms regarding cyberspace, as norms are in the nature of situationally

generated pragmatic inevitability, and this may be a future direction that scholars will wish to follow.

Conclusion

To conclude, the choice of an actor is strategic, but rules in the social world are constructed in the course of following them (Hollis, 1994, p. 197). Borrowing from Wendt's famous quote, "Anarchy is what states make of it" (1992, p. 424), and the anarchy of cyberspace is what people make of it. Cyberspace is a "world of our making" (Onuf, 1989). While over 30 countries were openly pursuing not only defensive but also offensive cyber capabilities by 2016 (Klimburg, 2017, p. 301; Stoddart, 2016, p. 833), we seem now to have moved away from a generation that used to believe that cyberspace is a Global Common, a place of free ideas, and not a zone of conflict between nations and states.

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The Institution of Petition and Authoritarian Social Control in Contemporary China

WOOYEAL PAIK

This paper discusses the Xinfang institution of petitions (letters and visits) and explores the ways in which the Chinese Communist Party regime utilizes social control mechanisms to identify, oversee, and suppress socially discontented people with grievances in the post-Mao market reform era. This public-facing institution for managing participation and rightful resistance, which aims to oversee local officials and redress mass grievances, also plays an unexpected role in social control. Unlike the social control exercised by police patrols in police states, Xinfang functions first as a “fire alarm” in this authoritarian regime; then, if necessary, as a selective “police patrol,” collecting information on discontented people with grievances, monitoring them, quelling and even preempting their protests, and referring dangerous petitioners to higher levels of government to prevent disruption in politically critical regions. This argument is supported with a detailed institutional analysis of the nationwide structure of Xinfang and several case studies of Xinfang’s multi-layered response to petitioners to Beijing, during the Falun Gong incidents in 1999 and 2000 in particular. Several complementary case studies on the behavior of local petition mechanisms and statistical evidence are also analyzed.

KEYWORDS: Social control; petition (*xinfang*); governance; state–society relation; authoritarianism; China.

* * *



Peasant rebellions have been the nemesis of rulers throughout Chinese history. Opportunistic elites have taken advantage of “mass disaffection for the regime in power” to overthrow the regime (Skocpol, 1979, pp. 24–39). The leaders of the Chinese Communist Party (CCP, hereafter) regime are no exception.

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Mao Zedong and his successors, such as Deng Xiaoping and Peng Zhen, feared the same.¹ Such consequences of the actions of the discontented masses are rare because many regimes have the capacity to maintain a monopoly on coherent and effective means of coercion (Davenport, 2007). The remarkably resilient CCP regime is a good example. In its first three decades in power, the regime suffered no major anti-regime challenge, despite periods of starvation during the Great Leap Forward and the chaotic Great Cultural Revolution. Its successful survival is frequently attributed to its strong social monitoring and surveillance apparatus, for example, the work unit (*danwei*), production team (*shengchandu*), and household registration system (*hukou*), in spite of the lack of a secret police force as formidable as the KGB of the Soviet Union.

In the last three decades, the regime has abandoned the communist economic system, which was the key to such social control, and has pursued a market economy. Even though marketization's essential impact — the free flow of people, material, and information — has rapidly dismantled previously used social control mechanisms such as the production team (*shengchandu*) and the work unit (*danwei*) in rural and urban areas alike, the regime still does not wish to liberalize politics substantially (Thompson, 2001). Unlike most other electoral authoritarian regimes (Lust-Okar, 2005; Magaloni, 2006; Schedler, 2013), China does not hold elections beyond the village committee level. In this context, one of the enduring questions for students of Chinese politics has been “why has the CCP regime been so resilient?” (Dickson, 2016; L. Li, 2012; Nathan, 2003; Pei, 2006; Yang, 2004). This question has become even harder to answer because of the abundance of exploitative local officials and their co-opted elites who stand in to support the regime (A. Chen, 2002; Dickson, 2003, 2016) while significantly jeopardizing the well-being and lives of many of the general populace. Many mass protests have occurred in recent years to the extent that disadvantaged citizens have even physically assaulted local officials. During the past 20 years, the frequency of such “mass disturbances,” officially labeled “incidents of social unrest” (*quntixing shijian*), has risen more than 20-fold in China, from 8,300 in 1993 to more than 180,000 in 2008,² and the number of collective petitioners has risen six-fold from 1.6 million in 1994 to 9.7 million in 2005 (Paik, 2012, pp. 103–104).

¹For example, Deng's two well-known dictums, “China can't afford chaos (*Zhongguo buneng luan*)” and “Stability overrides everything else (*Wending yadao yiqie*)”, concern mass rebellion (L. Li & Hou, 1999).

²These numbers of “incidents of social unrest” are drawn from official estimates in the Chinese police yearbooks and from occasional public announcements made by Chinese legal or public security agencies. The most recent frequency of “incidents of social unrest” in 2010 was reported by a renowned sociologist, L. Sun (2012). For a more updated official evaluation of “incidents of social unrest,” see “2012 quntixing shijian yanjiu baogao (Research Report Incidents of Social Unrest 2012)” (2012, December 27).

Mass disaffection had already reached an alarming level by the 2010s (Shambaugh, 2016; L. Sun, 2012; Xu & Li, 2011).³

The CCP regime, which wishes to maintain a one-party dictatorship without substantial political liberalization, has an interest in monitoring and controlling people with grievances and their collective protests — a primary origin of social instability — that might encourage potential challengers against incumbent leaders or create uncontrollable political chaos. The regime needs alternatives to the previous social control system that consisted of the aforementioned work units, production teams, and household registration, largely dismantled institutions which are no longer omnipresent but still functioning, to contain these risk factors at the grassroots level and beyond. *How then does an authoritarian regime compensate for the significant loss of previous mechanisms of social control in order to identify, oversee, and suppress the discontented in an era of market reform?*

Perhaps surprisingly to many China observers, this paper investigates the institution of *Xinfang* (petition, letters and visits) to answer this question in part.⁴ *Xinfang* refers to the “certain citizens’ political activities, such as sending letters and paying visits to designated governing institutions, in order to address their economic and political needs along with policy suggestions” (J. Li & Wang, 2000, p. 214).⁵ The institution of *Xinfang*, treated largely in the literature as a safety valve for redressing mass grievances — managing political participation (Cai, 2004) and rightful resistance (O’Brien & Li, 2006) to constrain exploitative local officials and their cronies — has still another function as an apparatus of social control. The institution of *Xinfang* may in fact be a double-edged sword for aggrieved petitioners.

Analogous to an institution of civil society in authoritarian regimes, which is potentially “more [an] instrument of state social control than a mechanism of collective empowerment” (Wiktorowicz, 2000, p. 43), the publicly accessible institution of *Xinfang* also functions as a mechanism for state social control. As for how it works, unlike omnipresent “police patrol” forms of social control, *Xinfang* functions as an efficient “fire alarm” as well as a *selective* police patrol, collecting information on people with grievances, monitoring them, quelling and even preempting their protests,

³Even though some surveys have reported citizens’ high trust in central government, China’s official bluebook on social development in 2005 found that the political support among rural dwellers declined from 50% for the central party-state to 25%, and to 5%, 2%, and 1% for the next three levels of authority — provincial, city, county, and township, as Yu (2005, p. 218) clearly demonstrates.

⁴This paper uses the terms of “petition” and “*Xinfang*” interchangeably hereafter.

⁵J. Li & Wang (2000, p. 214).

even repatriating dangerous petitioners to higher levels of government like Beijing to prevent any disruption in politically important locations.

While examining this intriguing institution, this paper does not offer any judgement about what constitutes rightful resistance, but rather considers the state, its governance, and its capacity. The paper analyzes how *Xinfang* operates as a social control mechanism and studies its underlying political logic, primarily through investigating archival data collected during multiple fieldwork activities in mainland China and Hong Kong from 2006 to 2014. Though the data are largely archival, relatively old, and derived mainly from official sources, there are few alternatives to describe the institutions and dynamics of *Xinfang* from the perspective of the party-state. The official data are complemented with other newer sources from critical media, such as *Caijing* magazine.

The paper is structured as follows. Section 2 establishes the conceptual framework of “police patrols” *vis-à-vis* “fire alarms” as well as briefly summarizing the emergence of *Xinfang*’s function of social control under a theoretical framework of institutional conversion. Section 3 reviews *Xinfang*’s three major functions under the framework of state–society relations before scrutinizing its pervasive structure to detail its function of social control. Key case studies, particularly the regime’s handling of petitioners in Beijing (L. Li, Liu, & O’Brien, 2012) during the 1999 Falun Gong incident as well as other local government practices, further illuminate the functions of *Xinfang*. Section 4 concludes.

Police Patrols and Fire Alarms: A Theory of Authoritarian Social Control

Police Patrols, Fire Alarms, and Social Control

States wish to control society. Therefore, they devise social mechanisms that regulate individual and collective behavior, which leads to conformity, compliance, and acquiescence to the state’s rules. A state exercises social control informally (through norms and values) and formally (through laws and regulations). Authoritarian states rely more on coercive sanctions, such as censorship, surveillance, and imprisonment, than their democratic counterparts, in order to maintain control and regulate their subjects. Many repressive states such as the Third Reich of Germany, the former Soviet Union, and the current North Korea have depended on the mechanisms of a police state (Chapman, 1970).

A conceptual framework of police patrols versus fire alarms provides us with a useful analytical approach to understanding the mechanisms of social control in the

Chinese state. Rationally, states prefer oversight in the form of fire alarms, a more efficient and effective means for the detection and handling of socially discontented masses. This simple theory's logical insights can be applied to understand diverse social controls in any type of regime, including totalitarian, authoritarian, and democratic regimes.⁶

On the one hand, as is the case with real-world police patrols, police patrol oversight is centralized and direct. State authorities examine a wide and sometimes universal range of individual and collective behavior to detect, surveil, and prevent any violations of the established government orders. Omnipresent surveillance consumes an enormous amount of resources to monitor the entire population. This may be possible in a totalitarian police state, but is less likely in an authoritarian state and not at all possible in a democratic one. This is because the totalitarian state can sacrifice much, if not all, of its economic efficiency and productivity in order to maintain social stability and remain in power. The authoritarian state cannot sacrifice as much as the police state without weakening its authority, and a government in a democratic state would lose its popular mandate if it attempted such actions.

On the other hand, as is the case with real-world fire alarms, the oversight of fire alarms is less centralized and direct intervention occurs much less frequently than police patrol oversight. The state builds a system of laws, regulations, and procedures that encourage individual citizens and collective groups to monitor the established system voluntarily and prevent any violations. At the same time, *petitioners also volunteer information to the state about socially discontented people with grievances who need to be closely monitored and controlled.*

The Transformation of a Social Control System under Market Reforms

Before the economic marketization, the CCP regime had operated a kind of police patrol strategy to maintain social control. The key to the strategy's success lies in the state's capacity to closely monitor and control the household registration system, work units in urban society, and production teams in rural society, along with complementary mass-line organizations. Under the household registration system, every citizen, whether in a rural or urban area, was required to register his/her residence with the local authorities, which worked with other mechanisms to form a tightly-knit supervisory system (Alexander & Chan, 2004). Work units and production teams

⁶For a general understanding and its application to democratic politics, see McCubbins and Schwartz (1984); for its application to China, see Shirk (1993, pp. 57, 83, 117).

imposed social controls on every aspect of their members' lives (Shaw, 1996; Walder, 1986). When popular protests erupted, they were usually kept within the confines of the work unit (Lu & Perry, 1997, p. 3). This group of "police patrol" institutions exercised control over the masses and helped maintain social stability and regime survival.⁷

Deng's market reforms, however, largely dismantled these social control systems. This is because most were incompatible with the market economy, whose essential elements — greater freedom of personnel, material, and information flows — fundamentally conflicted with the aforementioned static forms of social control (Nee & Lian, 1994; Walder, 1994).

The rapidly growing labor, commodity, and logistics markets, with their enormous foreign and domestic investments, generated a keen demand for labor in urban and industrial areas. In 1989, there were already about 30 million migrant workers; this increased to 62 million in 1993, to approximately 210 million in the mid-2000s, and reached 275 million by the early 2010s (Zheng & Huang, 2007, pp. 9–35). In the face of such free mobility, the house registration system withered and largely lost its function of social control, even though it has not yet been abolished.⁸ The privatization of state-owned enterprises in order to meet new market demands for efficient competition significantly weakened the power of the traditional work unit, and rural agricultural decollectivization completely dissolved production teams in those areas. This series of monumental socio-economic changes has largely stripped the fetters from ordinary citizens, and the police patrol form of social control has become more difficult to maintain. A renowned expert in *Xinfang* politics, sociologist Ying Xing, argues, "Because the People's Commune [and its sub-organizations such as the production brigade (*shengchandadui*) and production team (*shengchandu*)] (*author's addition*) were dissolved and state-owned enterprises were reformed, the grassroots work unit (*danwei*)'s social control capacity decreased and the mass[es] pursued their private interests and spaces. The more important [issue] (*author's addition*) is that citizens' understanding of their rights has been significantly improved, so the previous administrative mechanism lost its effectiveness" (Xu & Li, 2011).

The market-driven CCP regime, however, does not want further political liberalization. While it has succeeded in satisfying and co-opting emerging political and economic elites, the regime has suffered from rapidly increasing mass protests against

⁷To be sure, this police patrol type of social control was not perfect all the time, as it allowed the masses to participate and struggle actively in politics and almost demolish the governing apparatus, especially during the Cultural Revolution (1966–1976).

⁸For its adjusted functions, see Wang (2004).

the excessive exploitation of local governments, unconstrained corruption, and growing inequality (Paik, 2012; Shirk, 2007). Such political conditions have forced the regime to search for more efficient and voluntary fire alarm mechanisms of social control. Of course, the regime has not abandoned traditional police patrol mechanisms completely (Tong, 2009). Nevertheless, it is not as formidable as it once was and needs to be complemented by more selective fire alarm mechanisms. The CCP regime has placed grassroots *Xinfang* networks in villages and towns to act as fire alarm toolkits and firehouses. *Xinfang* workers and collaborating police act as hook-and-ladder units in response to an alarm. Each unit selectively and closely monitors “arsonists” among the troubled masses using police patrol methods, whether they are caught red-handed or merely under suspicion. In this context, *Xinfang* has been a useful tool of governance.

***Xinfang* as a Social Control Mechanism of the State**

Xinfang’s Three Functions in State–Society Relations

The institution of *Xinfang* has three broad goals — channeling mass participation to redress grievances, monitoring and constraining exploitative local officials, and maintaining social control over the volatile masses (J. Li & Wang, 2000, pp. 3–28; Minzner, 2006). Many students of Chinese politics have focused on the first function. Cai (2004, p. 83) rightly defines *Xinfang* as “managed” political participation, which plays the role of a safety valve at the local level of society, mollifying aggrieved peasants and workers (*Changsha City Yearbook*, 2004, p. 83; *Sichuan Provincial Yearbook*, 1997, p. 57; *Xuanwei City Yearbook*, 2004, p. 48). Many experts in contentious politics, such as Kevin J. O’Brien, Xi Chen, and Jianrong Yu, reasonably define this managed participation as one of the primary methods of “rightful resistance” (X. Chen, 2009; O’Brien & Li, 2006; Paik, 2012; Yu, 2007). They analyze the strategies and tactics of petitioners to force local officials to respond to their demands (Chen, 2009; Yu, 2007), theorizing a general conflict structure of “the center and the mass” versus “local governments” in contemporary Chinese politics, as the second row of Table 1 demonstrates. Some experts argue further that petitioners indirectly influence policy agenda setting and agenda making by forming a “generalization of grievances” (Minzner, 2006, p. 142; J. Li & Wang, 2000, pp. 1580–1584).

A few scholars acknowledge a second function of monitoring and constraining the corruption and malfeasance of local officials (Lorentzen, 2013; Paik, 2012). Lorentzen (2013)’s formal model shows succinctly that petition activism performs the

function of an alarm mechanism for central and higher-level local governments, which helps call attention to the misbehavior of lower-level local officials and its resulting political instability. In the conflict structure proposed (the second row in Table 1), *Xinfang*'s fire alarm function is targeted at local officials. In fact, the regime has established a *Xinfang* Responsibility System (*Xinfang zerenzhi*) to evaluate a local cadre's performance by monitoring the frequency of petitions in his/her jurisdiction (J. Li & Wang, 2000, pp. 63–65, 75–79; see also *Fujian Provincial Yearbook*, 1999, p. 55, 2000, p. 110; *Taizhou City Yearbook*, 2003, p. 74). In sum, the aggrieved masses lodge petitions and ring the “fire alarm” (the system set up by the central government to monitor and constrain corrupt local authorities) in order to redress their various grievances. The institution of petitions is generally seen as a benevolent governance mechanism of an authoritarian regime, despite the controversy over its effectiveness. The same state–society conflict structure as the first function of “managed participation” is applicable to the second function of “monitoring local government”, as the third row of Table 1 demonstrates.

Ironically, however, the regime also makes use of this fire alarm function for social control over the petitioners themselves. First, the *Xinfang* institution collects first-hand information about discontented people with grievances who could become proactive protestors and threaten social stability. The system works as a social control function that is voluntary in nature. Discontented and disaffected people alert the regime to their presence and to the fact that they should be closely monitored.

Table 1.
Three Interpretations of Institutions and Actors in Xinfang

Interpretation	Actor			Conflict Structure
	(a) Central (Higher-Level) Government	(b) Lower-Level Government	(c) Mass Petitioners	
Managed participation	Collecting information, selective resolution	Collecting information, discouraging petitioner	Demanding interest protection	(a) + (c) versus (b)
Monitoring local government	Constraining local government misbehavior	Concealing information	Divulging local government misbehavior	(a) + (c) versus (b)
Mass social control	Constraining mass malcontent	Constraining mass malcontent	Confronting state suppression	(a) + (b) versus (c)

Reporting their grievances allows the regime to identify them. They “ring the fire alarm,” identifying themselves as volatile people with a grievance, enabling the regime to trigger a selective police patrol if necessary. The *Xinfang* social control machine activates the police patrol jointly with other social control mechanisms to monitor these social malcontents and to repress and even preempt their protests (J. Li & Wang, 2000, p. 1797; see also *Heilongjiang Provincial Yearbook*, 2001, p. 76; *Shandong Provincial Yearbook*, 2001, p. 24; *Xi'an City Yearbook*, 2007, p. 68; *Zhongguo Xingzheng Guanlixuehui Xinfangfenhui*, 1999, pp. 281–289). In this context, we note that the conflict structure in the fourth row of Table 1 pits “central and local governments” (i.e., the entire regime) against “mass petitioners,” differing from the first two functions. *The Xinfang institution is therefore a double-edged sword for ordinary suffering citizens.* This is why the regime includes the *Xinfang* institution in its official apparatus for “Stabilizing Society.” Jiangsu Province defines *Xinfang* as one of its social control institutions, putting it under the flag of “Building Peaceful Jiangsu (*jianshe pingan Jiangsu*),” along with the courts, the police, and the procuratorate (*Fujian Provincial Yearbook*, 2006, p. 63; *Jiangsu Provincial Yearbook*, 2006, pp. 442–451).

Few experts have commented on this third function in the literature; understandably, social control of the masses is not openly promoted by the regime and there is little information available. Though the element of social control has been acknowledged by Lorentzen and Minzner, their efforts to systematically substantiate their arguments may be incomplete. Still, some exceptions may exist. Ethnographic studies on “Petitioning Beijing” by L. Li *et al.* (2012, pp. 12–13, 18–19) and J. Chen (2016) partly illustrate *Xinfang*’s social control function along with other aspects of petitioning Beijing. The Chinese media has offered some journalistic analysis in the form of the critically minded *Caijing Magazine* (Xu & Li, 2011). This paper seeks to build on these studies in order to offer a more thorough theory of mass social control from the top (Beijing) to the bottom (the local grassroots), using archival data from an institutional perspective.

It is possible that the function of social control has undergone an institutional conversion — a process in which institutions with an initial set of goals (for instance, managed participation and the monitoring of local government) are redirected to another goal (social control), whether intended or not.⁹ X. Chen (2008, 2012) has correctly applied this theory to another interesting development of *Xinfang*; while it

⁹For the theory of “institutional conversion,” see Thelen (2004). For a detailed institutional conversion process, see pp. 10–11.

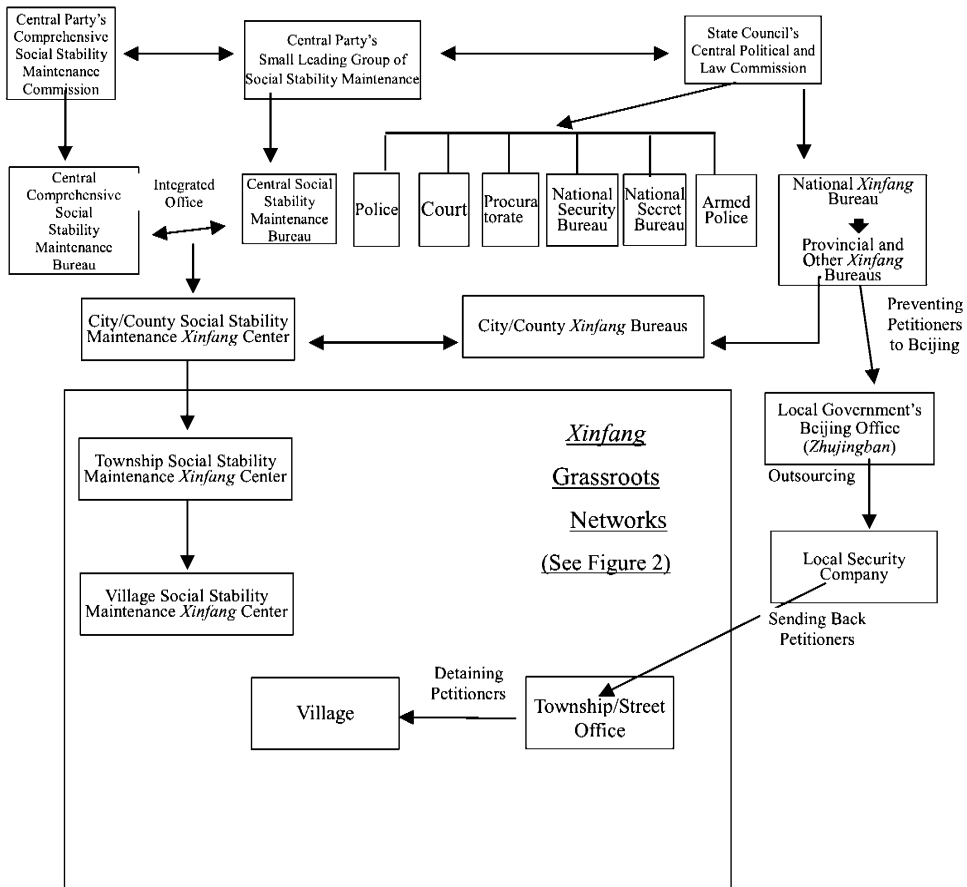
was initially designed to inhibit collective action, it began to facilitate it over time. This paper attempts to see the opposite side of the coin in this particular institutional conversion, offering not the petitioner's perspective, but the state's. The final part of the paper outlines *Xinfang*'s vast and pervasive structure that functions as a mechanism for state social control, illustrating its social control functions through several case studies.

Xinfang's Institutional Structure

The institution of *Xinfang* is firmly entrenched in the CCP regime's Political and Legal Affairs System (*zhengfa xitong*), in which it plays a significant role. This system is in charge of civilian coercive mechanisms and is led by the Political and Legal Affairs Commission of the Central leadership.¹⁰ The authoritarian party-state's political system is equipped with a precise and elaborate repressive system to maintain social stability and the regime's authoritarian rule. As we have seen in its bloody quelling of the 1989 Tiananmen Movement, the People's Liberation Army holds a critical role as the ultimate mechanism for repression. Civilian parts of the system, however, include many critical governing mechanisms. The "maintaining social stability" (*weihu shehui wending*) system includes and connects police, armed police, courts, the security bureau, the secret bureau, and *Xinfang* organizations, along with their respective grassroots networks (J. Li & Wang, 2000, pp. 838–883, 991–1034; Xu & Li, 2011). Figure 1 depicts the location of *Xinfang* institutions in the Political and Legal Affairs System, the body in charge of maintaining social stability in China's party-state.

The institution of *Xinfang* is an important part of this system; its structure mimics a net with flexible meshes. *Xinfang* follows the conventional structure of vertical (*tiaotiao*) and horizontal (*kuaikuai*) organizations of the Chinese bureaucracy (Chao, 1991; Lieberthal, 2004, pp. 186–188). It is, however, different from a typical government bureaucratic organization in two aspects. First, *Xinfang* is not merely a department or bureau within government bureaucracy such as National Land and Resources, Family Planning, Police, and so forth. The headquarters is the National *Xinfang* Bureau under the State Council and lies at the top of each level of government — the national, provincial, municipal, county (district), township, and even village level in many cases. The Party Committee and the People's Government have a

¹⁰*Xitong*, meaning "system," is the name used to indicate a group of bureaucracies that together deal with a broad task that top political leaders wish to be performed. A *xitong* is "generally led by the leadership small group and usually headed by the member of the Standing Committee of the Politburo in charge of that functional portfolio" (Lieberthal, 2004, p. 218).



Source: J. Li & Wang (2000, pp. 838–883, 991–1034); Xu & Li (2011).

Figure 1. Organizational structure of maintaining social stability mechanisms.

joint petition bureau or office (J. Li & Wang, 2000, p. 550).¹¹ At each level under these two national control mechanisms, all government departments and virtually all other party-state organs have their own *Xinfang* organizations. In particular, as shown on the right-hand side of Figure 1 and demonstrated in the case of Falun Gong petitioners, *Xinfang* has a set apparatus to prevent petitioners from entering Beijing by employing *Xinfang*-related workers from provincial governments and provincial Beijing offices

¹¹ Each of the 31 provincial level Party Committees (*dangwei*) and the People's Government have their own *Xinfang* bureau (J. Li & Wang, 2000, p. 556). The most senior person in charge is usually the provincial deputy secretary of the Party Committee or deputy governor of the People's Government (Shanxi Provincial Yearbook, 1996).

(*zhujingban*), sometimes even hiring local security companies to apprehend petitioners to Beijing (*jingfangren*), return them to their localities and put them under some form of restraint.

Xinfang organizations fall roughly into five groups¹²: (1) individual government departments, (2) judiciary organs, such as party disciplinary committees, police, courts, and procuratorates, (3) legislatures and united front organs, such as the People's Congress and the People's Political Consultative Conference, (4) other party-state organs, including the People's Liberation Army, mass organizations, state-owned enterprises, the non-profit social unit (*shiye danwei*), and (5) the media. Each *Xinfang* institution receives, reports, and settles petition letters and visits through complicated administrative arrangements (J. Li & Wang, 2000, pp. 838–883, 991–1034). They are also coordinated by a multi-layered *Xinfang* Leading Small Group (*Xinfang lingdao xiaozu*) at each local administrative level. This vast party-state institution becomes even more powerful with another institutional structure at the grassroots level (Figure 2).

Second, *Xinfang* has established the Grassroots *Xinfang* Network (*Jiceng xinfang gongzuo wangluo*). This network was first established as a *Xinfang* organization simply to assist the three lowest-level party-states in a small number of counties. The regime quickly found it useful to collect information about many critical grassroots situations at “every house, every family, and everyone” (*meijia meihu meigeren*) (J. Li & Wang, 2000, p. 1576). In 1984, the Central Party Discipline Committee prioritized this three-layered network as a key county-level *Xinfang* institution and established it in most counties nationwide.¹³ This is a clear example of the aforementioned “institutional conversion.”

This pervasive grassroots organization is composed of county and township *Xinfang* cadres, village and enterprise cadres, and various *Xinfang* workers such as informants, contacts, mediators, and supervisors.¹⁴ A county deputy magistrate or deputy party secretary manages the network, often leading a “*Xinfang* Leading Small Group” that includes every organization's *Xinfang* division. In particular, police and other law enforcement agencies are actively involved in this network, being another

¹²This list is compiled from J. Li and Wang (2000, pp. 1619–2107).

¹³For further institutional development, see J. Li and Wang (2000, pp. 1689–1690, 1755–1758, 1797–1799, 2206–2207, 2249).

¹⁴The regime has further extended the Grassroots *Xinfang* Network with the establishment of the “contact/liaison family.” These families, whose members belong to a party organization, the government, the Communist Youth League, the Women's Federation, or the local militia, act as the “leading family” to oversee, assist, and educate their neighbors or “every family” regarding *Xinfang* issues. For example, Xusheng Township in Zhangqiu County, Shandong Province devised and implemented a principle of “one contact family watchdog for every four families” (J. Li & Wang, 2000, pp. 1576–1577, 2206–2208).

connected part of the Political and Legal Affairs system. Many other township and village cadres find it necessary to join or cooperate with the network to deal with *Xinfang* tasks. Such a pervasive structure is indispensable to the regime for imposing social control over radical people among the aggrieved masses. This grassroots organization forms the backbone of *Xinfang*'s function of social control in terms of the collection, analysis, and reporting of information — that is, the *Xinfang* Information Network (*Xinfang xinxi wangluo*).

The following three examples — at provincial, municipal, and county levels — help us to grasp the realities of the *Xinfang* institution at each local level.¹⁵ First, the *Xinfang* Network of the Guangxi Zhuang Autonomous Region (Province) had 506 cadres above the county level in 2002, 4,000 cadres in 1,360 townships, and 40,000 *Xinfang* workers in 15,900 village and community committees — in total, 44,506 *Xinfang*-related workers in the province (*Guangxi Provincial Yearbook*, 2003, p. 151).¹⁶ The province's total population was 47.88 million and the national population was 1,292.27 million; that is, it can be inferred that there were approximately 1.2 million *Xinfang* workers in China in 2002. In the context of about 1 million professional civil police in 2002, *Xinfang* was a far-reaching bureaucracy including numerous mass organizations (W. Sun, 2003).¹⁷ This statement becomes even more convincing when we break down the *Xinfang* institutions of a single city and county.

The *Xinfang* network covered the five city districts of the famous sightseeing city of Guilin in the Guangxi Zhuang Autonomous Region in 2003, where members of *Xinfang* organizations numbered around 400,000. The districts had 18 *Xinfang* Leading Committees (258 personnel) and 150 township and street-level Leading Committees (2,421 personnel). There were 68 city and district party-government cadres, 841 cadres from organizations under the immediate control of the city or district, and 648 township cadres. They were supported by 4,168 community and village *Xinfang* informants and assistants. Therefore, approximately 6,600 *Xinfang* workers covered 400,000 citizens across all the districts of Guilin city: there was roughly one *Xinfang* worker per 60 residents or 15 families (the average family had four members) (*Guilin City Yearbook*, 2004, p. 104).

¹⁵Though it is relatively old, there is little other official or unofficial information that describes *Xinfang* structures at these local levels with the level of detail seen in this data. We should be cautious about interpreting “official” data, but it seems to be objective in its description of organizational structures and interactions.

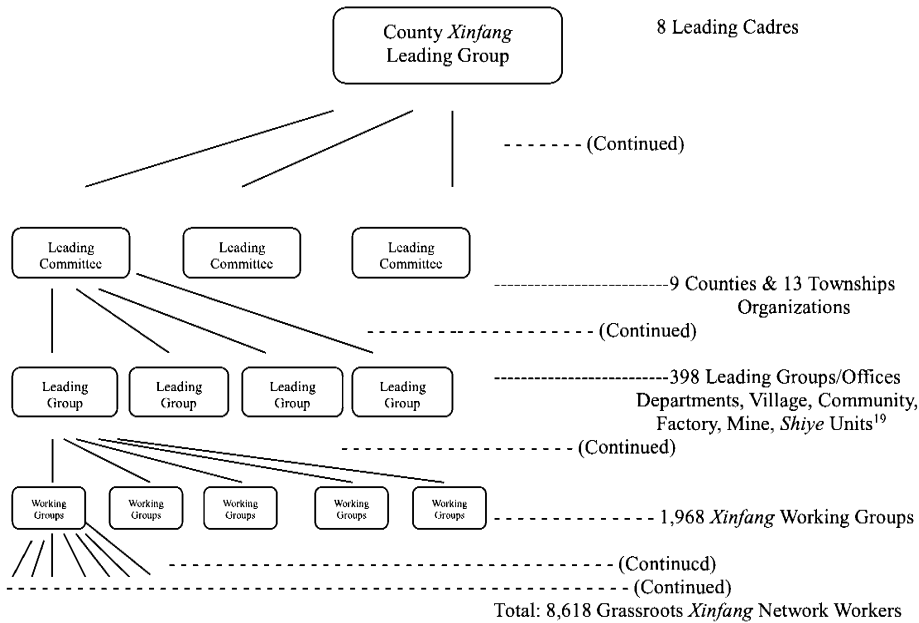
¹⁶For illustrative statistical data from other years, see the *Guangxi Provincial Yearbook* (1998, p. 157, 2004, p. 161).

¹⁷This number does not include frontier police, fire police, or guard police among the military police.

Figure 2 illustrates this network in more detail with another example from Xinjiang County, Shanxi Province in 1999. The county's *Xinfang* network was headed by the Leading Office, whose chief Liang Jinggui was the County Party deputy secretary along with seven deputy magistrates. Senior deputy magistrate Ma Haiju was also the county *Xinfang* bureau chief. There were 22 *Xinfang* Leading Committees — nine systems under the immediate control of the county and 13 townships — and 398 leading groups in each party-government department, resident committee, village committee, factory, and mine. Moreover, there were 398 leading groups supported by 1,968 *Xinfang* Small Working Groups (*Xinfang gongzuo xiaozu*) in offices, enterprise/shop offices, villages, and resident organizations. In total, 8,618 full-time *Xinfang* cadres, informants, assistants, helpers, and supervisors managed these working committees simultaneously. All *Xinfang* workers are required to subscribe to the CCP's ideology and be competent, capable of building the organization, and educated. They are required to have the communication skills necessary to create and maintain the connected and interlocking mechanisms of *Xinfang* institutions (J. Li & Wang, 2000, p. 294). Xinjiang County had nine townships and one development district (*kaifaqu*), 220 villages, and a total population of 320,000 in the year 2000, meaning that there was one *Xinfang* worker per 37 persons. These three examples clearly demonstrate the density of the *Xinfang* system at the grassroots level.

One such pervasive local *Xinfang* network as described earlier established a “County–Township–Village” three-stage co-defense system for maintaining social stability (Xu & Li, 2011). In 2011, Yunan County in Guangdong Province established a comprehensive county-governing *Xinfang* center (*zonghe zhili*) to deal with “difficult” *Xinfang*-related matters, allocating eight comprehensive township-governing *Xinfang* centers for “big” matters, and 121 village and comprehensive community *Xinfang* social stability management stations (*shequ*) for “small” matters (Xu & Li, 2011). Grassroots *Xinfang* systems function nationwide, not simply in Guangdong Province. Vertical and horizontal institutional structures, connected from top to bottom, amply demonstrate the significance of *Xinfang* institutions, which are firmly embedded in the political and legal affairs system of the CCP regime.¹⁸ What motivates the leaders of the regime to enforce this state mechanism is not only the need to channel mass participation and rightful resistance or constraint corrupt officials, but also the institution's function of social control over the volatile masses.

¹⁸More research is necessary on the relationship between the *Xinfang* Grassroots Network and other grassroots mass organizations in future studies. See also *Changsha City Yearbook* (2007, p. 101); J. Li and Wang (2000, pp. 2206–2209); *Jiangsu Provincial Yearbook* (2002, p. 355); *Shaanxi Provincial Yearbook* (1998, p. 96).



Source: J. Li & Wang (2000, p. 294).

Figure 2. Grassroots Xinfang networks in Xinjiang County.

Xinfang's Social Control Function: Fire Alarm First, Selective Police Patrol Later

Xinfang can be a double-edged sword for aggrieved petitioners. Sometimes its two functions of managed participation and constraining local officials do help petitioners obtain economic compensation and protection. More often, petitioners must inevitably take a risk by exposing their dissatisfaction with local government, which implicates the regime as a whole. They then become the object of surveillance and even crackdowns. *Xinfang's* institutional structures fit into this function. *This nationwide "fire alarm" system, while not an omnipresent "police patrol," still possesses a selective or fire alarm-sensitive police patrol function.* This social control mechanism collects information on malcontents and monitors, suppresses, and pre-empts their excessive protests, which have the potential to destabilize society.

¹⁹They are led by a village party secretary, a village committee chief, a *minzheng* (civil affairs) committee member, a women's federation chief, and a public security committee member, respectively (J. Li & Wang, 2000, p. 558).

Xinfang intensively and extensively collects politically sensitive information through actual petitions, the *Xinfang* Grassroots Network, and direct investigations (J. Li & Wang, 2000, pp. 1588–1589). It compiles information about the influence of petitioners on social stability as well as their actual grievances (J. Li & Wang, 2000, p. 1588). It initially gathers such information primarily from voluntarily lodged petitions. Unlike other social control mechanisms such as the police, the procuratorate, and secret agencies, *Xinfang* allows the discontent to voluntarily report that they are potential protestors; it does not drive them underground and leave them to engage in contentious activities at a later date. Each petition is carefully registered and stored in accord with a highly sophisticated set of statistical and descriptive storage manuals (J. Li & Wang, 2000, pp. 1379–1527). Most *Xinfang* sections of provincial and city yearbooks acknowledge that the most problematic petitioners are precisely identified, labeling them as “long-standing, big, and difficult level-skipping petitioners” (*laodan-nan shangfangren*) and a primary target of *Xinfang* social control. As unregistered petitioners who appear at collective visits are often associated with serious protests and problematic media interviews, *Xinfang* officials photograph and videotape attendees intending to identify them.

Xinfang is not just a passive mailbox. The institutions of *Xinfang* gather information in proactive ways. The *Xinfang* Grassroots Network, which is composed of a three-stage (county–township–village) co-defense system for maintaining social stability, appears to play a significant role in this collection. The task of *Xinfang* informants and contacts in rural villages and urban communities is to collect and report any information about potential petitions and related social incidents under the heading of “Constructing the *Xinfang* Information Network” (J. Li & Wang, 2000, pp. 2206–2208). Grassroots *Xinfang* officials and their associates are required to pursue such information, sometimes investigating directly alongside police and prosecutors (J. Li & Wang, 2000, pp. 1011–1024; *Sichuan Provincial Yearbook*, 1996, p. 55, 1997, p. 57). Once the information is collected and analyzed, it is reported through internal and external publications such as the Petition Information Express News (*Xinfang xinxi kuaibao*) and the Abnormal Level-Skipping Petition Bulletin (*Feizhengchang shangfang tongbao*) of Changsha City in Hunan Province (*Changsha City Yearbook*, 2004, p. 100; *Jilin Provincial Yearbook*, 2000, p. 57; *Nanjing City Yearbook*, 2004, p. 305; see also J. Li & Wang, 2000, pp. 897–904), or the Collective Petition Express News (*Jifang kuaibao*) of Sichuan Province (*Sichuan Provincial Yearbook*, 2003, p. 57).

The rapid increase in Henan Province’s “Critical *Xinfang* Reports to the Leaders” demonstrates that the regime has persistently enforced and expanded *Xinfang*’s social

control function. Henan reported 4,900 critical *Xinfang* cases in 1994, 9,052 in 1995, 9,843 in 1996, 11,600 in 1997, 12,000 in 1998, 10,442 in 1999, 12,360 in 2000, 13,000 in 2001, and 16,190 in 2002 (*Henan Provincial Yearbooks*, 1995–2003). The “Interim Procedures of *Xinfang* Information Work” (*Xinfang xinxi gongzuo zanxing banfa*), announced in 1996, explain this function in greater detail:

Twice a year [July 30th and February 15th], the *Xinfang* organization of each province, autonomous region, and municipality, directly under the jurisdiction of the Central Government and prefecture-level city, should submit reports about the basic situation, main content, trends, analysis, and predictions about its own jurisdiction to the central *Xinfang* bureau of the Central Party Committee and State Council; on the 20th of every month, the previous month’s primary *Xinfang* situation should be reported. These *Xinfang* organizations must immediately report collective visits of more than 50 petitioners to a higher level, as such petitions seem to influence local stability, as well as petitioners potentially entering into Beijing to petition, to the central *Xinfang* bureau within 6 to 12 hours. (J. Li & Wang, 2000, p. 1555)

In a similar vein, the regime ordered mandatory internal reports on more than 80% of collective petitions of 10 to 30 people, on more than 90% of petitions of 30 to 50 people, and 100% of petitions of more than 100 people (Zhongguo Xingzheng Guanlixuehui Xinfangfenghui, 1999, pp. 281–282). This demonstrates that *Xinfang* pays much more attention to large collective petitions whose participants are more likely to stage protests and consequently threaten social stability in the local community and beyond. Similarly, a renowned expert of *Xinfang* politics, sociologist Ying Xing argues

In order not to influence the central government’s work, local governments must tightly control *Xinfang* activism: grassroots governments must eradicate (*esha*) any element [that may] cause social instability when it is at the sprouting stage (*mengya zhuangtai*). Once these activist events happen, local governments should be able to take emergency measures. (Xu & Li, 2011)

The phase “taking emergency measures” is evidence that *Xinfang* mechanisms function as selective police control in order to maintain social stability.

***Xinfang*’s Social Control Function of Selective “Police Patrols”: The Case of Falun Gong Petitioners to Beijing**

One issue that has not yet been discussed is whether *Xinfang* chooses to respond to aggressive petitioners or to repress them, that is, when it chooses to employ a police patrol form of social control. The regime does respond to petitioners’ demands on occasion. Repression does not seem to be automatic when selective surveillance can be imposed. Though the possibility of suppression might deter petitioners from becoming violent or organizing protests, a substantial group of petitioners remains unsatisfied by

the responses of local governments, and these groups of collective petitioners often form the nucleus of widely reported mass protests in contemporary China.

Collective petitions have become politically important because, from the state's perspective, illegal and violent protests often begin as collective petitions (X. Chen, 2008; Hurst, Liu, Liu, & Tao, 2014). Many become petitioners after a serious threat to their livelihoods. They are desperate enough to test the limits of state tolerance and willing to risk surveillance and repression. Both the regime and mass petitioners appear to be searching for the fine line between these two outcomes. Nevertheless, we find a clear threshold in the regime's response to Falun Gong petitioners. The regime's *Xinfang* and other connected social control mechanisms of the Political and Legal Affairs system will not tolerate such petition activism and the protests that they engender. Falun Gong protests were unconstrained by responses from the *Xinfang* system and related governmental apparatuses, and were highly organized, cross-regional, and fundamentally threatening to the regime's stability.

In these circumstances, *Xinfang* has suspended its function as a fire alarm and employed selective police patrol, as L. Li et al. (2012, pp. 12–13, 18–22) and Xu and Li (2011) agree. Other than information collection, investigation, and reporting on troublemakers, *Xinfang* participates in the surveillance and control of protesting petitioners when it cannot meet their demands, or when their activism seriously threatens social stability. The social control mechanism identifies potentially threatening “bad elements,” directly constrains them, and even preempts their possible protests. It carries out these duties by forming a taskforce with other social control mechanisms such as the police and prosecutors. *Xinfang* is a net with flexible meshes that can tighten at any time. It is weak when redressing grievances, but strong when suppressing petitioners who protest aggressively. The following analysis of the crackdown on the long stream of petitioners to Beijing and on the Falun Gong organization in 1999 and 2000 is a vivid and singular demonstration of social control in the form of selective police patrol.²⁰

Xinfang responds quickly to any collective petition visit to Beijing (*jitijingfang*). Every level of local government is highly sensitive about petitions to both Beijing and provincial capitals. Social instability and chaos in the capital is the worst-case scenario for this regime, whose memory of the Tiananmen Movement in 1989 and its aftermath is still very vivid. If such petition activism and related protests are kept within local boundaries, they are controllable and more likely to be contained. If the protests go

²⁰Even though these data are relatively old, there have been as of yet few other available cases that show this function of *Xinfang* nationwide.

beyond local boundaries and reach the provincial or national capital, however, it could be devastating both for the reputation of local leaders and for the stability and survival of the regime (*Shanxi Provincial Yearbook*, 2002, p. 107). The dismantling of work units, production teams, and household registration systems discussed earlier, along with more readily available and ever-advancing high-tech communication tools such as cellular phones, the internet, and social network services, makes it more difficult for the regime to monitor and control mass movements. Nevertheless, local agents should contain, effectively capture, and control local malcontents, as they are well-acquainted with petitioners and their problems. Petitioners usually take (or are forced to take) a step-by-step approach. Most lodge their petitions to at least one local level before heading to Beijing, which gives local *Xinfang* organizations valuable information about these individuals and groups.

Information from multi-layered networks enables *Xinfang* institutions to suppress and even preempt potentially threatening petition activities. The *Shandong Provincial Yearbook* proudly writes that its *Xinfang* organizations dispatched 200 policemen and *Xinfang* officials to Beijing to receive 300 serious petitioners, as well as preempting the most volatile 73 petition activities in 2004 (*Shandong Provincial Yearbook*, 2002, p. 21).²¹ The Jiangsu Provincial *Xinfang* Bureau reports

On May 29 [in 1997], the provincial government deputy governor formed “the Provincial Emergency Squad” for our provincial petitioners’ problems in Beijing. It has two goals: (1) assisting the National *Xinfang* Bureau to bring back the long-standing, big, and difficult level-skipping petitioners to our province, (2) coping with our province petitioners to Beijing and their unexpected incidents during important national events.... The squad investigated and settled the cases of 66 petitioners in Beijing. (*Jiangsu Provincial Yearbook*, 1998, pp. 125–126)

Most other provincial governments have done the same, forming multiple squads of officials from *Xinfang*, the police, the courts, police-law committees, and provincial liaison offices in Beijing (*zhujingban*) (*Dezhou City Yearbook*, 2006, p. 180; *Hebei Provincial Yearbook*, 2000, p. 57; *Henan Provincial Yearbook*, 2004, p. 70; *Shanxi Provincial Yearbook*, 2004, p. 76). Cities have even sent their own police squads to Beijing to capture petitioners from their jurisdictions (*Dezhou City Yearbook*, 2006, p. 180; *Xi’an City Yearbook*, 2005, p. 77; *Yicheng City Yearbook*, 2004, p. 61).

The Falun Gong incident of 1999 is a striking demonstration of selective police patrol where *Xinfang* institutions prevailed against single petition-propelled mass

²¹For similar activities by other local states, see *Hebei Provincial Yearbook* (1995, p. 52, 1996, p. 56, 1997, p. 66); *Jiangsu Provincial Yearbook* (1999, p. 132); *Jilin Provincial Yearbook* (1998, p. 103); *Shanxi Provincial Yearbook* (2002, p. 107); *Panzhihua City Yearbook* (2005, p. 65).

mobilization in Beijing and other regions.²² The CCP regime has referred to it as “the most serious threat to stability in 50 years of Chinese communist history” (Lum, 2006).²³ On April 25, 1999, an estimated 21,000 Falun Gong practitioners from every corner of China, disguised as tourists or business people, gathered in Beijing to protest the government’s increasing restrictions on their religious activities. Several protesters openly presented a petition to the leadership of the party-state near the Forbidden City (*Zhongnanhai*), demanding that the regime officially recognizes Falun Gong members and their political rights of speech and assembly. Each provincial *Xinfang* organization responded promptly to the incident in Beijing. *Xinfang* squads, jointly formed with police and other social control mechanisms, immediately identified, caught, and returned problematic Falun Gong petitioners to their own provinces. For instance, the *Xinfang* organization of Hebei Province successfully screened, identified, and returned its petitioners to the province.

[In 1999] Following the orders of the Central Party Committee and the Provincial Party Committee, our *Xinfang* organization fought hard against the “Falun Gong” cult organization. Along with the related party-state organizations, we completed our duty to bring back our province’s “Falun Gong” practitioners, who entered Beijing and participated in the “4.25” and “7.22” incidents. At the same time, we settled perfectly a large number of “Falun Gong” practitioners’ “petitions” [Quotation marks are in the original text]. The provincial party-state leaders awarded 12 *Xinfang* cadres for this achievement... The Central Party-Committee and State Council acknowledged that the Hebei *Xinfang* organization’s work, especially in Beijing, belongs to the top notch in terms of guaranteeing the party-state’s important political activities. Our “Falun Gong” work is the best among all provinces. ... State Council deputy secretary Liu Qibao and Party-Committee and State Council *Xinfang* Bureau Chief Zhou Zhanxun strongly endorsed our provincial *Xinfang* work. The provincial party committee also made an endorsement that “The provincial *Xinfang* bureau made a great contribution to our province’s social stability during these sensitive periods (Note: Pointing the same struggle with the “Falun Gong” cult [This note is in the original text])... Every level of the *Xinfang* organization and its officials made a big contribution to the struggle. (*Hebei Provincial Yearbook*, 2000, p. 57)

[In 2000] With high-level political responsibility, provincial *Xinfang* organizations participated in the struggle with the “Falun Gong” cult. Following the direction of provincial party leaders, our provincial *Xinfang* bureau continued to be stationed in Beijing, settling “Falun Gong” petitioners who entered Beijing and additionally dispatching our bureau’s two leading cadres there... Through this mission, we made a great contribution to the national capital, Beijing, in terms of political and social stability, which was recognized by national party

²²For a good analysis of the Chinese state’s capacity to contain, suppress, and dissolve the Falun Gong movement, see Tong (2009, pp. 53–77). Though Tong details the regime’s law enforcement at the local level, he does not mention the role of *Xinfang* institutions.

²³From the regime’s perspective, Falun Gong’s ability to mobilize collective action in order to defend its own interests was more threatening than its mere size, as it claimed that the movement had mounted 307 protest demonstrations against party-state organizations from April 25 to July 22 in 1999 (Sanbaiduoci Weigong, 1999, August 5). For a thorough analysis of the CCP’s perspectives on the Falun Gong problem, see Keith & Lin (2003).

leaders. . . . Provincial deputy party secretary Chao Shiju said in *Report on the Situation of the "Falun Gong" Cult Practitioners, Who Entered Beijing during National Day (10.1) and the 15th Party Congress 5th Plenum Period*, "The provincial *Xinfang* bureau and the police department formed a joint command to deal with the difficult 'Falun Gong' problem and achieved great success." (*Hebei Provincial Yearbook*, 2001, p. 55)

In addition to Hebei Province, the provinces of Heilongjiang, Jilin, Liaoning, Tianjin, and Shandong also dispatched their *Xinfang* squads to identify Falun Gong petitioners and protesters, first collecting their personal information and then persuading or forcing them back to their localities.²⁴ Heilongjiang Province reported

For the struggle with the "Falun Gong" cult organization during the National Lianghui [National People's Congress and CPPCC Annual Meetings, early March] and the 50th anniversary of National Day (10.1), our provincial *Xinfang* Bureau dispatched the Beijing squad five times to catch and bring back 587 "Falun Gong" practitioners who had entered Beijing. They made 7 collective visits and 205 individual visits to some Beijing *Xinfang* organizations. (*Heilongjiang Provincial Yearbook*, 2000, pp. 92–93)

The social control of provincial *Xinfang* organizations over Falun Gong practitioners was also widely conducted in their own localities. From July 21 to 22, 1999, the Jilin provincial *Xinfang* bureau and police department cooperated to receive, "carefully register" (i.e., collect personal information), "educate," and forcibly return almost 10,000 Falun Gong petitioners to their homes (*Jilin Provincial Yearbook*, 2000, p. 57). The *Xinfang* office of Shenzhen City in Guangdong Province, with the support of the police, apprehended 900 Falun Gong petitioners who had blocked entrance to the City Party Committee building on July 21 in 1999, took them to a local junior high school, had them "educated," and forced them back to their districts (*Shenzhen City Yearbook*, 2000, p. 190).

Other than protecting stability in Beijing, *Xinfang* has attempted to preempt potential large-scale protests that might harm local stability. *Xinfang* organizations in Jilin Province identified 4,000 petition cases and 320,000 petitioners who could jeopardize social stability. They investigated and settled the most serious of 350 "social instability" elements in 2001 (*Jilin Provincial Yearbook*, 2002, p. 51). Yunnan Province's *Xinfang* organizations worked with police and other mass organizations to "prevent unexpected and abnormal collective visits" to the provincial capital. They gathered critical information on 42 collective petitioning situations and effectively prevented about 15,500 petitioners from making trouble (*Yunnan Provincial Yearbook*, 1999, p. 91). In Changsha City, Hunan Province, *Xinfang* organizations designated 1,094 petition cases as "elements harmful to social stability" and quelled the most

²⁴See, for example, *Jilin Provincial Yearbook* (2000, p. 57, 2001, p. 61); J. Li and Wang (2000, p. 134).

serious 63 cases out of 91, and detaining 43 abnormal petitioners to Beijing (*Changsha City Yearbook*, 2007, p. 100). This social control mechanism is additionally capable of punishing petitioners: Harbin City's *Xinfang* organizations punished 69 illegal petitioners with mental reeducation, detainment, arrest, and even prison labor (*Harbin City Yearbook*, 2005, p. 106).

The Falun Gong case is crucial in demonstrating that the ultimate role of the institution of *Xinfang* is one of the social controls. Falun Gong's nationwide petition activities engendered protests that were highly organized, cross-regional, and most importantly, a serious and nationwide threat to the stability of the CCP regime. After allowing them to express their demands to local and central authorities and fume their grievances in forms akin to a safety-valve, the regime found them still unsatisfied and intent on further protests. It therefore began to suppress them. Local *Xinfang* organizations across the country had abundant information on suppressed Falun Gong petitioners because they had initially proceeded step-by-step through these local institutions. By the time the fire-alarm started to ring in Beijing, local systems were in the possession of an abundance of voluntarily registered information. The nationwide petition system then used this information along with the information from the central-level social control system to activate its police patrol function and suppress petitioners, eventually stabilizing Beijing and local areas. In this context, the responses of *Xinfang* institutions to Falun Gong protests at both the central (Beijing) and local (multiple provinces and cities) levels allow us to understand its ultimate function as a highly effective form of top-to-bottom social control. *Xinfang* assumed this function when the regime was unable to tolerate a mounting gradation of petition activities in the form of mass political participation and the monitoring of local governments. Beyond this particular case, this social control function has been repeatedly used on a smaller scale as shown in this paper, Xu and Li (2011), and L. Li et al. (2012).

Conclusion

This paper has discussed the institution of *Xinfang*, partly to answer how the authoritarian CCP regime compensates for the significant loss of previous social control mechanisms such as household registration, the work unit, and production team systems by identifying, overseeing, and suppressing the country's discontented in the market reform era. This "mass-friendly" institution for managed participation and rightful resistance, which aims to redress the grievances of the masses and oversee local officials, partly compensates for a significant loss of omnipresent social control. The theory of "police patrols" and "fire alarms" provides us with a useful framework

for understanding this critical change and its consequences. Unlike the police patrol form of social control, *Xinfang* functions first as a fire alarm as well as (if necessary) a selective police patrol, collecting information on people with grievances, monitoring them, quelling and even preempting their protests, and removing dangerous petitioners from politically critical regions like Beijing. Despite losing its omnipresent surveillance, the Chinese authoritarian state still has a formidable capacity for social control.

This paper's argument is supported in two ways: First, the nationwide institutional structure of the *Xinfang* system is analyzed from both horizontal and vertical perspectives. Unlike other governmental departments, *Xinfang* is embedded in most and party-state organizations. It is supported by more than 1 million cadres and workers inside a highly sophisticated bureaucracy. The National *Xinfang* Bureau under the State Council lies at the top of the hierarchy, while a pervasive Grassroots *Xinfang* Organization exercises a multitude of social control functions. Second, a case study of the *Xinfang* organization's response to Falun Gong petitioners to Beijing in 1999 and 2000, an incident which is surprisingly detailed in official documents, shows how this social control works. In addition, other supplementary cases at the provincial and city levels have also been provided.

Some experts have begun to identify emerging protest leaders (L. Li & O'Brien, 2008), and the regime has recognized a worrisome trend of larger collectivization, participant diversification, and meticulous organization in petition activism (*Baoshan District Yearbook*, 2007, p. 60; *Chaoyang City Yearbook*, 2004, p. 107; *Guangxi Provincial Yearbook*, 2001, p. 167; *Shanxi Provincial Yearbook*, 2000, p. 108, 2004, pp. 75, 107; *Xi'an City Yearbook*, 2005, p. 76; *Zhejiang Provincial Yearbook*, 2005, p. 61). This is despite the fact that the majority of the elite and the middle classes are currently uninvolved. Moreover, a rapidly increasing number of collective petitioners and protesters have learned many useful "trouble-making" tactics to force local authorities to respond to their demands (X. Chen, 2009). If this phenomenon of emerging protest leaders and more organized, sophisticated, and aggressive petitioners and protestors increases in momentum, the *Xinfang* system will become even more necessary to identify, monitor, contain, and suppress these destabilizing elements for the authoritarian regime.²⁵ In other words, the coalition structure of "the center and local

²⁵Another further research topic might be the successes and failures of local governments in preventing petition activists from damaging their own interests, which in turn bring about dysfunction in the role of petitions as a safety valve. In our view, further studies might be able to start with the ambiguous "muddling and muddling through" nature of the responses of petition institutions to petition activities. That local governments and officials which neither fail nor succeed in these interactions appear to be the general nature of the petition system and the CCP regime's policies toward mass political participation and social control in general.

governments versus the masses” might become more critical than that of “the center and the masses versus local governments” structure in Chinese state–society relations. The CCP regime is serious about retaining the capacity for social control.

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²⁶This is a 2,000 page-long official petition manual published by the National Petition Bureau (*guojia xinfangju*) under the State Council (*guowuyuan*). It is an authoritative source containing every detail of petition institutions, activism, and instruction, with many real-life cases. To be sure, it would be prudent to carefully interpret its contents, which could be manipulated or exaggerated.

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CONTENTS

No Need for Draco's Code: Evidence from China's "Strike Hard" Campaigns Fang WANG, Shuo CHEN and Dan WANG	1850002
Building Global Brands for Chinese Private-Owned Enterprises: Strategic Paths to Upgrade the Value Chain Suyeon NO and Jooyoung KWAK	1850003
Explaining Taiwan's Cybersecurity Policy Prior to 2016: Effects of Norms and Identities Hon-Min YAU	1850004
The Institution of Petition and Authoritarian Social Control in Contemporary China Wooyeal PAIK	1850005