9. Summary, Implications and Future Directions

In this final chapter, we briefly summarise the main results of the China ICBS, with the prevalence of common and non-conventional crimes illustrated in Figures 9.1 and 9.2. The overall direct costs of crime incurred by our sample of businesses are estimated and extrapolated to the wider business community. We review the findings in respect to willingness to report to police and satisfaction with the police response, as well as general attitudes to crime trends and crime prevention. Where possible, we compare the results of this survey with those of a similar nature conducted in other parts of the world. Next, we return to the theories of crime and modernisation that we outlined in the introduction and discuss how well the findings of the ICBS and comparisons with other surveys fit these theories. From the comparisons, we are able to offer some general conclusions about the relative success or otherwise of managing the presumed crime risks associated with the transition from command-and-control economies to market-oriented economies as in the case of China, Eastern Europe and Russia.

In China, where detailed criminal statistics still seem to be regarded as state secrets and, for the most part, are available only at the aggregated national level, reliance on such official measures as guidance on trends in crime is even more problematic than usual. Even when such official data are available, they might be defined or collected in ways that make them only marginally useful to the interests of business. Consequently, the data provided by the ICBS can serve as an alternative or proxy measure of the level and nature of crime experienced by businesses in China. Such surveys provide valuable independent primary sources about crime and capture experiences and relationships otherwise neglected by police records. They are not, however, without limitations, which we discuss in detail below along with the possible remedies for some of the problems encountered in this prevalence study.

Summary of Results

Prevalence of Victimisation

Among the 5117 Chinese businesses surveyed by the ICBS, more than one-quarter (26.2 per cent) reported at least one incident of common or non-conventional crime over the past year. In Shenzhen, nearly 31 per cent of businesses had been
victimised, which was significantly higher than in the other cities (22.2 per cent in Shanghai, 24.5 per cent in Hong Kong and 28.3 per cent in Xi’an). Businesses were at much higher risks of victimisation by non-conventional crimes (that is, fraud, bribery, extortion and IP infringement) than victimisation by common crime: across the four cities, the rate of non-conventional crime (22.6 per cent) was 3.4 times that of common crime (6.7 per cent). There were differences between the cities: in Hong Kong, respondents reported 2.3 times more non-conventional crime than common crime, but in Xi’an, it was five times more. Figure 9.1 summarises prevalence rates for common crime and Figure 9.2, for non-conventional crime in each of the cities.

Across the sample, 343 respondents (6.7 per cent) mentioned one or several incidents of common crime (of nine canvassed such as burglary, theft, robbery or assault) and most were the victims of more than one of these offences. Hong Kong’s overall victimisation rate by common crime was higher than that of the mainland cities combined (8.3 per cent compared with 5.8 per cent). This higher rate, however, was largely due to a single crime—theft by customers—which was significantly more frequent in Hong Kong (3.1 per cent) than in the other cities (1 per cent) and was linked to Hong Kong’s higher proportion of retailers. If we exclude theft by customers, Shenzhen stands out as the city with the highest rates of common crime (about 8 per cent)—particularly robbery, vandalism and theft by employees and outsiders—while both Shanghai and Xi’an recorded lower levels (about 5 per cent).

Figure 9.1 Prevalence of Common Crime in Four Chinese Cities
Businesses in Shenzhen were also at much higher risk of non-conventional crime (27.9 per cent) than those in Xi’an (25.3 per cent) and Hong Kong and Shanghai (19.5 per cent). Fraud was the most frequent type of economic crime reported by 13.4 per cent of businesses, with a significantly higher proportion in Shenzhen (15.4 per cent) (Figure 9.2). Just over 6 per cent of respondents mentioned one or several incidents of bribery, but there was a large difference between Hong Kong (2.7 per cent) and the mainland (8 per cent). In Xi’an, bribery was just as likely to involve officials as members of other companies, but officials were least likely to be involved in Hong Kong where bribes were sought by managers and employees of other companies in four out of five incidents. Although Shenzhen businesses also reported a high level of bribery, this was less likely to involve officials than in Xi’an. We speculate that the higher level of bribery reported by Xi’an businesses arises from the dominance of state-owned enterprises (SOEs) and the more recent commercialisation of its industry compared with Shanghai and Shenzhen. Extortion and intimidation were most common in Hong Kong and Shenzhen, and we attribute the relatively higher levels of such activities in both cities to the long-established activities of triad-related groups who capitalised upon the market for (illicit) protection on the opening up of the special economic zone in Shenzhen.

Intellectual property and copyright theft were reported by about 6 per cent of businesses, but this was significantly more of a problem in Shenzhen (9.1 per cent) and Xi’an (7.6 per cent) than in Shanghai (5.9 per cent) and particularly Hong Kong (3.5 per cent). The lack of follow-up questions on IP theft limited our ability to explore this offence, which is likely to have become more prevalent since 2004–05. In the absence of questions about foreign ownership or partnerships, it is not possible to assess whether foreign companies are at greater risk than local companies in respect to IP theft. The lower rate of IP theft in Hong Kong is, however, likely to reflect the stricter laws, as well as concerted efforts by customs and police to crack down on these offences. Combined with a well-funded private and public education program that employed popular film and music entertainers who stressed the impact of such theft on creative industries, the criminalisation of IP in Hong Kong has advanced more than in mainland China.

1 See Hong Kong Copyright Ordinance (Cap 528) 1997 and subsequent amendments in 2007 that promoted corporate responsibility by holding directors liable.
For the majority of the crimes we surveyed, the size of the company was the strongest predictor of victimisation. The prevalence of common crime was positively correlated with the size of companies, with the exception of theft by customers, which was significantly more likely to target small (retail) businesses. Larger businesses were also at higher risk of victimisation by non-conventional crime; however, the size of the business did not affect the likelihood of extortion, and smaller businesses had a higher prevalence of fraud by outsiders.

**Costs of Crime**

For our businesses, the amount of direct monetary loss due to crime was significant. All offences of common crime cost US$3.74 million (in Hong Kong, US$1.53 million). In both Hong Kong and the mainland, the greatest amount of ‘shrinkage’ due to common crime came from theft by employees, which totalled US$1.37 million or nearly 38 per cent of the total monetary loss. On top of these losses to common crime, the various types of fraud and IP infringement incurred

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2 Indirect costs from lost productivity and the administrative consequences of the crime (for example, reporting to police, filing insurance claims, and so on) are not included in any of our estimates.

3 This is a conservative estimate because the calculation is based on different offences of common crime, but not multiple incidents of the same offence (the survey did not ask respondents about the frequency of victimisation by common crimes). In contrast, losses due to all incidents of fraud that occurred during the reference years are counted in the estimates.
losses about four times larger than common crime and reached US$16.61 million. Again, this estimate is conservative because no data were collected with respect to monetary losses caused by bribery and extortion. Combining losses due to common crime and those due to non-conventional crime, we estimate that for our sample of 5117 Chinese businesses, monetary losses reached US$20.35 million in one year. Bearing in mind the difference in per capita income and pay levels for workers between Hong Kong and mainland cities, the impact of such losses is significantly greater for mainland businesses.\(^4\)

We know from the census that 296,249 companies were registered in Hong Kong in 2004 and can, therefore, extrapolate our estimates to the population of businesses (Census and Statistics Department, Hong Kong 2006). Our sample of 1817 businesses represents approximately 0.61 per cent of all businesses in Hong Kong, but it includes more manufacturing and fewer retail businesses than indicated in the census. After weighting for these differences, we estimate that in 2004 Hong Kong businesses lost US$169.27 million to all offences of common crime. Using a similar procedure, we estimate that for the entire population of Hong Kong businesses, annual losses to non-conventional crime reached US$1.35 billion. Therefore, a conservative estimate of the cost of common and non-conventional crime to the Hong Kong business community was US$1.52 billion in 2004. To place these losses in context, we can roughly compare them with a UK study of the impact of fraud conducted under the auspices of the Association of Chief Police Officers (ACPO). This study estimated that in 2005 the direct cost of fraud (which included IP crime) for the whole of the United Kingdom was approximately £12.98 billion (US$23.2 billion). When broken down by sector, about £3.76 billion (US$6.73 billion) in losses came from the business sector, £2.75 billion (US$4.92 billion) from individuals, and £6.47 billion (US$11.6 billion) from the public sector (Levi et al. 2007).\(^5\)

The direct cost of crime for our sample of 3300 mainland businesses was about US$2.21 million for common crime and US$7.22 million for non-conventional crime. We cannot extrapolate these figures to the population of companies in Shanghai, Shenzhen and Xi’an because we do not have census data or estimates of the number of distinct businesses in these cities, as we have for Hong Kong. The 2006 China Statistical Yearbook states that across all sectors there were

\(^4\) Although on a converging trend at about 2 per cent a year since the post-reform period (Lei and Yao 2008), the income gap (either per capita or purchasing power parity) between Hong Kong and China remains substantial. Based on Table 1.1, the ratio of average annual income for employees varied from 12.5:1 for Hong Kong compared with Xi’an, through to 3.85:1 compared with Shanghai and 3.4:1 compared with Shenzhen. The purchasing power parity (PPP) ratio for Hong Kong to China as a whole is, however, nearly 6.5 to 1 (World Bank n.d.).

\(^5\) The conversion of British pounds to US dollars as of 30 June 2005 was US$1.79 per £1. Levi and Burrows (2008) also note a number of caveats and difficulties in making such estimates and have erred on the conservative side.
582,977 businesses throughout China with income of CNY5 million or above. The Shanghai Municipal Statistical Bureau (2006) reported that 31,370 businesses with income of CNY5 million or more operated in the municipality (manufacturing, construction, wholesale and retail), but the number of businesses in the finance sector was not reported for 2005. In our survey, respondents were generally reluctant to report company income or annual turnover so we cannot estimate what proportion of our sample represents businesses with incomes above the threshold for inclusion in official statistics. According to recent sources, 90 per cent of approximately 43 million companies that operate in China are private and the number of private registered businesses grew at 30 per cent per annum between 2000 and 2009 (The Economist, 10 March 2011:13).

It is unlikely that our mainland sample reflects the distribution of business by sector, income or workforce size in mainland China. In the absence of a known denominator for distinct businesses in our three mainland cities, we cannot extrapolate losses with great confidence. Based on the State Council’s National Economic Census (NBS 2005a) undertaken by the National Bureau of Statistics, we can, however, approximate the probable universe of secondary and tertiary enterprises in the three mainland cities. The scale of the census is indicative of the vast number of different kinds of non-agricultural enterprises that make up commercial business in China. The census contacted some five million legal units, seven million establishments and about 40 million self-employed individuals or privately owned enterprises and deployed three questionnaires depending on the kind of unit contacted: corporate, establishment/industry and self-employed (Li 2006). We combine the number of corporate, industrial entities and private or self-employed businesses to estimate the population of business in our surveyed cities; however, our results must be treated with caution because we find contradictions in the available summaries and insufficient explanation in the available tables to determine precisely the counting and categorisation.

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6 The 2006 China Statistical Yearbook describes the 2005 population of mainland companies as follows: manufacturing, 219,463; construction, 58,750; wholesale and retail, 177,629; food and hotel, 35,689; finance, 82,453; and travel, 8,993 (NBS 2006a).

7 The Shanghai data reported 14,769 manufacturing businesses, 2,422 in construction, 4,371 in wholesale and 9,788 in retail. The share of businesses that reached the income threshold had also grown by about 40 per cent across all sectors in the period 2005–09.

8 The Economist cites Zheng Yumin, Secretary of the Commerce Department of Zhejiang, in relation to data possibly reflecting the 2009 census. The same report also estimates that private companies now contribute about 70 per cent of GDP and that the role of state-owned-enterprises, which once accounted for almost all business, has steadily declined since the 1980s.
rules. With these caveats in mind, we proceed to ‘guesstimate’ the proportion of the population of reported businesses (legal entities, establishments and privately owned) that our sample for each city represents.

We calculate two estimates of the population of businesses in Shanghai, Shenzhen and Xi’an. The first likely overestimates the number of businesses; the second is more conservative. In the first estimate, we combine the number of businesses in the three categories—legal entities, establishments and privately owned—which results in what we call the ‘maximum’ population (see Table 9.1 for the summary of the calculations). We suspect, however, that there is an overlap between legal entities and establishments and a number of businesses might be counted twice. Therefore, in the second estimate, we exclude legal entities and combine only establishments and privately owned businesses to obtain a population of businesses, which we call the ‘minimum’ population. Based on these maximum and minimum figures, our samples represent the following proportions of the total business population in each city: Shanghai, 0.102 to 0.151 per cent; Shenzhen, 0.267 to 0.313 per cent; Xi’an, 0.337 to 0.380 per cent. From these approximations, we estimate the range of the monetary loss to the business community in each of the mainland cities. Across the three cities, we suggest that losses due to all crime totalled between US$4.17 and $5.61 billion and that about one-quarter of these losses were the result of common crime (that is, US$0.96–1.28 billion). Losses for Shanghai were the largest, ranging between US$2.45 and $3.61 billion, followed by Shenzhen, between US$1.20 and $1.41 billion, and Xi’an, between US$0.52 and $0.59 billion. In short, our ‘guesstimate’ puts the overall annual business losses to crime in the three mainland cities altogether at a midpoint of about US$4.9 billion.

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9 For example, the government press releases report different numbers for the entities in scope, so that contrary to Li (2006), 30 million rather than 40 million self-employed enterprises are noted. See Government of People’s Republic of China (2005).

10 For sources all retrieved on 18 May 2011, see for Shanghai: NBS (2005a); for Xi’an: NBS (2005d); for Shenzhen: NBS (2005b).
Table 9.1 Estimates of Monetary Loss Due to Crime in Three Mainland Cities, 2005

<table>
<thead>
<tr>
<th></th>
<th>Shanghai</th>
<th>Shenzhen</th>
<th>Xi’an</th>
</tr>
</thead>
<tbody>
<tr>
<td>N business in ICBS sample</td>
<td>1112</td>
<td>1110</td>
<td>1078</td>
</tr>
<tr>
<td>Total monetary loss in ICBS sample, US$ million</td>
<td>3.682</td>
<td>3.755</td>
<td>1.993</td>
</tr>
<tr>
<td>Minimum</td>
<td>Maximum</td>
<td>Minimum</td>
<td>Maximum</td>
</tr>
<tr>
<td>Population of businesses a</td>
<td>742 000</td>
<td>1 086 000</td>
<td>355 000</td>
</tr>
<tr>
<td>ICBS sample as a proportion of the population of businesses</td>
<td>0.151%</td>
<td>0.102%</td>
<td>0.313%</td>
</tr>
<tr>
<td>Monetary loss for population of businesses, US$ billion</td>
<td>2.45</td>
<td>3.61</td>
<td>1.20</td>
</tr>
<tr>
<td>Average total monetary loss, US$ billion</td>
<td>3.03</td>
<td>1.30</td>
<td>0.56</td>
</tr>
</tbody>
</table>

Notes: a Based on First National Economic Census (NBS 2005a) of secondary and tertiary enterprises; minimum number includes establishments and self-employed or privately owned enterprises; maximum number includes legal entities, establishments and self-employed or privately owned enterprises.

These estimates show that losses due to crime were not negligible. How much of these losses was reported to the police, perhaps in the hope of recovering at least part of the money or having the perpetrator punished?

**Reporting Crime and Satisfaction with Police**

There was more willingness by business to report common crimes than non-conventional crimes, and mainland businesses were significantly more likely than those in Hong Kong to report both common and non-conventional crimes. In Hong Kong, of all incidents of common crime, 53.5 per cent were reported to the police compared with 79 per cent in the mainland. Across the cities, less than one-quarter of all incidents of non-conventional crime were reported: 19.1 per cent in Hong Kong and 23.2 per cent in the mainland. Once again, large businesses were more likely to report crimes to police than small businesses. A possible explanation is that large companies have a wider exposure to risk and often have specialised security staff and policies mandating the reporting of crime to police. For the majority of respondents who did not report the crime to the police, it was because the incident was not serious enough or, for crime
by staff, because it was dealt with internally. Of those who did report, about half were satisfied with the police response and no significant differences were observed between the cities, but Xi’an businesses expressed the least satisfaction. Dissatisfaction was mostly due to the view that police did not do enough or lacked interest, followed by failure to catch the offender or recover property. In general, Hong Kong respondents were more positive about the police response than their mainland counterparts, especially in respect to bribery and theft by employees, but since they reported less often than in the mainland, they might have reported more serious incidents.

When asked about their general judgment about police efficacy in relation to the crime problems facing business in their area, about half the businesses were satisfied; however, experiences of victimisation negatively affected the perception of police effectiveness. As a result, Shenzhen respondents, who had higher risks of victimisation, had a significantly more negative view of police action in general.

**Crime Prevention**

Our survey shows that there is room for Chinese business to develop partnerships with police and local authorities in crime prevention since only about one in six companies had contact with police, local councils or government and were aware of cooperative action against crime (for example, joint security patrols, business watch groups, alarms/CCTV, and so on), and one in four was interested in participating in such cooperative activities. Victimised businesses were more interested in being involved in collective action, but were not necessarily more aware of crime-prevention activities. Hong Kong businesses were the least interested in cooperative action (20.7 per cent were) and Shenzhen businesses were the most interested (34.9 per cent). This is probably associated with the relative risks of crime in both cities. Larger companies were more aware of crime-prevention initiatives and more interested in participating than smaller ones. They were also more likely to have had contact with police or local government about crime prevention, which is again probably due to their generally higher rate of victimisation. Given their economic weight, larger companies might be able to exert greater influence over crime-prevention policy and the deployment of police.

**Perception of Crime Trends and Obstacles to Doing Good Business**

Across the four cities, the majority of respondents (71.4 per cent) thought that crime levels had remained stable over the past two or three years, but, as
would be expected, those who had been victimised were more likely to say that crime had increased. Yet, despite their higher rate of victimisation, one-third of respondents in Shenzhen felt that crime levels had decreased. This finding supports Zhong (2009a) who reported that Shenzhen police had been more proactive and that crime rates had started to decline following a peak in 2003. Hong Kong respondents did not believe that bribery was common (only 6.5 per cent of Hong Kong businesses believed it was compared with an average of 14 per cent in the mainland), but they estimated that extortion was more common than did mainland respondents.

Perceptions of obstacles to doing business—including crime and corruption but also other issues such as lack of consultation, taxes, and regulations in respect to labour, export/import and safety—provide a measure of the salience of crime and corruption as obstacles relative to other problems. Crime and corruption were ranked as important issues and often ahead of other problems such as labour and tax regulations. Overall, corruption was perceived as a moderate to serious obstacle by more than half of businesses (52 per cent), followed by crime and insecurity (49 per cent) and lack of consultation (42 per cent). Lack of government consultation with business was at the forefront of obstacles faced by Hong Kong respondents, followed by crime and insecurity. In contrast, among mainland businesses, corruption was ranked first, followed by crime and insecurity, and lack of consultation with business. Respondents in Shenzhen were the most concerned by crime and insecurity (57 per cent) and those in Shanghai (27 per cent) were the least concerned, which is consistent with Shenzhen’s higher risk of crime. Generally, Hong Kong businesses were more negative than mainland businesses about most issues. A striking finding was that the impact of crime victimisation tended to taint perceptions negatively not only about crime and insecurity but across all the potential obstacles.

Comparisons with Other Surveys

Rates of common crime victimisation were considerably lower in China than in both Western and Eastern Europe. The Central Eastern Europe ICBS (1999) found that overall 27 per cent (compared with 6.7 per cent in China) of businesses had been the victims of common crimes, but as in China, the risk there was greater for larger businesses. The 1994 sweep of the ICBS revealed that businesses in Western Europe and Australia were up to 10 times more likely than Chinese businesses to be victimised by common crime. Lower rates of common crime were also recorded in the China ICBS than in the Nigerian CCBS. Comparisons with the UNICVRS are consistent with previous research and show that businesses were at much greater risk of break and enter or burglary offences than households. The relative risks of vehicle-related theft and robbery were similar for businesses and households, but the risks of assault were almost
double for individuals than for those in business. As with common crime, risks of fraud were lower in China than in Western Europe, Eastern Europe and Nigeria. Incidents of bribery and extortion, however, were more frequent in China than in Western Europe and Australia, but less frequent than in Eastern Europe. The prevalence of crime against business in mainland China was also lower than in the emerging economies of Brazil, Russia and India.

In short, China’s transition has not been overly burdened with runaway crime and corruption, although both of these ‘distortions’ (or side effects of major economic restructuring) are capable of disrupting economies. In this snapshot of crimes against business, the rate of crime reported by Chinese business was relatively modest compared with other transitional economies. The fact that this transition was planned (Messner et al. 2007a) and the ideological importance of order and stability supported by authoritarian forms of campaign policing might have contributed to the containment of common crime. In Shenzhen, however, runaway crime and corruption have been grave enough to threaten the capture of key institutions in the municipality. The presumed crime-control benefits of the long-established ‘rule of law’ in Hong Kong when compared with the mainland cities was neither as dramatic nor as consistent in respect to crime against business as we might have originally assumed.

All the business surveys we considered showed similar reporting patterns to the China ICBS. Chinese respondents, however, especially in the mainland, were much more likely to report to police than Central Eastern European businesses. Reporting rates were broadly similar in Western nations and in China. Yet, we found that businesses (in Hong Kong and mainland cities) were much more likely to report burglary, vehicle-related theft, robbery and assault than Hong Kong households or for that matter the average households in all the 33 capital cities surveyed by the UNICVS.

Theoretical Perspectives

In the Introduction, we outlined some of the theories that have been used to explain trends in crime in transitional economies. We suggest that these theories, applied at three distinct but related levels of analysis—macro, meso and micro—adequately explain our data. At the macro level, we draw from Durkheim’s notion of anomie, Shelley’s perspective on modernisation and urbanisation, and Messner et al.’s concepts of institutional anomie and planned transition. At the meso level, we draw from Cohen et al.’s (1980) and Clarke’s (1997) opportunity theory, and at the micro level, from Felson’s routine-activity approach.
Macro Level

The data from the ICBS provide a snapshot of the extent and nature of crime against business, but on their own do not permit us to analyse changes over time and test either Durkheim’s perspective on anomie or Shelley’s perspective on modernisation. The literature on crime in China, however, which has shown that crime levels have risen over the past 40 years since the economic reforms, is congruent with Durkheim’s association of crime rise with rapid and significant societal change. The fact that economic crime in the form of non-conventional crime rose at a much faster rate than common or street crime (Dutton 2006; Keith and Li 2006; Liu 2005) supports Shelley’s hypothesis about the growth of property crime associated with modernisation and urbanisation. Our data show that across the four Chinese cities business victimisation by non-conventional crime was more frequent than victimisation by common crime, which included both property and violent offences. This was also the case in Eastern Europe but not in Western Europe and Australia where an opposite pattern was observed. Although van Dijk and Terlouw (1996) in their European survey did not report the combined rate for each type of crime, we can use the highest rate of common crime (theft by customers, reported by 59.7 per cent of respondents) as a proxy for common crime and sum up the rates of fraud by outsiders and employees (25.2 per cent) as a proxy for non-conventional crime. If we divide the rate of non-conventional crime by that of common crime, we find a ratio of 0.42 (that is, the rate of non-conventional crime was more than half that of common crime). The Eastern Europe ICBS found a total rate of common crime of 27 per cent. Again, summing up the rates of fraud by employees and by outsiders (38 per cent), we find that the rate of non-conventional crime was 1.4 times that of common crime. The same process produces a ratio of 1.8 for the whole Chinese sample.

These differential ratios between non-conventional and common crime in long-established Western market economies compared with societies that only recently moved from command-and-control to market economies support Durkheim’s concept of anomie related to changes in values. In both mainland China and Eastern Europe—although the change has been more abrupt in the latter—the communist values associated with a command-and-control economy and the virtue of collective property have been replaced with new values supporting a market economy, private property and the pursuit of individual wealth. Both common and non-conventional crimes have increased, but the anomic effect has predominantly affected economic values so that economic crimes have risen more sharply, and represent a large proportion of crimes against business. In contrast, in ‘old’ Western capitalist economies, which experienced changes in (economic) values in the eighteenth and nineteenth centuries, the initial rise in economic crime has now stabilised to a level where non-conventional crime
represents only a fraction of the total amount of crime. Of course, related factors, discussed below, such as the presence of stronger commercial regulatory and enforcement frameworks in Western countries, affect the ratio between common and non-conventional crimes.

Some differences in the ratio of non-conventional to common crimes are observed between the four Chinese cities: in Hong Kong and Shanghai, fraud was 1.6 times more frequent than common crime; in Shenzhen, 1.7 times; and in Xi’an, 2.3 times. Although Hong Kong has run a capitalist economy based on the free market for a long time, its common/non-conventional crime ratio is relatively similar to that of the other cities. Much of Hong Kong’s economic activity, however, occurs with the mainland, with many entrepreneurs on both sides of the border running cross-border operations; therefore, mainland anomic effects are likely to have an impact. In Xi’an, the rate of fraud is 2.3 times that of common crime, which is consistent with a more recent breakdown in the old collective values of economic order and a rise in anomie; Xi’an is probably the city currently experiencing the transition from old to new values and resulting anomie more strongly than Shenzhen and Shanghai. It is a traditional stronghold of the Communist Party, with a high proportion of SOEs and has only recently opened to foreign investment and global trade. Both the new economic values and business structures would increase licit and illicit commercial opportunities that Mertonian ‘innovators’, from the public and private sectors, seize by embracing the new slogan that ‘being rich is glorious’.

Shelley (1981) argues that modernisation and urbanisation involve large-scale migrations from rural to urban areas, which in turn leads to a rise in violent and property crime because opportunities for property crime increase and traditional rural violence is transported to urban areas. In time, when rural migrants settle in their urban lifestyle, violent crime decreases but not property crime and what remains of violent crime is essentially acquisitive (for example, robbery). In the mainland cities, particularly Shenzhen, the ‘floating population’ of rural migrants has been linked to increases in street crime. In Shenzhen—Deng Xiaoping’s laboratory for ‘market socialism’—the rate of urbanisation and industrialisation has been phenomenal: from a fishing village of 30 000 inhabitants in 1979, it had grown to a commercial and industrial centre of 8.28 million by 2005. The population growth has been fuelled by the influx of unregistered rural workers from China’s interior attracted by the prospect of low-skilled jobs in the city. Official crime data for Shenzhen presented by Zhong (2009a) show not only a general increase in crime since 1980, but also that the nature of crimes has changed. In the recent period, economic crimes in Shenzhen represent a higher share of the total burden of crime and the share of non-acquisitive violent crimes has diminished. For example, in 1981, homicide represented 1.1 per cent of all reported crimes and rape 3.5 per cent. By 2006,
homicide was only 0.4 per cent of all crimes and rape 0.7 per cent. The share of robbery (acquisitive violent crime) went up from 2.5 per cent in 1981 to 6.7 per cent in 2006, and the share of grand larceny (that is, theft valued at more than US$370) grew from a low 1.9 per cent in 1981 to 23.1 in 2006. These trends are consistent with Shelley’s hypothesis about the impact of early and later stages of urbanisation on crime patterns. The overall volume of all crimes has increased in Shenzhen, but non-acquisitive violent crime has slowed and plateaued after 30 years of urbanisation and modernisation, while property crime has continued to rise.

Results from the ICBS in Shenzhen add further support for Shelley’s argument. Shenzhen recorded higher levels of violent crimes against business (robbery, assault and extortion/intimidation) as well as theft by employees and outsiders, vehicle theft, vandalism, fraud and IP infringement than the other cities. Rapid urbanisation, which in Shenzhen was characterised by a dramatic growth in business and commercial activity and attracted a large number of peasant workers bringing their ‘rural manners’ and traditional violence to the city, has resulted in a higher rate of violent crimes against business. Shanghai and Xi’an have long been urbanised, and they have also experienced a growth in commercial activity and an influx of rural workers, but not to the same extent as Shenzhen. In addition, Shenzhen was the first mainland city to engage in ‘market socialism’ and served as an experimental ground from which other modernising Chinese cities have been able to learn what not to do, especially in respect to the key issue of political stability. Yet, even though Shenzhen had to contend with both the Durkheimian anomic consequences of modernisation and the effects of urbanisation hypothesised by Shelley, the rates of crime against business are lower than those recorded in Western Europe in 1994 (van Dijk and Terlouw 1996) and in Central Eastern Europe in 1999 (Alvazzi del Frate 2004). This important finding suggests that other mechanisms have acted as buffers against the criminogenic impact of rapid modernisation and urbanisation.

Messner (1982) argued that in times of rapid change, a lag between socioeconomic transformations and institutional adaptations to these transformations (institutional anomie) was likely, and as the experience of the former Soviet Union has demonstrated, this could even lead to total institutional collapse. On the other hand, he and his colleagues (Messner et al. 2007a) also proposed that institutional collapse could be avoided when the economic and social transitions were planned and managed by a strong authoritarian state such as the PRC. The ICBS data illustrate both aspects of Messner et al.’s argument. Shenzhen stands out as the city that has generally experienced higher levels of crime than other cities in our survey, and thus also stands out as the ‘litmus test’ of the institutional anomie theory. In Shenzhen, institutional anomie occurred during the city’s phenomenal expansion: while hundreds of thousands of rural
migrants constructed and laboured in Shenzhen's newly established factories, the *hukou* system failed to provide adequate social services or basic social security to the huge ‘floating’ population. Police resources and regulatory reforms increased at a much slower pace than the population and the changes brought about by market socialism, and were unable to cope with the soaring rate of violent and property crime and the associated triad-related groups who had extended their activities from Hong Kong and Taiwan to Shenzhen. Despite several strike-hard anti-crime campaigns, the effectiveness of the police was limited by ‘technical’ deficiencies and compromised by high-level corruption in its own ranks and among other officials. The prevalence of most of the common and non-conventional crimes was higher in Shenzhen than in the other cities we surveyed. Extortion and intimidation were on par with Hong Kong and likely due to the same perpetrators.

Yet, if we compare the rates of crime against business in Shenzhen with those of both the ‘old’ stable Western countries and transitional Eastern European countries, we find that Shenzhen has a lower prevalence of both common and economic crimes. In addition, the majority of Shenzhen's respondents seemed confident that crime problems had stabilised and one-third thought things had started to improve and crime was diminishing. These findings do not suggest that an institutional collapse has occurred, but rather that if social and policing institutions had been slow to come to grips with Shenzhen's experimentation in unregulated marketisation, they are now catching up. Across the three mainland cities, the prevalence of crime, particularly common crime, is lower than elsewhere in the world for which comparable data are available. The PriceWaterhouseCoopers Global Economic Crime Survey also indicated that fraud against business was less frequent in mainland China than in the new economies of Brazil, India and Russia. While the marketisation of the Russian economy has been mostly unregulated and apparently infiltrated by criminal organisations, the democracies of Brazil and India (following Nehru's legacy) have been able to plan, steer and regulate their growing economies, but not to the extent of the Chinese Government.

Consistent with Messner et al.'s (2007a) notion that an interplay of ‘master forces’ (forces of change) and ‘pathway forces’ (forces of control) helps to maintain a relatively effective framework of formal and informal social-control mechanisms, our survey suggests that the strong authoritarian Chinese state has been successful (most of the time) in curbing institutional anomie. Nevertheless, the much higher prevalence of non-conventional crime compared with common crime in the ICBS points to some deficiencies in fighting large-scale economic crime and coordinating public and private security services. This finding and interpretation are consistent with Trevaskes's (2010a) argument that the Chinese
Government, through its periodic hard-hitting *yanda*,\(^\text{11}\) has kept common crime to low levels, but, we suggest, at the expense of non-conventional crime. Here, institutional anomie—in the sense of lagging institutional reforms in the presence of new challenges—might have manifested in the absence of policing apparatus specialised in economic crime. If a strong authoritarian state is, on the one hand, more capable of controlling institutional anomie than a weak state, on the other hand, the absence of independent oversight and checks and balances can facilitate corrupt practices by party members and officials, particularly in SOEs. For example, corruption was more frequently reported in the mainland than in Hong Kong, and especially in Xi’an where state-owned businesses and traditional party control are still prevalent.

Our reading of the survey results suggests that current countermeasures and policies aimed at mitigating crime against business have failed. Although public police have been able to contain common or street crime, they have not yet transformed into policing agencies with a capacity to differentiate between kinds of criminals and common and economic crimes, and to focus on crimes against business, which are both highly attractive to a new breed of criminals and harmful to society. The lag in implementing crime-proofing strategies, especially by large businesses that are at greater risk of victimisation, is apparent in their slow adoption (in terms of competence and effectiveness) of private security. In short, identifying the ‘new enemies of the state’ has become much harder than in the past when simple categories—class enemies, ‘rightists’, feudal remnants and the like—could be readily distinguished and demonised. Economic criminals, it seems, are hard to distinguish from valued entrepreneurs, business leaders and officials of SOEs who gamble with venture capitalists and fall for fanciful and fraudulent innovators.

**Meso and Micro Levels**

Independent of the criminogenic impact of modernisation and urbanisation observed by Durkheim and Shelley, the growth in economic activities and consumerism also increases opportunities for property crime. As Cohen et al.’s (1980) opportunity theory argued, based on the trends in property crime in post–World War II North America, economic development and the availability of consumer goods led to an increase in property crime. The opening up of the Chinese economy and the implantation of new commerce and industries have produced both an increase in consumer goods (more opportunities for common crime) and an increase in business and commercial activities (more

\(^{11}\) A Chinese word meaning ‘strike-hard’, referring to campaign-style policing.
opportunities for non-conventional crime). In this medium-range theoretical perspective, larger businesses are more at risk of victimisation because they offer more attractive targets than smaller ones.

Related to opportunity theory but at a more micro level of interpretation, our analysis of the risk factors supports our introductory proposition that routine activity theory is relevant because the criminogenic elements highlighted by the theory—criminal opportunity, absence of competent guardianship and target attractiveness—are the key drivers of risk of victimisation for business. Chinese businesses thus suffer similar risks to those found elsewhere and could benefit from many of the measures recommended by situational crime-prevention approaches. Hardening attractive targets (making them more difficult to steal or trade in illegal markets) and improving the effectiveness of capable guardians both actual and virtual (for example, by increasing the capacity of police to ‘catch and convict’ and improving regulatory frameworks) can reduce the risk of theft and fraud. For example, we found that businesses located in serviced buildings, which offer a higher level of security, suffered relatively less victimisation than those located in shopping areas. The role of prevention is recognised by business and is reflected in the rapid growth of private security and guarding services in China, but their coordination and utilisation could be improved. The recent demise of campaign-style policing and the shift to a prevention focus rather than reliance on crude general deterrence and brutalising punishments will also help in redefining what constitutes serious harm (for example, Bakken 2004; Trevaskes 2010a, 2010b). If these changes release police resources for greater specialisation in complex crime such as fraud and enable better crime proofing of SOEs and other businesses then the costs of serious fraud, IP crime and corruption might be contained. Large-scale businesses usually make investments in crime prevention to protect assets and prevent theft. Smaller businesses have fewer resources and can be more vulnerable, even if they constitute less attractive targets than larger businesses. Collective action by businesses in concert with public police to develop effective countermeasures is vital and can help minimise the problem of crime displacement. Displacement of crime occurs when an industry or business in a particular location takes steps to minimise the risk of crime, often by increasing the role of guardians and reducing the opportunities for theft, but in doing so makes other businesses who invest less in crime prevention (by choice or circumstance) more vulnerable.

Limitations and Development of the Protocol

Our study was the first attempt at measuring the prevalence of crimes against business in China, and a good deal has been learned about how to make the ICBS a more effective instrument. In hindsight, our experience suggests that
reducing the number of questions about the business itself—especially whether it was foreign owned, a joint enterprise or an enterprise involved in export/import—had implications for our interpretation of some forms of fraud, and might represent a crucial distinction for risks of IP crimes. Our failure to ask whether or not the business was an SOE was also an omission we later found frustrating; manufacturing, science-based and extraction businesses are often SOEs in mainland China and their extent varies across cities and provinces. It is probable that SOEs are more likely to report crime and to be victimised in different ways than private commercial operations and that this status impacts on their attitudes to obstacles such as corruption. In addition, our standpoint was overly Hong Kong oriented and we should have asked questions about mainland businesses that were operating in Hong Kong because they might face equal if not greater risks than Hong Kong businesses operating in the mainland. We did ask Hong Kong businesses about the obstacles they faced operating in the mainland, but we did not ask the one in eight mainland businesses operating in Hong Kong what obstacles they faced in Hong Kong.

We consider that the current design fully stretches the capacity of telephone interviews and we think that face-to-face interviews might be the only way to achieve further depth and reliability. A related problem was the failure to enlist more business managers and to entice more businesses to participate, and this reflects the limitations of telephone-contact methods. Revision of the protocol should help to reduce overall respondent burden, and the possibility of using a split-sample procedure (that is, two versions of the questionnaire each covering the same core questions but sharing fewer questions from the list of crimes) could be considered for cities such as Hong Kong and Shanghai where survey fatigue might be more of an issue.

A large-scale victimisation survey provides a tool for theoretical analyses and comparative examination of potential risk factors and opportunities for prevention, but is meaningful only if it is reasonably representative of the population of interest. We were hampered by incomplete census data about the number and nature of the business/enterprise population in mainland China. With a clearer idea of the population of businesses, we would have been able to stratify our sample (for example, by sector, size and income) and produce a more representative survey. Sampling options were tested in the pilot surveys, and in Hong Kong randomly dialling telephone numbers from the Yellow Pages (that is, a commercial business telephone directory) yielded a satisfactory distribution of

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12 The National Economic Census released in 2005 reported that the proportion of SOEs among all businesses was 7.5 per cent, but it increased to 24.6 per cent if collective enterprises (those that are owned as cooperatives or joint state/collective entities) are included. The proportion of SOEs also varied across the cities, with 27 per cent of Shanghai businesses estimated to be SOEs compared with (provincial data in the absence of city data) 55 per cent of businesses in Shanxi (Xi’an) and 30 per cent of business in Guangdong (Shenzhen).
broadly defined business activity compared with the official data about business size and sector. In the case of mainland cities, we also used the available business telephone directories but were not able to assess representativeness.

The main challenge for surveys of crimes against business is to increase participation while retaining a comprehensive picture of the crimes encountered. The literature notes that business crime surveys report generally lower response rates than omnibus victim surveys (for example, KPMG Forensic 2003; Smith and Urbas 2002; Taylor 2002; van Dijk and Terlouw 1996). Overall, the completed response rate in our survey was 28 per cent, and well below our initial expectations, with a further 12 per cent who only partially completed the questionnaires. Thus, 2110 businesses that we contacted withdrew at some point during the interview, often stressing time constraints. Although partially completed surveys usually included all the obstacle questions but not the victimisation questions, we chose not to include such data because we thought victimisation was likely to be a key factor in both attitudes to crime and obstacles to business. The 18 per cent response rate for Hong Kong was well below the 2003 pilot survey response rate of 28 per cent, and this might be due to the problem of survey fatigue. In Hong Kong, official, marketing-based or industry-linked surveys are increasingly conducted and there are generally no restrictions on them. Early in the process, we realised that prearranged interviews were a useful option and we made additional call-back and ‘booked’ interviews, which helped increase response rates to about 41 per cent across the mainland cities. In addition, 17 per cent of mainland contacts partially completed the questionnaires, which suggests that the demanding nature of the survey was a significant factor in depressing the response rate. Shenzhen produced the highest response rate, of 54 per cent (with a further 18 per cent partial completion), followed by Xian with 39 per cent (and 19 per cent partially completed) and Shanghai, 34 per cent (plus 14 per cent partially completed). We have argued that differential response rates might reflect the salience of the crime issue; Shenzhen’s high response rate and Hong Kong’s low response rate are entirely consistent with these cities’ relative experience of crime victimisation.

Hopkins (2002) analysed the results of major surveys conducted in the United Kingdom and remarked that categorising the companies surveyed into broad business sectors (for example, retail, manufacturing) can be misleading because specific types of businesses within the same broad sectorial categorisation might be more prone to certain types of crime than others. For example, in the United Kingdom, off-licence premises and hardware stores were more likely to be

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13 A large-scale survey of selected crimes against business conducted by KPMG Forensic (2003) yielded an effective response rate of 18 per cent but drew upon its client base to boost the response rate.
14 Note that in the small pilot for Shenzhen, 35 per cent of contacts responded fully and a further 8 per cent indicated that they would be willing to undertake a booked interview.
burgled than other retail shops. If sample size permits, it would be better to use a great number of discrete categories, which can then be combined if required. Alternatively, qualitative questions about the nature of the business might help to better describe it. A self-description of the business would provide functional criteria to better categorise businesses (better identification of types of retail or trading operations such as different types of shops, hotels, tourist/travel services; catering; entertainment; social welfare/community-oriented business) and thus yield the specificity suggested by Taylor, and with it the detailed information necessary to improve police responses and crime prevention. In the ICBS, the question about the business sector of activity should be replaced with the original two-part question that seeks first to identify a single main sector then follows up with a question about involvement in other sectors. There was also confusion between sector of activity and type of business operation (as in headquarters, branch, and so on). Because a further question asked whether the business was a branch in a chain, it would have been better to first query the sector (for example, manufacturing, retail, and so on) and then ask whether it was a shop, headquarters, factory, logistics operation, and so on. It also might be more effective to canvass different questions for different business sectors—for example, customer theft will be prevalent in retail but not so much in other sectors.

Further development of the new questions introduced in the survey and relating to IP infringement, cyber crime and credit-card fraud is needed. Surveying the prevalence of IP theft was an important addition since it is a growing source of concern, according to the more recent industry surveys (Economist Intelligence Unit 2010; PWC 2007a, 2009), and its costs were significant for our respondents; however, the lack of follow-up questions was an omission that arose from an underestimation of the scale of IP crime in China. Intellectual property theft should be included as a non-conventional crime (rather than a common crime) so in-depth questions can be asked about monetary losses, reporting to police and police response.

Cyber crime questions did not work well in part because they were borrowed from the Hong Kong UNICVS and were originally designed for individuals. Whatever advantages a comparison between business and household might bring were outweighed in our view by the poor fit to computer-security incidents in large companies and the growing role of e-commerce. First, there was confusion with the filtering questions in respect to cyber crime: 1) do you have access to a computer; 2) is it connected to the Internet? Many respondents said yes to the first question and no to the second, but then reported cyber victimisation that could happen only if they were connected to the Internet (for example, spam via email or fraud while purchasing online). The first question regarding access to a computer was redundant. There should be only one question—‘in
your business activities, do you use the Internet?’—with follow-up cyber crime questions then asked to those who answer yes. More importantly, apart from Internet fraud, the questions addressed relatively minor crimes, which occur frequently and do not specifically target businesses (for example, spamming). For example, the Hong Kong UNICVS found that 48.8 per cent of Hong Kong respondents had been victims of malicious attacks on their computer, and 40.6 per cent had received unwanted communication. It is unlikely that respondents will be aware of all such incidents that occurred in their company. They are likely to report incidents that happened to them personally, rather than give a complete picture of cyber victimisation for the whole company.

Questions concerning the types of cyber attacks were too technical for this survey. It is doubtful that many respondents, except perhaps systems or computer specialists, knew the difference between virus, malware and adware. It was enough to ask about viruses or malware in general—that is, something alien that disrupts or prevents the computer from working. As Richards (2009) notes, distinguishing technical failures from criminal acts and recognising how identity fraud in turn might be used to commit online fraud are complex matters even for experts. Cyber crime also raises the complex issues of multiple victimisations and the overlapping nature of crimes against business and crime by business especially in the e-commerce setting since in some cases both can take place in the same event. For example, Alibaba, China’s eBay-like e-commerce platform, fell victim to an internal scam based on the integrity of its endorsement of the ‘China Gold Supplier’ platform, which assured buyers of honest transactions by trustworthy sellers (traders paid fees for independent verification, which was in some cases dubiously acquired). The ‘golden status’ was a mark of supposed integrity, but 2236 ‘gold’ dealers subsequently defrauded buyers, some of whom were other business, costing the company US$1.7 million in compensation to 2249 buyers. The average compensation claim from victims of the scam was about US$1200 in 2009—similar to the average losses reported by the businesses who had been the victims of cyber crime in our survey (The Economist 2011a).

Questions about cyber crime needed to be more specific to a business context—that is, hacking the business network system, spamming using the business’s domain email address, shutting a web site down, the use of ‘botnets’, phishing and so on, but again these are quite technical concepts. Choo (2011) notes that some sectors might be at more risk of insider misuse and fraud, but knowledge about such events is dependent on a capacity to detect computer security breaches. Our experience with introducing questions on cyber crime in the ICBS suggests that the amount of information gathered from these questions was not worth the additional respondent burden. We conclude that measuring both the prevalence of cyber crime and assessing related risk factors would be
best served by a specialist survey, targeted at systems and security managers, rather than an omnibus survey (for example, see Richards 2009; Richards and Davis 2010).

In addition, the inclusion of cyber crime items forced us to omit other questions, which, in hindsight, were important. For example, some of the original follow-up questions on bribery—deleted from the China ICBS—inquired about the amounts actually paid and the role of secret commissions. In the context of China, these questions were highly relevant. Questions on bribery also should distinguish between cases where managers or employees receive bribes to do something for someone outside the company and cases where the company is asked for bribes to get something done or obtain a contract with the Government or another business. So the lead question (that is, did anyone try to bribe you, other managers, your employees, or obtain bribes from the company in relation to its activities) requires broader probing than is provided currently by the follow-up questions, which addressed only the case where the company was asked to pay a bribe to get something.

Although the CATI system allowed for the text entry of additional comments made by respondents, there was a lack of attention to the recording of any additional information that respondents gave when opting to choose ‘other reasons’. Often the follow-up probes appeared to have been neglected, perhaps due to the pressure by interviewees to curtail the survey. A good example of this was in respect to the question about who actually extorted business; here further details of what constituted the ‘others’ category would have been helpful. Another instance of the need for further details was in relation to reasons for reporting or not reporting to police. The original research design included the intention to undertake face-to-face follow-up interviews of the respondents who reported extortion and bribery; however, funding limitations did not permit such follow-ups. These follow-up interviews would have been a valuable addition providing a clearer idea of the situational risks faced by businesses and helping to better understand the impact of organised crime. The questions about cooperation and crime prevention were too general, although the survey showed that there is ample scope to develop collective responses. In this respect, we suggest adding a question on whether businesses engaged their own security guards or employed a corporate or private security service.

15 The Australian business telephone survey of computer crime reported by Richards (2009) achieved a 29 per cent response rate (N = 4000 business) and reported that 20 per cent of businesses detected at least one computer security incident in a one-year period (financial year 2006–07). The mean loss from these incidents was A$4467, with larger businesses more at risk, but significant differences between sectors were not observed and only 8 per cent reported incidents to the police. Expenditure on computer security and sector (except the financial sector) were not related to the detection of computer security incidents but the number of employees and whether security was outsourced were relevant to detection (Richards and Davis 2010).
Surveys such as the ICBS provide tools to further the study of comparative criminology, which is increasingly relevant in a globalised world. We hope that this work will stand as a benchmark for further surveys and that the challenges we have identified offer some guidance to those that might follow.

**Conclusion**

This survey enhanced our understanding of the nature of crimes against business, and their impact on business costs and confidence in China. We observed the extent and tolerance by businesses of crime and corruption, but also the high level of concern expressed by respondents about the impact of crime on business. This study enabled comparison of the crime risk of business relative to market development and the effectiveness of law enforcement, and could lead to improved crime-prevention practices and policies. In our view, the development of crime-prevention partnerships between business and police can have a significant impact on crime reduction and diminish the perceived and observed risks of crime and bribery.

An important element in crime prevention is to promote collective action by victims and potential victims in concert with police often in partnership with industry or business-sector associations. A key criterion for collective action is informing others about the crime and usually that requires reporting the event to police. A significant proportion of crimes against business, however, including relatively serious crime, are not reported to police. An exception is the case of vehicle theft where mandatory insurance is required and insurers will deal only with claims reported to police. Without the lifeblood of such information to police, follow-up action to identify the frequency of different types of crime (and/or criminals) and, in particular, the methods that the offender used to complete the crime is hampered. Without knowledge of the nature, frequency and location of crime, prevention strategies and countermeasures are compromised. As our survey shows, the willingness of businesses to report crime to police varies substantially by type of crime, business sector, location and size. We noted that mainland businesses had high rates of reporting of common crime (those clearly targeted by *yanda*) compared with Hong Kong and the ‘old’ democracies of the West, but this did not extend to fraud and other non-conventional crimes. In this sense, Chinese businesses tended to share the same scepticism about the utility of public policing as elsewhere—namely, that often police could do little or would not be interested.

The survey results raise more general questions—in particular, about the oft-quoted assumption that the ‘rule of law’ provides an advantageous context for business, and enables some evaluation of policing and efforts to curb corruption.
Given the very large differences between Hong Kong and the other cities in China on the World Bank’s governance indicators,\(^\text{16}\) we expected that there would also be large differences in crime victimisation and that Hong Kong, because of its rule-of-law advantage, would have a lower risk of crimes against business. Apart from the lower level of bribery reported in Hong Kong, however, overall differences between Hong Kong and the mainland were relatively modest. Indeed the size of the business—irrespective of where it was located—was the most important predictor of crime risk. Furthermore, the greater propensity of mainland businesses to report both common and non-conventional offences (albeit to a lesser extent) to police compared with Hong Kong would suggest, on the surface at least, that they too have a high degree of confidence in police. It is possible that the higher reporting rates in the mainland partly reflect the extent that many businesses are state owned and their discretion to report or not might be limited. This being said, it also suggests that the association between effective legal and law-enforcement institutions and a successful climate for business is sufficiently functional in contemporary China to provide the social order and predictability necessary for the expression of capitalist markets. Thus, the assumption that the British legacy of a ‘rule of law’ culture provides a substantial commercial (competitive) advantage for Hong Kong might be exaggerated, at least in the context of risks of crimes against business. This exaggerated assumption might stem from an underestimation of the rapid development of commercial and contract law in China, especially in practice in Shanghai—the commercial hub of China, where business activity has been the engine of its economic revival. Yet, it is also clear that Hong Kong has been able to curb bribery among both officials and businesses to a much greater extent than mainland Chinese cities. Given the concern about corruption among businesses in China, Hong Kong’s reputation for clean and effective government is a credible example of what can be achieved. As noted in the Introduction, however, in practice, clean governance might not provide the arch advantage supposed, and collusion with powerful officials might actually make business sense if indeed competitors also seek ‘under the table’ assistance.

This study has hopefully enlarged, however modestly, the still too limited picture of attitudes to or perceptions of crime and corruption among businesses in China and contributed to the small body of studies that addresses public perceptions about crime and its salience compared with other issues. It was intriguing to see that in the National Sense of Security survey, the fear of crime in mainland households—which had grown from one in five in the late 1980s to

\(^{16}\) On all six World Bank measures of good governance, Hong Kong substantially exceeds mainland China. For example, in 2005 in Hong Kong for the variable ‘control of corruption’, the value was 1.8 compared with −0.74 for China; ‘rule of law’, 1.56 versus −0.42; ‘regulatory quality’, 1.88 versus −0.20; ‘government effectiveness’, 1.57 versus −0.21; political stability and absence of violence/terrorism, 1.11 versus −0.36; and ‘voice and accountability’, 0.6 versus −1.52 (the scale varies from −2.5 to 2.5) (for further details, see Appendix A; World Bank n.d.).
one in two in the early 1990s (at the height of the economic transformation)—had declined to less than one in 10 in the period 2003–07, which was a level very similar to that reported for Hong Kong. This pattern might be explained by the control of institutional anomie provided by the policies of the planned transition. The question format used in the survey, however, appeared to be designed to manipulate a more positive response and the improvements might be more artefact than real. Even if it was the case, it remains that many businesses—notably in Shenzhen—felt that crime was in decline, although on the whole mainland businesses rated crime and corruption as serious obstacles. We conclude by arguing that if the extent of crimes against business in China is substantially exceeding that of ordinary households, it has not reached the levels experienced in other developing and developed economies, and that a planned rather than a laissez-faire transition was instrumental in this outcome.