

**UNDERGROUND BANKS: THE PERSPECTIVES OF CHINESE ILLEGAL
IMMIGRANTS IN UNDERSTANDING THE ROLE OF INFORMAL FUND
TRANSFER SYSTEMS IN THE UNITED STATES**

A Dissertation
Submitted
to the Temple University Graduate Board

In Partial Fulfillment
of the Requirements for the Degree of
Doctor of Philosophy

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August 2009

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ABSTRACT

Title: Underground Banks: The Perspectives of Chinese Illegal Immigrants in Understanding the Role of Informal Fund Transfer System in the United States

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Degree: Doctor of Philosophy
Temple University, 2009

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The financial link in the process of illegal immigration is a little researched domain in the literature. This research is the first exploratory study to examine the role of Chinese-operated informal fund transfer systems in the U.S. in the lives of Chinese illegal migrant workers and their families who remained in China. The primary source of data was in-depth interviews with thirty illegal immigrants in New York City and Philadelphia.

The findings show that the emergence of underground banks in the U.S. coincided with the largest waves of Chinese illegal immigrants smuggled into the U.S. since the later 1980s. They served as a preferred means of fund transfer among Chinese illegals due to their unique service, not necessarily because of the clients' illegal status, or any coercive actions by human smuggling groups. Through inductive analysis based on the narrative data, this research is able to trace the trajectory of the evolution of Chinese underground banks over the past decades. The evidence seems to suggest an indirect role played by these illegal fund transfer systems in sustaining transnational illegal labor migration achieved through human smuggling.

The research also suggests a declining importance of underground banks and a shift away from their use toward legitimate fund transfer channels among Chinese illegal immigrants since the mid-1990s and a seemingly new role of formal institutions in filling in the vacancy left by underground banks. Finally, the findings suggest that underground banks may have been forced to and have adapted to a narrower and more illicit use.

ACKNOWLEDGMENTS

This research project would have been impossible were it not for generous help from many people and institutions. First of all, I would like to thank these immigrant respondents whom I solicited to engage in interviews for their courage and trust. Their personal experiences offered invaluable material for this first study on underground banks serving the immigrant Chinese community in the United States. Genuine thanks also go to five immigrants, (three) Mr. Chen, Mr. Zheng, and Ms. Chen, who helped locate the research participants. The following Chinese churches, the Minen Church (New York City), the Minen-Philadelphia Church, the Chinese Christian Church, and China Gospel Church (Philadelphia), kindly allowed me to join them for the research purposes in varied activities they hosted, and agreed to let me use their premises for conducting surveys and interviews.

I am deeply indebted to Dr. John S. Goldkamp. I'm fortunate to have had him serve as my advisor to see me through my Ph.D. study. He has left an indelible mark throughout the whole process of this dissertation research, ranging from major concerns like designing the research, shaping the analytic framework, and structuring the arguments, to minor details like grammar errors. His constructive critique and astute comments helped produce a solid dissertation. I would also like to express my gratitude to Dr. Mark Haller who offered guidance and timely advice while I was wrestling with the thorny theory issue; to Dr. Kate Auerhahn for her reading the final draft with great care and posing many challenging questions in helping sharpen the focus of my analysis. My special thanks go to Professors Phil Harris, Kay Harris, Matt Hiller, and other faculty members and staff for the help and encouragement I have received in the past years. Warm thanks go to Travis Taniguchi, Chris Salvatore, Kim Houser, Justin Medina, and

many other fellow graduate students who provided a collegial environment in which to learn and grow and much needed assistance to a person with severe hearing loss.

I wish to acknowledge the funds provided by Dr. Goldkamp, the Graduate School, the College of Liberal Arts, and the Center for Humanities, Temple University, which enabled me to conduct the preliminary research in mainland China, and complete the interviews both in New York City and Philadelphia. I also would like to take this opportunity to thank the department of Criminal Justice for generously supporting me through lengthy years of my doctorate study.

It is with profound gratitude that I want to recognize the prayer support offered for this research and for me by fellow Christians from three Chinese churches over the years, which has sustained me throughout those difficult days of my life. In particular, Dr. Weihua Niu, Pai and Kim Chung, demonstrated a loving kindness which never failed to refresh and comfort me.

My debt is also great to my parents living a Pacific Ocean away, who never complained about the inconvenience caused by my lengthy academic pursuit in the United States, nor gave up hope in me.

Finally, I owe my immeasurable thanks to J. C., who has been the source of my strength and help, lifted me out of distress and despair in those trying times, and graciously taught me a lesson of perseverance while faithfully accompanying me on this long, hard journey.

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CHAPTER 1

INTRODUCTION

The present study is concerned with a particular type of Chinese underground bank, better known as “qianzhuang” (pronounced as “ch’ien-chuang,” meaning “money shops”) among their Chinese clients both in the U.S. and mainland China. The study examines Chinese underground banks located in Chinatown, New York City (NYC), in supporting various activities among the largely illegal immigrant populations they served as gleaned from the perspectives of their clients living in the U.S. These population primarily involve undocumented Chinese laborers smuggled into the U.S. from the Fujian Province, P.R. China (China), who represent the largest population of Chinese illegal migrants in the U.S.

This study seeks to understand the thoughts and views of illegal immigrants about this informal fund transfer system, which stands as a major alternative to the mainstream financial system. Of particular interest is how their knowledge about underground banks as remitting agencies informed their decisions to come to the U.S., and how the remittances transferred through underground banks have affected their lives in the U.S. and the lives of their families left behind in China. The primary data source for this research was face-to-face surveys and interviews with 30 Fujianese illegal immigrants selected from local communities in the Greater Philadelphia area and NYC, who used to be clients of Chinese underground banks. Through interviews with clients of Chinese

underground banks in the United States, the study collected and analyzed their perspectives as a first step in examining the mostly hidden role of this illegal financial institution.

Underground banks have had a long history in Asia, long before western-style modern banks came into existence. Indian and Chinese underground banks are the two major archetypes. They still remain active in different parts of the world as informal financial systems, paralleling conventional banking institutions. They are found to “transfer funds or value from place to place either without leaving a formal paper trail of the entire transactions or without going through regulated financial institutions at all” (Passas, 2003, p. 8). Because the operation of underground banks is outlawed in many countries, including in the United States and China, they are the appropriate subject of criminological inquiry.

For decades underground banks have been part of an underground economy with much of their activity going unnoticed. However, after September 11, 2001, underground banks in the Middle East and India have drawn public attention because of their roles in financing terrorism. Police in China, Japan, Australia, Great Britain, and the U.S. have discovered that Chinese-run underground banks located in these countries have routed huge sums back to China for illegal immigrants over the past years (Kakuchi, 2004; Mei and Wang, 2004; Preston, 2006). This fact raises the question of whether Chinese underground banks represent a key mechanism in the larger social problem of illegal migration, or potentially pose a serious threat of supporting other illegal activities like their counterpart systems in the Middle East and India.

In addition to understanding the role of the underground banks in the lives of illegal Chinese illegal immigrants, this study investigates the role Chinese underground banks played in illegal migration and human smuggling from the perspective of the immigrants. Since the late 1980s, smuggling people into industrialized countries has become a conspicuous phenomenon in certain sending regions (the eastern region of the Fujian Province, and the southern region of the Zhejiang Province) in China. This trend seems to continue unabated in spite of reinforced border control in the U.S. and the countries of the European Union. Human smuggling has become a growing industry, and Chinese human smuggling represents one of the important sources of illegal immigration (see Smith, 1997).

An important rationale for an exploratory study of this type is to gain a fuller understanding of the financing of the illegal immigration process, an area heretofore basically unexplored. For example, are there border-spanning financial systems involved in the operations of smuggling Chinese? Do these Chinese-controlled underground banks facilitate illegal migration and human smuggling? The need for an in-depth understanding of the relationship between these informal fund transfer systems (IFTs),¹

¹ There is a lack of consensus on terminology relating to informal financial systems. The often used terms include “informal funds transfer systems,” “alternative remittance systems,” “underground banking,” “ethnic banking,” and “informal value system.” A more detailed description of these systems can be found in El Qorchi et al. (2003). Some scholars argue that a distinction should be made between “informal funds transfer systems” (IFTs) and “informal value transfer mechanisms” (IVTM), two different types of informal remittance system. See El Qorchi et al (2003), Maimbo (2003), Passas (2003). Both refer to “mechanism or networks of people facilitating the transfer of funds or value without leaving a trail of entire transactions or taking place outside the traditionally regulated financial channels.” El Qorchi et al. (2003). However, IFTs are mainly used for pure monetary value transfer carried out by ethnic businesses. The practice was widespread in sub-continental India and China and now their services are available across the globe. They are subject to financial regulations applicable to money services businesses. Examples of IFTs include the hawala system (prevalent in India and the Middle East) and Chinese underground banking

illegal migration and human smuggling has never been more pressing—given recent concerns arising from terrorism and illegal immigration in the United States.

Furthermore, recent police reports indicate that Chinese smuggling has fanned out into other regions beyond the Fujian Province, the largest sending region of Chinese illegal immigrants in the U.S. This research represents a first attempt to illuminate the varied experiences of undocumented Chinese in the U.S with respect to the financial element of the migration and settlement process.

Several theoretical perspectives on illegal and ethnic enterprise underpin the present research. As distinct from the organized crime model, the framework used here calls for greater attention to an understanding of the “task environment” which may determine the structure and operation of illegal enterprise (Smith, 1980, p. 18), and social structure, which shapes economic behavior (Peng, 2004; Portes and Sensenbrenner, 1993). Grounded in these perspectives, the present inquiry is centered around the following questions: 1) Why do Fujianese illegal immigrants use underground banks? 2) What are the basic characteristics of underground bank owners or operators in the United States and their operating style? 3) What mechanism has sustained the operation of underground banks? 4) What different purposes did Chinese underground banks serve for illegal immigrants in handling their remittances? 5) Have remittances sent from the U.S. to China through underground banks facilitated illegal migration? Simply put, these

systems (“qianzhuang” in Chinese). IVTM refers to the transfer of value in the form of goods, or a combination of goods and money, for their monetary value. Examples of IVTM include in-kind transfers/payments, invoice manipulation, trade diversion, etc. They usually have interface with the formal banking institutions, but leave no money trail. See Maimbo and Passas (2004). The IFTs is used in this thesis to stand for Chinese-operated informal remittance transfer systems.

questions are utilized to examine to what extent an analysis of Chinese underground banks lends support for illegal enterprise theory.

Through inductive analysis based on the narrative data derived from in-depth interviews with the clients of underground banks, this research is able to trace the trajectory of the evolution of Chinese underground banks over the past decades. Within the limitation of the data, the research also attempts to explore the role of these financial intermediaries in sustaining transnational illegal labor migration achieved through human smuggling. This research contributes to a fuller understanding of current illegal immigration and human smuggling, and may inform law enforcement authorities in formulating more effective counter-human smuggling policies.

The dissertation is structured into seven chapters. Chapter Two presents a review of the literature on illegal and ethnic enterprise for the purpose of developing a theoretical framework useful in guiding the investigation and better comprehending underground banks. This section also includes an overview of the existing research on Chinese underground banks and its limitations. By way of background, Chapter Three offers an overview of the historical setting of Chinese underground banks in China, and analyzes how state policy and financial institutions created the conditions for the resurgence of the informal financial systems particularly in South China in the last half of the twentieth century. The remaining part of the Chapter illustrates how Chinatown, NYC serves as an important setting for the operation of Chinese underground banks, by tracing the contemporary Chinese immigration history in the twentieth century. Chapter Four describes the design of the study, including selection of research site, sampling method, issues of confidentiality and anonymity and the interview process, as well as data

collection and analysis. The in-depth analysis of the data and the findings are discussed in great detail in Chapter Five and Six. Chapter Seven concludes the research by discussing implications of the findings for theory. Limitations of the research and directions for future research are also discussed. It concludes with discussion of policy implications for law enforcement pertaining to curtailing the growth of underground banks in United States and China.

CHAPTER 2

THE ROLE OF UNDERGROUND BANKING: THEORETICAL PERSPECTIVES AND PRIOR RESEARCH

No systematic research has been conducted in either China or the U.S. on Chinese underground banks. In China, underground banks have been a national issue since the beginning of the twentieth century. Their rather sinister image has been shaped by anecdotal evidence, police statements, and media accounts largely based on police reports. Their operation has become a public concern in China because of the belief that underground banks may be connected to a wide variety of criminal activities such as tax evasion, smuggling, capital flight, money laundering and corruption. In the U.S., knowledge of Chinese-controlled underground banks remained obscure until quite recently when, in 2005, a Chinese underground bank owner was convicted and sentenced for her role in human smuggling. She was found to have financed human trafficking in cooperation with Chinese gangs in NYC. The operations she masterminded included the “Golden Venture” incident in 1993, in which 10 persons out of 289 illegal Chinese immigrants being smuggled drowned when the ship ran aground off Queens, NYC (Fritsch, 1993; Gladwell and Stassen-Berger, 1993).

The features of underground banks exemplified in this case, including the immigrant background of the operators, their family business nature, and the role of

criminal involvement in alliance with ethnic crime groups, would immediately evoke the image of “organized crime” in the same way that human smuggling activities worldwide do in the eyes of scholars, governmental agencies, and general public. In the 1960s organized crime theory prevailed in scholarly publications and at major government hearings in explaining criminal activities such as prostitution, gambling, loan-sharking, and narcotics trafficking, which were perceived to be controlled by ethnic groups like those of Italian, Jewish, or Irish descent (President’s Commission on Law Enforcement and Administration of Justice, 1967; Nelli, 1969). The influence of this theory has gradually eroded since the 1970s, but observers still tend to fall back on the notion of organized crime whenever an alien-dominated crime like the human smuggling trade hits the headline.

However, this researcher contends that instead of this conventional organized crime model, an illegal enterprise perspective better captures the intrinsic characteristics and principles of operation of small illegal undertakings like the Chinese underground banking system. Illegal enterprises are involved in provision of illegal goods and services to customers who have knowledge of their illegality. In different periods of time in American history, the list of illegal goods involved has included liquor, pornography and narcotics. Illegal services have ranged from bookmaking, gambling and prostitution, to loan-sharking (Haller, 1990, p. 207). This study proposes to add underground banking as a major topic of criminological inquiry to the list of illegal services, with its significance in need of greater conceptual development and more empirical studies. With a focus on the role of Chinese-operated underground banks from the perspectives of their clients, the present study provides an opportunity to examine whether these informal financial

systems are more properly categorized as ethnic-specific illegal enterprise than as organized crime. The past literature suggests that the properties of illegal enterprise are distinct from those of activities defined as organized crime. Within the limitations of data used by this research, if the findings of this study show that Chinese-controlled underground banks exhibit more of the characteristics of illegal enterprise in the case of Chinese-controlled underground banks, this may help make a preliminary case that these informal fund transfer institutions are not properly identified as organized crime, or as serving as part of organized crime. This chapter begins with a review of illegal enterprise perspectives which help frame research questions guiding the present study.

Theoretical Perspectives on Illegal Enterprise

Illegal enterprise as a criminological category has received little attention in scholarly studies. Only a small number of research studies have some relevance to the current research. Landesco (1929), who saw parallels between legitimate business and organized crime, was the first to propose the enterprise perspective in his analysis of organized crime in Chicago. Smith (1980) took issue with the assumptions underlying the conventional organized crime model, in which crime and business were viewed as distinct and separate categories; instead, he employed an alternative conceptual approach of illicit enterprise in developing a better appreciation of organized crime. However, no empirical data were presented in his work to lend evidentiary support for his theoretical perspectives.

Two important research studies on illegal enterprises utilized archival or empirical evidence. Relying on the confiscated records on gambling operations and interviews with criminal informants as well as police and prosecutors, Reuter's work (1986) on three

illegal markets in NYC provides useful insight into what influences the organization of illegal markets and the relationship of Mafia to illegal enterprises. Haller's historical analysis (1990) illustrates the structure and operations of illegal enterprises active in the later nineteenth and early twentieth centuries. The findings generated by these two studies are consistent with respect to the structural and operational characteristics of illegal enterprise, and both of the researchers assert that some generalizations can be made out of their findings.

A Spectrum-Based Theory of Enterprise

With emphasis on a more encompassing "enterprise perspective," Smith's theory rests on the premise that entrepreneurial activities take place along a continuum which covers both legal and illegal operations (1980, p. 379). He posits that "enterprise is the principal but not exclusive explanation for the events we identify as organized crime. Market dynamics operating past the point of legitimacy establish the prime context for the illicit entrepreneur, regardless of his organizational style or ethnic roots" (p. 375). Legitimate enterprises bear analytical similarity to illegal enterprises in the sense that they are all subjected to the operating principles governing organizational activities (p. 376). Smith's theory contains four important aspects, including entrepreneurs, customers, stratification, and power. Enterprises perform their functions in a dynamic "task environment" which consists of suppliers, customers, competitors, and regulators. Obviously, "an entrepreneur's task environment is markedly different on the illegal side of the spectrum, primarily because of the absence of regulation to ensure order and protect property rights." (p. 376).

On Smith's spectrum of market legitimacy, some enterprises are on the illegitimate side, but others are more legal than some enterprises placed on the legitimate side, and some others may be active in gray areas near the margin of illegality. An illustration is that three establishments co-exist on the market spectrum for the loan-making industry: the commercial banks, the pawnbrokers, and the loan-shark, serving the needs of varied types of customers and influenced by different rules or regulations. Similarly, the theory suggests the presence of a spectrum of customers, based on the legitimacy of customers' needs and the extent to which the legal market meets these needs. Smith contends that interactions between customers and establishments across a spectrum of legitimacy result in a stratified marketplace: "certain kinds of customers deal with certain kinds of businessmen." (p. 397)

The significance of the spectrum-based theory of enterprise for this present study is three-fold: First, it provides the rationale for the shift of focus in the present research from the internal structure and operating characteristics of underground banks to their "task environment." This is concerned with the market for the emergence of underground banks and the operating strategy adopted in response to the challenges posed by the external environment and the characteristics and needs of their customers, who are recognized as an important force of an illicit enterprise's task environment. An examination of these informal systems from this perspective will help expound on their role in a larger social setting. Second, it lays groundwork for theoretical development in exploring how the dynamics of the market shapes opportunity structure for the existence and survival of informal financial institutions like underground banks. Furthermore, the applicability of the theory will be subject to a test in cross-cultural study, since this

research deals with an informal financial system with a distinct ethnic background. Finally, if business perspective is a better approach to understanding the nature and operations of underground banks, this may have important implications for crime control policy, suggesting that governmental authorities may need to shift their attention from crime groups or individual kingpins to the environment cultivating the emergence of underground banks.

Illegal Enterprise Model: An Historical Analysis

Haller (1990) adopts a slightly different idea of “illegal enterprise” in framing a theoretical explanation of organized crime from an historian’s perspective. His historical analysis of the cooperation among illegal enterprises represents another challenge to the assumptions of the organized crime model. Haller’s case studies deal with corruptive relations between illegal entrepreneurs and local politicians and police, partnership arrangements involving illegal entrepreneurs in starting up illegal ventures, and cooperative endeavors among criminal entrepreneurs and within criminal syndicates in providing illegal goods and services. His findings suggest that systematic corruption (as in the form of regularized payoffs made to local politicians and police) virtually allowed local authorities to constrain the competition from other criminal groups in gambling and prostitution and to regulate illegal enterprises. The involvement in partnerships among illegal enterprises was just an effective method for independent criminal entrepreneurs to pool their resources of capital, political influences and managerial skills, and to share risks. Thus partnership arrangements helped structure the coordination of illegal activities among diverse enterprise in local, regional, and even international markets. Finally, the internal economic characteristic of certain types of criminal enterprises such as

trafficking in bootleg liquor and policy gambling created the necessity for cooperation among illegal entrepreneurs with diverse specializations to handle different levels of operation in the process of transporting, manufacturing, and distributing of illegal goods. No evidence generated in his findings was suggestive of the presence of hierarchical structure and centralized control in those cooperative activities among illegal entrepreneurs.

In short, Haller's (1980) historical analysis suggests that an illegal enterprise model, instead of an organized-crime model, was more suitable for explaining the structure and operation of illegal enterprises in the pursuit of their economic interests in major American cities. This illegal enterprise model underscores the importance of market forces over the structure and operations of illegal enterprises, which is congruent with Smith's theoretical perspectives. Through analyzing the interaction between regulators (politicians and police) and illegal entrepreneurs, interdependency among the underworld individuals who function as suppliers and customers to one another, and the market demand for criminal enterprises, Haller's study makes a convincing case that any forms of partnerships and coordination among the underworld suppliers were used to further their economic interests or to minimize risk, rather than to establish centrally controlled, hierarchically structured crime organizations. The wide range of illegal activities studied were largely small-scale and short-term and these were carried out separately by small independent criminal enterprises, where violence was not frequently used for enforcement of business agreements.

The illegal enterprise paradigm offers an analytic focus distinct from that of dominant "organized crime" theories, one that is particularly helpful in conceiving of the

subject of this research. This kind of perspective justifies adopting the approach of this research to illuminating this social phenomenon. If, like their legal counterparts, illegal enterprises are not immune from market influence and legal environment, then this theoretical perspective can be especially instrumental in making a possible shift in the focus of research from proprietors or operators of underground banks to their clients within the context of illegal immigration through human smuggling, the illegal market where these informal financial institutions are found to be thriving. The interviews of illegal immigrants, as a means of documenting their experiences and interaction with underground banks, offers a glimpse into the role of underground banks in shaping their decision making and of the serious consequences for their lives and their families. Given the lack of direct evidence on internal structure and operations of the underground system to draw upon, this theoretical approach holds promise for advancing a fuller understanding of underground banking from the outside in through the experiences, views, and perspectives of the clients or users themselves.

Illegal Markets and the Mafia: An Economic Analysis

The illegal enterprise perspective suggests the importance of an understanding of the economics of illegal enterprises for shaping entrepreneurial decisions concerning the structure and operations. This point is aptly illustrated by economist Reuter's case study on illegal markets in New York City.

The utilization of an industrial organization analytic framework makes structural conditions, i.e. illegal markets, the focus of his analysis. With data sources from official files and interviews with criminal informants, Reuter's work (1986) focused on bookmaking, the numbers industry, and loan-sharking in New York City to address

concerns about the relationship between organized crime and illegal markets. In elucidating the operational effects of illegal goods and services in terms of lack of court-enforceable contracts, the risks of assets seizure, and the risk of arrests and convictions for all participants, much of Reuter's analysis points to how the nature of goods and services and their illegality determine the way that entrepreneurs of illegal firms structure their relationships with other participants (such as employees, agents and customers), the mode of transactions, information flow and suppression (such as the entrepreneurs' identity and his illegal activities), and the incentives/disincentives to the use of violence (1986, p. 109-131).

Through extensive analysis of the organizational structure and operation of these three illegal markets, Reuter's findings contrast sharply with official assertions that the Mafia or an organized-crime group dominated major illegal markets through coercive power generated by corruption and violence. His findings about bookmaking suggested that the enterprises were small and often ephemeral due to the instability of the market. The Mafia, despite its involvement in a certain level of extortion, did not possess a monopoly on bookmaking through control of information, corruption, reinsurance, and capital supply. In the case of the numbers game, little evidence was found to support the contentions that the market was subject to central control through organized crime connections, and corruption was the critical operating feature of the market. Similarly, the study on loan-sharking refuted the validity of the statement that the business as a whole is monopolized by the Mafia, or that violence infuses the market, because the close relationship between loan-sharks and borrowers diminished the need to use violence for repayments.

In summary, Reuter contends that the product's illegality has economic consequences for the organization of illegal markets. The case study of three major illegal markets suggested that illegal markets consist of "localized, fragmented, ephemeral, and undiversified enterprises" (1986, p. 131) due to constraints posed by small-scale operation, limited employment, and difficulty with obtaining external capital. The Mafia was found to acquire monopoly over dispute resolution services in the illegal markets, but seemed to lack coordination in their efforts to exact fees for arbitration. Despite the involvement of the Mafia, the use of violence in these illegal markets was found to be less common than official accounts indicated.

Reuter's findings with respect to the determinants shaping the organization of three illegal markets (bookmaking, numbers, and loan-sharking) have direct bearing on how the present study is conceptualized. This current research draws on Reuter's perspective to understand how Chinese illegal immigrants deal with constraints arising from the consequence of product/service illegality defining Chinese underground banks in a culturally distinct context.

Theoretical Perspectives on Ethnic Enterprise

In the investigation of three major illegal markets in NYC, Reuter pointed out the three principal operational consequences of product illegality for participants: unenforceable contracts at court, risks of asset confiscation, and the risk of apprehension. Hence, one of the protective measures used by illegal entrepreneurs is to control the flow of information about their participation in illegal activities (Reuter, 1986, p. 114). These concerns should also be applicable for the purveyors of illegal remitting services, that is, underground bank owners or operators. Confronted with legal constraints, questions

arise as to how these informal financial institutions reached out to their potential clients, and established their reputations while keeping the information regarding illegal transactions and their identity to the minimum. Similarly, a relevant concern for clients of underground banks was whether their illegality made any difference in affecting clients'-- - in this case, Fujianese illegal migrant workers--- decisions, particularly with regard to handing over their hard-earned money to unlicensed “bankers” as remittances to be sent back to their families.

Trust is inherent in the operations of informal financial systems (Maimbo and Passas, 2004). Given that each remittance transfer system apparently grows out of different cultures (see Sharma, 2006), in the case of the Fujianese-operated underground banking system, intriguing questions remain unanswered about those who utilized these systems. For example, what constitutes the basis on which high levels of trust were formed ? Were other factors at work which might directly bear on information flows, clientele pools, and disputes settlement? To answer these questions, this research also draws upon the conceptual framework developed in another body of research on immigrant enterprise.

The illegal enterprise model treats illegal enterprise as an independent entity exposed to market incentives with little room for the consideration of the role of ethnicity or the ethnic community. However, there is evidence suggesting that immigrant businesses, illegal or legal, elicit benefits by taking advantage of collective resources made available by an ethnic sense of community (Waldinger, 1986). In this regard, the perspectives emerging from the literature on ethnic enterprises facilitate a better understanding of the existence and viability of Chinese underground banks in Chinatown,

NYC, by adding a dimension missing from the illegal enterprise literature: the structural effect of ethnicity on individual immigrants' goal-seeking behavior.

There is a growing tendency in immigration research to emphasize the importance of social capital in shaping economic behavior. Waldinger (1986) argues that ethnicity is a valuable resource in organizing a labor market and maintaining stable employment relationships in favor of the development of small ethnic businesses. Employers of small immigrant firms can use their ethnic networks to recruit an attached labor force primarily consisting of co-ethnics. Expectations and norms grounded in ethnic commonality are conducive to establishing rules in the immigrant workplace acceptable for both management and workers, diminishing potential conflicts in the employment relationship (p. 272). Below illustrated are the principal types of social capital, the concept most relevant to the issues addressed by this current study.

Principal Types of Social Capital: Bounded Solidarity and Enforceable Trust

In the theoretical elaboration of embeddedness or social capital, Portes and Sensenbrenner's conceptual formulation (1993) attempts to refine bounded solidarity and enforceable trust through which social structures affect economic action. As sources of social capital, both are grounded in a heightened sense of community shared by immigrant groups and built into community networks. According to Portes and Sensenbrenner's proposition, bounded solidarity arises among members of an ethnic community when confronted with adversarial situations in a specific time and place, such as discrimination and prejudices experienced by immigrant groups in a host society. It can be accessed by members of this immigration group as social resource to summon mutual support among group members, thus integrating individuals' pursuits of self-

interest into seeking a public good for the whole group. Bounded solidarity is shown in immigration studies to be of great value in setting up and expanding small migrant enterprises (p. 1329). Viewed as a collective sentiment, bounded solidarity is helpful for reinforcing immigrants' identity in a hostile environment and developing the capacity to restrain individual members' behavior due to the moral obligations inherent in it. Portes and Sensenbrenner also noted the variance in bounded solidarity among different ethnic groups, which is believed to be associated with the ability of a specific immigrant group to reenact their own cultural values and practices in a receiving country (p. 1329-1330).

Compared to bounded solidarity, enforceable trust has "a strong instrumental orientation" (p. 1332). It represents the community's capacity to monitor and mete out sanctions to the group members. The strength of enforceable trust is directly associated with the resources of the community, i.e. its capacity to dispense rewards. The literature in economic sociology suggests that enforceable trust is indispensable in the operations of informal credit systems prevalent among ethnic groups (Coleman, 1988; Granovetter, 1985; Hechter, 1987; Light, 1972, as cited in Portes and Sensenbrenner, 1993).

Cases drawn from literature on immigration have provided support for Portes and Sensenbrenner's propositions on the functions of bounded solidarity and enforceable trust in economic and social life among immigrant communities in the U.S. (e.g. Bourgois, 1991; Geertz, 1963; Nee and Nee, 1973, as cited in Portes and Sensenbrenner, 1993). Portes and Sensenbrenner also noticed the negative effects of these social mechanisms. High- solidarity communities could develop a free-riding problem, could pose constraints on individual member's action and expression, and could exert leveling pressures to restrict the upward socioeconomic mobility of successful members (p. 1338-

1344). The theoretical concepts of bounded solidarity and enforceable trust provide the current research a useful framework for exploring whether similar types of social capital and accompanying problems can be identified in a Chinese ethnic community and how they may influence use and operation of illegal banking enterprise.

Kinship Networks: The Predominant Type of Social Capital in Chinese Society

According to Peng (2004), the theoretical propositions put forth by Portes and Sensenbrenner concerning bounded solidarity and enforceable trust fail to capture the peculiar traits of social capital applicable in Chinese culture/society. Peng's study demonstrated the positive effects of kinship networks on the success of Chinese rural industry in the early reform era based on empirical data from 366 Chinese villages. Although they were established "for noneconomic purposes, yet with economic consequences" (Coleman, as cited in Peng, 2004), Peng illustrates the important role played by kinship networks in advancing the economic performance of China's rural private enterprises during the time period when formal property laws were not in place and market institutions were inadequate. He argues that kinship relations, as opposed to a conventional sense of network resources, conferred social benefits to private entrepreneurs through three possible mechanisms: the informal enforcement of property rights facilitated by kin solidarity, capitalization made possible through enforceable kin trust, and market information and opportunities accessible through external bridging ties at the community level (p. 1068-1069). In particular, kin solidarity and trust act to protect against predatory local cadres, and reduced the uncertainty and high transaction costs arising from poorly established formal institutions.

In short, the theoretical contribution of perspectives on illegal enterprise and ethnicities to this research can be summarized as follows: illegal enterprise theory emphasizes the primacy of market influence in the emergence of underground banking; nonetheless, the explanation made by this “economic” approach would be incomplete when it comes to the existence and proliferation of illegal ethnic enterprise in a foreign country. This illegal enterprise theory is ambiguous as to how the market potential is realized under these circumstances. The perspective on ethnic networks stresses the structural importance of social relations, whereby it helps illuminate the mechanisms underlying the use and operation of underground banks. It identifies how social relations built in ethnicity affect behavior patterns and the operational style of underground banks and illegal immigrants as the main clientele, as well as the mutual relationship between the two parties in coping with the illegality of clients’ status and the nature of underground banking operations. Additionally, this perspective helps to explore whether culture-specific social capital derived through kinship networks, still plays a central role in facilitating the use of underground banks as it did in promoting large scale migration of a Chinese community in the 1950s and private entrepreneurship in rural China in the early 1980s (see Watson, 1975).

Research on Chinese Underground Banks

In the research literature on remittance transfer systems, Chinese-operated underground banks are known as one variant of informal remittance transfer systems whose services, unlike those of the registered or licensed formal sector, are not subject to oversight or regulation of the competent authorities (Passas, 2003). The Chinese underground banking system has been an elusive subject for academic study. Only three

studies have been identified. A study by Cassidy (1990), a former CIA employee, was the first to provide a relatively reliable historical account of the Chinese underground banking system from the 18th century through the early twentieth century. His research notes that Chinese living in Southeastern Asia and the U.S. used underground banks to move money facilitating the narcotics trade. However, he emphasizes that “while sometimes technically violable they are not inherently illegal;” the mechanisms they exploit, “[...] are the vestiges of a banking system of a far-flung people that antedates modern electronic banking” (Cassidy, 1990, p. 15). He cautions against a premature conclusion that the mechanisms are knowingly employed for criminal purposes before any further investigation is made.

Lambert (2000), a veteran crime investigator, examined the development of Chinese informal fund transfer systems in Southeast Asia since the 1980s in light of the American government’s concern about the role of Chinese underground banks in narcotics money laundering. His study suggests that an underground banking network controlled by an organized Chinese crime group was active in support of heroin trafficking from the Golden Triangle to the U.S. market. However, Passas argues that Lambert’s article contains many factual errors deriving from his quotation of “facts by repetition.” Passas further points out that some statements made in Lambert’s study about the misuse of underground banks were “sheer speculation and based on no known cases...” (Passas, 2003, p. 26).

Passas’ preliminary study of underground banking systems worldwide offers a comprehensive overview of the distribution and operational characteristics of underground banking system available to varied ethnic groups around the world (1999).

His study briefly touches on the main forms and features of the Chinese IVTS in Hong Kong and the U.S., and describes the regulatory measures taken by the governments in Taiwan, Hong Kong and Mainland China. Based on secondhanded data sources (including archival documents and interviews with scholars and law enforcement officials), Passas characterizes the Chinese system as primarily non-criminal in function. His study identifies the following attributes of the system:

1. The Chinese IVTS are characterized by one-way traffic, meaning that money primarily flows to China, while underground banking system in other areas, such as hawala in India, are bi-directional;
2. Most of the funds remitted by clients (Chinese residing in the U.S.) were lawfully earned money, instead of criminal proceeds being laundered;
3. Violence is generally not an attribute of the Chinese underground banking system;
4. IVTS in most cases do not have capacity to deal with transactions involving substantial amounts of money generated by illegal enterprises;
5. No solid evidence indicates that corporations and state agencies are involved in illegal money transfer through the Chinese IVTS;
6. The prevalence of import-export invoice manipulation practices are less evident in the Chinese system than hawala networks;
7. The illegal foreign currency transactions and remittance primarily violate laws of China.

Despite disagreement on the extent of the growth of the Chinese underground banking system worldwide, two of these three studies have asserted that the unregulated use of the system may not be a grave concern, because it is believed that ethnic groups

resort to the system either for legitimate purposes or for relatively minor offenses. Passas' assertions stem from rather questionable data sources. By the very nature of their illicit function, Chinese underground banks do not generate reliable official records, and other primary documentation, so firsthand materials are so lacking in this area. This limitation is the principal rationale for the approach proposed in this study which investigates the role of Chinese underground banks based on their clients' accounts, the perspective of illegal Chinese immigrants.

Limitations of the Research on Chinese Underground Banks

The state of scholarship to date on Chinese underground banking is minimal. None of the previous studies has substantiated its findings by gathering firsthand information from Chinese clients or owners of underground banks. The studies lack depth and breadth, in that underground banks either were treated in a limited period of time, or are situated in places outside mainland China, which is the place of origin for and the largest market of these informal financial systems. Previous inquiries have also stopped short of examining how the Chinese underground banking systems have adapted to changes in Chinese socioeconomic conditions and globalization. Scant attention has been paid to factors underlying the re-emergence and growth of underground banks in a transitional China as it has moved from a centrally controlled to a free market economy. The limitations in this area are so great that many avenues could be explored. This research represents a valuable step in examining the problem.

Previous research studies have not distinguished different types of customers of underground banks, and failed to clearly delineate the disparate purposes of people using the system, whether they are criminals, criminal syndicates, companies, legal residents, or

illegal immigrants in the context of China's increased integration into a global economy. The result is that understanding of the dynamic process underlying the resurgence and growth of underground banks could be problematic, and any conclusion that underground banks are of little consequence in illegal activities could be oversimplified.

As shown in the review of the existing literature, the contemporary Chinese underground banking system remains elusive when it is treated in the context of illegal migration through human smuggling. Little is known about its role in illegal migration and human smuggling due to lack of systematic data. Specifically, no inquiry has been made into why clients chose underground banks for sending remittances over other alternatives, their relationship with the owner/operator of underground banks, the nature of typical transactions in underground banks, how their clients viewed this informal value transfer system, and what discernable effects the remittances transferred through underground banks have had on the lives of their families in China. An integration of the illegal enterprise model and ethnic network perspectives lends a powerful analytical tool to plumb this unexplored subject. If like legal businesses, illegal enterprises, such as underground banks, are similarly amenable to the influences of the "invisible hand" of market forces and the "visible hands" of government regulation, this study will make a contribution to accounting for why the illegal services provided by Chinese underground banks were attractive to a specific ethnic group of illegal immigrants, and how the viability of underground systems was sustained in the face of uncertainties and risks growing out of the illegality of the services.

CHAPTER 3

CHINESE UNDERGROUND BANKS IN CHINA AND THE UNITED STATES: BACKGROUND

Chinese underground banks are not a recent phenomenon. An overview of their historical evolution indicates that they were burgeoning in China's financial market in the first half of the twentieth century and then disappeared from the scene by the 1950s (detail see below). A reforming China in the later part of the twentieth century furnished an opportunity to resurrect these old institutions first in South China. Considering that these informal fund transfer systems (IFTs) are illegal in both the U.S. and China, how they thrived in China, expanded their territory into Chinatown, NYC, and became implicated in human smuggling is a mystery worthy of unraveling. Interviews with Fujianese illegal immigrants show that underground banks here in the U.S. collaborated with their counterparts in China in smoothly transferring the earnings of Fujianese illegal immigrant workers from the U.S. to China, since transactions undertaken through underground banks have never gone through conventional financial systems. The first section of this chapter focuses on an historical review, including recent development of the systems in China, while the second section centers on how Chinatown has been shaped by tidal waves of immigration over time, particularly illegal immigration

beginning in the late 1980s. A review of Chinatown's history is important because the research findings suggest that Chinatown is a safe haven for the growth of Chinese underground banks, which exclusively served the needs of illegal immigrants coming from Fujian Province.²

Underground Banks in China

Historical Background of Chinese Underground Banks: P'iao-hao and Qianzhuang, Old-style Native Banks

The origin of Chinese underground banks is traceable to indigenous financial institutions beginning in the early 18th and 19th centuries, P'iao-hao (literally “draft banks” which were founded by merchants from Shanxi Province in North China) and qianzhuang (pronounced as ch'ien-chuang, meaning “money shops”) (Yang, 1952). These institutions were operated with full recognition of Chinese governments, specifically the Ch'ing, the last imperial dynasty (1644-1911), and the first Republican Government of China (1911-1949) (Cheng, 2003). Throughout the turbulent history of China, these native banks assumed their own developmental trajectories and exerted significant influence in financial markets of China, but eventually both of them met their demise with the advent of the second half of the twentieth century.

As one of the first banks in China, P'iao-hao acquired great influence in North China (Yang, 1952). Originally they were founded to furnish local Shanxi merchants with

² The analysis in Chapter 6 is suggestive of the importance of dialect-specific networks in cultivating high levels of trust between underground bank operators and clients. Hence a non-Fujianese potential client tends to be viewed as a suspicious “intruder,” who normally would not even obtain access to information like the location of an underground bank without the assistance of a Fujianese-dialect speaker.

the convenience of safe transfer of funds through the issuing of drafts between local branches of a P'iao-hao. Later due to the development of interregional domestic trade, they evolved into a nationwide network in major cities in an imperial China at the end of 19th century, where they derived profits by making loans and accepting deposits aside from remittance charges (Yang, 1952, p. 81). They also served as semi-governmental fiscal agents rendering reliable service for the state and provincial treasuries. Before modern western banks landed in China, Shanxi p'iao-hao had already established hegemony over the interregional remittance business (Cheng, 2003).

Qianzhuang was the other major Chinese native banking system, which was burgeoning in Southern China in the 19th century. Stimulated by commercial growth in coastal and port cities, their business was oriented toward accommodating the needs arising out of foreign and coastal trade by dealing in money exchange and issuing credit. They were distinguished from Shanxi banks in that they were “independent, small-scale” local banks “whose activities were coordinated by local guilds and bankers’ associations” (Jones, 1972, p. 51; Yang, 1952, p. 84-85). Originally they clustered in the Yangtze delta area around Shanghai, but later they spread throughout South and Central China. Their clientele was wide-ranging, including both the elite---gentry, rich merchants and bureaucrats, and the lower class--peasants, artisans and petty traders (Jones, 1972). The prominent role of qianzhuang in financial and commercial transactions was in serving as brokers between foreign banks and Chinese traders, and between the city and rural areas in China (Jones, 1972, p. 75). Toward the end of the nineteenth century P'iao-hao and qianzhuang combined wielded significant power in terms of capital in China (See Figure 1).

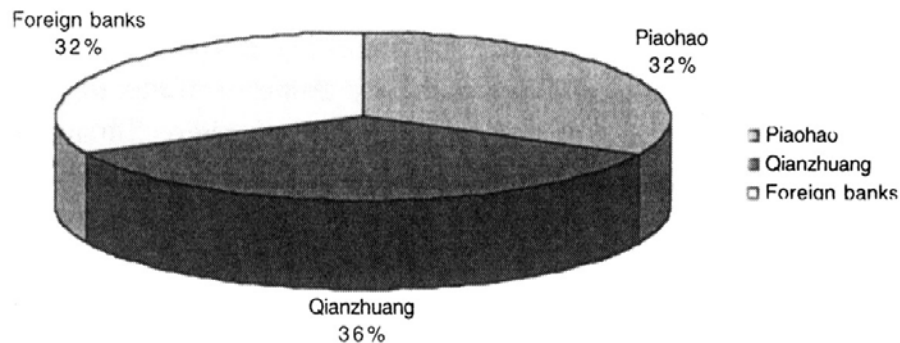


Figure 1. Comparison of capital power in the Chinese financial market in 1894

Source: Cheng, Linsun, *Banking in Modern China*, p.142

P'iao-haos began to decline with the fall of Ch'ing dynasty in 1911, and their fate was sealed ultimately by lack of competitive strength against foreign banks and modern Chinese banks, due to their narrow focus on remittance service and failure in adapting to a changing politico-economic environment. Qianzhuangs held out relatively longer, thanks to their close ties forged with local businesses and flexible operation styles that carried them through political and economic crises. Yet the qianzhuangs gradually were unable to recover the lost ground in the financial market in the face of the stronger influence of Chinese modern banks, and they were eventually disrupted by the eight-year Sino-Japan war (1937-1945), followed by a four-year civil war (Cheng, 2003, p. 240). The subsequent establishment of Communist control over China in 1949 dealt the last deadly blow in a process of nationalization of Chinese private enterprises, shattering the

hope of further development of private Chinese banks in China. However, qianzhuangs reemerged and flourished in Chinese society in the late twentieth century, only to find themselves in great demand among ordinary people, private businesses, and criminals alike, while antagonizing a powerful government bent on stamping them out at any costs.

*Re-emergence of Chinese Underground Banks in Mainland China: State Policy
and the Financial Environment*

The fact that new generations of Chinese underground banks flourish in the South coastal regions instead of the traditionally affluent Yangtze delta area in East China illustrates the catalytic role of the state's economic policies. With determination to depart from its longstanding socialist economic course, the Chinese government took bold steps initiating an "open-up," market-oriented economic reform in the late 1970s. Two coastal provinces, Guangdong and Fujian were chosen as the testing grounds to experiment with capitalist style market economy. Since then, these two regions have accomplished spectacular achievements in the economic sphere, particularly in the arena of international economic involvement. The success of the regional economy in these two provinces is largely due to multiple forces working in combination, including natural advantages, local initiatives, and resources made available by overseas connections (Chu and Yeung, 2000). The economic growth in these regions set the stage for the comeback of underground banks.

Open to the world

The preferential policies granted by the Central government to Guangdong and Fujian evidently had far-reaching consequences in the local economy in at least two dimensions. First, geared toward attracting foreign investment and foreign exchange

earnings, the opening policy set off a two-way massive population movement. As a result of the lifted ban on direct contact with foreign connections since the early 1980s, China-bound visitations made by overseas Chinese and visitors from Western countries had been on the rise over the years (Vogel, 1989). On the other hand, as strict controls on cross-border travel were eased, many Chinese citizens have been able to go abroad for private purposes since the 1980s. Every year a substantial number of Chinese officials, scholars and students make overseas trips.

The second dimension is that economic reform has brought about dramatic transformation in the economic landscape within a relatively short period of time in the two regions. These two provinces embarked on a development path distinguishable from other provinces in China (Long, 1994). Both successfully achieved the shift from an agriculture-oriented society to export-oriented light industry funded by large-scale inflows of foreign direct investment, particularly from Hong Kong, Taiwan and Southeast Asia. Rapidly expanding foreign-funded enterprises and collectively-owned enterprises (i.e. town and village enterprises) have taken the place of the declining state-sector in the share of total industrial output value and the province's export earnings (Goodman and Fang, 1994).

Given such impressive achievement in a relatively short period of time, those who have knowledge about China's strict foreign exchange controls would raise a question: how did those foreign-funded and private sector enterprises thrive when foreign currency needed in their business operation was in serious shortage? To answer these questions, an examination of change in China's regulatory environment in foreign exchange and financing is necessary.

Foreign Exchange Controls

Reform of exchange controls (1979-2006). From 1949 to 1979 China had maintained a tight control over foreign exchange in that the circulation of foreign currencies was forbidden; the central government supervised the foreign exchange business through the Bank of China. Only a handful of designated state enterprises were allowed to engage in foreign trade (Hall, 2004). As of 1950 all foreign exchange holdings were required by law to be sold to the Bank of China. The allocation of foreign exchange was dictated through state planning. Also the longstanding practice of artificially substantially overvaluing Chinese currency resulted in severe short supply of foreign exchange (Lardy, 1992). Chinese currency, renminbi (literally “people’s currency”), was not convertible into any foreign currency due to this tight control.

In order to enhance export incentives and encourage the introduction of foreign investment, foreign exchange controls began to decentralize in the 1980s. China has come a long way from the establishment of swap markets³ to a national inter-bank foreign exchange market in 1994. In December 1996 transactions under current account were freely convertible in keeping with Article VIII of the International Monetary Fund Articles of Agreement. Currently, foreign exchange transactions on capital account are

³ These were officially referred to as “Foreign Exchange Transaction Centers” (FETCs) in 1980 for domestic firms to trade their surplus foreign exchange for Chinese currency (Lardy, 1992). Swap centers nationwide were open to foreign investment firms for balancing their foreign exchange in 1986, and open to individual Chinese nationals for limited purposes (Drumm, 1995; Zhang, 2002). By 1993 80% of legal foreign exchange transactions were carried out through the swap centers at a more favorable rate than the prevailing official rate (Lardy, 2003).

still under strict control, which according to the State Administration of Foreign Exchange Control (SAFE), will achieve “basic convertibility” by 2010 (Chan, 2004).⁴ So in practice, even though the control on current account transactions is relaxed, foreign exchange transactions under capital account are subject to stern regulations to ensure the repatriation of all earnings under capital account and to prevent outflows of foreign currency through illegal remittance (Drumm, 1995). The use of foreign exchange for individual purposes, such as travel or study abroad, is still strictly controlled (Chan, 2004).

Restricted supply of foreign exchange and non-convertibility of Chinese currency.

The restraints created by China’s foreign exchange controls have posed serious problems for foreign funded firms and Chinese firms alike. For those enterprises, the national inter-bank foreign exchange market is the only official channel through which they are allowed to conduct foreign exchange transactions. But not all enterprises qualify for transactions at the swap centers or the new foreign exchange market. It remains burdensome for these firms to satisfy the strictly prescribed procedures for application and approval (Lardy, 1992).

Restrictions are also placed on individual purchase of foreign exchange. Not until 1995 were individual Chinese nationals allowed to buy foreign currency with designated banks at the swap market rate (Chan, 2004). The ceiling set on purchase of foreign

⁴ Current account and capital account are the two basic components of international transactions subject to oversight under China’s foreign exchange regulatory regime. Current account transactions consist of international purchase and sale of goods and service, while capital account transactions include securities investment, foreign currency borrowing, and foreign direct investment.

currency, complex procedures, and higher fees only worked to turn away prospective clients.

Boom of foreign exchange black market---pathway to underground banks.

China's foreign exchange controls had placed limitations on entry qualification on the demand side of the foreign exchange market since the 1980s. Enterprises in need of purchasing foreign exchange had to be licensed importers who registered with the local branch of the State Administration of Foreign Exchange Control (SAFE), and then had to obtain governmental approval for the intended use of foreign exchange. Furthermore, buyers had little freedom to trade their foreign exchange surplus because the official approval dictated that foreign exchange were only used for funding imports within a designated time period (Lardy, 1992). For those small or medium-size enterprises needing large sums of Chinese currency to pay employees and run daily operations, obtaining Chinese currency from formal channels was a major problem. The ceiling on foreign exchange placed by state banks, commission fees, cumbersome procedures, and an unfavorable official foreign exchange rate created a hindrance for these enterprises to access desired funds, especially given that they usually requested rapid capital turnover due to their short production cycle (Lardy, 1992). It was not uncommon that they turned to the local black market. The foreign exchange black markets became a frequent resort for a mixed assortment of clientele, including state enterprises, private companies, expatriate employees, local individuals, and tourists. It is fair to conclude that the foreign

exchange controls in large part created great incentive for thriving illegal foreign exchange transactions on black markets.⁵

The foreign exchange rates on black market dealings varied with the demand and supply. Transactions were limited to local clients dealing in small sums. As demand for foreign exchange grew with expansion of China's economy, the disadvantages of the black market became more evident. First, the fluidity of transactions worked against establishing credibility. Second, clients did not have a sense of security during transactions, for they were filled with apprehension of being ripped off by foreign exchange dealers, and always had to look over their shoulders to guard against police raids (Hall, 2004). Arguably, black markets based on curbside transactions eventually were unable to meet the rising demand of the increasingly complicated makeup of clientele, leaving considerable room for underground banks to fill up the void. For those aspiring entrepreneurs active on the market, starting up an underground bank can not only help shed their status as street-level hustlers and dealers, but also provide a structure for achieving a certain degree of business scale.

Discriminatory Lending Policy and Practices against Non-state Sector

The course of economic reform in the last few decades has revealed a trend that the growth of the private sector has been outstripping the state sector and has played a more important role in shaping the landscape of China's economy. Official statistics

⁵ From personal interview with Mr. Weiding Huang, an expert in China's underground economy and the author of "zhongguo de yinxing jingji[China's Underground Economy]." (Beijing: Zhongguo shangye chubanshe [China Commercial Press])

show that the private sector has been the power engine driving the development of the national economy (Garnaut, Song, Yao, and Wang, 2001).⁶ Surprisingly, the extraordinary progress in the private sector has been achieved absent the financial support of state-control banking systems (Garnaut et al., 2001).⁷ The state banking sector, which is dominated by four large but inefficient state banks,⁸ adheres to a long standing state policy that biases lending decisions against the private sector but in favor of state-owned enterprises (SOEs) out of ideological stereotype (i.e. Socialist enterprises vs. Capitalist enterprises) and political concerns. The large portion of loans has been used to finance loss-making state-owned enterprises (SOEs) for fear of social unrest caused by bankruptcy of SOEs and massive unemployment (Allen, Qian and Qian, 2005; Tsai, 2002).

⁶ The private sector accounted for total industrial output worth \$ 1,200 billion in 1999, while the state sector produced around \$400 billion. Over the period between 1996 and 2002 the private sector's growth rate reached 14.3 percent annually as compared to a 5.4 percent for the state sector. The private sector has created more jobs for the nonagricultural population than the state sector. During the period from 1995 to 2002, over 70 percent of nonagricultural employees worked in the private sector. By 2005, a total of 29.3 million private sector contributed to 49.7 percent of the GDP. See Allen, Qian, and Qian (2005) and OECD report (2005).

⁷ As of mid-2006, bank credit allocated to the private sector by state banks accounted for less than 1 % of all working capital loans, a disproportionately low figure in light of contribution the private sector has made to the growth of industry output and employment. See Tsai (2006). During the reform era the private sector not only has been placed at a disadvantage in terms of state policy, legal protection, and administrative management, but also has been subject to restrictions in allocation of formal financing resources relative to the state sector (Allen, Qian, and Qian, 2005).

⁸ The "Big Four" state-owned banks include the Bank of China (BOC), the Industrial and Commercial Bank of China (ICBC), and Construction Bank of China (CBC), and the Agricultural Bank of China (ABC). There is only one state-recognized private bank, Minsheng Bank. Strictly speaking, this bank is not privately owned by Western standards, because its 50 or so shareholders are state-owned corporations. See Garnaut, Song, Yao, and Wang (2001).

Another reason for excluding the private sector from official financing is the presence of so called policy lending⁹ prevalent at the provincial and local levels. The interference of provincial and local governments in policy-dictated lending decisions usually channels loans into their favorite projects which are considered strategically important for local development (Garnaut et al., 2001; Tsai, 2002). The lack of well-trained staff within state banks knowledgeable about risk assessment and management was also added to the difficulties for private businesses in accessing formal sources of financing, since China's banking institutions largely do not operate on commercial standards but are instead influenced by political criteria (Tsai, 2002). Additional impediments for private firms to obtain bank loans include collateral requirements, restrictive policies set by the central bank on interest rate management, and complex application procedures (Garnaut et al., 2001).

In the face of these institutional constraints, easy accessibility, flexibility, versatility, and efficiency of informal lending offered by informal financial mechanisms like underground banking systems have great appeal to private firms, notwithstanding higher interest rates (Garnaut et al., 2001; Tsai, 2007).¹⁰ A 1999 study based on 628

⁹ The lending practice of the banking sector in China, particularly the regional branches of the state banks, are subject to the influence of local governments. They are required to serve as a policy instrument to promote local development. The policy loans include "loans to finance infrastructure investment, fixed investment and working capital of the SOEs, sectoral or regional development assistance, and credit for procurement of key agricultural products and for mandatory imports. They also include loans to finance such programs as poverty alleviation in minority areas, education and housing, and [...] financial support of insolvent SOEs..." (Wolf, Yeh, Zycher, Eberstadt, and Lee, 2003, p. 126)

¹⁰ According to an anonymous Chinese scholar, underground banks are just one of the eight types of private financing institutions in China. Most of them are illegal in China. See Wang, Yongsheng, "Shangye yinhang he quanzhang qinmi jiechu" (Commercial banks are entering into close contact with securities companies) from *Zhongguo zhengquan bao* [China Securities News], August 15, 2001, reprinted on DRCNet at www.drcnet.com.cn. Kelly Tsai, a political science professor at Johns Hopkins University,

questionnaires completed by private firms in China pointed to 49% of the sample turning to the informal market for financing (Garnaut et al., 2001). According to a government-sponsored study, lending through underground banks has already accounted for more than 28% of the share of credit markets, or about 800 billion yuan a year (Kwok, 2006). While a substantially large part of the lending is invested in securities and futures markets (Kwok, 2006), one third of the lending goes to small and medium-sized businesses, and 55% of the loans go to farmers (“Worried about illicit lending,” 2007). China’s private businesses would have already long perished had it not been for informal financial institutions pumping capital into those fund-starving private enterprises. Research also found that informal but largely illegal financing practices have a burgeoning market and are quite institutionalized in coastal South regions, such as the Delta area of Guangdong province, Greater Fuzhou area of Fujian Province, and Wenzhou of Zhejiang Province, where a rapidly developing local private sector generates the demand for credit which outpaces official supply. However, their financing faces structural constraints because of state banks’ unwillingness or incapacity to meet their needs (Tsai, 2002, 2006). The latter two regions, Fuzhou and Wenzhou, later became the major sources of illegal migration through human smuggling.

Regional Variance in Growth of Underground Banks in Fujian

Since the onset of economic reform, China has vigorously pursued growth-oriented development strategies tipping toward coastal regions, which bring forth a

gives a long list of informal financing practices used by Chinese private entrepreneurs. A table containing a range of fund-raising strategies can be found in her “*Back-alley banking: Private entrepreneurs in China.*” (2002), p. 38.

distinct regional development model. The eastern, southeast and south coastal regions between Shanghai and Guangzhou have derived the most benefit from the strategies. Economic growth is not evenly diffused across the nation. Guangdong and Fujian, located in south China are in the forefront of economic development, and their achievement has been the most remarkable (Tsai, 2002). Against this backdrop, new generations of underground banks have staged a comeback, and are found to proliferate primarily in these two provinces.

Fujian and Guangdong share commonalities in many aspects of local history and economic development. Both of the provinces were historically a major gateway for foreign trade. Though inhabited by Han Chinese migrating from north and central China in ancient times, the two regions are diverse socially, culturally and geographically (Goodman and Feng, 1994). They were two major sending communities of overseas migration, with the result that extensive Cantonese and Fujianese communities grew worldwide (Cartier, 2002). The inhabitants in these regions are renowned for their adventurous, ingenious, and entrepreneurial spirit. Another prominent feature distinguishing these two regions from other parts in China is patrilineal kinship in the form of lineages or clans, the basic social organization that featured prominently in single-surname villages in South China. As the eminent anthropologist Freedman noted (1958), “The provinces Kwangtung [Guangdong] and Fukien [Fujian] were remarkable in China for three things: large-scale lineage organization, inter-lineage fights, and secret societies of the Triad type.” Localized lineages used to wield significant influence across

the entire fabrics of social, economic, political, financial, and religious life in rural South China (see Freedman, 1958).¹¹

Meanwhile, in the course of local economic development intraprovincial discrepancies in growth are discernable in each of the two regions, due to the differences in local circumstances and development strategies (Johnson, 1993; Lyonss, 1998). As the analysis in the previous section suggested, the re-emergence of Chinese underground banks is associated with the state's rigid foreign exchange controls and shortage of capital among rapidly growing private enterprises. Evidently, underground banks tended to gain a foothold in these two regions where a large presence of thriving private enterprises generated great demand for credit as well as foreign exchange.

Compared to its affluent neighbor in the north (Zhejiang) and neighbor in the south (Guangdong), Fujian had been known historically as a poverty-stricken region prior to the reform era. Much of this is attributed to mountainous terrain in the interior land, and a high ratio of arable land to population (Yeung, 2000). Its strategic position as front-line garrison as a result of military tension between mainland China and Taiwan further worsened the economic stagnation in the province, which was due to the lack of investment from the central government in development of heavy industry and infrastructure (Long, 2004). Fujian has regained its vitality and ascended to be one of the

¹¹ Some scholars claimed that lineage systems suffered a breakdown during land reform and political upheaval shortly after the communist takeover in 1949, and were unlikely to be influential after decades of drastic social and economic changes (Potter, 1970, p. 130; Yang, 1959). Other argued the opposite that South China has experienced lineage revival in the post-reform era (Johnson, 1993). Peng (2004) found that kinship networks in Chinese villages worked favorably to promote rural private enterprises in the early years of reform when property rights were not secured and market institutions were not well developed.

fastest growing regions in China since initiation of the reform. Fujian's economic success followed a path similar to that of Guangdong. The development strategy pursued was oriented toward the establishment of labor-intensive, export-oriented processing and manufacturing industry (Chu and Yeung, 2000). Foreign direct investment behind Fujian's economic takeoff stemmed from overseas Chinese, particularly from those of Fujian origin congregating in Southeast Asia, Taiwan, and North America (Hu and Hu, 2000; Yeung, 2000).

This path of export-induced growth was crucial to shaping the spatial configuration of economic growth in Fujian in the reform era. The high-growth areas clustered in the corridor along a north-south running coastline, with Fuzhou City, the capital city in the northeast, and Xiamen, one of the four Special Economic Zones (SEZ) in the far south, serving as two major economic centers (Chu and Yeung, 2000). The surrounding rural towns near Fuzhou City became the major sending communities for U.S.-bound human smuggling activities in the past two decades. Involvement in export-processing by rural enterprises gave a head start to those rural towns and counties highly concentrated in the coastal regions, whose outstanding economic performance transformed these areas into emerging urban centers. Other regions located in the interior land are relatively poor rural areas (Lyonss, 2000; Parish, 1994). Taken together, the unevenly intraprovincial development of industrialization has resulted in spatial disparities in urbanization, which in turn may influence spatial patterns in the growth of underground banks.

Despite the lack of systematic study on underground banks, police crackdowns on underground banks over the past decade offer valuable information suggesting that

underground banks appear to have thrived in the corridor of the Fujian-Xiamen coastal strip, with the primary business scope encompassing lending, transactions in foreign exchange and Chinese currency, and cross-border fund transfer. This spatial distribution of underground banks may not be a random occurrence. Instead, it is more likely a reflection of the acute problems caused by China's foreign exchange control policy, which was ill-suited to the rapid development of local economy. In those rapidly growing areas which host the highest proportion of export-oriented joint ventures and private businesses in South China, foreign exchange controls have imposed serious constraints on the efficient operation of private businesses. Despite the liberalization tendency of foreign exchange controls policy over two decades, the tight controls at the core of the system remain virtually unchanged (Zhang, 2002). Private enterprises' growing demands for foreign exchange cannot be satisfied under the prevailing policy. The access to foreign exchange is still subjected to official limitations, and enterprises are not allowed to command full control over their foreign exchange earnings as a result of strict enforcement of mandatory foreign exchange settlement and restrictions on the purchase of foreign exchange (Drumm, 1995). Worse still, the difficulty of obtaining loans from the state banks has been a chronic problem (Wolf et al., 2003).

Moreover, the inefficiency of services provided by banking institutions subjects them to considerable risk of loss and increased transaction costs. Under these circumstances, with their flexible and expedient service underground banks present a far more feasible alternative to official channels for private enterprises, particularly medium and small-size firms. Consequently, it is the vibrant commercial and trading activities in the region that bring into high relief the conflict between supply of and demand for

foreign exchange, which has been exacerbated by China's tight foreign exchange controls. While state-run banks and governmental agencies fail in rendering service to make foreign exchange and bank loans more accessible to foreign-invested firms, domestic private companies, and individual clients, underground banks step in to fill the breach.

In sum, the magnitude of cross-border capital outflows and the scale of illicit lending through illegal channels like underground banks bring to the foreground the problems with credit and foreign exchange facing a rapidly growing private sector. The underlying cause of these problems lies in the inadequacy of state policy and structural rigidity of China's financial systems. This raises questions as to whether the central government should consider adopting a strategy departing from repressive measures like the criminalizing of the so called irregular lending practices and foreign exchange dealings. The current measures leave institutional deficiencies unscathed.

Underground Banks in the United States

Chinatown Migratory Waves and the Change in the patterns of Chinese Immigration

As in Mainland China, the development of Chinese underground banks in the United States is not isolated from the larger historical and cultural context. The emergence of Chinese underground banks in Chinatown of the United States is inseparable from the immigration history and economic development of Chinatown. Chinatowns, which were founded around 1880 in the United States, have played a prominent role in the process of survival and prosperity for generations of Chinese immigrants in the U.S. The first-generation of Chinese immigrants were contracted laborers widely known as "coolies" in the West. They came to California from the coastal

rural regions of Guangdong province at the onset of the Gold Rush and for the construction of the transcontinental railroad (Seagrave, 1995, p. 264; Zhou, 1992, p. 19-27). Early Chinese immigrants, who were mostly married men leaving their families behind, sailed across the Pacific with the dream of seeking fortune in the “golden mountain”. They were sojourners, without any intention of settling in a world so foreign to them and starting a new life. They desired to amass wealth for their families through hard work and return home with their hard earned money (Seagrave, 1995, p. 265; Zhou, 1992, p. 25-26). Subjected to demeaning working conditions, they toiled over the most difficult and dangerous manual services for lower- than- standard wages. When recession waxed in the West coast in the 1880s, the ready accessibility of Chinese workers as cheap labor made them the subject of widespread resentment among the white working class, touching off the first large-scale anti-Chinese movement in American history (Zhou, 1992). Against a backdrop of racial discrimination the first Chinatown was established as a safe shelter in urban Chinese settlements in San Francisco, California, by the first generation of Chinese immigrants originating from Canton (now Guangdong province). Chinatowns in Chicago and the East Coast were built up later when Chinese immigrants moved eastward in a time of intensified discrimination (Zhou, 1992, p. 19-27; Seagrave, 1995, p. 264).

The second wave of immigration was signaled by a monumental change in U.S. immigration law in 1965, which repealed discriminatory racial quotas. This brought in the largest influx of Chinese immigrants in the history of the U.S., driven by pervasive anxiety over potential threats due to political instability in Asia. The new arrivals were primarily from Hong Kong, Taiwan, and other parts of the southeastern Asia. The decade

of 1970s witnessed a total of 237,793 Chinese immigrants coming to the U.S. (Liang, 2001). These new Chinese immigrants were of more heterogeneous ethnic origins¹², well educated, and possessed professional skills and expertise. Many of them brought in financial capital to make investment in the U.S. Unlike early sojourners, they came to stay permanently and aspired to achieve success in American society (Zhou, 199, p. 69-90). Chinatowns have functioned as social, cultural, and economic enclaves for these Chinese immigrants in the process of adapting to a new environment and later assimilating into American society. Closely knit kinship networks were identified as central to the dynamics shaping Chinese communities in Chinatown's buttressed by a strong ethnic economy (Zhou, 1992). The immigrants in return helped to boost the Chinatowns' ethnic economy with their financial capital, labor, and social networks (Zhou, 1992, p. 116-118).

A new trend in Chinese immigration was encouraged by the passage of the Immigration Reform and Control Act of 1986 (IRCA),¹³ and the executive orders issued by President Bush in 1989 and 1990. The Amnesty provision and the political asylum program unleashed new immigration frenzy among the Mainland Chinese (Chin, 1999; Hood, 1997), particularly the Fujianese. All illegal Fujianese who stayed in the U.S. were given legal status, and a door was wide open for legalized Fujianese immigrants to

¹² The new generations of Chinese immigrants were no longer restricted to Cantonese-speakers originating from mainland China. They came from Hong Kong, Taiwan, and different countries of South-east Asia.

¹³ The primary purpose of IRCA was to curtail employment of illegal aliens in the U.S. The law has two policy components: an amnesty provision which granted certain illegal aliens legal status, and employer sanctions under which penalties were imposed on employers who knowingly hired illegal aliens.

sponsor their immediate families and relatives into the U.S. under family reunification provisions. However, for a great number of Fujianese living in mainland China who were not eligible under immigration laws and policies, and for those who thought the waiting period for legal entry too lengthy or senseless, entry into the U.S. through human smuggling offered a better alternative. Thus, began an era of illegal migration facilitated by multinational smuggling groups (Chin, 1999, p. 49-79). The inflow of illegal Chinese immigrants into the U.S. peaked between 1988 and 1993 (Kwong, 1997, p. 236-240; Myers, 1997, p.113), with 10,000-25,000 Fujianese estimated to be smuggled into the U.S. each year (Smith, 1997, p. 60-77).

Chinatown's Economy and Illegal Immigration

Since the 1960s, Chinatowns have been considerably successful in transforming from self-contained niches insulated from the larger American society into thriving ethnic economies (Zhou, 1992, p. 91). With continuous inflow of immigrants, Chinatown in New York City has gained a vibrant life spurred by a strong ethnic economy. The population and residential boundaries have grown to include what were originally Jewish and Italian neighborhoods, expanding from an original three-block area into more than twenty blocks of the lower east side of Manhattan (Kinkead, 1992), with newly established satellite Chinatowns springing up in Queens and Brooklyn (Zhou, 1992, p. 186-192). By all indications, ethnic businesses in Chinatown possess the distinctive

features of an enclave economy, where a specific ethnic group is overrepresented in terms of place of residence, place of work, and industry sectors (Zhou and Logan, 1989).¹⁴

Much of the tremendous growth of the Chinatown economy can be attributed to the defining features of the economic enclaves (Zhou, 1992): influx of financial capital new immigrants brought with them, steady growth of the population representing a potential both as workers and customers in the post-1965-immigration-reform era, and more recent immigration beginning in the later 1980s. In response to the demands of this rapidly growing ethnic market, the economy in Chinatowns has diversified into a wide range of commercial endeavors and production activities, of which restaurants, garment industries, wholesale and retail trade are key sectors. Most Chinese-run businesses are either owned by sole proprietors or are family-based establishments, hiring predominantly ethnic laborers. They cater to the specialized needs of Chinese clientele as well as that of the wider American population. The keys to the success of the enclave economy include the easy access to ethnic finance, low production cost due to a stable supply of cheap labor, and reliance on kinship networks for utilizing the large labor pool and diminishing potential employer-employee clashes (Zhou, 1992, p. 91-118).

Chinatowns' thriving economies are strongly correlated with the employment of co-ethnics, particularly Chinese illegal immigrants (Chin, 1999; Kwong, 1997).¹⁵ The

¹⁴ The 1982 survey of minority-owned business enterprises (U.S. Bureau of the Census 1982) indicated the largest proportion of Chinese-owned firms is located in urban districts of NYC. According to the 1988 Chinese Business Directory for metropolitan New York, 59 % of Chinese firms (out of the 5,978 total entries) and two-thirds of Chinese restaurants (out of a total 781) were located in Manhattan's Chinatown and Flushing. Census tracts data from 1990 show that 48.4% of the Chinese residing in NYC were clustered in ethnic neighborhoods located in the central city. This choice of residence tends to be made out of necessity and preference among Chinese immigrants with poor language ability and little knowledge about mainstream society: they need a location near their work places. See Zhou and Logan (1989).

enclave economy provides greater likelihood for self-employment for those immigrants who accumulate sufficient financial capital and labor skill after years of toiling, so as to escape from the dead-end jobs and move up the occupational ladder (Porter and Bach, 1985). For unskilled new immigrants with poor language ability and low education attainment, these opportunities are of great significance. The other side of the issue is that for small businesses within an enclave to succeed, maintaining an ample supply of low-wage workers is crucial (Sanders and Nee, 1987, p. 764). Illegal immigrants like smuggled Fujianese are the least costly alternative and the most tractable group subject to exploitation, because employment in the ethnic economy of Chinatown is the only choice available to them (Kwong, 1997).

Thriving ethnic business ventures in Chinatown are able to create and sustain various employment opportunities for Chinese immigrants. Job opportunities allow unauthorized Fujianese to survive and save money for their families in China, and the growth of the ethnic economy in turn is maintained through the availability of the cheap and reliable labor force. For these people, who are poorly educated, unskilled or low-skilled, and cannot speak English, their only assets are their kinship and community ties. Through these ties, they become the ideal recruits for those labor-intensive, low-wage businesses clustering in Chinatowns. These illegal Chinese immigrants usually find employment in menial occupations with little upward mobility, receive pay that is lower than minimum wage rates, work under miserable conditions for more than 10-12 hours

¹⁵ Enclave economy theory is propounded to explain this phenomenon and to supplement the segmented labor market theory. See Piore (1979), Wilsons and Portes (1980), Portes and Bach (1985), Bailey and Waldinger (1991), Jiobu (1988), Wison and Martin (1982), Zhou and Logan (1989).

per day, six or seven days per week, and live in overcrowded tenements. Their goals are to pay back the debts they owe for the exorbitant smuggling fees and send their earnings in the U.S. back to support their families. Even after they get out of debt several years later, they are still responsible for contributing to their family incomes back in China.

The Rise of Fujianese Communities in Chinatown, NYC

Following the enactment of the amnesty provision contained in the IRCA in 1986 and President Bush's 1989 political asylum program, illegal immigration from Fujian Province abruptly surged. Statistics obtained through a census of Fuzhou municipal government suggest that 450,000 Fujianese reside in the U.S., among whom 300,000 settled in New York State while the remaining 140,000 are scattered around the U.S. (Lin, 2005). The largest group of Fujianese, approximately 60,000 to 70,000, is concentrated in New York City (Guest, 2003). However, the figure could be underestimated according to pastors and other informants who work closely with Fujianese illegals. The rough estimate of Fujianese immigrants scattered around the U.S. could be as much as 600,000.¹⁶ To obtain and corroborate an accurate estimate on the magnitude of illegal Fujianese population is a difficult task because of the reluctance of a significant segment of the illegal population to be identified, and who do not come out to seek assistance from social service providers such as a local Fujianese church.

¹⁶ This information was obtained from personal interviews with the pastor of the largest Fujianese Christian Church located in Chinatown, NYC in fall 2006. The name of the church means "Grace with Fujian", which claims to have approximately 2,000 resident members living in NYC, and around 7,000 if those former members scattered around the U.S. are included in the estimate.

With a large number of Fujianese illegals flowing into the U.S. through smuggling since the late 1980s, the ethnic economy and composition of the residential population have undergone a remarkable change. Because of their social capital and accumulated financial resources in the past two decades, Fujianese have begun to start up new businesses, and take over the fast-food industry, and penetrate into the garment industry, the two sectors previously dominated by the earlier generations of immigrants from Guangdong, Hong Kong and Taiwan. The businesses of take-out restaurants and buffet restaurants in NYC have virtually come under control of Fujianese immigrants. By 1997 Fujianese immigrants were reported to own 150 garment factories out of an estimated total 600 in Chinatown ("The emergence of Fujianese," 1997). These immigrants also have claimed an increasingly large share in the service sector, such as food wholesalers, real estate companies, etc, to accommodate the needs of the quickly expanding catering industry ("Fujianese dominate," 1998). Fujianese firms also tend to concentrate on construction business. Other type of services also blossom to serve this newest immigrant groups, including employment agencies, wedding planning, grocery stores, barber shops and beauty salons, immigration consultant offices, and the like (Chin, 1996).

Another distinct sign of the strong presence of this latest immigrant group in Chinatown is the ubiquity of Fujianese community organizations. Primarily they include native-place-based Tongxianghui (fellow-villager associations) organized by people who originate in a village or a town in Fujian. It will not come as a surprise to see that all these associations carry the names of the places which are the leading sources of human smuggling in Fujian, including Changle, Lianjiang, Tingjiao, Langqi, Houyu, and Fuqing.

Another type is Zongqinhui (clan associations) in which members belong to a kinship group which shares the same surname (Christiansen, 2003). The umbrella associations set up in the early 1990s, including the United Chinese Associations of New York and the United Fujianese of American Association, increasingly present a political challenge to the Chinese Consolidated Benevolent Association, the pro-Taiwanese Cantonese immigrant organization which has been the leading civic and community association of Chinatown for more than 100 years (LII, 1997). Over the past two decades, Fujianese community associations have surged from the original two dozen to over one hundred (Zeng, 2007), becoming the major force behind Fujianese's assertion in claiming political standing and power in Chinatown politics.

The formation of two main arteries, Canal Street, still dominated by Cantonese, and East Broadway, widely known as Fuzhou Main Street, is emblematic of the changing landscape in Chinatown, shaped by the ascending economic power of Fujianese immigrants and the receding influence of the Cantonese (Lee, 2006). The spatial dispersion of residential patterns is also a reliable indicator of aggressive expansion of the Fujianese. Over the past decades, Eighth Avenue, Brooklyn, a predominantly Cantonese commercial district, has witnessed the establishment of another rapidly growing Fujianese settlement beyond the Manhattan Chinatown, as a result of steady influx of Fujianese immigrants drawn by lower rents than those available in old Chinatown (Lin, 2005; Shen, 2005).

Location of Underground Banks: East Broadway, Chinatown, NYC

The ethnic economic niches and expansive networks established at the heart of NYC makes the City a huge magnet for illegal immigrants from Fujian Province, who are

smuggled into the U.S. in search of attractive employment options. Thriving businesses established with the continuous arrival of Fujianese illegal immigrants have brought vitality to an originally obscure pocket and the nearby dilapidated blocks under the Manhattan Bridge around East Broadway at the southeastern section of Chinatown (Crow, 2003). Known as Fuzhou town, the area is cluttered with numerous vendor stalls and stores, indoor bazaars, and tenement buildings, and is frequented by people who speak the same dialect, Fuzhounese. Fujianese have left an indelible imprint on Chinatown, and more importantly, they have carved out territory of their own, a town within the town. This area is known as “Fuzhou Town” in local Chinese community, and East Broadway is also dubbed as “Fuzhou Street.” The smell, the noise of the street, store signs and decorations, the way people dress and talk, all closely resemble a rural market town in Fujian. Along the bustling streets, Fuzhounese-speaking workers go about their business on their day off, and they rarely fail to find their needs met by a rich variety of services available to them, be it specialty food, a haircut, wiring money back home, Chinese videotapes for rent, international phone cards, wedding banquet arrangements, or even sex workers in massage parlors (Sachs, 2001). As for where these Fujianese males hail from, the researcher was told affirmatively “Mind you, at least 95 % of Fujianese men walking on the street were smuggled in here,” (Respondent 26) Indeed, according to a recent report, the particular street corner in East Broadway (location kept purposely vague) turns out to be a terminal stop for the recently developed smuggling routes, where relatives of those smuggled Fujianese would come and pick them up (“The newest route for Chinese smuggling groups,” 2004). No one knows how long the location may have served this specific function unnoticed.

In addition to being a commercial center, the rising need of Fujianese workers to be ferried for working in restaurants across the U.S. has also made East Broadway into a transportation hub. Fujianese are a highly mobile people, and many new arrivals do not settle in one place. After entering illegally into the U.S. through tortuous, sometimes perilous international migration routes, Fujianese quickly open up internal migration routes for the workers to move on to restaurants in different states across the U.S. (Morgan, 2006), turning NYC, their first entry port into a departure point. For Fujianese workers who don't speak English, cities and towns outside NYC don't have names such as Washington, D.C., Atlanta, Columbus, or Philadelphia; they are collectively referred to "waizhou" (meaning "out of state"), which is represented by a string of area codes as main geographical identifiers of restaurants seeking helping hands (Luo, 2006). Chinese-run bus-companies advertise the destination and the fare like this: "Minnesota (612, 952, 763) US\$150; Wisconsin (920, 608, 414) US\$120." ("Chinese immigrants kept the US well fed," 2008)

The frequent travel and geographic distance simply reinforce all the more the status of NYC as home in the hearts of Fujianese workers. A Fujianese restaurant worker described his feelings in this way: "for people like us who don't speak any English, New York (City) is what a mother's home would be for her married daughters!" (Respondent 16). This respondent also said,

When I worked in waizhou and had a day off, my Fujianese friends and I would go up to New York (City). 'Cause we didn't have relatives nor knew any body up there at the time, we just pool money and bunk in one of the \$ 60-70 rooms per month in the privately-owned apartment advertised in Chinese newspaper in NYC, having some fun for a day at NYC. (Respondent 16)

It appears that East Broadway in Chinatown truly gives an identity to the Fujianese community primarily composed of illegal immigrants, by serving as a hive of commercial activities, a home retreat for those working outside NYC, and maybe a shelter for smugglers (Harder, 2001). The sheer number and density of both Fujianese migrant workers and Fujianese-dominated businesses create a comfort zone in the area for both the owners of underground banks and their clients, Fujianese illegals to conduct transactions there. It is not surprising that the area near East Broadway, Chinatown became home to the qianzhuangs visited by the interviewees.

CHAPTER 4

RESEARCH METHODOLOGY

RESEARCH QUESTIONS

Because of its secretive nature and the difficulty of access, the Chinese underground banking system has never received adequate treatment in scholarly work, either in its own right or as a secondary subject in studies of illegal migration and human smuggling. Recent scholarship on Chinese smuggling has provided well-documented accounts of the ordeals that Fujianese illegal immigrants have lived through before and after arriving in the U.S.(Chin, 1999), as well as of criminal activities involved in organized international smuggling networks (Chin, 2002) and even of the impact of Chinese human smuggling on the American labor market (Kwong, 1997). Police investigation in China suggests that the sending regions for illegal immigration coincide with the areas populated with thriving underground banks. Thus there has been much speculation about the connections between the informal financial system and human smuggling operations. There are also suggestions that illegal Fujianese immigrants turn to underground banks in the U.S. to send remittances home (Chin, 1999).

Yet the aspects of smuggling financing remain unexplored when it comes to providing loans for would-be illegal immigrants and transferring money across borders for both smugglers and illegal Chinese immigrants. This research investigates the role which Chinese underground banks have played in the decision making processes of

illegal Chinese immigrants, including their decision to migrate through smuggling, paying smuggling fees, repaying debt, supporting their families, and assisting in the migration of their families. Absent an appraisal of the role of Chinese underground banks, an understanding of the process of illegal Chinese immigration is incomplete. The investigation is organized into five broad exploratory areas. These are represented by interview questions shown in detail in Appendix B.

Research Question 1: Why Do Fujianese Illegals Turn to Underground Banks?

The large presence of Chinese immigrant workers abroad implies the necessity of a financial intermediary in both hosting and sending countries, which functions as the remittance agent for immigrants and their families in China. Both in the past and the present, local economic pressures seem to be the principal cause driving Chinese emigrants to find employment overseas (e.g. Chen, 1940; Chin, 1999; Watson, 1975). Thus remittances were often the main source of incomes for the families in China (Hood, 1997, p. 76-91; Watson, 1975, p. 132-154). According to the past research, traditionally Chinese immigrants resorted to banking or the postal services as the means of dispatching their earnings to the home community. People who did not trust banks or the postal service relied on their fellow workers as the currency carriers (Watson, 1975, p. 132-154). In the mid-1800s British Colonial government also set up an emigration agency in the receiving community (e.g. Xiamen, a port city in the South Fujian) to handle remittances for Chinese overseas laborers and their families (FO, cited in Cartier, 2001).

Fujianese illegal immigrants did have other alternatives to underground banks in dealing with their remittance issues (for detailed discussion see Chapter 5). They might ask their friends or relatives to remit money home for them by using their bank accounts.

This would be a time-consuming process, and would incur the inevitable loss of money due to fluctuating exchange rates plus the fee charged by the receiving bank. Or they might entrust fellow Fujianese with their money on their trips back home as their currency carriers. This method would result in fast delivery, and probably risked no money loss, but such a chance might not be available when their families' need for remittance arose. Or they might use other services like Western Union; however, to do this the illegal immigrants have to display their identity cards if the amount exceeds \$2,000. Their relation with smugglers is another factor which should not be ignored: they might be compelled to use the service of underground banks under the coercion of smugglers, who want to see smuggling debts paid by smuggled Chinese immigrants in a reliable and prompt manner. Therefore, the first question the research seeks to answer why Fujianese illegals choose underground banks as their money remitting agents.

Research Question 2: Who operates Chinese Underground Banks in the U.S.?

In history remittance businesses were operated by individual emigrants or families with extensive connections overseas (Chen, 1940, p. 79; Woon, 1984, p. 87). A notable case was a Kuan lineage from Kaiping, Guangdong province, which specialized in the remittances business at their grocery stores and drugstores in British Columbia, Canada, and owned branches in Hong Kong (Woon, 1984, p. 68). The branches of these remittance firms were responsible for currency exchange (from foreign currency to Chinese currency), notification, and delivery of the money to the emigrant families.

Presumably, underground banks in this study function as remitting firms like their predecessors, except that their operation is illegal,¹⁷ and they serve illegal immigrants. Aside from individual immigrants or families who might continue the tradition of running remittance businesses, smuggling groups also may enter this lucrative market. Thus, another important question for this exploratory research is to find out who operates the new generations of underground banks in the U.S. A range of questions were designed in this study to provide information in this regard.

Research Question 3: What Mechanism Has Sustained the Operation of Underground Banks?

This research also examines the mechanism underlying the existence and development of underground banks. In particular, the research explores whether a kinship-based network or a bond of lineage assume importance for their operation. Lineage, a highly organized kinship organization, was distinctive in its function as a

¹⁷ The definition of money services business includes each agent, agency, branch, or office within the U.S. doing business, whether or not on a regular basis or as an organized business concern, in one or more of the following capacities: (1) *currency dealer or exchanger*; (2) check casher; (3) issuer of traveler's checks, money orders or stored value; (4) seller of traveler's checks, money orders or stored value; (5) *money transmitter*, regardless of the amount of money transfer services offered; and (6) the U.S. Postal Service, except with respect to the sale of postage or philatelic products (italics added). A person who does not offer one or more of the financial services specified in (1) through (4) above in an amount greater than \$ 1,000 in currency or monetary or other instruments for any person on any day in one or more transactions is not included in the definition of *money services business* (italics added). Persons defined as money services business generally are required to register with the Financial Crimes Enforcement Network (FinCen) whether or not they are licensed as money services businesses by any state. Bank Secrecy Act regulations required the initial registration of existing money services businesses by December 31, 2001. They must renew their registrations every two years by December 31st as long as they continue to meet the definition of money services business. Yet Chinese-controlled underground banks under the study are all unlicensed businesses, therefore, they are not registered with the pertinent authority. See 31 U.S.C. § 5330 and 31 C. F.R. § 103.41. Under 31 C. F.R. § 103.11 (uu).

social institution which used to be prevalent in South China, allowing its members to draw on material and nonmaterial resources of the lineage (Baker, 1979; Freedman, 1958). The advantages of a lineage system may be more apparent when members venture into legal as well as illegal immigration and after they arrive in a foreign land. The lineage organization was observed to serve as a key intermediary to promote a large-scale out-migration for emigrants from a Cantonese community, by raising passage money, processing paperwork, organizing transportation, and providing job opportunities abroad (Watson, 1975, p. 87-102). In similar vein, this lineage-based cultural attribute may facilitate the operation of underground banks, to be specific, in terms of pooling clients, setting norms, and settling disputes with clients. To find the answers, questions were raised to the interviewees regarding, for example, whether the use of the services of underground banks was limited to Fujianese illegals, or was available to a wider community, whether underground banks promoted business only among Fujianese illegals, what kind of relationship featured the recipients of information when the information about an underground bank passes along among, and why those Fujianese illegals were willing to trust an underground bank.

Research Question 4: What Purposes Did Chinese Underground Banks Serve for Illegal Immigrants?

The literature suggests a number of possible uses of underground banks for illegal immigration. The researcher for this study was interested in knowing the extent to which illegal immigrants relied on underground banks in handling remittances for the following purposes: payment of smuggling fees, clearing debts incurred by smuggling fees, and sending remittances for supporting family members in China. That is, for each type of

purpose, how frequently did they go to underground banks? What proportions of the interviewee's earnings were put aside as remittances relative to his or her total income? Interviewees were also asked about why they stopped using underground banks. These questions explore whether illegal immigrants were likely to use a substitute for underground banks as they gained experience in an ongoing integration process.

Research Question 5: Have Remittances Sent Through Underground Banks Facilitated Illegal Migration Through Human Smuggling?

The existing literature suggests that a primary use of underground banks is to send money back to support families in China. As a result, this research asked whether underground banks encouraged illegal migration through handling remittances of illegal immigrants. Related questions that needed to be considered included how the remittances handled by underground banks had affected the social and economic lives of the illegal immigrants' families back in China, an aspect of illegal immigration which the previous research on Chinese illegal immigration has not probed in depth. It has been a longstanding tradition in South China that remittances were sent regularly by emigrant workers to support their families in home communities. The interviews asked whether their families were aware that hard-earned monies were made under illegal conditions, and were channeled back home through an illegal avenue. The study investigated whether remittances were the main source of emigrant families' income, or were considered as extra income, the purposes for which the emigrant families put remittances to use, and the ways the remittances affected changes in their families. Literature suggests that negative effects may surface when the bulk of remittances are invested in consumption or nonproductive activities (Rogers, 1991, p. 236). If Chinese emigrant

families' expenditure of the remittances exhibits a similar pattern, the overseas financial support may offer an incentive to a new round of illegal immigration among their family members, relatives, and those non-emigrant families through a demonstration effect and a relative deprivation effect (detailed analysis see Chapter 7).

Through searching for answers to these questions, this research attempts to fill in significant gaps in the sparse literature on Chinese informal fund transfer system and their role in illegal immigration. As Kwong (1997) points out, illegal immigration is essentially a labor issue. Chinese illegal immigrants risk their lives and endure hardships to seek better-paying jobs in the U.S. and improve the livelihood of their families back in China. Arguably, this objective would be frustrated if a financial intermediary did not exist to aid those illegal immigrants in moving their money safely back to China. This research considers whether Chinese underground banks played a central role in helping Chinese illegal immigrants overcome legal obstacles and achieve their goal.

Although illegal immigration is treated as the context of this study and the data are unable to address directly the link of underground banking to human smuggling, the findings in this study may have implications for illegal immigration control policy. As some widely adopted countermeasures against illegal immigration, such as tightened border control, have become increasingly costly, findings in immigration policy studies raise questions of whether such measures will produce a detectable effect in the long run (Naylor, 2005). Current "toughened" efforts do not dampen the resolve of would-be immigrants to gain unauthorized entry, nor do they undercut the operation of international crime groups to organize human smuggling (Naylor, 2005). Thus the role of

the financial system undergirding human smuggling may be a key element in reviewing such policies.

Methodology: Recruitment and Interview of Illegal Chinese Immigrants in the U.S.

The aims of this research are exploratory and descriptive for several reasons:

1) No systematic and qualitative study on the connections between Chinese underground banks and illegal immigration exists. As such, qualitative research methods are employed to address the key questions outlined above. 2) The secrecy and illegality involved in operation of Chinese underground banks present considerable difficulties in obtaining appropriate data. To date there are no quantitative data relating to Chinese underground banks either in the U.S. or China. A qualitative research study becomes an appropriate approach, which begins with finding users of underground banks, who were illegal immigrants living in the United States---though this approach is not without its own challenges. 3) The task of identifying research subjects for face-to-face qualitative research from such a difficult-to-reach population like unlicensed underground bank owners or clients who are predominantly unauthorized immigrant workers is exceedingly challenging. Illegal immigrants are reluctant to make themselves known or may be afraid to talk about how their money is moved around, while underground bank owners avoid talking to outsiders for fear of detection of their covert business or identities they may wish to keep secret.

In addition, to have a good chance for a reasonable discussion with research subjects, the researcher had to be cognizant of the increasing complexity of the Chinese underground banking system that has firmly gained a foothold in mainland China,

Taiwan and Hong Kong, and that has received little scholarly attention in the academic literature. As a result, the researcher focused on the users of Chinese underground banks primarily located in Chinatown, NYC in the belief that such a focused approach would contribute to the beginning of an understanding of a hidden, illicit financial institution by examining contextual factors underlying the role of underground banks, interaction between clients and underground banks, and the impact of illegal financing on illegal immigration.

Design of the Study

In this research a special inquiry is made into how underground banks located in Chinatown, NYC, served the needs of illegal immigrants residing in NYC and the Philadelphia area and affected the lives of their families back in China. Chart 1 illustrates how the interview instrument is organized around the key questions addressed by the research. The full instrument is presented in Appendix A and B.

Chart 1. Research Questions and Examples of Relevant Questionnaire Items

<p>Research question 1.</p> <p>Why do Fujianese illegals turn to underground banks?</p>	<p>Example: <u>Interview questions:</u></p> <ol style="list-style-type: none"> 1. Did you have other alternatives to qianzhuang for remitting? 2. What made you decide to use a local qianzhuang? 3. What do you think of services provided by a qianzhuang? 4. Will you continue to use qianzhuang in the future or may shift to other remitting agencies?
<p>Research question 2.</p> <p>Who operates underground banks in the U.S?</p>	<p>Example: <u>Interview questions:</u></p> <ol style="list-style-type: none"> 1. Can you tell me something you know about the owner/operator of the qianzhuang you used? ---gender, age ---a native Fujianese? Are you related? ---a businessman/woman? Does he/she engage in other line of business? ---his/her reputation in the local Fujianese community? ---any connections to Fujianese Associations? To local Chinese gangs? ---any other detail? <p><u>Survey question:</u></p> <ol style="list-style-type: none"> 1. The owner or operator of qianzhuang whom you have dealt with is a. kinsman b. a family member c. an individual from my village/county d. others (please specify)
<p>Research question 3.</p> <p>What mechanism has sustained the operation of underground banks?</p>	<p>Example: <u>Interview questions:</u></p> <ol style="list-style-type: none"> 1. How did you hear about qianzhuang the first time? 2. Is the service of qianzhuang limited to Fujianese? Particularly, those smuggled into the U.S.? Or is it open to other non-Fujianese clients? 3. Is it true that a qianzhuang only accept clients from a referral of someone they know? 4. What made you trust in qianzhuang since they are not licensed?

Chart 1. Research Questions and Examples of Relevant Questionnaire Items (continued)

<p>Research question 4</p> <p>What purposes have Chinese underground banks served in dealing with illegal immigrants in handling their remittances?</p>	<p>Example: <u>Survey questions:</u></p> <ol style="list-style-type: none"> 1. The purpose of using a local qianzhuang a. smuggling fee payment b. payment of debt incurred by smuggling fee; c. sending remittances to support my family d. others (please specify) 2. What are the proportions of the remittances sent through qianzhuangs relative to your annual income? 3. How many times did/do you need to go to a qianzhuang on average per year?
<p>Research question 5</p> <p>Have remittances sent from the U.S. through underground banks facilitated illegal migration through human smuggling?</p>	<p>Example: <u>Survey questions:</u></p> <ol style="list-style-type: none"> 1. Have you ever financed your family member, relative or friends to migrate to the U.S. through money transferred through qianzhuangs? a. Yes b. No 2. How did they come to the U.S.? a. by smuggling b. through legal immigration <p><u>Interview questions:</u></p> <ol style="list-style-type: none"> 1. Was the remittance the major source of your family income in China? 2. For what purposes did your family spend your remittances? 3. What changes have the remittances brought about to your family in China?

The data collection strategy for this study relied on face-to-face surveys and interviews. Direct observation of participants or non-participants was out of the question for reasons of safety and access. The unit of study is the individual client instead of the underground bank owner or operator. At this stage interviews of owners would simply not be feasible given their secrecy and illegality. Thus, the strategy was to learn about

underground banks by speaking with their clients, following the rationale suggested by Smith that focusing on “an illicit enterprise’s clients, suppliers or competitors may result in more sophisticated and effective control strategies” (Smith, 1980, p.16). The in-depth interviews of Fujianese illegal immigrants in NYC and Philadelphia were preceded by a structured survey consisting of 36 closed-ended questions with categorical response items (see Appendix A). The combined use of survey and interview is to enhance validity of data (for details see the discussion in “Validity Issue”). The questions asked research subjects about general background information, sources of smuggling loans, location and method of smuggling fee payment, questions concerning their smuggling experiences, and their experiences with underground banks. The second part of data collection was a semi-structured interview containing 43 open-ended questions (see Appendix B), leaving ample room for probing. These questions aimed at encouraging research subjects to freely give their views, feelings, and detailed accounts of the process of and experience using the service of underground banks. Both the survey and interview script were first written in Chinese, and then translated into English by the researcher. They were pretested among a small number of research subjects, and further revisions were made to address validity issues concerning bias and reactivity.

Findings from ethnographic observations of Fujianese communities in Chinatown, NYC are used to complement the survey and interview data obtained from immigrants in NYC and Philadelphia. The researcher conducted observational (ethnographic) fieldwork in the area near East Broadway, dubbed as “Fuzhou town,” in Chinatown, NYC. She learned from the informants that this is the area was where underground banks used to thrive and may still remain. These on-site observations gave the researcher a vivid

impression of the physical milieu where underground banks operated with a storefront disguise and the ways Fujianese immigrants interacted with one another as patrons and proprietors in going about their business. These findings are reported in Chapter 3 and 5.

Aside from the primary data, a secondary source of data was derived from systematically reviewing news reports from mainstream press to complement primary information. To identify contemporary issues pertinent to the subject, the researcher's searching of major newspapers in English primarily focused on those published in the northeastern regions, including the *New York Times*, *New York Daily News*, *New York Post*, *Philadelphia Inquirer*, and the *Washington Post*. The major media sources in English published outside the U.S. primarily included the *South China Morning Post* (Hong Kong), the *Guardian* and *Financial Times* (UK). Another source of information on the subject was from mainstream magazines, such as *Time*, *Newsweek*, and *U.S. News and World Reports*. The electronic journals in Chinese included in my research were primarily *Duowei Post* and *Huaxia Digest* which enjoys general popularity among Chinese immigrants in the U.S.

Research Sites

New York City and the Greater Philadelphia metropolitan area served as the main research sites for this study due to the constraints on funding and resources. New York City is the first stop for the vast majority of illegal immigrants upon arrival and also is the ideal choice for their settlement because of the vibrant ethnic economy there. The city is said to have provided numerous job opportunities for the largest Fujianese illegal population in the U.S. (Kwong, 1997). The majority of those interviewed had resided in NYC for a certain length of time, and some are still living there. Through conversations

with many Fujianese immigrants, the researcher's general impression was that Fujianese immigrants reflect a strong preference for going about their major business in Chinatown, NYC, due to the dense networks and emotional ties associated with the Fujianese community there. That does not imply that all underground banks are located in NYC, or that there are none in Philadelphia. These statements can only be verified against the accounts of interviewees.

There were other reasons for selecting the Chinese community in Philadelphia. Philadelphia is the second choice of residence for many Fujianese immigrants due to its proximity to NYC, which is considered home in the minds of Fujianese illegal immigrants. According to the interviewees who participated in this study, a mixed set of reasons motivated them to move out of NYC into Philadelphia. These reasons include high rents, costs of living and fierce competition in the NYC job market, relocations of their families or relatives, new job openings, or business opportunities in Philadelphia. Philadelphia's advantageous geographic position and convenient transportation make it easy for them to retain connections with their kinsmen and friends still residing in NYC, and to maintain economic, social and cultural ties they have established there, including using underground banks located in NYC.

For the purpose of this research focusing on clients of Chinese underground banks, Philadelphia offers a reasonably representative Chinese community populated by Fujianese illegal immigrants from which to draw research subjects. Although Philadelphia does not host a population of Fujianese illegal immigrants as large and diverse as that in NYC, a thriving ethnic economy in Chinatown of Philadelphia and the

city's geographic location allow it to become a second attractive job market and place of residence next to NYC for Fujianese immigrants in recent years.

Selection of the Sample

Obviously, the creation of a probability-based sample for the study would be impractical, given the respondents' illegal status and their need for secrecy. The research subjects to be interviewed were selected from Fujianese illegal immigrants who reside in New York City and Philadelphia through a snowball sampling technique (see below). Potential interviewees were restricted to adults who have illegally entered the U.S. primarily through human smuggling since the mid-1980s, and used to be the clients of underground banks in Chinatown, NYC, regardless of their current residence. Previous research suggests that this type of Fujianese illegal accounts for the majority of the Chinese illegal immigrant population in the U.S. The previous studies of illegal Fujianese immigrants have already identified characteristics of Fujianese illegals smuggled into the U.S. to inform the pool of subjects: they are predominately married males with a junior high education level, and the sample population is widely distributed in Chinese-controlled labor-intensive businesses such as restaurants, garment factories, and construction businesses (Chin, J. K., 2003; Chin, K., 1999; Kwong, 1997; Liang, 1998).

A snowball sampling approach to identifying the interview sample was used because, of course, there is no list of the general population of Fujianese illegals from which to construct an appropriate sampling frame. Thirty subjects were recruited for the study. Although snowball sampling is a non-probability sampling method, which does not permit generalizations to a total study population, it nevertheless "offer[s] the benefits of not requiring a list of all possible elements in a full population and the ability to access

otherwise highly sensitive or difficult-to-reach study populations” (Berg, 2004). In addition to the small size of samples and only two research sites, the nonprobability sampling used in this study has the limitation that it may produce a biased sample when referrals may consist of people with homogenous attributes (Lee, 1993). However, this method is justifiable and of great value in exploratory research when there is little other choice in accessing a difficult population and handling a sensitive issue (Biernacki and Waldorf, 1981).

The researcher found that Fujianese immigrants generally were unwilling to participate in a study which involved such highly sensitive issues, like illegal immigration and inquiries into how they moved money across borders, particularly against a backdrop of well-publicized arrests in immigration raids. These perceptions of fear mixed with suspicion of the researcher’s motive were widely shared by Fujianese immigrants without legal status as well as legalized Fujianese to whom the researcher attempted to reach out directly or indirectly. In addition, the identity of the researcher as a student researcher and a non-Fujianese speaker also added to the accessibility barriers. Thus, the researcher decided to narrow down the scope of searching for potential cooperative interviewees to local community Chinese churches, which turned out to be a viable strategy. The source of potential interviewees came from four Chinese churches, three from Philadelphia, and one from NYC. The interviewees were not necessarily all Christians, since some were students of ESL(English as a Second Language) classes held by the churches, while others were attendants of gatherings hosted by a Fujianese Christian fellowship within a local church. The researcher did not believe that being a member of a Christian church would result in substantial differences in the reports of the

respondents because the narratives of the non-Christian respondents regarding their use of and views about underground banks were found to be highly consistent with those of Christian respondents.

In order to avoid confusion when approaching them, the researcher located four Fujianese natives and one Fujianese-speaker (who is not of Fujian origin but can speak fluent Fujianese dialect thanks to her marriage to a Fujianese native) to assist in the recruitment process. They helped the researcher to gain entrée into the circle of this special group of Fujianese immigrants. Their focus was on people in the same church who were familiar with these “middlemen.” Those they contacted first were asked for more referrals.

In spite of the constraints on representativeness posed by the snowball sampling method, measures were taken to include various types of subjects. The researcher tried to avoid selecting family members or close friends of other respondents to ensure diversity in the sample. Because Fujianese illegal immigrants are primarily employed as workers in restaurants, construction business, and garment factories, a rough semi-quota sampling was employed to draw samples providing adequate representation and diversity of the illegal population, if the conditions were permissible. Restaurant workers were oversampled because Fujianese illegals were highly concentrated in this business. The interviewees possessed similar demographic attributes when compared, for example, to those selected for Chin’s study of Fujianese human smuggling with 300 cases (see Chin, 1999). The majority of the participants in this research came from rural Fujian, with a significant proportion of the interviewees hailing from Changle County. Their ages ranged from 24 to 52 at the time of the interview. Most of them were married, male, and

leaving families behind at the time of arrival in the U.S. The selection of the sample seemed to reach a cross-section of smuggled Fujianese, with less than a quarter of them being peasants or fishermen while others engaged in varied occupations back in China. Nearly half of the interviewees are now working in the restaurant business, and a little more than half have been in the U.S. for at least 10 years.

The Interview Process

The researcher found that it was helpful to be introduced to potential interviewees by an intermediary, for example, a church leader, so as to mitigate potential interviewees' distrust to a certain degree. Yet it was still considerably difficult to gain trust of potential interviewees. To address this difficulty the researcher ensured that potential interviewees became comfortable with her presence in the church or group activities so that she would be less likely to be considered an "alien" (in the sense that she is a non-Fujianese) and threatening (due to the researcher's identity which was sometimes mistaken for a journalist or a government agent among low-educated Fujianese immigrants). The researcher spent at least four months attending a Fujianese Christian fellowship at least once a week, and sat through Sunday sermons at the churches in Philadelphia and NYC. She also volunteered for various services for the immigrants at the churches, and attended varied kinds of group activities, such as Bible studies on weekdays and Sundays. Admittedly, it was extremely difficult to establish close relationships and build a rapport with potential interviewees, given that the majority of them work unusually long hours (this was especially so for those interviewees who were restaurant workers). Furthermore, potential interviewees avoided contacts with outsiders who showed peculiar interest in their personal histories that they believed should be safely and forever hidden. The

researcher's overall impression was that Fujianese immigrants were not eager to share their stories or experiences with an outsider. Some of them would explain this reluctance to the researcher by asserting, "We Fujianese are very baoshou."¹⁸ As a result, it was difficult to locate eligible interviewees who were willing to speak openly. However, over time some candidates who the researcher approached directly or indirectly through the "middlemen" began to accept her and show their willingness to participate in the study by leaving their contact numbers or making an appointment for an interview.

Language presented another difficult challenge. The analysis of this unique self-protective defense mechanism based on a regional dialect can be found in Chapter 6. The interviews were conducted by the researcher herself. Only three of the interviews were completed by one of the four Fujianese intermediaries as mentioned above. The researcher originally planned to hire him as an interviewer, but later had to change the plan because he withdrew from the research process shortly after the interview process began. The researcher, who did not speak Fuzhounese dialect, found later that the research subjects spoke Mandarin, the standard spoken language used by Chinese. So the interview process proceeded in Mandarin. The locations for the interviews varied from a subject's church, his or her home, to a mall, or any other agreed-upon place.¹⁹ The

¹⁸ This term Fujianese immigrants use means "traditional" or "conservative" when taken at face value. But the researcher was greatly puzzled when she heard this term used in such a high frequency. She suspects that this term has different semantic meaning among Fuzhounese dialect speakers; actually this term could mean that "We Fuzhounese don't like to open up to an outsider." The Fujianese-speaking recruiters agreed with the researcher's conclusion.

¹⁹ Sometimes the researcher needed to drive to a dangerous local neighborhood to conduct an interview at an interviewee's work place. The researcher was told by the interviewees that fierce competition in the restaurant business compels Fujianese immigrants to open take-out restaurants in the "frontier" areas, i.e. dangerous urban neighborhoods serving primarily American minority customers.

interview would be set at a time convenient for the subjects accommodating their working schedules.

The design originally called for face-to-face interviews. But not all of the interviews were able to be completed in such a manner. Since Fujianese immigrants work unusually long hours, and only have one day off a week, many times a face-to-face interview could not be completed within the scheduled time. The researcher then on occasion had to follow up by completing the remaining part of the interview by phone after the interviewee finished work at night. These interviews were completed with research subjects following the same casual, open-ended, but guided conversational form. Interviews might last between 30 minutes and two hours, depending on how cooperative an interviewee might be, and how much detail he or she could remember and was willing to divulge. The richness and level of detailed information thus elicited was connected with rapport achieved by the researcher as well as the personality of the interviewee.

Consent

The researcher sought the consent of subjects in advance. Given the low education and literacy level of the interviewees, the sensitive nature of the research, and the illegal status of some of the interviewees, any formal procedure, such as presenting a consent form neatly printed with the school's letterhead and the requirement for signatures, would undoubtedly have been poorly understood and be likely to scare potential interviewees off. The researcher had to adjust the way informed consent would

be obtained from a potential interviewee.²⁰ Instead of reading over the consent, or giving the subject the document to study, the researcher explained to the subject the purposes of the research and the promise of confidentiality, and obtained consent through a discussion with the potential interviewee.

Note-taking

Note-taking and audio-taping during the interview sessions would have provided a reliable, verbatim record of the interviewee's accounts, and would have served as very useful basis of interview transcripts. However, because of the very sensitive considerations of the personal safety and security of potential interviewees, these methods could not be employed as the researcher planned. For one reason, taping would raise fears that the information collected from subjects could be released to police, or be used as evidence against them in other ways. Generally, the subjects of this study felt extremely nervous about the idea of tape-recording, and as a result, audio-taping was never used. Instead, the researcher would ask for a subject's prior consent when she needed to take notes in his or her presence. In instances when the researcher noticed that note-taking during the conversation produced a bad reaction in an interviewee, the researcher ceased. Transcription or fuller expansion of notes had to be carried out at the completion of the interview, out of the presence of the subject. Following this procedure the interviewer immediately wrote down what she had learned from an informant while memory was still fresh. In this case, the extent of accuracy of detailed information from

²⁰ The researcher has obtained approval from Temple University's Institutional Review Board for this purpose. See Appendix C.

an interview was highly dependent on the researcher's memory. This strategy has been employed in other research in addressing similarly sensitive issues.²¹

Summary

In sum, the sensitivity of the research topic posed formidable challenges for data collection. Thorny and delicate problems arose at every phase of the recruiting and interviewing process. The recruitment process was probably among the most time-consuming and most challenging of the tasks. The preliminary pilot research by the author suggested that there should be quite a large number of Fujianese immigrants who met the eligibility requirements for this research (i.e. they were among those who were smuggled into the U.S. and used underground banks). But at a time of heightened enforcement of immigration law, attempting to engage Fujianese immigrants in open and honest conversations about the research topics was highly sensitive to prospective Fujianese immigrant interviewees, and was likely to be met with suspicion and hostility. Even some legal immigrants had reservations about whether this research might do harm to the image of Fujianese community, or, for example, to renowned underground bank owners such as Sister Ping, who was and is now serving prison time (see Chapter 5). The researcher's identity as an outsider and an academic reinforced the potential subjects' suspicion and added significantly to the obstacles faced in data collection.

Taking into account all these considerations, however, the researcher developed a strategy for locating the prospective interviewees by relying on contacts who would assist

²¹ These studies include research on a teenage drug ring, underground banks in India, and organized crime in Mexico. See Gomez-Cespedes (1999), Shama (2004), and Williams (1989).

her gaining entry into the subjects' circle. This approach became critical in data collection. For example, the researcher found that it was in a smaller church in Philadelphia rather than a large church in NYC that the majority of the potential interviewees were able to be located. Yet, even after many hours spent in "hanging out with" certain groups of Fujianese immigrants in both Philadelphia and NYC, the researcher did not locate a single eligible and willing interviewee, who was approached directly in the absence of a "middleman."

Even when subjects were identified, the researcher still had to screen interviewees who were initially considered qualified. For example, some potential interviewees, usually latecomers, were confused about the topic and may have mistaken the agents of Western Union for the operators of an underground bank. Other obstacles included more mundane difficulties, such as setting upon the time and location of interviews, which was sometimes a serious problem for busy subjects working long hours. Their demanding work schedules significantly hindered efforts to build close working relationships with subjects. The language used for the interview had to be changed from the Fuzhounese dialect to Mandarin Chinese, as a result of the withdrawal of the original Fuzhounese-speaking interviewer. The unreliability of some interviewees in doing what they had agreed to do made it hard for the researcher to maintain a list of interviewees when interviewees could change their minds at any time. This problem of mind-changing happened particularly when subjects were brought face-to-face with the researcher, or when an interview could not be done shortly after the first meeting. Even during an interview the researcher had to be alert for signs of withdrawal or restlessness from an interviewee indicating a possible change of mind. The subject might become uneasy

about some of the detailed and “intrusive” questions that were asked. An interviewee would interrupt the interview by saying something to the effect that she or he “suddenly” had no recollection of his or her past experience using an underground bank.

Validity Issues: Bias and Reactivity

In considering the credibility of research findings, generally greater value is placed on discussion of validity issues in qualitative studies whereas reliability issues receive relatively little attention (Lewis and Ritchie, 2003, p. 270-275). The research methods and data sources combined with the nature and circumstances of this study raise important validity questions. A special effort was made by the researcher to identify the validity threats and to devise strategies to address them. Two major types of validity threats in this study involved a) possible researcher bias and b) reactivity (Maxwell, 2005, p. 108). To deal with researcher bias, the researcher sought to carefully examine her preconceptions and expectations about the phenomena under study and about research subjects throughout the process of research design and implementation. In addition, the researcher sought to be open to “discrepant” evidence and interpretations which may have conflicted with preconceived propositions, and to report any such instances in discussions of the findings (Lincoln and Guba, 1985). Other strategies included interviewing participants more than once, or soliciting interpretive feedback about data and findings from interviewees, which helped rule out the possibility that the researcher would misrepresent and misinterpret their personal accounts (Maxwell, 2005, p. 111).

To address concerns arising from reactivity, i.e. “the influence of the researcher on the setting or individuals studied” (Maxwell, 2005, p. 110), the researcher sought out

evidence that most accurately captured the studied phenomenon, i.e. immigrants' views and experiences relating to their use of illegal underground banks. Facing the interviewer with legal status, an illegal immigrant may consciously give understatements about his or her experiences with using underground banks. A valuable way to reduce the possible effects of such misleading statements was to employ triangulation, that is, to gather and compare information from diverse sources and methods (Lewis and Ritchie, 2003, p. 275-276). Triangulation is a widely adopted strategy among qualitative researchers to strengthen the validity of data and the conclusions drawn. According to Becker (1970), this strategy works by "counter[ing] the twin dangers of respondent duplicity and observer bias [...]" (p. 53)

In this research, a two-part inquiry fusing survey and semi-structured interviews was designed to generate more valid data, in which some of the survey questions, phrased in a slightly different way, were repeated among the interview questions to permit assessment of reliability. The purpose of using blended types of data sources was to yield detailed, less biased, and more credible information relating to research questions under study. The topics tapped by the survey included the interviewees' background information, their smuggling experience (e.g. source of loans, routes, smuggling fee payment, arrest record, duration of smuggling debt repayment, etc), experience of using an underground bank (e.g. fees, frequency, the amount remitted, purposes, the number and location of an underground bank used, etc). The responses gathered from the survey served as a starting point as well as a reference point leading the researcher to probe for elaboration in the interviewing process, whereas the data collected from interviews supplied detailed information about the subjects' motives, circumstances surrounding the

use of underground banks, the role of using these informal channels in their lives in the U.S. and the lives of their families. Moreover, many interviewees had been interviewed at least twice. The information retrieved from the subjects from different sources (interviews and surveys) at different times was used to cross check against each other to see whether there were any discrepancies or any important data were missing in the interviewees' accounts.

Confidentiality and Anonymity

This research involves certain aspects of private financial issues and the illegal status of Chinese immigrants. The sensitive nature of the data examined required the researcher to develop an ethically informed approach to achieve confidentiality and anonymity respecting safety and privacy of research subjects. To meet this end special attention was given by the researcher to devise and follow interview protocol at different stages of the research process. The researcher prepared a Chinese version of informed consent forms. In seeking consent of subjects, the interviewer clearly explained the objectives of the research at the beginning of the survey and interview, and why the subjects were recruited to participate in the study. The researcher asked the interviewees whether they could fully understand the requirements for informed consent, and encouraged them to ask questions when they did not appear to comprehend. Specifically, to assure interviewees that information sought from them would not threaten their safety, the researcher would explain to them that the major interest of the study was to learn about their experiences dealing with underground banks; that their identification information was not needed. In addition, the interviewees were advised that they could

decline to answer any questions which made them uneasy, and they had a right to decline participation in the interviews at any point in the interviewing process.

Great care was taken in the handling of data in storage, reporting and publication to avoid breaching assurances of confidentiality made to subjects. The general policy guiding the interview was that the researcher should not ask the names, residential addresses, and workplaces of potential interviewees. So there was not a list of names. During the interview process, a list of phone numbers of interviewees was needed for the convenience of contact with each interviewee. Each phone number was marked in an anonymous manner, such as, “interviewee 1, 2, 3...” Upon the completion of each interview, the referenced phone number was permanently deleted from the record. In that way the promise of confidentiality was not violated.

In this research, only the interviewer had access to the list of contact numbers of subjects and interview notes, and also had the sole responsibility to keep the list and notes in a safe place at all times. When data was entered in computer files and stored on disks, only case numbers were indicated in reference to each subject. During the research process the researcher took full responsibility to take care of safe storage of data files to prevent information from accidental disclosure. In quoting the accounts of subjects in the report, interviewees were given pseudonyms if necessary. Any descriptive accounts linking to identification of subjects were altered in the final document.

Data Analysis

The focus of qualitative research is “not only on the objective nature of behavior but on its meaning (or quality)” (McIntyre, 1999, p. 72). Consequently, in this research, qualitative analysis largely adopts an inductive approach to gain an understanding of why

Chinese underground banks flourish as an illegal financial institution in specific social and cultural settings in the U.S. For qualitative analysis, the researcher adopted the analytic framework introduced by the National Center for Social Research (Ritchie and Spencer, 1994). This framework is “a matrix based analytic method which facilitates rigorous and transparent data management such that all the stages involved in the ‘analytic hierarchy’ [that] can be systematically conducted” (Spencer, Ritchie, and O’Connor, 2003, p. 220). The analytic process basically was broken down into three stages: data management, descriptive analysis, and explanatory analysis. However, the analytic path is not linear; rather, the analyst is able to either move ahead to the more abstract analytic stage or move back to the original data during a process of analysis refinement (Spencer et al., 2003, p. 220).

At the first stage, data was sorted and reduced to a manageable level. While the data collection was underway, at the end of each interview handwritten interview notes were immediately transcribed into Microsoft Word document files. The interview notes were carefully read and cross-checked for any inconsistency in the accounts of the respondents. The process of data reviewing aided the researcher in becoming familiar with the data to identify emerging or recurring concepts or themes. A list of indices was produced during the data review process, which contained sets of major themes and subthemes. For example, the index constructed with respect of the use of underground banks included: 1) source of the information, and how the decision was made; 2) initial contact with an underground bank; 2) personal impressions of the underground bank or the operator/owner; 3) the transaction process; 5) impact of remittances on the life of the respondent’s family; 6) reflecting on the experience with using underground banks and

comparing with other remitting methods. Several subtopics were grouped under each heading.

This preliminary framework categorized both the basic information and any emergent themes present in the data. The data were labeled, sorted and synthesized by the concepts or themes, a process also referred to as “coding” by other scholars (Lofland and Lofland, 1984). This early stage of analysis ensured that all the contents of the data were reviewed, data with similar or related content were grouped together under the same theme, and segments of original data were organized based on their direct relevance to different concepts or subjects (Spencer et al., 2003, p. 231-237).

Descriptive analysis sought to interpret the synthesized data at a more conceptual level. The process involved using the synthesized data to detect dimensions of each theme, and classifying data into refined categories. The researcher constructed typologies to illustrate classified characteristics and differences among groups of the research subjects, their behaviors, perspectives, and experiences. For example, Fujianese-operated underground bank owners were divided into two categories on one dimension—whether they continued to serve Fujianese immigrants after a landmark incident occurred: the shutdown of the biggest underground bank in NYC. They were termed as the first and the second generation of underground banks. Likewise, the respondents were identified as regular users and sporadic users dependent on the frequency of their use of underground banks, and underground bank operators were classified as small-time, middle-level, and top entrepreneurs. These categories were employed to distinguish the operational characteristics of underground banks active at different period times in history, the

patterns of reported use of underground banks, and their perceptions toward these informal systems.

Explanatory analysis entailed searching for links or patterns of association between different sets of phenomena across the data set, and developing plausible explanations as to why cases fit (or did not fit) the patterns, and why the patterns emerge within the data. The explanations may stem from explicit accounts of the research subjects, or may be outlined through inference of the researcher (Spencer et al., 2003, p. 247-257). For example, when the interviews were examined individually and across all cases, pronounced patterns consistently emerged: rapid information circulation, the homogeneous composition of clients (in the sense of speaking the same dialect), the high visibility and efficiency of their services, and the extremely low level of disputes between the clients and the proprietors of underground banks. Obviously, trust levels between these two groups of people, clients and underground bank proprietors, were high. But the explanations pertaining to the basis of high-level trust underpinning the operation of illegal fund transfer systems in the Fujianese community could not be found explicitly in the interviewees' accounts. The researcher found it helpful to utilize the established concepts available from another body of literature on ethnic enterprises to explain this unique phenomenon among Fujianese illegal immigrants.

In analyzing quantitative data derived from the survey, such as the demographics of the interviewees, the frequency of using underground banks and the amount of remittances, the responses were converted into computer readable numerical values upon the completion of the survey. These values were tallied up in the form of frequency and percentage distributions to generate profiles of the interviewees. The data were presented

in central tendency, highlighting the characteristics of typical respondents concerning their behaviors involving the use of underground banks.

It should be noted that the interview approach was open-ended to permit follow-up of important themes and emergent new themes during the interviews. However, the overall interview structure was guided by research questions outlined in the previous section.

CHAPTER 5

THE MAIN CLIENTELE AND OPERATORS OF UNDERGROUND BANKS: ANALYSIS AND FINDINGS

The revival of Chinese underground banks during China's post-reform era after a nearly three-decade hiatus has been a subject of interest for the government and scholars alike. Various reports indicated that they have played a significant role in the rapid growth of private enterprises by acting as loan-makers, informal foreign exchange and remitting agencies, through which large amounts of money were moved across borders (Tsai, 2002). The operation of underground banks in China has been prohibited since 1998²² and has been considered illegal in the U.S. However, there is a lack of systematic research tracking the evolution of these informal financing systems, and no reliable investigation has been conducted to examine underground banking systems with regard to their connection with illegal and criminal activities. Information found in police records presents relatively limited evidence concerning these activities. The perspectives of the clients of underground banks have rarely found a place in scholarly examination or in news reports.

In the present study Chinese underground banks are situated in the context of illegal immigration through human smuggling. Drawing on in-depth interviews of thirty

²² Chinese underground banks are declared as illegal institutions in China according to an ordinance ("Regulations Concerning Outlawing Illegal Financial Institutions and Illegal Financial Services") issued by the State Council of the People's Republic China on June 30, 1998.

clients of underground banks, this study explores the role of Chinese-operated underground banking systems located in the U.S. in lives of Chinese immigrants from the perspectives of their users. The thirty respondents recruited for this research arrived illegally in the U.S. in different years ranging from 1988 to 2004. All have had the experience of using both formal channels, i.e. banks, or licensed money transfer operators such as Western Union, and informal channels, to which Fujianese immigrants attach different names, “qianzhuang” (money shops), “private banks”, “the place for remitting money”, or even more tersely called “Sister Ping’s place” by connecting the owner’s name to it.²³

The narrative data of the clients of underground banks serve as a major source of unearthing their personal experiences with using the informal financial systems and their views of the illegal service and service providers. They also are crucial in revealing the conditions under which the emergent market demand surfaced for the illegal service provided by Chinese underground banks, and how the change of external environment impinged on the operating of the systems. First, the discussion of this chapter focuses on the basic characteristics of two transactional parties: the clients and purveyors of illegal service, underground bank owners or operators. The clients’ accounts are used to address the following question in depth: why were the services of underground banks preferred

²³ The term, “fei-chi’en,” (flying money) widely used in literature on Chinese informal fund transfer systems(e.g. Cassidy, 1990; Passas, 2003), was never alluded to by the respondents. It should be also noted that Fujianese immigrants also call another informal financial institution popular among them “qianzhuang,” which actually is a type of rotating credit association. They are also known among Fujianese immigrants as “biaohui” (Chinese term for rotating credit associations).

over other alternatives? Did the narrative data identify any differences in operating style of underground banks over the past decades?

The Main Clientele of Underground Banks: Fujianese Illegal Immigrants

This research confirms the findings of the preliminary research that underground banks located in Chinatown, NYC, apparently limited their business scope to deal with remittance transfers²⁴ from the U.S. to Fujian, China, and exclusively served their fellow Fujianese immigrants, including both those with illegal and legal status who originated from rural areas near Fuzhou, the capital city of Fujian Province. But the main clientele were Fujianese illegal immigrant workers. According to the respondents' accounts, they used eleven underground banks (it is presumed there was no overlapping) for the purposes of remitting back home their earnings generated from their illegal employment in the U.S.

The respondents' narratives suggested that the main objectives for undocumented Fujianese immigrant workers were to save their earnings and send them back home for smuggling debt repayment and to support their families. Previous research showed that Fujianese immigrants can not afford the exorbitant smuggling fees without loans from families, relatives, or friends (Chin, 1999). When debt repayment falls behind, interest

²⁴ According to the Balance of Payments Statistical Yearbook prepared by the International Monetary Fund (IMF), overseas remittances are classified into three types: 1) Worker remittances, or the value of monetary transfers sent home from workers abroad for more than one year; 2) Compensation of employees (previously labor income), the gross earnings of foreigners residing abroad for fewer than 12 months, including the value of in-kind benefits such as housing and payroll taxes; 3) Migrant transfers, the net worth of migrants who move from one country to another (IMF, as cited in Taylor, 1999). The findings from this research show that only the first category is applicable to remittances of Fujianese respondents. For the purposes of this research, the remittances under discussion are limited only to cash remittances, thus do not include remittances in kind or in the form of commodities.

accrued to the principal will add an extra burden to the immigrant workers, and may get their guarantors or their family members into serious trouble in some cases (Kotlowitz, 2006). In emigrant communities where married women do not go out to work by local tradition in rural Fujian, remitted funds sent from their husbands working in the U.S. are the main sources of family income. Therefore, how remittances were to be transferred back safely and quickly, and what factors shaped the decision making of undocumented workers, are concerns of considerable importance.

Before the analysis moves forward, the singular status of Fujianese illegal immigrants serving both as the object of Fujianese-dominated smuggling activities and the main clientele of the Fujianese-controlled underground banking systems deserves some brief comments. Instead of asking why the rural counties in the vicinity of the provincial city Fuzhou became a hub of transnational illegal immigration, the central issue here is what distinguishes Fujianese, or Fuzhounese immigrants, from other groups of ethnic Chinese in living in the U.S. Fujianese immigrants' experiences in human smuggling are well-documented in a series of research studies and governmental reports (see Chin, 1999; Kwong, 1997; Pieke et al., 2004). However, what might be characterized as a particular disposition towards involvement in illegitimate and even criminal activities among this ethnic group is an interesting domain to explore. An overview of the history in trade and emigration and the recent development of Fuzhou City reveals an answer embedded in a blend of a unique culture and its openness to global influence.

The region is notable for a maritime tradition beginning in ancient time due to its geographic position as a gateway to Southeast Asia. Fuzhou's long-standing involvement

in international trade can be traced to the Tang Dynasty (618-907). The early success of Fujianese merchants helped extend their trade and community networks in Southeast Asia. After the Opium War of 1840-42, Fuzhou was designated along with four other Chinese coastal cities as a treaty port open to western trade and residence, thus becoming subject to the exposure of western influences (Pieke et al., 2004). In the nineteenth century Fuzhou was also used as one of the major ports to recruit contracted Chinese laborers in the “coolie trade” to meet the growing demand for cheap labor in the colonial economy in Southeast Asia (Cartier, 2001). The local native people established a seafaring legacy and cultivated an adventurous spirit in the century-old economic and labor emigration and the process of negotiating a new world (Chin, 2003). The legacy has been carried on by the new generation of Fuzhounese immigrants, particularly illegal migrant workers, in more recent migratory movement in the last quarter of the twentieth century. During the emigration process, a collective identity was forged in that Fuzhounese immigrants gained a reputation as an ethnic group marked by strong identification with shared native place, dialect, and sanguinity ties (Piek et al., 2004; Zheng, 2005). According to the present research, the shared identity claimed by Fuzhounese illegal immigrants figured prominently in sustaining the smooth operation of underground banks in a foreign society (see Chapter 6).

Another common trait of considerable influence in fueling unauthorized emigration involved elevated aspirations characteristic of this ethnic group. Higher expectations directly stem from the transformation of the sending regions as well as what the entire province has gone through since the onset of the “open-up” policy and the economic reforms beginning in the late 1970s. People’s aspiration surged as the sending

regions ranked among the most affluent in the province, primarily a result of continuous donations and investments from restored overseas links in Southeast Asia (Hood, 1997; Lyons, 2000). The increased contact with the overseas regions in relatively close proximity like Taiwan and Hong Kong, heightened people's desire to get rich (Chu and Ngan, 2000). The raised aspirations defines local culture to such an extent that overseas migration is prescribed as the quick path to wealth and status, rendering other alternative options inferior and even a sign of failure (Hood, 1997; Pieke et al., 2004, p. 194).

Equally important, prior research on Chinese illegal immigration also identifies a culturally structured perception ingrained among Fuzhounese immigrants that their family duty justifies the use of any means necessary to improve family's economic well-being and social status, including seeking the service of human smugglers to arrange for family members' illegal entry into the United States and other countries (Chin, 1999; Hood, 1997; Zheng, 2005). Over nearly two decades of investigation and crackdowns on human smuggling originating from Asia, the governments, scholars, and observers would be in agreement that this ethnic group is probably the most tenacious and resourceful in defiance of governmental immigration regulations and laws, since they are able to marshal all of their resources in attempts to illegally cross the borders and establish Fujianese settlement anywhere they desire (e.g. Chin, 2003; Kotlowitz, 2006; Salt and Stein, 1997; Smith, 1997).

The Contemporary Remittance Market in the U.S.

As distinct from the older generations, the new generations of Fujianese immigrants were undocumented laborers in the U.S. That means they had to cope with the constraints posed by this illegal status when it came to sending remittances home.

Conventional views hold that Fujianese illegal immigrants turned to underground banks because of the lack of legal status, and also because other alternative options might not exist. Others believe that coercion by smuggling groups may play a role. The answers given by the majority of the respondents seem to dispute this widely held view. To understand the motives of illegal immigrants for using underground banks, it is necessary to look into whether a lack of legal status posed a serious problem for funds transfer among Fujianese illegal immigrants after a massive number of Fujianese landed in the U.S. by illegal entry.

Illegal status of Fujianese immigrants and the availability of legal identification documents. A sizable portion of illegal immigrants arrived in the U.S. without legal documents. For these people, underground banks were the only available means for transmitting remittances back home. However, the findings suggest that this explanation does not present a full picture as to why underground banks were appealing to a whole group of illegal immigrants. According to the respondents under this study, in the 1990s local Chinese banks located in Chinatown did not ask their customers for identification showing proof of lawful presence in the U.S. Instead, they permitted the use of other equivalent identification documents such as a passport or a temporary work permit issued by the Immigration and Naturalization Service (INS) for the remitting purpose. Also, a significant number of Fujianese illegals were likely the holders of authentic Chinese passports, thanks to the “full-package-deal” provided by smugglers (Pieke, Nyíri, Thunø, and Ceccagno, 2004). More than half of the respondents for this research held Chinese passports at the time of transactions with qianzhuang. For those who did not possess a passport, they were able to obtain a new passport or other identification documents in two

ways. They could apply to the Consulate General of P.R. China in NYC for a new passport through Chinese-operated travel agencies and immigration business service centers.²⁵ The second way was through the asylum claim procedure, whereby a different set of identification documents would be issued by the American government. Those new documents include a C-8 card, a temporary work permit issued directly by the INS upon approval to an asylum seeker, or by a local reviewing court pending the final decision, after the initial application was rejected by the INS. An A-5 card was issued as a work permit to an applicant after an asylum application is approved. An immigrant would obtain a social security card after the A-5 card is issued.

Recent arrivals were advised to pursue an asylum claim immediately after setting their feet on the soil of the U.S., even though the lack of these legal documents was not an obstacle for Fujianese for finding employment with ethnic businesses. According to the respondents, all of them had the same experience of applying for asylum, regardless of different arrival years. They learned from fellow Fujianese or smugglers that claiming asylum is the only viable means of obtaining a secure status in the U.S. The issue of bogus asylum claims aside, normally every Fujianese illegal immigrant would apply for asylum soon upon their arrival, and a significant proportion of Fujianese immigrants have been granted asylum on grounds of political and religious persecution (Chin, 1999; Kwong, 1997). Statistics indicated that from 1990 to 2001, China ranked as the fourth

²⁵ According to a news report (LII, 1996), in this case a new passport issued to an illegal immigrant was treated as the replacement of the original passport. The problem is, the Public Security Bureau (the title for Chinese police) in Fuzhou, the original authority of issuing passports, did not hold documentation indicating that the original number existed, because the applicant left China and entered the U.S. illegally. As a result, the applicant risked arrest in China on the charge of possessing a counterfeit passport if he or she tried to return home with it.

largest country of origin of asylum seekers in the U.S., next to El Salvador, Guatemala, and Mexico (Castles and Loughna, 2005). Specific estimates on the numbers of Fujianese asylum applicants are not available; however, though they arrived in the U.S. in different years, the accounts of the respondents were consistent: a significant proportion of Fujianese illegal immigrants were able to obtain legal identification documents by seeking asylum. This avenue open to Fujianese illegals at least removed a major hindrance for the purpose of remitting money home through banks among illegal immigrants.

Chinese-operated banks vs. underground banks in Chinatown. The welcoming attitude of local banks in Chinatown toward illegal immigrants reportedly was profit driven. The actual size of the monetary flow into local communities in Fujian from the U.S. deriving from Fujianese immigrants' wages, referred to as "migradollars" by scholars on international labor migration (Massey and Parrado, 1994), is difficult to estimate because there is good reason to believe that a substantial proportion of remittances were not recorded since they passed through informal remittance mechanisms (Hernandez-Coss, 2006; Higazi, 2005). An American political scientist who studied local informal financial institutions in Fujian was told by a local official in Changle²⁶ that over \$300 million in remittances arrived in 1995 alone from overseas Changle workers (Tsai, 2002, P. 77). A news report in 2005 claimed that the daily flow of overseas remittance receipts stood at \$1.2 million in Changle city (Shi, 2005). Scholars suggest that the

²⁶ Changle is the leading sending community of undocumented Fujianese migrant workers to the U.S., European Union, and other industrialized nations (Chin, 1999).

amount of undocumented remittances should be no less than those flowing through formal channels (Hernandez-Coss, 2006; Higazi, 2005). With massive numbers of Fujianese illegals landing in Chinatown, the emergent remittance market opened up new business opportunities for banks and other formal financial institutions, prompting them to reach out to Fujianese illegal migrant workers by setting up branches in Chinatown.

The major Chinese-American bank branches operating in Chinatown, NYC, with which Fujianese immigrants have been familiar since the 1990s, include Abacus Federal Savings Bank (Guobao Yinhang), Great Eastern Bank (Guandong Yinhang),²⁷ Cathay Bank (Guotai Yinhang), and some other banks which later disappeared through a series of bank mergers and acquisitions. In these early years, these banks primarily served the clients who spoke Cantonese and Taiwanese, and did not open up businesses targeting the new immigrant group until around the mid-1990s. The Bank of China (BOC),²⁸ the only state-owned bank from mainland China, and qianzhuangs were probably the frontrunners vying for market shares among Fujianese illegal immigrants, according to the accounts of the respondents. In order to attract more clients, BOC took advantage of the then lax regulatory regime, extending remitting service to Fujianese immigrants as long as they were able to show identification documents of some sort, be it a Chinese passport, C-8 card, or A-5 card. Soon Abacus Bank followed the BOC's lead. The competition must have been intense because both banks raised the cash threshold under which no identification was required for the remitted amounts below \$ 2,000 to \$3,000, as shown

²⁷ This bank was acquired by Cathay Bank in 2006.

²⁸ The Bank of China in Chinatown, NYC is a branch of China's state-controlled central foreign exchange bank, and one of the four largest state-owned banks, with headquarters located in Beijing.

by the experience of the respondents who were clients of these two banks in 1993 and 1995 respectively. As it was, Fujianese illegal immigrants did have access to regulated financial channels for transferring funds home. Yet, in competing for the attention of potential clients the formal sector was clearly not on par with Chinese underground banks, due to lack of ethnic connections to Fujianese immigrants and the poor quality of service as compared to underground banks. According to an older respondent who arrived in NYC in 1993, Mr. Chu,²⁹ the reason why Fujianese used the service of qianzhuang in the early 1990s had little to do with the lack of legal status, much less with coercion from the smuggling groups or gangs in NYC .

At the time there were only two places open to us, Bank of China and qianzhuangs. BOC allowed us to open a bank account with a passport. We liked qianzhuang better because the money arrived at home much faster. Of course at a qianzhuang an ID was not required at all, and no paperwork was needed. It was run by a Fujianese who had a household name. The cashiers all spoke Fujianese. So we did not worry about where our money wound up. More important, I did not want to leave any record of my income with a formal bank. In a word, they are just more convenient. (Respondent 4)

Other respondents expressed similar views. One respondent even shifted to the use of an underground bank immediately after he was reminded of legal risks of using formal banks by a fellow Fujianese (Respondent 7). The differences in the quality of service also made the formal banking systems user-unfriendly. Underground banks had a more flexible operation schedule. For instance, Sister Ping's qianzhuang was open from nine to eight, seven days a week. They were much faster in transferring funds from the U.S. to China. It took at least half a month or longer for the BOC to send remittances to

²⁹ The names of the respondents used in this thesis are fictitious in order to ensure confidentiality and anonymity of the research subjects.

Fujian, whereas money transferred through qianzhuangs arrived the next day, or within a few days at most. Qianzhuangs usually had a local agent based in those major emigrant towns in Fujian, who would arrange for making a delivery to individual households without any additional charge, as noted by a respondent.

According to the *guiju* (policy) of a qianzhuang, the fee they charged was different, dependent on the amount you remitted. Plus, the fee was higher with Sister Ping's qianzhuang (in Chinatown, NYC) than that of the Bank of China. But I think the dealings with qianzhuangs were more fair, 'cause they arranged the money delivery to our families for free. If you went to BOC to collect money sent from the U.S., they would charge you 30 yuans (\$3.61). That means, we were charged twice. Sister Ping's qianzhuang in Fujian never did that. (Respondent 14)

In addition, there was no BOC branch in small cities or towns. Most of the respondents' families were in rural areas, meaning they had to travel as far as to the capital city to pick up the money; needless to say they had to bear more costs incurred by transportation and additional fees charged by a BOC local branch. The complaints of Fujianese immigrants also were directed at the bureaucratic-style practice of local BOC branches.

My wife was told again and again by the bank clerk that money hadn't arrived yet. She said sometimes money even didn't come in after one month was past! And every time she went to the bank, she had to wait in a long slow line. To wait for more than one hour long was not unusual. And they also charged us 30 yuans! (Respondent 24)

Circumvent foreign exchange control. Another important aspect that made the BOC lose its edge in competition against qianzhuangs was China's strict foreign exchange control. Mr. Fei explained why he thought the use of qianzhuangs both in Fujian and in Chinatown was a better choice:

In those days (the early 1990s), nobody was allowed to keep foreign money in China. So if you sent your dollars home through BOC here in Chinatown, your family could only get Chinese yuan (the unit of Chinese currency) from a BOC branch in Fuzhou City at a bad foreign exchange rate. But U.S. dollars were *haoyong* (more valuable) in China at the time. The price (disparities) between the

official exchange rate and black market rate were quite large. You could sell your remittances on black market for a better price, getting nine yuans or more for one US dollar. So I figured it was more worthwhile putting my money through Sister Ping's qianzhuang. (Respondent 5)

Transaction fee costs. A misconception was widespread through media and research that Chinese IFTs gained wide popularity among poor illegal immigrants because they charged a much lower rate than formal banks. The evidence collected from this research suggested otherwise. For a money transfer agency transaction costs incurred consist of two charges: service fees and the commission, which was charged for foreign currency conversion. But according to the respondents, the money their families picked up at a local branch of a qianzhuang in Fujian. was in US dollars, because

Everybody wanted American dollars at the time. They were hot: one dollar is worth a lot more than one Chinese yuan. (Respondent 16)

So the commission fee was saved for the clients. The service fee was on average US\$18-\$20 per \$1000 at qianzhuangs, while the fee was lower, around \$15, with BOC.³⁰

According to the respondents, the rate was set by qianzhuangs, and was not negotiable in the course of transactions. However, given that the vast majority of Fujianese were in debt and desired to get out of their debt as quickly as possible, qianzhuang's fast delivery even charged at higher rates was nothing less than a great boon. As one respondent, who obtained a loan of \$26,000 for his mugging fee at the interest rate of 2 percent, put it,

³⁰ In comparison to average costs of remitting money to other countries through legal channels, Chinese-operated money transfer businesses charged significantly lower fees, i.e. an average 2 percent of the principal value. According to research on migrant workers' remittances (Orozco, 2003), the average transaction cost for bank transfers (including from banks in Europe) to non-Latin American countries were 7 percent for sending US\$200, while the fee is 12 percent for firms like Western Union. Average charges for sending \$200 through banks in the U.S. to Latin America were in the range of 6-12 percent.

I had to pay additional 1,000 yuan (\$120) for interest if repayment fell behind! My family was already burdened with the smuggling debt; I really was not able to afford the delay if my money were sent through the BOC. (Respondent 2)

Smugglers' practices. Furthermore, the respondents' accounts appeared to suggest that coercive force was not at work here. But in a few cases the practices of smugglers could compel Fujianese to turn to a qianzhuang. For example, smugglers might not return a client's passport even after the smuggling trip ended smoothly if the client failed to meet the schedule to pay the remainder of the smuggling fee. A respondent who was a newcomer said that he had to inquire about where he could send money home without a passport, since his passport was held by a smuggler and not returned to him for quite a while. His Fuzhounese friends referred him to three local qianzhuangs located on East Broadway to solve the problem of remitting money (Respondent 12).³¹

Pocket transfers and remitting through Western Union. In addition to the service available from local Chinese banks, another two informal channels were also open for Fujianese illegal immigrants. They could either wire money through accounts of legalized Fujianese opened with banks or the Western Union, or ask those returning or visiting Fujianese to carry their money on their return trips, i.e. so-called pocket transfers. The good part about the pocket transfers was that the processing fee charged for remittance transfer was saved for Fujianese migrants. However, they were not ideal arrangements from the point of view of some Fujianese illegals. First, both Western Union and banks

³¹ The researcher noted that Fujianese illegal immigrants normally address themselves as "Fuzhounese," since they came from the rural counties under the jurisdiction of Greater Fuzhou Prefecture. Fuzhou, is the capital city of Fujian Province. "Fujianese" and "Fuzhounese" are used interchangeably in other places in the following chapters.

set caps on the amount remitted within a month; if the total amount wired is in excess of ten thousand dollars for one month, they tend to look into the source of the money flowing under the account. A couple of legalized respondents complained that they received notification from a money transfer operator (such as Western Union) that their accounts had been frozen pending further investigation because their Fujianese friends without legal status borrowed their accounts to wire money totaling approximately \$30,000 within two months.

Second, during the earlier years of the 1990s, the number of legalized Fujianese immigrants was relatively few, which means not many people were able to go back and forth freely to China. Even when the number of returnees gradually increased later on, that method at times could be a source of trouble. As explained by one respondent, Mr. Wang,

You see, we usually entrust a friend or fellow towns-folk with our money. If something happens on the trip, and money gets lost, are you gonna blame him? Of course not! He is just a friend who offers help. That would embarrass both of us. That is no good. (Respondent 2)

Another respondent, Mr. Lin, pointed out another risk common to pocket transfer.

Isn't there a regulation of Customs saying how much cash one person can carry? What if he gets caught with the bulk of cash on his belt when this person passes through the checkpoint? I don't want to lose my money at the hand of American Customs officials! (Respondent 8)

Avoid "ren-qing" debt. Another reason for using underground banks was associated with a peculiar mentality shared by some immigrants. As suggested by the statement of one respondent, Mr. Fei,

I don't want to owe other people 'ren-qing' debt; it is better to count on myself. (Respondent 5)

Literally, 'renqing' means 'human feelings', but there is more to it in the Chinese culture. Renqing is a byproduct resulting from reciprocal obligations in the process of

building social networks, in which one party asks a favor of somebody (as in the case of requesting a returning fellow Fujianese to take money back or wire money through a legalized Fujianese's account), and the second party thus performed the request.

Implicitly, the beneficiary henceforth is obliged to repay this favor to the second party by offering some "service" of equal or greater value. If he does not meet this expectation, he will probably be an object of disdain and risks being excluded from his social circle of friends or acquaintances. But the problem is that it is not easy to gauge what constitutes the equal or equivalent value when returning the favor. The ambiguity inherent in the process of favor exchange in networks building strains the interpersonal relationships among friends and acquaintances. Most of the respondents' reaction was that they tried not to use these alternative options unless they were left with no other choices.

Fundamental facts about the use of underground banks among the Fujianese

Respondents. Most of the respondents admitted that they had a need of sending money home through underground banks on a regular basis before their debt was cleared. The amount of remitted funds was dependent on the stability of their jobs and their income level for a specific year, which was on average \$1000 per month for most respondents and the total amount of the remittances were estimated at around \$5,000-10,000 per year. The average proportions allocated for remittances accounted for 80 percent up to 90 percent of their monthly income. The duration of using qianzhang lasted 2 to 3 years on average. This basically was equivalent to the years spent for clearing smuggling debts for most respondents who came to the U.S. prior to 1995, when the smuggling fee was much lower than the current going rate on the market. The majority of the respondents used only one underground bank, and they would make a habit of continuing to use the same

qianzhuang, instead of shopping around. Limited sources of information and quality of services offered by the qianzhuang they used could be the reasons for their decision to stick to only one qianzhuang.

In summary, “convenience” is the most frequently mentioned remark by the respondents on the services of qianzhuang. The respondents used the service of qianzhuang remitting money home. In short, compared to formal channels, easy accessibility, expediency and the anonymity of using qianzhuangs made them a preferable choice among Fujianese illegal immigrants.

Taken together, the emergence of qianzhuangs in Chinatown, NYC appears to be a market response to Fujianese illegal immigrants’ special needs, not necessarily caused directly by lack of legal status or absence of legal avenues for fund transfer. Instead, it was a response used to cope with the impediments which they were confronted with: one is the fear of leaving any paper trail of transactions with formal banks; second, they needed to clear smuggling debt within the shortest period possible. Fujianese-operated underground banks specialized in solving specific problems for illegal immigrants by offering a “unique” service, thus enabling them to serve undocumented immigrant workers competitively compared to official banks.

Individuals Operating Underground Banks and Operating Style

The evidence derived from the personal experiences of the clients may serve as a basis to draw inference about when underground banks were started in Chinatown in New York City. According to several older respondents, the qianzhuangs appeared to emerge around 1990 or 1991, while the most recent use of a qianzhuang occurred around 2005 (e.g. Respondents 25, 14, and 2). The total number of suppliers of these services

throughout the past decade will probably remain a permanent mystery. Adding up the number of qianzhuangs accessed by the respondents in different periods of time spanning the early 1990s up to the mid 2000s, the respondents had used eleven qianzhuangs concentrated in the “Fuzhou Town” area, Chinatown (it is presumed the respondents did not use the same qianzhuangs).³² The informants’ accounts suggest that in most cases a local qianzhuang did not have any identifiable store sign, but some of them did spot a sign on the door frame of a store, reading “Express Remitting Service”. Those Fujianese establishments either were confined to a counter in a store selling clothing and other consumer goods, or could be found in a street-front store which sold cell phones or phone cards, or in a family-run hostel.

The business premises for these qianzhuangs, not quite as their name implies, were usually small and cramped. Blending well in a confusing maze of shops selling clothing, produce and jewelry, with a humble-looking front, they probably would not catch a passer-by’s eyes if he or she was not tipped beforehand. Two respondents were not even sure whether the qianzhuang they used had any business premises. Ms. Liu and Ms. Cao used two different qianzhuangs in Philadelphia and Chinatown, NYC respectively, but their impression on the premises of qianzhuang was similar,

I have never been to the store. They would call first (or in Ms. Cao’s case, it was she who called first after arriving at her friend’s place in Chinatown), then they sent for

³² The respondents normally mentioned that the qianzhuangs they visited were located somewhere near the “Fuzhou town” area. Many of them either could not remember or were unwilling to tell the researcher of the exact location of the qianzhuang. Thus it is difficult to know whether these respondents had ever used the same qianzhuang with a few exceptions.

somebody to pick up my money. That is it. I doubted if there is a store out there.
(Respondent 24)

However, what could be said with certainty for all respondents is that the proprietors were invariably Fujianese immigrants, all of whom came from mainland China (except for one Fujianese emigrant from Hong Kong). Qianzhuangs were operated by and staffed with Fuzhounese-speaking Fujianese. Naturally, the transactions were conducted in Fujianese dialect. In most cases, the respondents knew about certain personal information of the owners: the name (or at least the surname), the place of origin, and, more importantly, the reputation of the proprietors of qianzhuangs they used. In other cases they claimed that they knew nothing but the fact that the owner was a fellow Fujianese. But not every respondent was willing to confess that they had the knowledge about the reputed connections of a qianzhuang with human smuggling or any other shady businesses, as one respondent explained,

We are not nosey people; we just care about whether our money can be sent back home safely. (Respondent 15)

The evidence suggests that reputation of a qianzhuang is of particular concern for potential clients. The better the reputation of a proprietor, the greater would be the likelihood of attracting clients, the more clients he or she would draw in, the longer and more steady business relations would be retained with clients, and the larger scale the business would have, according to the information made available by the interviews. That may explain why most of the respondents were regular clients of Sister Ping's and a smaller number of the respondents were sporadic users of the service offered by small-time operators.

An examination of data available can roughly classify qianzhuang into two types: underground banks operating before 1995 were the first generation of qianzhuangs while those active after 1995 may be called the second generation.³³ The reasons for using 1995 as the cutoff point are as follows: first, the respondents' accounts lack a consensus on when the best-known underground bank in Chinatown, which was owned by Chui-ping Cheng was closed down. Second, all secondary evidence available points to the year 1995 as a possible time frame for the closedown of this qianzhuang. Ms. Cheng fled the U.S. in late 1993 after the Golden Venture incident came to light in June 1993, and by the end of 1994 the investigation of U.S. law enforcement agencies closed in on her for her involvement in smuggling (Harder, 2001). It is probably safe to conjecture that her qianzhuang in Chinatown was shut down by the government, or closed by her family around 1995 at the latest³⁴. Having a span of four years of operation at the most, the biggest qianzhuang in Chinatown, NYC was fairly short-lived. Another plausible reason for adopting this time frame is that the operating style of qianzhuangs the respondents frequented after 1995 appeared to be noticeably different as compared to that of the first generation. Furthermore, the clientele of the second generation of qianzhuang seems to be

³³ The decision to use the year 1995 as the demarcating year was relatively tentative, but was made through reasonable deduction. When the researcher checked the narratives of the respondents against one other, a noticeable pattern was identified that the clients who used underground banks before 1995 were able to present information about underground banks in much greater details than those using the informal channels after 1995, with respect to the location, the transaction process, and the background of the operators. However, the researcher recognizes the limitations that come with a much smaller portion of post-1995 users patronizing underground banks in this research (which was approximately 20 percent as opposed to 80 percent prior-to-1995 users).

³⁴ A couple of the respondents claimed that they used Sister Ping's qianzhuang in 1994.

restricted to a smaller group of “prominent” Fujianese immigrants. This will be discussed in Chapter 6.

Sister Ping: The Best Known Underground Bank Proprietor in Chinatown, NYC

Cheng, Chui-ping a.k.a Sister Ping is a prominent figure in the Fujianese community in the U.S. for her role in the human smuggling trade. Her role in operating a popular underground bank was not widely known outside the Fujianese community until 2005. There is a broad consensus held by the respondents that her underground bank had been the largest and the best one in Chinatown. Approximately \$40 million in illegal earnings were transferred through her underground bank in NYC back to China when her smuggling business was flourishing (“The mother of all snakeheads,” 2003). Most of the respondents were her clients in the early 1990s. She seized the limelight (though admittedly against her will) when her name appeared on a high-profile human smuggling case on trial in 2005. She has gained prominence in both the Fujianese community and American law enforcement agencies for different reasons. In the eyes of American authorities, she was viewed as the “mother of all snakeheads” (a colloquial expression for human smugglers in Chinese) masterminding several notorious human smuggling operations, taking illegal immigrants hostage and demanding smuggling fee payment, and being a fugitive who was brought to justice after six years of investigation, global man-hunting, and extradition procedures by the U.S. authorities (Hurtado, 2005).

However, she is a legend in the Fujianese community for her reputation in human smuggling trade as well as for her benevolent acts toward her fellow Fujianese. Leaving her family behind in her hometown, a village in Tingjiang, Fujian, she made her way to Hong Kong and Canada on route to NYC with the assistance of smugglers in 1981. She

started up her business from scratch by operating a variety shop in Chinatown, and probably began to engage in the smuggling business in the mid-1980s, a time when the enactment of the Immigration Reform and Control Act of 1986 (IRCA) and an attendant amnesty provision set off the first round of immigration frenzy in mainland China (Feuer, 2005; Harder, 2001).

Her smuggling business was said to be in a boom period after President Bush issued an executive order in 1990 granting amnesty allowing Chinese to stay in the U.S. permanently in the aftermath of the 1989 Tiananmen crackdown (“‘Mother of all snakeheads’,” 2006). By the end of the 1980s and the early 1990s, as a quite established businesswoman, she had already owned real estate, restaurants, a variety store in Chinatown, as well as apartments in Hong Kong and a farm in South Africa (Preston, 2005). She was known among Fujianese as an owner of a local underground bank, or a qianzhuang, out of her variety store located at 47 East Broadway, right across from the Bank of China. Unquestionably, her business turned out to be such a credible rival to the competition that very few Fujianese would patronize the BOC branch across the street (“‘Mother of all snakeheads’,” 2006).

During court trials in 2005 she denied any involvement with human smuggling rings, particularly the 1993 ill-fated Golden Venture voyage, by defending herself as an unlicensed underground bank owner helping fellow Fujianese with wiring money home, or offering loans to those who could not afford the smuggling fee (Feuer, 2005). Ironically, the majority of the respondents (except a few latecomers arriving in the U.S. after 2000) maintained that she was the best-known human smuggler with extensive networks on both sides of the Pacific. They did not hesitate to further explain that they

heard that the Fujianese underworld of NYC was behind protecting her underground banking operation,³⁵ since her business came into a full swing at a time when Chinatown descended into a gang-infested, crime-riddled place in the early 1990s. In those days Chinatown was racked with almost weekly outbursts of robbery, kidnapping and extortion committed by Fujianese gangsters against Fujianese immigrants. Murder occasionally occurred as a result of failure to drop ransoms by the deadline set by the gangs, or infighting within gangs (Faison, 1993; LII, 1994; Kocieniewski, 1995). In an environment filled with menace, one older respondent, Mr. Fei, remarked,

You just couldn't do no business in Chinatown without protection money.
(Respondent 5)

Another respondent, Mr. Liao, agreed with him that

Everybody in Chinatown knew that she worked in hand-in-glove with Guo, Liang-qi, the leader of Fuk Ching Gang.³⁶ (Respondent 9)

Nonetheless, Mr. Lin, the only respondent who admitted that he was brought to the U.S. with her assistance, emphasized that

She was a big-time smuggler with a big heart. (Respondent 8)

One respondent remarked,

³⁵ According to the reports on the court trial in June 2005, several gangsters, who were the prosecutor's witnesses, admitted to using Sister Ping's qianzhuang for transferring criminal proceeds back to China and other places outside China. See http://news.xinhuanet.com/overseas/2005-15/content_3086762.htm

³⁶ This refers to a NYC street gang whose members primarily consisted of illegal immigrants from Fujian Province. It was reported to be active on the streets of NYC in the early 1990s, and link to alien smuggling as enforcers working for smuggling groups for purposes of debt collecting and arranging transportation of human cargos. Now it has disbanded due to the crackdown by the U.S. government (Chin, 2000).

Ninety percent of able-bodied men in her hometown and neighboring towns were smuggled into the U.S. with her help. Were it not for her service, how could we come and earn more money and be better off here? (Respondent 14)

Other respondents would relate some of stories circulating about her among Fujianese illegal immigrants like the following one.

She was really responsible and kind toward her customers (Fujianese immigrants who were smuggled into the U.S.). If someone did not make it into the U.S., she would return his smuggling fee, and promised his name will be on the short list for future passage. Once there was a guy who died on the trip. She would send the monthly allowance to his widow and helped pull his only son through school. When the kid grew up and reached 18, she brought him to the U.S. *dagong zhuanqian* (earning money by being a waged laborer). (Respondent 7)

According to the respondents' accounts, a surprising finding is that Sister Ping did not seem to fear the risks inherent in disseminating information about her identity and her participation in operating illegal financial services. Her clients seemed to be well informed of the whereabouts of her property in Chinatown, and that her huge wealth accrued from the human smuggling trade was an open secret in the local community. This runs counter to scholars' expectations based on the study of illegal markets for gambling and loan-sharking that product illegality shapes the way an illegal entrepreneur structures the relationship with his or her employee, clients, or others involved in transactions. Normally, entrepreneurs would seek to restrict personal information in order to minimize the risks of detection (Reuter, 1986). So presumably there must be a defensive or protective mechanism at work here in the case of underground bank owners. Since this type of underground bank does not make loans to their clients, the prerequisite is that clients must bring their remittances in cash to an underground bank before a transaction proceeds. It is incumbent on the operators to fulfill the obligations to the clients, meaning it is more likely that the defaulting party is an underground bank owner

or operator who is unable to deliver the remittance to the designated recipients, or the money delivered arrives late, or is found short upon arrival. If the protection comes from the Chinese underworld through payoffs made by an underground bank owner, gangsters would never be requested by a defaulting underground bank proprietor to intervene or impose punishment for his or her own failure to meet the agreements involved in the transactions. A plausible explanation must lie somewhere else to account for why people within reach of critical information do not have incentive to inform against them (for detailed discussion see Chapter 6).

Another surprising finding is that none of the respondents regarded Sister Ping as a criminal, even though she was tried and convicted in an American federal court on three counts of alien smuggling, money laundering, and trafficking in criminal proceeds, and now is serving her 35-year imprisonment term (Preston, 2006). Instead, she was highly regarded in the local Fujianese community as a respected businesswoman because she provided desirable quality services needed by the whole Fujianese community: transporting people across the borders to find a job and earn money, and transferring money across the borders for illegal migrant workers to go toward debt repayment and supporting their families. This favorable attitude is extended to other underground bank operators, but Sister Ping stood out above all of them in their eyes. Her good standing in the community earned her a place as a top entrepreneur. Her credentials were established from her “successful” career as a human smuggler, capital (probably more likely to be accumulated from human smuggling trade than from her variety store business in NYC), extensive networks (which consisted of her relatives and friends recruited for running the branches of her underground bank in major emigrant communities of Fujian, according to

the respondents). In conjuncture with her remarkably risk-taking spirit they became assets for her to dabble in another line of business, underground banking, rendering quality service to the immigrant community.

They admired her for the entrepreneurial acumen with which she took advantage of a business opportunity to earn easy money by identifying the needs of her fellow Fujianese immigrants for fund transfers, for the goodwill she established by starting up a qianzhuang business in both Fujian and the U.S., and by assuring that all transactions went smoothly so that their needs were satisfactorily met. “She is a really smart businesswoman,” remarked the respondents, who believed she did not need to advertise in the newspaper. She reaped a good return on her philanthropic acts toward those illegal immigrants because her name was spread fast along with those “good” deeds. As a result, she would be offered more lucrative opportunities in the future to expand her business in the Fujianese community. Indeed, her customers in the human smuggling trade became potential clients of her underground bank, as one of the respondents’ experience has shown. Moreover, many Fujianese illegals who were not smuggled by her were eventually drawn to her remitting business because of her fame as a capable businesswoman.

Other First Generation of Underground Banks: Sister Ping’s Counterparts

Arguably, Sister Ping’s reputation as a sympathetic, capable smuggler was the most effective advertisement for her underground bank. It was so popular that one respondent said,

It was actually quite easy to find where the place was. If a Fujianese stops another Fujianese he bumps into in the street nearby the Yidong Center (a local Fujianese bazaar at East Broadway), he will be shown the direction right away. (Respondent 17)

The information provided by the respondents indicated that her “bank” service attracted a large proportion of clients who were smuggled Fujianese, as demonstrated by most of the respondents’ testimonies, that going to sister Ping’s place and sending money home was a common experience among smuggled Fujianese in those years prior to 1995. But that does not mean that other qianzhuangs did not exist in Chinatown.

At least seven out of thirty respondents used other qianzhuangs during the time period between 1991 and 1994. Two respondents’ experiences with another qianzhuang illustrated their experiences. By way of referral, Mr. Hsiu frequented a local qianzhuang which was operated by his distant relative, and he also became a client of another qianzhuang owned by a Fujianese who migrated from Hong Kong (Respondent 13). Mr. Lan’s experience was similar: he was introduced by his friends to a local qianzhuang. At the same time he was still a client of Sister Ping’s.

There were no real big differences between the two. I went to another one just because it was convenient: the store was near to the place where I lived.
(Respondent 13)

Obviously it caused him no concern to use a less renowned Fujianese’s qianzhuang based on the recommendation of a fellow Fujianese.

These entrepreneurs were more like faceless figures, as the interviews were unable to elicit rich detail about their background, and the respondents’ narratives did not link them to human smuggling activities. Some respondents may have felt ill at ease with a researcher making inquiry into highly sensitive issues, and they may have had a concern that too much information released about the proprietors of other underground banks could put them at a greater risk of exposure and arrest. However, according to the respondents, the small-time operators did not differ significantly in business scope,

composition of clientele, mode of transactions, and transaction costs as compared to Sister Ping's qianzhuang. The transactions most likely took place in small, humble-looking stores which sold cell phones, phone cards, or provided international phone service. Usually only one person was seen behind the counter to handle the transactions.

Apparently, the reputation of underground bank owners is of particular concern for the clients in choosing which one they should go to. In comparison to the qianzhuang owned by Sister Ping, a household name in the Fujianese community, other underground banks have to draw in prospective clients through referrals from a much smaller circle of friends and relatives. Thus the scale of business is considerably smaller.

They are no match for Sister Ping's qianzhuang. Everybody heard of her name.
(Respondent 25)

If that is the case, remitting services might be a sideline business for some of those qianzhaungs to supplement the income source of their regular business. The flip side of lacking the luster of Sister Ping's "big name" was that their operations were less likely to draw attention of the authorities, making them much safer and possibly securing their existence in the market as long as they were able to keep the business afloat.

Second Generation of Underground banks

At least six respondents had frequented underground banks from 1995 up through 2005. The evidence generated from their experiences suggested that some changes occurred in the operating style of the underground banks. The operators of underground banks behaved more discreetly, as manifested in limited information about their identity and business location being available to their clients. More likely than not the clients only knew their surname, or their source of information did not know the name or purposively withheld the information from them. Sometimes the clients were unsure about the

existence of the business premises, because the transactions did not take place in a fashion as they expected. Their business operations appeared to be more clandestine, elusive, or sporadic. The fee was reduced to around US\$17- \$18 per \$2000 as compared to the rate of the transaction fee charged by the first generation of qianzhuangs. Another surprising fact retrieved from the interviews is that the humble-looking storefronts of underground banks might generate a misleading impression that they could only handle small sums of remittances. However, a respondent's account suggested that they may have had retain great capacity to transfer large sums of cash, as the operator of a small qianzhuang told him that they would have no difficulty sending \$100,000 back to China for a single transaction (Respondent 25).

Most of the clients still relied on the information through “word of mouth” circulating in the local Fujianese community in deciding to use the services offered by the second generation of underground banks. For some other clients, the decision to patronize a local qianzhuang might be a result of chance and circumstance. One respondent, Mr. Wang and his friend stumbled on a qianzhuang with a sign stating “Express Remitting Service,” while strolling down East Broadway in 2005. The storefront on the bustling street was a place selling cell phones. Mr. Wang decided to enter and take his chances with \$2000 in his pocket.³⁷ But the sign was gone when he had another chance to drop by at the same store (Respondent 1). Mr. Wang offered this explanation:

You know, these people running qianzhuangs like this must be afraid (of police raids). Whenever they feel the heat from the government's crackdown, they know

³⁷ According to the respondents, in those early years it was not uncommon among Fujianese migrant worker to carry large amounts of cash around with them, because they could not leave the money at their apartment shared with seven or eight other immigrants due to the high mobility rate of co-tenants.

they need to lay low by closing the business without delay; whenever they feel the government's grip loose a little, their business would reopen again. In that way, the government is never able to track them down. Last time I was lucky to bump into an open qianzhuang, 'cause it happened some time during the Chinese Lunar New Year, the peak time for Fujianese here to wire money home. They gotta open the door and must be happy to see money rolling in. (Respondent 1)

For Ms. Cao and Mr. Liu, two qianzhuangs they used (one is in Chinatown, NYC, while the other one is in Philadelphia) gave them the impression that they seemed to have no permanent location. They were told to hand over the money to the deliverymen sent by the qianzhuangs (Respondents 24 and 15). However, in most cases the respondents were informed of the reputation of qianzhuang owners/operators earlier on by their friends, and also were assured by their informants about the reliability and credibility of a qianzhuang. The example of Mr. Feng, the owner of a qianzhuang based in Philadelphia is a case in point.

That was how people called him, little Feng, little Feng. He is a guy from____ town back in Lianjiang. A great many people in Philly knew him, and he enjoyed a very good reputation. People could easily spotted him in Chinatown.³⁸ I heard that someone even put \$50,000-\$60,000 at his place (for remitting purposes). People just trust this guy. You know what? Not just one or two persons, there were *a lot of* people using his qianzhuang. He said to me, 'hey, don't worry, your family will get your money within two or three days at most.' It will be all sent just by a fax. (Respondent 17)

Another client who used a popular qianzhuang in Philadelphia described the owner Mr. Li as a "big player," who was said to have been arrested by the American authorities around 2002. He had successfully extended his business beyond his hometown and owned several branches in different towns in Fujian. These underground bank

³⁸ According to this respondent, the transactions were done near this operator's residence located in University City in West Philadelphia.

operators like Mr. Feng and Mr. Li may be classified as middle-level entrepreneurs judged by their reputation and standing in the community. It seems that an underground bank owner has to weigh carefully safety concerns and the advertisement effect of reputation. Apparently a great reputation can attract more clients, but might also draw attention of the authorities, an undesirable consequence. This might constitute another criterion to differentiate small-time underground bank owners from middle-level and top entrepreneurs, which is contingent on the risk levels that they are willing to tolerate.

The similarity shared by the first and second generation of underground banks is an extraordinarily high degree of reliability of their service. Complaints never turned up about the quality of qianzhuangs' service from the respondents, since none of the transactions involving the respondents' remittances had gone awry: the respondents' money never got lost or fell short one penny upon arrival at home. An exception was the experience of a respondent who arrived in the U.S. in 2004, Mr. Liu's younger brother, who complained to the clerk of the same qianzhuang Mr. Liu had used before, that the money still had not arrived at his home in China after half a month passed. The cashier apologized to him, by offering that "we will re-send it; your family will get it soon." That qianzhuang did deliver the promise later. But Mr. Liu's brother was startled by the accident, and never used the same qianzhuang again (Respondent 12). On the whole, no disputes of any kind between qianzhuang operators and the clients, much less violent incidents, have been reported by the respondents.

The respondents' accounts suggested that few believed that qianzhuang owners/operators grew rich off their hard-earned money. Most respondents maintained that the transactions were "fair dealings." Additionally, little evidence was suggestive of

any affiliation of these low-profile underground bank owners or operators with the Chinese underworld, unlike in the case of Sister Ping. It is possible that the respondents may have avoided the subject in the presence of the researcher considering that these owners were, or are still free and safe tending their business. Also substantial evidence is lacking in the research that underground banks still exist in both Philadelphia and NYC, since none of the respondents, who have turned to formal channels for fund transfers, confessed to the continued use of underground banks in either location. But this conclusion could be due to the limitations of a small sample used for the purpose of this research, suggesting an important direction for future inquiry. For example, a larger size of sample may include those well-to-do Fujianese entrepreneurs who still prefer to use qianzhuangs to channel their earnings back to China for legal or illegal investment.

Summary

This research suggests that during the period of the late 1980s to the mid 1990s, at the height of the illegal immigration stream from the coastal areas of Fujian Province, a significant proportion of Fujianese illegal migrant workers gained access to underground banks operated by Fujianese immigrants for transferring their earnings from illegal employment in the U.S. to home communities. Available evidence is only indicative of unilateral remittance flows across the border, that is, from the U.S. to the emigrant communities in Fujian Province, mainland China. The demand to process remittances of illegal immigrants was served by both American-Chinese banks and underground banks operated by Fujianese immigrants located in Chinatown, NYC. However, the confidentiality, efficiency, service reliability, and cultural affinity rendered underground banks a competitive edge over regulated channels in competition for clients' attention.

Fujianese immigrants chose underground banks as a preferable mechanism to transfer earnings home for both illegitimate and legitimate purposes: the remittances were used for smuggling debts repayment and the improvement of their families' economic well-being.

The evidence shows that illegal immigrants were able to exercise freedom to make rational choices about the supplier of fund transfer service they might prefer free of any form of coercion. It seems that the important factor in determining the decisions of illegal immigrants was the reputation of the entrepreneur who was a co-ethnic. The consideration was based on credible information they possessed about the record of "business" activities an owner engaged in and on the estimated worth of his or her property, and on the recommendation of trusted fellow Fujianese if those concrete types of information were absent. The impression of the respondents obtained from the respondents was that the proprietors seldom specialized in operating a fund transfer business; instead, underground banking was operated alongside other legal businesses.

Generally, the owners or operators of underground banks were considered by the illegal immigrants who used their service as honest entrepreneurs, who provided an indispensable service to individual illegal immigrants, making their own lives easier in the U.S. as well as improving the lives of their families staying behind. No evidence suggested that violence was characteristic of the operations of underground banks either in home communities or in the U.S., or of interactions between the owners or operators and their clients. Though some underground banks reportedly had the capacity to handle the transfer of large-sums, most of the transactions involving illegal immigrant clients

seemed to involve small sum transactions carried out by small-time operators who maintained their activities on small scale.

CHAPTER 6

THE MECHANISMS, PURPOSES FOR THE USE, AND THE ROLE OF UNDERGROUND BANKS IN SMUGGLING OF CHINESE

The analysis in Chapter Five illustrates that the entrepreneurs operating underground banks rose up to market opportunities arising out of the needs of a specific ethnic group of illegal immigrants. Available information leaves puzzling questions unanswered. Data derived from this research show that underground banking operations rarely extended to customers beyond their co-ethnic group members and generally remained in a clearly defined, geographically circumscribed area—the Fujianese settlements in Chinatown, NYC and Philadelphia. These attributes of underground banks do not seem compatible with the principle of profit-maximization and market expansion. A plausible explanation for this finding is the role of ethnic trust. However, how ethnic trust governs transactions of underground banks and interactions between operators and their clients is not clear.

Furthermore, given the illegal status of the users, this research is also interested in other purposes underground banks may have served in addition to sending home remittances and how their contributions may have affected the lives of emigrant families and their home communities. Finally, because the main clientele are illegal migrant

workers smuggled into the U.S., this research asked what role Chinese underground banks may have played in facilitating illegal cross-border population movement.

The Central Role of Dialect-based Networks

As suggested in Peng's study, kinship-based networks or the bond of lineage assume considerable importance in the success of private business in China's early reform era (Peng, 2004). The lineage, a highly organized kinship organization in agrarian China, was considered to be the most important social unit next to the family. An individual's membership in a particular lineage group ensured his physical safety, the protection of individual rights and property, and social status (Potter, 1968, p.165). A local lineage functioned as a "corporate actor," which allowed its members to draw on its material and nonmaterial resources (Baker, 1968; Freedman, 1958). The lineage managed a variety of local affairs, from running schools, managing ancestral halls, village lands and communal property, to providing loans, organizing militia, leading ritual observations, and administering informal justice (Freedman, 1966; Potter, 1968). Similarly, lineage-based cultural practices might be helpful for facilitating the operation of underground banks, specifically, in terms of pooling clients, setting norms, and settling disputes with clients. The remnants of lineage traditions are still visible in illegal migration, for example, as signified by the disproportionate frequency of several surnames among illegal immigrants, such as, Chen, Huang, Lin and Zheng, suggesting that bearers of those surnames are the members of dominant clans in localities. This section explores the role of lineage in the operation of underground banks.

Dialect-Based Networks versus Kinship-Based Relations

Peng's findings concerning the role of kinship networks were particularly relevant to the exploration of the use of the underground banking system among Fujianese illegal migrant workers, because *zong-zu*³⁹ used to be one of the distinctive and salient features of the social organizations in South China, particularly in Guangdong and Fujian (Sprenkel, as cited in Freedman, 1966). Watson's anthropologic study on Chinese laborers in Britain highlights the importance of the role of the lineage system in the migration and settlement process of emigrants sailing from a Cantonese community in Hong Kong in the 1950s (Watson, 1975). Recent studies point to the reemergence of kinship system that was dismantled during the political movement in mainland China after the reform era in the 1980s (Johnson, 1993; Peng, 2004). This resurgence may now involve an important role for the lineage system in mobilizing financial resources and exercising normative control over the use and operation of the Chinese-controlled informal financial systems prevalent in an ethnic community.

The evidence derived from this research suggests that the importance of kinship networks may have given way to dialect-specific networks in the context of illegal migration through human smuggling. Fuzhounese dialect is the language for social communication among Fujianese illegal immigrants in the U.S. This dominant local speech helps distinguish Fuzhounese speakers from two other Fujianese linguistic groups, Putianese speakers, who inhabit the central Fujian coastal areas, and to the south of

³⁹ Chinese term for kinship relations, clanship, or lineage groups. See Peng (2004), p. 1048.

Fuzhou prefecture, and Minnanese-speakers who occupy the southern regions, historically the main source of overseas migration (Pieke, et al., 2004).

Traditionally, the place of family origin (zuji) claimed as the territory of a local lineage, occupies a significant place in construction of identity among overseas Chinese. Primeval as it sounds, particularly for those who have never visited their native place of origin and even have no relatives there, the ancestral village signifies the root of the families and a sense of belonging. As such, ancestral origin confers a value that “provides[s] a socially established channel for contact between people who otherwise have little in common” (Christiansen, 2003).

However, under the circumstances facing Fujianese illegal migrant workers in an inhospitable society, the lineage bonds harnessing fellow villagers may not serve as much of practical importance as a Fuzhounese-dialect-based identity. The limited resources of a single lineage and common concerns compel immigrants to seek emotional and material support beyond lineage ties or native-place links. The linguistic affinity may serve as a more useful vehicle for Fujianese illegals coming from different areas to share in a broader-based identification with other Fujianese rather than fewer numbers of fellow villagers in the process of negotiating the new environment and circumventing the regulations of the host countries. Thus the meaning of community has changed for overseas Fujianese migrant workers here in the U.S., in that it is no longer restricted to a kinship-based village or town but expanded into a wider geographic unity identifiable through the use of the same dialect.

For contemporary generations of Fujianese illegal immigrants, it seems that a new identity has come to take shape based on a regional dialect, migratory experiences linked

through human smuggling, and similar barriers and risks confronting them in the host country. When a Fujianese came to the U.S. through human smuggling, the old identity imprinted on him by social class was left behind at home. Instead, in the U.S. he was merely a Fuzhounese sharing the same fate with other smuggled Fuzhounese. For instance, a small number of the respondents in this research were formerly well-to-do businessmen before being smuggled into the U.S. Their self-made wealth gave them a sense of superiority over fellow Fujianese who were peasants or fishermen when they were in China. Now, with a few exceptions who eventually worked their way into the ranks of established entrepreneurs, most of them work on similar menial jobs, sweating for long hours for low pay, and even their goals are the same: to provide for family by sending remittances home, and then help their families to migrate to the U.S.

An illustration of this kind of change is the self-identification among Fujianese immigrants who may realize the benefit which this regional-dialect-based identity confers. They claim themselves as “Fuzhounese” whenever being asked by a non-Fujianese speaker about their origin, even though they actually came from different rural areas under the jurisdiction of Fuzhou, the capital city of Fujian Province. When a Fujianese illegal migrant is probed further by a question, “Which part of Fuzhou did you come from?” the response usually would be “Why do you want to know about that?” then he would turn to other topics, or just walk away. That also reveals an additional function that the regionally recognized dialect serves: it can help Fujianese immigrants to differentiate “them” (outsiders) from “us Fuzhounese” immediately, and thus effectively head off an outsider’s prying inquiries which are perceived as threatening to their safety. In this sense, dialect-based networks function as a self-protection or defense mechanism,

mitigating the fear and insecurity among the group members who consistently feel under threat of the authorities' intervention, while being involved in profit-making activities within Fuzhounese-speaking communities.

One Fujianese entrepreneur explained why Fuzhounese employers would not hire non-Fuzhounese speakers normally:

To be sure, if you cannot speak Fuzhounese, that creates difficulty in communication with your boss and other Fujianese co-workers. More important, every business has its own secrets, be it operational, financial, or any other things, we just don't want outsiders to know about it. Fellow Fujianese are more trustworthy because they are your own people. They don't speak out against their own. (Respondent 26)

Another respondent's testimony also exemplifies the role of the dialect-based identification which motivates Fuzhounese-speaking people to extend help to those new arrivals unrelated to them.

In those days, there were a lot more Cantonese than Fujianese in Chinatown, Philadelphia. Some people had just arrived here, with no idea where to find a job and a place to live, and had nobody to turn to. The pressure was so unbearable. But we felt so different when we heard somebody talking in Fuzhounese in the street! No matter where we came from, Lianjiang, Tingjiang, Changle, they are neighboring towns to each other, and that makes us all fellow towns-folks. We speak a pretty similar dialect. We Fuzhounese are uneducated people, but we value renqing (feelings associated with personal relations) very much. Even if you didn't know anybody here, as long as you spoke Fuzhounese, people would be willing to help out. (Respondent 8)

Bounded Solidarity

The concentration of Fujianese migrant business activities has carved out a Fuzhou town within Chinatown in NYC, while the Fuzhounese-dialect has accentuated the distinctive collective identity attached to this group. The above analysis shows that bounded solidarity is not limited to kinship relations as Peng argued in his expounding of the mechanism central to the early success of China's rural industry. Kinship ties are

entirely based on consanguinity, delimited by a narrow geographic boundary, whereas broader-base ties with a potential of tapping community resources are more attuned to the needs of Fujianese illegal immigrants. Regional dialect-based networks furnish a wider segment of overseas Fujianese communities the privileged access to resources of the community, including information on and opportunities for gainful employment, money and human capital, and even protection against undesirable intrusion, thereby helping to shape the collective identity and reinforce ethnic cohesion.

However, Peng (2004) rightly captures the key differences between Chinese culture relative to Western culture: “The definition of ‘individual rights’ in the Chinese context is thus *guanxi*-specific⁴⁰ and particularistic. It is not universal rights, but ego’s obligation to the alter: no tie, no obligation, and no rights.” (p. 1050) Essentially, social benefits bestowed by bounded solidarity built on a regional dialect within Fujianese communities implicitly or explicitly entail obligations expected of individual group members: the allegiance and loyalty of members are expected to extend from their families and relatives to the whole community in the pursuit of the common interests, which could be much needed when external threats are present. The present-day threats do not come from racial prejudice and discrimination as experienced by the first generation of Chinese immigrants. Rather, the threats stem from the government’s enhanced enforcement of immigration law, which put every illegal immigrant at risk of apprehension and deportation. Membership in this ethnic community, marked by the use of the same regional dialect, is intrinsic to shaping the attitudes and behavioral patterns of

⁴⁰ “*Guanxi*” is the Chinese term referring to interpersonal relations or social networks which “is a synonym for special favors and obligations.” See Peng (2004).

group members. That explains why Fujianese immigrants unanimously feel obligated to safeguard the secrets known among their own against prying outsiders, such as those concerning the operation and use of underground banks in Chinatown.

Bounded solidarity built on dialect-based ties also made for the emergence of an ethnic market niche for businesses like underground banks, which specialized in providing service to solve special problems facing illegal immigrants in their settlement process, seizing on business opportunities thus created. Both ethnic proprietors and their clients, illegal immigrants, had high stakes in conducting business in good faith, which greatly benefited both parties: profits reaped for underground bank owners with little extensive investment and smuggled immigrants' earnings safely on the way to immigrants' families. As much as Sister Ping was lauded for promoting the common good for fellow Fuzhounese by launching her human smuggling business when legal avenues for international migration were off-limits for lower-class Fujianese such as peasants and fishermen, the underground banking business was praised for being a great convenience to the Fujianese community when a need arose to send money home safely without alerting the authorities. One respondent thus commented,

They (qianzhuang owners) could not really make big money out of it; they were just helping us out.(Respondent 8)

As a result, the prevailing ethnic solidarity based on dialect-specific networks has direct bearing on information diffusion, business promotion, transaction modes, and the relationship between underground bank owners or operators and clientele. The perceptions of respondents suggested that potential risks of being apprehended by the authorities would be minimized when transactions were limited to Fuzhounese dialect speakers within Fujianese settlements. One respondent even remarked, "Don't you know

it, that Chinatown is our Fujianese turf?” (Respondent 20) Underground banks did not have to put an advertisement in local Chinese newspapers. Through the word-of-mouth, the information about underground banks was circulated widely in the Fujianese communities. An older respondent recalled,

The news spread fast, among our relatives, friends, colleagues. Sometimes you can even overhear from strangers chatting about something about qianzhuangs while sitting in a tea house, or walking in the street (near East Broadway). Before Sister Ping’s qianzhuang eventually settled at Rong-sun store, her qianzhuang moved to here and there, all different places quite frequently. I still remembered the one I visited, which was next to a wholesale store. And we’d know it soon whenever the business changed place again. (Respondent 14)

Along with the general information, the owner’s reputation and credibility would be the important part of the tip trading among Fujianese. Two respondents put it this way,

My relatives and friends all said that Sister Ping’s qianzhuang sends money in a fast and reliable way. *Tou-du-ke* from Fuzhou (the smuggled Fuzhounese) all went there sending money home. They said she *ben-shi-da* (had lots of pull), making tons of money. She is the best-known smuggler, because she started up the business earlier than others. All able-bodied men at her hometown had all been brought into the U.S. thanks to her. (Respondent 11)

She loaned money to her fellow villagers for smuggling fee payment, with low interest or no interest at all. If there was an injury or death on the trip, she would compensate the family for the loss. She also arranged jobs for them after they arrived to pay off debt. Whenever somebody owed her money but fell behind in payment, asking for an extension of time, she always said, Ok, that’s fine. She is a great woman. (Respondent 8)

The interviews show that no special security measures were taken on both sides of the transactions: underground banks and the clients. While some of the respondents lived in Chinatown, other respondents needed to take public transportation from different corners of NYC, such as from Flushing, Long Island, or Brooklyn, or a two-hour bus ride from Philadelphia. Most of them made the trip alone, carrying a large sum of cash ranging from \$1,000 - \$5,000 on the way to an underground bank located on East

Broadway, NYC. They explained that it was hard to find a companion for self-protection because people usually had trouble setting aside a time for traveling together due to different work schedules. No robbery was reported on the trip. The respondents noted no presence of security guards on the business premises of qianzhuangs, which they attributed to alleged connections of qianzhuang owners to the Chinese underworld in Chinatown, NYC, or to the protection money that presumably had been paid to local Fujianese gangs, which constituted a different set of networks.

When it comes to the transaction detail, the respondents observed nothing secretive about the transactions. For example, a respondent described the transactions at Sister Ping's qianzhuang as follows:

It is just like a transaction happening at any other store. Nothing special. Two or three cashiers are behind the counter, at least one person counts the money by hand, while one keeps records. I don't think I saw a cash machine counter there. They don't speak much except for telling you how long it takes before the money arrives home and where to pick up money in Fujian. Sometimes people wait in a line, but it moves fast. Every passerby can see what we are doing there. (Respondent 3)

A typical description would outline how a business transaction was undertaken at a qianzhuang in this manner. All respondents reported a similar scene in regard to the process of transactions at qianzhuangs that they visited, regardless of their size or reputation. The high levels of visibility regarding transactions of local underground banks would baffle an outsider without sufficient understanding of the meaning and importance of ethnic solidarity at play in this closely knit Fujianese community.

In short, Fujianese illegal immigrants liked to use qianzhuangs for sending their money home, because the cash-based transactions at an underground bank were easy and fast in a safe setting. They were not required to show identification nor fill out forms. At the end of a transaction, they would be given a receipt, bearing a client's name, his or her

phone number, the amount remitted, the recipients' name, address, and the phone number with which to reach his or her family (if there was any). Some other respondents said that they were assigned a code number in place of a receipt, or were given both. The case with a qianzhuang located in Philadelphia is particularly unusual, because there was no record in writing, not even a receipt; the whole transaction came about by words. Yet their money still safely arrived at home without any problem (Respondent 17). But these practices would not be considered odd among Fujianese, because it is a commonly accepted practice in the Fujianese community that business agreements are made orally yet carry more weight than contracts in writing.

Enforceable Trust

Literature on informal remittance systems invariably credit the popularity and efficiency of the institutions with high levels of trust within ethnic groups, as co-ethnics are intuitively predisposed to trust their own people in deciding on with whom to do business (Maimbo and Passas, 2004). As described above, in the transactions at underground banks the business procedures otherwise regarded as necessary for a formal bank, are nearly stripped to the bare essentials, yet the clients were still drawn to the business. This practice defies common sense because normally people would not trust their hard-earned money to a place like a qianzhuang which is not an officially accredited and financially guaranteed financial institution. If anything goes wrong with transactions, a client of qianzhuangs cannot turn to court systems to seek legal remedy. So the central concern is how trust is employed to establish norms and mediate or settle disputes when they arise.

The argument made by Portes and Sensenbrenner (1993) provides an important explanation. They argue that “trust exists in economic transactions precisely because it is enforceable by means that transcend the individuals involved.” (p. 1332) In other words, bounded solidarity may be necessary for facilitating the formation of an ethnic market where purveyors of service and products, clients, labor, and capital would conflate for profit-generating purposes (p. 1329), there must be a mechanism in existence to realize this potential. According to Portes and Sensenbrenner this depends upon the strength of a community’s capacity to administer rewards and to mete out sanctions among group members. Rewards and sanctions administered by a community may have nonmaterial elements, but eventually they carry “very material consequences in the long run” (Portes and Sensenbrenner 1993, p.1332). Backed by this capacity, trust among co-ethnics encourages compliance with expectations and obligations embedded in community networks, hence promoting “trustworthy and cooperative behaviors” (Peng, 2004, p.1052). Where the business relationship between underground bank proprietors and their clientele are concerned, underground banks are expected to fulfill the promise of sending remittances home in a safe and speedy fashion. The personal and business reputation of the proprietors serves as a basis for this expectation.

The respondents often contended that worries about the reliability of underground bank were irrelevant to their way of thinking. Ethnic trust underpins their decision making in seeking the service of underground banks. First of all, the two transactional parties know that they cannot trust in other people outside the community who can identify with and protect each other’s identity. Second, each member of Fujianese communities was aware of serious consequences if the promises made to clients by the

proprietors were not fulfilled. The accounts of the respondents also show that they believed that they had a solid basis for relying on the trustworthiness of the owners of underground banks. Their judgment was based on the personal and business reputation, and family ties of underground bank owners. The evidence usually was based on what they heard within local Fujianese communities. Some illustrations of this follow:

She (Sister Ping) must have amassed a lot of money through her smuggling business. Even if somebody's money is missing due to some accidents, she should have money to make good a loss. Plus, if something like this happens, bad news would spread fast at home and abroad, how could she do business (among Fuzhounese) again? (Respondent 21)

She was really smart, letting everybody know she was running a qianzhuang in Chinatown. Besides, her human smuggling business was well-known among us Fuzhounese. And she also had businesses in other lines, too. Her husband was managing a restaurant. We heard she had lots of property in Chinatown, the whole building (which housed her qianzhuang within a variety store, and a restaurant at No. 47, Broadway) belongs to her. So we didn't think her business would go broke in a short while, and her qianzhuang should be very reliable. (Respondent 10)

Even for those respondents who used other smaller qianzhuangs through referrals of friends or relatives, run by low-profile owners or operators, they would make the same point of ethnic trust by saying,

Xiang-li-xiang-qin (we are all fellow Fuzhounese), why do we need to worry about this guy cheating money out of us? Don't we know where the guy came from, who are his parents and siblings, and where he lives? It is very easy for us to find out. (Respondent 18)

As unsophisticated, or, in their word, "simple-minded," the respondents were far from gullible. They inquired about the background of the owners of qianzhuangs. It seemed that two things stood in the forefront in their inquiry: one is whether this owner/operator was a fellow Fuzhounese; second was the reputation of his or her qianzhuang: was it true that many people had frequented his/her qianzhuang, and

remittances arrived at home safely? More importantly, what gave them assurance about the reliability of the service of an underground bank was that the informal sanctions possessed by the community are forceful enough to deter any proprietors from committing fraud against co-ethnics, as remarked by this respondent,

Even though I did not know this guy personally, there was no need for me to suspect that qianzhuangs could cheat me. They wanted to do business among us Fuzhounese, and they wanted their business to stay long in the community, right? How could a one-time swindler survive? 'cause words travel fast. Everybody would know about him and what he did overnight. (Respondent 18)

The monitoring and sanctioning capacity of an ethnic community could be associated with the high degree of insularity of the community, of which the respondents were keenly aware. As one respondent noted,

I believe it is impossible that qianzhuangs' business could reach out to people who do not speak Fuzhounese. Think about it, everybody here speaks Fuzhounese, not Cantonese or Mandarin. True, the news spread around, but only Fuzhounese know. How could the government have gotten wind of Sister Ping's business were it not for the Golden Venture? (Respondent 27)

Their distinctive local dialect and the nature of illegal migration have insulated Fujianese communities from other Chinese immigrant communities, which are composed of Taiwanese, Cantonese, Southeast Asian Chinese, or the communities populated by immigrants coming from other parts of mainland China. The power of a self-enclosed community to confer rewards and punishment on its members may be much stronger (Portes and Sensenbrenner 1993, p.1336-1337) because chances are low that there was little economic opportunity to be capitalized in a safe and secure fashion outside the community.

The existence of other options available for transferring funds may give Fujianese illegal immigrants the upper hand: they might choose not to patronize a local qianzhuang.

That also gave an incentive to the owners of underground banks to observe the norms and expectations “built into the business networks of the enclave” in order to attract repeat clients (p.1335). Any breach of this informal understanding or violation of the norms would inflict great damage on the reputation of the owners, so irreparable that the entrepreneur would face the consequence of being excluded or ostracized from the community business circle. Without the need of resorting to coercive measures, this informal sanction may suffice to establish business goodwill among underground bank owners. As such, the respondents were highly confident that their trust would not be abused by qianzhuang owners, as described by one respondent,

People just wouldn't do that, unless someone wants to pull tricks once and run away with other people's money. I don't believe that he has the guts to come back (to the community) and do business again. (Respondent 13)

Indeed, good reputation was the hallmark of Fujianese-operated underground banks. None of the respondents reported that they had ever heard of a single case in which the families of an immigrant were shortchanged by a qianzhuang.

Negative Effects of Community Networks

As noted by Portes and Sensenbrenner the same social mechanism which brings individuals to the benefit of utilizing collective social resources within a community could produce negative effects, including free-riding problems, constraints on an individual member's freedom and upward social mobility of successful members (Portes and Sensenbrenner, 1993, pp. 1338-1344). This current research provides an opportunity to explore what form a negative effect takes within the Fujianese community. This research shows that they take on different manifestations in the case of Fujianese communities in the U.S. The evidence available from this research suggests that a

community of high solidarity may nurture an environment supportive of norms espousing certain deviant and even criminal behavior. Simply put, a deviant culture is found to be an imbedded feature of this ethnic community. This culture evolves when self-interested individual economic pursuit is identified with, and is perceived to further, an ethnic community's collective interest. The likelihood is greater that individual members of this community will subscribe to illegitimate responses to the community prescriptions for economic attainment. When in the name of community service the operation of any profit-generating illegal undertaking prevalent in an ethnic group conflicts with laws and regulations of the host country, the prevailing cultural orientations in the community are generally unfavorable for legal compliance.

This cannot find a better illustration than that of the collective experiences of Fujianese immigrants, who over two decades have been obsessed with seeking illegal entry into the U.S. with the assistance of human smuggling groups, and are unabashed in setting up unlicensed remitting businesses to send the smuggled workers' earnings home. In spite of their illegal nature, these activities have been reinterpreted by illegal immigrants as similar to legal undertakings by entrepreneurs for profit-making, serving the public good of the community as a whole. The treatment of smugglers and underground banking operators as business agents acts as a convenient justification for the endorsement of illegal activities in the community. When all social capital of a self-closed community is mobilized towards attaining common goals of economic success, for example, through the utilization of illegal entry and illegal employment in the U.S. (or other developed countries) as a family strategy to improve family income, another negative effect would be that the entire ethnic community could be beset with

perpetuating illegal and criminal activities. During the course of interviews, none of the respondents expressed misgivings about unauthorized entry in the U.S. aided through human smuggling, much less about using the service of underground banks which is seen as relatively innocuous. As one respondent retorted,

We did not steal or rob. Being smuggled into foreign countries, or using underground banks, it is pretty *normal* in our community. Why make a fuss over it? (Respondent 19)

The comment of another respondent stresses the point made by the above analysis.

Smuggled Fujianese are all over the world. We just came here to seek better opportunities, work hard, earn more money, and support families. Smugglers or underground banks, they are just there helping us out. (Respondent 1)

Illegal Immigrants' Use of Underground Banks

Wage Levels of Fujianese Illegal Immigrants

Before moving on to explicate the purposes of using underground banks among illegal immigrants, it is necessary to clarify some important issues first. For example, how much they make on average out of their menial jobs, and how they manage to pay off exorbitant debts while earning below- minimum wage, even with the assistance of an efficient mechanism like underground banks. The following see the Chinese enclave economy over the past decades. Fujianese immigrant workers are overrepresented in the trades and services offered by three major ethnic businesses: restaurants, construction, and the garment industry. The restaurant sector is used as an example, not only because Fujianese disproportionately work in this industry, but also because it is a testimony to the economic success that Fujianese immigrants have achieved during a short period of time.

When the illegal immigration tidal waves began to sweep the U.S. from rural areas of Fujian Province since the early 1990s, the Cantonese-dominated Chinatown economy was not able to absorb the first wave of relatively large numbers of Fujianese illegal migrants. The infusion of massive smuggled Fujianese immigrants created enormous pressure for employment, and wage levels dropped until the mid-1990s (Kwong, 1997). As testified to by the comments of the respondents, an unskilled migrant made merely \$700-800 or less at a garment workshop or working as a helper at a restaurant kitchen. The American government's heightened border controls in the wake of the 1993 Golden Venture incident did not seem to effectively curtail the human smuggling trade from Fujian,⁴¹ since subsequent years have seen steadily increasing numbers of smuggled Fujianese swamping Chinatown, NYC. The number of illegal Chinese entrants interdicted by The U.S. Coast Guard totaled 2,464 in 1993,⁴² but more people were successfully transported into the U.S. since human smuggler groups opted out of trans-Pacific sea routes and resorted to safer routes via Central America and Eastern Europe (Kwong, 1997).

In order to gain a foothold and survive in the U.S., since 1995 the fierce competition caused by massive illegal immigration has propelled Fujianese immigrants to

⁴¹ For example, in 1994 the U.S. Congress passed the Violent Crime Control and Law Enforcement Act. In 1996 Illegal Immigration Reform and Immigrant Responsibility Act was signed into Law, which stiffened penalties for illegal entry, made human smuggling a federal crime, and authorized enhanced undercover investigation.

⁴² The year 1993 generally is considered the landmark year in regard to Chinese illegal immigration because the "Golden Venture" incident happening in that year has not only brought publicity to Fujianese illegal immigration, but also spurred the U.S. government to step up the efforts to fight against international human smuggling trade, see Chin (1999).

venture into the industries with low entry barriers, first by starting out in low-end, small-scale restaurant businesses, followed by the construction business which specialized in residential renovation work for families. Over years a flourishing Fujianese-owned restaurant sector branched out from the metropolitan urban areas into suburbs and dispersed into states beyond the Northeast regions, achieving scales of economy of a sort by exploiting fellow Fujianese who were willing to work long hours with lower than minimum pay. It is generally believed that the success of predominately Fujianese-controlled restaurants is largely attributable to reliance on low-cost illegal immigrants and vacancies in business ownership left by well-acclulturated Cantonese immigrants in an ongoing succession process (Kwong, 1997).

Now the business development initiated by Fujianese has expanded quickly beyond Chinatown, NYC into different parts of the country, gradually taking over the low-end restaurant business in the big cities and small towns, and competitively serving a wider section of American society. Unlike their fellow Fujianese entrepreneurs settling in Great Britain, the thriving Fujianese-run businesses in the U.S. have followed a different path, by not only opening up numerous job opportunities for late comers, but also increasing the wages over years (Pieke, et al., 2004). By working long hours at least six days a week, a kitchen helper in a Fujianese-operated restaurant can earn an average monthly pay of \$1800, a skilled female worker at a garment workshop can earn \$2500 a month, and a construction worker can make as much as \$3000 a month, according to the respondents (e.g. Respondent 6, 17, and 2). Because the payment is off-the-books money, tax is not withheld, and free room and board is usually provided for migrant laborers who work in restaurants, most of the Fujianese migrant worker's earnings can be put aside for

remittances sent back home. Under these circumstances in terms of real wages, Fujianese immigrant workers are definitely far from being at the bottom of the wage scale (Pieke et al., 2004; Chin, 1996).

Smuggling Debts and Smuggling Fee Payment

The purposes for which the respondents sought out the service of underground banks were influenced by the mode of smuggling fee payment and by their need for repayment of the debt incurred as a result of being smuggled into the U.S. among the respondents. The general pattern was that payment was due right after the respondents safely arrived in the U.S. Smugglers would demand that the respondents immediately make a phone call instructing their families to pay the smuggling fee in a lump sum to the smugglers in Fujian. The newly smuggled respondents would be detained by debt collectors working for the smugglers until the payment was made, at which time they would be released from a “safe house.”⁴³

According to the respondents, they were saddled with smuggling debts from that time on, with monthly interest ranging from 1 percent to 4 percent (e.g. Respondent 3, 23, and 30). However, it was not a problem for them to negotiate a payment plan with the lenders either from the home villages or in the U.S. The loan could either come from their families, relatives, and friends free of interest, or people who provide loans at varying rates of interest. The respondents did not agree with the label “loan sharks” attributed to their lenders by research and media reports. In fact, they noted that many of them were

⁴³ While the majority of the respondents’ experience showed that detainment only lasted one or two days, they did not think that was worthy of a complaint. Only one respondent frankly admitted that he had been held there for half a month before payment was settled, but declined to comment on how he was treated.

not even professional loan makers. Many respondents said the interest rates offered by loan makers were close to those offered by commercial banks. Few respondents characterized these loans as usurious lending. Often the loan was pooled together from a variety of people on the quiet understanding that it was given out of consideration of “renqing” (social relations arising out of networks). According to the respondents, there were no restrictive or fixed terms between debtors and creditors in either any form of writing or oral agreements governing matters such as payment plan, time limit for repayment, penalty charged for late payment or collection schedule. In most of the cases there were not even any guarantors (e.g. Respondents 10, 14, and 2).

Practices of this kind were widely accepted among Fujianese immigrants, probably because the creditors were assured that the loans were made with great care based on the credibility, reputation, and social networks of the debtor, and more importantly, based on the prospect of a “well-paying” job waiting in the U.S. The ultimate guarantee is the sense of responsibility and honor grounded in lineage-based tradition characteristic of Fujianese coming from rural areas (Respondent 25). The levels of trust were so high that some debtors were allowed to “take their time paying debt off.” (e.g. Respondents 12 and 17) As such, qianzhuangs were described as providing needed services for remitting money to discharge smuggling debts and to support their families in Fujian, but were not required to use them for making smuggling fee payment.

Conversations with the respondents suggested that the majority of the respondents stopped using qianzhuang after they were joined by their families, or after their debts were cleared (and the debt for their spouses if she or he was also smuggled into the U.S.). By the time Sister Ping’s qianzhuang was closed, except for a few from lower-income

households, most respondents had paid off their smuggling debts, or were at least close to being debt free. The exceptions were five respondents who were able to locate other qianzhuangs than Sister Ping's, and thus continued to use them, including two latecomers who arrived in the U.S. after the year 2000.

Life in the U.S.

Those years of organizing their life around hard working, saving money, and sending money home for debt repayment took a toll on quality of the lives of the respondents. In the interviews, respondents used the expressions like “pain”, “loneliness”, “huge pressure”, “work all day long”, and “not a human life” to describe their experiences of living and working in the U.S. The majority of the respondents were married men, who had left their wives and children behind at home in rural Fujian, while toiling in restaurants or garment factories to earn money for debt repayment. Respondents had been separated from their families from 4 years to 15 years at the time of the interviews.

Most of the respondents in the sample were restaurant workers. Unlike Mexican illegal migrant workers, Fujianese immigrants enjoyed greater mobility within the U.S. probably because the odds of detection and arrest by the American authorities were perceived as low for this group. Nearly all of the male respondents had the experience of working outside of NY State although this is the situation they tried to avoid. Despite their preference for staying in the NYC, respondents would accept a job in the “waizhou” (out of New York State) if that was the better option to meet their financial obligations. The market for low-wage jobs in Chinese restaurants is large with 500 restaurants clustered in Chinatown, NYC, and more than 36,000 Chinese restaurants scattered across

the nation (more than the number of McDonald's, Burger King and Wendy's outlets combined) (Luo, 2006; LII, 1995). According to a respondent,

Actually pay is much higher in *waizhou*. Even a kitchen helper can earn as much as \$1600 per month in the early 90s. But a small town of "*waizhou*" is a hell of a boring, lonesome place there. We worked long hours in the restaurant, and were off around 11:00pm. Whenever we had a day off, we had nowhere to go in that small town. At least in Chinatown, NYC we could browse vendor stalls in the street and buy whatever we loved; there we could do nothing but holed up in the apartment. We don't know the language, cannot watch TV, and there was no Chinese newspaper out there. And even worse we did not have a cell phone at the time. So nobody wanted to go and work in a '*waizhou*' restaurant unless there is no other choice. (Respondent 16)

Even when they worked and lived in a metropolitan city like NYC, the feelings of loneliness and helplessness still haunted them. A respondent, who currently owns his own take-out restaurant, recalled his early years at NYC as the follows:

Life was so hard in those beginning years! Whenever somebody took it out on me, or I got sick, I'd miss home terribly. I could only weep alone, 'cause I had nobody to turn to. My wife and children have stayed behind for many years. I am kinda traditional man, and I don't want to mess around with other women. But I know many marriages fell apart, 'cause the wives couldn't get out (of China), and they had not been together for way too long. So when my wife said she wanted to be smuggled in here, I didn't say anything to her, except that you gotta prepared for everything bad. Life is tough here. My wife said she didn't care as long as we could be together...

I sent all of my money home, except leaving \$100 for me (for a month's expenses). Enough for me 'cause I ate the restaurant's food and shared a tenement with six to seven guys. I have been in the U.S. for sixteen years, but I haven't been to anywhere for fun beyond NYC and Philadelphia, and have never watched a movie. All these years I didn't do anything else than working my butt off, *zhuanqian yangjia* (making money for supporting family). (Respondent 15)

Another respondent said,

In the U.S. *qin-qing* (ties binding family members) and *ren-qing* (mutual relations without filial obligations) are more and more flimsy. We work hard for many long hours every day, so we don't have much time for staying in touch with relatives, friends, or towns-folks, nor have many chances of seeing each other very often. The best opportunities are at the weddings of our hometown friends, or on Thanksgiving Day when most Chinese restaurants are closed. I know two

brothers, who were smuggled into the U.S. at different times. One brother lives in Philly, and the other one in NYC. Guess what? The first time they met each other was a couple of years later, because everybody has been so busy with *dagong zhuangqian* (working hard for earning money). (Respondent 25)

In addition to complaints about the boredom and loneliness as a result of the intensity of their work, many respondents grumbled about the deplorable living conditions. In the face of pressures of debt repayment and supporting families, Fujianese immigrants saved money by cutting down on the expenses by sharing a flat with fellow Fujianese since rent in Chinatown was expensive. A respondent said they had to make do with a small room in a basement in which six men were crowded together without a kitchen or heating. Many people stayed in apartments occupied by six or seven Fujianese in a small room sleeping in bunk beds (e.g. Respondents 22, 18, and 29). Usually a highly cramped room like this was turned into an exhibition of “the art of vertical living: bunk beds, wooden lofts, shelves that reach to the ceiling, boards strung across pipes to create storage space,” the quote of a journalist’s impression after she interviewed several Fujianese immigrants (Lee, 2003). It is quite common that a family had to settle for a three-bedroom apartment shared with two other families. When a family had to receive a relative who was newly arrived in NYC they had to make a bed in the sitting room before he or she could find a place to live (e.g. Respondents 12 and 27).

The Impact of Remittance Sent through Underground Banks on Emigrant Families and Communities

The respondents’ experiences showed that Fujianese illegal immigrants willingly sacrificed for their families who remained behind in rural areas of Fujian. A large proportion of their earnings obtained under harsh conditions was put aside as remittances, which exemplified a sense of responsibility for their families and served as a reliable link

connecting the overseas migrants and far-flung home communities. According to the respondents, even though many respondents' families were situated on the medium income level, the respondents' spouse stayed at home taking care of children and aging parents by the local custom. Thus overseas remittances became a sole source of household income for most of the respondents' families.

For Fujianese immigrants and their families, remittances are expected to be net gains that are derived from the U.S.-bound migration through human smuggling. However, this expectation comes to pass only after their accumulated smuggling debts have been paid off. Consequently, after remittances arrive, Respondents' narratives suggested that a significant portion of the remittances is dispensed for the purpose of smuggling debt repayment. Beyond this purpose, evidence from this research indicated that the allocation of remittance income can be divided into three main categories. The first type of expenditure probably goes to observing a community ritual found only in the rural sending regions of smuggled Fujianese.

Observing a communal ritual. Prior to departure many would-be immigrants would take a vow before the god/goddess which their village worships as the protector. After they arrived in the U.S. safely, they would send home their earnings of the first month or the first two months, and their family would invite people to a banquet or offer a sacrifice to the idols for the safe passage of their family members, or hire a dancing and musical troupe for entertaining the guests. As described by a respondent,

Typically many migrant families compete for who can put on display a greater variety of dishes. A grand opportunity for pompous display. If a family spends five thousand Chinese yuan on it, their neighbor's family could not feel content without arranging a sacrifice worth ten-thousand yuan. (Respondent 3)

For some others who did not believe in the village's god or goddess, they still needed to send their savings from their U.S. employment to their families so that they would throw up a banquet for relatives and friends at home villages for celebration of their safe arrival. A respondent tried to explain how prevalent this practice was among smuggled Fujianese,

I am sure above 90 percent of smuggled Fujianese did this. As for the number of tables for a banquet, that depends. My family ordered five or six tables (10 persons for each table). (Respondent 14)

Another respondent acknowledged that this was an occasion for lavish expenditure for some migrant families: 20,000-40,000 Chinese yuans (US\$2400- \$4800) were to be spent on arranging 10-30 banquet tables (Respondent 20).

Contribute to family income of emigrant households. As noted before, it is quite common that the emigrant households rely on remittance as a main or sole source of household income. Undoubtedly overseas remittances raised household income and improved the material well-being of migrant families to a varied extent. The changes in the household standards of living brought on by the remittances to the respondents' households were by no means uniform, depending on the family income levels. All respondents' families had already owned a house prior to their departure. The houses were far from "modern" or "comfortable" in a usual sense (for example, there was no bathroom within a house), but contained basic amenities, such as indoor electricity and water supply. Thus the bulk of the remaining fund was apportioned for family maintenance, or non-subsistence purposes. Those included food, clothing, improvements to housing, electronic goods (color television sets, stereo set, washing machine, and refrigerator), gifts for life-cycle rites (weddings and funeral), school fees for children's

education, etc (e.g. Respondents 11, 7, 23, and 27). For those low-income households the remittances “loosen the budget constraint on consumption” (Massey, Aragno, Hugo, Kouaouci, Pellegrino, and Taylor, 1994). As one respondent put it,

After I begun to send money back, my wife could spend around 300 yuan every month making life more comfortable; before she could only spare 100 yuan every month in buying food, clothes, and everything. (Respondent 28)

For a few older respondents who arrived in the U.S. in the early 1990s, when US dollars retained a significantly greater purchasing power in rural China, their remittances helped their families achieve a much-desired goal: to build a better and more comfortable house in the home village. However, since a significant number of the respondents’ families were still in debt, they could only afford those household consumption goods which they found of great utility, such as a washing machine and a refrigerator. The worst case was a poor family that had to go further into debt to maintain the daily sustenance of the household (Respondent 2). Overall, discussions with the respondents suggested that prior to the mid-1990s the welfare effect of oversea remittances seemed to vary by family to family, village to village. For those peasant or fisherman households who were located in bottom rungs of the socio-economic ladder, regular remittance flows through underground banks appeared to make a significant difference in improving the standard of living for the households. For those receiving households on the medium income level, especially those who originally had a stable income from a reliable job with state sector or a family-owned business, the effect of remittance in improving life quality was modest, primarily because the priority of the household expenditures was given to

debt repayment in the first three to five years upon their family member's arrival in the U.S.⁴⁴

Invest in public projects at village. The third category of expenses was for infrastructure improvement or public works projects at home villages, such as building schools, nursing homes, temples, churches, and ancestor halls, and road construction. These expenditures did not apply to all respondent households, but it is noted that with a few exceptions, the majority of the respondents confirmed that they feel obliged to voluntarily defray some portion of the expenses on public projects either out of altruism or a sense of vanity. The practice of soliciting funds from overseas Fujianese migrant workers is common throughout the emigrant areas, but the arrangements vary with different villages. The expenditures for public projects were evenly distributed across the whole households at some villages, while at other villages the expenses were borne primarily by donors who were former residents (e.g. Respondents 5 and 8).

According to the respondents, it has become a common custom in their home communities that the households who are recipients of overseas remittances are expected to contribute more to public projects than other village residents (e.g. Respondent 5, 8, and 10). In those emigrant communities, there is a long-standing tradition that the households with remittance income from a family member working overseas are

⁴⁴ The socio-economic status of each respondent's household was estimated in several ways. The respondent's own opinion was solicited by asking the following question "What did you think of the status of your family at the time of your departure?" The respondent then would choose among three categories, high, medium, and low-income level. The assessment was also based on a composite measure consisting of the respondent's occupation, annual income, housing conditions, and the luxury household goods owned by the household at the time the respondent left for the U.S. These items are included in the interview and survey questions.

conferred a much vaunted and well-regarded status as the families of “*hua-qiao*” (overseas Chinese), or “*qiao-shu*” (dependents of overseas Chinese). At the same time, those families are expected to be more generous with their money for both private and public purposes (Pieke, et al., 2004). One respondent explained that

Your family will lose face if you don't donate money to the village's public projects. (Respondent 16)

The emigrant families with family members working overseas are expected to donate an amount between US\$100 - \$500. To the whole village, the amounts donated were very public. In fact, the village committee publicized the donated amounts and the name of donors on a tablet at the entrance to the village or at the ancestral hall. Some respondents also acknowledged that their families had to part with some of their money under a sort of disguised coercion.

If you don't contribute your part of the money, you will get into trouble when your family goes to the village cadres' office requesting their service on your behalf, for example, an official seal on a notary document. (Respondent 20)

In summary, the household's expenditure patterns as reflected from the respondents' narratives demonstrate that remittances generally ended up being spent on consumption rather than productive investment, such as purchasing agricultural input, or setting up a business that provides goods and services, or any other income-generating activities. As such, the additional household income has not seemed to contribute positively to local economic development by creating more job opportunities in the home communities.

In the major emigrant communities in Fujian Province, the century-old tradition lives on, men migrating overseas leaving families and leaving a whole community dependent on overseas remittances dutifully sent back home. The labor force from these

regions settle and work in the U.S. and other industrialized countries, though in a more clandestine manner, and still earn respect as the pillars of their families as well as home communities in increasing family income and contributing to physical improvements in their home villages. It was through underground banks based in Chinatowns, NYC and Philadelphia that overseas remittances were transferred home, acting as a lifeline for the survival of the families staying behind. Other formal avenues like banks might serve the same functions; however, as shown in the forgoing analysis, the circumstances facing Fujianese immigrants smuggled in the U.S. prior to the mid-1990s influenced their perceptions that no other mechanisms could be more reliable, efficient, and trustful than Fujianese-run qianzhuangs, which were able to tailor their service to the needs of the new generation of Fujianese immigrants.

The Shift Away From the Use of Underground Banks in Remittance Flows

According to the respondents interviewed in this research, underground banks have become less active since the mid 1990s. At that time international money transfer operators (MTO) like Western Union and MoneyGram stepped up their efforts to expand business among Chinese immigrants. The marketing strategies of the MTOs are particularly noteworthy among immigrants. As part of the commercial drive expanding their global shares, Western Union hired Fujianese agents working in offices located at East Broadway, rendering a speedy and reliable remitting service for Fujianese immigrants (DeParle, 2007).⁴⁵ While more competitors such as MoneyGram and more

⁴⁵ Western Union's marketing strategies targeting immigrants have raised concerns. Mr. Tancredo, a Republican Congressman charged that "the company's activities occupied 'a gray area' between aggressive marketing and 'aiding and abetting illegal immigration.'" Mr. Goddard, Arizona General

Chinese-operated banks have entered the remittance market courting immigrants for clients, they appear to adopt less stringent internal policies and simplified procedures. Fujianese illegal immigrants find themselves facing a more hospitable environment when it comes to remitting money home. In recent years Western Union has earned wider popularity among Fujianese immigrants, legal or illegal. The shift toward increased convenience in transferring money home back in China through MTOs has been pointed out by the respondents in this research. The following explanation is illustrative of the decision-making of many Fujianese immigrants regarding the shift in remitting behavior toward commercial MTOs.

It is harder and harder to find a reliable qianzhuang nowadays. But we can easily find Western Union's and MoneyGram's offices here, on East Broadway. Within the Yidong Center, there are at least three places which can help send money. Plus, now there are not really big differences between qianzhuangs and Western Union. They (Western Union) even lowered the charging fee for us Fujianese; you should know, the price was pretty high for sending money home a while ago. Now they still charge a high fee for sending money to other countries. Just for us the fee is a lot cheaper. As long as I keep the remittance below the cap, 2,000 or 3000 bucks each month, they even don't ask for an I.D. So why should I bother to use a qianzhuang? Using Western Union is much easier, safer than using a qianzhuang, isn't it? (Respondent 12)

As noted before in Chapter 5, Fujianese illegal immigrants had easy access to obtaining a work permit in the early 1990s by going through the procedure of seeking asylum. These identification documents opened up a legal avenue for them to use the service of local Chinese-operated banks and international money transfer operators (MTO), to transmit money back to China for the purpose of paying off the balance of

Attorney, a Democrat, accused Western Union in a lawsuit concerning increased scrutiny of transfers from across the U.S. to a city in Mexico for "protecting an illegal enterprise in human smuggling." The court ruled in favor of Western Union. See DeParle (2007).

their debt, and for supporting their families back home. For a large section of the undocumented Fujianese immigrant population, the accessibility of the service of MTOs and Chinese-operated banks has made the identification requirements no longer a cause of concern.

The interview findings suggested that none of the respondents was still using the service of underground banks at the time of interview. Their decision making may be influenced by the changes in the remittance market and the sustained effort of U.S. law enforcement of immigration law in recent years. Underground banks face fierce competition from the business rivals concentrated in financial and nonfinancial formal sector, including banks and MTOs, which have greatly improved the quality of their services in past decades so much so that underground banks gradually lose the appeal for their immigrant clientele. It is likely that underground banks may be losing ground in the market as the numbers of their clientele are shrinking.

Still, some respondents' accounts suggested that the durability of underground banks is beyond doubt. The advantage possessed by their service possibly remains attractive to a certain type of clientele: the transactions through underground banks do not leave a paper trail. These clients could include established immigrant entrepreneurs, who are looking for unmonitored channels of fund transfer, through which their money will be safely transmitted and invested in mainland China, while evading government's scrutiny. In other words, as underground banks shift away from serving ordinary Fujianese immigrants as an all-purpose method for sending money home, they may survive by concentrating on other illegal fund transfer purposes for a narrow circle of clientele. A respondent expressed his views on these people in this way,

Few people now like to deposit their savings here at local banks. It is either because some of them do not have legal status. Even if they are legalized, who hasn't ever *tou-shui-lou-shui* (evaded taxes) before? Do you want to put your money there for IRS? It is safer to send money home. Some people lend money for others to open up a store, while others give loans to would-be migrants to be smuggled into the U.S. or somewhere else. (Respondent 17)

For these people, a shell company registered in the Virgin Islands, the Bahamas, or other offshore tax havens, is probably too “foreign” an outlet for their money. An underground bank operated by a co-ethnic may provide a more trusted and reliable intermediary to deal with. The anecdotal account provided by one respondent offers another example suggestive of continued operation of underground banks.

Qianzhuangs should still be there, but much fewer than before. Some people get rich from the restaurant business. They want to send money back home for investment, but were scared to even try, ‘cause who else hasn’t done something like *tou-shui-lou-shui* (tax evasion)? There is a guy from my hometown who has opened restaurants one after the other here, and the business could not be better. Then this guy found a qianzhuang for his money to send it home. He invested his money in real estate business at home, in Beijing, and Shanghai, making a killing out of it. A while ago his old folk died. Guess how many banquets he threw? One hundred! Totally costed 100,000 yuans (US\$12,000). Plus, each guest took away with them a red envelope containing 500-700 yuans (US\$60- \$84). Why did he throw money out like this? Just to let everyone know that he is made of money! Such kinda news travels fast in our Fuzhounese circle. Nothing can be hidden from us. (Respondent 22)

However, according to the respondents’ narratives concerning their experiences with using the MTOs and banks, the popularity of formal remitting channels based in Chinatown among illegal immigrants raises the question of whether these money transfer agencies compromise the stringent financial regulations in order to increase their market shares among an expanding population of illegal immigrant groups. Fujianese immigrants working and living in NYC or nearby areas have occupied a prominent place among the Chinese clientele with some American-Chinese banks, for instance, 70 percent of Fujianese immigrants use the service of a local bank based in Chinatown (Fang, 2003).

According to the respondents, in the mid-1990s identification was not requested at all at some Chinese-operated banks if the amount remitted is less than \$2000-3,000. Nowadays one could find an agent of a MTO recruiting new Fujianese clients by promising that the records of transactions will be removed permanently one week after the remittances are sent (Respondent 23). A smuggled Fujianese new arrival expressed that he did not have difficulty sending \$9,000 at one time at a discount only with a Chinese passport since the agent of a MTO located in Chinatown was a friend of his relative's (Respondent 12). A bank in the similar situation would request the client to present a social security card or other proper identification document when a cash remittance exceeds \$3,000 for one transaction per day. These "flexible" strategies effectively solve the problems with fund transfers for Fujianese illegal immigrants who live in fear of exposure of their illegal identity when dealing with financial institutions. If these respondents' narratives are suggestive of a pattern instead of individual deviant cases, these formal fund transfer channels seem to step into the role that underground banks used to play.

The Role of Underground Banks in Illegal Migration Aided through Human Smuggling

Research on illegal immigration reveals that transnational clandestine migration is generated by a combination of restrictive immigration policies⁴⁶ and increasing migration

⁴⁶ Restrictive immigration policies include intensified border control, simplifying deporting procedures, strict asylum policies, and reinforcing employer sanctions in receiving countries.

pressures (Väyrynen, 2005, p. 165).⁴⁷ As far as illegal Chinese migration is concerned, several factors feature prominently in encouraging and sustaining the massive influx of Chinese illegal immigrants: 1) pull factors, which primarily refer to wage differentials between the sending country and destination country and job opportunities in the destination country; 2) push factors, which include deteriorated economic conditions, population growth, and political unrest; and 3) mechanisms supporting illegal migratory flow, which include established migration networks in the receiving country and smuggling networks (Chin, 1999, p. 13-27).

Among those supporting mechanisms, underground banks may serve as a crucial institution in the initiation and expansion of unauthorized cross-border movement of Chinese population in several ways. One of the roles is to function as an indispensable vehicle for smugglers to deposit, transfer, distribute, and launder criminal proceeds gained from human smuggling trade, which obviously goes beyond the scope of inquiry of this study due to limitations of data drawing on clients' perspectives. Second, because that illegal immigration involves a series of decisions on the part of individual immigrants, an inquiry could be made into whether or not operation of the systems has any bearing on the decision-making process of Fujianese illegal immigrants, for example, whether they should emigrate to the U.S. through human smuggling. Another concern is whether, relative to other remitting methods, the disposition of remittances channeled

⁴⁷ Migration pressures cover a wide range of factors, including depressed economy, domestic supply for labor in excess of demand, and political disturbance in sending countries, etc.

through underground banks directly or indirectly encourages or facilitates Chinese illegal migration.

As Kwong (1997) points out, Chinese illegal migration is essentially a labor issue. Fujianese illegals take great risk and endure the separation from their families to seek gainful employment in the U.S. to improve the livelihood of their families back in China. Arguably, this objective will be frustrated without a reliable financial intermediary to aid those illegal immigrants safely moving their money back to China. Surprisingly enough, in contrast to the emphasis placed on ethnic networks in the illegal migration, Fujianese illegal immigrants had never given much thought as to how they should send their money back home given the lack of legal status. In response to the question, “What were your primary concerns before you left for the U.S.?” none of the respondents mentioned that a means of money transfer represented a serious concern for them. The respondents landing in the U.S. before 1995 reported being more worried than those arriving later. Those respondents would be worried about whether they could safely find their way to the next destination as arranged by smugglers, whether they could make enough money to clear debt, or doubt when their family would reunite and live together under the same roof again. Even this group of respondents appeared to not give much consideration to whether their illegal status would give them trouble when it came to safely repatriating their earnings from the U.S. back home in China (e.g. Respondents 8, 9, 11, and 14).

Most of the respondents claimed that they had never heard of underground banks operating in Chinatown, NYC, before they headed for the U.S. Mr. Song was one of a few exceptions, who said,

I heard of Sister Ping’s qianzhuang in the U.S. while I was at home, because one of her relatives opened a branch in a nearby town. (Respondent 10)

Respondents seemed to believe that everything would be fine as long as they arrived safely in the U.S. As such, for them the major concern was the safe entry into the U.S., which relied on the networks, experiences, and “expertise” of smugglers. Other considerations, such as where to find a reliable way of transferring their earnings, were relatively trivial in comparison to the concerns such as obtaining loans for smuggling fee, connecting to overseas ethnic networks and smuggling groups, which offered more challenge and obstacles to overcome the barriers in international illegal migration.

While this lack of concern for fund transfer channels may baffle an non-Fujianese observer, it comes as no surprise to Fujianese illegals when weighing the decision to be smuggled into the U.S., as suggested by an respondent,

We knew money from America had been tumbling in all the time, to those families who sent their men away through *tou-du* (human smuggling). A fact everyone at the village can see. It just had never occurred to me that I should give a thought to how their money made all the way from America to here. (Respondent 9)

Another respondent related his observation as follows,

The whole village was spreading the news, Mr. So and So’s family sent their son to America, earning big money there. Just take a look at how well their house was furnished, the fancy electronic goods they bought, and how much better the whole family dressed. Gee, they were not bragging or something. That was for real! (Respondent 7)

Sometimes the emigrant families would literally show US banknotes to the visitors (Respondent 30). As such, the would-be Fujianese illegal migrants were aware that steady inflow of remittances coming from the U.S. was behind all these conspicuous changes. Less visible were the channels that enabled remittances to come through, although some people heard of something like a local branch of *qianzhuang*. It is conceivable and understandable that the avenue for transmitting money was of no

particular importance in their overall decision making process, due to its paradoxical attributes: low visibility and high reliability. Emigrants left China secure in the knowledge that a method for transferring money home should not pose a major issue since they had already heard from reliable sources and seen that other migrants' money had flowed back home from the U.S.

While it is one question to attempt to determine how important money transfer from the U.S. was to Fujianese planning to emigrate illegally, it is still another issue to try to learn whether the money transfer method actually worked hand in hand with smuggling operations to enlarge illegal emigration via human smuggling. The impact of remittances sent home might serve as one source of evidence of a close connection. The literature on migration and remittances offers an important insight on this issue. The effects of remittances on development are still a subject of ongoing debate. However, scholars generally agree that a reliable indicator should include the development potential which remittances generate and the influence of the disbursement of remittances on income growth, inequality, and poverty alleviation (Massey and Parrado, 1994; Rubenstein, 1992; Russell, 1992; Taylor, 1999). The conflicting evidence produced from empirical studies is used to support two different views on the consequences of migration and remittances. The positive perspective, described as the “developmentalist” extreme, argues that:

1) migration decisions are part of family strategies to raise income, obtain funds to invest in new activities, and insure against income and production risks; 2) remittances, or in some cases simply the potential for remittances, consequently set in motion a development dynamic by loosening production and investment constraints faced by households in poor developing country environments. (Taylor, 1999, p. 64)

The opposite view, known as the “Migrant syndrome,” (Reichert, 1982) maintains that

[L]ucrative migration activities drain migrant sending areas of their labor and capital, crowding out local production of tradable goods [...]. Over time, villages, regions, and in a few cases even countries, come to specialize in migration, serving as nurseries and nursing homes for their largely migrant workforces. (Cited and quoted in Taylor, 1999, p. 64)

In spite of the limitations imposed by a small non-probability sample, the findings still offer a glimpse into the profound influences remittances had over local communities. First, the household’s expenditure patterns demonstrate that remittances generally ended up being spent on consumption rather than productive investment, such as purchasing agricultural input, or setting up a business that provides goods and services, or any other income-generating activities.⁴⁸ If remittances indeed were spent on consumption, it is unlikely that the inflow of remittances could do much to stimulate production activities and create more job opportunities in local areas (e.g. Respondents 7, 13, and 26). Surely the decisions of migrant families about the use of remittances were constrained by debt repayment, but the pattern of consumption-oriented spending with overseas remittances seemed to persist even after debts were finally served.

Respondents also reported that their families no longer undertake farming or fishing as ways of making a living; they have come to rely exclusively on the regular inflow of migradollars in most cases (e.g. Respondents 16 and 4). Instead, some emigrant families rented out their small land parcels to those migrant laborers coming from poorer adjacent areas and other inland regions beyond Fujian, to not be imposed penalties by the

⁴⁸ See Chapter 6, the section under the title “The Impact of Remittances Sent through Underground Banks on Emigrant Families and Home Communities.”

local government for fallowing agricultural land (Thunø and Pieke, 2005). Those outsiders later on had begun to take over local businesses, including restaurants, retail outlets, and grocery stores in the areas vacated due to heavy out-migration (e.g. Respondents 17, 22, and 29).

Overseas remittances also gave migrant households access to additional income so that they were more likely to afford desirable electronic household goods than families without an overseas source, thus producing a notable income differential in the communities, which fosters a sense of relative deprivation among non-migrant households (see Massey and Parrado, 1994; Stark and Taylor, 1991). Scholars argue that this could generate pressures for relatively deprived non-migrant households to engage in international migration, suggesting that the skewed village income distribution from foreign remittances functioned as “a mechanism of cumulative causation” to turn migration into a “self-perpetuating” process (Massey, 1994). The result in Fujian emigrant regions at least was further international migration through human smuggling. One respondent admitted that,

...in those early years everybody was poor, and desperate for looking for ways to make a fortune. But not many people at my village were smuggled into America in the early 1990s. We a kinda made a move ahead of other folks. Then I found a job here and began to send money back home through a qianzhuang. Our neighbors were all jealous. They said, ‘no wonder they have money keep coming in: the family has sent three men to America! We can do that, too!’ (Respondent 29)

According to respondents, such a reaction was quite common among those community households that did not participate in out-migration aided through smuggling in the early 1990s. The inflow of remittances did not seem to encourage investment in productive enterprises. Instead, it had acted as a stimulus for illegal emigration from the

sending areas. These findings also echo the results of a study on remittances sent by Fujianese illegal immigrants settling in Europe (Pieke et al., 2004). Those towns or villages across emigrant regions in Fujian witnessed steady growth in illegal U.S.-bound migration from originally below 50 percent of the whole community population (particularly males) involved in emigration rate beginning in the early 1990s to 80-90 percent ten years later based on the respondents' observations (e.g. Respondents 3, 15, and 22).

The current situation of major emigrant communities as described by the respondents are strikingly similar: the able-bodied men between 18-50 years old have nearly all gone to the U.S. or other industrialized countries with assistance of human smuggling groups, leaving elderly people, women, and children safeguarding western-style new houses built on migradollars standing in rice paddies. Younger children who were born in the U.S. were sent back to the grandparents because Fujianese migrant workers did not have time to take care of their own children due to work demands in the U.S. Due to the loss of the populations of adult males, some communities are referred to as "Ghost towns" or "Widow Villages" (Liu, 2007; Rosenthal, 2000). Women in most of the cases would follow in the footsteps of the men, either by seeking the service of snakeheads or to unifying with their husbands after years of waiting as required by legal migration procedures (e.g. Respondents 7 and 25).

This scenario characteristic of the emigrant communities in Fujian resembles the "migrant syndrome," which mirrors the pessimistic views of the academic debate on the developmental impact of remittances on local communities. In considering these findings, the reader should be cautioned against accepting an overly negative role of

underground banks, first in channeling back home external capital derived from illegal migrants' earnings in the U.S., with the unanticipated result that the sending economy becomes stagnant and ends up constituting impetus to more illegal migration. Although these developments are mentioned directly or indirectly by the respondents, the exploratory nature of the research does not permit a definitive answer.

Second, great care is required in assessing whether underground banks have played a direct causal role in Chinese human smuggling based on the evidence produced by the current research. The respondents' accounts show that the operation of underground banks seem to not carry much significance in their decision to be smuggled into the U.S. However, underground banks did wield greater influence in their decision to choose the illegal money transfer channel rather than other legal institutions due to underground banks' unique strengths to fill service gaps. The evolution of underground banks active in the U.S. suggests that they thrived on the massive inflow of smuggled Fujianese migrant workers in the U.S. and their decline came along with the waning migratory stream of the same illegal population group. Admittedly, human smuggling is a very complex process where a myriad of factors come into play. The evidence based on the experiences of the clients of underground banks only suggests that the role of Chinese underground banks was more pronounced in a particular time period in the recent history of Chinese human smuggling starting from the late 1980s. By exclusively serving smuggled Fujianese immigrants as their main clientele, they certainly became a part of the human smuggling process, but they seemed to serve no more than a role of "facilitators" just like human smugglers, who are viewed as "migration brokers" by some scholars (Pieke et al, 2004). Before the other side of story is made available from human

smugglers and proprietors of underground banks, the link between these informal fund transfer systems and the human smuggling trade is indirect at best.

Summary

The evidence generated from the respondents' narratives suggests that the operation of underground banks appeared to expedite the completion of an illegal migration process in the form of discharging smuggling debt, contributing to household income, and possibly financing further illegal or legal migration for family members⁴⁹ (see figure 2). This highly reliable and efficient fund transfer mechanism served such a unique function that it helped the early generation of Fujianese illegal immigrants smuggled into the U.S. prior to the mid 1990s to clear their smuggling debt at a faster pace in a shorter period of time than other options would have permitted. The delay in debt repayment may not have had devastating consequences for many Fujianese illegals who borrowed smuggling loan at low interest rates. However, most of the respondents and their families viewed it a dragging pain to be burdened with accumulating debt due to the delay of repayment. As such, operation of underground banks both in the U.S. and China made it possible for them to achieve net gains of illegal migration, including the increase of household income, relatively greater access to socio-economic mobility, family reunification in the U.S., education opportunities (for their children), medical care, and social benefits in a process of status transition from illegal to legal residents as many respondents have experienced. One respondent's comment illustrated this point,

⁴⁹ Nine of the respondents reported that they helped financing their spouse or sibling to enter in the U.S. through human smuggling. And the transfer of the portion of the passage fee paid to smugglers and debt repayment were assisted through qianzhuangs in Chinatown, NYC and Philadelphia.

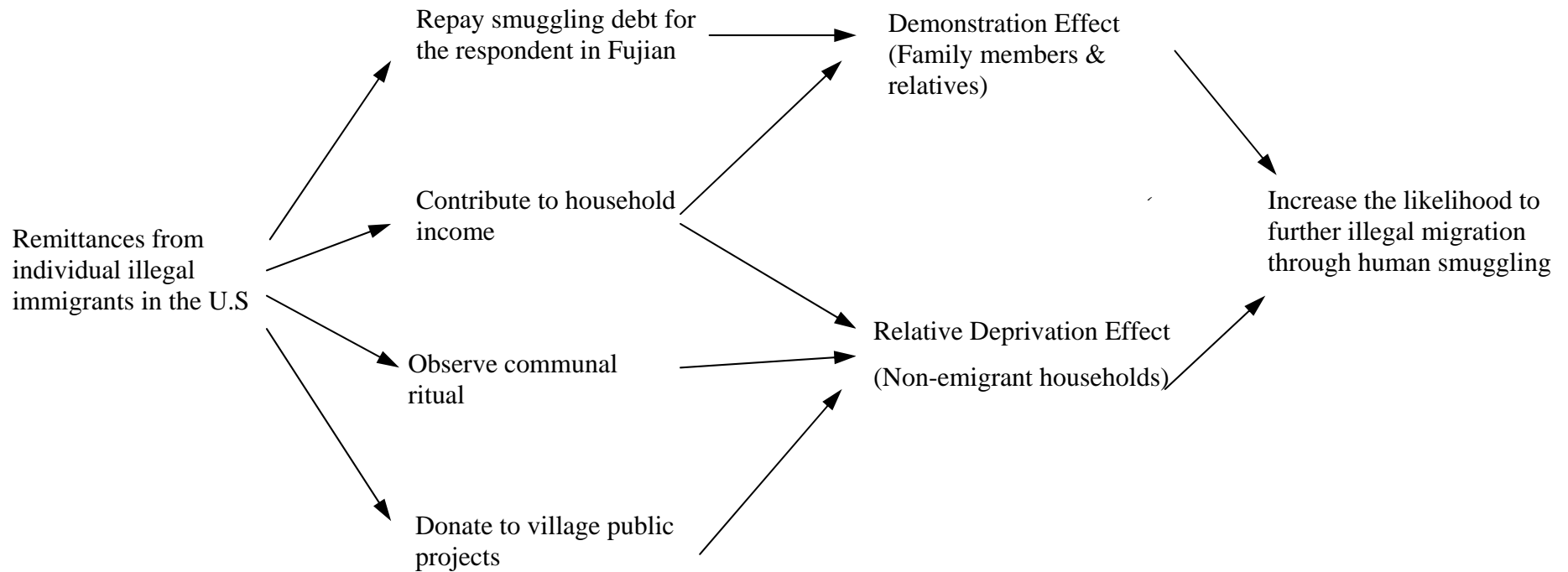
Had there been no qianzhuangs in those days, I guess we just could have got stuck here spending more years paying off debts, and our sufferings could have lasted longer. (Respondent 24)

The operation of underground banks helped pave the way for earlier arrivals (smuggled into the U.S. prior to 1995) to settle in the U.S. and form a population of “seed” migrants for subsequent “chain” migration. These effects might have increased the propensity of other households staying behind in home communities to join the international migratory flow in order to generate desired income. In this sense, given that the principal method of international migration in the emigrant regions of Fujian has been aided through human smuggling, underground banks may have indirectly facilitated the illegal migration and human smuggling to a significant extent.

However, the operation of most underground banks seems to have greatly diminished today as a result of government crackdown and strong competition from formal remitting institutions, including Chinese-operated banks, Western Union, and MoneyGram. Consequently, the prevalence and importance of underground banks have considerably declined for the general population of smuggled Fujianese migrant workers. A related important finding of this study is that a shift has already been completed among Fujianese illegal immigrants away from the use of unmonitored informal channels toward the use of formal sector channels for repatriating their earnings. Some banking institutions and money transfer operators appear to serve the same function of underground banks as a mechanism facilitating the completion of the illegal migration cycle by relaxing financial regulations in order to expand their market shares among illegal immigrants.

Furthermore, the consequences of remittances channeled through underground banks for illegal immigration are reflected in the impact of local development. The additional household income has not seemed to contribute positively to local economic development by increasing investment and creating more job opportunities, for example. Instead, the lack of gainful employment opportunities in emigrant sending communities in combination with other adverse effects of remittances--- increased income inequality and a heightened sense of relative deprivation among non-emigrant households---might play a role in encouraging further illegal migration. At the same time, the shift in use of underground banks by illegal immigrants residing in the U.S. toward formal financial institutions (banks and MTOs) may result in a change in the scope of services provided by underground banks when they stay in business to proffer financial services for those with more serious illegal activities in mind, who wish no proper record of their transactions or no limits on the amounts they can remit.

Figure 2. The Role of Underground Banks in Supporting Chinese Illegal Immigration through Human Smuggling.



CHAPTER 7

THE FACILITATING ROLE OF UNDERGROUND BANKS: IMPLICATIONS OF RESEARCH

This research is the first to investigate the use of underground banking systems among members of a specific ethnic group by tapping the clients' perspectives. As it currently stands, none of the previous research on illegal immigration and human smuggling has addressed the financial component of the process, or underground banking systems. Specifically, no prior research has elicited firsthand information from operators or users of underground banks due to the highly secretive nature of their illegal activity. Limitations of data notwithstanding, the narratives of the respondents have provided valuable information regarding the role of these informal fund transfer systems in the lives of their clients and the information which implies possible connections to illegal migration through human smuggling. Exploratory as this may be in the first stage of research, most of what has been reported herein was unique information never before reported. The following is a brief summary of the key findings of this research.

Key Findings

Several important findings arise from this current research which should bear greater attention. The findings point to the notable changes in the mechanism underlying the existence and operation of these informal financial systems, the role of underground

banks in the lives of illegal immigrants and their families in China, and the composition of their clientele. These findings raise significant considerations for policy making.

The Change of Mechanism Sustaining the Operation of Underground Banks

A long-developing body of anthropology studies on South China indicates the vital importance of a kinship-based network, or lineage, in the administering of local society and organizing of overseas immigration (See Baker, 1968; Freedman, 1958; Potter, 1968; Watson, 1975). This traditional lineage system was also found to facilitate the smooth operation of family-owned remittance businesses in the early twentieth century (Woon, 1984), and the revival of private enterprises in the years of China's economic reform beginning the late twentieth century (Peng, 2004). The findings of this present research showed that as opposed to lineage-based networks, the networks based on regional dialect allowed illegal Fujianese immigrants, as well as underground bank proprietors, to take great advantage of social capital inherent in the expatriate Fujianese ethnic community established in the host country. The high levels of trust between underground bank proprietors and their clientele can be understood as resulting from ethnic solidarity and enforceable trust, two essential components of social capital. Ethnic solidarity built on dialect-specific networks gave Fujianese illegal immigrants a collective identity and served as a well-functioning protective mechanism in screening outsiders and guarding against government penetration. The role of ethnicity accounts for why the clientele of underground banks were primarily Fuzhounese-speaking immigrants and why the areas of operation was confined to "Fuzhou Town", a distinct Fujianese-dominated commercial district in Chinatown, NYC. At the same time, ethnic solidarity enabled enforceable trust to play a critical part in ensuring high-quality service delivered and

minimized disputes due to the capacity to establish norms and invoke sanctions on underground bank proprietors within a self-enclosed ethnic community. These features may explain why violence was apparently of little use in dispute settlement, as disputes seemed effectively forestalled and were thus rarely reported by the respondents. These features are also troublesome at the community level because the research findings illustrated that a community of high ethnic solidarity like that of Fujianese espouses a deviant culture or norms that encourage widely accepted illegal practices.

The Change in the Role of Chinese Underground Banks in the Lives of Illegal Immigrants

Respondents' accounts also suggest that the prosperity of underground banks did not last long. In the early 1990s, the peak time of Chinese illegal immigration, they appeared to play an essential part in facilitating smuggling of undocumented Chinese labor migrants, by servicing the special needs of illegal immigrants as a reliable fund transfer mechanism in aiding the completion of a process of illegal migration. The efficiency and speediness of fund transfer through the underground banking system made for expedited repayment of smuggling debts. The result seems to smooth the way for the settlement of illegal immigrants in the U.S., and spur "chain" migration for their family members and relatives into the U.S. through both human smuggling and legal migration. The early generations of Fujianese illegal immigrants arriving prior to the mid 1990s functioned largely as the "seed" migrants of the ethnic community in the U.S., significantly transforming the composition of the Chinese community and shaping the political and economic landscape of Chinatown area in NYC in subsequent years.

Put differently, the prominence of underground banks in illegal immigrants' lives declined in response to changing market conditions and crackdowns by the U.S.

government. Since the mid-1990s, more active players, including Chinese-operated banks and money transfer operators (MTOs), have joined in the competition for Chinese illegal immigrant clients, attracted by the profitability of the remittance market. Arguably, some of those legitimate institutions adopted questionable marketing strategies to expand their clientele among Chinese illegal immigrants. Narrative data indicated that more recent arrivals among illegal immigrants tend to use these legitimate institutions rather than underground banks. As a result, the presence of MTOs avails the new generation of smuggled immigrants of a safe, cheap, and convenient avenue for sending remittances home. It appears that formal fund transfer institutions such as MTOs have begun to fill in the vacancy left by underground banks in serving the need for new generations of illegal immigrants.

The Change in the Composition of Main Clientele

Not only has the use of underground banks changed among illegal immigrants, this shift in use toward legitimate institutions may have forced underground banks to a narrow and more illicit use in which funds need to be transferred for illicit purposes. The number of underground banks in Chinatown has significantly fallen, specializing in serving a much smaller group of clientele for the purposes of tax evasion or other unknown illicit purposes. Two plausible reasons account for this change: one concerns strong competition from those legitimate business rivals, including Chinese-operated American banks and MTOs, while the other is the fear of the U.S. government's crackdowns which primarily aim at curtailing unauthorized immigration. The government intervention in the U.S. has never targeted informal fund transfer services; however, the intensified enforcement of immigration policies since the occurrence of the "Golden

Venture” incident appears to generate a deterrent effect for the use of underground banking operation for migrant remittances.

This finding does not bode well for the standing of the surviving underground banks in the community and the role of their continuing service, which are more surreptitious than in recent years. The changing configuration of the remittance market may result in bifurcating their potential clients: one group can be termed as “ordinary” clients, whereas the other group classified as the “prominent” clients. Those who have been attracted to use the service provided by MTOs include lower-income migrant workers, mostly the younger generation of more recently arrived illegal immigrants, and settled, legalized immigrants. Some respondents’ statements hinted about the commonality of Fujianese business proprietors “cheating in tax payment,” or tax evasion, and the investment pattern of some affluent Fujianese immigrants. The implication is that the current main clientele of underground banks could be restricted to the “prominent” clients, a fortunate group who likely are established entrepreneurs with more incentive to use the service of underground banks. The specialized use of underground banks will probably continue well into the 21st century to serve as a reliable conduit for concealing the source of illegitimate income and channeling capital back home for a varied array of purposes, including but not limited to financing smuggling passage, speculating in real estate, or much shadier dealings.

Theoretical and Practical Implications

Because the subject under discussion in this research is situated in the context of illegal immigration aided through human smuggling, the relationship between these informal financial systems and criminal activities involved in trading in human cargo on

a global scale cannot be minimized. Human smuggling (including human trafficking in a broad sense) is considered among the most profitable and yet low-risk criminal activity, particularly as compared to drug trafficking (Kyle and Koslowski, 2001). The feature of sophisticated and complex cross-border cooperation involving human smuggling immediately raises the specter of “organized crime”. It has become a popular belief that human smuggling is one significant income source for international criminal organizations (McAllister, 2000, as cited in Aronowitz, 2001). Faced with a common problem of data collection, prior studies on human smuggling and trafficking relied on statistical data from official sources relating to illegal immigration in Western Europe, and Central and Eastern Europe (CEE) (Salt, 2000), while qualitative empirical data derived directly from smuggled immigrants can be found primarily in research studies on Chinese human smuggling (Chin, 1999; Kwong, 1997).

Much of the prior research focuses exclusively on the organizational structure of smuggling and delineates the proposed modus operandi of organized criminal groups. Even though illegal immigration studies have examined a variety of themes characteristic of the smuggling process, documenting the attributes of smugglers (and traffickers), the smuggled (and the trafficked), and policy implications, research on fund transfer are notably absent. The lack of research studies on this subject is in large part due to difficulties in collecting empirical evidence of these highly secretive activities. Consequently, this research not only fills a gap in the research on informal financial mechanisms used by illegal immigrants, but also contributes significantly to the ongoing debate on the relationship between human smuggling activities and organized crime, as well as contributes to theoretical development concerning the nature of illegal enterprise.

This research has particular relevance at a time when transnational human smuggling and trafficking has become a growing phenomenon around the globe (Kyle and Koslowski, 2001).

This current research has implications for the utility of illegal enterprise theory in explaining the underground banking enterprise. The perspectives of clients, as an important indicator of the market environment in this theoretical framework, present a helpful analysis of the evolving history of this informal and illicit financial system, and the position of the system in a broad context of illegal immigration through human smuggling. By looking at Chinese underground banks as illegal enterprises, instead of a component of organized crime, this research sheds light upon the demand side of the market, which was shaped by special needs and focal concerns of their clientele, primarily Fujianese illegal migrant laborers. This market demand for the illegal service waxed and waned over years with different groups of clientele. Another contribution of this research is the insight offered over a period of time. Instead of being limited to one-time, discrete period data, respondents' reports described illegal immigrants' behavioral patterns in transferring fund over a span of at least one decade. As such, these accounts permit inferences relating to the evolvement of Chinese-operated underground banks in the U.S. over a longer period.

The in-depth interviews offered a unique opportunity to examine the context and circumstances shaping the decision making of individual illegal immigrants, and the meaning and impact of the existence and operation of the underground banking systems for their personal lives. Furthermore, the interview also permitted an understanding of their perceptions of underground banks and the impact produced by funds channeled

through the underground systems on their families in home communities. Without the input of this hard-to-reach population, the clients of illegal enterprises, it would be much more difficult to develop a comprehensive understanding of how a process of illegal labor migration through human smuggling is built up. This process is translated into a pattern of illegal entry, illegal employment, expatriating earnings for debt repayment and contributing to family and community income, and then further migration through human smuggling or sometimes by legal means.

Applicability of The Illegal Enterprise Perspectives

The study's admittedly descriptive and exploratory findings provide support for illegal enterprise perspectives. At the core of the perspectives is the emphasis on the task environment of illegal enterprise or internal economics of the illegal market and the resultant influence over the structure and operation of illegal enterprises, and their relationships with other participants. The evidence generated from this study seems to fit well with the expectations of the theory in that the illegal market was populated with small-size, short-lived businesses. Respondents' experiences of having used at least ten qianzhuangs are indicative of a fragmented market, where individual entrepreneurs operated independently with the lack of coordinative efforts. The operation of underground banks remained small-scale (at least they maintained that appearance), using a small number of agents (one or two) handling small-sum transactions on a routine basis, even though evidence exists that they have the capacity to engage in large-sum dealings. The findings are not suggestive of specialization among illegal entrepreneurs in operating underground banks. Instead, they were engaged in legal business activities simultaneously, either using them as a front to conceal illegal activities, or perhaps using

underground banks to supplement their income. In spite of their illegal status, the clients went to underground banks by choice. Violence was not featured in the operations in the interactions between the entrepreneurs and their clients.

This research also notes some major differences from the expectations derived from enterprise theory. The interview data suggest the centrality of ethnic networks in the operation of Chinese underground banks is critical to their effective operation. Actually, the ethnic solidarity probably is the most important factor accounting for the circumscribed territory of the illegal service rendered and the population served by underground banks. The network-based mechanism has the advantage of minimizing the risk of exposure to “outsider” informants and law enforcement, while ensuring clients’ loyalty to the illegal enterprise by tapping the social resources of ethnicity implicit in the community. Secondly, information flows seemed unimpeded among prospective clients in the ethnic community. The flow of information concerning the identity of a certain entrepreneur and his or her participation in illegal operation of an underground bank was sometimes not completely under the control of the underground bank proprietor, particularly when he or she engaged in other illegal activities which attracted the attention of the community like human smuggling. In fact, keeping their identities secret works against the growth of their business among potential clients. Essentially, information flow in the Fujianese community acted as an effective means of advertisement for underground banks, because they do not advertise in mass media. Finally, the relatively high degree of visibility involved in the operation of Chinese underground banks is inconsistent with the theoretical expectations of secrecy of settings and transactions (Reuter, 1986). The reasons may well be that the collective sense of

loyalty and allegiance growing out of bounded solidarity among the Fujianese mitigates the risk of exposure, even though the information relating to the business and participants circulates rapidly in the community. Even with this open knowledge about operations, disclosure of these activities to authorities is unheard of.

Illegal Enterprise in the Market of Transnational Chinese Illegal Labor Migration: A Multi-network Model

The illegal enterprise theory offers a useful perspective for understanding the operation of underground banking and for examining the process of international labor migration through human smuggling. By emphasizing a remittance market arising out of the need of illegal immigrants and operating mechanisms of underground banks, the illegal enterprise perspective underscores the importance of exploring further the formation of sophisticated networks and their symbiotic interconnection in the initiation and perpetuation of illegal international labor migration.⁵⁰ A multi-network model is proposed here in an attempt to explore the interaction of different networks human smuggling.

Since the demands of illegal immigrants create varied market niches serviced by different institutions and agents in the migration and settlement process, this analytic

⁵⁰ A recent report on trafficking of Chinese teenagers (of whom a significant proportion come from Fujian Province) into Britain for sex exploitation provides an illustration of this symbiotic relationship involving the activities of illegal enterprise enmeshed within the context of legitimate businesses. The report indicated that a Chinese restaurant in north London was found to serve as way station for more than 100 smuggled Chinese minors in 2000 before they disappeared. British Police discovered in 2007 that one bank account of a Chinese restaurant was used to funnel £93 million back to China, which was suspected to be the proceeds stemming from human trafficking and brothel-keeping (Scott-Clark and Levy, 2008).

framework identifies one critical intermediary mechanism, providing a lens to explore the dynamics underlying the perpetuation of illegal migration. Hence, this framework allows an analysis of the nature of this intermediary mechanism, i.e. agents for cross-border fund transfer, its interactions with other institutions active in the market, and its function in the illegal migration process.

As demand for cheap labor in developed countries draws a large influx of illegal immigrants from developing countries, a market filled with illegal business opportunities has come into being. The illicit nature of transnational migration has given rise to a multiplicity of demands among illegal migrant workers in overcoming barriers in financing the passage, seeking illegal entry, searching for gainful employment, transmitting earnings for debt repayment and increasing family income, while circumventing the detection by the authorities. These demands provide ample potential for profits to illegal service providers. In the context of Chinese illegal labor migration through human smuggling, this model proposes that illegal enterprises are integrally involved in illegal and criminal activities dominated by three networks consisting of human smuggling groups, ethnic communities both at home and in the host country, and underground banks or informal fund transfer systems (Kwong, 1997; Zhang and Chin, 2003). Human smuggling groups organize transportation of migrant workers across vast distances and facilitate illegal entry, while underground banks offer a safe and reliable avenue for funneling earnings home for illegal migrant workers. In addition to providing financing for the clandestine passage, jobs and housing for illegal immigrants, ethnic communities, which are characterized by solidarity and high levels of trust in a culturally insulated milieu, seem to function as an important locus of the growth of such businesses

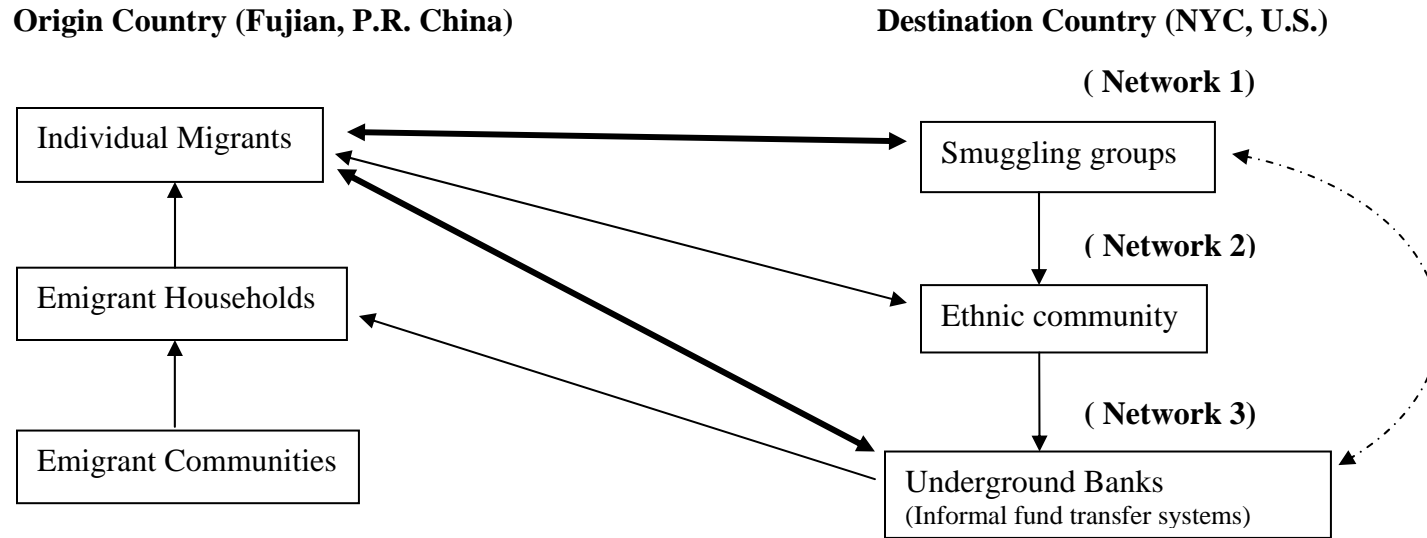
and the dealings between illegal entrepreneurs and undocumented migrants. As such, ethnic communities play a role in cultivating, harboring, and protecting illegal activities associated with other two networks. This role is shaped by economic interests brought in by human smuggling trade, fund transfer business, as well as ethnic ties.

One important contribution made by this current research is that the multi-network model of illegal labor migration has a potential of advancing enterprise perspectives through providing a better appreciation of the dynamics of illegal transnational labor migration in the context of Chinese human smuggling (see figure 3). The model benefits from the conceptualization proposed by two researchers who specialize in studies of smuggling and trafficking in human beings in and across the European Union, in which mainly criminal networks are seen to engage in highly specialized, well-coordinated tasks in order to assure the success of smuggling operations and reduce exposure and detection by authorities (Aronowitz, 2001; Salt and Stein, 1997). One research also noticed the connections between illegal markets for smuggling and trafficking and other legal or illegal markets such as those involving domestic service and prostitution (Aronowitz, 2001). However, probably due to the limitations of the data sources (i.e. Interpol reports), neither of these two research studies was able to conclude that active actors in this market might constitute other collective entities, illegal or legal, apart from human smuggling or trafficking groups. In this sense, the present research holds promise for developing a unitifying theoretical framework to expound on the complex and sophisticated nature of the transnational illegal migration process. This research suggests the need for future research with a concentration on the explication of the role of these three networks--- smuggling groups, ethnic communities and informal

fund transfer systems--- and for testing whether this theoretical model is culturally specific or has a broad application.

Figure 3. Chinese Illegal Labor Migration through Human Smuggling: A Multiple-Network Model

Global illegal migration is viewed as a market, in which human smuggling and informal fund transfer systems are proposed to function as illegal enterprises in the role of intermediary mechanisms.



Note: Double-headed arrows suggest the presence of illegal enterprises based on the findings of previous research and this research. Lighter arrows suggest unilateral relationships between the two components. For example, individual households in the origin country were merely the recipients of service offered by underground banks. The dash line suggests that direct connection of smuggling groups and underground banks has not yet been born out due to the limitations of data.

Some Reflections on Extant Literature on Chinese Underground Banking Systems

Since Passa's study of underground banking systems worldwide (1999) is directly pertinent to the operation of Chinese underground banks, a comparison of the findings between these two studies is necessary. On the surface, the current research seems to agree with Passas' general findings in that violence is not a dominant feature in underground banking operation, and Chinese underground bank systems do not present a serious threat. However, a careful examination suggests that these two research studies not only differ in several aspects of the findings (except for the finding regarding the use of violence), but also comes to a different conclusion.

The researcher of the present study has reasons to believe that some of the conclusions produced by Passas' research might be prematurely drawn. For example, his findings suggest a unidirectional monetary flow in the transactions through underground banks in transferring lawfully earned money from the U.S. to mainland China. In fact, according to the current research, the nature of the funds flowing through Chinese underground banks is more complex than what Passas' study suggests. The respondents' accounts and the testimony revealed from court trials of Sister Ping's case provide compelling evidence that those earnings were likely illegitimate as well as legitimate. As for the direction of monetary flow, it remains unclear because we do not have access to information only available to human smugglers and operators of underground banks based in NYC and Fujian, China. Another finding of this research contradicting that of Passas' study is that the counterparts of underground banks in the U.S. paid the respondents' families in Fujian hard currency instead of Chinese currency as suggested by the Passas' information source, and thus did not handle the business relating to

converting foreign currency for their clients. Additionally, remitting services provided by Chinese underground banks also violate laws of the hosting country, the United States, not merely the laws of P.R. China. Finally, the researcher takes issue with the major conclusion of Passas' study that the Chinese "informal value transfer systems" may not be a grave concern (p. 18-20). An analysis of the changing configuration of the remittance market highlights the potential financial abuse due to the specialized use of the surviving underground banks in the Fujianese community.

Although Passas' study provides a valuable reference frame for this explorative study, the divergences in research findings between the two studies seems obvious, which could be ascribed to the specific target population for the present research, the illegal immigrant clients of the informal financial systems and the firsthand data derived from their responses to in-depth interviews.

Limitations and Directions for Future Research

Exploring the role and use of underground banks in a population of Fujianese illegal immigrants is exceedingly difficult, even at the early exploratory stages, and this study comes with important limitations. The findings are unable to speak to the issues regarding the direct role in or sophisticated schemes of underground banks behind the human smuggling trade, since the data generated from the study do not deal with internal structure and operational attributes of the system, sources of funding, or personnel management and monitoring. The non-probability sampling used in this study may be characterized by selection bias due to the highly sensitive subject matter and the general difficulty involved in identifying clients willing to discuss the use of underground banks. As such, the study data cannot speak to the concern for a direct link between the use of

the service of underground banks and financing of further illegal migration through human smuggling.

Another issue concerns the composition of the research sample. Just over 80 percent of the research subjects were of the early generation of illegal immigrants who came to the U.S. prior to 1993. Accordingly, the richness and representativeness of information obtained from the earlier generation of underground bank clients regarding their experience of using informal as well as formal channels may not be comparable to that derived from more recent Fujianese immigrants. For example, this research uncovered evidence of changes over time in the ways in which money transfer agencies like Western Union promoted their business service among Fujianese illegal immigrants. However, given the small number of more recent illegal immigrants interviewed for this study, it is not possible to describe such changes with confidence here. Such preliminary observations definitely warrant further research with more representative research samples. In general, it is important to bear in mind that the findings from the research reported here may not be generalizable to the total population of Fujianese illegal immigrants who have used underground banks in NYC or Philadelphia.

With this exploratory research as a background, future research should devote more attention to data collection strategies that can strengthen the representativeness and validity of the data. Such improved data strategies will help to present stronger evidence to identify a clearer pattern of illegal immigrants using underground banks. For example, what would incline them to remit money through underground banks to finance the smuggling trips of their family members, relatives, or important others. Or, what other

purposes was their money transferred through this illegal channel invested for, aside from the major categories as indicated in this research.

Future inquiry may be also productively directed toward the study of Chinese underground banks located in emigrant communities in mainland China, providing insight into the dimensions of underground banks not fully addressed in this study, such as why and how these local communities form “judicial, social, territorial enclaves” for operations of underground banks and human smuggling (Truong, 2001, p. 6-7; Väyrynen, 2005, p. 157), and how domestic underground banks collaborate with their overseas counterparts in promoting illegal migration.

More information might be obtained by crafting studies in the larger transnational setting. In other words, research on Chinese underground banks can be undertaken in other favorable destination countries for Chinese illegals, including Canada, the European Union, Japan, and Australia. Such research would test whether both illegal and ethnic enterprise perspectives and the multiple network model can be applied transnationally.

Policy Implications

The United States

The authorities' response in the United States. The implications of this study for law enforcement are particularly relevant in the context of a fierce and polarizing national debate on illegal migration. From the inception of the IRCA in 1986, the U.S. government placed national priority on enhancing border enforcement. However, it is unclear whether intensive border control works as a deterrent in curtailing the influx of illegal immigrants in the long run. The expanded level of resources increasingly makes such a restrictive measure become a fiscal burden (Andreas, 2001, p. 108-122).

Unintended negative effects of tightening border control further complicate the situation. Enhanced enforcement of border control increases the cost and peril of illegal entry, hence raising demand for services of professional human smugglers. Paradoxically, to overcome the barriers to entry, heightened border enforcement may give rise to increased complexity of criminality involved in human smuggling, and fuel the growth of market transactions implicating corrupt government officials who provide fraudulent documents to smuggling groups (Väyrynen, 2005, p. 146-149). Intensified border control may produce a displacement effect that would-be illegal immigrants will move to other less-enforced areas to seek chances for border crossing, using the skills, knowledge and expertise of human smuggling groups (Andreas, 2001, p. 115). In light of these considerations, the growing challenge of curbing illegal migration heightens the importance of seeking alternative strategies.

In recent years policies and measures with focus on financial investigation are considered by the authorities and scholars as a promising alternative. The September 11 attack in the U.S. brought into focus the potential for criminal abuse with informal fund transfer systems (IFTs). The anonymity, the absence of standardized record keeping, lack of transparency in payment settlement, the operation free of regulatory oversight place IFTs at risk of misuse (IMF, 2005). IFT systems could be used for money laundering and terrorist financing, tax evasion, capital flight, or smuggling (El Quorchi et al., 2003). In order to address the concerns about vulnerability of the informal remittance systems to financial abuse, the Financial Action Task Force (FATF) put forward Special Recommendations (FATF SR. IV) in October, 2001. With a view of fighting terrorist financing, one of these recommendations was directly pertinent to informal remittance

systems. In suggesting the compliance from all countries, FATF's recommendations introduced licensing/registration,⁵¹ customer identification, and suspicious transaction reporting⁵² to be applicable to money/value transfer systems in all jurisdictions (FATF, 2002). For the purposes of enhancing the transparency of money flows through informal channels, a broader definition of informal remittance systems, as reflected in the term *Money or Value Transfer Service* (MVT service), was used in a Best Practices Paper issued by the FATF in 2003 (FATF, 2003).⁵³

The U.S. regulatory policy requires that informal remittance operators register their businesses at the federal level with the Financial Crimes Enforcement Network (FinCEN), and obtain licensing at the state level. Failure to comply with licensing requirements is punishable under heavy sanctions as a federal felony. Current laws, such as the Bank Secrecy Act and the Patriot Act also require that informal remittance operators follow customer identification procedures (for certain transactions), keep

⁵¹ The recommendation prescribes that "each country should take measures to ensure that persons or legal entities, including agents, that provide a service for the transmission of money or value, including transmission through an informal money or value transfer system or network, should be licensed or registered and subject to all the FATF's recommendations that apply to banks and non-bank financial institutions. Each country should ensure that persons or legal entities that carry out this service illegally are subject to administrative, civil or criminal sanctions."

⁵² The recommendation reads that "jurisdictions may consider issuing specific guidance as to what may constitutes a suspicious transaction to the MVT service industry. Some currently used indicators of suspicious financial activity, such as those found in the FATF's Guidance for Financial Institutions in Detecting Terrorist Financing, are likely to be relevant for money/value transfer service activity. However, particular activities and indicators that are unique to this sector should be further developed.

⁵³ MVT service refers to "a financial service that accepts cash, checks, other monetary instruments or other stores of value in one location and pays a corresponding sum in cash or other form to a beneficiary in another location by means of a communication, message, transfer or through a clearing network to which the MVT service belongs. Transactions performed by such services can involve one or more intermediaries and a third party final payment."

financial records, and file Currency Transaction Reports (CTRs) and Suspicious Activity Reports (SARs) (Maimbo and Passas, 2004).

Proposed policy measures. According to the findings of this research, Fujianese-controlled underground banks do not seem seriously harmful. They are not technically nor morally so “bad” as the established commercial vices, such as drug trafficking, gambling, and prostitution. That Chinese underground banks played a facilitating role one decade ago both in fueling a drive for illegal migration in the sending communities through human smuggling as well as expediting the settlement process for the old generation of illegal immigrants in the U.S. does not press a strong case for full suppression of underground banks. On the other hand, evidence produced in this research suggests a noteworthy shift in the use of legitimate channels among the new generation of illegal immigrants, indicating a possible slide by the formal sector into the role that underground banks used to serve Fujianese illegals. Additionally, the bifurcating effect of the changing configuration of the remittance market could make Chinese underground banks problematic in that the specialized use of underground banks is more likely to be restricted to a group of “prominent” clientele who have motives to use the service of underground banks for illegitimate purposes. These may constitute the chief concerns of the law enforcement authorities. The following proposed policy measures address these concerns.

As desirable as the financial regulations as described above are, it would be considerably difficult, if not next to impossible, to implement these policies to regulate Chinese-run money transfer systems in practice. First of all, Chinese illegal immigrants have been increasingly dependent on formal channels such as MTOs and banking

institutions for money transfer purposes. On the surface this sounds like good news, since to induce immigrants to use formal channels for fund transfers has been a major concern for both receiving and hosting countries. But this shift may betray some serious problems with the formal channels intent on expanding their business among immigrant groups.

This change raises an important question. In light of their aggressive marketing strategies and dubious business practices, is it possible that these formal channels take the place of underground banks, serving similar functions for illegal immigrants? According to the experience of the smuggled Fujianese under this study, the answer is very likely positive. The findings of the research suggest that the remitting service provided by some of these formal institutions are attractive to more recent generation of Chinese illegal immigrants, not only because of the low cost and their extensive remittance distribution networks in mainland China, but also because the agents of these institutions whose service targets illegal immigrant groups may be less concerned with the compliance with regulatory frameworks.

This knowledge may alert competent authorities to review the policy in order to perform a major overhaul of the internal management and implementation of financial regulations among MTOs, which offer business outreach to immigration groups. Meanwhile, great care should be taken by the authorities in undertaking such actions, which could fuel cultural tensions and worsen the “them versus us” mentality among Fujianese immigrants. They may consider communicating to the local ethnic communities the message that the high-quality remittance business aiming at servicing immigration groups will not be disrupted, but be enhanced with a more transparent, well-monitored payment flow in order to reduce risks of criminal abuse.

Second, the interview data show that Fujianese illegal immigrants distrust the American government. They perceive the government as the cardinal enemy mobilizing all resources to drive illegal immigrants out of the U.S. This deep-seated fear and anxiety make it hard for them to cooperate with the authorities. In addition, underground bank owners might believe that any requirements of licensing/registration and suspicious transaction reporting will simply deprive of the advantages of their business as compared to formal channels, rendering their existence meaningless. As a result, Chinese remittance businesses would be resistant to financial regulations and are not registered or licensed, hence operating beyond the regulatory regime of the authorities. Chinese underground banks might create more problems for law enforcement agencies than those licensed remittance businesses because they are difficult to be tracked down. They never openly advertise their services in the media.

In addition, unlike their counterparts in China, which may utilize the deposit and settlement mechanism of formal banking system, Chinese underground banks operating in the U.S. and their agents in China are found to have no interface with formal financial sectors. That means, the payment settlements completely are free from oversight of the regulatory authorities, which increase the risk of financial abuse (Zhao, 2007). Fujianese immigrants view underground banks in positive terms based on the widely held perception that informal remittance systems operated by co-ethnics offer the community an indispensable service---they are doing great good. There is no incentive for clients to inform authorities about illegal activities of co-ethnics. To say the least, the closely-knit Fujianese community built on dialect-specific networks is very hard to penetrate by outsiders.

Accordingly, as far as combating Chinese smuggling is concerned, the U.S. authorities may need to adjust their strategies and goals by integrating the financial links for the control of illegal immigration flows. As long as the ethnic market for informal remittance service exists, those informal remittance service providers are not expected to be completely wiped out by strike-hard approaches, although they might drop out of view and stay dormant under the heat of government crackdowns for a while. Then they will return when a ripe market opportunity appears. As a result, the goal of policy measures is to focus on regulation rather than prohibition (Buencamino and Gorbunov, 2002; McCusker, 2005).

The research suggests that underground banking systems are embedded in the fabric of the ethnic community. Because of this, the American authorities may need to come to grip with the problem of “embeddedness” of underground banks. The establishment of a partnership between law enforcement agencies and local communities is an essential step to enforce regulation-oriented policy measures in a “consensus-building consultation” process (Maimbo and Passas, 2004). The research findings show that the networks and resources of ethnic communities make them a natural milieu for major players to converge: the clientele and operators of underground banks engaging in open transactions in a safe setting free of authorities’ external intervention. The authorities may need to reach out to the local Chinese communities, which should be engaged in the process of development and implementation of regulatory standards and supervisory framework. It is suggested that the authorities’ regulatory concerns not only be made known to the community, those standards and supervisory framework also integrate the community’s own interests and concerns (Maimbo and Passas, 2004).

Less active and conspicuous activities of underground banks since the mid-1990s might be a result of unfavorable market conditions, enhanced by authorities' crackdowns and operatives targeting Chinese human smuggling groups after the 1993 Golden Venture incident. The strategies described above help to adjust the conventional crime-control orientations and complement the traditional approach of mainly pursuing individual criminals. On the one hand, the attention of the authorities is directed to more hidden forms of misconduct engaged by formal remittance agencies, which could be turned into providers of illegal services in an attempt to expand their market share. On the other hand, the active presence of law enforcement as a partner of the local community for crime control would probably add pressure on both operators and clients of underground banks whose operation may continue in the community.

Although this research is not specifically designed to investigate the direct role of Chinese-operated underground banks in financing human smuggling, the ultimate goal of this research is to lay a foundation for future research in this direction. An overview of a recent trend reveals that human smuggling from Fujian Province still persists into today, albeit on a much smaller scale than one decade ago, and signs have been evident of the spread of human smuggling into other regions of China, such as Zhejiang Province and the Northeastern regions (Liang and Morooka, 2001; Zhang, 1997). The smuggled population tends to be younger, and the numbers of minors among illegal entrants are on the rise ("Child smugglers under arrest," 2005; Kotlowitz, 2006). Teenagers from Fujian have been found to be smuggled into Britain and forced into prostitution (Scott-Clark and Levy, 2008). Scholars as well as law enforcement agencies are concerned that trafficking

women and adolescents for sexual exploitation could become a new specialized branch of human smuggling groups (Salt and Stein, 1997).

More importantly, interview data shows that another type of underground banking system in Chinatown, NYC has been active among Fujianese immigrants: rotation credit associations. Several respondents in this study explained to the researcher that this type of qianzhuang is very popular among both legal and illegal immigrants who are in need of cash for a wide variety of purposes, such as obtaining loans for smuggling fees, repaying smuggling debts, buying houses, or starting up one's own business. One respondent confessed that he used both types of qianzhuang, for the purposes of getting loans for repayment of his own smuggling debt and payment for his brother's smuggling fee, aside from sending money home back in China (Respondent 16). The interview data raises an important concern of whether these two systems operate side by side in facilitating illegal immigration.

Given China's population base and the pushing forces engendered by the current economic development model in China, the researcher contends that the modernization process in China may continue to feed the pressures of illegal immigration through human smuggling (Scott-Clark and Lecy, 2008; Zhao, 2008). Furthermore, nearly two decades later after Fujianese illegal workers settled in the U.S., the social problems pertaining to this group of immigrants have begun to surface, vexing the hosting society in the areas of social service, education, health care, and public welfare (Berstein, 2006; "The second generation of smuggled Chinese," 2002). Of course, it is beyond the scope of this research to elaborate on these points. However, this tendency of continued illegal immigration flow from China highlights the importance of productive alternatives to

conventional efforts at fighting human smuggling. Even though this current research did not produce evidence indicating underground banks' direct involvement in human smuggling trade, these informal financial systems, as an illicit intermediary suspected of financing illegal emigration, make them an important area of concern which the authorities may consider to take seriously.

Recent research shows that developing and implementing restrictive policies with top priority given to heightened border control apparently may be insufficient to meet the great challenge posed by this expanding global phenomenon of human smuggling or trafficking, and may be even counter-productive (Hagan and Phillips, 2008). One implication arising from this present research is that in order for these strategies to achieve the optimal effects, they need to be considered in conjunction with the alternative approach calling for increased monitoring and supervision of informal and formal remittances channels.

P.R.China

Where combating against human smuggling and curbing the growth of underground banks are concerned, the Chinese government is presented with formidable challenges, because a seemingly regional problem evident in the part of Fujian could be a symptom of broader problems inherent in institutional deficiencies, which the Chinese government seems to lack political will to deal with. Of course it is beyond the scope of this thesis to examine and analyze how the fundamental institutional problems in China are associated with large scale illegal migration through human smuggling and the prevalent use of the service of underground banks in certain coastal regions (e.g. Fujian Province). The discussion of this section is only limited to two issues directly related to

the subject under the study. One of the issues involves the main clientele of both cross-border human smuggling and underground banks in the U.S. ---Fujianese peasants, while the remaining part concerns the state-controlled Chinese financial sector, of which underground banks are seen as a potent competitor.

Stemming the illegal out-migration through human smuggling: the development impact of remittances. The current research findings revealed that remittances were not used by emigrant households as investments to stimulate the local economy. The inclination of directing conspicuous spending for purposes other than family maintenance produced an impetus among non-emigrant families in home communities to send their own family members abroad through human smuggling to generate extra income. Hence, one implication for local governments in emigrant communities in China may be that they should consider turning more attention to enhance the development impact of remittances in major emigrant communities according to the locale's specific economic conditions (Ghosh, 1992).

First of all, local governments in emigrant communities need to change the perceptions ingrained in local areas that illegal migration is a quick fix or short-cut to local economic development without need of extensive investment (Chin, 1999). Second, little positive contribution of remittances to the local economy in Fujian may reflect the lack of viable investment opportunities in home communities. The effective government programs can be developed to direct remittances to finance viable small businesses and provide technical assistance, the success of which could draw more inflow of remittances (Ghosh, 1992). There are examples of success in the productive use of remittances for rural development purposes in some Central American countries (e.g. El Salvador), Asian

and African countries (e.g. Korea and Morocco) (Ghosh, 1992; Russell, 1992; Wucker, 2004). Weighing a promising job prospect at home and a protracted plan for debt repayment by toiling in the U.S., a would-be Chinese migrant is likely to have second thoughts about joining the ranks of illegal immigrants. Potentially, these probably may be the most effective measures to curtail massive out-migration through human smuggling in China.

Curbing the growth of illegal mechanisms for fund transfer. As suggested in the analysis in Chapter 3, Chinese local underground banks in the course of market-oriented economic reform sprout up as a response to meet rising legitimate market demands. The reform in financial sector has not been successful in shifting the functions of the state banks from “the government policy agents” to “market-driven financial intermediaries” (Wolf et al, 2003, p. 127). Worse still, the government has not loosened the control over allocation of capital as the largest shareholder of the state financial institutions. Given that the lack of accessibility to credit and inefficiency of state banks, and inadequately developed capital markets, private enterprises naturally turn to informal financial intermediaries such as underground banks for financing.

That the operation of Underground banks beyond the official oversight makes them a convenient vehicle for illegal and criminal activities has been an intractable problem for the Central government. The Chinese government has reacted with alarm to the proliferation of underground banks since the 1990s, as operation of underground banks obviously is viewed to have encroached on the domain of state banks, and

contravened state foreign exchange controls. A 1998 law outlawed underground banks and other informal financial institutions.⁵⁴ Under pressure from the central government, local authorities periodically launch campaigns against underground banks due to concerns about their connections to a host of other evil, such as money laundering and corruption. Nonetheless, little evidence suggests that the get-tough approach has achieved desirable results. Chinese underground banks are reportedly booming (“Worried about illicit lending,” 2007), and display a strong tendency to expand from South China into the hinterlands in the west and coastal regions in the north (Tschang, 2005). The evidence from this study shows that Chinese underground banks located in Fujian Province are in collaboration with their overseas counterparts in facilitating clandestine Chinese migration. Hopefully, the evidence would not be used to justify legislative prohibition and the prevailing get-tough stance adopted by the Chinese government. There are good reasons to expect that crackdown strategies in China probably may bring about unintended adverse consequences, such as driving these informal financial institutions further underground to facilitate a wide variety of criminal activities like money laundering. This raises questions about the efficacy of this oversimplistic crime control approach.

It is suggested that the government strive to deepen banking reform toward increased liberalization, as the repressive policy does not redress the root cause of the resurgence of underground banks at all. One major step is to relinquish the monopoly accorded state banks, allowing for competition from non-state banks, and to de-

⁵⁴ See the footnote 23, Chapter 5, p. 87.

criminalize the operation of underground banks to begin with. In this way, the private sector would have more legal avenues to loans from the banking institutions, while the operation of underground banks would be brought into line with the standard practices of conventional financial institutions and be subject to similar regulatory requirements, thus diminishing the possibility of being abused by criminal elements or corrupted by illegal money.

Conclusion

As the first exploratory study on Chinese underground banking system in the U.S., the research findings draw from a general impression of their clientele produced through in-depth interviews of a group of 30 undocumented Chinese migrant workers. The impression was based on personal experiences of those Chinese illegal migrant workers interviewed, given that a representative sample is difficult to obtain among a population of illegal immigrants. The information they imparted sheds light on the nature, scope, operating style, mechanism, and role of the informal fund transfer systems in illegal migration and human smuggling. The perspectives of illegal enterprise are particularly instrumental in offering important insights into the importance of complex networks encompassing human smuggling groups and ethnic community, which seems crucial for the development of an illegal market and sustaining the operation of these systems.

The research finds that the rise and fall of underground banks were contingent on the change of market conditions and the intensity of the government crackdowns on human smuggling operations. The influence of underground banks on the market as well as immigrants' lives was found the strongest in a specific time period between the late

1980s and the mid 1990s. These informal institutions operated alongside formal financial sector, but they became a preferred vehicle for transferring remittances home among a significantly large proportion of illegal immigrants because of their unique “strengths” to fill up a service gap: they were able to turn the deficiencies of formal sector to their advantage to meet particular demands of a immigrant group, Chinese illegal migrant workers, by offering reliable, anonymous, and speedy service. Contrary to those using the earlier generations of informal fund transfer systems, the main clientele of the contemporary system are illegal immigrants who were smuggled into the U.S. to stay as long as they can gain access to avenues for legalization. The findings also reveal the declining influence of the systems over the years, and the possibility of formal remittance transfer mechanism replacing informal institutions in facilitating the completion of the process of illegal migration. The surviving underground banks seem to be at a higher risk of financial abuse since their shrinking clientele may have more incentive to use them to get involved in illegitimate businesses. The findings presented in this study lend support for illegal enterprise theory, particularly when the involvement of organized crime is at issue. This research fills an important gap in literature on remittances and informal fund transfer systems, which fail to distinguish legal immigrants from illegal immigrants. They also tend to ignore the possible negative impacts of remittances flowing through informal channels on economic development in home communities of immigrants, which may play a significant role perpetuating human smuggling in the context of transnational Chinese illegal labor migration.

This study holds the potential for informing the discourse on illegal labor migration and human smuggling. It also highlights the increased importance of policy

measures with greater emphasis on financial investigation and monitoring formal financial institutions. Human smuggling is now treated as a security threat among the developed countries in the West (Hagan and Phillips, 2007). Additionally, security concerns could become a rationale for the increased regulations of formal remittance transfer channels. These research findings suggest that the focus of a sound financial regulatory and supervisory framework is to enhance the level of transparency and accountability of informal financial intermediaries lest the unmonitored systems are driven further underground. Currently, a disquieting prospect is looming large with the expansion of Chinese illegal migration beyond Fujian Province into other coastal regions, indicating that the illegal immigration stream aided through human smuggling may persist in the future (Thunø and Pieke, 2005). The early generation of underground banks thrived at the height of smuggling of Fujianese immigrants, which occurred as a newly opened-up China was beginning to gain global economic prowess. So it remains an issue whether underground banks could resurge while momentum might be gathering for a new wave of illegal migration against a backdrop of global recession, as the export-oriented manufacturing industry in China absorbing a large proportion of surplus labor force is hit the hardest in coastal cities. It is the responsibility of U.S. authorities as well as scholars to keep monitoring the changes of the demand on remittance and illegal labor market. Additionally, further research will be needed to ascertain the extent of involvement of other types of underground banking systems, such as rotating credit associations, in financing illegal labor migration through human smuggling.

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APPENDIX A

ANONYMOUS SURVEY FOR INFORMANTS WHO HAVE FIRSTHAND KNOWLEDGE OF UNDERGROUND BANKS IN THE UNITED STATES

Instructions to the interviewer:

1. Please note: survey questions are designed for the interviewer's convenience; it does not mean the answers are limited to the items as indicated in the questionnaire.
2. Please feel free to circle more than one response item when it is necessary.
3. Please skip the question and proceed with other questions when the interviewee feels uncomfortable with a specific question. But the interviewer should return to the omitted question and bring it up to the interviewee later whenever it is possible.
4. "Qianzhuang" (Chinese term for underground banks) is used in this interview script to accommodate the interviewees who use the term.

Questions:

1. Age:
2. Gender:
1) Male 2) Female
3. Origin of place:
4. Education level;
1) No formal education
2) Elementary school
3) Junior high
4) Senior high
5) Above the level of senior high
5. Residential Registration in China:
1) Urban resident
2) Rural resident
6. Marital status:
1) Single
2) Married
3) Divorced
4) Others (please specify)

7. If married, number of Children:
8. What did you think of the status of your family at the time of your departure?
 - 1) High-income level
 - 2) Medium-income level
 - 3) Low-income level
9. You were/are an user of
 - 1) qianzhuang in mainland China
 - 2) qianzhuang in the U.S.
 - 3) Both
10. Do you use other methods for sending remittances?
 - 1) Overseas Chinese-operated bank (e.g. Guobao Bank, Huifeng Bank)
 - 2) the Western Union
 - 3) Asked somebody to carry money back to China
 - 4) the Bank of China in the U.S.
 - 5) Others (please specify)
11. Your occupation when you used the qianzhuang located in the mainland China?
 - 1) Private sector
 - 2) State sector
 - 3) Self-employed entrepreneur
 - 4) Student
 - 5) Farmer/fisher
 - 6) Unemployed
 - 7) Others (please specify)
12. Your occupation when you used the qianzhuang located in the U.S.?
 - 1) Restaurant worker
 - 2) Garment factory worker
 - 3) Construction worker
 - 4) Worker in retail/whole business
 - 5) Others (please specify)
13. Where did/do you reside in the U.S. when you used the qianzhuang in the U.S.?
 - 1) New York City (please specify the neighborhood)
 - 2) Philadelphia (please specify the neighborhood)
 - 3) Others (please specify)
14. What year did you arrive in the U.S.?
15. Which of the following items is/are among the main reasons which explain your decision of coming to the U.S.?

- 1) I have family members here (only limited to parents, spouse and siblings)
 - 2) I have relatives here
 - 3) I knew friends here (who were not from the same origin place)
 - 4) I knew people who were from my village/county/city/ province
 - 5) I knew no one here
 - 6) Others (please specify)
16. What route did you take to get to the U.S.?
- 1) By air
 - 2) By sea
 - 3) By air and sea combined
 - 4) By land and air combined
 - 5) By land and sea combined
 - 6) By air, sea and land combined
17. After arriving to the U.S., who has helped you by providing accommodations and finding a job?
- 1) My family
 - 2) Friends
 - 3) Relatives
 - 4) People who were from my village/county/city/ province
 - 5) the Fujianese Associations
 - 6) No one helped me
 - 7) Others (please specify)
18. Your future plan is
- 1) Stay in the U.S. permanently
 - 2) Go home after I have saved enough money
 - 3) I have not decided yet
 - 4) Others (please specify)
19. Sources of smuggling fee
- 1) From my family fund
 - 2) My family provides part of the expense, while the remainder was from the loan from my relative(s)
 - 3) Loan from relative(s)
 - 4) Loan from friends
 - 5) From loan sharks
 - 6) Others (please specify)
20. The mode and location of payment of smuggling fee
- 1) Paid in lump sum in China

- 2) Paid in part in China, while the remainder was paid in the U.S. by my relatives/friends
- 3) Paid in lump sum in the U.S. by my relatives/friends
- 4) Paid in lump sum in the third place by my relatives/friends
- 5) Paid in part in the third place by my relatives/friends
- 6) Others(please specify)

21. Is there any family member, relative, friends, or others who has migrated to the U.S. through your financial support?

Siblings: 1) brother: _____ 2) sister: _____

Method of migration: 1) Smuggling 2) Legal immigration

---Did he/she finance their family members or relatives in their migration process?

- 1) Yes
- 2) No

Spouse: 1) husband 2) wife

Method of migration: 1) Smuggling 2) Legal immigration

---Did he/she finance their family members or relatives in their migration process?

- 1) Yes
- 2) No

Children: 1) son: _____ 2) daughter: _____

Method of migration: 1) Smuggling 2) Legal immigration

---Did he/she finance their family members or relatives in their migration process?

- 1) Yes
- 2) No

Immediate kin: please specify _____ number:

Method of migration: 1) Smuggling 2) Legal immigration

---Did he/she finance their family members or relatives in their migration process?

- 1) Yes
- 2) No

Distant kin: please specify _____ number:

Method of migration: 1) Smuggling 2) Legal immigration

---Did he/she finance their family members or relatives in their migration process?

- 1) Yes
- 2) No

Others: please specify _____ number:

Method of migration: 1) Smuggling 2) Legal immigration

---Did he/she finance their family members or relatives in their migration process?

- 1) Yes
- 2) No

22. In which of the following ways did you finance the migration of your family, relatives, or others?

- 1) Paid for flight tickets
- 2) Sought the services of immigration agencies
- 3) Dealt with paperwork
- 4) Provided accommodations
- 5) Looked for a job

- 6) Met other costs incurred during and after travel
 - 7) Others (please specify)
- Did you have to use qianzhuang for required payment? 1) Yes 2) No
23. How long did it take you to pay smuggling fee after arriving in the U.S?
 24. How long did it take you to pay debts incurred by smuggling fee?
 25. Who introduced you to a local qianzhuang in mainland China?
 - 1) My family
 - 2) Friends
 - 3) Relatives
 - 4) Somebody who was from my village/county/city/ province
 - 5) Somebody who has the same family name but not related
 - 6) Others (please specify)
 26. Who introduced you to a local qianzhuang in the U.S.?
 - 1) My family
 - 2) Friends
 - 3) Relatives
 - 4) Somebody who was from my village/county/city/ province
 - 5) Somebody who has the same family name but not related
 - 6) Snakehead (Smuggler)
 - 7) Others (please specify)
 27. When was the first time you used a qianzhuang?
 28. When was the last time you used a qianzhuang?
 29. The owner of qianzhuang whom you have dealt with is
 - 1) My family
 - 2) Friends
 - 3) Relatives
 - 4) Somebody who was from my village/county/city/ province
 - 5) Somebody who has the same family name but not related
 - 6) Snakehead (Smuggler)
 - 7) Others (please specify)
 30. The purpose of using a qianzhuang
 - 1) Smuggling fee payment
 - 2) Payment of debt incurred by smuggling fee
 - 3) Sending remittances to support my family
 - 4) Others (please specify)
 31. The qianzhuang you used was located in
 - 1) Chinatown in Manhattan, NYC

- 2) Queens
- 3) Flushing
- 4) Brooklyn
- 5) Chinatown in Philadelphia
- 6) Others (please specify)

32. So far how many qianzhuangs have you used?
33. How many times did you need to go to a qianzhuang for sending your money home per year?
34. Would you please give an estimate of the total amount of remittances you sent through qianzhuangs over the past years, or in the past year?
35. What were the proportions of the remittances sent through qianzhuangs relative to your annual income?
36. If you are still a client of a qianzhuang, what is the likelihood that you will continue to use it?
 - 1) Highly likely
 - 2) Somewhat likely
 - 3) Less likely
 - 4) Not likely

APPENDIX B

INTERVIEW SCRIPT FOR INFORMANTS WHO HAVE FIRSTHAND KNOWLEDGE OF UNDERGROUND BANKS IN THE UNITED STATES

Instructions to the interviewer:

1. Please skip the question and proceed with other questions when the interviewee feels uncomfortable with a specific question. But the interviewer should return to the omitted question and bring it up to the interviewee later whenever it is possible.
2. “Qianzhuang” (Chinese version for underground banks) is used in this interview script to show respect for the interviewees who get used to use the term.

Questions:

1. When, where, how did you hear of qianzhuang the first time?
----In case this interviewee responds that he/she received relevant information from smugglers, please continue with the following questions:
 - 1) Under what circumstances did the informant tell you about qianzhuang?
 - a. before you made the decision to go to the U.S. through smuggling;
 - b. while you were looking for smugglers;
 - c. while a smuggler was looking for recruits
 - 2) Did this informant bring up job opportunities in the U.S. and qianzhuang together?
 - 3) Did you feel you were forced to use the designated qianzhuang?
2. What made you make the decision to use a local qianzhuang?
3. Why didn't you go to a local Chinese-operated bank?
4. What do you think made the service provided by a qianzhuang different from that of a bank or a remitting agency like West Union?
5. In your opinion, is the use of qianzhuang common among your own people (meaning fellow Fujianeses who were smuggled into the U.S.)?
---- If yes, what made the service of a qianzhuang more attractive to clients?
6. Is it true that qianzhuangs only accept clients from a referral of someone they know? Are they open to all clients, known or unknown?
7. How did a qianzhuang make its service known and promoted to potential clients?

8. Would you please describe what a qianzhuang looks like? How did you feel about having transactions there?
9. What was the line of business used as cover for this qianzhuang?
10. Did/does this qianzhuang engage in other businesses aside from providing foreign exchange service and sending remittances?
11. Was this qianzhuang able to send remittances to other parts of the world in addition to mainland China?
12. Why were you willing to trust the service of a qianzhuang?
13. Was there an agreement (oral/in writing) existing between a qianzhuang and you?
14. In case each of the following conditions arise,
 - 1) Who is liable for the loss if your remittance does not arrive at the destination?
 - 2) Who is liable for the loss if only partial remittance arrives at the destination?
 - 3) Who is liable for the loss if your remittance is sent for an emergency but does not reach the recipient in a prompt manner?
 - 4) Who is responsible for the loss if the qianzhuang was shut down by police, or it was bankrupt? Can you get the money back? How?
15. How did you think of the service of qianzhuang?
16. Have you had any trouble with using the service of qianzhuang? Or, has any problem occurred during the period of time when you were one of their clients?
17. Have you had any unpleasant experience while using the service of qianzhuang?
18. Please describe in detail how a transaction took place at a qianzhuang. The following questions can be used as cues.
 - Did you need to wait in a line?
 - Was there any other client or anybody else present?
 - Did the people at the qianzhuang know you personally?
 - Did they ask you any questions aside from the amount and the destination of the remittance?
 - How was the attitude of people working for qianzhuangs in your opinion?
 - Did they give you any code in proof of your identity as the sender of remittances? Or a receipt?
 - How long did it take to complete a transaction?

19. How much did the qianzhuang charge you for the commission fee? Can you negotiate with them in each transaction? Do you think the price is fair enough?
20. Did the qianzhuang set the cap or minimum on the amount of remittances?
21. Was there any norms or rules the qianzhuang imposed on clients like you? For example, don't release their information to an outsider (meaning people other than Fujianese, or anybody who is suspicious), don't go to another qianzhuang who could be their competitors?
22. How long did it take for a qianzhuang to send remittance to mainland China? And other parts of the world?
23. How did you notify your family or other recipient that the money was on the way? How did the recipient you designated get the notice of the arrival of remittance?
24. Where and how did the receiver go to pick it up? With what proof?
25. Was the receiver allowed to decide on the type of currency of the remittance?
26. Did they charge your family for the service?
27. How did your family in China evaluate the service of the local qianzhuang?
28. Has your family used a local qianzhuang for paying smuggling fee, paying off debts you owed, or send money to you? Please describe in detail.
29. Was the remittance the only source of family income?
30. For what purposes did your family spend your remittance? The following items can be used as cues.
(clearing debts, investment, manufacturing, and nonproductive demand: sustenance need, health care, housing improvement, education, recreational activities, consumption, luxuries)
31. What changes have your remittances brought about to your family in China?
32. Please describe in detail what you know about the owner(s) of qianzhuang you used before.
 - Age, gender and education level
 - Is he/her a native Fujianese, a fellow from your hometown, or someone from other Provinces?
 - If he/her is a native Fujianese, is he/she widely known in the local community?
 - How are his/her business reputation and his/her personality?

- Is he/her a seasoned businessman/woman?
 - Does he/she have extensive overseas connections?
 - Does he/she have connections to Fujianese Associations both in Fujian and the U.S.?
 - Does he/she have connections to local Chinese Gangs, Tongs, Triads, or other criminal groups?
 - Is he/she a member of local Chinese Gangs, Tongs, Triads, or other crime groups?
 - Any other detail?
33. Have you used the Sister Ping (Cheng Chui-Ping)'s qianzhuang? If yes, please proceed with the following questions.
- What do you think of her as a fellow Fujianese?
 - What do you think of her as a business woman?
 - How do you evaluate the service provided by her qianzhuang?
 - How did her qianzhuang help you?
34. How many times did you need to go to a qianzhuang on average per year?
35. What was your major concern whenever you used the service of qianzhuang?
36. Do you think that qianzhuang played an important role in your life in the U.S.? i.e. what impact would the absence of qianzhuang have had on your life?
37. If you will not continue to use qianzhuang in near future, or you have already stopped using it, why?
38. If that is the case, where did you go/ are you going to send remittance?
- A local bank or a remitting agency like Western Union?
 - What makes you to turn to this agency?
39. Have you ever asked somebody else to bring your money back to your family in mainland China? If yes, compared to the service of qianzhuang, which method is more convenient, and safer? Why?
40. While using the service of qianzhuang, have you ever used a local bank operated by Chinese for sending remittances?
- What considerations prompted you to use services of two different financial institutions at the same time?
 - Which one did you like better? Why?
41. Was the amount of your remittance sent through qianzhuang distributed evenly in a year? If the amount varies substantially, in which month did you send a larger amount of remittances? Why?

42. Do you know anything about the relationship between local qianzhuangs in Chinatown and qianzhuangs in Fujian?
43. Fujianese immigrants living the U.S. send their hard earned money home through qianzhuang in order to improve the livelihood of their families back in China. But in some other cases, money transferred through qianzhuang may be from other avenues. Do you know something about it? Would you tell us about the detail?

APPENDIX C

THE APPROVAL FROM TEMPLE UNIVERSITY'S INSTITUTIONAL REVIEW BOARD

Principal Investigator Name: John Goldkamp
Student Principal Investigator: Linda Shuo Zhao
Principal Investigator Department: Criminal Justice
Temple IRB Protocol No: #11000
Assigned IRB: Temple Institutional Review Board
Assigned Committee: B

From: Richard C. Throm
Director, Office of Human Subjects Protection
Institutional Review Board Coordinator

Date: December 17, 2007

The Temple Institutional Review Board has carefully reviewed this protocol and it has been determined to fall under expedited review category #7. Approval has been granted, under the condition that only oral consent be used and it must be in Mandarin.

APPENDIX D

CONSENT FORM FOR INTERVIEWEES

My name is Zhao Shuo. I am a student researcher from Temple University in Philadelphia. I would like to explain to you the reason I am asking to speak with you and for your cooperation in my study. I am conducting research focusing on the how qianzhuang (underground banks in Chinese) or private banks located in Chinatown, New York City, have serve the needs of Fujianese immigrants who came to the U.S. from mainland China since the mid 1980s, and currently live in Philadelphia and NYC areas, and how the banks have affected the lives of families back in China. I will be asking you to give accounts of your experience dealing with Chinese underground banks and simply to describe your thoughts about the role of underground banks in their migration process. In addition, I would like to learn about the ways in which money sent home by Fujianese from the United States to China have affected family members back home. We are asking you to discuss these subjects with me to help us gain an understanding of the usefulness and importance of this Chinese-operated remitting system, and develop better understanding of Chinese transnational migration and Chinese immigrants' lives in the U.S.

I will be speaking with you in Mandarin. Our discussion may take about one and a half hour or two hours. I greatly appreciate your participation. As a token of appreciation for your willingness to meet with me and to discuss these topics, I will offer you an honorarium of \$20. It is not a great deal of money, but it is meant as a gesture of respect and gratitude for your assistance in my research.

I would like also to inform you that this interview is confidential. That means several things. First, I am interested only in your thoughts and experiences. I will not maintain any information that can identify you after we have finished speaking. You will be assigned an anonymous identifier and I do not need to know or to record your name or other identifying information. In addition, only I, the researcher will have access to the information you share with me and it cannot be traced back to any individual. The discussions I have with you and others who have agreed to speak with me will be used to write a research discussing the use of underground banks, your thoughts and experiences. But it will not refer to any identifiable information.

Do you understand that I am asking you to participate voluntarily and only if you choose to discuss your experiences with me? If the answer is yes, please repeat the following:

I understand that I participate voluntarily in this research project; I am not waiving any of my legal rights to privacy protection. I agree to permit Temple University

to keep, publish, or dispose of the results of this study on the condition that my identity and personal information are held in the strict confidence.

Note: This consent script will be read and explained (if it is necessary) to potential interviewees at the beginning of interviews. The interview will proceed only if the subject has agreed and has indicated that he or she understands the voluntary and confidential nature of the interview and its use.

APPENDIX E

SUPPLEMENT TO RESEARCH METHODS

The following is a supplement to the sections of “Methodology” and “Data Analysis” in Chapter Four.

Interviewing methods

The interview questions were first drafted in Chinese, pretested on four illegal immigrants, and revised based on the feedback of the pretest in order to make questions simpler and more easily understood for potential respondents.

Tape-recording was not used during the interview process for the reasons detailed in Chapter Four. Warnings provided by the researcher’s Fujianese immigrant informants left her under the impression that under no circumstances would potential research subjects open up in the presence of a tape recorder. Note-taking was used under the condition that consent was given from each respondent. Most of the respondents gave the researcher permission to take notes throughout the whole interview process. Only in a very few instances the researcher noticed facial expressions and body language of the respondents indicating that they seemed a little uncomfortable with the researcher taking notes. In order to create a comfortable environment for them to speak freely, the researcher decided to stop note taking in those instances. Because the researcher’s office was only five minutes drive from the location where most of the interviews were conducted, it was very convenient for the researcher to rush back and organize the notes after the interviews were completed. The researcher also emailed the copies of transcribed notes to two respondents who had access to computer to check if there was important detail missing or if the notes were unfaithful to their statements. These two respondents were actually astonished at the accuracy of the details of the records and confirmed the correctness.

As indicated in Chapter Four, all interviews were completed, but not all of them were able to be completed in a face-to-face manner due to the respondents’ busy work

schedule. For nearly one third of the respondents, the remainder of the interviews had to be completed by phone after the first meeting was arranged between the respondents and the researcher. The researcher was told that a phone interview was actually more convenient for them just because they were too busy to set apart a specific time for another meeting. When the researcher needed clarification with respondents, most of the conversations were also made by the phone, which was usually late at night or on a day when they were off.

Normally, each respondent was asked to answer all 43 interview questions. They did try to give detailed answers as well as they could recall, by following the probing questions raised by the researcher. The only question which did not retrieve any useful information was the last one, which concerns the possible illegitimate nature of funds transferred through underground banks. The respondents did not give an answer to that question either because some of them did not have knowledge about the subject, and others did not want to share the sensitive information with the researcher. Two respondents declined to answer the question with regard to how long they had used underground banks, and another two did not respond when asked about their arrest records.

Validity Issues

A Fujianese-dialect speaking immigrant was hired as the interviewer according to the researcher's original plan. However, he withdrew after he completed three interviews. The main complaint he made was that he had difficulties handling such "intrusive" interviews like the one used in the current research because he was afraid that the respondents would refuse to cooperate. And he felt that he was not up to the task when the researcher requested him to go back to the respondents for the purpose of retrieving richer details for some of the questions from the respondent's accounts. Later on after the researcher took over the interview and obtained her own data, a comparison of the

responses obtained from his interviews and hers did not show substantial discrepancies. Thus these three interviews were included for data analysis.

The withdrawal of the interviewer and the limited use of note-taking evidently could result in some limitations. That the Fujianese interviewer backed out and a mandarin-speaking researcher stepped in means a shift to the use of a language different from their native dialect for the respondents in the interview process. The change could hinder the natural flow of the respondents' thoughts and the way they express ideas. However, the researcher believes that the limitations can be compensated by the researcher's skillful use of interviewing techniques and the efforts to establish trust and rapport with the respondents. At least the researcher was able to obtain information with greater richness with respect to some interview questions than what was shown in the interviews made by the Fujianese speaking interviewer, suggesting that it was possible to achieve these goals. Additionally, the researcher's status as "outsider" and her rigorous social scientist training provided a vantage point making her more sensitive to some particular features or phenomena which could be overlooked by a Fujianese native. Good examples can be found in the researcher's borrowing of the terms used by Fujianese immigrants to describe themselves as "Baoshou," (conservative) to explain a common mindset when they face inquiries from a non-Fujianese, and the terms such as a "big-time dealer" or a "big player" to refer to an underground bank proprietor's influence in the community.

She also paid special attention to verify the truthfulness of the respondents' accounts from other sources and by adopting varied strategies. The researcher turned to the combined use of survey and interview so that she could cross-check the data provided by the same respondents and among different respondents. For example, a respondent told the researcher about the source of information he got about the location of underground banks and the identity of the owner, the detailed transaction process, and the

purposes of the use of underground banks. This information could be checked against what other respondents said pertaining to the same issues.

She also relied on a comparison of the findings by checking with other Fujianese immigrants who have friends, family members, or colleagues with experience of using underground banks, and the information (very limited though) revealed from scholarly works and news reports. This method, termed as triangulation, can be useful for strengthening validity and reliability of qualitative data (Lewis and Richie, 2003; Merriam, 2002). Inter-rater reliability is not applicable, thus not used in the analysis, because this is a measure of the extent of consistency in the rating among different raters or coders. The researcher was the only coder throughout the analytical process.

Data Analysis

The indexing process

Since this is the first empirical study on Chinese underground banking systems in the U.S., the list of indices were constructed to capture the major topics of interest after the research proposal and objectives were re-examined and existing literature was reviewed. The index was further refined later on based on the researcher's judgment regarding how much data could be obtained from the interviews for these purposes. The main themes were developed to address those fundamental concerns such as the identities of underground banks proprietors, and the main clientele, the purposes for the use of underground banks, and the roles of the use of underground banks in human smuggling. The index of the main themes provides a structure guiding the researcher through data collecting, sorting and synthesizing. These sets of themes are mainly descriptive categories due to the nature of the current study. Some reoccurring topics emerging from data under each theme were used as sub-themes or subheadings. For example, the research needed to sort and synthesize data relating to experience with dealing with underground banks among the respondents who came to the U.S. in different years and the change of operation style as reflected in their accounts. After this was done, the

categories of “the first generation underground banks” and “the second generation underground banks” were identified and introduced under the theme of underground bank proprietors and operators. A further examination of the content of the data would indicate that a subdivision was needed under one category, as shown in the case of “the first generation underground banks.” “Sister Ping” and “Her counterparts” were used to draw some distinctions among the first generation of underground bank proprietors and operators.

The coding procedure

The coding scheme is a useful way of condensing and organizing data at the early stage of the analytic process. This is accomplished through reading and examining the content of the transcriptions of the interviews, with theoretical perspectives and the objective of the research being kept in mind. At the same time, the researcher remained open to any unanticipated categories that emerged in the analysis. For example, the interview data pointed to a shift from the use of underground banks to the use of formal channels, which was a quite surprising finding to the researcher. As the data were very orderly structured because the collection process was guided under a framework provided by the list of indices, the coding became a relatively less cumbersome process: many of the codes were derived from the index categories. For example, under the section of “illegal immigrants’ use of underground banks,” the respondents’ accounts were classified into four categories in the coding: smuggling debt repayment, contributing to household income, observing communal rituals, and investing in village projects.

Explanatory analysis

One of the three key findings (as discussed in Chapter Seven), the declining role of underground banks in the lives of illegal immigrants, is used in this section to illustrate how analysis of data was conducted and conclusions were drawn at the highest level of abstraction, according to the discussion in the Chapter Four.

The first step involved finding the patterns of associations within the data. After the data was interrogated in regard to the use of underground banks among the respondents who came to the U.S. in different years, a noticeable pattern emerged that the older generation of illegal immigrants said they had already turned to use of the services of formal institutions like Western Union or Chinese-operated banks based in China town when it came to remittances transfer. And the new arrivals, the younger generation Fujianese illegals admitted to the same pattern of behavior. At first, this sounded very odd for the researcher in the sense that the link between illegal immigrants and the use of formal financial institutions should be untenable and thus did not fall within her expectations. When they were asked when this happened, the interviewees' accounts consistently referred to a time period around 1995. Then the researcher checked with other legal and illegal immigrants who were not her research subjects on their method of fund transfer in recent years, and their responses were strikingly consistent with what was revealed from the interview data.

The second step was to develop explanations: what caused this shift to occur? This probing question triggered a lot more information, which could also be found in the narratives of the respondents. It largely concerned their smuggling debt repayment, family reunification in the U.S., government crackdowns on human smuggling, and aggressive business promotions of Western Union in Chinatown. The researcher used inductive reasoning to generate a finding that a complex set of factors contributed to this seeming disappearance of underground banks. The researcher was quite confident at this point that this assertion was valid because the pattern persisted even after the full data set was examined. So this conclusion could be supported by more than three examples, as suggested by some qualitative researchers (Berg, 2004). However, the researcher still could not made a closing statement that Chinese underground banks no longer existed because some negative cases were discovered from the data, suggesting that the statement was prematurely drawn. This discovery led to a new round of search for associative

patterns and identifying the explanations, which constituted a basis of the key finding relating to the changing configuration of the main clientele of surviving underground banks.

Table 1. The Respondents' Demographic Characteristics (N= 30)

	Frequency	Percentage
Sex		
Male	25	83
Female	5	17
Age at the time of illegal entry		
Below 20	4	13
20-29	11	37
30-40	14	47
Above 40	1	3
Place of Origin		
Changle	18	60
Lianjiang	7	23
Liangqi	3	10
Fuzhou City	2	7
Education		
Elementary	8	27
Junior High	14	47
Senior High	7	23
College	1	3
Marital Status		
Married	24	80
Single	6	20
Residential Registration		
Urban resident	28	93
Rural resident	2	7
Number of Children		
One	7	23
Two	9	30
More than two	6	20
N/A (for Singles)	8	27
Occupation in China		
Farming/fishing	6	20
Blue-collar worker	5	17
Craftsman	6	20
Entrepreneur	3	10
School teacher	1	3
Clerical	1	3
Professional	3	10
No job	5	17

Note: Percentages are rounded.

Table 2. Information on Smuggling and the Respondents' Smuggling Loan and Debt Repayment

	Frequency	Percentage
Year of arrival		
Prior to year 1990	4	13
Year 1990-1993	21	70
Year 1994-1996	3	10
After year 2000	2	7
The first one of your family being smuggled into the U.S.		
No	6	20
Yes	24	80
Smuggling routes		
Via Central and/or South America	15	50
Via southeastern Asia, EU, Central and/or South America	11	27
Via European Unions	1	3
Directly from China to the U.S.	3	10
Ever arrested on the way to the U.S.*		
No	22	73
Yes	6	20
Ever detained by debt collectors at a safe house		
No	14	47
With a few day	13	43
more than 1 week	2	7
Half month	1	3
Smuggling fee		
\$20,000-\$29,000	19	60
\$30,000-\$39,999	10	33
\$40,000-\$70,000	2	7
Source of loan for smuggling fee		
Family, friends, & relatives	15	50
All above & 'loan shark'	10	33
All above & biaohui in Fujian†	4	13
All above & biaohui in the U.S.†	1	3

Table 2. Information on Smuggling and the Respondents' Smuggling Loan and Debt Repayment (continued)

Location of obtaining loan for smuggling fee		
All in Fujian	22	72
Partly in Fujian, partly in the U.S.	7	23
The third country	1	3
Interest rate of loan		
0%	9	30
1%	2	7
2%	18	60
4%	1	3
Location of smuggle fee payment		
Paid in lump sum in Fujian	19	63
Paid in installment in Fujian	1	3
Partly paid in Fujian, partly paid in the U.S.	8	27
The third country	2	7
Duration of debt repayment		
2 years	6	20
3 4 years	13	43
5 years	9	30
Still in debt	2	7

Note: Percentages are rounded;

* Missing data =2;

† The term used among Fujianese immigrants for “rotating credit associations.”

Table 3. Information on the Use of Underground Banks (UBs) (N=30)

	Frequency	Percentage
Number of UBs used		
1	24	80
2	6	20
Location of UB		
NYC	27	90
Philadelphia	3	10
The first year of using UB		
Prior to year 1990	1	3
1990-1993	20	67
1994-1996	6	20
After year 2000	3	10
Duration of using UB*		
1 year	2	7
2 years	11	37
3 years	9	30
4 years	3	10
More than 4 years	1	3
A couple of times	2	7
Estimated total amounts remitted per year		
Below \$5,000	6	20
Approx.\$5,000- \$9,000	2	7
Approx.\$10,000	19	63
Above \$10,000	3	10
Ever assisted others with their emigration to the U.S.		
No	12	40
Yes, through smuggling	9	30
Yes, through legal immigration	9	30

Note: *Missing data = 2; percentages are rounded

Table 4. The Respondents' Future Plans (N= 30)

	Plan to stay		Plan to leave		Not sure	
	N	Percentage	N	Percentage	N	Percentage
Current Occupation						
Restaurant	4	13	2	17	8	27
Garment factory	3	10	0	0	1	3
Construction	2	7	1	3	1	3
Own a business	5	17	1	3	0	0
Others	2	17	0	0	0	0
Length of stay in the U.S.						
Less than 5 yrs	1	3	0	0	1	3
10-15 yrs	10	33	2	17	8	27
More than 15 yrs	5	17	2	17	1	3
Current legal status						
Illegal	4	13	4	13	10	33
Legal	12	40	0	0	0	0

Note: Percentages are rounded.

Figure 4. Formal and Informal Remittances Channels for Fujianese Illegal Immigrants From the Early 1990s to the Present

Origination in the U.S.	Remittance Service Provider	Distribution in Fujian, China
		(State-controlled Chinese banks)

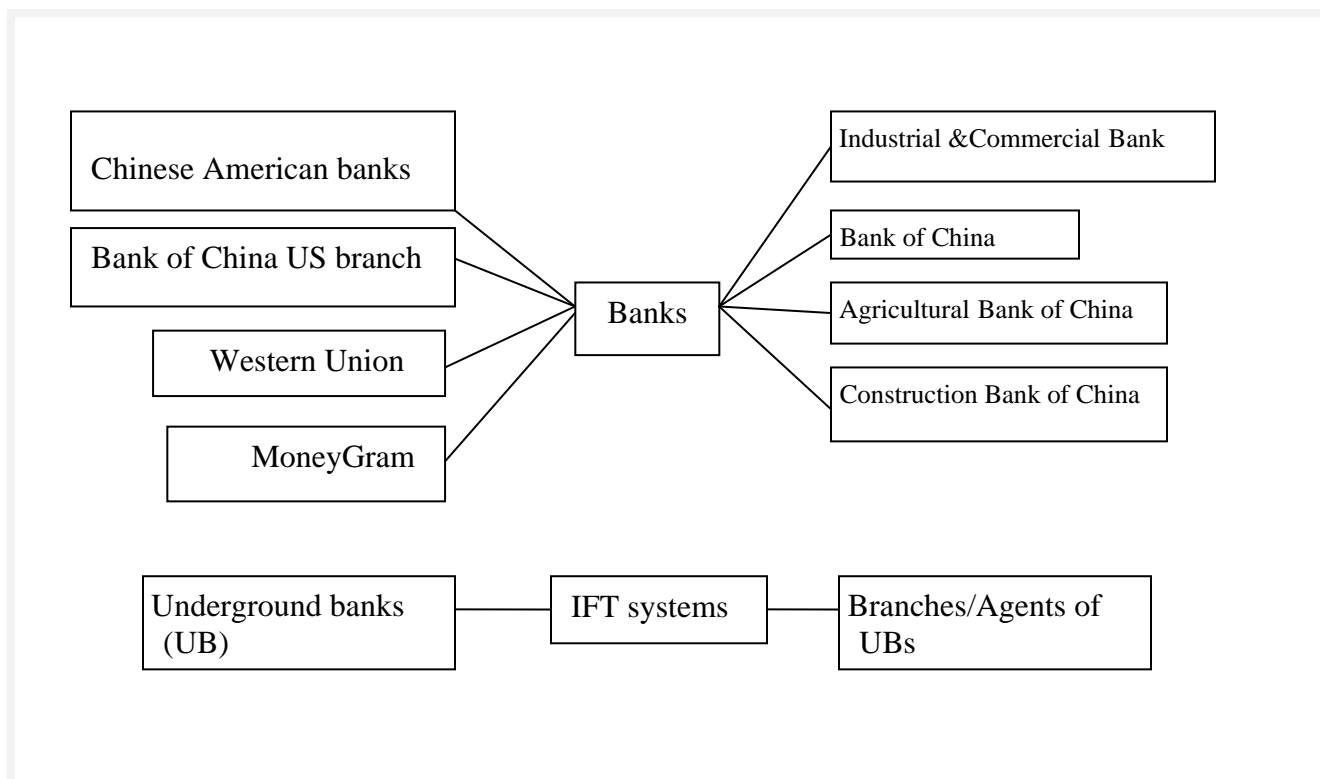


Chart 2. Comparison Among Major Remittance Transfer Mechanisms Available to Fujianese Illegal Immigrants in the U.S.

Transfer Mechanisms	Strengths	Weakness	Threats
Local banks (Chinese-operated)	<ul style="list-style-type: none"> • Insurance by Federal Reserve • Relatively significant branch network • Ample liquidity • No requirement for opening bank account or a proper ID if the amount remitted below \$2,000-3,000 • Relatively low transaction cost 	<ul style="list-style-type: none"> • Keep records of business transactions • Cumbersome paperwork • Relatively longer delivery time • Caps set on the amount remitted each transaction • Limited rural presence • Less flexible business Schedule 	<ul style="list-style-type: none"> • Under scrutiny of the authorities • Requirement for a proper ID could be re-imposed
MTO agents (Money transfer operators: Western Union & MoneyGram)	<ul style="list-style-type: none"> • Ample distribution points • Speedy delivery • No requirement for opening bank account or a proper ID if the amount remitted below \$2,000- 3,000 • Relatively low transaction cost 	<ul style="list-style-type: none"> • Keep records of business transactions • Caps set on the amount remitted each transaction 	<ul style="list-style-type: none"> • Under scrutiny of the authorities • Requirement for a proper ID could be re-imposed
Friends/relatives' accounts at banks/MTO	<ul style="list-style-type: none"> • Low cost • Identity concealed 	<ul style="list-style-type: none"> • Keep records of Business transactions • Caps set on the amount remitted each transaction • Owe "renqing" debt • Inconvenience 	<ul style="list-style-type: none"> • Under scrutiny of the authorities
Cash couriers	<ul style="list-style-type: none"> • Trust • Low cost 	<ul style="list-style-type: none"> • Inconvenience • Time of delivery • Owe "renqing" debt • Security risk • Limitations on the amount that can be carried 	<ul style="list-style-type: none"> • Customs regulations • Border control

Chart 2. Comparison Among Major Remittance Transfer Mechanisms Available to Fujianese Immigrants in the U.S. (continued)

Transfer Mechanisms	Strengths	Weakness	Threats
Underground Banks	<ul style="list-style-type: none"> • Convenience • High levels of Trust • Cultural affinity • No requirement for ID • Speedy delivery • No paperwork • No caps set on the amount remitted each transaction • Distribution points available in home communities 		<ul style="list-style-type: none"> • At risk of intervention by the authorities in both U.S. and China

Chart 3. List of Interviews: December 2007- March 2008

Sequence of Interviews	Case File Number	Interview Location	Interview Date
Respondent 1	UC/NP03/01	Philadelphia	12/19/ 2007
Respondent 2	UC92/01	Philadelphia	12/30/ 2007
Respondent 3	NUC00/01	Philadelphia	01/06/2008
Respondent 4	UC93/02	Philadelphia	01/07/2008
Respondent 5	UC91/03	NYC	01/10/2008
Respondent 6	NUC92/02	NYC	01/13/2008
Respondent 7	UC90/04	NYC	01/16/2008
Respondent 8	UC88/05	NYC	01/20/2008
Respondent 9	UC93/06	NYC	01/21/2008
Respondent 10	UC93/07	NYC	01/23/2008
Respondent 11	UC92/08	NYC	01/27/2008
Respondent 12	UC/NP04/02	Philadelphia	01/29/2008
Respondent 13	UC/NP93/03	Philadelphia	01/31/2008
Respondent 14	UC89/09	Philadelphia	02/03/2008
Respondent 15	UC/PNP91/01	Philadelphia	02/05/2008
Respondent 16	UC94/10	Philadelphia	02/10/2008
Respondent 17	UC/PNP93/02	Philadelphia	02/11/2008
Respondent 18	UC/NP95/04	Philadelphia	02/14/2008
Respondent 19	UC/NP92/05	Philadelphia	02/17/2008
Respondent 20	UC/NP02/06	Philadelphia	02/19/2008
Respondent 21	UC92/11	Philadelphia	02/21/2008
Respondent 22	UC92/12	Philadelphia	02/24/2008
Respondent 23	UC92/13	NYC	02/25/2008
Respondent 24	UC93/14	Philadelphia	02/27/2008
Respondent 25	UC/NP05/01	Philadelphia	03/02/2008
Respondent 26	NUC95/04	Philadelphia	03/04/2008
Respondent 27	NUC97/05	Philadelphia	03/09/2008
Respondent 28	NUC93/06	Philadelphia	03/11/2008
Respondent 29	UC/NP89/07	Philadelphia	03/13/2008
Respondent 30	UC91/16	Philadelphia	03/16/2008