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Guanxi and Regulation in Networks: The Yunnanese Jade Trade between Burma and Thailand, 1962–88

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The article investigates the operation of the jade trading networks from Burma to Thailand during the period of the Burmese socialist regime. The trade, a significant ethnic enterprise undertaken by Yunnanese migrants, has relied on transnational networks that deal with different political and economic systems beyond the jurisdiction of the state. The network approach is used to analyse the intertwining of guanxi *formation and regulatory observance.*

This article analyses the Yunnanese jade-trade networks operating between Burma and Thailand from 1962–88, the period of the Burmese socialist regime. A period of isolation for Burmese society, it was also the time when Kuomintang (KMT or Nationalist) Yunnanese armies, an ethnic militia entrenched along the border with northern Thailand, played a significant role in the cross-border trade between the two countries.[1] During this time Burma's closed economic system and the development of informal trade controlled by the KMT group and other ethnic militias on both sides of the border were closely related.

As a theoretical framework the article adopts the network approach (broadly applied in social science for analysis of human connectivity within and across specific cultural areas) and makes a comparison of this approach with Chinese *guanxi* (connections or relationships) studies, which have been applied specifically and almost exclusively to Chinese societies. In line with recent scholarship, the analysis here considers *guanxi* studies as a part of the network-oriented approach. The former tends to draw on personalistic principles and focuses on ego-centred links for analysis, the parts often being treated more thoroughly than the whole. The network approach, on the other hand,

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I conducted the field research for this article over a period of four and a half months in 2000 and 2002, while working as a post-doctoral fellow at the Institute of Ethnology, Academia Sinica. The writing-up of the paper was primarily done in the Southeast Asia Program at Cornell University, where I spent ten months as a Fulbright Visiting Fellow; I am very grateful to both the Fulbright Scholar Program and the Cornell Southeast Asia Program for offering me this wonderful opportunity. I am also greatly indebted to Andrew Walker and Bruce Lockhart for providing me with invaluable critiques during the course of revision. Any remaining mistakes are, however, my own responsibility.

1 Wen-Chin Chang, 'The Kuomintang Yunnanese Chinese of northern Thailand', in *The dynamics of emerging ethnicities: Immigrant and indigenous ethnogenesis in confrontation*, ed. Johan Leman (Frankfurt am Main: Peter Lang, 1998), pp. 35–55; Chang, 'From war refugees to immigrants: The case of the KMT Yunnanese Chinese in northern Thailand', *International Migration Review*, 35, 4 (2001): 123–46.

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draws on an open-ended framework and includes different levels of connection, both personal and organisational.[2] This approach informs my critique of the inadequacy of the cultural perspective often applied to *guanxi* analysis, which leans toward an essentialised view and treats these relationships as a deep psychological proclivity among the Chinese, something 'unchanged through time and space'.[3] Such a perspective is inclined to elaborate on certain cultural values like trust, loyalty and familism for explanations of behaviour conformity and reciprocal acts, while overlooking the aspects of power struggle and strategic application which are important facets of network formation.

The article begins with a discussion of the study's theoretical premises then provides a historical background of the trans-border trade between Burma and Thailand before examining how these trading networks operated with the support of self-regulation. While analysing the pristine cultural values and *guanxi* discourses referred to by the research subjects, the analysis will look into the embedded regulatory practices to bring out the very means applied by the people for resolution of power conflicts. It is argued that the continuity of the trade is guaranteed not by the traditional values of trust or familism, but by the regulatory practices defined here as non-state regulations. The study will show the complexity and dynamism of informal trans-border trade while reflecting on network theories in general and Chinese *guanxi* studies in particular.

The network approach

Interest in network studies among social scientists dates back to the 1950s, but this methodology only really gained prominence in the 1970s, and did not evolve into a recognised approach until the 1980s.[4] As J. Clyde Mitchell points out, network studies emerged in response to a growing dissatisfaction with structural-functional theory in anthropology. While the latter was very useful when applied to 'small-scale localised societies', as it provided a 'coherent and systematic framework into which nearly all the daily activities of people and their relationships with one another could be fitted', fieldworkers found it inadequate when applied to complex societies, especially when it came to the issues of power relations, cleavages and coalitions.[5] John A. Barnes was the first to analytically apply the notion of social network, in his research on a Norwegian island parish. He not only described the development of observed connections, but also explained how the production of social links centred on the notion of equality exerts influence upon the behaviour of network members, thus constituting an order of social

2 Barry Wellman *et al.*, 'Networking *guanxi*', in *Social connections in China: Institutions, culture, and the changing nature of guanxi*, ed. Thomas Gold *et al.* (Cambridge: Cambridge University Press, 2002), pp. 221–42.

3 Thomas Gold *et al.*, 'An introduction to the study of *guanxi*', in Gold *et al.* ed., *Social connections in China*, p. 3.

4 N. E. Whitten and E. M. Wolfe, 'Network analysis', in *Handbook of social and cultural anthropology*, ed. John Joseph Honigmann (Chicago: Rand McNally, 1973), p. 717; J. Clyde Mitchell, 'Social networks', *Annual Review of Anthropology*, 3 (1974): 279–99; Nitin Nohria and Robert G. Eccles, *Networks and organizations: Structure, form and action* (Boston: Harvard Business School Press, 1992), p. 1; Walter W. Powell and Laurel Smith-Doerr, 'Networks and economic life', in *The handbook of economic sociology*, ed. Neil J. Smelser and Richard Swedberg (Princeton: Princeton University Press, 1994), p. 368.

5 J. Clyde Mitchell, 'The concept and use of social networks', in *Social networks in urban situations: Analyses of personal relationships in Central African towns*, ed. J. Clyde Mitchell (Manchester: Manchester University Press, 1969), p. 9.

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relationships. This method gradually led to the advance of *role theory* in network studies, stressing the integration of value systems into networks for behaviour conformity.[6]

Exchange theory forms a second prominent branch in network analysis. It focuses on reciprocal relations during the process of exchange (be they people, goods or services) and aims at illuminating the symbolic meanings underlying exchange activities. This theory highlights the redistribution of social resources due to the flow of exchanged objects among nexus members or alliance groups. The notion of reciprocity and other relevant ideas are derived from works of earlier anthropologists, such as Marcel Mauss, Blonislaw Malinowski and Raymond Firth.[7] Later, Claude Lévi-Strauss's work on structuralism, centred on the scheme of dyadic opposition, provided further insight into exchange theory.[8]

Finally, a third path for network studies comes from *action theory*. As Abner Cohen points out, this theoretical orientation sees social life as a game involving endless 'scheming, struggling, and making decisions'. The central concern lies in the issues of tension, power struggles and the strategic application of any structured relations. Individual agency for the pursuit of power is particularly emphasised.[9]

Although conceptually speaking we may broadly distinguish these three schools of thought within the network approach, in practice researchers often integrate them to present the different aspects of the process of network production and operation. The approach is thus very dynamic and 'provides a convenient, efficient, and most importantly productive way of penetrating to the heart of various social orders'. In recent developments, we especially see its application in research on the formation of political parties and transnational corporations, the flow of information and resources and the shifts of power relations in political and economic arenas.[10]

In addition, the role of networks has also been a main theme in migration studies, as it is recognised that networks link up individual actors at the micro-level and diverse

6 John A. Barnes, 'Class and committees in a Norwegian island parish', *Human Relations*, 7, 1 (1954): 39–58. Other examples include Peter C. W. Gutkind, 'African urbanism: Mobility and social network', *International Journal of Comparative Sociology*, 6, 1 (1965): 48–60; Jeremy Boissevain, 'The place of non-groups in the social sciences', *Man*, 3, 4 (1968): 542–56; and Johan Leman, *From challenging culture to challenged culture: The Sicilian cultural code and the socio-cultural praxis of Sicilian immigrants in Belgium* (Leuven, Belgium: Leuven University Press, 1987).

7 Raymond T. Firth, *Elements of social organization* (New York: Philosophical Library, 1951); Marcel Mauss, *The gift: Forms and functions of exchange in archaic society*, tr. Ian Cunnison (Glencoe, IL: Free Press, 1954); Bronislaw Malinowski, *The Argonauts of the western Pacific: An account of native enterprise and adventure in the archipelagoes of Melanesian New Guinea* (New York: E. P. Dutton, 1961).

8 Claude Lévi-Strauss, *The elementary structures of kinship*, tr. J. H. Bell *et al.* (Boston: Beacon Press, 1969); Lévi-Strauss, *Structural anthropology I*, tr. Claire Jacobson and Brooke Grundfest Schoepf (London: Allen Lane/Penguin Press, 1969).

9 Abner Cohen, 'Political anthropology: The analysis of the symbolism of power relations', *Man*, 4, 2 (1969): 223. Representative writings include R. W. Nicholas, 'Factions: A comparative analysis', in *Political systems and the distribution of power*, ed. Michael Banton (New York: Praeger, 1965), pp. 21–61; Norman B. Schwartz, 'Goal attainment through factionalism: A Guatemalan case', *American Anthropologist*, 71, 6 (1969): 1088–108; and *The political consequences of social networks*, ed. Gwen Moore and J. Allen Whitt (Greenwich, CT: JAI Press, 1992).

10 Whitten and Wolfe, 'Network analysis', pp. 732–5 discuss the integration of the three theories; the quotation is from p. 740. For application of the network approach in political and economic undertakings see, for example, Powell and Smith-Doerr, 'Networks and economic life' and *Social structures: A network approach*, ed. Barry Wellman and S. D. Berkowitz (Cambridge: Cambridge University Press, 1988).

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inter-state factors at the macro-level.[11] Through network connections, individual migrants expand their worlds beyond local communities to national or even trans-national spheres. Simply put, the approach allows for a measure of flexibility and can be applied to networks of different sizes at many social levels. It is not limited by boundaries and traces 'the social relationships of persons or institutions, whomever these relation-ships are with and wherever they go'.[12] Its resilience and fluidity are particularly useful for investigating both transnational and transcultural nexuses.

For the present case study on trans-border trade handled primarily by migrant Yunnanese across different countries with dependence on their webs of ties, the network approach provides the best theoretical access to unravel their operations. The trading networks studied here were composed of three nodes at both personally and institution-ally based levels, which interacted with local communities as well as state apparatuses. The personally based node, made up of the trading partners themselves, was mainly founded on kinship relations. Two institutionally based nodes were constituted by the caravan and jade companies, with their military and monetary connections to initiate and enforce trading regulations (especially in the case of the jade companies). By apply-ing this approach, the analysis will try to elucidate the various aspects of social life during the trading process with the linkages of value systems, reciprocal actions and strategies for conflict resolution.

Furthermore, as the study concerns Chinese social connections, it is natural to make a comparison of the network approach to *guanxi* studies in order to examine their relevance and compatibility. Most *guanxi* studies apply a cultural perspective, explaining Chinese people's relatedness in terms of the ethical framework of Confucianism. Earlier scholars in the humanities emphasised Chinese society as relation-oriented in that all human actions are seen as interactions between man and man, and perceived Chinese social structure as founded on a 'differential mode of association' (*chaxugeju* 差序格局) among dyadic links.[13] In other words, the formation of *guanxi* has been considered as the essential basis of the Chinese social structure, and the phenomenon of *guanxi* is tagged as uniquely Chinese. The five cardinal relationships (*wulun* 五倫) given in the Confucian classic *Zhongyong* (中庸, *The doctrine of the mean*) – the relationships between monarch and subject, father and son, husband and wife, elder and younger, and friends – are considered as what the famous anthropologist Fei Hsiao-tung called the 'passages to the

11 See, for example, James T. Fawcett and Benjamin V. Carino, 'Explaining diversity: Asia and Pacific immigration systems', in *Pacific bridges: The new immigration from Asia and the Pacific Islands*, ed. James T. Fawcett and Benjamin V. Carino (New York: Center for Migration Studies, 1987), p. 23; Mary M. Kritz and Hania Zlotnik, 'Global interactions: Migration systems, processes, and policies', in *International migration systems: A global approach*, ed. Mary M. Kritz *et al.* (Oxford: Clarendon Press, 1992), p. 6; and Larissa Adlerde Lomnitz, *Networks and marginality: Life in a Mexican shanty-town* (New York: Academic Press, 1977), p. 38.

12 Wellman *et al.*, 'Networking *guanxi*', p. 225.

13 Liang Shuming, *Zhongguo wenhua yaoyi* [The essential features of Chinese culture] (Taibei: Cheng Zhung Book Co., 1989 reprint), p. 111 (relation-oriented) and Hu Shi, *Zhexueshi dagang* [An outline of the history of (Chinese) philosophy] (Shanghai: Commercial Press, 1919), p. 116 (interaction). The differen-tial mode is discussed in Fei Xiaotong (Fei Hsiao-tung), *From the soil: The foundation of Chinese society*, tr. Gary G. Hamilton and Wang Zheng (Berkeley: University of California Press, 1992). Fei uses the metaphor of concentric circles of ripples to describe each person's network of ties; each ring represents a circle of differentially categorised social connections to the centre, i.e., the individual (pp. 60–70).

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world'.[14] However, this is a Confucian essentialist view of Chinese society, one that advocates a philosophy of 'self-centred voluntarism' with stress on the moral cultivation of each individual in order to enhance human benevolence (*ren* 仁) and reciprocity (*shu* 恕).[15] The concept of the individual as discussed in this framework is confined to a moral person at the idealistic level, divorced from reality.

Ethnic Chinese have played a major role in the boom experienced by the Southeast Asian economy since the second half of the 1980s; at the same time, the launch of economic reform in China encouraged large numbers of overseas Chinese to invest in the country. In the face of this thriving phenomenon, social researchers have been inspired to study Chinese business networks. Most specific case studies repeat the essentialised cultural perspective developed by earlier scholars, attributing the success of Chinese transnational enterprises to their networks – believed to be based on traditional/Confucian values of familism, trust, loyalty, reciprocity and harmony.[16] Such interpretations essentialise ties of *guanxi* while overlooking relevant economic and political factors. They are also inclined to emphasise the positive aspect of connections among ethnic Chinese and neglect the power struggles that contradict those traditional values.[17] This cultural perspective is related to the role and exchange theories mentioned above, with a primary focus on cultural norms and values that distinguish behaviour conformity and reciprocal exchanges, yet it leaves out the aspect of action-manoeuvring.

In contrast to the generalising cultural view, Mayfair Yang's study of *guanxi* practices in China since the 1980s, based on long-term fieldwork, has provided insight into the production of *guanxi* in everyday activities. It deals with the gift economy and incorporates social, economic and political contexts into the investigation. Furthermore, Yang points out the emergence of an unofficial order – known in Chinese as *minjian*, 'popular realm' – which is generated through infinite weaving and spreading of personal connections and group formations; it forms an oppositional power reacting against the state bureaucracy. Nevertheless, Yang's discussion of group interactions still remains marginal.[18]

14 Ibid., p. 67.

15 Ambrose Y. C. King, 'The individual and group in Confucianism: A relational perspective', in *Individualism and holism: Studies in Confucian and Taoist values*, ed. Donald J. Munvo (Ann Arbor: University of Michigan Center for Chinese Studies, 1985), p. 57; see also King, '*Kuan-hsi* and network building: A sociological interpretation', *Daedalus*, 120, 2 (1991): 63–84.

16 Examples of this approach include Victor Simpao Limlingan, *The overseas Chinese in ASEAN: Business strategies and management practices* (Manila: Vita Development Corporation, 1986); S. Gordon Redding, *The spirit of Chinese capitalism* (Berlin: de Gruyter, 1990); and Francis Fukuyama, *Trust: The social virtues and the creation of prosperity* (London: Hamish Hamilton, 1995).

17 For critiques of the cultural perspective, see Donald M. Nonini and Aihwa Ong, 'Introduction: Chinese transnationalism as an alternative modernity', in *Ungrounded empires: The cultural politics of modern Chinese transnationalism*, ed. Donald M. Nonini and Aihwa Ong (New York: Routledge, 1997), pp. 3–38; Ong, *Flexible citizenship: The cultural logics of transnationality* (Durham: Duke University Press, 1999); *Chinese business networks: State, economy and culture*, ed. Kwok Bun Chan (Singapore: Prentice Hall, Pearson Education Asia, 2000); *Chinese business in Southeast Asia: Contesting cultural explanations, researching entrepreneurship*, ed. Edmund Terence Gomez and Hsin-Huang Michael Hsiao (Richmond, Surrey: Curzon, 2001); and Gold *et al.* ed., *Social connections in China*.

18 Mayfair Yang, *Gifts, favors, and banquets: The art of social relationships in China* (Ithaca: Cornell University Press, 1994). Two other anthropological works on the same topic are Yunxiang Yan, *The flow of gifts: Reciprocity and social networks in a Chinese village* (Stanford: Stanford University Press, 1996) and Andrew B. Kipnis, *Producing* guanxi*: Sentiment, self, and subculture in a North China village* (Durham: Duke University Press, 1997). Both focus on Chinese personal connections in rural areas while adopting different theoretical orientations.

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The books written and edited by Aihwa Ong and Donald Nonini also represent a significant contribution to Chinese network studies. While arguing against the cultural essentialist view, they develop a perceptive theoretical framework based on cultural logic and political economy in the context of postmodern globalisation and late capitalism. Many of their analytic concepts are particularly inspiring, such as flexible citizenship, internal Orientalism, deterritorialised Chinese subjectivity and Chinese transnationalism. Their discussion of the reappropriation of Confucianism as an ethos of the moral economy by entrepreneurs as well as several Asian states further highlights the underlying manipulation of paternal power that results in what the authors term 'alternative modernity'. The books include several case studies, but these do not fully reflect the ambition of the authors' theoretical framework, for they are either small scale (e.g., cases of families or overseas Chinese students) or confined to certain localities. We see very little analysis of transnational networks that consist of different nodes or interlock with other institutions in response to different policies applied under varied political economies. This problem may be attributed to the difficulties of gaining in-depth data when conducting network research, as other authors have acknowledged.[19]

To sum up, studies on Chinese social connections are generally limited to personally based interactions: *guanxi* are essentially interpreted as relationships between persons without attention to their contacts with institutions or to relationships between the institutions themselves.[20] Is this attributable to the ambiguity of the conception of *qun* (群, group) in the Chinese mind as revealed in Confucian philosophy, or is Chinese society egocentric compared to the group-based Western society, as some scholars contend?[21] Are Chinese trust relationships only founded on kinship ties? How do Chinese people go beyond the circle of kith and kin? Is there a social mechanism, overlooked by most scholars in the past, that helps bridge the gap between individuals and strangers/groups and enhances their interactions? If a cultural perspective centred on traditional values and norms is insufficient in explaining network production, then what is the alternative?

The present case study, based on in-depth data collected from long-term fieldwork, plans to tackle these questions by applying the network approach.[22] The article not only seeks to describe the Yunnanese jade trade networks, but also further analyses the regulatory practices, an aspect mostly untouched in studies of Chinese connections. I argue that it is not the traditional values of trust or benevolence or familism, etc. that concretise

19 See Ong and Nonin ed., *Ungrounded empire* and Ong, *Flexible citizenship*. The problems of data collection are mentioned, for example, in Kwok ed., *Chinese business networks* and Gomez and Hsiao ed., *Chinese business in Southeast Asia*.

20 In an earlier paper written by Qiao Jian, the definition of *guanxi* already includes the relationships between persons and persons, persons and institutions, and among institutions; Qiao Jian (Chiao Chien), 'Guanxi chuyi' [A preliminary discussion of *guanxi*], in *Shehui ji xingwei kexue yanjiu de Zhongguohua/The Sinicization of social and behavioral science research in China*, ed. Kuo-Shu Yang and Chung-I Wen (Taibei: Institute of Ethnology, Academia Sinica, 1982), pp. 345–60. However, its discussion only focuses on personal particularistic ties; later researchers have followed the same direction.

21 See, for example, Fei, *From the soil*; Fukuyama, *Trust* and King, 'Individual and group'.

22 I began my anthropological fieldwork among the Yunnanese migrants in northern Thailand at the end of 1994, focusing on their migration history and process of resettlement. Since 2000, I have extended my interest to the jade trade and conducted fieldwork in upper Burma as well. Based on friendships gradually built up with my informants, I was able to expand my study of their networks to different places in Thailand, Burma and Taiwan, and to obtain a good knowledge of the trade.

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network operation, although they do play a role. Instead, it is the underlying regulations of the trading networks that help the institutions of the trade constitute a social scheme to bridge individuals with unfamiliar people and groups. Simply put, it is the regulatory practices that support the network operations and have the effect of sustaining reciprocal actions, role conformity and conflict resolution.

Historical background

Burma has historically served as a 'back door' to Yunnan, providing a sanctuary for political refugees and economic opportunities for explorers from the province. Beginning in 1949, unprecedented numbers of Yunnanese refugees arrived in Burma to escape communist persecution. Some of them organised into KMT guerrilla forces based in Burma's Shan State and launched repeated guerrilla attacks back into Yunnan during the 1950s.[23] The group maintained a political affiliation with the KMT government in Taiwan and received material supplies from it. However, in the face of international pressure over this encroachment of Burmese territorial integrity and sovereignty, the guerrilla forces were compelled to disband. Some soldiers were evacuated to Taiwan, but significant numbers of stragglers stayed on in Burma or fled into Thailand and Laos. Among the remnant troops, the Third and Fifth Armies – totalling around 3,200 – were able to maintain their military organisation under the leadership of Generals Li Wenhuan and Duan Xiwen.[24] The major part of the two armies entered northern Thailand in the early 1960s and obtained tacit permission to stay in the border areas of Chiang Mai and Chiang Rai provinces. The goodwill of the Thai government was due primarily to the Yunnanese forces' anti-communist ideology; their encampment along the border together with several other rebellious ethnic minorities from Burma was perceived as a buffer against possible penetration of Thai territory by Burmese communists.[25]

In Burma, Ne Win seized the reins of power through a military coup in 1962. He then announced the 'Burmese Way to Socialism' as the guiding ideology of the new

23 By the sixteenth century, the number of Yunnanese Chinese settled in northern Burma had become significant; Laichen Sun, 'Ming-Southeast Asian overland interactions, 1368–1644' (Ph.D. diss., University of Michigan, 2000), p. 207. In another article I apply the genre of life stories connected to a long historical perspective to discuss the migration culture of Yunnanese traders from Tengchong, an important border entrepôt for centuries; Wen-Chin Chang, 'Three Yunnanese jade traders from Tengchong', *Kolor: Journal on moving communities*, 3, 1 (2003): 15–34.

24 See Union of Burma Ministry of Information, *The Kuomintang aggression against Burma* (Rangoon: Ministry of Information, 1953); Republic of China Ministry of Defence, *Dianmian bianqu youji zhanshi* [History of guerrilla wars in the Sino-Burmese border areas] (Taibei: Guofangbu Shizhen Bianyiju, 1964); Kenneth Ray Young, 'Nationalist Chinese troops in Burma: Obstacle in Burma's foreign relations, 1949–1961' (Ph.D. diss., New York University, 1970); Wen-Chin Chang, 'Beyond the military: The complex migration and resettlement of the KMT Yunnanese Chinese in northern Thailand' (Ph.D. diss., Katholieke Universiteit Leuven, 1999); and Chang, 'Identification of leadership among the KMT Yunnanese Chinese in northern Thailand', *Journal of Southeast Asian Studies*, 33, 1 (2002): 123–45.

25 Robert H. Taylor, *Foreign and domestic consequences of the KMT intervention in Burma* (Ithaca: Cornell Southeast Asia Program Data Paper, 1973), pp. 33–5; Richard Nations, 'Politics and the poppy', *Far Eastern Economic Review* [henceforth *FEER*], 15 Apr. 1977, pp. 24–5. Apart from a common political ideology, a secondary reason for the Thai government's attitude was economic cooperation between several high-ranking Thai officers and the KMT on drug trafficking; see Alfred W. McCoy, *The politics of heroin: CIA complicity in the global drug trade* (New York: Lawrence Hill Books, 1991), pp. 162–78 and Bertil Lintner, *Burma in revolt: Opium and insurgency since 1948* (Bangkok: White Lotus, 1994), pp. 116–18.

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regime, and implemented a series of economic measures to nationalise trade and industry. Gross mismanagement, lack of infrastructure and policy mistakes quickly resulted in economic recession and drastic shortages of essential everyday goods.[26] Consequently, the consumption demands of Burmese society were met by the black market linked to the underground border trade. Natural resources and raw materials such as rice, teak, cattle, antiques, hides, ivory, opium and jade stones were smuggled out to neighbouring countries from the areas controlled by rebel groups, and in return daily consumer items and weaponry were smuggled into Burma; mule caravans transported most goods.[27] Ethnic militias imposed taxes on the contraband and used the money for meeting their expenses. Thailand, a market-oriented country, was the major partner in illegal trade with Burma; more than half of all smuggled goods were imported from there.[28]

As a result of the political and economic changes in Burma, a great number of Chinese and Indian residents were pushed out of the country. The KMT troops in northern Thailand were engaged in establishing villages for the resettlement of their dependants and other refugees from Upper Burma, where most ethnic Chinese were Yunnanese. (In Lower Burma, by contrast, the Chinese population was mainly from Guangdong and Fujian.) These communities, often known as KMT villages, served as havens for the continuous inflows of Yunnanese in the initial stage after the coup (as they continue to do today).[29] Some of the refugees were descendants of Yunnanese traders who had lived in Burma for many generations, while others were migrants forced to flee Yunnan after the communist takeover.

The KMT armies were engaged in drug trafficking across the Thai–Burmese border. Li and Duan stationed part of their forces in a series of posts in the Shan State to facilitate the transportation of opium in mule caravans.[30] The troops also escorted traders and their goods back and forth between the two countries, and other groups that passed through their spheres of influence had to pay taxes. According to informants, throughout the 1960s and 1970s – the heyday of the two armies – Yunnanese traders and a large number of other refugees located on both sides of the border had to depend on the soldiers not only for the conveyance of goods, but also for the flow of people and information between the two countries.[31] In effect, the KMT forces formed a patron-client relationship with the widely dispersed Yunnanese.

26 See Mya Than and Joseph L. H. Tan, 'Introduction: Optimism for Myanmar's economic transition in the 1990s?', in *Myanmar dilemmas and options: The challenge of economic transition in the 1990s*, ed. Mya Than and Joseph L. H. Tan (Singapore: ASEAN Economic Research Unit, Institute of Southeast Asian Studies, 1990), pp. 9, 12; Martin J. Smith, *Burma: Insurgency and the politics of ethnicity* (London: Zed Books, 1993), pp. 24–6; and Bertil Lintner, *Burma in revolt*, pp. 178–9.
27 Smith, *Burma: Insurgency*, p. 25; Chen Wen, *Kunsa Jinsanjiao chuanqi* [Khun Sa: stories of the Golden Triangle] (Taibei: Yunchen Wenhua, 1996), p. 144.
28 The major Thai border towns/points involved in the flow of smuggled goods between Thailand and Burma were Mae Sai (Chiang Rai Province), Arunotai (Chiang Mai), Piang Luang (Chiang Mai), Rakthai (Mae Hong Son), Wang Kha (Tak), Mae Sot (Tak) and Ranong (Ranong). The other countries that had informal trade with Burma included Malaysia, Singapore, China, India, Bangladesh, Indonesia and Laos; Mya Than, *Myanmar's external trade: An overview in the Southeast Asian context* (Singapore: ASEAN Economic Research Unit, Institute of Southeast Asian Studies, 1996), p. 57.
29 See Chang, 'Beyond the military', ch. 6.
30 Chao Tzang Yawnghwe, *The Shan of Burma: Memories of a Shan exile* (Singapore: Institute of Southeast Asian Studies, 1990), pp. 124, 149.
31 Such close interactions between Yunnanese traders and the KMT forces, however, tend to be ignored by researchers; see, for example, Ann Maxwell Hill, *Merchants and migrants: Ethnicity and trade among Yunnanese Chinese in Southeast Asia* (New Haven: Yale Southeast Asia Studies Monograph, 1998), p. 18.

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According to the World Bank, the illicit trade in Burma accounted for about 40 per cent of the national economy during the socialist regime, but the actual figure may have been almost 80 per cent.[32] While such trading was 'an open sore on the surface of the country's state-controlled economy' (as one reporter put it) and deprived the government of a huge amount of tax income and foreign exchange, in effect it became the country's 'economic lifeline' to its neighbours.[33] Simply put, the black market has been a by-product of the country's repressive economic policy, and in practice has functioned as the engine of Burmese society.[34]

Since the opening of Burma to the outside world in 1989, researchers have been able to better investigate the ongoing changes in its society. Nevertheless, more work on the socialist period is needed. There are no in-depth studies illustrating the actual operation of the underground trade in different types of commodities, except for work on drug trafficking. Although these publications on the narcotics trade illuminate the complex power structures intertwining the ethnic militias and state authorities, they have also created a stereotypical image of a lawless region and have 'criminalised' the perception of unofficial transnational trade in general.[35] Public condemnation of the narcotics trade oversimplifies the moral questions at stake in the informal cross-border economy and distracts us from a deeper reflection on the existence of a parallel system of unofficial 'rules of law' next to the official one, along with the local people's connection to this system in their everyday life.[36]

The embedded regulatory practices defined here as non-state regulations were used to facilitate the trade in the face of restrictive trading environments. In contrast to the trading laws issued and implemented by the state legal system, these non-state regulations were unwritten rules, developed through tacit agreement among trading parties. Their implementation was enforced by one institutional node of the trading networks in particular: the jade companies located in Thailand and supported by their military and monetary connections. These companies were lawful corporations that provided the services to legalise imported Burmese jade and arrange transactions between sellers and buyers, thus playing a significant role in the initiation and supervision of trading

32 Bertil Lintner, 'All the wrong moves', *FEER*, 27 Oct. 1988, p. 83; Mya Than, *Myanmar's external trade*, p. 3; the lower figure is from Smith, *Burma: Insurgency*, p. 25.

33 The 'open sore' quotation is from Philip Schmucker, 'Isolated socialism in tatters', *Inter Press Service*, 3 Oct. 1987; the 'economic lifeline' remark is in Jonathan Sikes, 'Ox cart smugglers have gone from Three Pagodas Pass: Thai army severs Burma's economic lifeline', *Toronto Star*, 11 Sept. 1988. See also Chao-Tzang Yawnghwe, 'The politics and the informal economy of the opium-heroin trade: Impact and implications for Shan State of Burma', in *Religion, culture and political economy in Burma*, ed. Bruce Matthews (Vancouver: Proceedings of the Fifth Annual Conference of the Northwest Consortium for Southeast Asian Studies, University of British Columbia, 1993), p. 31.

34 Josef Silverstein, *Burma: Military rule and the politics of stagnation* (Ithaca: Cornell University Press, 1977), pp. 33, 41, 156; Albert D. Moscotti, ' Current Burmese and Southeast Asian relations', *Southeast Asian affairs 1978* (Singapore: Institute of Southeast Asian Studies, 1978), pp. 83–94.

35 See, for example, Catherine Lamour and Michel R. Lamberti, *The second opium war*, tr. Peter and Betty Ross (London: Lane, 1974); André and Louis Boucaus, *Burma's Golden Triangle: On the trail of the opium warlords* (Bangkok: Asia Books, 1992); and Carl Trocki, *Empire and the global political economy: A study of the Asian opium trade* (New York: Routledge, 1999).

36 See also Yawnghwe, 'Politics and the informal economy', p. 32.

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regulations.[37] In effect, the jade trading networks formed a regime of non-state regulations which, on the one hand, constituted an informal power in opposition to the state power but, on the other, was integrated with the state apparatuses of both Burma and Thailand in order to operate.[38]

Jade trading networks and regulations

Burmese jade (or, more specifically, jadeite) deposits are located in the Kachin State of upper Burma, especially the alluvial area of the Uru River, e.g., in Tawmao, Hpakan, Hweka and Mamon. This area contains the highest-quality jadeite in the world.[39] According to Khin Maung Nyunt, the use of Burmese jade may have begun during the Pyu period (third to eighth centuries CE), but large-scale extraction was not undertaken until the second half of the eighteenth century, when great numbers of Yunnanese miners and jade traders flowed into the mining areas.[40]

Historically, Burmese jadeite was transported to China via Yunnan by means of the caravan trade, probably beginning around the Ming period (1368–1644). By the end of the dynasty, the volume of imported Burmese jade had increased, and it remained high during the Qing Dynasty (1644–1911). By the end of the Qing, with a relaxation of restrictions on coastal trade, many of the high-quality precious stones were being shipped from Burma to the ports of Guangzhou, Hongkong and Shanghai, while those of medium quality were imported overland by caravan via Yunnan.[41] After the

37 To a certain extent, drug smuggling and the jade trade between Burma and Thailand were intertwined. Some traders were involved with both commodities, using the latter as a means to laundry money gained from the former; Richard W. Hughes, 'Conspiracy theory: Gems & junkies in Burma', *The Guide*, 20, 4 (2001): 8–14.

38 The term 'non-state' is analogous to Mayfair Yang's usage of '*minjian*' (民間) in her *Gifts, favors, and banquets*. The term denotes the people's realm, separate from the state bureaucracy. Yang refers to Elemér Hankiss's usage of the term 'second society', which is in contrast to the 'first' or official society; Elemér Hankiss, 'The second society: Is there an alternative social model emerging in contemporary Hungary?', *Social Research*, 55, 1 (1988): 13–42. The 'first' society is characterised by eight features: '(1) vertical organisation, (2) downward flow of power, (3) state ownership, (4) centralisation, (5) politicisation of culture, (6) official ideology, (7) visibility, and (8) official legitimacy' (Yang, p. 288). Conversely, the 'second society' is devoid of these features. The term 'non-state' is more appropriate than '*minjian*' or 'second society' for this article as it deals with cross-border activities, whereas the other two terms refer to practices within specific nation-states (China and Hungary respectively).

39 In terms of economic value and aesthetic appeal, jadeite is usually more appreciated than nephrite (the other kind of jade) for its rarity, finer translucency and more vivid green colour; see Zhou Jinglun, *Yunnanxiang yu xue* [Study of jade] (Taibei: Haojiao Chubanshe, 1992). Unlike the unlawful status of narcotics in every place it is traded, jade is publicly appreciated, especially in Chinese societies. Seen from the perspective of the 'social life' of commodities, Burmese jade stones were distinguished from drugs on account of their priceless nature and the fact that they became a legal commodity once carried to Thailand during the period in question. For study of the social life of commodities, see Arjun Appadurai, 'Introduction: Commodities and the politics of value', in *The social life of things: Commodities in cultural perspective*, ed. Arjun Appadurai (Cambridge: Cambridge University Press, 1986), pp. 3–63.

40 Khin Maung Nyunt, 'History of Myanmar jade trade till 1938', in *Traditions in current perspective: Proceedings of the Conference on Myanmar and Southeast Asian Studies*, Universities Historical Research Centre, Yangon, 15–17 Nov. 1995, pp. 258, 272.

41 Xia Guangnan, *Zhong Yin Mian dao jiaotongshi* [History of the traffic between China, India and Burma] (Shanghai: Zhonghua Shuju, 1948), p. 107; *Tengchong Xiangzhi* [Gazetteer of Tengchong County] (Beijing: Zhonghua Shuju, 1995), p. 413. Under the Ming eunuchs were assigned to Yunnan to purchase gemstones, including jadeite, from Burma; Sun, 'Ming-Southeast Asian overland interactions', pp. 134–54. Although there have been suggestions that Burmese jadeite could be obtained in China even before the Ming, there are no certain records to prove this.

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establishment of the People's Republic of China, its national border was sealed off and the existing trade came to a halt. Burmese jade was then shipped south to Yangon (Rangoon) by railway and on to Hong Kong by air or sea. Subsequently the 1962 military coup, which nationalised the Burmese economy, closed this trading route as well, since private transactions in gemstones and other natural resources – now classified as national property – were banned.

However, most of the areas holding these national resources were controlled not by the government in Yangon, but by ethnic militias. The jadeite mines in Kachin State, for example, were largely taken over by the Kachin Independence Army. The KIA supervised jade mining and trading by taxing the extraction, the miners, the mine owners, the stones themselves and the sale and transportation of these stones, as well as the large volume of imported consumer goods required by the miners and the local population.[42] Despite recurring conflicts between the state and the KIA, the mining business continued to attract fortune hunters, including Burmese minorities (mostly Kachin and Shan) and refugees from Yunnan. According to Zhou Jinglun, the Burmese army and police carried out major arrests of illegal miners twice every year; each time they caught a few hundred people and put them in jail. As long as one could pay 'probation money' to the army and police, though, one's freedom was guaranteed. This was a way for the troops and policemen to earn extra income, as their government salaries were simply too low to meet the cost of living.[43] In a way, the mining and trading operation benefited not only the traders and miners, but also the official apparatus.

According to informants, about 50 per cent of the jade traders and mine owners in the mining areas were Yunnanese; the rest were local Kachin and Shan. Beyond the mining areas, however, the jade trade to Thailand was handled predominantly by the Yunnanese on account of their well-organised networks and good knowledge of jade, which empowered them to cope with external challenges posed by the complex trading environment and competition with other ethnic groups.

The initiation of the jade trade to Thailand

The diversion of the jade trade to Thailand did not take place in the immediate wake of Ne Win's coup; it was about two years later that Mae Sai (in Chiang Rai province), a border town adjacent to Burmese Tachilek, became the trading market for smuggled Burmese jade. Mr. Liu (a pseudonym) was one of the initiators of the diversion of the jade trade to Thailand; his involvement in the trade exemplifies the dynamics of the mobile Yunnanese in commerce with reference to the original Han Chinese immigration into Yunnan and their subsequent economic development in the province and neighbouring areas by means of long-distance caravans.[44] Liu was born in 1936 and belongs to the seventeenth generation of his clan in Yunnan; their original ancestor is said to have come from Nanjing to trade during the early Ming. His hometown, Tengchong (騰衝), was a significant border entrepôt for caravans bound for Burma. A great majority of Tengchong men were involved in this economic activity, and many of them also

42 The transported jade stones ranged in size from pieces that could be held in one hand to large pieces of rocks and boulders weighing hundreds of kilos.

43 Zhou Jinglun, *Yushi tianming* [The destiny of jade stones] (Taibei: Haojiao Chubanshe, 1989), p. 281.

44 See also Chang, 'Three Yunnanese jade traders'.

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migrated to Burma.[45] Since childhood he has been familiar with the long-distance caravan trade, in which many family members and relatives were involved; one of his uncles was especially involved in the jade trade and used to carry jade stones back to Tengchong after having sold the commodities he had taken into Burma. When the communists arrived in Yunnan, Liu's family took a group of mules and fled to Myitkyina in Burma; several relatives joined the KMT guerrillas during the 1950s.

In 1959, Liu became involved in jade mining in Hpakan with a relative; they hired local people to do the digging and also bought jade stones from other mine owners or traders. When the Ne Win government began its nationalisation policy, Liu hid all his stones. The relative managed to flee to Hong Kong, with the intention of continuing the business there; but with the interruption of the jade trade from Burma, the Hong Kong market faced a shortage of stones for a couple of years. In 1964, Liu left for Thailand and settled in Ban Tham, a KMT village 12 kilometres from Mae Sai. Through the channels opened by the underground cross-border trade in drugs and daily commodities run by fellow Yunnanese, he sent a message to one of his brothers who was still staying in Myitkyina, telling him to smuggle out the jade stones hidden at home. The brother took a few small pieces and left Myitkyina by train to Yangon; he then flew to Tachilek, where he hid the stones in baskets covered with crabs and transported them across the border to Mae Sai. (At that time the border gate between Tackilek and Mae Sai was open and certain items were allowed to pass into Thailand.) Bribery of the drivers, pilots and policemen, and the customs officials in Tachilek made the trip successful; other traders later also resorted to this route for the transport of small pieces of jade.

Liu took delivery of the 'crabs' in Mae Sai; the next step was to transport them to Hong Kong, where his relative could help sell them. This required legalisation of these smuggled stones. Like most Yunnanese in Thailand at that time, Liu did not have legal status, so he asked a Hakka friend who was an import-export trader in Mae Sai to deal with the government officials.[46] They paid tax and received a certificate indicating what goods had been taxed, the quantity, the amount paid and the place of taxation. The place of origin of the stones, however, was deliberately not recorded – a ploy adopted by the Thai government to avoid protests from its Burmese counterpart regarding its participation in the contraband trade. The tax certificate guaranteed the free circulation of the jade stones inside Thailand, and Liu's Hakka friend arranged another tax payment at the Bangkok airport so that Liu could take them to Hong Kong.

45 Yin Wenhe, 'Yunnan han Heshunxiang shi gaishu' [History of Yunnan and Heshun township], *Yunnansheng lishi yanjiusuo yanjiu qikan*, 2 (1984): 273–301; Dong Ping, *Heshun fengyu liubainian* [Six-hundred-year history of Heshun] (Kunming: Yunnan Renmin Chubanshe, 2000).

46 Most Yunnanese refugees did not obtain legal status in Thailand until the 1980s or even later (Chang, 'Beyond the military', ch. 5). The Hakka are one of the major ethnic Chinese groups that came to Thailand; the others are Teochiu, Hokkien, Hainanese and Cantonese. On account of their migration route, they may be classified as 'overseas Chinese', as opposed to the Yunnanese, who are 'overland Chinese'. The former settled in Thailand earlier and have acquired a more prominent socio-economic status there; see G. William Skinner, *Chinese society in Thailand: An analytical history* (Ithaca: Cornell University Press, 1957) and Skinner, *Leadership and power in the Chinese community of Thailand* (Ithaca: Cornell University Press, 1958). They are often referred to as 'Sino-Thai'; see Cristina Blanc Szanton, 'Thai and Sino-Thai in small town Thailand: Changing patterns of interethnic relations', in *The Chinese in Southeast Asia, Vol. 2: Identity, culture and politics*, ed. L. A. Peter Gosling and Linda Y. C. Lim (Singapore: Maruzen Asia, 1983), pp. 99–125. In Mae Sai, many shops are owned by Sino-Thai.

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The jade trade from Burma to Thailand and then to Hong Kong developed through the gradual establishment of networks, which in the first few years were made up only of interpersonal *guanxi* among relatives or close friends. Though not Yunnanese, the Hakka friend played a particularly significant role, as with his legal status and knowledge of trading regulations, he helped to legalise the trade. A few other Mae Sai Sino-Thai traders followed suit, expanding into a middleman service through contact with the Hong Kong jewelry dealers and making them come directly to Mae Sai to meet the Yunnanese merchants who wanted to sell their jade stones. The middlemen took care of the taxation and transport of the purchased stones to Hong Kong, which quickly revived its jade market and became the centre for the manufacture of jade articles. Christie's held jade auctions there each year, which attracted celebrities and jewelry dealers from around the world.[47] From the late 1970s, Taiwanese jewelry dealers also started to come to Thailand to buy jade stones.

In the 1960s, the Yunnanese traders relied on the Mae Sai Sino-Thai for the brokerage service. The Qiujia Company, founded in 1966, was recognised as the first major jade company to institutionalise the service; it was run by a Teochiu woman named Qiu Ying.[48] The Qiu family, which also owned a gold shop and a café, had strong financial support and good links with border militias, local Thai authorities and the Yunnanese community. The sellers deposited their stones at the company, where the transactions later took place. The commission paid to the company was regulated – about 5 per cent from both the seller and the buyer – but for regular customers the fee could be lowered. The buyer did not have to pay until the stone(s) safely arrived in Hong Kong; after the company received the money from the buyer (in Hong Kong dollars), it paid the seller (in Burmese *kyat,* Thai *baht* or Hong Kong dollars). If the seller was located in Burma, he could also ask the company to help transfer a certain amount of money into the country through the underground banking system (*dixia qianzhuang* 地下錢莊) and hold the rest for him for future use; this stratagem prevented the loss of all his hard-earned money when demonetisation took place in Burma. If any problems occurred during the transaction, such as loss of stones or the failure of a buyer to pay, the company had to take full responsibility, but with its solid institutional base, such instances were rare.

While small jade stones could be transported by air, the much larger boulders were conveyed overland, usually on mules or elephants, from the mining areas to the nearest train stations (Mogaung, Sarhmaw and Hopin) and then to Mandalay. Traders there usually entrusted their stones to caravan companies for transport to Thailand; they were carried by cars or trucks to Taunggyi, and from there by mule caravan to Kengtung and then Tachilek. A caravan was usually composed of 20 to 30 mules; every two to three mules required a muleteer. The section before Taunggyi was controlled by the Burmese government, and bribes were paid to the officials and policemen. After leaving Taunggyi, the caravans entered the areas controlled by rebel groups, where they paid taxes and perhaps also requested the rebels to escort the caravans. Despite the use of bribes, the danger of encountering Burmese troops bent on intercepting their goods still existed. (Stones intercepted on their way to Thailand or in the mining areas were auctioned off by

47 Adrian Levy and Cathy Scott-Clark, *The stone of heaven* (Boston: Little, Brown, 2001).
48 The company is also referred to as Hanjia, after the family name of Qiu's husband.

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the government in Yangon each year, if they were not kept by the officials.) Secret reports by bribed officials, local people or even trading partners lured by the temptation of great economic gain may have alerted the Burmese troops.

The caravan companies constituted another institutional node (separate from that of the jade companies) within the trading networks. According to informants, 90 per cent of the caravan companies were organised by the Yunnanese, who were familiar with the Burmese officials and ethnic militias located on the trading routes. The transportation fees amounted to about 7 per cent of the appraised value of the transported stones, a figure which was agreed upon before transportation. If the stones were lost on the way, the companies had to compensate the traders for the stones' full appraised value. After transporting the stones to the border and handing them to the jade companies entrusted with the responsibility of selling the stones, the caravans carried Thai commodities back to Burma for sale on the black market.

From the perspective of the politics of human organisation, then, the jade trading networks from Burma to Thailand were composed of three nodes. The first consisted of the trading partners, who were linked by interpersonal kinship ties spreading from Burma to Thailand and even Hong Kong or Taiwan. The second and third nodes, the caravan and jade companies, were institutionally based, founded on strong capital and broad linkages with the Burmese or Thai officials and ethnic rebel groups. In effect, the trading networks facilitated the flow of goods, capital, information and people across different borders and between different politico-economic systems; they helped redistribute social resources between Burma and Thailand in order to satisfy local demand. The insurance provided by the caravan and jade companies, in particular, functioned as a stabilising factor in the face of risky transportation. Each node of the networks took charge of its particular task while simultaneously interlocking with the other two. The networks of the jade trade among the Yunnanese were thus characterised by reciprocity and interdependence.

What, then, was the fundamental factor that enabled and sustained these reciprocal interactions? Could it be the traditional values placed on trust and familism, so often cited in works on Chinese business networks which are based on cultural interpretation – and which were, indeed, also frequently cited by Yunnanese informants? Or did other factors give rise to strategies to cope with the potential for struggle and fragmentation implicit within the networks?

Trust and familism

When relating stories of the jade trade, informants commonly emphasised that the business was primarily based on trust (*xinyong* 信用) between close relatives and friends. They emphasised that participants never relied on contracts, although the trade involved interactions between various parties. All agreements between partners and traders, as well as between traders and companies, were verbal. Even when it came to transferring money between Burma and Thailand, there were no written statements or receipts. One's word was said to be both sufficient and efficient, and no fraud or mistakes could occur. Initially, then, it seemed that trust and familism were the key virtues ensuring the continuance of the business. Nevertheless, as I became familiar with more and more traders, almost all of them confided their experiences of having been cheated by partners

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or other traders (though they would never admit to having cheated others). A former jade trader commented:

> The jade trade is a cheating business. Traders tend to boast about the value of the stones they have. . . . If you don't know jade, you must not engage in the business. . . . [otherwise] . . . you will be cheated. . . . The jade trade makes the father eat the son [*laodie chi erzi* 老爹吃兒子, meaning cheating someone]. If you are not heartless, you should not try it . . . '.

Apparently mutual trust did not perfectly uphold *guanxi* in the trade, especially in personal interactions taking place at the first node and private transactions not brokered by a jade company. Works on Chinese business networks with a cultural perspective, however, tend to over-emphasise reciprocity based on trust among kith and kin, and do not acknowledge the negative aspects.

Lured by the large potential profits of the jade trade, a trading partner could use chicanery to 'swallow up' other partners' shares. He could make secret reports to Burmese officials based on a pre-arranged agreement, or even hire an assassin to kill his partner(s) and grab the stones; stories are told of such double-crossing even among relatives. The dark side of the trade has also been recorded in Zeng Yan's novel *Qicaiyu* (*Seven-colored jadeite*), which tells stories about the destiny of jade stones.[49] In contrast to the unstable trading relationships at the personal level, though, cheating rarely occurred between traders and caravan or jade companies. Their trading relationships were regulated by an institutional base derived from the companies' organisational structures, available resources and connections with other groups. The jade companies constituted the most powerful node in the trading networks, acting to reduce trade conflicts and ensure the continuity of the trade.

The four major jade companies

From the 1960s to 1980s, there were four major jade companies located in Mae Sai and Chiang Mai city. The first, the Qiujia Company, has been briefly described above; it conducted its business in Mae Sai in the second half of the 1960s and the early 1970s. The distinctive character of this company, like some other smaller companies at the time, was that it was run by Sino-Thai merchants rather than Yunnanese immigrants. However, in 1973 a second major company was set up by a Yunnanese in Chiang Mai which successfully diverted the jade market from Mae Sai to that city. This was the Lijia Company, founded by the leader of the KMT Third Army, General Li. With the support of his military force and its established connections with local militias in border trade, his company handled the largest volume of brokerage service in the jade market until the third firm company, Zhangjia, surpassed it in the late 1970s. Li was a paternalistic leader and a shrewd trader. He became involved with jade largely in response to increasing public criticism from the US and Thailand over opium trade. With American financial support totalling 2 million dollars, the Thai government struck a deal with Generals Li and Duan

49 Zeng Yan, *Qicaiyu* [Seven-colored jadeite] (Taibei: Zhongyang Ribaoshe, 1979). The book is partly based on her own flight from Yunnan to Burma during the Cultural Revolution and her stay in upper Burma; the story is comparable to John Steinbeck's *The pearl*.

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to buy up their armies' stockpile of opium – 26 tonnes – which was publicly set alight in Chiang Mai on 12 March 1972.[50]

The establishment of the Lijia Company indicated the entrenchment of Yunnanese power in Thailand, where they received official support. A retired Thai military officer confirmed in interviews that his government welcomed the Yunnanese involvement in the jade trade, for it not only helped to dispel the negative image created by narcotics smuggling, but also brought increased tax and foreign currency revenues. One informant, who was the treasurer of Lijia for 16 years, pointed out that at the height of the business, a single day's dealings yielded an amount equal to tens of millions of *baht*. Apart from these huge sums of money, the trade also promoted various side businesses, especially in Chiang Mai.[51] Jade deals only took place in the morning, because the sunlight at that time was said to be best for examining the stones. For the rest of the day, dealers from Hong Kong and Taiwan, along with local Yunnanese merchants and those from Burma, frequented grand hotels, massage parlours, golf courses, restaurants and the local equivalent geisha houses.

Zhangjia, the third major company, was set up in 1974 in Chiang Mai by the leader of the Shan United Army, Khun Sa, also known by his Chinese name Zhang Qifu. (Around the time Zhangjia was founded, the Qiujia Company moved from Mae Sai to Chiang Mai.) Khun Sa's story has been recorded in many books on the drug trade. Despite his claim to be pursuing Shan independence, like Li he is more of a shrewd businessman than a freedom fighter. He himself is from a Sinicised Shan family, but almost all of his important officers have been Yunnanese and had connections with the KMT troops, so that jade traders considered his company as 'Yunnanese' rather than 'Shan'.[52] He and Li were competitors in trade; both their companies were backed with military power. Li's inablility to replace his ageing troops with new recruits led to the decline of his forces, and he was superseded by Khun Sa's company in the jade trade.

In 1980, Linjia, another non-Yunnanese jade company, was opened in Chiang Mai; its founder was a Hainanese woman named Lin Minglan.[53] Like Qiu Ying, she is from Mae Sai, where her father owned a large general store. As a teenager, she helped in her father's business; in the 1950s, the shop traded large quantities of goods with the KMT troops in Burma. In addition, the Linjia Company was backed up by a Guogan Yunnanese force under the leadership of Luo Xinghan and Luo Xingming, two brothers operating in Burma. (Guogan is an area of upper Burma with a large Yunnanese population.) The force helped to transport jade stones to the company by air and overland by caravan.

50 'The rise and fall of the kingdom of opium', *The Nation*, 14 Nov. 1973. As informants confided, after the deal the armies abstained from openly engaging in drug trafficking, though individual members continued the business on a smaller scale. Khun Sa and his Shan United Army gradually became the dominant drug traffickers of the region. Duan, the commander of the Fifth KMT Army, though remembered as a good leader, was not as business minded as General Li, and he did not follow suit in the jade trade; only individual members of his army took part. On Li as a leader see Chang, 'Identification of leadership'.

51 Chao Tzang Yawnghwe, 'Politics of Burma and Shan State: Effect on North Thailand and Thailand', *Political Science Review* (Chiang Mai University), 3 (1982): 95–114.

52 On Khun Sa see Chen, *Kunsa Jinsanjiao chuanqi*, pp. 53–72; McCoy, *Politics of heroin*; and Lintner, *Burma in revolt*.

53 The involvement of Qiu Ying and Lin Minglan in the brokerage of jade, a Yunnanese male-dominated business, is distinctive and could be an interesting topic for further research.

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From the 1960s to 1980s, these four companies dominated most of the jade trade inside Thailand. By incorporating the Thai governmental apparatus, they played the most important role in the initiation and maintenance of trading regulations when dealing with jade traders as well as interacting among themselves. The following section further illustrates this aspect.

Enforcement of non-state regulations

Integration of Thai official units

Although the issues of security and illegal trade were always discussed in the occasional diplomatic exchanges between Thailand and Burma, and may have resulted in short periods of tightened border control causing some inconvenience to the jade trade, the Thai border authorities were heavily involved in the facilitation of this trade.[54] As many Yunnanese traders came from Burma, their economic activities in Thailand required not only the legalisation of the stones they owned, but also legalisation of their status as well; the jade companies helped to take care of both jobs. They were usually registered as residents of the Yunnanese villages along the border on their arrival and granted a temporary pass to go to Chiang Mai. (Yunnanese refugees who had already settled in Thailand did not yet have permanent legal status; when they needed to leave their villages, they had to go through the same procedure; thus a legal procedure for refugees was being extended to those outside the resettlement villages as well.) The pass was valid for 30 days and issued by a military unit code-named *Bor Kor* 04, which was in charge of the KMT villages and set up stations in 13 of them. Apart from this military unit, informants pointed out that some retired Thai policemen also worked with the companies and helped to take the traders to Chiang Mai.

In the 1970s, merchants and rebel militias opened new trading routes inside Burma that led from Taunggyi to posts located on the border of Chiang Mai and Mae Hong Son provinces. They included Piang Luang and Ban Ragthai (called Miwo in Chinese) – both controlled by the Lijia Company – and Meng Mao, controlled by Zhangjia. In the 1980s, the major receiving post for jade stones shifted again to Mae Sot in Tak province. These changes came about as a result of the growing control by Burmese authorities over parts of the previous routes and over their own border. The volume of imported jade stones to these posts was unknown, but an informant who worked for Lijia said that the company sent mules to receive a shipment of jade stones about once a week; the volume of these shipments varied from 1 to 7 tonnes. The tax paid to the border customs house was said to be fairly light, about 20–30 *baht* per kilo. In addition to the tax, the companies also offered 'tea money' to the customs officers.

One particular incident vividly illustrates the Thai government's involvement in the trade. Around 1977–8, a policeman stopped a truck in Tak province carrying jade stones from Chiang Mai to Bangkok for further transport to Hong Kong. The shipment's size exceeded the amount indicated on the tax paper issued by the customs house (as may usually have been the case), and this atypical policeman insisted on further investigation.

54 Liang, *Burma's foreign relations*; Aung Kin, 'Burma in 1979: Socialism with foreign aid and strict neutrality', *Southeast Asian affairs 1980* (Singapore: Institute of Southeast Asian Studies, 1980), p. 103; Aung Kin, 'Burma in 1980: Pouring balm on sore spots', *Southeast Asian affairs 1981* (Singapore: Institute of Southeast Asian Studies, 1981), p. 112.

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A Thai officer was then sent by the *Bor Kor* 04 to 'understand' the situation. In the end, the policeman was transferred to the south as a punishment, and the jade stones were transported to Bangkok without further difficulties.[55]

Resolution of power struggles

The competition between the companies was intense. Skirmishes broke out between the forces of Khun Sa and Li along the border from time to time, but they never allowed these conflicts to interrupt regular trade. Negotiations followed to regulate their respective trading volumes. A former high-ranking officer from Li's army told of one significant negotiation that took place in 1978 at Khun Sa's stronghold, Ban Hin Taek in Chiang Rai Province; he had been one of the three representatives of the Lijia Company. He did not reveal details of the results of the negotiation, but mentioned that after the two sides reached an agreement, Li held banquets in a Chiang Mai restaurant and announced the agreement to the traders invited as guests. The two companies maintained a peaceful relationship for a few years until the next flare-up. Other informants described different negotiations. Once, the chairman of the Yunnanese Association, a respectable businessman within the community, helped to mediate, and another time General Kriangsak Chomanand (Thai Prime Minister between 1977–80) intervened. The latter meeting took place at Kriangsak's residence in Bangkok; the informant was the translator sent from Li's side.

As Khun Sa's power gradually superseded Li's, the fortunes of Li's company slowly dwindled from the late 1970s onward. On 11 March 1984, a bomb exploded at Li's residence, where his company was also located; the Thai army later reported that the explosion was carried out on Khun Sa's orders. Though no member of Li's family was killed, the event demonstrated that it was no longer safe to entrust stones to his company for sale; it naturally lost much of its business and folded about a year later. However, Khun Sa's Zhangjia Company suffered a serious blow in the early 1980s as well. Apart from jade stones, he continued to trade in drugs. In 1982, his Thai stronghold, Ban Hin Taek, was besieged by Thai forces on the orders of the Prem Tinsulanond government, which was bent on drug eradication.[56] The incident showed the strained relations between the Thai government and Khun Sa and discouraged traders from making deals with him. Nevertheless, he was still powerful and retained his influence in Burma's Shan state. He kept his jade company in Chiang Mai open till the late 1980s, albeit without conducting much business.

In contrast to the ups-and-downs of Li's and Khun Sa's companies, the Qiujia and Linjia firms remained steady. Although they did not possess their own troops, they maintained good connections with the Thai authorities and rebel militias in Burma, and had large capital reserves. One distinctive feature of their operation was that they offered low-interest loans to those Yunnanese traders who had a reputation for purchasing good jade stones. The stones that were bought and sold in Burma and Thailand were mostly uncut,

55 The incident was related by a Yunnanese informant and by the Thai officer himself.

56 'Warlord on the run', *Asiaweek*, 19 Feb. 1982. The Thai government's reaction to drug trafficking varied from time to time, depending upon who was in power at any given moment and upon the varying degrees of pressure exerted by the US Drug Enforcement Administration; see McCoy, *Politics of heroin* and Chen, *Kunsa Jinsanjiao chuanqi*.

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and their value was appraised based solely upon their external appearance, making such transactions a gamble. Particular traders who were frequently able to obtain good-quality stones earned a reputation for good judgement and won the jade companies' favour. Moreover, in the 1980s, both companies stopped taking commissions from the seller in order to procure more stones.

Brokerage service

For sellers and buyers, the brokerage service of the jade companies meant insurance on the one hand and regulation on the other. Those who did not follow the underlying rules risked losing the chance to deal with the companies again; reportedly in a few cases Li and Khun Sa, relying on their military power, meted out more serious punishment to a few 'outlaws' by putting them in jail. By contrast, if the sellers and buyers built up a regular and trusting relationship with the companies, the latter arranged successful deals for them and helped them in price negotiations.

In theory, the jade stone sellers could deal with any company, but in practice the power relations between the companies had important consequences. Those who were closely associated with Li's army mostly entrusted their stones to his firm, while those who had closer links with Khun Sa's army preferred Zhangjia. Yet there were also many sellers who tried to keep a balanced relationship with both companies so as not to offend either, especially when both were powerful militarily.[57] Informants characterised sellers who went to the other two companies as more 'civilian-like', meaning they did not develop a particular patron-client relationship with either Li's or Khun Sa's forces. The number of the traders in this last category especially increased in the 1980s as both men's companies gradually went out of business. However, to keep a peaceful relationship with Khun Sa, who retained some power and controlled some parts of the trading routes in Burma, both Qiu's and Lin's companies were 'regulated' to pay a certain amount of tax to him each year.

In short, from the 1960s to the 1980s the four companies discussed here maintained their respective shares in the jade market according to a shifting power hierarchy. There were minor powers that attempted to step in, yet they were soon pushed out by these major companies. The regulatory practices they initiated highlight their forceful institutional role in the networks of the jade trade; these practices consisted of negotiations between the trading companies, the adjustment of taxes and meting out punishments to 'outlaws' when the situation required it. The fact that their operations interlocked with those of the caravan companies and other militias and incorporated Thai official units as well further reflects the dynamics of cross-border trade in response to a highly uncertain situation.

Guanxi in network perspective

As this case study indicates, the interpersonal ties linking dispersed Yunnanese did provide incentives for transnational linkages; however, these ties alone were not

57 Despite the fact that Li's and Khun Sa's forces fought each other from time to time, they were in a way intertwined. As pointed out earlier, many members of the upper echelon of Khun Sa's army were former members of Li's or other KMT troops, and their relatives or even immediate families continued to stay in the KMT villages.

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sufficient to ensure the continuance of the business, not only because of the complex trading environment but also because of human weaknesses. Trust can be a guiding norm, yet if it is not backed up by regulatory enforcement, it may remain a value more honoured verbally than in actual practice. Moreover, as informants often emphasised, the feeling of trust among the Yunnanese does not extend to unfamiliar people; it stays within recognised circles. They pointed out that Yunnanese perceive themselves very much as regionally bounded, and attributed this characteristic to topography: Yunnan is composed of high mountains which separate one place from the other. In practice, Yunnanese people kept close affiliations among '*laoxiang*' (老鄉), meaning people from the same county or, better still, the same village. As I observed on quite a few occasions, when two Yunnanese meeting for the first time learn that they or their fathers or grandfathers are from the same region, they immediately feel close to each other and try to identify common friends or relatives. Networks of *guanxi* quickly develop, and ordinary requests for help are easily fulfilled. In effect, this regional binding has greatly facilitated the mobile Yunnanese in migration and resettlement, helping to establish webs of connections that link up individual actors on the move.

However, apart from the interpersonal relationships that the Yunnanese counted as 'familiar' in the face of external instability and internal fear or distrust, they also depended upon institutional organisations, as shown in this article. This enabled them to expand their nexuses to unfamiliar Yunnanese and even to non-Yunnanese, namely buyers from Hong Kong and Taiwan. These institutional organisations consequently constituted a sort of social mechanism, supported by self-initiated regulations, which served to connect both familiar and unfamiliar people/groups. Accordingly, the *guanxi* in question cannot be confined to interactions only between persons; they include relationships of people to other individuals and to groups, and between groups as well.

Guanxi formation is thus very resilient, relating not only to cultural norms and values, but also to institutional contexts, especially with reference to socio-political and economic factors. In this sense, the network approach – integrating the role, exchange and action theories – is a much more dynamic theoretical orientation than the earlier cultural perspective for studying Chinese social connections. The analysis has attempted to build awareness of the jade trade networks' cultural as well as politico-economic contexts, and to illustrate the three different but related functions in dependence of the trading networks: value systems, reciprocal relations and conflict resolution. While a few works on Chinese business networks and *guanxi* studies have already analysed these different contexts, this case study is distinctive in its focus on institutional organisations and the initiation of regulatory practices.

It is in light of the network approach that we can better see the inadequacies of the *guanxi* studies grounded in a cultural essentialist view. In comparison, the network approach provides better conceptual tools for analysing the structure of the jade trade and the enterprise as an entire, complex entity. The application of the network concept 'node' is especially useful as it helps to grasp the multilevelled composition within the trade and the internal asymmetric interactions. Though asymmetric in interaction (between traders and jade companies), the varied nodes of the trade were interdependent and closely connected. In other words, each node had its indispensable function, and this is best illustrated by the acentred nature of the network approach. In contrast, existing *guanxi* analyses mostly focus on ego-centred links and pay attention largely to parts rather than the whole.

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Concluding remarks

Seen from a historical perspective, trans-national economic activities have existed in the region of upper mainland Southeast Asia for centuries in the form of the long-distance caravan trade.[58] Underlying regulations have always facilitated the trade among diversified ethnic communities and political entities. Ann Hill, in her eminent work on *Merchants and migrants*, has referred to the interlacing of official regulatory practices with non-official ones among the overland Yunnanese. Many Yunnanese traders, alongside their economic activities, played the role of mediators between ethnic communities or political powers with whom they came into contact.[59]

Moreover, drawing on economic records of modern times, the institutional role of the caravan and jade companies discussed in this article is comparable to that of the Yunnanese trading firms (*shanghao* 商號) in the late nineteenth and early twentieth centuries. During this period, British and French colonial penetration brought changes in financial systems and the infrastructures of transportation and communication, yet the Western powers did not deprive the local population of economic opportunities; instead, indigenous traders responded actively to the new situation. Yunnanese merchants used their existing trading networks to establish many firms with branch offices in major cities of the province and neighbouring countries. They were connected with foreign firms and engaged in import-export trade, producing a flow of huge quantities of goods over widespread areas in response to demand from local markets. In addition, they bought and sold foreign currencies and made remittances for customers across borders.[60] These firms were thus predecessors of the caravan and jade companies, and the jade trade (like other types of informal trade during this period) is a part of the long-existing overland commerce of the region. Accordingly, the trade examined in this article was not merely an illegal business carried out in a particular time, but rather was connected to a rich socio-historical background. Although the constitution of the economic linkages and the trading routes changed from time to time in response to varied circumstances, the ethos of network organisation and regulation was retained.

Without a doubt, the persistence of the caravan/jade trade among the Yunnanese relates to the region's particular physiography, complex ethnic structure and political system. In another study investigating the patron-client relationships among the KMT Yunnanese in northern Thailand, I have analysed the incorporation of both Han Chinese culture and the native trading ethos (consisting of the risk-taking, the application of strategies, cooperation, accommodation and military action) in the local socio-cultural context.[61] In other works dealing with transnational trade in this region and elsewhere,

58 Chiranan Prasertkul, *Yunnan trade in the nineteenth century: Southwest China's cross-boundaries functional system* (Bangkok: Chulalongkorn University Institute of Asian Studies, 1990); Wang Mingda and Zhang Xilu, *Mabang wenhua* [Culture of the caravan trade] (Kunming: Yunnan Renmin Chubanshe, 1993); Shen Xu, *Zhongguo Xinan duiwai guanxishi yanjiu–yi Xinan sichou zhilu wei zhongxin* [A historical study of the cross-boundary interrelationship between Southwest China and its neighboring countries] (Kunming: Yunnan Meishu Chubanshe, 1994); Andrew Forbes and David Henley, *The Haw: Traders of the Golden Triangle* (Chiang Mai: Teak House, 1997); and Sun, 'Ming-Southeast Asian overland interactions'.
59 Hill, *Merchants and migrants*.
60 *Yunnan wenshi ziliao xuanji* [Anthology of Yunnan history], 42 (1993) contains several articles that discuss the organisation and management of Yunnanese trading firms that existed prior to the Communist regime.
61 Chang, 'Identification of leadership'.

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we also find the operation of regulatory practices by various groups. This fact points to regulatory observance connected to respective socio-cultural contexts, while suggesting a common feature in human dynamics based on instrumental rationality.

In Andrew Walker's research on the recent Economic Quadrangle cooperation of the Upper Mekong area, we see this dynamic among the Lao and Thai. Breaking through the popular perception of borderlands as lawless, his findings lead to the conclusion that the Quadrangle is the latest stage in a series of regimes of Upper Mekong regulation, and attest to the fact that 'state (and non-state) regulation is intrinsically involved in the creation of the contexts in which markets flourish'.[62] A second example is the volume edited by Shinya Sugiyama and Linda Grove on *Commercial networks in modern Asia*, which includes a number of case studies on Asian trading networks during the colonial period. These case studies demonstrate the dynamics of local merchants who 'took advantage of the new opportunities offered by the opening of trade with the West to reorganise and revitalise the domestic marketing and distribution systems'.[63]

Philip Curtin has provided profound evidence to argue for the long history of human transnational commerce. He points out that trading diasporas have been the most widespread of all human institutions; their beginnings can be traced to 3,500 BCE.[64] The persistence of these institutions in history proves humanity's great dynamism and mobility. His study particularly highlights the significance of trading networks and cultural mediation, which ensure the continuity of cross-border trade, linking different socio-economic systems of varied societies. It also displays the intertwining of official and unofficial powers in transnational business. Although he does not deal directly with regulatory practices, the transnational economic activities he elaborates on point to their existence. Another masterpiece on world trade, *Europe and the people without history* by Eric Wolf, highlights the world as a totality of interconnected process, and illustrates the fact that human contacts and connections are beyond political boundaries. Trading networks and regulations have long been developed among the people who used to be regarded as backward or 'without history', with a profound impact upon the trading activities of the so-called advanced regions.[65]

By way of conclusion, it is worth emphasising that in-depth field data remain the foundation of anthropology. Only with a grounding in solid data (collected in a particular region during a particular period of time) can we try to make a link with past history and relevant issues in other regions. Researchers should not be misled by former philosophical assumptions and deem Chinese people in general as egocentric – only interacting within enclosed groups of relatives and friends – or as lacking a legal system. We often find these assumptions present in *guanxi* studies, which are grounded in personalistic ethics derived from Confucianism, as opposed to Western rational universalism.[66] Throughout history, in fact, the great mobility of the Chinese and their long legal

62 Andrew Walker, *The legend of the golden boat: Regulation, trade and traders in the borderlands of Laos, Thailand, China and Burma* (Honolulu: University of Hawai'i Press, 1999), p. 14.
63 Shinya Sugiyama and Linda Grove, 'Introduction', in *Commercial networks in modern Asia*, ed. Shinya Sugiyama and Linda Grove (Richmond, Surrey: Curzon Press, 2001), p. 6.
64 Philip D. Curtin, *Cross-cultural trade in world history* (Cambridge: Cambridge University Press, 1984), pp. 2–3.
65 Eric R. Wolf, *Europe and the people without history* (Berkeley: University of California Press, 1982).
66 See, for example, Liang, *Zhongguo wenhua*; Fei, *From the soil*; and Fukuyama, *Trust*.

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tradition simply disprove such assumptions. It is necessary to include related traditions other than mainstream, official Confucianism for the investigation of people's lives. Moreover, when speaking about legal traditions, we need to distinguish the legal system of civilians from that of the state. The present case study attests to the fact that while the border region lacks a penetrating order of formal rules, investigation into the system of informal regulations can provide us with better insight into the people's practices.

I do not mean to generalise here by saying that Chinese people are group-oriented or that they are a law-binding people, for this would produce another essentialising mistake. The emphasis here is on the necessity to delve into a deeper layer beyond general phenomena, more specifically to find accommodating mechanisms that help bridge the disjuncture between the ideal social structure and reality. So far case studies focusing directly on non-state trans-border regulation in informal trade are very rare. In the face of the trend of globalisation, there is a particular need to foster insight into this field so that we may gain a more balanced view, allowing comparison between civilian movements and those initiated by the state or world hegemonies. The present article is only an initial step; comparative questions on regulatory practices linked to trading networks between different regions require further research.

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