

‘NO BANQUET CAN DO WITHOUT LIQUOR’: ALCOHOL COUNTERFEITING IN THE PEOPLE’S REPUBLIC OF CHINA

Anqi Shen
Georgios A. Antonopoulos

Teesside University, UK

Abstract

The illegal trade in alcohol has been an empirical manifestation of organised crime with a very long history; yet, the nature of the illegal trade in alcohol has received relatively limited academic attention in recent years despite the fact that it has been linked with significant tax evasion as well as serious health problems and even deaths. The current article focuses on a specific type associated with the illegal trade in alcohol, the *counterfeiting* of alcohol in China. The article pays particular attention to the counterfeiting of *baijiu*, Chinese liquor in mainland China. The aim of the article is to offer an account of the social organisation of alcohol counterfeiting business in China by illustrating the counterfeiting process, the actors in the business as well as its possible embeddedness in legal practices and industries/trades. The alcohol counterfeiting business is highly reflective to the market demand and consumer needs. Alcohol counterfeiting in China is characterised primarily by independent actors many of whom are subcontracted to provide commodities and services about the counterfeiting process. The business relies on personal networks – family and extended family members, friends and acquaintances. Relationships between actors in the business are very often based on a customer-supplier relationship or a ‘business-to-business market’. The alcohol counterfeiting business in China highlights the symbiotic relationship between illegal and legal businesses.

Keywords: counterfeiting; alcohol; China

Introduction

What is vaguely termed as ‘organised crime’ is commonly associated with the provision of various commodities and services, some of which are prohibited, strictly regulated or highly taxed (see von Lampe, 2016; see also Naylor, 2003). One of these commodities has been alcohol. The illegal trade in alcohol has been an empirical manifestation of organised crime with a very long history (see Smith, 1989; Saltburn Smugglers’ Heritage Centre, 1993). In the US, the Volstead Act of 1919 (that was enacted to carry out the intent of the 18th Amendment), prohibited the manufacture, transportation, sale or importation of intoxicating liquor within the United States from 1920 to 1933 (Kyvig, 2000). Prohibition, which was unpopular (Potter, 1994) and difficult to enforce, pushed various ethnic groups (Block, 1983; Critchley, 2009) who had previously operated within small fragmented units primarily based upon extortion and theft to collaborate with well-established political forces (Landesco, 1968). It also enabled an enduring specific perception about the organisation of the business to emerge: The popular and media perception and representation was that local gangs were joining powers in a centralized, large, and extremely powerful illegal entity with the aim to monopolise the alcohol business (Critchley, 2009; Hobbs and Antonopoulos, 2013).

The nature of the illegal trade in alcohol has received relatively limited academic attention in recent years despite the fact that it has been linked with significant tax evasion as well as serious health problems and even deaths (see Europol, 2016). Some notable exceptions are the accounts by Johansen (2005; 2007 among other), Edwards and Jeffray (2014), as well as other accounts that focus primarily on the demand side of the trade (see, for example, PwC, 2013; Kotelnikova, 2014). The current article focuses on a specific type associated with the illegal trade in alcohol, the *counterfeiting* of alcohol, and on a geographic context that has been widely linked with the counterfeiting business in general (see UNODC, 2010; Shen *et al.*, 2010;

Przyswa, 2014; Hall and Antonopoulos, 2016; OECD, 2016), China. The article pays particular attention to the counterfeiting of *baijiu*, Chinese liquor across the quality and price spectrum, in mainland China. Although foreign alcoholic products, given their increasing popularity and high profitability, are also illegally produced in China (*China Anti-Counterfeiting Report*, 2016d; *The Guardian*, 2015; Liu, 1998), Chinese liquor brandings have been particularly targeted by counterfeiters. The aim of the article is to offer an account of the social organisation of the alcohol counterfeiting business in China by illustrating the counterfeiting process, the players in the business as well as its possible embeddedness (Kleemans and van de Bunt, 1999) in legal practices and trades and industries. Specifically, we aim to, firstly, describe the scale and nature of alcohol counterfeiting in mainland China; secondly, discuss the practices and participants during the different phases of the trade; and thirdly, examine how weak law enforcement, violence and corruption contribute to the continuity of the alcohol counterfeiting trade. Currently, very little is available in the international literature about this illicit business practice in China – the world’s second strongest economy.

As we know, China is also the most populous country in the world. The drinking rate of people in China was 21 per cent in 2005 (Ma et al, 2005) and alcohol consumption in the country is still growing (*The Telegraph*, 2015). Evidence of alcohol drinking in China dates back 7,000 years (Shen and Wang, 1998). Alcohol is not only an important part of Chinese people’s social life but also commonly used in professional settings and business practices to smoothen and enhance relationships between business partners, employers and employees, and work colleagues (Cochrane et al, 2003; Liu, 1995; *The Telegraph*, 2015). Therefore, China has a large demand for alcoholic products, which attracts counterfeiters. However, alcohol counterfeiting, unlike product piracy of other commodities in China, such as mobile phones and fashion goods (see for example, Lin, 2011), has been neglected in academic research. Knowing the alcohol counterfeiting business in detail and in depth helps a better understanding of not only the counterfeiting processes and parties involved, but also the direct and indirect causes, impact and other dimensions of product counterfeiting, so as to help law enforcement authorities and policymakers worldwide to tackle the problem that appears hard to solve.

Baijiu, the Administration of Alcohol Sale and Anti-Counterfeiting Law in China

There is an old Chinese saying – ‘*no banquet can do without liquor*’. Indeed, Chinese liquor – *baijiu* – plays an important role in every aspect of social life in China. *Baijiu* has always been in demand in China where top brand named *baijiu* include *Maotai*, *Wuliangye*, *Luzhou Laojiao* and several others. There are also popular regional brands. Journalistic evidence suggests that brand name liquor products at all price levels are counterfeited to match consumers’ purchasing powers (Chow, 2000). However, it is not certain how much alcohol is counterfeited and sold in the market.

Like the tobacco industry in China, the manufacture and sale of alcohol is under the state control through the alcohol exclusive sale system. However, the exclusive sale policy is not strictly enforced in the free market economy (Cai, 1998; *Cnwinenews*, 2007). For some commentators, the alcohol industry in China is ‘messy’ (*Sichuan Provincial Department of Commerce*, 2007; Xue, 1991) and it, therefore, provides a suitable environment for alcohol counterfeiting.

It is not that China does not have anti-counterfeiting laws to respond to the problem. Like many countries, alcohol counterfeiting, and product piracy in general, gives rise to breaches of a variety of substantive law, including the trademark law, anti-unfair competition law, consumer protection law, as well as criminal law. In China, producing counterfeit alcohol often amounts to two offences: the production of fake/counterfeit (*jiamao*) and/or substandard (*weilie*) products (s.140 of the *Chinese Criminal Law* 1997), and the unlawful use of others’ registered trademarks (ss. 213-215). The maximum penalty for the Section 140 offence is life sentence

and that for the trademark right violation offences is seven years imprisonment. The sale of counterfeit goods is also a criminal offence if a person has sold or offered counterfeit goods that exceeds RMB 50,000 (approximately £5,650). In addition, Section 144 may be triggered if the fake and substandard products concerned are toxic, and have led to deaths and other serious health consequences: in this case the offence punishable by death penalty. Therefore, China does have comprehensive, tough anti-counterfeiting laws and penalties are harsh. In practice, there are periodical national, regional and local police crackdowns on alcohol counterfeiting. However, the problem persists for reasons that we identify in the latter part of the article.

'Problematic' Liquor and Counterfeit Liquor in the Context of China

There are three types of 'problematic' liquor in the Chinese markets: fake/counterfeit liquor; poor quality liquor; and poisonous liquor.

Fake liquor takes four common forms: (1) Fake brand name liquor. It refers to liquor products involving unauthorised use of others' brand names. For example, the packaging of a liquor product identical to that of *Maotai*; (2) Liquor products, usually of lower quality, are made to intentionally resemble other liquor, usually famous, brandings. For example, a liquor product is deliberately made to mimic *Maotai* but uses a similar, rather than, identical brand name; (3) Liquor products are falsely advertised as products specially made for official use to mislead consumers as to their quality and authenticity; and (4) Newly produced liquor is misrepresented and sold as old mellow for a higher price. The first two forms of fake liquor are knock-offs and the making of them violates others' trademark rights. Making fake liquor as a whole is fraudulent and violates consumer rights. However, the line between these types of fake liquor is blurred in reality.

Poor quality liquor refers to liquor products that do not meet the national standards, and often raise public health and safety concerns. Liquor can be made of industrial alcohol blended with water. It becomes *poisonous* if the alcohol contains excessive amount of methanol – a life-threatening chemical (see Zhong and Zou, 2011).

Counterfeit liquor is usually made of low quality and poor quality liquor to reduce costs. It can be poisonous if the wrong chemicals are used. However, it should be noted that fake liquor is not always inferior to the genuine brand name liquor, as in this instance it is the added value of brand names – the 'something extra' (Derrida, 1992: 23) – that the counterfeiters take advantage of to make an illicit profit. Moreover, some counterfeit liquor products are better quality than others.

Counterfeit liquor products in China can be classified in three categories depending on quality of imitation. They are fake liquor products that vary on the basis of the quality of imitation: poor imitation (*difang*), middle-level imitation (*zhongfang*) and high quality imitation (*gaofang*) (CCTV, 2011; Zhang, 2012). *Difang* liquor products are sold at a low price. The making of *zhongfang* requires some effort to make them look like particular brandings and they are often sold at a modest price. *Gaofang* liquor products are made to look, smell and taste virtually identical to the authentic brand name liquor products, and are sold as if they are genuine. Obviously, the more authentic the counterfeit liquor looks, the more complicated and costly the production process is.

Data and Methods

As indicated earlier, very little empirical research has been conducted into alcohol counterfeiting in China. Accordingly, English language literature on alcohol counterfeiting in the context of China is scarce, apart from passing mentions in publications about product piracy in the country (see Dimitrov, 2009; Jiang, 2014; Kramer, 2006; Lin, 2011; Mertha, 2005; Yang,

2016). In her book on the rise of counterfeit goods in China, Lin (2011: 32) describes an alcohol counterfeiting case in two paragraphs. This particular case involved two suspects who sold fake brandy of brand names such as *Hennessey* and *Remy Martin* in Tianjin. Similar stories with the same amount of detail often appear in the Chinese language media. Academic literature on product counterfeiting in China also discusses legal issues as regards intellectual property rights and consumer rights protection (for example, Paglee, 1996-97; Wang, 1997-98) which does not focus on alcohol counterfeiting.

The same appears to be in the sphere of academic research in China. Despite a broad media coverage of alcohol counterfeiting, including high profile incidents involving people who lost their lives as a result of poisonous fake alcohol consumption (*China Anti-Counterfeiting Report*, 2014; Zhong and Zou, 2011), little academic research has been done to look in-depth into the problem. Police academics have produced a body of articles analysing the characteristics of economic crimes which sometimes name or briefly discuss alcohol counterfeiting (see for example Chen, 2013; Wang, 2015; Wang and Lü, 2013). Legal scholars tend to write about civil and criminal liabilities of counterfeiters and recommend legal measures that can be taken to deal with violation of trademark rights and breach of food health and safety regulations (see for example Chen, 1985; Li and Li, 2015; Pang and Liu, 2015; Liu, 2015). Economists comment on product counterfeiting from a management point of view and sometimes problems around fake alcohol are occasionally included (for example Kang and Wang, 2015; Wu, 2015). There are also articles focusing on technological development in the prevention of alcohol counterfeiting (for example, Li, Li and Yuan, 2015). However, the discussions in the Chinese language literature tend to be general, either not focusing on the counterfeiting of alcohol or failing to offer insights into the illicit business practice as to its scale, nature and social organisation.

In official discourses, statistical data about the counterfeit alcohol business is largely unavailable. This is mainly because as an illicit trade, alcohol counterfeiting operates underground to avoid detection. Moreover, no public authority, such as the State Tobacco Monopoly Administration in the tobacco industry, is designated to regulate the alcohol trade and systematically gather statistics. Consequently, our knowledge and understanding of alcohol counterfeiting in China remains incomplete (see also Chow, 2000).

This study draws information from open sources – a method commonly used in research into the black market business activities such as cigarette counterfeiting (see, for example, von Lampe, 2006) and it has been employed in similar studies in the Chinese context (see Shen *et al.*, 2010; von Lampe *et al.*, 2012; Shen *et al.* 2013). To achieve our intended aims, we used the search term ‘*jia-jiu*’ (‘alcohol counterfeiting’ in Chinese) and ‘alcohol counterfeiting AND China’ in English to collect open source materials from 1985 to August 2016. We corroborated the open source data with information drawn from published research, official sources and media accounts compiled in CNKI – the China National Knowledge Infrastructure. We found very little English language literature on alcohol counterfeiting in China and even CNKI – China’s largest academic database – offers mainly journalistic information about the research subject. A handful of journal articles were seemingly relevant to the present study, which, however, make merely passing mention of alcohol counterfeiting.

While scholarly research and official information is considerably lacking in this area, we find that investigative journalism, such as the series of news reports based on a sting operation conducted by the journalists of *Tianjin Daily* (1987), produces useful knowledge that offers invaluable insights into the underground alcohol counterfeiting industry. We also consulted specialist journals such as *China Anti-Counterfeiting Report* and *Quality Inspection*, which periodically provide articles and news reports about fake alcohol-related incidents. The sources were carefully selected in order to cover alcohol counterfeiting in all provinces of mainland China. The reason why the data we use for this study do not include Hong Kong, Macao and

Taiwan is because they constitute special administrative and — primarily — economic zones that have adopted different policies and practices. The fact that the first author of this article is of Chinese origin and can read Chinese provided us with the opportunity to use sources that are not easily accessible by non-Chinese speaking readers. We organised all relevant data in a chronological order to enable systematic review and critical analysis. Themes emerged in the process of data review, evaluation and analysis.

Limitations of the methodology of this study are worth noting. Firstly, as acknowledged in previous studies that relied on the open source method for data collection (Shen *et al.* 2010), the information here was largely drawn from the alcohol counterfeiting cases that were detected by the Chinese authorities and thus successful counterfeiters are not included in the analysis. Therefore, it is not possible to claim that the results here present the reality of alcohol counterfeiting in China as a whole. The sources in this study are represented to illustrate *some* individuals and businesses involved in alcohol counterfeiting in China and the operational phases *identified in the known/detected cases* of the illicit business.

Secondly, journalistic information should be used with caution. Journalism tends not to seek to look in depth into the broader factors so as to constitute critical academic analysis (Shen, 2015); in the case of China journalistic materials typically lacks evidence of independent thinking due to the state media control (Wang, 2014). However, Layder (2013) reminds us that media sources offer rich anecdotal data that could be used to corroborate evidence from other sources to enhance credibility, validity and generality of research findings.

In fact, a large amount of information in this study was drawn from media sources. Some, such as *China Anti-Counterfeiting Report* and *Quality Inspection*, are the mouthpiece of the Chinese government, whilst others can only be classified as popular media. Therefore, the arguments that we make in this article are drawn from a mixture of sources which should not be taken as necessarily ‘hard’ facts that are backed up by accredited official channels that, as we mentioned earlier, are largely unavailable.

The Scale and (Some Information on the) Nature of Alcohol Counterfeiting in China

According to *The Guardian* (2015), 30 per cent of all alcohol in China is counterfeit. However, it is not certain how accurate this estimate is and how it was constructed in the first place. Actually, no one seems to know for sure the scale of alcohol counterfeiting in China due to a shortage of reliable information. Although official statistics are not readily available, news reports offer case-specific information including figures that describe the size of fake alcohol production and/or distribution in particular cases. These may provide an indication as to the scale and nature of alcohol counterfeiting in the country. For example, *Quality Inspection* (2011) lists ten large scale alcohol counterfeiting cases detected in 2011. In a case in Hubei, among the 194 types of counterfeit liquor products seized, the vast majority (25,000 bottles) were fake *Maotai* and *Wuliangye* of an estimated value of RMB 3.77 million (£426,000). A 2014 case revealed that within a two-year period, a counterfeiting group paid over RMB 3 million for fake bottle caps alone, which allowed the group to have produced over three billion bottles of fake liquor (*China Anti-Counterfeiting Report*, 2015a).

Relatively recently, from January to July 2016, a series of large scale alcohol counterfeiting cases were detected in Beijing, Fujian, Jiangsu, Anhui and Henan, in which significant quantities of fake liquor products of values ranging between RMB 51,740 and 100 million (£ 5,850 – 11.3 million) were seized (Nanjing Public Security, 2016; *China Anti-Counterfeiting Report*, 2016b; 2016c; 2016e; *Quality Inspection*, 2016). Statistics available in the news reports on crackdowns on alcohol counterfeiting at local, regional and national levels may offer a type of measurement. Table 1 provides several examples.

Table 1. Statistics of National, Regional and Local Crackdowns (Examples)

Description of Operation	Groups Detected	Fake alcohol Workshop Destroyed	Arrests	Estimated Sales Income (¥ RMB)
<i>National Operation</i>				
Ministry of Public Security (MPS) led, involving 12 provincial forces (CCTV, 2011)	19	97	184	3 billion+
<i>Regional Operations</i>				
3 provinces (<i>China Anti-Counterfeiting Report</i> , 2012)	15	32	67	180 million
10 provinces (<i>China Anti-Counterfeiting Report</i> , 2013a)	1(network)	30+	60+	60 million+
<i>Local Operations</i>				
Xiamen, Shanxi (<i>China Anti-Counterfeiting Report</i> , 2016e)	1	4	8	Nearly 100 million
Xintai, Hebei (<i>China Anti-Counterfeiting Report</i> , 2016e)	1	-	11	30 million+
Cangnan, Zhejiang (<i>China Anti-Counterfeiting Report</i> , 2013d)	1	7	7	100,000 million+
Haikou, Hainan (<i>Xinhua News</i> , 2011c)	1	11	17	30 million+
Suzhou, Jiangsu (<i>Legal Daily</i> , 2011)	1	3	18	20,000+

The 2011 national crackdown led by the MPS was recognised as a success. As Table 1 shows, it detected 19 alcohol counterfeiting groups, dismantled 97 workshops and made 184 arrests. The estimated sales income was over RMB 3 billion (CCTV, 2011). However, since it was the only national police operation in the present data and it lasted for only two months, it cannot be used to make any valid estimation on a yearly basis.

There are also regional crackdowns. The 2012 operation listed in Table 1 was jointly undertaken by police forces in Anhui, Jiangsu and Zhejiang provinces (*China Anti-Counterfeiting Report*, 2012). The statistics suggest that alcohol counterfeiting is a cross-regional business, often involving multiple groups. Compared with the national and regional crackdowns, local enforcement operations more frequently appear in the news media, although, again, no consistent statistics are offered. As Table 1 illustrates, groups engaged in alcohol counterfeiting vary in size, and the scale of counterfeiting operations also differs considerably. Again, the statistics in Table 1 cannot indicate the scale and trends of alcohol counterfeiting in China. They may at best tell that the illicit business continues to operate vibrantly across China, counterfeiters work collectively and they are undeterred despite law enforcement crackdowns.

The Production of Counterfeit Alcohol

Historically, famous Chinese liquor comes from the regions of Sichuan and Guizhou. Today, counterfeit liquor is made all over China, with counties and townships in Shandong and Henan

being the largest manufacturing and distribution centres in the last 30 years or so (see *Tianjing Daily*, 1987). Although it is usually the top brands that are counterfeited, detected cases suggest that any liquor brands may be illegally made as long as the fakes make a profit. However, convicted counterfeiters reveal four ‘don’ts’ in the business: Specifically, they do not counterfeit brand name liquor products that: (1) are not sufficiently known; (2) have not achieved large sales (in the legal market); (3) use unique identifiers that cannot be copied; and (4) their knock-offs do not have a large profit margin (*China Anti-Counterfeiting Report*, 2015b). Clearly, counterfeiters aim to make a large profit in the quickest way with the lowest costs and risks. Counterfeit alcohol is commonly produced on order. Typically, a bottle of counterfeit liquor must have three key components – liquor, bottle and outer packaging and matching accessories. Thus, the fake liquor counterfeiting process is broadly divided into three phases: ‘making’ counterfeit liquor; acquiring bottles and packing materials; and bottling and packaging.

Making Counterfeit Liquor

Three types of ‘filling’ tend to be used to make counterfeit liquor products: (1) purchased cheap (or cheaper) liquor; (2) mixture of purchased liquor and other ingredients; (3) blended industrial alcohol with water (and other ingredients, if necessary). Purchased cheap liquor usually meets the minimum national standards and is thus safe. Illegitimate alcohol producers may add additional ingredients such as flavouring and industrial alcohol into the purchased cheap liquor to make it smell and taste authentic (*Guangxi Quality Supervision Guide Periodical*, 2016). Colourants are often used to make fake foreign spirits. Blending industrial alcohol with water is the cheapest of making counterfeit liquor but the method is rarely employed today following the high profile cases including alcohol being mixed with highly toxic and life-threatening methanol (see Johansen, 2007). This is illustrated by one ‘manufacturer’:

We have never used industrial alcohol. We use cheap liquor. We fill Liubeiye in the bottles of Wuliangye... We choose cheap liquor that tastes similar to the genuine brand name ones... I can guarantee no deaths will be caused by drinking our liquor (Tianjin Daily, 1987).

Counterfeit alcohol producers use a variety of methods to mimic famous liquor brands. For example, some counterfeiting workshops use one brand’s cheaper liquor type to ‘make’ expensive liquor products of the same brand. This method is simple and enables ‘quality’ – with the same ‘gene’, the fake liquor would taste similar to the authentic (*China Anti-Counterfeiting Report*, 2013a; *Sugar and Alcohol Quick News*, 2006).

Acquiring Bottles and Packing Materials

It is common knowledge in the alcohol counterfeiting business that bottles of brand name liquor are difficult to imitate (*China News*, 2010; Zhang 2012). Therefore, used bottles are ‘recycled’. A used bottle of ordinary *Maotai* is worth around RMB 50 (£5), whereas a used bottle of 15-year old *Maotai* liquor is worth around RMB 400 (£45), and a 30-year old bottle as high as RMB 2,000 (£226) (CCTV, 2011; *Xinhua News*, 2015; Zhang, 2012; Zhong and Zou, 2011). Thus, the bottle recycling business attracts a variety of entrepreneurs. Used bottles are now traded online. Tencent QQ – a popular instant messaging software service in China – is used for the used bottle business (*Xinhua News*, 2015). Apart from recycling, counterfeit liquor producers also have bottles of particular liquor brandings made for them (Nanjing Public Security, 2016). There are even simpler methods, as one producer illustrates:

Our Wuliangye imitates the Tequ produced by the Yenyi Brewery in Renshou County in Sichuan province. The flavour, bottle and outer packing of their Tequ is very similar to that of the original Wuliangye. Once we change the label on the Tequ bottle, it is Wuliangye (Huoqiu News, 2014).

Compared to obtaining bottles, obtaining fake packing materials is generally an easy job. Packaging materials can be made locally even by *legitimate* companies (Nanjing Public Security, 2016). Ready-made alcohol packing materials can be purchased from dealers in Guangxi, Guangdong and other places. In addition, along with used bottles, fake alcohol packing material sets, including all accessories and barcodes, are available online (*China News*, 2010). Today, fake packing materials and accessories can be made of high standards and even experts cannot identify between the fake and the real. *Xinhua News* (2015) reported that an anti-counterfeit torch was packaged by the counterfeiter together with the bottle of a type of fake *Feitian Maotai*; this torch which was designed by the brand owner was meant to assist consumers to look for the hidden identifier of the genuine liquor, which could not be seen with the naked eye.

Bottling and Packaging

Bottling and packaging is the final phase in the making of counterfeit liquor. There are slightly different processes for fake liquor made with different types of filling: some involve bottle cleaning, refilling and packaging, whilst others require only label replacing and re-packaging. A recent case involved two workers who could fill 200 bottles per day. For them, “filling (the fake liquor) was like filling tap water” (*Xinhua News*, 2011c). Replacing labels also appears to be a quick job: changing labels of 200 boxes of liquor (1 box normally contains 20 bottles) takes a day and it allows the counterfeit products to be transported on the same night (*Guangxi Quality Supervision Guide Periodical*, 2016).

In addition, bottling and packaging are simple jobs and usually done manually. Although larger scale counterfeit alcohol workshops and factories may use equipment such as liquid fillers, sealing machines, electric cutters, automatic packers, industrial printers and barcode machines (CCTV, 2011; *Huoqiu News*, 2014), small and some medium size workshops tend to operate with household items such as plastic buckets (for storing liquor), tea spoons (for adding ingredients), small fennels (for filling), rubber hammers (for sealing) and hairdryers (for pasting labels and anti-counterfeit tags/stickers) (*Xinhua News*, 2011c; 2015). On some occasions, home-made tools are used. Workers at a small workshop used ladies’ tights to make the fennels (CCTV, 2011) and in another case bedsheets were used to refine cheap liquor before re-filling (*Quality Inspection*, 2016). Needless to say that in most cases no health and safety and quality control procedures are followed and no measures are taken to ensure a reasonable level of hygiene in the manufacture of fake liquor.

The Venues of Counterfeit Alcohol Production

Increasingly, different phases of the production process are completed in different venues to avoid law enforcement detection and minimise losses (CCTV, 2011; *China Anti-Counterfeiting Report*, 2013c; MPS, 2011; *Tianjin Daily*, 1987; Zhang, 2012). Some fake alcohol producers also frequently shift venues to avoid detection or when they ‘feel the heat’ from law enforcement (Feng, 2003). The production of counterfeit alcohol tends to take place in concealed locations. Villages, especially those in remote regions with poor public transportation, are favoured by some counterfeiters (Zhang, 2012). Rural-urban conjunction areas are also chosen not only because of lax public security but also because this is where the wholesale markets are usually located – something that makes the distribution of the merchandise more convenient (CCTV, 2011; *Sina News*, 2004).

A variety of venues are used for the production of counterfeit alcohol, including private homes, rented residential premises, workshops in the legitimate factories, warehouses, luxury mansion houses, nursery homes and some unusual venues, such as toilets, pigsties and even a hospital's morgue (*China Anti-Counterfeiting Report*, 2012, 2015b; Feng, 2003; *Shānxi Daily*, 2011; *Xinhua News*, 2011b, 2011c). In a recent case detected in Xiamen, the alcohol counterfeiters turned four rented mansion houses into luxury private leisure clubs where not only the alcohol production was carried out but also social events were organised for the lead counterfeiter to network with local celebrities and conceal his true identity (*Haixi Morning Press*, 2016). While literally counterfeit alcohol can be produced anywhere, private homes – houses in villages and apartments in the city – are frequently used as workshops and their conditions can be appalling (see Feng, 2003; *Xinhua News*, 2011b). In one of the news reports we came across (*Sina News*, 2004), one of the workshops was described with some detail:

The room was still flooded with rainwater, in which all sorts of rubbish soaked. There was a bad smell in the air. Flies were flying inside the empty liquor barrels and rats were running around. Unused dirty bottles were piled at every corner of the room waiting to be filled up...

In the pigsty workshop, recycled bottles were washed in the stone runnel that was also used to feed the pigs (*China Anti-Counterfeiting Report*, 2012: 9).

The Sale of Counterfeit Alcohol

Whilst the production process is frequently described in some detail in the open sources we gathered and analysed, information about *distribution* of fake liquor is much less detailed. The existing data briefly indicates three types of sales strategies in the counterfeit alcohol trade: (a) conventional distribution through wholesalers and retailers; (b) direct supply to entertainment facilities through contacts; and (c) sales over the internet.

To legally trade in alcoholic products, one must possess a general trading licence, the food distribution permit and the trading licence for alcoholic products. The problem, though, is that these are not routinely inspected. Retailers of fake alcohol are corner shops, groceries and kiosks as well as larger stores and supermarkets (*Huoqiu News*, 2014; *Sugar and Alcohol News*, 2006). Illegitimately made alcohol is also sold to and by wholesale stores, where counterfeit brand name liquor products are often mixed with the genuine brands making it impossible to detect. Misuse of trust is not uncommon among fake alcohol distributors. In one case, the wholesaler sold knock-offs to long-term regular buyers (*China News*, 2010). In another case, counterfeit liquor was seized in a wholesale store that won the Award of 'Model Store of Trustworthy Alcohol Sales for 2010-2013' (*Sina News*, 2012).

Liquor counterfeiters also directly supply to all types of restaurants, bars, nightclubs, KTV (Karaoke establishments) and other entertainment facilities where alcoholic beverages are consumed. Independent distributors often have one or two suppliers of fake liquor, whilst some distributors obtain supply online (*Legal Daily*, 2011; *Xinhua News*, 2015).

The rapid growth of online shopping has undoubtedly facilitated the sale of fake liquor in China. According to *Southern China Daily* (2011b), alcohol is now one of the hottest sales in online market places and the sale of counterfeit liquor is at least partly accountable for the growth. In addition to sales through the online shopping sites, counterfeit liquor is marketed through email and on individual websites where potential buyers may find phone numbers or leave messages online to invite negotiation (see *Southern Metropolis*, 2012). Furthermore, online counterfeit alcohol dealers are increasingly using Tencent QQ and WeChat – also a popular free messaging and calling app – to look for buyers (*Xinhua News*, 2015).

Due to illegality of the counterfeiting trade, the sale of fake liquor heavily relies on personal networks – family and extended family members, friends and acquaintances – in Chinese term, ‘*guanxi*’ (Shen, 2015; Wang, 2014; Wang and Antonopoulos, 2015). Internet sales pose further challenges to law enforcement agencies as the anonymous online sellers are hard to identify and often once a transaction ends, they disappear (*Xinhua News*, 2015).

It is found that cheap counterfeit liquor products are commonly sold to the low income population (*China Food & Drug Administration*, 2016). Although China is the second largest economy in the world it has around 70 million people living in poverty and most of them live in rural China (The World Bank, 2016). Low income consumers – peasant farmers, rural migrants and urban citizens who have no stable jobs – usually care more about price rather than quality of the goods they purchase (Fan, 2016). Thus, the selling of counterfeits is rampant in market places in villages and rural-urban conjunction areas, where the needs of low income consumers are met. Some illegitimate alcohol producers have now turned to focusing on making cheap counterfeit liquor products for consumers with constrained purchasing power (*China Anti-Counterfeiting Report*, 2015a; *Legal Daily*, 2011). Prior to the World Expo 2010, a large number of workers migrated into Shanghai. Subsequently, there was a *significant* increase in the sale of cheap liquor in the city and, accordingly, alcohol counterfeiting rose sharply (*Xuexidao*, 2015). Thus, the alcohol counterfeiting business is highly reflective of market demand and consumer needs.

Alcohol counterfeiting in China is, of course, profit driven. Based on a Beijing case detected in 2010, Zhang (2012) contends that the profit margin for liquor counterfeiters exceeds 100 per cent (see also *China News*, 2010), whereas, according to the *Weekly Quality Report* (CCTV, 2011), the profit margin of counterfeit liquor products can be as high as 2,000%. In 2011, a Chongqing case revealed that a bottle of fake *Maotai* that cost less than RMB 10 (£1) to produce was sold at more than RMB 1,800 (£200) (*Southern China Daily*, 2011b). Alcohol counterfeiting is apparently a lucrative business for some entrepreneurs, and it explains how each of the four counterfeiters in a case detected in Jiangsu could have owned multiple properties in various locations (MPS, 2011).

No evidence in the present dataset suggests the supply of fake Chinese liquor to overseas markets. We came across only one reference in *China Anti-Counterfeiting Report* (2016d: 85), a vague revelation of a ‘conspiracy’ between Chinese and foreign entrepreneurs: counterfeit goods were ordered from abroad, they were made in China and exported to other countries. There were no other references (even as vague as that) to such an international scheme either in *China Anti-Counterfeiting Report* or in other open sources we examined.

Key Players in the Alcohol Counterfeiting Business in China

Similar to any other illegal business activities, such as cigarette counterfeiting (see Shen *et al*, 2010), the alcohol counterfeiting business requires a certain level of sophistication and management of resources, labour and operations. The interlinkage of various players in the alcohol counterfeiting process is described as an ‘industrial-trading chain’ in China’s official and journalistic discourses to highlight the maturity and vibrancy of this particular illicit trade. Although there is the ‘horizontal structure’ (Shen *et al*, 2010) in which individuals rely on one another, those who possess start-up funds, networks and a level of managerial skills do seem to take the lead in the running of the business, similar to the legitimate business world.

Like many legitimate private sector enterprises in China, counterfeit alcohol workshops are often family run (*China Anti-Counterfeiting Report*, 2013b, 2015a; Zhang, 2012). Quite often various service providers act as independent entities in the counterfeiting process in which different players connect with each other on a contractual basis, with a kind of ‘mind-your-own-business’ mentality, as illustrated by a female shop owner specialised in making fake

packing materials, *'All that I care is how to do my job properly. I don't care who buys (my products) and what they are buying them for'* (*China News*, 2010). Existing data also indicates several ways in which the collaborations initially emerge.

Firstly, some 'regional specialties' are known in the counterfeiting circles (Lin, 2011). In the counterfeit alcohol trade, for example, Zhanqian Street in a Zhejiang county is known for making packing materials. In this locality almost every shop displays professionally made samples of caps, labels, trademark signs and all kinds of packing accessories of brand name liquor products (*China News*, 2012). The trade information is spread by word of mouth. Secondly, legitimate businesses, such as recycling units and alcohol wholesale stores, are approached by illegitimate alcohol producers to outsource part of their business (*China Anti-Counterfeiting Report*, 2012). Moreover, *Southern China Daily* (2014) reveals that the trade fairs and exhibitions are exploited by counterfeiters for information exchange and networking.

Alcohol counterfeiting is a low cost, low skill and generally low entry threshold business. At the same time, counterfeiting is not a one person business, but one in which individuals play different roles of varying significance and levels of engagement. The data drawn from a collection of sources here enables a number of key players to be identified:

- *Alcohol Producers*: There is a range of counterfeit alcohol producers who perform at a variety of levels from small family workshop production to industrial scale operations. Family workshops spread around the rural areas. For example, Gaoche village in Wenshui county of Henan province once had several tens of family run alcohol workshops, among which only seven were licensed; the village was infamous for alcohol counterfeiting (see Feng, 2003). Some counterfeit alcohol producers are more sophisticated than others. In a number of cases, the lead counterfeiters spent tuition fees on courses to learn alcohol production methods and techniques (see, for example, Nanjing Public Security, 2016; *Xinhua News*, 2011c). There are illegitimate alcohol producers who hire experts to conduct research into genuine brand name liquor products to closely imitate their taste and packaging (*China Anti-Counterfeiting Report*, 2012b; *Xinhua News*, 2011b). While Mrs Tang, the owner of a factory formerly manufacturing cardboard, paid an experienced worker at a legitimate alcohol company for the brand's recipe (*China Anti-Counterfeiting Report*, 2012), some illegal liquor producers invited recipe holders to become business partners (*China News*, 2010). Counterfeit alcohol producers usually have some start-up funds. The start-up capital for the alcohol counterfeiting business is typically around RMB 30,000 (£3,400), including purchasing cheap liquor (about RMB 3.7 per bottle), bottles, all packing materials and accessories, and a cap sealer (MPS, 2011). The figure can be higher or lower depending on the size of the business and the method of the production. Just as counterfeiters in China as a whole (see Lin, 2011), fake alcohol producers in the present study appear to be largely less educated, of a lower socioeconomic status, and are often members of the marginalised social groups.
- *Legitimate Low-End Alcohol Manufacturers*: Some legitimate alcohol manufacturers of low-end liquor products are also engaged in counterfeiting and some of them are even state-owned companies (see *China News*, 2012). Some produce cheap liquor of their own brands but intentionally make their liquor taste and look similar to particular brandings to boost sales (*Guangxi Quality Supervision Guide Periodical*, 2016; Wang, 1988). Some legitimate alcohol factories produce knock-offs (*China News*, 2012). Sometimes legitimate businesses turned to alcohol counterfeiting in response to their failures in the legitimate markets (see for example *China Anti-Counterfeiting Report*, 2012). For these producers, being 'legitimate', is a strategic advantage since it makes their involvement in the counterfeiting business difficult – if not impossible – to detect.

- *Trademark Sign and Packing Material Producers:* There are individuals and businesses specialising in making trademark signs, packing materials and accessories, including bottles, caps, tags, barcodes, matching gift boxes and bags, and so on to facilitate illegitimate alcohol production. Some are experts with years' experiences in the legitimate alcohol industry, professionals who are paid by counterfeiters to act as consultants (*Xinhua News*, 2011a; 2011b; 2011c). There are also self-made specialists in the counterfeiting business and some of them operate independently (*China News*, 2010).
- *Bottle Collectors:* As noted earlier, used bottles of brand name liquor tend to be recycled to produce realistic knock-offs and recycling businesses are involved in this part of the counterfeiting process. There are also specialised bottle collectors and some trade used bottles of top-brand liquor on the internet. Some restaurants and various entertainment facilities act as bottle collectors, too (see CCTV, 2011). To make more money by selling used bottles, a restaurant in Haikou regularly trained waiters and waitresses to properly open liquor bottles so as to prevent damage. Some retailers buy back used bottles of the brandings they sell (Zhang, 2012). Used bottles recycled from various sources finally find their way to the counterfeit alcohol production.
- *Workers:* Migrant workers who have no qualifications, particular knowledge and skills seem to be 'willing' to take low-paid jobs and work under the poor conditions in the alcohol counterfeiting business (*Legal Daily*, 2011). In a 2011 case, for example, two elderly migrant women were hired to wash recycled bottles. Each of them washed 500 bottles a day and was paid RMB 0.01 per bottle (MPS, 2011), which equalled to a tenth of a British penny.
- *Transporters:* While counterfeit alcohol producers may organise delivery themselves, more often they outsource transportation at a low cost (*Xinhua News*, 2011b). Lorries and vans are commonly used for large quantities but for smaller quantities (e.g. 2-3 boxes) some individual transporters prefer long distance coaches because it is cheaper: one delivery could cost only a return passenger ticket and it is safe, too, as no one checks what is being transported by coach. According to one illegal producer, legitimate transport companies are also used and 'they don't care whether the goods are fake or genuine' (*China News*, 2010). In a case from the 1980s, military vehicles were used to transport fake alcohol (*Tianjin Daily*, 1987).
- *Distributors/Sellers:* Depending on the sales method, there are two types of counterfeit alcohol distributors/sellers. The first type is conventional sellers operating in legitimate enterprises. Some of these sellers may actually own the legitimate business. The second type is online sellers. Some distributors are deceived, whilst others knowingly purchase cheap knock-offs and sell them as authentic brands (MPS, 2011).
- *Consumers:* Arguably consumers are also important actors in the counterfeit alcohol trade since they have facilitated the illicit trade by contributing to the creation of market demand. Mr Chen – a regular buyer of counterfeit alcohol – provides some insights (*Southern Metropolis*, 2012):

I have to invite people for banquets frequently. The fake liquor costs me just over RMB 200¹ a bottle (about RMB 460² for the genuine one). I know it's fake, but the genuine one is too expensive. This type of fake liquor is good for my hospitality purposes: it's cheap but looks real and it has no quality problems. So far nobody has figured out it's fake. My friends also buy fake liquor for the same reason.

¹ Approx. £22

² Approx. £52

Alcohol Counterfeiting, Weak Law Enforcement, Violence and Corruption

So why is alcohol counterfeiting a persistent and widespread problem in China? Apart from the deep structural problems in the reform era in China such as social inequality, glaring polarisation and a patchy state welfare system that push disadvantaged members of society to make money by all possible means so as to rely on themselves, the data in the present study has led us to the issues of law enforcement. Lack of enforcement has been singled out to be a major problem with product counterfeiting in China (see, for example, Chow, 2000; Kramer, 2006; Lin, 2011; Morcom, 2008). This study offers a number of reasons for it.

First, as Morcom (2008: 272) observes, there is an ‘inadequate administrative apparatus’ in China. In the alcohol industry, the administrative structure is blurry: it is regulated by multiple agencies, including the Bureau of Commerce, the Administrative Bureau of Industry and Commerce (ABIC) as well as food safety and product quality control authorities. In reality, none of these agencies takes the lead in overseeing the alcohol trade and thus there are gaps in regulation and enforcement (*Southern China Weekend*, 2004a; Wang, 2013). Consequently, there are regional variations in practices. In some places, the Administrative Bureau of Alcohol Exclusive Sale (ABAES) is set up as a sub-bureau under the Bureau of Commerce to handle alcohol counterfeiting, but it does not exist in other places. With a low administrative status, the ABAES underperforms due to limited power and resources. In Dongguan, a Guangdong city, the agency is staffed with several cadres who are unable to cope with the level of alcohol counterfeiting in the region (*Tobacco China*, 2012). Lu Ronghua – the head of Shanghai ABAES – contends that compared with the tobacco trade, the alcohol industry is much less regulated across the country with a considerable lack of personnel and resources (*Cnwinenews*, 2007). Enforcement is even weaker in rural areas (see Fan, 2016).

The second reason relates to departmentalism and a lack of inter-agency work in law enforcement. For example, the food safety authority is responsible for testing alcoholic products and issuing quality certificates. Knowing that the agency detects only poor quality alcohol, illegitimate alcohol producers adjust the recipe of their fake liquor to meet the minimum standards. Some simply buy low quality liquor that has passed the test and send it for testing (Zhang, 2012).

Thirdly, over the years counterfeiters have developed various measures to conceal illicit operations. As we have seen, venues are chosen carefully to avoid attention. There are devices, systems and strategies in place to respond to law enforcement actions. In the Chongqing case where fake liquor was made in an underground mortuary, the group had a clear division of responsibility. Individual workers were designated to perform separate tasks, and were not allowed to exchange information about their roles. Once a transaction ended, water pipes and electric cables were taken away and the room was restored to its original settings so that no one would know what had happened (*Xinhua News*, 2011c). Counterfeiters tend to change mobile phone numbers in each new transaction and they take cash-only payments that leave no trace. The illegal entrepreneurs have certainly developed a level of sophistication and, therefore, pose challenges to law enforcement agencies.

In addition, individuals in the illicit trade are prepared to use violence to protect their business. In Wenshui, a Henan county, where alcohol counterfeiting is rampant, a slogan spread among villagers: ‘*to those (law enforcement officers) coming from the top, bribe them; to those coming to destroy (our business), treat them with violence*’ (Foshan Government, 2012). Violence and primarily threat of violence appear to be directed towards anyone who threatens the alcohol counterfeiting business. A news article reveals that two investigative journalists were threatened by counterfeiters in a Shandong village: ‘*The sky is high and the emperor is far away. You came here vertically (alive) but might leave horizontally (dead). So, you must be*

careful...’ (Wang, 1988; *Tianjin Daily*, 1987). The same article exposed that the counterfeiters equipped their transporters with weaponry to guarantee ‘safe’ transactions and that violence was imposed towards alcohol administration officials who attempted to disrupt the counterfeiting process (*Tianjin Daily*, 1987; Wang, 1988). In some areas, the illegitimate alcohol manufacturers seek partnership with the local ‘black societies’ – serious criminal groups – and they take violence as a key measure for business protection (Foshan Government, 2012).

While use of violence is rare in the black market activities in other geographic settings, it is not uncommon in China (see Shen *et al*, 2010). This characteristic should be understood in the unique local socio-political conditions in China, such as local protectionism and corruption. Previous studies have associated local protectionism with product counterfeiting in China (see for example Chow, 2003; Lin, 2011; Shen *et al*, 2010). In the context of alcohol counterfeiting, local governments fear that the problem, once exposed, would be an indication of bad economic environment and of poor local governance, which not only renders their areas to be less attractive to potential investors but also reversely affects individual officials’ career advancement. Local protectionism is often exercised through lax policies and a lack of enforcement (Lin, 2011); local officials tend to cover up alcohol counterfeiting practices in their areas, suppress enforcement actions, and where the top-down police crackdowns become inevitable, media reports are prohibited (see Li, 2014).

Local protectionism functions to protect local interests and local officials’ personal interests at the expenses of national and public interests. It is, therefore, not surprising that when a special enforcement team from Shandong was raiding an illegitimate alcohol workshop in a neighbouring province, their action was disrupted by several local agencies who were equipped with firearms (Liu, 1998: 29). Thus, local protectionism hampers law enforcement effort against alcohol counterfeiting, and so does corruption.

In Shen and colleagues’ (2010) study on cigarette counterfeiting in China, three forms of corruption of Chinese public officials are identified: active engagement, ‘protection umbrella’ and ‘turning a blind eye’ of public officials. These also appear to be the case in alcohol counterfeiting. Some public officials, especially those in rural areas, are actively involved in alcohol counterfeiting (Fan, 2016). In a high profile Shānxi case that shocked the nation, the Party Secretary of a state-owned alcohol trading company – also the local alcohol exclusive sale authority – was found to be the lead distributor of *poisonous* fake alcohol (Cai, 1998; Luo, Li and Wang, 1998). For various reasons, local officials play a role of a ‘protection umbrella’ for counterfeiters (Fan, 2016). Similar to that in the cigarette counterfeiting business, the ‘protection umbrella’ enables the co-existence of alcohol counterfeiting and the law enforcement crackdowns against alcohol counterfeiting in the very same locale (see also Shen *et al*, 2010). Corrupt officials often act as informants who release confidential information to local counterfeiters and allow them to escape from detection (Fan, 2016; Wang, 1988). Rather than actively engage in or provide protection for the alcohol counterfeiting business, some officials ‘turn a blind eye’ and ignore the illegitimate business practices (*Southern China Weekend*, 2004b). Financial rewards are not necessarily the incentive for officials and the general public to turn a blind eye on alcohol counterfeiting. In China, people are related through *guanxi* – by and large ‘a long-term, reciprocal relationship’ between individuals and an everyday social practice (Shen, 2015: 17). Turning a blind eye could well serve to maintain *guanxi* but not necessarily result in any direct rewards, hence corruption (see Zhan, 2012).

Corruption involves not only public officials but also senior employees of legitimate alcohol manufacturers who are conspirators of counterfeiters (Liu, 2016; Wang, 1988). In a recent case, a grievance buyer who bought fake brand name liquor from a shop made a complaint to the anti-counterfeiting office of the legitimate company manufacturing the brand. The office head of the company admitted that the liquor was fake but insisted that ‘it’s

absolutely fine to drink it' (Lou, 2016). In the 1980s, it was found that some journalists helped illegitimate liquor producers cover up their counterfeiting operations in exchange for financial rewards (Jin, 1985). It should be noted that although corruption is a widespread problem in the reform era in China (Zhan, 2012), it is not a feature presented in all of the cases used in this study. In fact, it much less frequently appears in recent cases, possibly as a result of the heavy-handed anti-corruption campaign led by President Xi Jinping.

Concluding Remarks

This article aims to contribute to our knowledge of alcohol counterfeiting in China by offering an initial account of its social organisation. Relying on open source information, it has attempted to examine the scale and nature of the alcohol counterfeiting business in China, its processes, various actors involved in it, as well as several conditions that facilitate the trade. The scale of alcohol counterfeiting is unmeasurable for a number of reasons and the detected cases can only show the tip of the iceberg. A number of findings with regards to the trade's nature, however, are worth highlighting.

Alcohol counterfeiting in China is characterised primarily by independent actors many of whom are subcontracted to provide commodities and services about the counterfeiting process. These actors, and especially the ones that are not on the level of producer in large-scale counterfeiting schemes, are commonly from disadvantaged backgrounds and belong to China's marginalised social groups. The fake alcohol business provides jobs for those who are short of money, skills and experiences, and receive little institutional support.

The business relies on personal networks. Relationships between actors in the business are very often based on a customer – supplier relationship or a 'business-to-business market', which is a very common characteristic of the Chinese (legal and illegal) economy (see, for example, Simons, 2009), and is in fact a feature that has been identified as integral to markets of other counterfeit commodities in the particular geographic context (see Shen *et al.*, 2010).

The alcohol counterfeiting business in China highlights the symbiotic relationship between illegal and legal businesses. Within the production process we found that packaging materials can be made locally even by legitimate companies, or that ready-made alcohol packing materials can be purchased from dealers in a variety of localities. We also found that legitimate businesses, such as recycling units and alcohol wholesale stores, are approached by illegitimate alcohol producers to outsource part of their business. In addition, legitimate venues are used for the production of counterfeit alcohol, trade fairs and exhibitions are exploited by counterfeiters for information exchange and networking, and legitimate transportation companies are used for the transportation of the merchandise. The presentation of the key actors not only indicates the diversity and dynamism of this particular illicit business but also that legitimate actors are essential in the alcohol counterfeiting business and drift from legality to illegality and back always within the confines and protection of their legal business (see Morselli and Giguere, 2006). The alcohol counterfeiting business is –literally and metaphorically - a 'dirty economy', to borrow a term by Ruggiero (1996), an environment in which neither criminality is unknown to legitimate businesses nor criminals live off legitimate business in a parasitic way. It is interesting that, as our data indicates, sometimes legitimate alcohol businesses turn to alcohol counterfeiting in response to their failures in the legitimate markets, in a way operating as 'reluctant criminal undertakers', "*pragmatists who simply seek to 'get things done' on behalf of the interests of the self, and according to the logic of the market's 'dark heart', in the midst of 'inherited' or artificially created circumstances*" (Antonopoulos and Hall, 2014: 331).

The alcohol counterfeiting business is highly reflective of the market demand and consumer needs (see van Duyne, 2007). Low income consumers tend to buy fake liquor

products because of their price and some are deceived (often due to a lack of consumer sophistication in a wider context of uncontrolled availability and supply). There are also conscious consumers who buy realistic imitations of genuine liquor products for their brand image, but these are not necessarily obsessed with materialism and status consumption (Cheung and Prendergast, 2004). There are complex dynamics between the *guanxi* practice, class identity, 'face' and purchasing power, which create anxiety to individuals situated in it. For individuals, purchasing counterfeited brand name liquor for hospitality and gift-exchange is often situation oriented and pragmatic (Chan, Wong, Leung, 1998); for the market, it creates demand for counterfeits. Thus, alcohol counterfeiting is not only a public health problem and an issue of intellectual property rights protection but a complex socio-economic and cultural problem.

We also find that rather than a lack of effective laws and of real top-level political commitment (Kramer, 2006), the overall administrative set-up in China appears to be a fundamental problem: agencies share responsibilities and departmentalism renders no one responsible to take the lead. Local protectionism, corruption and online shopping further complicate law enforcement and suppress its potential. Certainly tackling alcohol counterfeiting requires a better designed and co-ordinated system and procedures. This study enables us to gain some insights into the dynamic alcohol counterfeiting business in China but is far from comprehensive. Clearly, our knowledge and understanding of the illicit trade is still incomplete and much more needs to be done to explore its deep causes and operational dynamics.

Compliance with Ethical Standards:

Authors declare that they have no conflict of interest.

This article does not contain any studies with human participants or animals performed by any of the authors.

References

- Antonopoulos, G.A. & Hall, S. (2014) 'The Death of the Legitimate Merchant?'. In van Duyne, P.C., Harvey, J., Antonopoulos, G.A., Maljevic, A., Markovska, A. & von Lampe, J. (eds) *Corruption, Greed and Crime Money*. Nijmegen: Wolf Legal Publishers.
- Block, A. (1983), *East Side-West Side: Organizing Crime in New York, 1930-1950*. Newark, NJ: Transaction.
- Cai, Ping (1998) How Was the 'Bitter' Liquor Manufactured? *China Tens of Thousand Miles towards Quality* 5: 18-25.
- CCTV (2011) Weekly Quality Report: How is fake alcohol made? available at <http://news.sohu.com/20111107/n324716346.shtml> on 11 August 2016.
- Chan, A., Wong, S. & Leung, P. (1998) 'Ethical Beliefs of Chinese Consumers in Hong Kong', *Journal of Business Ethics* 17 (11): 1163-1170.
- Chen, Tanqiang (1985) 'The Extracted Proceedings of the Roundtable Discussions on the Protection of Consumer Interests through Legislation', *Outlook* 15: 18-20.
- Chen, Zongpan (2013) 'Launching and Developing Co-ordinated Battles against Product Counterfeiting', *Journal of Hubei University of Police* 12: 14-16.
- Cheung, W. & Prendergast, G. (2004) *An Exploratory Study of the Materialism and Conformity Motivations of Consumers Who Knowingly Buy Pirated Products: A Hong Kong and Shanghai comparison*. Hong Kong: Hong Kong Baptist University.
- China Anti-Counterfeiting Report* (2012) Wan, Su and Zhe Three Provinces Cracked down a Counterfeiting Case involving Alcohol of Hundreds Millions Market Value, 11: 9-21.

- China Anti-Counterfeiting Report* (2013a) Information: Anti-counterfeiting, 9: 14-20.
- China Anti-Counterfeiting Report* (2013b) Economic Case Report, 10: 74-75.
- China Anti-Counterfeiting Report* (2013c) Liuan, Anhui Detected An Alcohol Counterfeiting Group; Large Quantity of Ingredients Seized, 11: 97.
- China Anti-Counterfeiting Report* (2013d) Cangnan Detected A Case Involving the Making and Selling of Fake Liquor Packing Materials, 12: 94-95.
- China Anti-Counterfeiting Report* (2014) Review High Profile Fake Alcohol Cases, 3: 36-37.
- China Anti-Counterfeiting Report* (2015a) Little Caps Led to a 100-Million Worth Alcohol Counterfeiting Case, 3: 79-80.
- China Anti-Counterfeiting Report* (2015b) Bottling Cheap Base Liquor in A Toilet and Selling It at Several Tens of Thousands Yuan, 4: 69-72.
- China Anti-Counterfeiting Report* (2016a) ‘Deceived by Promoters: Spend over 10,000 yuan on 60 bottles of fake “Maotain”’, 1: 103.
- China Anti-Counterfeiting Report* (2016b) Liuan Detected Alcohol Counterfeiting Case of 51,740 Yuan Market Value, 2: 91.
- China Anti-Counterfeiting Report* (2016c) Binzhou Detected An Alcohol Counterfeiting Case, 4: 89.
- China Anti-Counterfeiting Report* (2016d) The Public Security Authorities Coordinated Crackdowns and Detected over 200,000 Counterfeiting Cases, 5: 84-95.
- China Anti-Counterfeiting Report* (2016e) Xiamen Detected a Very Large Counterfeiting Cases involving Market Value of One Hundred Million, 6: 93-95.
- China Food & Drug Administration* (2016) The Chaoyang Mass’ Performed meritorious service Again: Report on Crackdown against Alcohol Counterfeiters, 1: 30-31.
- China News* (2010) How Can a Bottle of Fake Liquor Costed 80 Yuan be Sold at 300? Available at <http://www.chinanews.com/life/2010/09-27/2557090.shtml> on 11 August 2016.
- China News* (2012) Hunan *Chende* Dismantled an Alcohol Counterfeiting Factory, available at <http://www.chinanews.com/fz/2012/03-28/3780337.shtml> on 13 August 2016.
- Chow, D. (2000) ‘Counterfeiting in the People’s Republic of China’, *Washington University Law Quarterly* 78(1): 1-57.
- Chow, D. (2004) Counterfeiting in China and Its Effect on US Manufacturing, available at <file:///C:/Users/Admin/AppData/Local/Microsoft/Windows/INetCache/IE/RHW0B5V1/042004chow.pdf> on 6 August 2016.
- Cnwinenews* (2007) Lu Ronghua: Regulating the sale of alcohol from a broad perspective, available at http://www.cnwinenews.com/html/2007/pinglun_0307/53891.html on 13 August 2016.
- Cochrane, J., Chen, H, Conigrave, K. M. and Hao, W. (2003) ‘Alcohol Use in China’, *Alcohol & Alcoholism* 38(6): 537-542.
- Critchley, D (2009) *The Origin of Organised Crime in America: The New York City Mafia, 1981–1931*. London: Routledge
- Derrida, J. (1992) *Given Time: I. Counterfeiting money*. Chicago: University of Chicago Press.

- Dimitrov, M. K. (2009) *Piracy and The State: The politics of intellectual property rights in China*. Cambridge: Cambridge University Press.
- Edwards, C. & Jeffray, C. (2014) *On Tap: Organised Crime and the Illegal Trade in Tobacco, Alcohol and Pharmaceuticals in the UK*. London: RUSI.
- Europol (2016) Counterfeit Products: Why Buying Fakes Can be Bad for Your Health (and More), available at <http://www.europol.europa.eu>, accessed on 1 September 2016.
- Fan, Yonghua (2016) 'Analysing Why Counterfeit and Substandard Food and Drinks Love to Go to Countryside and Countermeasures', *New Agriculture* 11: 50-52.
- Feng, Meili (2003) 'Be Careful: Fake liquor may make a scene again during the holiday seasons', *China Anti-Counterfeiting Report* 6: 24-26.
- Foshan Government (2012) A Long Way to Go to Eradicate Alcohol Counterfeiting, available at http://www.foshan.gov.cn/zwgk/yjgl/dxal/201209/t20120901_3894573.html on 12 August 2016.
- Guangxi Quality Supervision Guide Periodical (2016) 'Counterfeiting Workshop Dismantled: Fake Maotai worth 30 but sold at 1,000 yuan', *Guangxi Quality Supervision Guide Periodical* 1: 55-56.
- Haixi Morning Press (2016) Xiamen Police Detected an Alcohol Counterfeiting Case involving Market Value of A Hundred Thousand Yuan, available at <http://www.hxnews.com/news/fj/mn/xm/201605/19/870814.shtml> on 12 August 2016.
- Hall, A. & Antonopoulos, G.A. (2016) *Fake Meds Online: The Internet and the Transnational Market in Illicit Pharmaceuticals*. London: Palgrave Macmillan.
- Hobbs, D. & Antonopoulos, G.A. (2013) 'Endemic to the Species: Ordering the 'Other' via Organised Crime', *Global Crime*, 14(1), 27-51.
- Huoqiu News (2014) 'Alcohol Counterfeiter Brothers Caught by the Net: A report on how the Huoqiu police detected a trademark counterfeit case', available at http://www.hqnews.cn/print.asp?WZ_ID=46658 on 2 August 2016.
- Jiang, L. (2014) 'Call for Copy – The culture of counterfeit in China', *Journal of Chinese Economics* 2(2): 73-78.
- Jin, Yan (1985) 'Talking of Journalists "Watching Others Dining"', *The Journalist Profession* 10: 42-43.
- Johansen, P.O. (2005) Organised crime, Norwegian style. In van Duyne, P. C., von Lampe, K., van Dijck, M. & Newell, J. L. (eds.) *The organised crime economy: Managing crime markets in Europe* (pp.189-208). Nijmegen: Wolf Legal Publishers.
- Johansen, P.O (2007) The Come-Back Boys of the Illegal Markets. In van Duyne, P.C., Maljevic, A., van Dijck, M., von Lampe, K. & Harvey, J. (eds) *Crime Business and Crime Money in Europe: The Dirty Linen of Illicit Enterprise*. Nijmegen: Wolf Legal Publishers.
- Kang, Haili & Wang, Haoyu (2015) 'The Current State of Food Safety Inspection System in China, Problems and Countermeasures', *Economic Vision* 1: 80-84.
- Kleemans, E.R. & van de Bunt, H. (1999) The Social Embeddedness of Organised Crime. *Transnational Organized Crime* 5(1), 19-36.
- Kotelnikova, Z. (2014) *Consumption of Counterfeit Alcohol in Contemporary Russia*. Working Paper 47/SOC/2014. Moscow: National Research University Higher School of Economics.
- Kramer, U. (2006) *Counterfeiting in the People's Republic of China: Analysis of impact, drivers and containment options concerning increased counterfeiting*. Hamburg: Diploma Thesis.
- Kyvig, D. (2000) *Repealing National Prohibition*. 2nd ed. Kent, OH: Kent State University Press.

- Landesco, J. (1968) *Organised Crime in Chicago*, 2nd ed. Chicago, IL: University of Chicago Press.
- Layder, D. (2013) *Doing Excellent Small-Scale Research*. London: Sage.
- Legal Daily* (2011) Suzhou Detected the Largest Alcohol Counterfeiting Case: 18 detained and 4 arrests, available at http://www.legaldaily.com.cn/index_article/content/2011-09/18/content_2965298.htm?node=5955 on 11 August 2016.
- Legal Daily* (2013) Fake *Maotai* Uses Anti-Counterfeiting Marks that cannot be identified by Human Eye, available at <http://epaper.legaldaily.com.cn/fzrb/content/20130514/Article05010GN.htm> on 11 August 2016.
- Li, Yingfeng (2014) 'Combining Morality and Legality to Crackdown Counterfeiting and Making Substandard Goods', *China Tens of Thousand Miles towards Quality* 12: 76-78.
- Li, Xiaohua & Li, Xiang (2015) 'Strict Criminal Liability in the Application in Crimes of Manufacturing and Selling of Counterfeiting and Substandard Products', *Journal of Guangxi Police Academy* 28(6): 81-85.
- Li, Xiaolong, Li, Jianhui & Yuan, Chunhui (2015) 'Security Methods and Security Devices of Alcoholic Products', International Conference on Education Technology, Management and Humanities Science, available at <http://www.cnki.net/KCMS/detail/detail.aspx?dbcode=IPFD&filename=JKDZ201503002184&dbname=IPFDL AST2015> on 8 August 2016.
- Lin, J. Yi-Chieh (2011) *Fake Stuff: China and the rise of counterfeit goods*. Abingdon, Oxon: Routledge.
- Liu, Chang (2016) 'Difficult to Distinguish Fake and Genuine Liquor; the Boss Said He had someone in the county government', *China Tens of Thousand Miles towards Quality* 1: 34-35.
- Liu, Lina (2015) 'Determining "Criminal Proceeds" in Crimes of Violating Others' Intellectual Property Rights', *Journal of Chinese Criminal Law* 2: 136-140.
- Liu, Yurong (1998) 'Genuine Liquor, Faked Liquor, and Others', *China Tens of Thousand Miles towards Quality* 6: 28-31.
- Luo, Hancheng, Li, Dong & Wang, Lie (1998) 'The Tragedy Should not be Allowed to Repeat', *China Tens of Thousand Miles towards Quality* 5: 16-17.
- Ma, Guansheng, Zhe, Danhong, Hu, Xiaoqi, Luan, Dechun, Kong, Lingzhi, Yang, Xiaoguang (2005) 'The Drinking Practice of People in China', *Acta Nutrimenta Sinica* 5: 8-13.
- Mertha, A. C. (2005) *The Politics of Piracy: Intellectual property in contemporary China*. London: Cornell University Press.
- Morcom, A. (2008) 'Getting Heard in Tibet: Music, media and markets', *Consumption, Markets and Culture* 11(4): 259-285.
- Morselli, C. & Giguere, C. (2006) 'Legitimate Strengths in Criminal Networks', *Crime, Law and Social Change*, 46, 185-200
- MPS (2011) Jiangsu Suzhou Police Successfully Cracked down Three Alcohol Counterfeiting Sites, available at <http://www.mps.gov.cn/n2255079/n2256131/n2256134/c3620324/content.html> on 11 August 2016.
- Nanjing Public Security (2016) Nanjing Detected a Large Alcohol Counterfeiting Case, available at http://www.njga.gov.cn/www/njga/2010/gaxw4-mb_a39160713323709750.htm on 28 July 2016.
- Naylor, R. T. (2003) 'Towards a General Theory of Profit-Driven Crimes', *British Journal of Criminology* 43 (1), 81-101.

OECD (2016) *Trade in Counterfeit and Pirated Goods Mapping the Economic Impact*, available at: <http://www.oecd.org/gov/risk/trade-in-counterfeit-and-pirated-goods-9789264252653-en.htm> on 9 August 2016.

Paglee, C. D. (1996-97) 'Chinese Trademark Law Revised: New regulations protect well-known trademarks', *University of Baltimore Intellectual Property Law Journal* 5: 37-81.

Pang, Xiaofeng & Liu, Xiaoli (2015) 'Legislative Consideration on the Strict Criminal Liability in Crimes against Food Safety Regulations', *Economic Vision* 3: 96-101.

Potter, G. W. (1994) *Criminal organizations: Vice racketeering and politics in an American city*. Prospect Heights, IL: Waveland Press.

Przyśwa, E. (2014) *Counterfeiting in the Wines and Spirits Market: Key Issues and Presentation of Anti-Counterfeiting Technologies*. Paris: SELINKO.

PwC (2013) *Counterfeit Goods in the UK: Who is Buying What, and Why?*. London: PwC.

Quality Inspection (2011) Ten Serious Alcohol Counterfeiting Cases in 2011, Z1: 22.

Quality Inspection (2016) Beijing Chaorang District Black Liquor Workshop Used Bedsheets to Refine Baijiu, 2: 34.

Ruggiero, V. (1996) *Organised and Corporate Crime in Europe*. Aldershot: Dartmouth

Saltburn Smugglers' Heritage Centre (1993) *A Guinea for the Brandy*. Saltburn: Saltburn Smugglers' Heritage Centre

Shānxi Daily (2011) Alcohol Counterfeiting Workshops Operated in the Workers' Residential Estate were Cracked down by the Joint Operation of the Authorities of Industry and Commerce and the Police, available at http://www.sxrb.com/wb/news_13/sx_0/3177358.shtml on 12 August 2016.

Shen, A. (2015) *Offending Women in Contemporary China: Gender and pathways into crime*. London: Palgrave Macmillan.

Shen, A., Antonopoulos, G.A. & Papanicolaou, G. (2013) 'China's Stolen Children: Internal Child Trafficking in the People's Republic of China', *Trends in Organised Crime*, 16(1), 31-48.

Shen, A., Antonopoulos, G.A. & von Lampe, K. (2010) 'The Dragon Breathes Smoke: Cigarette counterfeiting in the People's Republic of China', *British Journal of Criminology*, 50, 239-258.

Shen, Y. and Wang, Z. (1998) 'China' in M. Grant (ed.) *Alcohol and Emerging Markets*. Philadelphia: International Centre for Alcohol Policies.

Sichuan Provincial Department of Commerce (2007) Disordered Competition Led to Crazy Alcohol Counterfeiting and the Liquor Market is Heavily Drunk, available at <http://sccom.hwadee.com/hyzz/-/articles/v/652128.shtml> on 11 August 2016.

Simons, C. (2009) 'Generic Giants', *Newsweek* 27 July: 32-5.

Sina News (2004) 6 People Died From Methanol Poison in the Guangzhou Poisonous Rice Liquor Case, available at <http://news.sina.com.cn/c/2004-05-16/10423243449.shtml> on 23 August 2016.

Sina News (2012) The Trustworthy Alcohol Model Store Selling Fake Liquor, available at <http://finance.sina.com.cn/consume/puguangtai/20120314/075311584225.shtml> on 12 August 2016.

Smith, G. (1989) *Smuggling into the Bristol Channel, 1700-1850*. Newbury: Countryside Books.

Southern China Daily (2011a) To Identify Counterfeit Alcohol Is More Difficult than to Verify Genuine One, available at http://epaper.southcn.com/nfdaily/html/2011-11/07/content_7022981.htm on 12 August 2016.

Southern China Daily (2011b) The Largest Online Shop for Alcohol Selling Ten Thousand Bottles Daily; Fake Alcohol Seriously Affecting the Development of Alcohol Trade, available at <http://www.chinanews.com/cj/2011/12-27/3561614.shtml> on 12 August 2016.

Southern China Daily (2014) To Identify Fake Liquor is More Difficult than to do Genuine One, http://epaper.southcn.com/nfdaily/html/2011-11/07/content_7022981.htm on 13 August 2016.

Southern China Weekend (2004a) How to Eliminate 'Poisonous' Food and Drinks? available at <http://www.southcn.com/weekend/commend/200405200019.htm> on 22 August 2016.

Southern China Weekend (2004b) Underground Alcohol Workshop Run Opposite the Villagers' Committee, available at <http://www.southcn.com/weekend/tempdir/200405200022.htm> on 22 August 2016.

Southern Metropolis (2012) Smuggled and Fake Foreign Liquor underneath Online Shopping, available at <http://finance.sina.com.cn/money/lcbgt/20120821/093012906684.shtml> on 13 August 2016.

Sugar and Alcohol Quick News (2006) Wuhan Detected a Large Scale Alcohol Counterfeiting Workshop, available at <http://info.tjcx.com/news/00001139F1/2006-09-07/55959A6088.html> on 11 August 2016.

The Guardian (2015) Bathtub Booze and Knock-off Whisky: Inside China's fake alcohol industry, available at <https://www.theguardian.com/sustainable-business/2015/sep/16/china-fake-alcohol-industry-counterfeit-bathtub-booze-whisky> on 20 August 2016.

The Telegraph (2015) Chinese People Now Drink More than British Boozers, available at <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/11491900/Chinese-people-now-drink-more-than-British-boozers.html> on 26 October 2016.

The World Bank (2016) Overview: China, available at <http://www.worldbank.org/en/country/china/overview> on 24 August 2016.

Tianjin Daily (1987) 'Chasing up the Counterfeit Alcohol: A Series', *Tianjin Daily* 31 August – 4 September.

Tobacco China (2012) Alcohol Counterfeiting Persistent: Dongguan are having alcohol administration associates available at: http://www.tobaccochina.com/sales/news/show/20075/2007522161036_254592.shtml on 13 August 2012.

UNODC (2010) *Counterfeit Products*. Vienna: UNODC.

van Duyne, P.C. (2007) 'The Upperworld Side of Illicit Trafficking', *Crime & Justice International*, November/December, 46-7.

von Lampe, K. (2006) 'The Cigarette Black Market in Germany and in the United Kingdom', *Journal of Financial Crime* 13: 235-254.

von Lampe, K. (2016) *Organised Crime: Analysing Illegal Activities, Criminal Structures and Extra-Legal Governance*. Los Angeles, Ca: Sage.

von Lampe, K., Kurti, M., Shen, A. & Antonopoulos, G. A. (2012) 'The Changing Role of China in the Global Illegal Cigarette Trade', *International Criminal Justice Review*, 22(1), 43-67.

Wang, Hanna (2013) 'An Analysis of Current Issues of Food Safety in Henan and their Causes', *Tianzhong Academic Journal* 28(6): 76-78.

Wang, Hongxiang (2015) 'A Study on the Problems in Tackling Crimes in relation to Food and Pharmaceutical Products in Liuzhou and Their Countermeasures', *Journal of Guangxi Police Academy* 28(3): 16-20.

Wang, Fang & Lü, Hong (2013) 'An Analysis of the Current Characteristics of Economic Crimes and their Preventive Measures', *Journal of Hubei University of Police* 12: 178-180.

- Wang, Kuihua (1997-98) 'Celebrations Turn into Sorrow: Where is China's consumer protection law?' *Canberra Law Review* 4: 151-199.
- Wang, P. (2014) 'Extra-Legal Protection in China: How *guanxi* distorts China's legal system and facilitates the rise of unlawful protectors', *British Journal of Criminology* 54(5): 809-830.
- Wang, P. and Antonopoulos, G. A. (2015) 'Organized Crime and Illegal Gambling: How do illegal gambling enterprises respond to the challenges posed by their illegality in China?', *Australian and New Zealand Journal of Criminology*, DOI: 10.1177/0004865815573874.
- Wang, Yongliang (1988) 'Journalist Investigation into the Alcohol Counterfeiting Industry', *Journalist Knowledge* 12: 11-15.
- Wu, Shuangshuang (2015) 'The Current Situations of Alcohol Distribution Inspection in Beijing and Policy Recommendations', *China Marketing* 5: 20-21.
- Xinhua News* (2011a) Chongqing Detected Extremely Large Alcohol Counterfeiting Case and Found over 30,000 sets of Fake Trademark Signs, available at http://news.xinhuanet.com/food/2011-05/05/c_121379760.htm on 2 August 2016.
- Xinhua News* (2011b) *Xinxua* Vision: Investigation into counterfeit *Maotai* blended in a mortuary, available at http://news.xinhuanet.com/food/2011-05/16/c_121420718_3.htm on 2 August 2016.
- Xinhua News* (2011c) Chasing up the Largest Alcohol Counterfeiting Case in Hainan: How was the counterfeit alcohol made?, available at http://news.xinhuanet.com/food/2011-05/18/c_121430346.htm on 2 August 2016.
- Xinhua News* (2015) Counterfeit Alcohol Is Sold in Jin, Hu and other Places: Alcohol bottled in a toilet was sold at over 10,000 yuan, available at http://www.hn.xinhuanet.com/2015-03/17/c_1114667243.htm on 2 August 2016.
- Xue, Jun (1991) 'Investigation into the Alcohol Markets and the Legislative Consideration', *The Legal Journal* 1: 29-33.
- Xuexidao* (2015) Hu Ronghua: We must strengthen defence works to respond to alcohol counterfeiting, available at <http://www.xxdao.com/180000/173924.shtml> on 19 August 2016.
- Yan, Xianchen & Chen, Baiqiang (1985) 'Considering the Wave of Money Worship', *Academic Journal of Shānxi Provincial Committee Party School of the Chinese Communist Party* S1: 20-39.
- Yang, F. (2006) *Faked in China: Nation branding, counterfeit culture and globalisation*. Bloomington, Indiana: Indiana University Press.
- Zhan, J. V. (2012) 'Filling the gap of formal institutions: the effects of Guanxi network on corruption in reform-era China', *Crime, Law and Social Change*, 58, 93-109.
- Zhang, Ze (2012) 'Every Link of the Counterfeiting Production Chain Has the 100% Profit Margin', *Quality Exploration* Z1: 19-22.
- Zhong, Guohui & Zou, Haiyan (2011) 'The Facts about Poisonous and Faked Liquor', *China Brewing* 9: 198-199.