

Chinese Culture and the Practice of "Actuarial" Intelligence

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As my colleagues on this discussion panel agree, the Chinese cultural phenomenon of *guanxi*, that is, the building and maintaining of interpersonal relationships as a means of meeting one's needs, is a key concept in explaining Chinese social behavior. As you may know from what we say here or from things you already have read, individuals seeking to improve their *guanxi* (i.e., effective social relationships) with others inevitably form small networks; and these networks overlap other small networks. The key to the social interactions in these *guanxi* networks is the exchange of services, which are viewed as social favors. Those patrons dispensing favors accumulate social capital, while those clients receiving favors incur social obligations. An important consideration is that it is not only possible but quite common for an individual to go to great effort and expense on behalf of a person he has never met nor ever will meet, if the favor thus provided is requested by someone to whom there is a current *guanxi* obligation. *Guanxi* interactions are so much an integral and dependable part of Chinese societies everywhere that individuals frequently will try to "go through the back door" through *guanxi* connections rather than deal with a faceless bureaucracy, even when that bureaucracy ostensibly is the most direct and the nearest route to what is sought.

What I would like to explore briefly in this paper is what some of the evidence has to say as to whether *guanxi* is an efficient and effective form of behavior. The particular body of data I have drawn upon is observation of Chinese intelligence collection activity in the United States over the past twenty years. Because my conclusions are based on both overt and covert activity and this is an academic forum, the reader will have to appreciate that it is not possible to provide specific examples or to explore fully the implications of the simple model I wish to put forward. My hope is that the theorizing I do here may help others interpret their behavioral data in this particular cultural domain.

What we in the Federal Bureau of Investigation (FBI) have determined through our investigations over the years is that, whatever *guanxi* networks may be to Chinese social interaction, they also are the bedrock of Chinese intelligence collection —both open-source and clandestine— in the United States. Chinese intelligence collection in the United States appears to be a group activity, and it is distinguishable from non-intelligence activity mainly in terms of its objectives, not its methodology.

Western students of Chinese intelligence behavior for a long time have utilized the following example to compare and contrast the Chinese approach to intelligence gathering to that of other nations: If the composition of the sand on a certain beach were identified as an intelligence target by the nations of the world, some countries would solve the challenge by dispatching a submarine to sit offshore from the beach. In the dark of night, a commando team would emerge from the submarine, paddle in a rubber raft to the beach, scoop up a bucket or two of sand, and beat a retreat back to the submarine. Analysis of the buckets of sand would produce a great deal of data. Other countries would task their satellites flying overhead to turn their sophisticated infrared and spectrographic scanners on the beach, and this also would produce a wealth of data. China, however, would approach the problem by allowing ten thousand of its citizens to spend the day at the beach. At sunset they all would go home and simply shake out their towels; and the Chinese would end up with more sand —and more data— than the other nations.

To the FBI and other Western counterintelligence agencies, the Chinese intelligence behavior in this hypothetical example would be considered very unusual, unprofessional, and suspect. For one thing, there would now be ten thousand people who know the “secret” of what happened on the beach; for another, it is both expensive and cumbersome to have thousands of individuals collect a very small piece of intelligence each. While overall we would deem the Chinese effort case in this case to be inefficient, there is no way that their results ever could be judged to be ineffective.

My argument is that intelligence collection based on social interaction can be treated as a genuine form of social behavior. If only small numbers of

people participate, the activity can be conceptualized and studied with rules and theories designed to predict the behavior of individuals. The success or failure of a given collection enterprise will depend upon the skill and initiative of the individuals involved in it. When very large numbers of people become involved in such collection, however, different rules must be applied, and focusing on the behavior of individuals no longer is useful or enlightening.

This is the point at which I would like to introduce the concept of "actuarial" intelligence. As we all know, actuaries are insurance company analysts who determine the odds of life expectancy and good-health expectancy for enormously large pools of people. They then calculate how much risk-versus-profit the insurance company will be exposed to if it sets its rates at certain levels for certain groups of people. Based on their observations of large numbers of people, the actuaries know with near mathematical certitude that a certain percentage of people will die each year at a certain average age. Nonetheless, they have absolutely no idea if a particular individual will die well early of that age, at precisely the average age, or well past the average age. They also can calculate the change of risk for subgroups with behaviors such as smoking or skydiving and adjust the rates their company must charge such customers to realize a profit. The essence of their work, however, is that they can "predict" what will happen only to very large groups or to behavioral subgroups of people, not to very small groups, and absolutely not to individuals.

If very large numbers of people join in intelligence activity, some are bound to be skillful, energetic, or just plain lucky collectors. It also is possible to accomplish a large aggregate of collection by taking it in extremely small pieces. When an extremely large number of people become involved, however, it becomes correspondingly difficult to predict the behavior of any single individual. It appears at some point that the weight of numbers just takes over and the problem becomes mainly one of statistics. Hence the notion *actuarial intelligence*.

A return to the beach example may better illustrate what I am getting at. If you are in charge of China's intelligence operations against the sand on our hypothetical beach, how do you determine who among your ten thousand countrymen allowed to visit the beach will conscientiously collect for the good

of the country as opposed to who among them will only go through the motions while actually only seeking to lounge about and improve his suntan? The answer is this: you don't have to determine anything. If you have ten thousand people visit the beach and shake out their towels afterwards, you will get your desired intelligence no matter what else you do, and you also will get the intelligence no matter what you don't do. Rubber rafts may overturn in the surf, and satellites may malfunction; but ten thousand potential collectors *will* provide a good net intelligence return, even if it may be of uneven quality and quantity when considered at the individual level. If you work with large enough numbers, you don't have to supervise the activities of individuals; for "actuarial" principles will take over.

In almost all countries that seek to locate and take away by fair means or foul U.S. open-source, proprietary, or even classified information, the task of physically laying hands upon the desired data and making off with it usually is directed and controlled by Intelligence Officers. The "consumers" of intelligence back in the home country tell their government ministries what they need, the ministries establish collection requirements for their Intelligence Officers in the United States, and those officers in turn attempt either to collect the desired items themselves or use agents they have developed for just such a purpose. If all goes well, the collected information works its way back to the consumers in the home country.

The strengths of this system are that it is relatively secure, it is centrally directed, it uses intelligence professionals who can do their business with minimal time and effort, and it can collect a large amount of information using a small number of people. In other words, it is designed to be efficient. The weaknesses of this approach are that, often enough, there are not enough Intelligence Officers or intelligence agents to collect all the items that are requested, what is collected is not exactly what was asked for, it can take too long to accomplish the collection, and interference by the FBI or a similar counterintelligence agency can wipe out large portions of the overall effort in a single stroke. In other words, this professional effort at times is not as effective as the consumers of its intelligence product would like it to be. For such an effort to become more effective, it probably would have to utilize more people and have them work faster and less carefully, meaning that they would

be less secure from discovery and ultimately would be working less efficiently. There thus may be a diametric trade-off between efficiency and effectiveness in intelligence operations, with improvements on one side coming only at the expense of the other.

What we in the FBI noticed some time ago was that the Chinese collection efforts we discovered and dismantled had some interesting features in common: the individuals attempting to collect restricted technology or information usually intended to use it themselves, they almost always had sought out the assistance of local Chinese-Americans, they most often tried to collect only small amounts of intelligence, and they did not appear to be under the direction or control of Intelligence Officers either in the United States or China. It was a genuine "cottage industry," and it appeared to have bypassed completely the normal channels in which consumers of intelligence would register their needs with the central authorities and then wait for the desired information to come rolling in. The Intelligence Officers were in the overall picture, but only in a supporting role, not in the command position the FBI is accustomed to finding them. The Intelligence Officers often enough were involved in establishing social relationships with the Chinese-Americans involved in the cases, and in some instances the Intelligence Officers had introduced the Chinese-Americans to the intelligence consumers, but only at the request of the consumers.

Another genuine phenomenon we discovered was that the Intelligence Officers always ended up establishing social relationships with far more individuals than they ever could hope would become involved in collection activities. This confirmed our belief that the Chinese often enough have a very inefficient approach to intelligence.

I'm sure you see where I am heading with this argument. The picture looks somewhat different when looked at through the prism of *guanxi* as the organizing structure for both the social behavior and the intelligence behavior observed. By forming social relationships with the Chinese-Americans, the Intelligence Officers essentially put them "on the map" in terms of *guanxi* networks. The consumers of intelligence used their connections with the Intelligence Officers to obtain access to the services of the Chinese-Americans,

whom they had not met before. It is necessary to forge *guanxi* links with as large a number of individuals as possible, since it is not possible to predict the who, what, or when of the favors that may be requested. Not to be forgotten is that the impetus for exchange of favors comes most often as a direct result of actions undertaken by intelligence consumers out to do their own collecting, so no central direction of the overall effort is required.

In counterintelligence eyes, the Chinese collection effort often enough appears to be extremely inefficient in terms of the numbers of people involved, the relative lack of the security brought about by lack of central direction or control, the redundant activities of many of the participants, and the inherent awkwardness of having a large group of people collect small bits of information. In my opinion, the effort appears to be inefficient because it indeed *is* inefficient, and that inefficiency is brought on by the reliance on *guanxi* as the vehicle through which to accomplish collection.

Guanxi networks, however, are vehicles designed to help individuals overcome unknown future problems reliably, not quickly. As a social mechanism, the Chinese system clearly was built for distance, not speed. It appears to be inherently inefficient but also inherently effective in solving problems. It seems reasonable to conclude that the Chinese use the *guanxi* model rather than a "normal" approach to intelligence gathering because it simply outperforms the "normal" methodology that other countries utilize.

In my opinion, the evidence is compelling that *guanxi* networks are a deeply flawed intelligence mechanism. This is owing to the fact that they are really not an intelligence mechanism at all. They are a social mechanism which can be "borrowed" to do intelligence work. As a social mechanism *guanxi* evidently produces a product that is virtually guaranteed when enough people participate to bring "actuarial" principles to bear. It is a powerful force in Chinese social behavior.