

Chapter 3

Efforts to Combat Corruption at Policy-making Level

3.1 Introduction

The aim of this chapter is to discuss how anti-corruption campaigns and other anti-corruption activities are formulated at the central policy-making level, and to analyze what the primary goals are, and to find the main causes for their ineffectiveness. Political corruption is visible in structure, procedure, morality, and other deficiencies in the political environment in China. Most negative consequences of corruption need some kind of actions. Some cases will be presented here to exemplify the problems encountered at the policy-making level.

After late 1980s, the CCP has expanded and changed the scope of its anti-corruption efforts, probably since the educational and morally focused strategy did not achieve any real success and political corruption continued to prosper relentlessly. The efforts against corruption only focus on political and not legal efforts. With the problem of corruption constantly growing and increasingly threatening the rule of the Party, the leadership has had to sacrifice more of the previously legally insulated Party to satisfy popular opinion and to make it clear that *this* anti-corruption effort is for real. Before reforms the 'Five-antis' and 'Three-antis' campaigns of the early 1950s and the Socialist Education campaign in the mid-sixties viewed moral degeneration and lack of discipline as a problem. However, the focus now shifted to investigate economic crimes which more often than before involved high level Party and government officials. In 1995, the Mayor and Party chairman of Beijing, Chen Xitong, was accused of economic crimes in connection with large-scale real estate matters. Zhou Beifang,

who was indicted for accepting bribes and for bribing officials, was sentenced to death in November 1996.

3.2 Efforts to combat corruption in China

Anti-corruption campaigns are usually initiated by the Party leadership and formulated by either or all of the Central Discipline Inspection Commission (CDIC), the Propaganda Department and/or the Ministry of Supervision. Anti-corruption laws are legislated by the National People's Congress (NPC), and legal procedures by the Supreme Court and the Supreme People's Procuracy. As Graham Young states, before the economic reforms, there hardly existed any way for non-Party authorities to independently try Party and government officials (Young, 1984). In the pre-reform period, the Chinese Communist Party's anti-corruption campaigns were many times expressions of interfactional conflicts within the government, campaigns against groups considered either leftist or rightist radicals, or conflicts over scarce resources, rather than efforts dedicated to eliminate official abuses of power (Hao and Johnston, 1995). Corruption was tightly controlled as a subject of public discourse and was only officially addressed when it was in the Party's interest. The anti-corruption campaigns were never transformed into what Michael Johnston and Yufan Hao term as "institutionalized legitimacy."

Mao Zedong regime's efforts at cleansing China of widespread official corruption did not establish effective permanent institutions to regulate official behavior or punish party and state officials for corruption in the absence of political will. For nearly 30 years after the founding of People's Republic of China, most of the corrupted officials were kept in check by

omprehensive party and state controls. Without a firm stand on anti-corruption institution, Mao Zedong's government did not eradicate the historical conditions and factors that encouraged corruption in China.

After the economic reform, there has been a gradual change from regarding corruption as a political matter to becoming a matter for the judicial authorities in the 1980s and 90s. Yet party and government officials are first tried by the DIC or Bureau of Supervision at the appropriate level (Forster, 1985). If the crime is serious or the circumstances particularly grave, then the accused is first internally reprimanded by the Party and the CDIC, and then handed over to the legal authorities for criminal investigations. However, the Party has already decided whether to be tough or lenient in each case. As Young quotes in the People's Daily: 'The CDIC has advised Disc to select "typical cases" having "broad educational significance" to be reported throughout the Party and published in newspaper' (Young, 1984).

In 1978 the CDIC was re-established. The main task of the CDIC as defined by the 1982 Party Constitution is: 'To inspect implementation of the Party's line, principles, policies and resolutions' (Young, 1984). The efforts of the CDIC were initially confined to Party officials as a group and not as individual cases, and to these present models with an educational value (Young, 1984). Anti-corruption is only a part of the CDIC work. Its other tasks are to guard inner Party discipline and organisational integration, and to reinforce loyalty among Party functionaries at all levels. The fight against political corruption as a criminal offence is under the responsibility of the judicial authorities, the Public Security Bureau (police), the Supreme

People's Procuracy and the Supreme Court. However, the Party is still in command and the judicial authorities are unable to try Party and government officials without the consent of the Party, the CDIC, and the Ministry of Supervision.

From the late 1970s, the CDIC's anti-corruption work had the intention to reassert the declining moral in the Party and helped to regain both social and political stability. Another more important task was to stem the virtual flood of economic crime in the wake of the new reform policies. The reform policies have sought to decentralize the fiscal responsibility to local and provincial governments, which has resulted in a lower capacity to control and review these units. The fate and success of individual officials and bureaucratic units have come to depend on their capacity and ability to produce economic growth and profits. Together these two factors have most likely increased the levels of corruption among Party and government officials. Many of the officials are accused of misusing their positions and powers to secure personal gain, practice blackmail and line their pockets with public funds. Examples like asking for extra fees from both foreign and domestic investments for granting contracts; going on foreign 'inspection journeys' paid by bribe money; sending sons and daughters abroad to study financed by foreign investors; and for soliciting deals the corrupt officials to secure money for themselves in banks abroad (*Jianguo yilai*, 1991).

In China, the CDIC's work can generally be divided into three types of activities: restoration of organizational norms, countering of privilege and corruption, and enforcement of political discipline. These are the three areas of concentration of the CCP. Restoration of organizational norms is part of the work to subordinate the party officials to the hierarchy and

leadership of the party organization. The main aim is to counter tendencies of 'factionalism' where units and officials give supremacy not to the loyalty to the central party but to relational *guanxi* networks and local loyalty ties. The Chinese Communist Party has tried to break 'factionalist' ties since they pose threat to the supremacy of the central Party leadership. Pre-reform period has taught individual officials in local governments to protect each other against the onslaught from anti-bureaucratic sentiments both within and outside the Party. These ties have resulted in widespread personal favouritism and 'localism,' and represent to the Chinese leadership a counter-hierarchical opposition to the economic reforms (Young, 1984).

The second type of activities of CDIC is countering privilege and corruption, which ranges from 'unhealthy tendencies' to serious crimes. The difference between legitimate perquisites and privileges that come with position and the illegitimate and corrupt use of one's position for personal gain must first be spelled out. The CDIC tends to treat these activities as semi-institutionalised patterns of behaviour. The degeneration of Party style and organizational discipline, and the spread of economic crime in the Party and government bureaucracy are, for the CDIC, mutually reinforcing (Young, 1984). Relevant to economic crime is the widespread waste of state funds and resources due to bureaucratic inefficiency and indiscipline. These practices were not necessarily legal but tolerated or ignored in the political climate before the reforms.

The third type of activity involves political discipline. 'In 1980 the disciplinary inspection work of the CDIC emphasized adherence to the Party's "lines, principles, and policies,"

which was more important than issues of privilege, economic malpractice, and "general" violations of law and discipline' (Young,1984). The DICs are supposed to 'work hard to build socialist spiritual civilization with the communist ideology as the core, and guarantee that the whole Party maintains political unanimity with the Central Committee. DICs at all levels must take this as the focus of their work' (Young,1984). In the early 1980s the CCP remained in theory to treat economic crimes in the Party and government bureaucracy mainly as political and disciplinary malfunctions. The remedy was to enhance political discipline, enforce a correct Party style, and to by the use of political propaganda re-educate the bureaucracy in loyalty.

In the 1990s, the political climate in China had changed towards a renewed focus on 'spiritual civilization' and political discipline ('new' traditionalist legitimacy). The 1982 Criminal Law increased the legal authorities' power to try Party and government officials for economic crimes, and this in combination with the renewed focus on inner-Party moral and discipline has given the anti-corruption authorities much better clout. In the late 1990s three topics have evolved to become the main issues of the CCP: a strong focus on 'spiritual civilization' and political education, a fierce anti-crime policy, and increased anti-corruption measures.

Jiang Zemin, the current head of the CCP and of the Chinese State has been a strong proponent of anti-corruption efforts even before he took over the leadership post in the aftermath of Deng Xiaoping's death and has not shied away from bringing high-level officials before public trials for abuses of power:

1. The most infamous example of Jiang's tough stance on high-level corruption was the arrest of Beijing CCP Party boss Chen Xitong in 1995 for deals made by city officials under his administration. His sentence to 16 years in prison represented the first time a Politburo member had been tried and convicted since the Gang of Four were ousted 20 years ago(China Daily,1996).

2. On August 12, 1995 Mr. Hong Yan was arrested in Beijing after arriving as part of an IMF delegation on charges of corruption and embezzlement during his years with the Bank of China. Despite his diplomatic immunity as a member of an international organization's staff, Mr. Hong was tried and convicted to several years in prison (China Daily,1996).

3. Jiang Zemin has begun efforts to crack down on the corrupt activities of military officers in the People's Liberation Army who have been involved in an extensive illegal smuggling operation valued at tens of billions of dollars a year (Li , 1997).

It is important to point out that much of Jiang Zemin's anti-corruption efforts have coincided with his rise to power and the consolidation of his leadership over the party and the state. Chen Xitong was a key rival of Jiang's in the party leadership, and thus, the motivations for his arrest may not have necessarily been entirely an effort at fighting official corruption (Barnathan, 1995). Jiang's condemnation of corruption have been interpreted by some as a means to boost his public support (Barnathan, 1995). More importantly, Jiang Zemin's anti-corruption drive was tempered in the mid-1990's by, some critics say, fear of over

making it clear that reporting of the fight against corruption and exposure of economic crime cases in all layers of the Party and state administration must be restricted. He reminded the media, disciplinary inspection, and judicial authorities that the primary goal of reporting corruption and economic crime cases is to attain a propagandist and educational effect (Bei, 1995). Jiang said: "therefore, overly zealous and excessive reporting of economic crime cases could give the outside world an impression that the state administration had already turned "rotten". This is an undesired propagandistic side-effect that we have to strive hard to avoid creating both in the country and abroad. We hope that media will respect the discipline of propaganda, and that neither of the leading work groups of the Central Propaganda authorities will be part of publishing unauthorized reports and make groundless accusations" (Bei, 1995).

This remark by President Jiang shows that the Chinese leadership is willing to resolve and determine about the corruption problem. At the same time they fear that in this process the people, the Party and state officials, other Party members, the world opinion, foreign investors, etc., would lose faith in their ability to solve the problem. It is a matter of showing resolve, but fearing the consequences. As Ming Bei believes it, the fight against corruption has long been the hallmark of the work of President Jiang, and one way for him to position himself as the strongman in the 'third generation of leaders' in the CCP. At the same time, he must be worried that the CCP is gradually losing its absolute dominance and unconditional power over Chinese society (Bei, 1995). How to best handle the situation and the demands on the press, judicial authorities, and inner-Party investigations cautiously and not bring shame on the Party are the difficult issues that CCP has to face.

3.3 Case Study—the corruption scandals

The cases presented here have large implications for the political debate on anti-corruption campaign and the connection to the Party. In the case of Chen Xitong, he was the Mayor and Party secretary of Beijing. He and another 18 high level officials were accused for involvement in real estate scams, utilization of public funds for personal gain, etc., amounting up to 18 billion Yuan. Another case was against Zhou Beifang, who was indicted for accepting bribes and for bribing officials, and was sentenced to death in 1996.

In Chen Xitong's case, the scandal involving among others the Beijing Party leader and the Beijing vice-mayor Wang Baosen. This case erupted in April 1995 and attracted a lot of attention and debate in the Party. He was also accused of leading a dissolute life and seeking illegitimate gains for his family and relatives. Wang Baosen, who allegedly committed suicide before he could be investigated, has been accused of abusing his power and position to embezzle state funds, and providing relatives and a mistress with more than 100 million Yuan to engage in profit-making business. He is also accused of using large sums of public funds to construct luxury villas, buy luxury apartments in Beijing, and of approving substantial loans to his family members and relatives (Beijing Review, 1996).

Chen Xitong had been the Mayor and Party secretary of Beijing for a long time. It had long been reputed that the Beijing party and government organizations were very corrupt, and have been engaged in questionable real-estate businesses, obtaining a huge number of imported luxury cars, and constructing grand villas outside the city on public land, with public resources, labour, and funds. The Beijing government had often ignored central directives, and had cut large real-estate deals without getting approval from the central government (Business Week, 1995). But the Hong Kong and Tai Wan media considered the downfall of Chen Xitong to be part of a power struggle to bring unruly Beijing back under central control. In his address to the Beijing leadership after the case was exposed, vice

president Hu Jintao said that the decision to expose the case was beneficial for four reasons: The stability of Beijing, the smooth development of anti-corruption campaign in Beijing, intensifying the fight against corruption and the cause of the Party (China News Analysis, 1995).

By putting himself in the centre of attention after Deng Xiaoping's death, President Jiang has ensured himself of the loyal support of the Beijing leadership (Ming, 1995). The fact that he holds possession of a number of unfinished cases and investigation acts concerning Beijing officials in many ways makes him the final arbitrator of their destiny and this probably makes them unconditionally loyal for the time being. Most other officials in Beijing were left untouched and not be punished, at least not officially.

Chen Xitong's case again proves the importance of loyalty affiliation in China. Chen Xitong failed in his political career because popular opinion in Beijing was strongly critical of his corrupt administration he was also a political opponent to the leadership of Jiang Zemin, and an independent seeking local leadership. Business Week sums up the following advantages for Jiang Zemin in cracking down on this case:

- To win popular support both in Beijing and nationally,
- To eliminate opponents,
- To reassess of Tian Anmen accident,
- To obscure the stalled structural reforms by elevating anti-corruption work,
- To give a clear signal to the provinces that the central authority intends to bring them back under firm control (Business Week, 1995).

However, the investigations into the full extent of Chen Xitong corruption case were halted, as this would in the end bring more damage to the Party than benefits. As mentioned earlier, the risk of exposing too many Party and government officials is that this would produce a sentiment that the whole party and government are corrupt, which according to the present leadership could seriously endanger the stability in the country and the leading role of the Party. It would probably lower the moral in the party even further, and create a 'sinking-ship' rush for officials and others to take what is up for grabs before the ship sinks and leave while there is. This image could well bring back the historical analogy of all declining Chinese dynasties and the collapsing Nationalist regime before 1949. The historical analogy is that the initially righteous and strong regimes were all gradually destroyed from within by corruption and inefficiency.

The case against Zhou Beifang took place in 1995, Zhou is the son of the senior leader in China. He headed the Shougang Holdings in Hong Kong and was chairman of all Shougang operations in Hong Kong. He made several risky investments and took huge loans on Shougang steel plant. This resulted in major economic losses that were credited to Shougang. Since Zhou Beifang held a high level position in Shougang, one of China's largest and most successful state owned enterprise, he had great opportunities to obtain favourable loans and state credits (The Economist, 1995). Zhou Beifang was charged with accepting and giving bribes, and was sentenced for accepting bribes with 9.28 million Yuan. He was also sentenced for bribing officials in Beijing to move his wife and child to Hong Kong. These Beijing officials were sentenced to harsh punishments in a subsequent trial (China Daily, November 1996).

This case is interesting not in that it exposed large-scale corruption, but who were involved, why this case was exposed, and finally how the outcome could be explained. As mentioned earlier, the CCP has the policy that exposure of corruption cases should only highlight a few

for educational purpose. In 1992, Deng Xiaoping visited Shougang steel plant outside Beijing and praised the entrepreneurial success, in his movement to expedite the reforms. The Shougang enterprise was given preferential treatment under the new 'management responsibility' system introduced in the 1980s, where all produce outside the state quota was theirs to trade in the open market. But later on the enterprise ignored central directives of what and how much to produce and how to expand the business. Shougang arbitrarily went ahead to become the biggest steel manufacturer in China at a time when the market stalled. This and other freewheeling acts by the state owned enterprise Shougang encountered opposition from some quarters of the CCP leadership (The Economist, 1995).

One reason which caused the Zhou Beifang case to be exposed in the media is that this is a way for President Jiang to show strength and bring back Shougang under the loyal fold of the state. This is largely to satisfy the more conservative CCP leaders. In late 1994, the vice-premier in charge of the national economic plan, Zhu Rongji, accused the Shougang of putting its own interests before the nation's. Another reason is that this affair illustrated that not even high Party leaders or their sons and daughters are safe just because they are affiliated with the highest ranking. A third reason is that since corruption is immensely unpopular among the people. As the children of the senior leaders are generally considered to be among the most corrupt, the downfall of any one of them gave some credit to the leadership in its anti-corruption drive.

The Shougang case shows that the reasons for selecting a case can vary, but that they are definitely not coincidental. It also shows how afraid the Party is of free riders that do not

adhere closely to central directives. The Shougang affair illustrates that the more freedom a state owned enterprise is given to operate in the open market, the higher the chances of economic success. For the central leadership, the elements of control of the state owned enterprise appears to be as important as their economic success. Shougang also represents a example of the downside of excessive freedom given to some state owned enterprises. Zhou Beifang, under the protection of his father, used this to engage in shady economic affairs, risky speculation of state assets, giving and accepting bribes, and other economic crimes or morally unacceptable economic transactions.

Even though Zhou Beifang formally received a death sentence, the two year suspension in practice means his term may be commuted into life or shorter term imprisonment. The leniency of the sentence was criticised by among others Minister of Justice Xiao Yang. His criticism was based on the fact that the failure of the Party leadership to show firmness in his case may seriously damage the image of the present leadership as one bent on rooting out the corruption problem. The public opinion is already dissatisfied with the present anti-corruption efforts, and a case like this could even enhance this image (Luo, 1996).

The present leadership in China wants at all costs to avoid instability both within the party and in society at large. This demands that they tread very carefully not to alienate the people or the Party officials. Thus the inner-Party stability has higher priority than anti-corruption efforts. By exposing a few important cases they can on one hand set an example to other corrupt officials and for a time satisfy the public opinion. On the other hand, they must be very careful not to alert the Party by attributing all evils to it, or else they run the risk of

alienating many strong national and local power holders in the Party by directing attacks at those who do not ardently support President Jiang Zemin. As the present leadership is losing power, this could create a strong political opposition party coming from other groups within the Party. These people already wield considerable powers and have extensive network which renders them real opponents of the present leadership.

3.4 Impeding Factors at Policy-making Level.

Political corruption is always present in all political organisations, and what is important is how the state manages to handle these matters. In a socialist system, the double command of the communist party and the government are arranged in a strict hierarchical fashion. In this system, the control and review apparatuses are integrated in the Party and the government, and even without the rule of law the system is supposed to be self-regulating. The moral commitment of every official and the informer based security authorities is supposed to safe-guard the system against abuses of position. In a well functioning market economy and democracy, the control and review authorities are separated by government and parliament. Since it is much more difficult to keep track of and monitor every business and political transaction, the law clearly defines what are illegal and constitutes an abuse of power.

Understandably, the transition from a socialist planned economy to a market economy destroys the ideological and moralist commitment that was the backbone of the security and control apparatus. The establishment of legal authorities and independent control authorities takes time, and the shift to rule of the law requires structural and, perhaps most importantly, a drastic change in the way of thinking about the role of the law.

In this process, the task of maintaining stability in the country has taken precedence over all other policies, which has a number of effects on anti-corruption campaigns:

- The Party's desire to keep up the image of the Party and government, which is elucidated by the calls for more restricted and closely controlled reporting of corruption cases.
- In the name of stability and Communist Party rule, investigations into high level Party officials corruption cases are limited to a few and 'typical' cases. In Chen Xitong's case, the investigations were halted by the top leadership to not overly expose the 'rot' in the party and government institutions.
- Even though the Party leadership has the power to set the agenda and choose the methods to implement national strategies, it can not force policies on the provincial and local governments. The decentralization of power to the local authorities has increased the local governments' bargaining power between the provincial and central authorities. The only other option to bring these localities under control is by the use of coercive power, an option that could seriously destabilize the country and alienate both the people and local Party and government officials.

Besides the obsession with stability, anti-corruption work is also conditioned by the general political game and succession struggle in Beijing. The choice to expose certain cases such as those against Chen Xitong and Zhou beifang were hardly incidental. Both were renowned for their free wheeling and unruly manners towards the central leadership. Either they became part of Jiang Zemin's drive to secure their own position, or they were seen as opposing

political forces. The choice of the campaign model to combat corruption illustrates a number of points:

- The campaigns have in some ways replaced a 'real' adherence to the law and the rule of law, something made impossible by the unconditionality of CCP rule.
- The campaigns please the popular opinion, and show that the Party is capable of action.
- It shows that the Party cannot control the country as closely as it used to.
- The economic leverage it once possessed has diminished rapidly, instead individual officials and autonomous units have become power brokers and act as middlemen between the state and the market forces.