Xi’s Corruption Crackdown

How Bribery and Graft Threaten the Chinese Dream

By James Leung

In a series of speeches he delivered shortly after taking office in 2012, Chinese President Xi Jinping cast corruption as not merely a significant problem for his country but an existential threat. Endemic corruption, he warned, could lead to “the collapse of the [Chinese Communist] Party and the downfall of the state.” For the past two years, Xi has carried out a sweeping, highly publicized anticorruption campaign. In terms of sheer volume, the results have been impressive: according to official statistics, the party has punished some 270,000 of its cadres for corrupt
activities, reaching into almost every part of the government and every level of China's vast bureaucracy. The most serious offenders have been prosecuted and imprisoned; some have even been sentenced to death.

The majority of the people caught up in Xi’s crackdown have been low- or midlevel party members and functionaries. But corruption investigations have also led to the removal of a number of senior party officials, including some members of the Politburo, the group of 25 officials who run the party, and, in an unprecedented move, to the expulsion from the party and arrest of a former member of the Politburo’s elite Standing Committee.

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Xi’s campaign has proved enormously popular, adding a populist edge to Xi’s image and contributing to a nascent cult of personality the Chinese leader has begun to build
Stamping out graft, bribery, and influence peddling could very well help China’s leaders maintain the political stability they fear might slip away as economic growth slows and geopolitical tensions flare in Asia.

This might seem paradoxical: after all, too much central power has been a major factor in creating the corruption epidemic. That is why, in the long term, the fate of Xi’s
anticorruption fight will depend on how well Xi manages to integrate it into a broader economic, legal, and political reform program. His vision of reform, however, is not one that will free the courts, media, or civil society, or allow an opposition party that could check the ruling party’s power. Indeed, Xi believes that Western-style democracy is at least as prone to corruption as one-party rule. Rather, Xi’s vision of institutional reform involves maintaining a powerful investigative force that is loyal to an honest, centralized leadership. He seems to believe that, over the course of several years, consistent surveillance and regular investigations will change the psychology of bureaucrats, from viewing corruption as routine, as many now do, to viewing it as risky—and, finally, to not even daring to consider it.

Stamping out graft, bribery, and influence peddling could very well help China’s leaders maintain the political stability they fear might slip away as economic growth slows and geopolitical tensions flare in Asia. But if Xi’s fight against corruption becomes disconnected from systemic reforms, or devolves into a mere purge of political rivals, it could backfire, inflaming the grievances that stand in the way of the “harmonious society” the party seeks to create.

I’LL SCRATCH YOUR BACK . . .
One school of thought holds that corruption is a deeply rooted cultural phenomenon in China. Some political scientists and sociologists argue that when it comes to governance and business, the traditional Chinese reliance on *guanxi*—usually translated as “connections” or “relationships”—is the most important factor in explaining the persistence and scope of the problem. The comfort level that many Chinese citizens have with the *guanxi* system might help explain why it took so long for public outrage to build up to the point where the leadership was forced to respond. But all cultures and societies produce a form of *guanxi*, and China’s version is not distinct enough to explain the depth and severity of the corruption that inflicts the Chinese system today.

The main culprits are more obvious and banal: one-party rule and state control of the economy. The lack of firm checks and balances in a one-party state fuels the spread of graft and bribery; today, no Chinese institution is free of them. And state control of resources, land, and businesses creates plenty of opportunities for corruption. In the past three decades, the Chinese economy has become increasingly mixed. According to Chinese government statistics, the private sector now accounts for around two-thirds of China’s GDP and employs more than 70 percent of the labor force. And the Chinese economy is no longer isolated; it has been integrated into the global market. Nevertheless, the private sector is still highly dependent on the government, which not only possesses tremendous resources but also uses its regulatory and executive power to influence and even control private businesses.
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When it comes to government purchasing and contracting and the sale of Chinese state assets (including land), bidding and auctioning processes are extremely opaque. Officials, bureaucrats, and party cadres exploit that lack of transparency to personally enrich themselves and to create opportunities for their more senior colleagues to profit in exchange for promotions. Midlevel officials who oversee economic resources offer their superiors access to cheap land, loans with favorable terms from state-owned banks, government subsides, tax breaks, and government contracts; in return, they ask to rise up the ranks. Such arrangements allow corruption to distort not just markets but also the workings of the party and the state.

Similar problems also exist in government organizations that do not directly control economic resources, such as China’s military. To win promotion, junior military officers routinely bribe higher-ranking ones with gifts of cash or luxury goods. Last year, the authorities arrested Xu Caihou, a retired general who had served as a member of the Politburo and had been the vice chair of the Central Military Commission. In his
house, they discovered enormous quantities of gold, cash, jewels, and valuable paintings—gifts, the party alleged, from junior officers who sought to advance up the chain of command. After the party expelled him, Xu confessed, according to Chinese state media; a few months later, he died, reportedly of cancer.

Direct state ownership, however, is hardly a prerequisite for self-dealing. The immense regulatory power that Chinese authorities hold over the private sector also helps them line their own pockets. In highly regulated industries, such as finance, telecommunications, and pharmaceuticals, relatives of senior government officials often act as “consultants” to private businesspeople seeking to obtain the licenses and approvals they need to operate. Zheng Xiaoyu, the former head of the State Food and Drug Administration, accepted around $850,000 in bribes from pharmaceutical companies seeking approval for new products. In 2007, after more than 100 people in Panama died after taking contaminated cough syrup that Zheng had approved, he was tried on corruption charges; he was found guilty and executed a few months later.

Corruption has also infected law enforcement and the legal system. Organized criminal groups pay police officers to protect their drug and prostitution rings. Criminal suspects and their relatives often bribe police officers to win release from jail or to avoid prosecution. If that fails, they can try their luck with prosecutors and judges. And of course, since China's judiciary is not independent, there are always party and government officials who might be able and willing to intervene in a case—for the right price. Authorities allege that Zhou Yongkang, a former member of the party’s Standing Committee who oversaw legal and internal security affairs, personally intervened in many court cases after accepting bribes. Zhou was arrested, charged, and expelled from the party last year and is currently awaiting trial—the first time in decades that the state has pursued a criminal case against a former member of the Standing Committee.

As China's domestic markets have grown, multinational companies and banks have learned that getting access means knowing whose palms to grease. Many firms have taken to hiring the children of senior government officials, sometimes even paying their tuition at Western universities. Others have opted for a more direct route, paying hefty “consulting” fees to middlemen in order to participate in stock offerings or to win preferential treatment in bidding for government contracts. This environment has discouraged some multinational companies from investing and conducting business in China, especially those constrained by U.S. anticorruption laws.

Meanwhile, officials have taken advantage of loose financial controls and a lack of
transparency to safeguard their illicit profits. Many officials hold a number of Chinese passports, often under different names but with valid visas, and use them to travel abroad and stash their money in foreign bank accounts.

But corruption is hardly limited to official circles and big business; every aspect of society feels its effects. Consider education. To give their child a shot at getting into one of the relatively small number of high-quality Chinese primary and secondary schools and universities, parents often have to bribe admissions officers or headmasters. Similarly, the scarcity of good hospitals and well-trained medical personnel has led to the practice of supplying doctors or medical administrators with a hongbao—a “red packet” of cash—to secure decent treatment.

KEEP IT CLEAN

Faced with this far-reaching problem, Xi has promised more than a mere Band-Aid, envisioning a long-term process of systemic reform. The first phase has been the heavily stage-managed crackdown of the past two years. So far, the campaign has contained an element of populism: it has targeted only officials, bureaucrats, and major business figures whom the party suspects of corrupt dealings; no ordinary Chinese people have felt the sting.

The campaign seeks not only to punish corruption but to prevent it as well. In late 2012, the party published a set of guidelines known as the “eight rules and six prohibitions,” banning bureaucrats from taking gifts and bribes; attending expensive restaurants, hotels, or private clubs; playing golf; using government funds for personal travel; using government vehicles for private purposes; and so on.

The government has also required all officials and their immediate family members to disclose their assets and income, to make it harder to hide ill-gotten gains. At the same time, the party has sought to reduce incentives for graft by narrowing the income gaps within the system. In the last year, it raised the salaries and retirement benefits of military officers, law enforcement personnel, and other direct government employees, while sharply cutting the higher salaries enjoyed by top managers of state-owned enterprises.

Still, to date, Xi’s campaign has been chiefly an enforcement effort. Investigations are led by the party’s Central Commission for Discipline Inspection (CCDI), which sends inspection teams to examine every ministry and agency and every large state-owned enterprise. The teams enjoy the unlimited power to investigate, detain, and interrogate
almost anyone, but mainly government officials, the vast majority of whom are party members. Once the teams believe they have gathered sufficient evidence of wrongdoing, the CCDI expels suspects from the party and then hands them over to the legal system for prosecution.

Xi has declared that no corrupt official will be spared, no matter how high his position. In practice, however, the CCDI has chosen its targets very carefully, especially at senior levels. The decision to go after Zhou was heralded as setting a new precedent—since the late 1980s, the party has followed an unspoken rule against purging a member or former member of the Standing Committee. And yet Zhou's removal and prosecution remain unique; they appear to have been less a signal of things to come than a shot across the bow, intended to scare off any potential opposition to Xi within the leadership. Zhou was vulnerable because he was retired and no longer had direct control or power. Also, Zhou had backed a group of senior party officials who had challenged Xi's power and authority early in his tenure; among them was Bo Xilai, the influential party chief of Chongqing, who in 2013 was brought down by a scandal involving corruption and a murder plot in which his wife participated. Finally, Zhou and his immediate family members were particularly flagrant in their corrupt pursuits, which made him an easy target. Some media reports have indicated that authorities are
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It is also worth noting that although Xi has allowed investigations of the country’s key military institutions, he has yet to make any major personnel changes within the Commission for Discipline Inspection of the Central Military Commission, the armed forces’ equivalent of the CCDI. Xi still needs more time to consolidate his control over the military and its institutions.

A number of other elements of Xi’s campaign are also problematic, because they present opportunities for abuse and run contrary to the spirit of the legal reforms that Xi is pursuing. Xi claims that he wants to improve due process and reduce abusive police and judicial practices. But the CCDI itself does not always follow standard legal procedures. For example, Chinese law allows police to detain a suspect for only seven days without formally charging him, unless the police obtain express permission from legal authorities to extend the detention. The CCDI, on the other hand, has kept suspects in custody for far longer periods without seeking any approval and without issuing any formal charges, giving the appearance of a separate standard.

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Meanwhile, with its newfound authority, the CCDI is gradually becoming the most powerful institution within the party system. Unless the party balances and limits the agency’s power and influence, the CCDI could grow unaccountable and become a source of the very kinds of conduct it is supposed to combat.

Perhaps the biggest potential obstacle to the success of the campaign is strong resistance to it within the bureaucratic system. Xi has launched a direct attack on the interests of many entrenched bureaucrats and officials; even those who have escaped prosecution have watched their prosperity and privilege shrink. Many officials might also resent the idea that there is something fundamentally wrong with the way they are investigating the family members of other retired Standing Committee members. But so far, no ranking member of the “red aristocracy” has yet been targeted, and all the highest-level targets, including Zhou and Xu, have been part of a single loose political network. Apparently, there are still lines Xi is not willing to cross.
accustomed to conducting themselves. They may feel that they deserve the benefits they get through graft; without their work, after all, nothing would get done—the system wouldn’t function.

Early in Xi’s tenure, some officials seemed to believe that although the days of flagrant self-dealing were over, it would still be possible to exploit their positions for profit; they would just need to be a bit more subtle about it. In 2013, *The New York Times*, citing Chinese state media, reported that a new slogan had become popular among government officials: “Eat quietly, take gently, and play secretly.” But that sense of confidence has evaporated as it has become clear that Xi is serious about cracking down. During the past two years, party members and state bureaucrats have become extremely cautious about running afoul of the new ethos, although many are quietly seething about the situation. This has interfered with the traditional wheel-greasing function of corruption and contributed to China’s economic slowdown. If corruption no longer assists entrepreneurs in slipping past bureaucratic barriers, it will put additional pressure on Xi to institute economic reforms that genuinely reduce those obstacles.
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Since the anticorruption campaign is just one of a number of major changes taking place in the Xi era, it’s difficult to forecast what path it might take. In a pessimistic scenario, the campaign would end in failure after strong resistance within the top party leadership and the bureaucratic system forces Xi to back down. That outcome would be a catastrophe. Corruption would likely rise to pre-2012 levels (at the very least), destabilizing the economy, reducing investor confidence, and seriously eroding Xi's authority, making it difficult for him to lead.

In a more optimistic scenario, Xi would manage to overcome internal resistance and move on to broader economic, legal, and political reforms. Ideally, the campaign will strengthen Xi’s power base enough and win him the support necessary to reduce the party’s tight grip on policy and regulatory and administrative power, creating a favorable environment for the growth of a more independent private sector. Xi has no interest in creating a Western-style democratic system, but he does think that China
could produce a cleaner and more effective form of authoritarianism. To better serve that goal, Xi should consider adding a number of more ambitious elements to the anticorruption crusade, including a step that both Transparency International and the G-20 have called for: improving public registers to clarify who owns and controls which companies and land, which would make it harder for corrupt officials and businesspeople to hide their illicit profits.

At the moment, there is more reason for optimism than pessimism. Xi has already consolidated a great deal of control over the state’s power structures and is determined and able to remove anyone who might resist or challenge his authority or policies. So far, within the senior leadership and the wider bureaucratic system, resistance to the anticorruption campaign has been passive rather than active: some bureaucrats have reportedly slowed down their work in a rather limited form of silent protest.

Meanwhile, the anticorruption campaign continues to enjoy strong public support, especially from low- and middle-income Chinese who resent the way that corruption makes the Chinese system even more unfair than it already is. Anticorruption thus represents a way for the party to ease the social tensions and polarization that might otherwise emerge as the economy slows, even as dramatic economic inequalities persist. To maintain this public support, the trick for Xi will be calibrating the scope and intensity of the campaign: not so narrow or moderate as to seem halfhearted, but not so broad or severe as to seem like a form of abuse itself.
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