

Corruption in China and the Combat Teeth of the System

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Introduction

As the global financial crisis and consequent economic slow down spreads its shadows over China, the Chinese leadership is struck with biggest ever dilemma to combat deep rooted corruptions in the Chinese system of governance. According to a conservative estimate of Mxin Pei, over 10 per cent of Chinese government spending, contracts and transactions pass hands as kickbacks and bribes. In his studied opinion, he attributes the development to partial implementation of economic reforms, lax enforcement efforts, and abject reluctance of the Communist Party of China (CPC) to get to political reforms. He has noted that implementation of nearly 1200 laws, rules and directives to fight against corruptions of different hues and denominations were spotty and ineffective.¹ Notwithstanding, in a study, the Organisation for Economic Co-operation and Development (OECD) estimated that the amount transacted as kickbacks and bribes in the People's Republic of China (PRC) ran to 683 billion Yuan (US \$ 84.4 billion) in 2007, which works out to be over 5 per cent of its gross domestic product (GDP).

The list of corruption cases, involving persons in high positions, is incredibly high. It seems to have assumed insidious form: because of collusion among officials from top to the bottom levels. For example, in Heilongjiang, a scandal in 2004 brought down several hundred officials, including a former governor, several of his deputies and nearly all the prefect party bosses in the province. It is pervasive in some of China's most vital economic sectors, such as banking, financial services, mining, energy, real estate and infrastructure. It tends to distort market forces and allows the well-connected to line their pockets at the expense of the public. It is at the back of quite a few scams in most critical domains, endangering lives of thousands of people in one go and hurting China's national esteem. Sanlu brand baby milk food scam, which exposed 53000 infants to kidney afflictions, stands out as an example. In the bargain, rampant corruption at all levels and many forms tends to corrode the working of critical public institutions, such as the Chinese courts, law enforcement and public pension administrations. This has had quite a demonstrable adverse impact on public confidence and social stability.

The paper, in its pursuit, goes to study the existing Chinese institutional mechanism to fight corruption in public life. The broad assumptions of the study include: First, the Chinese leadership is abreast with the debilitating aftermath of the malaise, and as evident from the public statements on the issue, there is demonstrable political will to handle the problem; Second, the phenomenon of widespread corruption in China has got a fillip because of the CPC's abiding dependence on cadre system in governance which has created overriding space for corrupt practices; and, Third, the Chinese institutional response to weed out the evil of corruption as such would remain intractable as long as the blurred boundaries of private and public hold good in the personal, social and official lives of Chinese leadership. The study is sequenced to focus on: the Forms and Sources of Outgrowth; the Approach and Predicament; the Combat Mechanism; and, the Future Prospect.

Forms and Sources of Outgrowth

In China, corrupt practices have, for long, been low risk activity. Carnegie Endowment 2007 bears out that a corrupt civil servant stands 3 per cent chance of going to jail for corruption. Since 1982, 80 per cent of the CCP members disciplined and punished by the party got off with a warning, while the remaining 20 per cent were terminated and less than 6 per cent were prosecuted.² Not surprising then that the corruptions in China have come to acquire quite interesting array of forms.

One form of corrupt activity is "power trading". It involves the "buying and selling of official posts and positions". It falls in the category of "administrative" corruptions. In an interview with the People's Daily, Hu Xingdou, a Professor with Beijing University of Science and Engineering, recounted the process and spoke about four distinct features of the phenomenon.

First, the person, who bought an official position at certain level, would recoup and amass wealth by selling posts and positions in larger numbers at subsequent stage. In normal cases, an official, buying a position at the provincial level, tended to sell out at least three official posts. These three local officials were, in turn, quite likely to sell out 13 official posts. As a corollary, the 13 officials were supposed to sell out 30 official posts at the county level. Second, transaction takes place in pure commercial spirit. The knock down price will vary in terms of peak and lean season with special reference to location, time and reference person. Third, the medium of transaction could be either in cash or kind or favours. Fourth and last, the transactions have of late come to take place in broad day light. The official will hold a meeting of leading cadres. He will take stock of the situation. He will conclude the deal on-spot with give and take considerations.³

There is then "business corruptions". It is endemic both within the public and the private sectors. It stems virulently in all those areas of economic activities, where the Chinese state is deeply entrenched and uses discretions in the form of fang (relax) and shou (control). It is strange, and yet true, that the phenomenon has received breeding ground in areas where the government is presently acting proactively to put the house in order.

Of several forms of business corruption, the "facilitation payments" has acquired gigantic proportion. It is but a grey area as masterminds quite frequently cross the blurred boundary of otherwise legal payments and illegal

gratification. Off-the-book slush fund account serves the purpose. The business sectors, plagued most by the phenomenon are banking, financial services, public procurement and the construction sector. There are then some new areas, where public power has found voice, such as decisions on and allocation of public investment funds, assignment and pricing of land resources, regulations of levies and taxes, selection and financing of infrastructure projects, regulation of business, labour, trade and commercial disputes, and provision of social welfare in an expanding market economy. Corrupt officials expropriate public funds for their own purposes and many companies engage in corruption and pay bribes in order to maintain their place in the market. The National Audit 2007 found that RMB 7.1 billion of China's RMB 2 trillion social security funds was being transferred as overseas investments, used as commercial loans to companies, or spent on illegal construction projects.

In five years from 2002 to 2007, the Chinese officials, associated with metro projects and procurement of signalling device took US \$ 22 million from Transport Systems (TS) division of Siemens for seven projects worth US \$ 1 billion. Siemens, on its part had hired Chinese business consultants to facilitate bribery through "off-the-books" slush fund accounts and sell companies to their "partners" in China. Meanwhile, the Chinese officials, entrusted with the task of installation of high voltage transmission lines in South China took bribe of US \$ 25 million from Siemens Power Transmission and Distribution (PTD) division. The project was worth US \$ 838 million. Supported by phony distribution contacts, the payments went through a Dubai-based business consulting firm controlled by a former Siemens PTD employee and then to several entities associated with a US based highly connected Chinese consultant. In a still more bizarre instance, the Chinese officials and doctors, involved in a number of Chinese hospital projects took substantially heavy bribes. In one case where five Chinese hospitals were concerned, the Chinese officials took US \$14.4 million in cash and US \$ 9 million by way of favours from Medical Solutions (MED) division of Siemens. The favours included study trip to Las Vegas, Miami. It was all for the projects, worth US \$ 295 million. In yet another instance, the concerned Chinese officials and doctors took US \$ 64800 in lieu to facilitate Siemens MED division to win a contract for installations worth US \$ 1.5 million Magnetic Resonance Imaging (MRI) system. Notwithstanding, Siemens' US subsidiaries, Oncology Care Solutions (OCS) and Molecular Imaging (MI) also paid US \$ 650000 as bribes to secure sales of medical equipment to Chinese hospitals.⁴

In the PRC, the range of political corruptions can take wind out of anybody's imagination. It touches all levels of government, perhaps in increasing proportion as it goes down. The People's Liberation Army (PLA) is, interestingly, partner both in grand and petty corruptions in its own rights. When all is said and done, it is but a story of illicit relations between wealth and power retold, stemming largely as an offshoot of opportunities and incentives created with reform policies. Robert Klitgaard can not be faulted for his diagnosis of the phenomenon by his formula - Corruption =M+D-A: monopoly plus discretion minus accountability.⁵

Given the peculiarities of the Chinese system of governance, at every level of people's government, transparency was concomitant to the level of commitment and discipline of over 70 million cadres, having a say in different shape.⁶ It was conceived to be attained through "ideology and politics" until Deng doctrine, contained in the cliché "it does not matter whether a cat is black or white so long it catches mice", came to put them on backburner. Studies in the field suggest that the "ideology and politics" therapy did not work for various reasons, and political corruption ruled the roost throughout the yesteryears. The Chinese leadership is painfully aware of the reality, or else the 17th National Congress of the CPC would not have conceived and endorsed an array of soft and hard components of anti-corruption measures. It included a gigantic cadre training programme.⁷

The most discernible form of political corruption in China involves "misuse of political power" for "self and/ or group economic benefits and enrichments". The Chinese leadership has been addressing only this form of political corruption. In his Work Report to the First session of the 11th National People's Congress (NPC) in March 2008, Jia Chunwang, the procurator-general of the Supreme People's Procuratorate, went on record that 35 officials at the provincial or ministerial level, 930 at the municipal level and nearly 14,000 at or above the county level were then investigated for embezzlement, bribery, misappropriation of public funds in the past five years.⁸ Taking part in the debate, Liu Xiorong, one of the deputies, was succinct to brand the phenomenon of political corruption in China as a "trade off" between "power and money". The other form of political corruption, both at top national and down at all subsequent lower levels is to "perpetuate and continue with" the pomp and power in the hierarchy through all means. This is but a political system related malaise, and hence opinion could vary. However, it remains the mother of all sets of corruptions.

Approach and Predicaments

In simple terms, all forms of corruptions in China fall in the bracket of "misuse of public office for private gains". It could be individual and/or organised. While there are quite a large number of literatures yet, it is hard to present an archetype to explain trade off in Chinese office bearers at all levels getting berserk with such a terrifying magnitude to misuse their public office for private gains. In a theoretical perspective, it can be construed as a balancing act, where the individual and/ or group weighs perceived total cost of the said corrupt act against the perceived total gains. Increased chances of getting caught (despite neutralisation of all shades of political, social and cultural hedging) and being put to due process of law could possibly work as deterrence.

The conceptual part of the Chinese approach to combat corruption, developed and pursued in the past couple of years, visibly draws on the address of the Chinese President Hu Jintao to the Fifth Session of the CPC Central Commission for Discipline Inspection on 12th Jan 2005. Hu spelled out the need for both "temporary solution and permanent cure"; and laid down the focus of the action on "leading officials who pursued individual, illegal interests by misusing their powers"; and, outlined three pronged approach of "promoting education, actualising institutional accountability and invoking civil monitoring" as an antidote to the prevailing ills. He expected the approach to the problem as such would ultimately succeed in "gradually removing the soil that generates corruption".⁹ Seen in its perspective, it goes to serve the conceptual side of the Chinese approach.

In the same vein, the operational part of the Chinese approach to combat corruption draws on the address of the Chinese Premier Wen Jiabao to the Regional Seminar on Corruption in April 2007, where he impressed upon the need to launch “three pronged attacks”. They are: (a) addressing institutional deficiencies; (b) promoting reforms in political management; and, (c) using education and punishment to handle miscreants. Where it related to institutional deficiencies, Wen identified as many as four grey areas-excessive concentration of powers, lack of effective checks and oversights, obsolescence of the system and obsession for government approval. Wen outlined four sets of reforms in the political management, which sought to address the other four institutional deficiencies. He accordingly prescribed diffusion of hitherto existing concentration of power, enhancing public supervision and making all decisions in open, fair and just manner. In handling miscreants, Wen asked for using both education and punishment as a tool.

Corruption in the PRC is incidentally taking place in the broad backdrop of “booming economy and rampant materialism”, where the ability of the concerned officer to exploit connections and networks (guanxi) under the dual-track (shuangguizhi) economic system holds the key to success. In a business firm, it was essential even for getting timely and adequate quantum of support resources such as electricity and water as well as raw materials and intermediate goods. This guanxi has a whole set of sociological rationale and provides cultural acceptance for corrupt practices with a certain amount of winks and nods. In this scenario, it is a matter of academic speculation much less studied inference as to how much the Chinese approach would withstand the counter weight of interests behind the administrative, business and political corruptions in China.

Efficacy of the Combat Mechanism

The concerns of the Chinese leadership on the rise of corruption in all walks of life have of late found manifestation in the form of multi-dimensional initiatives to add muscle to combat mechanism. With quite a few caveats, they veer around both “curative” and “preventive” domains.

With open ended goals to deal with inter-department overlaps, and consequent possibilities of corrupt practices finding ways, the First Session of the 11th NPC deliberated and approved five Super Ministries in March 2008.¹⁰ Earlier in September 2007, the PRC had set-up National Bureau of Corruption Prevention (NBCP) with mandate to circumvent local officials and report straight to the central authorities.¹¹ It has been placed under the command and control of Ma Wen, who holds simultaneously the charge of Minister for Supervision. It has since been working on a guideline for “corruption prevention for companies and public undertakings, help trade organisations develop a self-discipline system, put forward policies guarding against commercial bribery and initiate publicity campaigns on corruption prevention”.¹² One of the major tasks of NBCO, as stated by Ma Wen in her interview with Xinhua News Agency, is to “expand preventive network to every corner of the Chinese society.”

In the PRC, the People’s Procuratorate, is in charge of prosecutions – from the top level of the Supreme People’s Procuratorate to the provincial, the municipal and the County Procuratorates. The procurator organisation consists of over 3,600 Procuratorates with more than 220,000 procurators and support staff throughout the country. Investigation of corruption cases constitute one of the several duties related with law enforcements. In November 1995, the Chinese Supreme Procuratorate came to set-up General Bureau against Corruption (GBAC). In prosecuting malfeasance at various levels in the bureaucracy, the Chinese Procuratorate normally concentrates on the preventive aspect. It keeps on looking at new ideas and at new channels of crime in order to formulate a more effective approach. The targets are: to develop preventive measures; to develop knowledge of the law; and to build up the concept of intellectual and moral resistance to corruption.

As the party cadres hold the key to the nature and character of governance, there is CCDI, entrusted with the task of looking into and dealing with the corruption and malfeasance among officials. It is directly responsible to the CPC National Congress and on the same level as the Central Committee. At the Provincial/ Autonomous Region/Municipality level, there is the Discipline Inspection and Supervision department at work. Of late, one of the initiatives of the CCDI to address the phenomenon at party cadre as much as general populace levels included inviting people’s opinion on website, which crashed on the very day it was set-up on 4 January 2006.

The Chinese leadership has tried its hand to curb and/ or eliminate the malaise, with little avail so far, in many other ways. In April 2008, the CPC Central Committee launched a 5 year anti-corruption campaign. In May 2008, it launched another campaign, exhorting cadres to “be the people’s loyal guard and masses’ close friend”. Subsequently, He Guoqiang, the Secretary of the CCDI and Chinese State Councilor Liu Yandong took two separate initiatives in September 2008 to involve students at large in the campaign.¹³

Future Prospects

The thoughts and actions thus gone into combating the malaise of corruptions of all hues are tremendous. However, the trap is somehow intractable. The approach and mechanism in place do not promise substantial results as long as the political corruptions, in particular the one that springs straight from the dogged will of the Chinese leadership at all levels to continue in the saddle, go scot-free.

A perceptible difference could come about as soon as the Chinese leadership rises above and undertake change in political structure; augur social developments that go to find substitute to guanxi (working through contacts and networks) to professional consideration in all sets of critical decisions in governance; and, Deng’s aphorism of shishi quiushi (seeking truth from the facts) come to play pivotal role in political reform as it hitherto did in economic reforms.

As it is, China's combat mechanism to all pervading corruption is stuck with a lot of contradictions. In some cases the institutions supposed to ensure probity work under the command and control of the same structure and deviants. Where the new outfit goes to circumvent them, the matrix of interests to remain in power does not promise much escape. The phenomenon will perhaps remain theoretically intractable as long as the total cost of getting caught and exposed do not exceed the total benefit of breaking the cardinal principle of remaining transparent and honest. It could perhaps have negative impact on China's so far robust comprehensive national power rating.

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