

**MINIMIZING CORRUPTION IN CHINA:  
IS THIS AN IMPOSSIBLE DREAM?**

Jon S.T. Quah\*

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\* Jon S.T. Quah, Ph.D., is a former Professor of Political Science at the National University of Singapore and is now an Anti-Corruption Consultant based in Singapore. He is the editor of *Different Paths to Curbing Corruption: Lessons from Denmark, Finland, Hong Kong, New Zealand and Singapore* (Bingley: Emerald Group Publishing, 2013) and author of these books: *Curbing Corruption in Asian Countries: An Impossible Dream?* (Bingley: Emerald Group Publishing, 2011; Singapore: Institute of Southeast Asian Studies, 2013); *Public Administration Singapore-Style* (Bingley: Emerald Group Publishing, 2010); *Taiwan’s Anti-Corruption Strategy: Suggestions for Reform* (Baltimore: School of Law, University of Maryland, 2010); *Combating Corruption Singapore-Style: Lessons for Other Asian Countries* (Baltimore: School of Law, University of Maryland, 2007); and *Curbing Corruption in Asia: A Comparative Study of Six Countries* (Singapore: Eastern Universities Press, 2003). E-mail: jonstquah@gmail.com; Website: <http://www.jonstquah.com>.

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**I. INTRODUCTION**

Why is India doing worse than China in growth, inflation, output per capita, unemployment, budget deficit and corruption? According to the Transparency International's Corruption Perceptions Index (CPI) for 2012, China was ranked 80th together with Serbia and Trinidad and Tobago with a score of 39/100, while India was ranked in 94th with seven other countries with a score of 36/100.<sup>1</sup> Similarly, India was ranked last with a score of 8.95 and China was ranked 11th with a score of 7.79 in the 2013 annual survey of cor-

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1. The other seven countries are Benin, Colombia, Djibouti, Greece, Moldova, Mongolia and Senegal. See <http://cpi.transparency.org/cpi2012/results/>.

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ruption in 17 Asia-Pacific countries conducted by the Hong Kong-based Political and Economic Risk Consultancy (PERC).<sup>2</sup>

Timothy Garton Ash's explanation for China performing slightly better than India is that "unlike China, but like Europe, India expends a vast amount of its energy simply coping with its incredible diversity." China is also diverse, but unlike India, it copes with its diversity "mainly by repression."<sup>3</sup> However, he predicts that, in the long run, "while the Indian system is a daily soap opera of small crises, the big crisis of China's self-contradictory system of Leninist capitalism is yet to come."<sup>4</sup> Whether Ash's prediction will come true or not, the fact is that corruption is a serious problem in contemporary China that must be minimized for the lives of its citizens to improve, especially the poor. Whether this problem of corruption can be minimized in China is the subject of this monograph.

Even though China's 2012 CPI score is marginally better than India's, corruption remains a serious problem in China today. In response to his 1996 question on whether corruption in China has become systemic, Hilton Root has argued that, "China's corruption is becoming systematized into an intermediary form of bureaucratic capitalism."<sup>5</sup> Unlike Root, the *Economist* highlighted in February 2002 the "systemic corruption" in China as "every case that comes to light further exposes a system that breeds corruption at every level."<sup>6</sup> Indeed, this indictment is confirmed by Jonathan Fenby's observation a decade later that "corruption infests the system" as 146,000 Chinese Communist Party (CCP) members were punished for graft in 2010.<sup>7</sup> Fenby contends that corruption in China is "so embedded in the regime and the reach of the authorities is so wide that almost everybody has skeletons in the closet which can be brought to light should they fall from favor or represent a challenge

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2. PERC, "Regional Overview: Annual Review of Corruption in Asia," *Asian Intelligence*, No. 871, March 20, 2013, p. 6. The score ranges from 0 (least corrupt) to 10 (most corrupt).

3. Timothy Garton Ash, "How can such poverty, corruption and inequality endure in the world's largest, most diverse democracy? Come on, India!" *Guardian Weekly*, February 8, 2013, p. 48.

4. *Ibid.*, p. 48.

5. Hilton Root, "Corruption in China: Has it Become Systemic?" *Asian Survey*, 36 (8) (August 1996): 749.

6. "Systemic Corruption: Something Rotten in the State of China," *Economist*, February 14, 2002, available at <http://www.economist.com/node/988457>.

7. Jonathan Fenby, *Tiger Head, Snake Tails: China Today, How it got there and Why it has to Change* (London: Simon & Schuster UK, 2012), p. 7.

to the center.”<sup>8</sup> Hence it is not surprising that in his speech celebrating the 90th anniversary of the CCP’s foundation in July 2011, HU Jintao warned that “if corruption does not get solved effectively, the Party will lose the people’s trust and support.”<sup>9</sup>

An analysis of the articles published by the Foreign Broadcast Information Service (FBIS) China Index found that there were no articles on corruption before 1978. However, by 1988, 108 articles on bribery and corruption were published, followed by 361 articles in 1993, 280 articles in 1994, and 118 articles from January to March 1995.<sup>10</sup> Writing in 1994, Ting GONG observed that “corruption has not been systematically studied in China.” Consequently, even “though everyone is aware of the existence of corruption in China, no one really knows its exact scope or nature.”<sup>11</sup> Six years later, Xiaobo LU began his book, *Cadres and Corruption*, by asking the question: “Why study corruption?” His answer was that “there is much yet to be learnt and communicated about official corruption” in China because “so far only a few studies have been done” on this subject.<sup>12</sup> However, today, in 2013, a great deal of research has been published in English on corruption in China as reflected in the Selected Bibliography included at the end of this monograph. In my 2009 review of corruption studies in 23 Asian countries, I found that the greatest amount of research was done on China as 185 studies (14.2 percent) of the 1,312 studies focused on China.<sup>13</sup> In view of the wealth of literature on the topic, what is the justification for another monograph on corruption in China?

While many scholars have conducted research on various aspects of corruption in China over the past 13 years, there is, to date, no comprehensive analysis of the anti-corruption measures or an

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8. Ibid., p. 325.

9. Quoted in *ibid.*, p. 327.

10. Carolyn L. Hsu, *Corruption and Morality in the People’s Republic of China* (Bloomington: Indiana East Asian Working Paper Series on Language and Politics in Modern China, No. 8, Spring 1996), p. 1.

11. Ting Gong, *The Politics of Corruption in Contemporary China: An Analysis of Policy Outcomes* (Westport: Praeger Publishers, 1994), p. 7.

12. Xiaobo Lu, *Cadres and Corruption: The Organizational Involvement of the Chinese Communist Party* (Stanford: Stanford University Press, 2000), pp. 2-3.

13. Jon S.T. Quah, “Combating Corruption in the Asia-Pacific Countries: What do we know and what needs to be done?” in Clay Wescott, Bidhya Bowornwathana and Lawrence R. Jones (eds.), *The Many Faces of Public Management Reform in the Asia-Pacific Region* (Bingley: Emerald Group Publishing, 2009), pp. 18-19.

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evaluation of their effectiveness.<sup>14</sup> Accordingly, the aim of this monograph is to redress this significant research gap by analyzing in turn China's policy context, its perceived extent of corruption, the major causes of corruption in China, the anti-corruption measures initiated, and an assessment of their impact. The concluding section addresses the question of whether China will be able to succeed in minimizing corruption and provides some suggestions for enhancing the effectiveness of its anti-corruption measures.

## II. DEFINITION AND FORMS OF CORRUPTION

Arnold J. Heidenheimer has identified three definitions of corruption: public-office-centered, market-centered, and public-interest-centered.<sup>15</sup> For this monograph, a public-office-centered definition of corruption is preferred because it is more relevant and useful than the market-centered and public-interest-centered definitions. The United Nations Development Programme (UNDP) has defined corruption as "the misuse of public power, office or authority for private benefit – through bribery, extortion, influence peddling, nepotism, fraud, speed money or embezzlement."<sup>16</sup> As the UNDP's public-office-centered definition has identified the seven major forms of corruption and focuses on the public sector, it has to be modified slightly by adding "or private" so that it is applicable to both the public and private sectors in China. Thus, for this monograph, corruption refers generally to "the misuse of public or private power, office or authority for private benefit."<sup>17</sup> However, as will be recommended below, a more specific definition will be used to take into account the unique features of China's corruption.

In the case of China, Adam Y.C. Liu wrote in 1979 that "no single book, English or Chinese, has dealt exclusively with the problem of corruption in traditional China, simply because the term 'corruption' in the Chinese context, *t'an-wu fu-bai*, embraces too

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14. The two exceptions are: Andrew H. Wedeman, *Double Paradox: Rapid Growth and Rising Corruption in China* (Ithaca: Cornell University Press, 2012), which evaluates China's anti-corruption measures in Chapter 6, pp. 142-176; and Melanie Manion, *Corruption by Design: Building Clean Government in Mainland China and Hong Kong* (Cambridge: Harvard University Press, 2004), which provides a detailed assessment of the effectiveness of China's anti-corruption agencies and campaigns in Chapters 4-5, pp. 119-199.

15. Arnold J. Heidenheimer (ed.), *Political Corruption: Readings in Comparative Analysis* (New Brunswick: Transaction Books, 1970), pp. 4-6.

16. UNDP, *Fighting Corruption to Improve Governance* (New York, 1999), p. 7.

17. Jon S.T. Quah, *Curbng Corruption in Asian Countries: An Impossible Dream?* (Bingley: Emerald Group Publishing, 2011), p. 10.

many types of irregularities and wrongdoings.”<sup>18</sup> According to Carolyn L. Hsu, pre-revolutionary Chinese dictionaries have used adjectives like “decadent, old, worn out, and obsolete,” and “rotten and spoilt” to define *fubai*, while *tanwu*, which implies impurity or pollution, refers to “avarice, covetousness, and (usually bribe-seeking) greed.”<sup>19</sup> However, a Chinese dictionary published in 1994 has expanded the definition of *tanwu* to include the misuse and abuse of authority and position for material gain.<sup>20</sup>

More recently, corruption has been defined broadly by the CCP as can be seen from Ting GONG’s comprehensive list of 18 types of corrupt activities in China, which she compiled in 1994 from an analysis of Chinese newspaper editorials and reports. These corrupt activities include: (1) bribery or embezzlement of state funds and properties; (2) seeking benefits for dependents, relatives, and friends in recruiting, school admission, job assignment, cadre status, exit permit, and admission to the party; (3) neglecting one’s duty and causing great damage to the economy; (4) providing trusted followers with official positions; (5) working inefficiently, shirking responsibility, and shifting blame to others; (6) acting arbitrarily, retaliating, and framing cases against others; (7) making false reports, prone to boasting and exaggeration; (8) using public funds for banquets and gift-giving; (9) running businesses and profiteering; (10) taking advantage of one’s position to occupy or build houses for oneself; (11) living lavishly; (12) mishandling sexual relationships; (13) forming cliques to pursue selfish interests; (14) gambling and visiting prostitutes; (15) spending extravagantly on marriage and funeral arrangements; (16) engaging in superstitious activities; (17) smuggling; and (18) selling state intelligence.<sup>21</sup>

Yan SUN updated Gong’s list in 2004 by identifying 11 forms of corruption in China during the reform-era on the basis of her analysis of 13 Chinese casebooks.<sup>22</sup> The first six forms of corruption are: (1) embezzlement (*tanwu*) involving theft of between 2,000 to 5,000 yuan; (2) bribe taking (*shouhui*); (3) misappropriation (*nuoyong*) or unauthorized use of public funds of at least 5,000

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18. Adam Y.C. Lui, *Corruption in China during the Early Ch’ing Period 1644-1660* (Hong Kong: Center of Asian Studies, University of Hong Kong, Occasional Papers and Monographs, No. 39, 1979), p. iii.

19. Hsu, *Corruption and Morality in the People’s Republic of China*, p. 7.

20. *Ibid.*, p. 8.

21. Gong, *The Politics of Corruption in Contemporary China*, p. 9, Table 1.1.

22. Yan Sun, *Corruption and Market in Contemporary China* (Ithaca: Cornell University Press, 2004), Appendix 1, pp. 217-218, provides details of these 13 casebooks.

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yuan; (4) squandering (*huihuo langfei*) or wasting of public funds, which includes feasting, gift-giving and sight-seeing; and such luxury amenities as imported cars, fancy offices, new models of cell phones, and residential construction for officials' consumption; (5) privilege seeking (*yiquan mousi*) or seeking of economic or non-economic favors for relatives, friends, and oneself, including the allocation of regulated goods to relatives and friends, and payment of private tuition for one's children; and (6) illegal earnings (*feifa shouru*) of those individuals who cannot account for discrepancies of between 60,000 and 300,000 yuan of their assets and incomes.<sup>23</sup>

Among the remaining five corruption offenses, the problem of moral decadence (*diode duoluo*) has been defined widely to include such personal lapses including slandering and framing others, rape and other insults to women, disturbing public order, drug-related offenses, soliciting prostitutes, gambling, spreading pornographic materials, wrecking marriages, domestic abuse, failing to provide for aging parents or young children, securing career promotions through fraud, fleeing scenes of imperiled humans or public properties, adultery, and sexual harassment. The two major forms of moral decadence are the patronizing of prostitutes using public funds and the sheltering of mistresses by officials. The other four forms of corruption identified in the Chinese casebooks are: (1) negligence (*duzhi*) of official duties in business ventures, supervision and regulation which cause material or human damage; (2) illegal profiteering (*touji daoba*) of revenue between 10,000 and 200,000 yuan for individuals, and between 300,000 and 600,000 yuan for organizations; (3) violation of accounting procedures (*weifan caijing jilu*) by public organizations, firms, and their executives; and (4) smuggling (*zousi*) or the trafficking of controlled or legal goods worth 20,000 yuan for individuals and 300,000 yuan for organizations by evading tariffs, import quotas, and entry inspection.<sup>24</sup>

Kilkon KO and Cuifen WENG reviewed 24 definitions of corruption used by scholars in Chinese corruption studies and found that their general definition of corruption as "the abuse of public office for private gain" differed from how corruption was defined specifically in the Chinese Criminal Law (CCL), administrative regulations, and CCP regulations in three ways. First, corrupt offenders in China are not restricted to public officials in government and include state functionaries or "members of state organs (including

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23. Ibid., pp. 27-31.

24. Ibid., pp. 31-33.

CCP organizations), state-owned enterprises, companies, and institutions and people's organizations which carry out any 'public' related work."<sup>25</sup> Second, abuse or misbehavior refers to the impact of state functionaries' activities on "public interests" and includes not only economic corruption but also the dereliction of duties, malpractices, violation of administrative responsibility, non-compliance with social norms, and failure to preserve the moral integrity of public officials. Third, "private gains" is a necessary but insufficient condition for corruption in China and should include such practices as nepotism, favoritism, cronyism, or dereliction of duty, which damage public interests.<sup>26</sup> Bearing in mind these three unique characteristics of Chinese corruption, Ko and Weng have defined corruption in China as "publicly unacceptable behavior committed by state functionaries for private gains at the expense of public interests, and/or causing intentional and unintentional damage to public interests and values."<sup>27</sup>

### III. CHINA'S POLICY CONTEXT

In 1947, John Merriman Gaus stressed the importance of the policy context when he recommended that "the study of public administration must include its ecology."<sup>28</sup> The basis of the ecological perspective is "the idea that public administrators operate in an environment which *constrains* them," but what they do, "may, in turn, affect the environment."<sup>29</sup> The policy context is important because it is the source of the policy-makers' perception and definition of the policy problem (in this case, corruption), their identification of the alternatives for resolving the problem, the resources required for policy implementation, and their assessment of the support or opposition for the selected policy alternative. In applying his assessment methodology to identify the causes of corruption in Honduras, Senegal, Timor-Leste and Ukraine, Bertram I. Spector examines their "legal, institutional, political, and economic frameworks and dynamics" and concludes that "context can make a

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25. Kilkon Ko and Cuifen Weng, "Critical Review of Conceptual Definitions of Chinese Corruption: A Formal-Legal Perspective," *Journal of Contemporary China*, 20 (70) (June 2011): 373.

26. *Ibid.*, 373-374.

27. *Ibid.*, 374.

28. John Merriman Gaus, *Reflections on Public Administration* (University: University of Alabama Press, 1947), p. 6.

29. Ivan L. Richardson and Sidney Baldwin, *Public Administration: Government in Action* (Columbus: Charles E. Merrill Publishing Company, 1976), p. 24.

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big difference in the capacity of countries, as well as their motivation, to seriously address corruption problems.”<sup>30</sup>

There are many definitions for policy context.<sup>31</sup> However, for this monograph, the policy context consists of the following five factors: the geographical constraints, formative historical experiences, economic development, demographic and cultural factors, and nature of the political system, which influence the nature and style of the public policy-making process in a country. Indeed, a country’s policy context can promote or hinder its incumbent government’s anti-corruption policies depending on whether the contextual factors are conducive or hostile to the effective implementation of these policies.<sup>32</sup> Table 1 summarizes the major features of China’s policy context.

**Table 1. China’s Policy Context**

Feature	Data
Land area	9,560,900 sq km
Arable land	11.8 percent
Gross Domestic Product	US\$8,227 billion (2012)
GDP per capita	US\$6,076 (2012)
Population	1.3441 billion (2012)
Population density	141 persons per sq km
Urban population	55.6 percent
Adult literacy rate	94 percent
Political system	Communist state

Sources: Economist: *Pocket World in Figures 2013 Edition* (London: Profile Books, 2012), p. 132; and Klaus Schwab (ed.), *The Global Competitiveness Report 2013-2014* (Geneva: World Economic Forum, 2013), pp. 404-406.

30. Bertram I. Spector, *Detecting Corruption in Developing Countries: Identifying Causes/Strategies for Action* (Sterling: Kumarian Press, 2012), p. 275.

31. The most comprehensive definition is provided by Howard M. Leichter, *A Comparative Approach to Policy Analysis: Health Care Policy in Four Nations* (Cambridge: Cambridge University Press, 1979), pp. 40-42, as he has identified 37 situational, structural, cultural and environmental factors for analyzing the policy context in a country.

32. Quah, *Curbing Corruption in Asian Countries*, p. 30.

### A. Geographical Constraints

With a land area of 9,560,900 sq km, China is the third largest country in the world after Russia and Canada.<sup>33</sup> It shares its borders with 14 countries including Afghanistan, Bhutan, India, Kazakhstan, Kyrgyzstan, Laos, Mongolia, Myanmar, Nepal, North Korea, Pakistan, Russia, Tajikistan, and Vietnam. As China has mountain ranges, broad plains, and expansive deserts, there are several climate zones and only 11.8 percent of the total land area is arable.<sup>34</sup> Agriculture constitutes 10 percent of the economy and most of its people live in the east where the agricultural prospects are better than in the western and northern inland areas, which are covered by deserts and mountains.<sup>35</sup> Thus, the eastern region or “Inner China” has the largest concentration of industry, while the sparsely populated mountains or deserts of “Outer China” consist of the autonomous regions where the ethnic minorities live.<sup>36</sup>

China is diverse and “a very complex land where multiple realities are operating beneath a façade of a unitary nation-state.”<sup>37</sup> With a large and diverse land area, it is not surprising that China has an extremely diverse climate, ranging from tropical weather in the south to freezing temperatures in the northeast. Its diverse climate and topography have given rise to “many different farming systems, family structures, and regional cuisines.”<sup>38</sup> Apart from the climatic variations, China is also afflicted with frequent typhoons, severe flooding, tidal waves, earthquakes, deforestation, soil erosion, industrial pollution, water pollution, air pollution, and desertification.<sup>39</sup>

China’s geographic constraints pose two important challenges for its anti-corruption efforts. First, China’s vulnerability to natural disasters like typhoons and earthquakes provides ample opportunities for corruption among those officials involved in implementing the humanitarian relief operations during and after a disaster. The

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33. Economist, *Pocket World in Figures 2013 Edition* (London: Profile Books, 2012), p. 12.

34. *Ibid.*, p. 132.

35. *Ibid.*, p. 132 and Sanjyot P. Dunung, *Doing Business in Asia: The Complete Guide*, 2nd edition (San Francisco: Jossey-Bass Publishers, 1998), p. 82.

36. Sue Ellen M. Charlton, *Comparing Asian Politics: India, China, and Japan*, 2nd edition (Boulder: Westview Press, 2004), p. 43.

37. Tony Saich, *Governance and Politics of China*, 3rd edition (Basingstoke: Palgrave Macmillan, 2011), p. 9.

38. Charlton, *Comparing Asian Politics*, p. 43.

39. Elizabeth Freund Larus, *Politics and Society in Contemporary China* (Boulder: Lynne Rienner Publishers, 2012), p. 14.

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relief operations initiated after a natural disaster are vulnerable to corruption because the “sudden flows of large amounts of money, goods and services, pressure to deliver aid quickly” and the “substantial economic opportunities that arise from large-scale reconstruction” increase the “risk of corruption, waste and mismanagement.”<sup>40</sup> On June 23, 2008, 43 officials were punished (12 of them were fired) for misconduct in disaster relief efforts after the Sichuan earthquake during the previous month. More than a thousand complaints were received from the public regarding the misuse of tents, the improper distribution of food and other goods, and the slow response of officials in providing aid during the relief operations.<sup>41</sup>

As the shortage of arable land in China has given rise to regional differences in dialects and prejudices among the various ethnic groups,<sup>42</sup> the second and more important challenge is that China’s large territory is not conducive for the effective enforcement of the anti-corruption laws in the outlying provinces and local governments. Indeed, historically, China’s large land area and “difficult to traverse” geography resulted in the emperor delegating authority to local governments by giving them discretion to deal with parochial issues. Furthermore, as “Heaven is high and the Emperor is far away,” the local officials usually ignored the directives from the imperial bureaucracy.<sup>43</sup> As will be seen later, this problem still exists today as many local government officials do not always follow the central government’s policy directives.

To compound the problem of enforcing the anti-corruption laws, China is also, “by modern standards, inadequately interconnected, with less than 1.6 million miles of highways and roads” that are unequally distributed with more roads in the eastern than western provinces.<sup>44</sup> In 2002, LIN Shuanglin attributed the slow growth of infrastructure development in China from 1978 to 1998 to three factors: low government spending on infrastructure; insufficient investment from state enterprises; and lack of private investment.<sup>45</sup>

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40. Asian Development Bank, “Meeting Conclusions and Framework of Action,” in *Curbing Corruption in Tsunami Relief Operations* (Manila, 2005), p. 1.

41. “43 officials punished for misconduct in Sichuan quake relief,” *Straits Times*, June 24, 2008, p. 8.

42. Larus, *Politics and Society in Contemporary China*, p. 14.

43. *Ibid.*, p. 17.

44. John Bryan Starr, *Understanding China: A Guide to China’s Economy, History, and Political Culture*, 3rd edition (New York: Hill and Wang, 2010), p. 30.

45. Lin Shuanglin, “China’s Infrastructure Development,” in John Wong and Lu Ding (eds.), *China’s Economy into the New Century: Structural Issues and Problems*

As long-term neglect of infrastructure development will reduce economic growth, China needs to accelerate such development. However, as the construction of public infrastructures provides ample opportunities for corruption, Lin has recommended that infrastructure development must be accompanied by the rigorous enforcement of laws and the reduction of corruption as 500 million yuan were misused or stolen in the construction of the Three Gorges dam.<sup>46</sup> *The Global Competitiveness Report 2013-2014* has ranked China 74th among 148 countries with a score of 4.3 from a maximum score of 7.0 for the quality of its overall infrastructure. For the quality of its roads, China is ranked 54th among 148 countries with a score of 4.5, but it is ranked 20nd among 121 countries with a score of 4.7 for the quality of its railroad infrastructure.<sup>47</sup>

A final aspect that should be noted is that roads in China provide an important source of revenue for those government agencies responsible for road management, public health, taxation, tobacco, and the salt monopoly. These agencies have imposed fees, fines and other charges along the roads to ensure road safety, disease control, and prevention of tax evasion and salt smuggling. For example, in a small county in the Hubei Province, 16 agencies had set up many checkpoints which charged 30 types of fees for access to two major inter-provincial highways. Even though 6,745 checkpoints or toll posts were dismantled in 1995, the problem has not been resolved as travel on China's roads and highways remains an expensive experience.<sup>48</sup>

## B. Formative Historical Experiences

The formative historical experiences refer to “those circumstances in the past with significant transference to the immediate environment”<sup>49</sup> of anti-corruption policy. According to Max Weber,

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(Singapore: Singapore University Press and World Scientific Publishing, 2002), pp. 293 and 305-308.

46. *Ibid.*, pp. 321-322.

47. Klaus Schwab (ed.), *The Global Competitiveness Report 2013-2014* (Geneva: World Economic Forum, 2013), pp. 432-434.

48. Xiaobo Lu, “Booty Socialism, Bureau-preneurs, and the State in Transition: Organizational Corruption in China,” in Tak-Wing Ngo (ed.), *Contemporary China Studies – Economy and Society*, Vol. 2, *Regulation and Governance in the Hybrid Market* (London: Sage Publications, 2011), p. 195.

49. Donald P. Warwick, “Cultural Values and Population Policies: Cases and Contexts” in John D. Montgomery, Harold D. Lasswell and Joel S. Migdal (eds.), *Patterns of Policy: Comparative and Longitudinal Studies of Population Events* (New Brunswick: Transaction Books, 1979), p. 307.

“historical events establish values and predispositions” which “in turn affect later events.”<sup>50</sup> What are those events in China’s history that affect the implementation of its government’s anti-corruption measures today?

The Shang Dynasty (ca. 1600 to ca. 1000 B.C.), the first documented dynasty in China, was followed in succession by the Zhou Dynasty (ca. 1027 to 256 B.C.), Chin or Qin Dynasty (221 to 207 B.C.), Han Dynasty (206 B.C. to A.D. 220), Sui Dynasty (A.D. 590 to 618), Tang Dynasty (A.D. 618 to 907), Song Dynasty (A.D. 960 to 1279), Yuan Dynasty (A.D. 1279 to 1368), Ming Dynasty (A.D. 1368 to 1644) and Ch’ing or Qing Dynasty (A.D. 1644 to 1911).<sup>51</sup> The dynastic cycle refers to the periodic rise and fall of China’s rulers and dynasties which usually fell for these reasons: “oppressive land taxes, especially those imposed on peasants; an increase in government corruption; inadequate protection of the people; and the inability of the regime to provide for the people in times of distress.”<sup>52</sup> The dynastic cycle had five stages: “(1) establishment of a new virtuous and benevolent ruler; (2) a period of intellectual rejuvenation; (3) an era of corruption or misrule; (4) the occurrence of uncontrolled natural calamities, such as floods and/or droughts; and finally (5) overthrow of the regime by rebellion or invasions.”<sup>53</sup>

YE Feng, Director-General of the Foreign Affairs Bureau of the Supreme People’s Procuratorate (SPP), has attributed the fall of many dynasties to widespread corruption: “the founding emperors created the empire out of hardship and through hard work, but their descendants lost the empire because of corruption.” Consequently, many anti-corruption measures were introduced to combat corruption, but “throughout history, they failed more often than succeeded in the fight against corruption, and no dynasty ever escaped the cycle of rise and fall which was linked to the phenomenon of corruption.”<sup>54</sup>

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50. Quoted in Seymour M. Lipset, *Revolution and Counterrevolution: Change and Persistence in Social Structures* (London: Heinemann Educational Books, 1968), p. 18.

51. Larus, *Politics and Society in Contemporary China*, p. 15. For more details on these dynasties, see Bamber Gascoigne, *The Dynasties of China* (London: Constable and Robinson, 2003).

52. Larus, *Politics and Society in Contemporary China*, p. 16.

53. James C.F. Wang, *Comparative Asian Politics: Power, Policy, and Change* (Englewood Cliffs: Prentice-Hall, 1994), p. 19.

54. Ye Feng, “The Chinese Procuratorate and the Anti-Corruption Campaigns in the People’s Republic of China,” in Jianfu Chen, Yuwen Li and Jan Michiel Otto (eds.), *Implementation of Law in the People’s Republic of China* (The Hague: Kluwer Law International, 2002), pp. 113-114.

Carolyn L. Hsu has traced the motif of the corrupt, selfish ruler being replaced by an upright and modest man to the fall of the Xia emperor, Jie, who was corrupt and “too fond of indolence and ease, women and wine.” Consequently, he “befouled his own nature” and his kingdom and lost his mandate to rule.<sup>55</sup> The Ming emperor’s most important political tool was not his army but the power of his moral example to persuade and inspire. Corruption discourse was “the ultimate political weapon” because “a perception of rampant *fubai* would destroy the regime.”<sup>56</sup> As corruption was rife during the Ch’ing Dynasty, Adam Lui astutely noted that “no Confucian-oriented emperor who wished to assume a moral role as an exemplar of the officialdom and the people could afford to tolerate corruption, which was the phenomenon of a dying dynasty.”<sup>57</sup> Hence, the critical difference was not the existence or absence of corruption but “whether the emperor was seen as linked to that corruption or opposed to it.”<sup>58</sup>

The Qin Dynasty introduced meritocracy through the formation of a government bureaucracy where administrators were selected on the basis of their performance on competitive examinations and not on their family background or patronage.<sup>59</sup> The Han Dynasty adopted Confucianism as the imperial ideology and introduced the imperial civil service examination system in the second century B.C. The examination system “produced extremely competent bureaucrats” and lasted for 2,000 years by providing the imperial bureaucracy with “a constant flow of scholar-administrators” to perform the duties of the imperial government throughout China.<sup>60</sup>

The Song Dynasty (A.D. 960 to 1279) expanded the scope of the civil service examination system to provide “a continual infusion of young talent into the government.”<sup>61</sup> The Mongols conquered China in 1279 and formed the Yuan Dynasty, which created separate systems of law for Chinese and for Mongols and de-emphasized the importance of the civil service examination system to reduce the influence of the Confucian scholars in the bureaucracy. The Ming Dynasty, which was established in 1368, revived and re-

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55. Hsu, *Corruption and Morality in the People’s Republic of China*, pp. 8-9.

56. *Ibid.*, p. 10.

57. Lui, *Corruption in China during the Early Ch’ing Period 1644-1660*, pp. 1-2.

58. Hsu, *Corruption and Morality in the People’s Republic of China*, p. 11.

59. Larus, *Politics and Society in Contemporary China*, p. 19.

60. *Ibid.*, p. 20.

61. *Ibid.*, p. 22.

vised the imperial civil service examination system by creating three levels of examinations and three corresponding levels of scholar-officials.<sup>62</sup> However, the Ming Dynasty began to decline in the early 17th century with the growing incompetence of the emperors. Consequently, the Ming Dynasty was overthrown by the Ch'ing or Qing Dynasty in 1644 because of inefficiency, corruption and oppressive land taxes.<sup>63</sup>

The Qing Dynasty retained the imperial examination system and appointed competent scholar-officials to administer the country. There was peace and prosperity under the Kangxi emperor (1662-1722) and the Qianlong emperor (1736-1795). By 1800 however, the situation deteriorated as a result of military ineffectiveness, corruption in the court, and population pressures.<sup>64</sup> Thus, the most important historical trend in China was the dynastic cycle and the fact that corruption was a major reason for the decline and overthrow of a dynasty.

In short, even though China's current political leaders wish to distance themselves from China's imperial past, Carolyn L. Hsu argues that these aspects of corruption discourse in late imperial China, namely, "the moral mandate of the ruling regime, the power of the corruption charge, and the different degrees of acceptable and unacceptable *fubai*" resonate and "live on" in contemporary China.<sup>65</sup> Indeed, Orville Schell has given us a timely reminder recently that the CCP leaders are concerned with combating corruption because of their "deep and frightening historical awareness" of "how dynasties and the Kuomintang fell due to uncontrolled corruption."<sup>66</sup>

### C. Economic Development

China is the second-largest economy in the world, after the United States. Its gross domestic product (GDP) in 2012 was US\$8,227 billion, with a GDP per capita of US\$6,076.<sup>67</sup> Its average annual growth in real GDP from 2005-2010 was 11.2 percent. Agriculture provides 40 percent of the employment in the country even though it constitutes only 10 percent of the total GDP. The service

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62. Ibid., pp. 22-23.

63. Ibid., p. 23.

64. Ibid., pp. 23-24.

65. Hsu, *Corruption and Morality in the People's Republic of China*, p. 11.

66. Quoted in "How serious is Xi Jinping in tackling corruption in China," *The Atlantic*, June 28, 2013.

67. Schwab (ed.), *The Global Competitiveness Report 2013-2014*, pp. 404-406.

sector comprises 43 percent of the GDP and employs one-third of the labor force. However, the industrial sector, which is responsible for 47 percent of the GDP, provides only 27 percent of the jobs.<sup>68</sup>

The most important change in China's economy is its transformation from a centrally planned economy to a market economy from 1978 to 1991 with the implementation of DENG Xiaoping's "open door" policy.<sup>69</sup> Before 1978, *guanxi* (connections) and *zouhoumen* ("back-door" practices) were the main forms of corruption as Chinese officials traded "discretion and influence for money and other valuables."<sup>70</sup> However, the implementation of Deng's economic reforms after 1978 expanded the opportunities and incentives for corruption because decentralization resulted in such unintended consequences as managers participating in speculation or illegal trade by buying materials or products at low state prices and reselling them on the black market. Other managers increased their own salaries, spent public funds on personal luxuries, avoided paying taxes, and traded in smuggled goods. Furthermore, decentralization also provided local officials with many opportunities for corruption because they were "well positioned to turn new rules to their own advantage."<sup>71</sup>

China's successful transition to a market economy from the late 1970s has recently transformed it into the world's second largest economy. This means that its government can afford to allocate sufficient resources to combating corruption if it wishes to do so. However, in spite of China's rapid economic growth, the salaries of political leaders and senior civil servants are still modest in comparison to private sector salaries, and constitute an important cause of corruption in the country.

#### D. Demographic and Cultural Factors

China's population has increased from 13,554 in 2140 B.C. to 1.344 billion in 2012, making it the most populous country with one-

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68. Economist, *Pocket World in Figures 2013 Edition*, p. 132.

69. Ma Jisen, "China: Changes and Problems in Political and Economic Development," *Asian Perspective*, 19 (1) (Spring-Summer 1995): 42.

70. Yufan Hao and Michael Johnston, "Reform at the Crossroads: An Analysis of Chinese Corruption," *Asian Perspective*, 19 (1) (Spring-Summer 1995): 122. For an analysis of *zouhoumen* in military recruiting and college admissions, see Lu, *Cadres and Corruption*, pp. 144-149. See also, Steven W. Mosher, *Broken Earth: The Rural Chinese* (New York: Free Press, 1983), Chapter 4, "Corruption: The Art of Going in the Back Door," pp. 76-103.

71. Hao and Johnston, "Reform at the Crossroads," 123-124.

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fifth of the world's total population.<sup>72</sup> China succeeded in sustaining itself through the cultivation of rice and wheat and, for many centuries, its population fluctuated depending on "how much grain it could grow and store."<sup>73</sup> However, the increased population pressure on land, urban jobs, housing, and social spending, compelled the Chinese government to introduce the one-child family policy in the 1980s, which stabilized China's fertility rates, birth-rates and mortality rates, and resulted in a low rate of natural population growth.

China is a multiethnic country, with 92 percent Han. Among the remaining 55 minority ethnic groups, only two groups (Manchu and Hui) use Mandarin and the other 53 ethnic groups speak their own languages.<sup>74</sup> The importance of family ties and obligations has contributed to corruption and nepotism. In his book, *My Country and My People*, LIN Yutang has observed that the strongest ethic among most Chinese is the benefit to family and friends. He wrote:

A successful man, if he is an official, always gives the best jobs to his relatives, and if there are not ready jobs he can create sinecure ones. . . . Besides, the minister who robs the nation to feed the family, either for the present or for the next three or four generations, by amassing half a million to ten million dollars, is only trying to glorify his ancestors and be a 'good' man of the family. Graft or 'squeeze' may be a public vice, but is always a family virtue.<sup>75</sup>

In the same vein, Pierre-Etienne Will has contended that the official's loyalty to his family, ancestors, and birthplace was an important cause of corruption in late imperial China because becoming an official not only enhanced the prestige of his family and locality but filial piety required him to "take advantage of his status and position to bring them additional wealth, and consequently additional prestige."<sup>76</sup> As an official was supposed to be rich, he was

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72. Ma Rong, "Population Growth and Urbanization," in Robert E. Gamer (ed.), *Understanding Contemporary China*, 4th edition (Boulder: Lynne Rienner Publishers, 2012), pp. 258-259; and Schwab (ed.), *The Global Competitiveness Report 2013-2014*, p. 405.

73. Ma, "Population Growth and Urbanization," p. 260.

74. *Ibid.*, pp. 275-276.

75. Lin Yutang, *My Country and My People* (Singapore: Cultured Lotus, 2001), pp. 181-182. This book was originally published in 1935 by John Day Company.

76. Pierre-Etienne Will, "Officials and Money in Late Imperial China: State Finances, Private Expectations, and the Problem of Corruption in a Changing Environ-

expected to help his family and relatives as a moral obligation because his appointment was “the result of the efforts of an entire familial community.”<sup>77</sup>

Cultural practices like gift-giving and *guanxi* influence individuals to give or receive bribes. *Guanxi* emphasizes the importance of “connections in order to secure favors in personal relations” and refers to “interpersonal linkages with the implication of continued exchange of favors.”<sup>78</sup> As will be discussed later, the reliance on *guanxi* among the Chinese population has given rise to corruption as “connections” are needed to get things done.

### E. Political System

The defeat of the Kuomintang (KMT) by the CCP on October 1, 1949 resulted in the establishment of the People’s Republic of China (PRC) and the transformation of the authoritarian political system under CHIANG Kai-shek to Communism under MAO Zedong. Sujian GUO has described China’s political system as “a Leninist Party-State” characterized by these three features: (1) “philosophical absolutism” with the CCP claiming to possess absolute and universal truth; (2) “an official, pervasive, and exclusive ideology” of Marxism-Leninism, which justifies the CCP’s political goals and action; and (3) a party-state apparatus where the CCP is “completely intertwined” with the state, which serves as an instrument of the Party and functions as an administrative and bureaucratic apparatus for the CCP.<sup>79</sup>

Since the CCP “commands, controls and integrates all other political organizations and institutions” in China, there are no checks and balances within the Party and between different branches of government. Furthermore, as laws are formulated according to the CCP’s ideology, norms, and political needs, the Party is “the lawgiver and above the law” and there is also no independent judicial system.<sup>80</sup> As will be discussed in a later section, the lack of judicial independence and accountability of the judges gave

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ment,” in Emmanuel Kreike and William Chester Jordan (eds.), *Corrupt Histories* (Rochester: University of Rochester Press, 2004), pp. 52-53.

77. *Ibid.*, p. 53.

78. Yadong Luo, *Guanxi and Business*, 2nd edition (Singapore: World Scientific Publishing, 2007), p. 2.

79. Sujian Guo, *Chinese Politics and Government: Power, Ideology, and Organization* (London: Routledge, 2013), pp. 25 and 29.

80. *Ibid.*, p. 139.

rise to many cases of judicial corruption in the late 1990s.<sup>81</sup> Thus, even though there has been a slight improvement in China's rule of law, as shown in Table 2, the judiciary still lacks independence and the judges remain unaccountable for their actions.

**Table 2. China's Governance Indicators, 1996-2012**

Indicator	1996	2012	Difference
Voice & Accountability	12.02	4.74	-7.28
Political Stability	41.35	28.44	-12.91
Government Effectiveness	46.83	55.98	+9.15
Regulatory Quality	47.55	43.54	-4.01
Rule of Law	36.34	38.86	+2.5
Control of Corruption	43.90	39.23	-4.67

Source: Compiled from <http://info.worldbank.org/governance/wgi/index.aspx#reports>.

Table 2 also shows that, except for the improvements in government effectiveness and rule of law, there has been a decline in percentile rank for political stability (-12.91), voice and accountability (-7.28), control of corruption (-4.67) and regulatory quality (-4.01). The CCP's dominant role in China and its lack of accountability imply that the Party is saddled with the difficult and impossible task of policing itself to curb corruption among its cadres and members. Furthermore, unlike other democratic countries, China cannot rely on opposition political parties or civil society organizations to put pressure on the government to enhance its anti-corruption efforts.

Today, China is divided into 22 provinces, four municipalities (Beijing, Shanghai, Tianjin and Chongqing), five autonomous regions, and two special administrative regions (Hong Kong and Macao). In addition, there are 50 prefectures, 283 prefecture-level cities, 1,580 counties, 856 urban districts, 368 county-level cities, 34,301 towns and townships, 6,584 street committees, 600,000 administrative villages, and 83,413 residents' committees.<sup>82</sup> Thus, another critical challenge facing China's anti-corruption agencies

81. Ting Gong, "Dependent Judiciary and Unaccountable Judges: Judicial Corruption in Contemporary China," *China Review*, 4 (2) (Fall 2004): 33-54.

82. William A. Joseph, "Studying Chinese Politics," in William A. Joseph (ed.), *Politics in China: An Introduction* (Oxford: Oxford University Press, 2010), p. 10, Figure 1.1.

(ACAs) today is how to deal with the difficulties in implementing the anti-corruption laws across these different jurisdictions.

#### IV. PERCEIVED EXTENT OF CORRUPTION IN CHINA

##### A. Limitations of Studying Corruption in a Communist State

The problem of gathering evidence is particularly difficult in Communist or former Communist countries. This problem still exists today even though corruption is no longer as sensitive a topic as it was in the 1960s. In her study of corruption in Poland, which was based on reports of corruption in several weekly magazines and daily newspapers, Maria Los observes that these reports “paint a bleak, deeply disturbing picture of a country plagued by injustice, corruption and exploitation” but she cautions that such reports “present a rather cautious diagnosis, more likely understated than overstated” because of censorship and other constraints in a totalitarian country.<sup>83</sup>

In Cuba, which is also a Communist state, Sergio Diaz-Briquets and Jorge Perez-Lopez contend that “official reporting underestimates corruption and is not a reliable indicator of the nature and extent of corruption on the island.”<sup>84</sup> Accordingly, their assessment of the extent of corruption in contemporary Cuba is based on “examples of corrupt acts from the literature (official documents, the work of independent journalists residing on the island, the international press, defector tales, and academic studies) and by examining Cuba’s performance in international measures of corruption, governance, and economic freedom developed by reputable organizations.”<sup>85</sup>

Thus, the reported extent of corruption is incomplete and does not represent the *actual* extent of corruption in China. This distinction is important because, regardless of the method of data collection used, it is impossible to ascertain the actual extent of corruption. Following Hershel Prins, the iceberg analogy can be used to distinguish between detected and prosecuted corrupt offenses, corrupt offenses that are not prosecuted or cleared up, and

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83. Maria Los, *Communist Ideology, Law and Crime: A Comparative View of the USSR and Poland* (Basingstoke: Macmillan Press, 1988), p. 150.

84. Sergio Diaz-Briquets and Jorge Perez-Lopez, *Corruption in Cuba: Castro and Beyond* (Austin: University of Texas Press, 2006), p. 124.

85. *Ibid.*, pp. 126-127.

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the unreported and unknown corrupt offenses.<sup>86</sup> Thus, researchers have to be satisfied with the reported extent of bureaucratic and political corruption and the limitations of such data, otherwise no research can be done.

The proliferation of official statistics in China and the speed of their publication have raised doubts about their authenticity and reliability. For example, the false claim by the government that grain production increased from 185 million tons in 1957 to 375 million tons in 1958 during the Great Leap Forward had dented public confidence in the accuracy of official statistics.<sup>87</sup> However, many China watchers “have found no evidence that the central statistical authorities have deliberately and systematically fabricated statistical information.”<sup>88</sup> Nevertheless, China’s official statistics might still be inaccurate or inconsistent because of the limitations in data collection by under-qualified statistical workers. Furthermore, some enterprises have under-reported their imports or profits to evade paying duties or taxes, while other enterprises over-report foreign investment to obtain preferential treatment. The problem of uneven quality of data is reflected in the fact that statistics on imports and foreign direct investment are less accurate because of administrative inefficiency, widespread corruption, and smuggling activities.<sup>89</sup> As China’s official statistics on industrial profits, unemployment, migration, or fertility, are “particularly problematic,” John Wong has advised those using these statistics to “understand their background and be keenly aware of their limitations.”<sup>90</sup>

Xi CHEN has noted that it is more difficult to collect archival materials from provincial and central government agencies than from prefectural-level or county-level agencies in China.<sup>91</sup> Furthermore, the use of governmental data in China also requires special

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86. Hershel Prins, *Criminal Behavior: An Introduction to Criminology and the Penal System* (London: Tavistock Publications, 1982), p. 20.

87. John Wong, “Understanding China’s Statistical System Part One: ‘Lies, Damn Lies, and Statistics’ – The Problems with Chinese Statistics,” in John Wong and Lu Ding (eds.), *China’s Economy into the New Century: Structural Issues and Problems* (Singapore: Singapore University Press and World Scientific Publishing, 2002), pp. 63-65 and 68-69.

88. *Ibid.*, p. 70.

89. *Ibid.*, p. 71.

90. *Ibid.*, p. 74.

91. Xi Chen, “State-Generated Data and Contentious Politics in China,” in Allen Carlson, Mary E. Gallagher, Kenneth Lieberthal and Melanie Manion (eds.), *Contemporary Chinese Politics: New Sources, Methods, and Field Strategies* (New York: Cambridge University Press, 2010), p. 21.

caution because “unlike news agencies, the governmental agencies that produce the data are also actors in state-society or intrabureaucratic interactions.”<sup>92</sup> Another limitation is the tendency for lower-level officials in China to distort or falsify information by “hiding assets and under-estimating capacity.” The tendency for information distortion increases with a higher level of information dependence and when the information is more closely related to political responsibility.<sup>93</sup>

Andrew Wedeman has indicated that it is “extraordinarily difficult” to conduct research on corruption in China because the data available “are those instances in which individuals are caught” and “which the government decides to publicize.” Moreover, those persons who are aware of corruption offenses might not share such information with the researcher. Perhaps the most serious limitation facing the scholar is that the large number of corruption cases every year is “simply overwhelming and at best detailed information is available on only a fraction of the total.”<sup>94</sup> The high-profile corruption cases reported in the media are not a representative sample because they focus on “cases involving senior officials, large sums of money” and “sex, drugs, gambling or other moral scandal.”<sup>95</sup> The final limitation is that there is limited information on corruption cases before the reform period as the SPP and the Central Commission for Discipline Inspection (CCDI) were disbanded during the Cultural Revolution, and there was also no formal criminal code that differentiated corruption from other offenses before 1979.<sup>96</sup>

Melanie Manion cautions that the “official figures are unreliable estimates of the actual volume of criminal corruption” because of under-reporting of corruption cases by ordinary citizens, which results from ignorance, lack of confidence in the ACAs, and the belief that reporting the offense is “an unproductive nuisance” or “an invitation to official retaliation.”<sup>97</sup> A more serious limitation is that most of the corruption cases are investigated by the CCP agencies and not by the procuratorates and are punished with party disciplinary action. For example, the CCP investigated and punished nearly 3 million CCP members and expelled more than 500,000 of

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92. Ibid., p. 22.

93. Ibid., pp. 23-25.

94. Wedeman, *Double Paradox*, pp. xi-xii.

95. Ibid., p. 85.

96. Ibid., p. 86.

97. Manion, *Corruption by Design*, pp. 87 and 89.

them during the 1980s and 1990s.<sup>98</sup> Moreover, violations of government regulations by local governments and government agencies are not treated as crimes but as “improprieties or irregularities.”<sup>99</sup>

Another limitation highlighted by Kilkon KO and Cuifen WENG is the impact of the changes in laws and rules on the official statistics. For example, the number of corruption cases filed by the CCDI and the Ministry of Supervision (MOS) increased by 122 percent from 70,126 to 155,486 from 1994-1995 after the integration of the functions of these agencies in 1993-1994. On the other hand, the number of corruption cases filed by the SPP decreased by 50.2 percent from 70,477 in 1997 to 35,048 in 1998 because the CCL was revised by increasing the amount of money required for punishable corruption cases to twice that of the previous year.<sup>100</sup>

A final limitation not mentioned so far is the problem of translating statistics from Chinese into English as “Chinese numeration is less flexible than decimal numeration” because there is no unit for one million, which is expressed instead as 100 *wan* (or 10,000). Apart from the bewildering problem of “floating decimals,” the limited knowledge of editors and writers responsible for translating the statistics may “misplace decimal points, confuse sugar and sugar cane, kilowatts and kilowatt hours, number of stock shares and value of stock shares.” Consequently, James M. Etheridge has warned “where numbers are involved, however, it is well to apply a critical eye or ear.”<sup>101</sup>

In summary, the above limitations must be noted in analyzing the extent of perceived corruption in China on the basis of official data, press reports, research conducted by China-watchers, relevant survey data, and China’s performance on various governance indicators. The Communists did not invent corruption in China, though it has increased exponentially after the implementation of DENG Xiaoping’s “open door” policy in late 1978. Indeed, Deng believed that “some corruption was unavoidable” because “when you open the door, flies will get in.”<sup>102</sup> However, a comprehensive

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98. Ibid., pp. 89-90.

99. Ibid., p. 90.

100. Kilkon Ko and Cuifen Weng, “Structural Changes in Chinese Corruption,” *China Quarterly*, 211 (September 2012): 728.

101. James M. Etheridge, *China’s Unfinished Revolution: Problems and Prospects since Mao* (San Francisco: China Books & Periodicals, Inc., 1990), Appendix 1, “A Word About Chinese Statistics,” pp. 222-223.

102. Quoted in Ezra F. Vogel, *Deng Xiaoping and the Transformation of China* (Cambridge: Belknap Press of Harvard University Press, 2011), p. 707.

analysis of the perceived extent of corruption in China requires an examination of its historical origins, followed by its evolution during the Ming Dynasty (1368-1644), the Ch'ing Dynasty (1644-1911) the Republican period (1912-1949), Mao's era (1949-1976) and during the post-Mao era from 1978 until the present.

### **B. Historical Roots of Corruption**

On November 9, 2006, six peasants in Fufeng town in Baoji City, 110 kilometers west of Xi'an, discovered 27 relics in their fields, including two bronze urns with inscriptions of 111 ancient Chinese characters each, which narrated the story of how ZHOU Sheng, a noble man, bribed the parents of a legal investigator to avoid being charged for appropriating farmland and slaves in 873 B.C. Commenting on this discovery, ZHANG Enxian, Curator of Zhouyuan Museum in Baoji City, observed that "it is rare to find bribery stories" in Chinese ancient inscriptions because usually "only heroic stories, wars, evidence of a king's largess, covenants and policies are seen on relics."<sup>103</sup>

### **C. Corruption During the Ming Dynasty (1368-1644)**

The low salaries of civil servants allowed corruption to take root during the Ming Dynasty and to expand further during the Ming and Ch'ing (or Qing) Dynasties. As three-quarters of government revenue came from the land tax, the reduction in tax revenues during the Ming period resulted in a drastic reduction of the official salaries of civil servants. The salary schedule of civil servants was introduced in 1392, but their salaries continued to decline in value as about half of the salaries were paid in grain, and the other half in commodities like silk fabrics, cotton cloth, pepper and sapan wood by the 15th century.<sup>104</sup>

Apart from the low government salaries, corruption during the Ming period was also the result of inadequate budgeting because "the operating expenses of many offices were clearly below the necessary minimum." Many officials were heavily involved in corruption and in 1470, YAO Ku'ei, the Minister of Personnel, lamented that his office was "haunted by professional moneylenders" who of-

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103. "Corruption alive in China 2800 years ago," *China Daily*, November 19, 2006.

104. Shawn Ni and Pham Hoang Van, *High Corruption Income in Ming and Qing China*, (Columbia: Department of Economics, University of Missouri, Working Paper 503, February 2005), pp. 4-5. Available at [http://economics.missouri.edu/working-papers/2005/wp0503\\_ni\\_pham.pdf](http://economics.missouri.edu/working-papers/2005/wp0503_ni_pham.pdf).

ferred “selective loans to officials in the capital.” The situation deteriorated in the 16th century as the “recorded impeachment cases reveal a general lowering of moral standards.”<sup>105</sup>

#### D. Corruption During the Ch’ing Dynasty (1644-1911)

During the Ch’ing Dynasty (1644-1911), corruption was legally defined as “the misappropriation of public funds and supplies, and the misuse of official power for private gain.”<sup>106</sup> More specifically, the *Ta-Ch’ing Lu Li* or *The Penal Code of the Great Ch’ing Dynasty* identified 11 forms of corrupt practices according to whether these are “people-directed” (demand and acceptance of improper fees from the people) or “government-directed” (embezzlement of government funds and properties). According to the *Ta-Ch’ing Huang-ti Shih-lu* or *The Veritable Records of the Ch’ing Emperors* for the period 1796-1911, of the 36,656 offenses by government officials recorded and punished, 2,669 offenses (7.3 percent) were classified as corruption. Of the 11 major types of offenses, corruption ranked seventh in terms of frequency. The people-directed forms of corruption constituted 63 percent of the 2,669 offenses, with the “extortion of money by improper performance of official duties” making up one quarter of the cases. Among the 989 cases of government-directed corruption, 631 cases (23.6 percent) involved the embezzlement of public funds.<sup>107</sup>

Among the various government officials, the county magistrates were most likely to be punished for corruption – they committed 763 (29.1 percent) of the 2,626 corruption cases. They were also more likely to commit people-directed than government-directed corruption because 71.7 percent of the corrupt county magistrates accepted improper fees or properties from the people, and 28.3 percent of them embezzled funds from the government.<sup>108</sup> Lau and Lee estimated that the prevalence rates of corruption among prefectural and county magistrates during 1796-1911 were 2.2 per-

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105. Ray Huang, *Taxation and Governmental Finance in Sixteenth Century Ming China* (Cambridge: Cambridge University Press, 1974), p. 48.

106. Mary C. Wright, *The Last Stand of Chinese Conservatism* (Stanford: Stanford University Press, 1957), p. 88.

107. Chong-chor Lau and Rance P.L. Lee, “Bureaucratic Corruption and Political Instability in Nineteenth-Century China,” in Rance P.L. Lee (ed.), *Corruption and Its Control in Hong Kong: Situations up to the Late Seventies* (Hong Kong: Chinese University Press, 1981), pp. 106-108.

108. *Ibid.*, pp. 109-110.

cent and 1.1 percent respectively.<sup>109</sup> However, these rates had underestimated the actual prevalence rates of corruption among these magistrates because the widespread corruption in the local offices had “caused deep concern to the emperors and their high-ranking officials in the Ch’ing dynasty.”<sup>110</sup>

Robert Marsh contended that during the late Ch’ing period, the examination system and emphasis on merit for entrance into the bureaucracy were replaced by the purchase of provincial offices. In Ch’ing China, the official behaved like a businessman because of his low salary and the necessity to pay for part of his office expenses himself. Accordingly, he maximized his profits by becoming a monopolistic seller of his services and authority.<sup>111</sup> An analysis of a sample of 1,047 officials drawn from six directories of provincial officials from 1778-1879, found that 53 percent of them were recruited through passing examinations, and 27 percent had purchased the *chien-sheng* certificate, which enabled them to compete for the higher degrees without passing the lower ones and made them eligible for official appointment.<sup>112</sup> After joining the bureaucracy, 38 percent of the total sample admitted that they had resorted at least once to the purchase of substantive posts.<sup>113</sup> However, 86 percent of those who had joined the bureaucracy by purchasing the *chien-sheng*, also purchased substantive posts later. On the other hand, only 17 percent of those recruits who passed the entrance examinations bought substantive posts subsequently.<sup>114</sup>

Marsh also found that men from official families were the most likely to resort to the purchase of *chien-sheng* or substantive posts. More specifically, “the *stronger* the official tradition in their families, the *more likely* they were to resort to purchase.”<sup>115</sup> This finding that the “sons of officials were the heaviest purchasers” is not surprising as they were also from “the wealthiest stratum in the society.”<sup>116</sup> However, the most important finding of Marsh’s study

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109. Ibid., pp. 110-111.

110. Ibid., p. 111.

111. Robert M. Marsh, “The Venality of Provincial Office in China and in Comparative Perspective,” in Nimrod Raphaeli, (ed.), *Readings in Comparative Public Administration* (Boston: Allyn and Bacon, 1967), pp. 91-93.

112. Ibid., p. 95.

113. Ibid., p. 96.

114. Ibid., pp. 96-98.

115. Ibid., pp. 99-100.

116. Ibid., p. 100.

was that the myriad low-rank officials were responsible for most of the financial corruption arising from the purchase system.<sup>117</sup>

### **E. Corruption During the Republican Period (1912-1949)**

Corruption was a serious problem during the KMT's rule of mainland China. In his evaluation of KMT rule during 1927-1937, Lloyd Eastman concluded that "the regime continued to be, even at the end of the Nanjing decade, a clumsy and uncertain instrument of national renewal," crippled by a civil bureaucracy, which was "inefficient and corrupt."<sup>118</sup> The KMT government's ability to collect taxes was hindered not only by the war but also by "poor laws and improper management." Businessmen evaded the payment of taxes by concealing or falsifying their income records, and the tax administrators were corrupt and inexperienced. Consequently, the proportion of direct taxes decreased from 12 percent of the government's cash budgetary receipts in 1943 to 5 percent in 1944. Furthermore, the budgetary procedure was plagued by several weaknesses: haphazard preparation of budget requests by lower agencies; there was no system of priorities; faulty or nonexistent screening process; allocations were not based on merit but on personal and factional grounds; and, most important of all, "a very ineffective and often corrupt system of accounting to check on performance."<sup>119</sup>

The CCP's defeat of KMT forces under the leadership of Generalissimo CHIANG Kai-shek is also important because the rampant corruption in China under the KMT was a major cause of the CCP's victory and the KMT's defeat. Keith Maguire has identified several significant differences between the CCP-controlled and KMT-controlled areas thus:

In the red base areas, the communists paid for the food that they took and were strictly indoctrinated into being polite and friendly to the peasants. Education and health care were encouraged and there was a sound control of public finance. The administration of the KMT areas was a very different story. Looting was widespread and the

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117. Ibid., p. 102.

118. Lloyd Eastman, "Nationalist China during the Nanjing decade, 1927-1937," in Lloyd Eastman (ed.), *The Nationalist Era in China, 1927-1949* (Cambridge: Cambridge University Press, 1991), p. 49.

119. Hsi-sheng Ch'i, *Nationalist China at War: Military Defeats and Political Collapse, 1937-1945* (Ann Arbor: University of Michigan Press, 1982), pp. 167 and 169.

troops were often poorly paid and low morale was the norm. Corruption was endemic with the result that the population had no particular sympathy for the KMT.<sup>120</sup>

When the United States Marines reached north China in late September 1945, they were appalled by the “filthy, poverty stricken [and] unhealthy sanitary conditions.”<sup>121</sup> After the Japanese troops surrendered in Tientsin on October 6, 1945, the officials of the Chungking government reasserted control over areas held by the Japanese by taking over the property and assets of the Japanese and their collaborators. However, the takeover process became “a racket with official position treated as an opportunity rather than a responsibility” as the supervisors were “favorites, relatives, or close political allies of the Generalissimo.”<sup>122</sup> Corruption was rampant because the Government did not provide “any equitable and orderly means for disposing of enemy property,” and the absence of institutional safeguards resulted in “the path to corruption” as there was no “overall plan or coordinated policy delineating what was to be taken over by whom.”<sup>123</sup>

Ronald H. Spector observed that graft and corruption prevailed in China and “it was common for individuals to take advantage of their official position first to occupy a building and then to manipulate things in such a way as to have the building sold to them.”<sup>124</sup> An investigating committee found that “offenders down to the soldiers [were] using the resources of the country as their personal property.”<sup>125</sup> The KMT officials believed that “as public functionaries they had suffered so much hardship and privation in the interior during the seven years of war that they had a right to indulge themselves.”<sup>126</sup> An Office of Strategic Services officer lamented that “graft and corruption prevailed and the only winners were the Communists.”<sup>127</sup> Hence, it was not surprising that “the

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120. Keith Maguire, *The Rise of Modern Taiwan* (Aldershot: Ashgate, 1998), p. 29.

121. Ronald H. Spector, *In the Ruins of Empire: The Japanese Surrender and the Battle for Postwar Asia* (New York: Random House, 2007), p. 56.

122. *Ibid.*, pp. 58-59.

123. Suzanne Pepper, *Civil War in China: The Political Struggle, 1945-1949* (Berkeley: University of California, 1978), pp. 16-17.

124. Spector, *In the Ruins of Empire*, p. 59.

125. *Ibid.*, p. 60.

126. *Ibid.*, p. 60.

127. Quoted in *ibid.*, p. 61.

web of corruption that had spread through Nationalist China eroded the regime's ability to defend itself."<sup>128</sup>

The bureaucracy during the Republican period was "permeated with corruption" as there was "a willful perversion of formal laws and procedures by the holders of public office for the sole purpose of their own and their families' private gain – from the center down to the lowest *pao* and *chia* official."<sup>129</sup> The lower-level officials in the towns and administrative villages, who collected taxes and requisitioned the men, money, grain, and materiel ordered by the higher political and military authorities, were described as "blood-sucking devils" because they collected more than the stipulated amount of each requisition.<sup>130</sup> As the KMT Government lacked virtue, CH'U An-p'ing wrote that "life was much easier for those who were immoral and did not obey the law."<sup>131</sup> The popular joke that was told then to justify the corruption of KMT officials was that "if one of them should work hard and refuse to steal the people's money, CHIANG Kai-shek would arrest him as a Communist!"<sup>132</sup>

Unlike Japan and Thailand, Communism survived in China because of Japan's military intervention after 1937 and MAO Zedong's political skills in building the CCP on a peasant base. Furthermore, Communism thrived in China from "its admixture with certain aspects of Confucianism which promoted government by a moral and intellectual elite, and the 'mandate' to overthrow a corrupt regime by the use of violence."<sup>133</sup>

### **F. Corruption During Mao's Era (1949-1976)**

Corruption was the most serious problem faced by the CCP after its victory over the KMT because it inherited the latter's administrative apparatus and its "deeply entrenched bureaucratism."<sup>134</sup> MAO Zedong himself had warned the cadres, before the

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128. Keith Maguire, "Modernization and Clean Government: Tackling Crime, Corruption and Organized Crime in Modern Taiwan," *Crime, Law and Social Change*, 28 (1) (1997): 76.

129. Pepper, *Civil War in China*, p. 147. During the Republican period, a *chia* was the local administrative unit consisting of 6 to 15 families, while a *pao* consisted of between 6 to 15 *chia* (p. xi).

130. *Ibid.*, p. 149.

131. Quoted in *ibid.*, p. 147.

132. *Ibid.*, p. 312.

133. Frank C. Darling, *The Westernization of Asia: A Comparative Political Analysis* (Cambridge: Schenkman Publishing Company, 1980), p. 307.

134. Wedeman, *Double Paradox*, p. 89.

Communist victory, of the threat of being defeated by the “sugar-coated bullets” of their enemies.<sup>135</sup> In 1950, the CCP was alarmed at the “growing corruption among veteran cadres and the bureaucratic squandering in state agencies.” These cadres were reprimanded for their lavish lifestyles and their “extramarital affairs, divorcing wives of peasant backgrounds to marry young, educated urban girls, and sexual harassment.” Among the 650 persons involved in corruption in Beijing during 1949-1951, 79 were veteran cadres. The problem was more serious in Shanghai as 319 party members had committed graft in 1950.<sup>136</sup>

Accordingly, the Three Anti (*sanfan*) Campaign was launched in the fall of 1951 to combat corruption, squandering, and bureaucratism within the CCP, government, army and mass organizations. Both the party cadres and general public were mobilized to support the campaign, which was implemented by the Austerity Inspection Commission (AIC) formed at each level to coordinate the anti-corruption work of the other agencies.<sup>137</sup> MAO Zedong himself was also personally involved in the campaign, as he had read and commented on major reports and telegrams from various provinces and ministries on their anti-corruption activities. He had sent telegrams to provincial leaders to urge them to catch those “big tigers,” that is, those who embezzled a large amount of money or materials in those agencies dealing with large amounts of money and materials. Mao approved the execution of two senior officials found guilty of graft and embezzlement.<sup>138</sup>

The Three Anti Campaign was conducted in four phases: (1) the inspection phase organized by the AIC for mutual inspections between superior and subordinate officers; (2) the confession phase where those cadres who had committed embezzlement and graft were pressured to make confessions and self-criticism instead of concealing their misconduct; (3) the denunciation phase, where the masses and the lower-level officials and staff were mobilized to “confront their corrupt superiors and expose wrongdoing, which they would otherwise not have dared to do”; and (4) the investigation or “tiger hunting” phase of catching those suspected cadres who had not confessed earlier for their wrongdoing. Each unit was given a quota of “tigers” to hunt.<sup>139</sup>

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135. Lu, *Cadres and Corruption*, pp. 32-33.

136. *Ibid.*, pp. 35-36.

137. *Ibid.*, pp. 51-52.

138. *Ibid.*, p. 52.

139. *Ibid.*, pp. 52-53.

While the Three Anti Campaign was effective in mass mobilization against corruption for the short term, it had unintended consequences such as backlash and personal vengeance in the long run. The director of the CCP's Central Organization Department admitted that a mass campaign was ineffective in changing the behavior of the participants because "no sooner is the campaign over than they would return to their old selves."<sup>140</sup> A more serious problem was that those officials who were criticized or denounced by their subordinates had retaliated against the latter by "fixing them" (*zheng ren*) or "giving them tight shoes to wear" (*chuan xiaoxie*).<sup>141</sup>

The Five Anti (*wufan*) Campaign, which began in Shanghai in March 1952, was directed against the "five evils" of bribery, tax evasion, theft of state property, cheating on government contracts, and stealing of economic data.<sup>142</sup> It adopted the same methods used in the Three Anti Campaign namely: the mobilization of masses to report unlawful businessmen; the confessions and self-criticisms of businessmen for their misconduct; and the reliance of 1,000 inspection teams led by cadres to persuade those businessmen who refused to confess.<sup>143</sup> The results of the Five Anti Campaign were mixed because it had inhibited bribery and tax evasion but at the expense of the business owners and managers and resulted in an economic recession and increased unemployment.<sup>144</sup>

While the Three Anti and Five Anti Campaigns had targeted the "tigers" (corrupt senior officials and businessmen), the 1963-1966 Anti-Corruption Campaign focused instead on "fleas" (petty corruption by lower-rank officials). These two terms were coined by Mao and during a high-level meeting on the anti-corruption drive, he said that: "the more graft cases that are exposed, the happier I am. Have you ever caught fleas on your body? The more you catch, the more pleased you are."<sup>145</sup> The Socialist Education Campaign, which consisted of the New Five Anti Campaign in the urban areas and the Four Cleanup Campaign in the countryside, was initi-

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140. *Ibid.*, p. 54.

141. *Ibid.*, p. 54.

142. Ye, "The Chinese Procuratorate and the Anti-Corruption Campaigns in the People's Republic of China," pp. 115-116.

143. For details of these two campaigns, see Theodore Hsi-En Chen and Wen-Hui C. Chen, "The 'Three Anti' and the 'Five Anti' Movements in China," *Pacific Affairs*, 26 (1) (1953): 3-23. The target groups of these two campaigns were the former officials and businessmen in urban areas. See Alan P.L. Liu, "Mass Campaigns and Political Development in China," *Current Scene*, 11 (8) (August 1973): 3.

144. Lu, *Cadres and Corruption*, pp. 61-62.

145. *Ibid.*, p. 119.

ated to minimize the CCP's "revisionist tendencies" as manifested in the disciplinary problems of the lower-level officials.<sup>146</sup>

The Four Cleanup and Five Anti Campaigns were viewed as part of the class struggle and resulted in comprehensive purges of those cadres with "impure" family or personal backgrounds. The Cultural Revolution, which was launched in 1966, had also emphasized "the constant theme of anti-corruption, anti-waste, and austerity."<sup>147</sup> In spite of the dissolution of the ACAs during the Cultural Revolution, anti-corruption was still important and resulted in the inauguration in early 1970 of a new "One Attack, Three Anti" Campaign, which targeted "counter-revolutionaries, anti-graft and theft, anti-profiteering and speculation, and anti-waste and lavishness."<sup>148</sup>

Sonny Lo has described the Maoist approach to public maladministration and bureaucratic corruption as "highly political" because ideology was used as "an instrument through which party members and cadres were expected to become the servants of the public." Furthermore, small study groups and political campaigns were initiated to mobilize citizens, party members and cadres, and government officials to participate in criticisms and self-criticisms. The concept of the "mass line," where cadres met the masses to listen to their opinions, was practiced. The Maoists distrusted the bureaucracy and relied on political campaigns and the implementation of the "mass line" to eradicate the bureaucratic mentality.<sup>149</sup> Party members and government officials were recruited on the basis of their ideology (redness) rather than on merit (expertise), and law was used as "a tool of the socialist state to penalize class enemies instead of a check on bureaucratic power." However, after the 1970s, the elites and masses in China were "de-ideologized and de-politicized" resulting in public maladministration and corruption becoming "uncontrollable diseases."<sup>150</sup>

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146. Ibid., p. 119.

147. Ibid., pp. 127-129.

148. Ibid., p. 129. See also, Dennis Woodward, "Rural Campaigns: Continuity and Change in the Chinese Countryside—The Early Post-Cultural Revolution Experience (1969-1972)," *Australian Journal of Chinese Affairs*, 6 (1981): 97-124.

149. Sonny S.H. Lo, "Public Maladministration and Bureaucratic Corruption," in David C.B. Teather and Herbert S. Yee (eds.), *China in Transition: Issues and Policies* (Basingstoke: Macmillan Press, 1999), p. 49.

150. Ibid., p. 49.

### G. Corruption During the Post-Mao Era (since 1978)

Both MAO Zedong and DENG Xiaoping were critical of “bureaucratism,” but Mao emphasized its ideological and political origins while Deng focused on its organizational and behavioral roots.<sup>151</sup> Like Mao, Deng and his colleagues were also concerned about combating abuse of privileges and corruption among the CCP members. When the CCDI was re-established in 1978 with CHEN Yun as its founding secretary, Deng indicated that both the masses and the CCP were dissatisfied with the prevalent privilege-seeking and “back-door practices” among party cadres.<sup>152</sup> Deng’s favorite remedy of “rectification” was used in the railway system in 1975, and in industrial management and state apparatus from 1978. He also believed that corruption could be minimized by introducing new regulations, improving the recruitment and selection of cadres, adopting disciplinary actions, and delineating responsibility.<sup>153</sup>

China’s “open door” policy had given rise to many corrupt practices and “a booming smuggling industry” in Fujian, Zhejiang and Guangdong provinces. The government was particularly concerned with the spread of corruption among the CCP and administrative cadres at various levels.<sup>154</sup> Unfortunately, in spite of their efforts, Deng and CHEN Yun could not curtail the privileges, “back-door practices,” and corruption during the 1980s. Indeed, there was an explosion of corruption cases in China in the early 1980s, and such cases continued to grow in the 1980s and 1990s, and involved both larger sums of money and more senior officials too.<sup>155</sup>

In his analysis of 275 press reports in China from 1977 to 1980, Alan P.L. Liu identified 304 cases of 16 types of corrupt acts, with the top five offenses being housing irregularities (16.11 percent), illegitimate feasting (15.13 percent), embezzlement (9.21 percent), bribery or extortion (8.22 percent) and appropriation of public

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151. Peter Nan-Shong Lee, “Bureaucratic Corruption during the Deng Xiaoping Era,” *Corruption and Reform*, 5 (1) (1990): 30.

152. The decision to re-establish the CCDI was made at the Third Plenary Session of the 11th National Congress of the CCP on December 18-22, 1978. The CCDI’s first plenary meeting was held in January 1979. See Ye, “The Chinese Procuratorate and the Anti-Corruption Campaigns in the People’s Republic of China,” p. 118.

153. Lee, “Bureaucratic Corruption during the Deng Xiaoping Era,” 30-32.

154. Kwan Ha Yim (ed.), *China Under Deng* (New York: Facts On File, Inc., 1991), p. 85.

155. Manion, *Corruption by Design*, pp. 84-85.

goods (7.56 percent).<sup>156</sup> He claimed that the “culture of corruption” contributed to a “climate of corruption” in China, which also promoted “mass participation” in bribery and extortion and subjected “a few honest officials to isolation and public ridicule.”<sup>157</sup>

Liu’s identification of housing irregularities as the most common corrupt offense is not surprising as 586,000 senior officials were found guilty of violating housing regulations between 1993 and 1997.<sup>158</sup> As most housing was provided by the state, many officials used their power or connections to get larger and better apartments and earlier than other applicants. However, in spite of official efforts to curb such abuses, the problem deteriorated from “a category of privilege to one of usurpation of administrative power” as many officials had also built houses for themselves at government expense.<sup>159</sup>

The three “waves” of private housing construction at public expense in 1980, 1985, and 1988 resulted in the Chinese government treasury’s debit of three million yuan “borrowed” by officials to build private housing for themselves. The three most common housing irregularities were: (1) “mother-son construction” or building private homes by bribing the contractor to increase the cost of the *danwei* “mother” building; (2) construction at public expense or “openly abusing power by building private homes with public funds and occupying public land”; and (3) obtaining housing space which exceeds the regulations for public housing assignments. Consequently, it was not surprising that one of the four main targets of the anti-corruption campaign after the 1989 Tiananmen crackdown on mass demonstrations was the curbing of housing irregularities among CCP and state officials.<sup>160</sup>

Melanie Manion collected data on the corruption cases investigated by the procuratorates in China from 1980-2000 from their yearbooks and other sources. As shown in Table 3, she found that among the 736,473 cases investigated, there were 404,548 cases (55 percent) involving embezzlement of public assets, 207,153 cases (28 percent) of bribery, and 124,778 cases (17 percent) of misuse of public funds. In other words, on average, 35,070 corruption cases

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156. Alan P.L. Liu, “The Politics of Corruption in the People’s Republic of China,” in Arnold J. Heidenheimer, Michael Johnston and Victor T. LeVine (eds.), *Political Corruption: A Handbook* (New Brunswick: Transaction Publishers, 1989), pp. 490-491.

157. *Ibid.*, p. 502.

158. Lu, *Cadres and Corruption*, p. 194.

159. *Ibid.*, p. 193.

160. *Ibid.*, p. 194.

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were investigated every year by the Chinese procuratorates. The economic environment in China after the adoption of DENG Xiaoping's open door policy in December 1978 was conducive for the growth of corruption because of "more opportunities, higher payoffs, weaker enforcement, and lower psychic costs for officials choosing to engage in corruption."<sup>161</sup>

**Table 3. Corruption Cases in China Investigated by the Procuratorates, 1980-2000**

Year	Bribery	Embezzlement of public assets	Misuse of public funds	Total
1980	454 (6.5%)	6,487 (93.5%)	-	6,941
1981	1,306 (13.2%)	8,550 (86.5%)	23 (0.2%)	9,879
1982	6,547 (28.6%)	16,348 (71.3%)	18 (0.1%)	22,913
1983	2,763 (16.8%)	13,667 (83.1%)	10 (0.1%)	16,440
1984	2,224 (12.9%)	15,065 (87.0%)	15 (0.1%)	17,304
1985	3,775 (16.9%)	18,516 (83.0%)	10 (0.1%)	22,301
1986	6,047 (17.6%)	28,335 (82.4%)	-	34,382
1987	4,804 (20.4%)	18,777 (79.6%)	-	23,581
1988	4,840 (22.6%)	16,292 (76.0%)	309 (1.4%)	21,441
1989	25,245 (41.7%)	33,681 (55.7%)	1,568 (2.6%)	60,494
1990	22,185 (35.8%)	29,188 (47.1%)	10,556 (17.0%)	61,929
1991	17,668 (30.8%)	28,551 (49.9%)	11,041 (19.3%)	57,260
1992	11,964 (25.2%)	24,569 (51.8%)	10,918 (23.0%)	47,451
1993	10,019 (22.5%)	20,858 (46.8%)	13,663 (30.7%)	44,540
1994	14,797 (29.6%)	21,674 (43.3%)	13,603 (27.1%)	50,074
1995	16,831 (32.9%)	21,642 (42.4%)	12,616 (24.7%)	51,089
1996	15,945 (34.4%)	19,520 (42.1%)	10,849 (23.4%)	46,314
1997	12,916 (30.0%)	18,782 (43.9%)	11,064 (25.9%)	42,762
1998	8,759 (29.2%)	12,909 (43.1%)	8,283 (27.7%)	29,951
1999	8,192 (25.1%)	14,372 (44.1%)	10,056 (30.8%)	32,620
2000	9,872 (26.8%)	16,765 (45.5%)	10,170 (27.6%)	36,807
Total	207,153 (28%)	404,548 (55%)	124,772 (17%)	736,473

Source: Compiled from Melanie Manion, *Corruption by Design: Building Clean Government in Mainland China and Hong Kong* (Cambridge: Harvard University Press, 2004), p. 88, Table 3.1.

161. Manion, *Corruption by Design*, p. 94.

Manion has identified these five “most common and serious forms of corruption” during the post-Mao period: “bureaucratic commerce, predatory exactions, corrupt exchanges, use of public funds as private capital, and illegal privatization of state enterprise assets.”<sup>162</sup> Bureaucratic commerce refers to the business activities of those companies formed by the CCP, government departments, and law enforcement agencies during the 1980s and early 1990s for the purpose of generating profits. The number of bureaucratic companies increased from 300,000 in 1985 to almost 500,000 during 1987-1988, and to more than 900,000 in 1992. These companies increased their profits through official profiteering (*guandao*) by obtaining materials at lower controlled prices through their sponsoring agencies and resold these materials to collective or private enterprises at higher market prices. Companies also generated profits through their monopoly of providing government services, or by competing with non-bureaucratic businesses in the market with their advantage of favorable allocation of resources and opportunities by their sponsoring government agencies. However, it should be acknowledged that the establishment of these bureaucratic businesses has enhanced the collective welfare of their employees by providing (1) their sponsoring agencies with employment for retired or retained extra-establishment officials; (2) discretionary resources to meet shortfalls in revenue for their sponsoring agencies as extra-budgetary revenue or unregulated slush funds; and (3) cash bonuses for supplementing income and housing, and funds for collective facilities, collective consumption in banquets or junkets, upgrading office equipment, and purchasing vehicles for use by agency officials.<sup>163</sup>

Unlike bureaucratic commerce, predatory exactions are the “excessive compulsory and irregular non-tax charges” imposed on peasants by county and township governments, local government agencies, and village authorities in the wake of the decollectivization in the 1980s. In 1985, the central government imposed a limit of non-tax charges of 5 percent of the township average per capita income during the preceding year. However, a 1991 national survey found that peasants were paying an average of 8 percent of their income to the villages and townships. At the county level, a survey of 100 counties by the Ministry of Agriculture in 1995 confirmed that the arbitrary fees, fines and apportionments amounted to 10

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162. *Ibid.*, p. 96.

163. *Ibid.*, pp. 97-101.

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percent of income. In other words, the peasants were required to pay for essential public services especially in central and western China, where rural industry was less developed than other areas. Like bureaucratic commerce, predatory exactions can be attributed to the shortage of funds in local governments and perform a similar function of providing additional revenue for collective consumption by local governments and their agencies on bonuses, housing, offices and banqueting.<sup>164</sup>

Third, bribery or illegal commissions occur when officials exchange advantages from their discretionary power for some material gain for themselves. These advantages include collusion in illegal activities, favoritism in government allocation, and accelerated clerical service. Unlike predatory exactions, the victims of corrupt exchanges are usually less vulnerable than the peasants, and payment is made for a real advantage instead of charges for essential public services. Moreover, most of the bribery cases investigated by the procurators during the mid-1980s and 1990s involved organizations which offered bribes exceeding tens of thousands or several million yuan to senior officials in exchange for favorable decisions regarding the workplace. The real estate market also provided new opportunities for corruption for those officials responsible for leasing government land for development by making decisions in exchange for “gifts” of private houses for themselves.<sup>165</sup>

Bribing officials to facilitate the smuggling of foreign-made goods into China is an important manifestation of corrupt exchanges which has expanded from 1979 to 1998, as the value of smuggled goods from detected cases has increased from US\$1 million to almost US\$2 billion during this period. The most high profile scandal was the smuggling of goods worth 53 billion yuan by LAI Changxing, owner and manager of Yuanhua Company in Xiamen.<sup>166</sup> To evade paying taxes of 30 billion yuan, Lai bribed many CCP and government officials, including customs, police and bank officers, deputy mayors of the Xiamen municipality, and the deputy secretary of the political-legal committee of the Xiamen

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164. Ibid., pp. 101-103.

165. Ibid., pp. 103-104.

166. For a comprehensive analysis of the Yuanhua smuggling case in Xiamen, see David L. Wank, “Local State Takeover as Multiple Rent Seeking in Private Business,” in Tak-Wing Ngo and Yongping Wu (eds.), *Rent Seeking in China* (London: Routledge, 2009), Chapter 5, pp. 79-97.

party committee.<sup>167</sup> Lai escaped to Canada in 1999 via Hong Kong and was eventually extradited after a 12-year legal battle to China in July 2011. The Xiamen Intermediate People's Court convicted Lai for smuggling and bribing 64 officials between 1996 and 1999 and sentenced him to life imprisonment in May 2012.<sup>168</sup>

**Box 1. Common Forms of Judicial Corruption in China**

1. Fabricating rulings in exchange for money;
2. Blackmailing litigants into paying for, or excluding, evidence;
3. Making decisions based on instructions from local government, party or senior government officials, rather than the law or facts;
4. Assigning, dismissing, delaying or refusing to accept cases, or refusing to properly enforce court decisions;
5. Extorting kickbacks from intermediaries for passing cases to certain judges;
6. Trading law enforcement services for personal gain;
7. Taking bribes from the plaintiff and defendant (or their lawyers), or both;
8. Manufacturing court cases;
9. Embezzling court funding;
10. Bowing to the demands of local officials, criminal networks, local class, social networks or economic interests; and
11. Abusing the power of judges to order suspension of business operations, the confiscation of property, the eviction of tenants, or fair compensation and labor rights.

*Source:* Fan Ren, "Calling for an Independent Judiciary," *Beijing Review*, 23, June 10, 2004, cited in Keith Henderson, "The Rule of Law and Judicial Corruption in China: Half-way over the Great Wall," in Diana Rodriguez and Linda Ehrichs (eds.), *Global Corruption Report 2007* (Cambridge: Cambridge University Press, 2007), p. 155.

Perhaps the most serious form of corrupt exchanges was the corruption in the judiciary, which had increased from 1995 with more than 1,000 cases of judicial corruption being investigated every year during the late 1990s.<sup>169</sup> The most common forms of judicial corruption in China are identified in Box 1 above. The political dependence of China's judiciary and the lack of accountability of its judges have given rise to corruption in the judiciary and society at large. Ting GONG contends that China's weak judicial inde-

167. Manion, *Corruption by Design*, p. 105.

168. Jonathan Watts, "Chinese fugitive Lai Changxing sentenced to life in prison," *The Guardian*, May 18, 2012.

169. Manion, *Corruption by Design*, p. 105.

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pendence and weak judicial accountability have resulted in the worst case scenario of high political corruption (“when judges compromise legal standards under external political pressure”) and high personal corruption (“when judges bend rules to secure private gains for themselves”).<sup>170</sup> Even though judges in China are not allowed to have private contact with the parties to a case or accept gifts from them, in practice *ex parte* contact occurs in their offices or homes, but “more frequently in a restaurant, in a bar, at a golf course, or at other places of entertainment” where they are entertained by plaintiffs and defendants and also accept such “valuable gifts as TVs, watches, cars, and gold from litigants.”<sup>171</sup>

According to the Supreme People’s Court (SPC), the number of court personnel investigated for corruption has declined from 850 in 1993 to 218 in 2007.<sup>172</sup> In her analysis of 350 cases of judicial corruption in China from 1991 to 2008, Ling LI found that 304 judges were involved in “corruption through exchange in the form of either specific monetary payment or unspecific reciprocity” with 179 of them being bribed during the adjudication phase.<sup>173</sup> Furthermore, judges from intermediate and high courts were more likely to be engaged in corrupt exchange than corruption involving physical violence or theft. Li also found that corrupt exchange had occurred more frequently in commercial litigation cases during the adjudicative phase than in criminal litigation cases.<sup>174</sup> Finally, more recent research by Yuhua WANG has confirmed that underfunded courts in China are more likely to be perceived as corrupt and unfair because “inadequate funding results in the poor being denied access, in cases being delayed when there is little financial benefit, and in the diminution of court autonomy.”<sup>175</sup>

The fourth form of corruption identified in Manion’s analysis is financial corruption, or “the misappropriation of public funds as interest-free capital for private investment” by the officials of state enterprises, local governments, and state procurement agencies, who invest such funds in the stock market or real estate. Public

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170. Gong, “Dependent Judiciary and Unaccountable Judges,” 38.

171. *Ibid.*, 47.

172. Ling Li, “Corruption in China’s Courts,” in Randall Peerenboom (ed.), *Judicial Independence in China: Lessons for Global Rule of Law Promotion* (Cambridge: Cambridge University Press, 2010), p. 201.

173. *Ibid.*, pp. 207-208.

174. *Ibid.*, pp. 214, 217-218.

175. Yuhua Wang, “Court Funding and Judicial Corruption in China,” *China Journal*, 69 (January 2013): 60.

funds were diverted to interest-free loans outside the financial sector, and US\$12 million were gambled away by about 100 Chinese officials in Macao casinos until the mid-1990s.<sup>176</sup> Public funds have also been looted “layer by layer” by central government financial bureaus, local banks, and agricultural procurement agencies by diverting funds designated for agricultural procurement to capital construction and real estate in the development boom of the early 1990s. According to the Agricultural Bank, over US\$1 billion of procurement accounts were misappropriated for speculative investment, unauthorized loans, or simple embezzlement by local government agencies and officials. Manion has attributed the financial corruption to the weak regulatory and monitoring mechanisms in the financial institutions and the new opportunities for investment in real estate and stock markets during the late 1980s and 1990s.<sup>177</sup>

The fifth and most prevalent form of corruption during the post-Mao period was the illegal privatization of state enterprise assets. Table 3 shows that 55 percent of the 736,473 cases investigated by the procuratorates from 1980-2000 involved the embezzlement of public assets which includes these activities:

taking advantage of official position to purchase price-controlled materials at low prices to profit privately by selling at higher prices, negotiating private kickbacks from outside contractors, earning private income from work done during regular work hours, retaining for private consumption gifts accepted in the course of official duty, selling at reduced prices fixed assets of an enterprise or warehoused production materials, appropriating for private use confiscated assets or fines collected in law enforcement, submitting false claims for reimbursement from public funds, reporting as waste or missing materials that are actually resold for private profit, and insider purchase of corporate shares at parity prices and sale at high prices for private profit.<sup>178</sup>

Corruption within the state-owned enterprises (SOEs) in China is reflected in the extravagant lifestyles of their managers. In a survey of 100 managers in Shenyang, the capital city of the Liaoning Province, 70 percent of them had purchased houses for themselves and 82 percent bought luxurious business cars using public

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176. Manion, *Corruption by Design*, pp. 106-107.

177. *Ibid.*, p. 107.

178. *Ibid.*, p. 110.

funds after assuming their positions.<sup>179</sup> Furthermore, these SOEs were plagued with graft, bribery and embezzlement as the corruption cases investigated by the People's Procuratorates from 1999 to early 2000 involved 15,000 SOE employees. Of these cases, more than 12,000 involved graft and bribes of over 50,000 yuan, and embezzlement of over 100,000 yuan. In addition, there were 570 cases involving graft and bribes of more than 500,000 yuan, and 790 cases involving embezzlement of over one million yuan.<sup>180</sup>

Wenhao CHENG collected data on 264 cases of corruption in SOEs published by the Justice Network of *Procuratorate Daily* from 1999 to 2001. He found that among the ordinary workers, middle-level staff, and managers in the SOEs, the general managers were the most corrupt because of their decision-making power and ample opportunities for enriching themselves. Among the 264 corruption cases, the general managers were responsible for 117 cases involving 3.03 million yuan in graft, 7.34 million in bribes, and 21.26 million in embezzlement.<sup>181</sup> While the SOE managers were motivated by their low salaries and control over the economic resources of their organizations to be corrupt, Cheng contended that they were able to engage in corrupt practices because (1) there were more resources available for them to steal after the economic reform started; (2) they were given more autonomy by the SOE reform to manage and distribute these resources; (3) they created opportunities for corruption by using their legitimate managerial power; and (4) the lack of supervision over the SOE managers by the party committee of the SOE, its Discipline Inspection Commission (DIC), and the Workers' Congress.<sup>182</sup> In short, China's economic reform not only motivated the poorly paid SOE managers to be corrupt, but also increased their opportunities to engage in corrupt practices.

## V. CAUSES OF CORRUPTION IN CHINA

### A. Low Salaries

Low salaries constitute an important cause of corruption in many Asian countries. In his comparative study of bureaucratic corruption in Hong Kong, India and Indonesia, Leslie Palmier con-

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179. Wenhao Cheng, "An Empirical Study of Corruption within China's State-owned Enterprises," *China Review*, 4 (2) (Fall 2004): 56.

180. *Ibid.*, 57.

181. *Ibid.*, 58-62.

182. *Ibid.*, 66-78.

tends that the government must provide civil servants with adequate salaries to prevent them from being “tempted into corruption and disaffection.”<sup>183</sup> Similarly, Paolo Mauro argues that “when civil service pay is too low, civil servants may be obliged to use their positions to collect bribes as a way of making ends meet, particularly when the expected cost of being caught is low.”<sup>184</sup> In other words, if bureaucrats are paid a high enough wage, even a small chance of losing their jobs would discourage them from being corrupt. However, if the salaries of civil servants are low, “even the most rigidly honest bureaucrats will be tempted to go beyond the law to preserve their standard of living.”<sup>185</sup>

During the reign of Emperor Hsuan (73 to 48 B.C.) of the former Han Dynasty (202 B.C. to A.D. 9), an edict issued in 59 B.C. ordered the increase by 50 percent of the salaries of minor officials ranking 100 *shih* or less to prevent them from being corrupt. Similarly, the salaries of officials ranking 300 *shih* or less were increased in 7 B.C. during the reign of Emperor Ch’eng, presumably for the same reason.<sup>186</sup> The “unrealistically low salaries” of public officials in 11th century China was a major cause of the venality of the lower level bureaucrats. During the early years of the Sung Dynasty, the meager salaries of the lower level officials were improved. However, with the growth of the bureaucracy, it became difficult to pay them adequate salaries. The situation deteriorated when minor officials were only paid for three years out of six or seven years by the middle of the 11th century. Consequently, they were forced to supplement their income by engaging in private trade, which “led easily and too frequently to the misappropriation of state property and the abuse of official position through venality and improbity of other kinds.”<sup>187</sup> Hence, it was not surprising that the “most conspicuous complaints concerning officials of this period were low

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183. Leslie Palmier, *The Control of Bureaucratic Corruption: Case Studies in Asia* (New Delhi: Allied Publishers, 1985), pp. 2 and 6.

184. Paolo Mauro, *Why Worry about Corruption?* (Washington, D.C.: International Monetary Fund, 1997), p. 5.

185. Abhijit Banerjee, “Can Anything be Done about Corruption?” in M.G. Quibria and J.Malcolm Dowling (eds.), *Current Issues in Economic Development: An Asian Perspective* (Hong Kong: Oxford University Press, 1996), p. 110.

186. Hans Bielenstein, *The Bureaucracy of Han Times* (Cambridge: Cambridge University Press, 1980), p. 125.

187. E.A. Kracke, Jr., *Civil Service in Early Sung China: 960-1067* (Cambridge: Harvard-Yenching Institute, 1953), p. 83.

morale and venality, particularly in the lower ranks, traceable in large measure to inadequate pay.”<sup>188</sup>

**Table 4. Public and Private Expenses of Officials in Late Imperial China**

Public Expenses	Private Expenses
<ol style="list-style-type: none"> <li>1. Travel expenses to reach one's post after appointment at the capital, and later when sent on special missions.</li> <li>2. Repaying debts incurred at the capital before reaching one's post.</li> <li>3. Salaries of private staff (which were very important and costly during the Qing Dynasty, and could be limited only to a certain extent).</li> <li>4. Contributions to charities, grants of start-up money for local projects.</li> <li>5. "Reciprocities" (<i>yingchou</i>), which refers to meeting social obligations, delivering customary gifts to one's superiors, entertaining visiting colleagues and especially superiors.</li> <li>6. Meeting the demands for funding and fees from the higher echelons, either customary or extortionary.</li> </ol>	<ol style="list-style-type: none"> <li>1. Living expenses and upkeep of family and servants, both in one's post and at home.</li> <li>2. Extra money representing "savings" (if not "entitlement") that would make it possible for the official to be a little better off when he retired than when he started and to support himself in retirement.</li> <li>3. Demands (deemed legitimate) from relatives at home for common expenses, charities, and so on.</li> </ol>

Source: Pierre-Etienne Will, "Officials and Money in Late Imperial China: State Finances, Private Expectations, and the Problem of Corruption in a Changing Environment," in Emmanuel Kreike and William Chester Jordan (eds.), *Corrupt Histories* (Rochester: University of Rochester Press, 2004), p. 32.

In his analysis of corruption in late imperial China, Pierre-Etienne Will identified "insufficient salaries" and "loyalty to one's family, ancestors, and native place" as two important structural causes of corruption.<sup>189</sup> The nominal salaries of the officials were woefully inadequate to meet their nine types of public and private

188. *Ibid.*, p. 196.

189. Will, "Officials and Money in Late Imperial China," pp. 52-53.

expenses listed in Table 4. Apart from such unavoidable expenses as family upkeep and employing private secretaries and servants, officials were also expected to contribute to charities or public works for political expediency, and to provide gifts and entertainment to their superiors to enhance their prospects for promotion.<sup>190</sup> As the local officials could not meet their public and private expenses with their salaries, they were forced to engage in corrupt practices. Consequently, the Yongzheng emperor introduced in 1723 the “integrity-nourishing” (*yanglian*) allowance, which enabled the local officials to survive and perform their duties without resorting to alternative sources of revenue by multiplying their basic salaries by 10, 20 or more times.<sup>191</sup>

Similarly, in the 19th century, the “starvation salaries” of Chinese officials, the custom of gift-giving to superiors, the practice of selling official posts, and the county magistrate’s lack of training for his post increased the opportunities and incentives for corruption.<sup>192</sup> When Anna Louise Strong visited the Shansi-Hopei-Shantung-Honan Border Region in November 1946, she was informed of the adverse working conditions of the Border Region officials, who were college graduates working without pay for “two meals a day, two cotton summer suits and one-third of a padded winter suit a year, and austere accommodations in peasant homes.” Consequently, she attributed the “notorious corruption of KMT officials” to their low salaries which forced them to accept bribes to make ends meet.<sup>193</sup>

China’s “Civil Service Grade Wage System” was initiated in 1956 and revised in January 1957, March 1959, and October 1960. As a “rank-wage system,” the wages only increased and evolved into a “lifetime wage system” during the next 25 years, until wage reform was undertaken in July 1985.<sup>194</sup> The 1985 wage system consisted of four components: (1) the basic wage of RMB 40 for all workers; (2) payment of a premium of RMB 0.5 for every year of continuous work with a cap of RMB 20 after 40 years; (3) position-related wages for state civil service administrative and technical positions, workers in state institutions, and civil servants in eight large

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190. *Ibid.*, p. 32.

191. *Ibid.*, pp. 31 and 34.

192. Hsiao Kung-chuan, *Rural China: Imperial Control in the Nineteenth Century* (Seattle: University of Washington Press, 1960), pp. 414-415.

193. Pepper, *Civil War in China*, p. 312.

194. Susumu Yabuki, *China’s New Political Economy: The Giant Awakes*, trans. by Stephen M. Harner (Boulder: Westview Press, 1995), p. 63.

cities; and (4) the incentive wage or bonus, which varied according to the state organs making such payments.<sup>195</sup>

The salaries of civil servants in administrative positions at the central and provincial levels were almost double those of their counterparts in technical positions. For example, the state chairman, vice-chairman, and premier earned the maximum monthly salary of RMB 530 in contrast to the highest monthly salary of RMB 255 of the general engineer in a ministry. The mayors of eight large municipalities also earned the same monthly salary of RMB 255. At the other extreme, the most junior office workers earned RMB 52 per month, or one-tenth of the state chairman's monthly salary.<sup>196</sup>

The party cadres, or those persons engaged in "certain specified leadership or management work," were a privileged class as those employed in SOEs earned a maximum monthly salary ranging from RMB 248 to 306 depending on the type of labor or region.<sup>197</sup> As the number of cadres has increased from 1.7 million to 30 million from 1949-1989, there has been criticism of the "iron rice bowl" of guaranteeing "iron wages" regardless of a worker's actual production, and the "iron armchair" system of cadres receiving guaranteed positions regardless of their performance.<sup>198</sup>

The payment of low salaries to civil servants for many years not only lowered their morale and enthusiasm but also led to their exodus to the private sector. Accordingly, civil service reforms were introduced to enhance the motivation of civil servants by improving their compensation. However, in spite of such reforms, the base salaries of top civil servants are still low at RMB 2,900 yuan per month. Even after adding "a relatively large invisible income in cash and in kind," the gap between civil service and private sector salaries remains wide and ranges from 50 percent to 100 percent in Shanghai and Guangzhou.<sup>199</sup> The salaries of Chinese civil servants were increased in July 2002, but PENG Dingding, a Berlin-based economist, was skeptical that the wage increase would discourage bribery because the increases were "nothing compared to what offi-

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195. Ibid., p. 63.

196. Ibid., pp. 64-65.

197. Ibid., pp. 70-71.

198. Ibid., pp. 73-75.

199. John P. Burns, "Governance and Civil Service Reform," in Jude Howell (ed.), *Governance in China* (Lanham: Rowman & Littlefield Publishers, 2004), p. 53.

cials can put in their pockets through corruption. Why should this stop them?”<sup>200</sup>

While the real incomes for most civil servants are much higher than their published low base salaries, the “relatively high rate of corruption” not only compensates for the relatively low base salaries, but has led to the tolerance of corruption.<sup>201</sup> As senior officials had opportunities to increase their incomes from other sources, including corruption, they tolerated low salaries during the reform period because they could make up the difference through “corruption with relatively little chance of getting caught.”<sup>202</sup> Indeed, apart from the job security of civil service jobs, another “appealing” feature is the ample opportunities for corruption in the civil service. The Ministry of Supervision (MOS), one of China’s ACAs, revealed on October 24, 2012, that more than 15,000 civil servants were investigated for corruption, involving US\$3.6 million during the past five years.<sup>203</sup>

The rampant corruption in China’s SOEs, which was discussed in the previous section, can be attributed to a great extent to the low salaries of their managers. For example, even though CHU Shijian was responsible for his tobacco factory’s contribution of tax revenues of 20 billion yuan to the state each year, his monthly salary was only 1,000 yuan (480 yuan basic salary plus bonus of 520 yuan). Although SOE managers are better educated and trained than private entrepreneurs, their legal incomes pale in comparison to the huge amounts earned by the latter. Thus, the low salaries of the SOE managers coupled with their control over the economic resources of their organizations are powerful incentives for them to engage in corrupt practices.<sup>204</sup>

Identifying corruption as one of the eight organizational pathologies affecting bureaucracy in China, Harry Harding attributes it to these two sets of circumstances: “when the opportunity is present” with weak penalties, ineffective monitoring mechanisms,

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200. “China’s civil service, the strategy behind a pay rise: Will it discourage corruption?” *Economist*, May 23, 2002.

201. John P. Burns, “Civil Service Reform in China,” *OECD Journal on Budgeting*, 7 (1) (2007): 19.

202. John P. Burns, “Rewarding Comrades at the Top in China,” in Christopher Hood and B. Guy Peters with Grace O.M. Lee (eds.), *Reward for High Public Office: Asian and Pacific Rim States* (London: Routledge, 2003), p. 63.

203. Dexter Roberts, “In China, a ‘Golden Rice Bowl’ for Civil Service,” *Bloomberg Businessweek*, October 26, 2012.

204. Cheng, “An Empirical Study of Corruption within China’s State-owned Enterprises,” 63-65.

and bureaucratic discretion; and when the motivation is high with poorly paid officials being “strongly tempted to engage in graft or extortion.”<sup>205</sup> In the same vein, LEE Kuan Yew, Singapore’s Prime Minister from June 1959 to November 1990, observed that “after China adopted market reforms, corruption increased exponentially because the salaries of ministers and officials were paltry compared with the rest of society, which was growing rich very rapidly.”<sup>206</sup>

In his report to the 5th Plenary Session of the CCDI on December 25, 2000, WEI Jianxing, Secretary of the CCDI, acknowledged that the low salaries of public officials, which resulted from the state’s limited financial resources, had contributed to corruption. As they were frustrated by their low income and significant income disparities of state workers in different departments, government employees lost their psychological equilibrium and succumbed to corruption.<sup>207</sup> However, the option of increasing salaries to curb corruption has not been considered because of the official recognition that it would be ineffective in reducing corruption.<sup>208</sup>

## B. Red Tape

Red tape refers to “bureaucratic procedures characterized by mechanical adherence to regulations, excessive formality and attention to routine, and the compilation of large amounts of extraneous information resulting in prolonged delay and inaction.”<sup>209</sup> Indeed, when “people rail against red tape, they mean that they are subjected to too many constraints, that many of the constraints seem pointless, and that agencies seem to take forever to act.”<sup>210</sup> More importantly, civil servants are tempted “by opportunities to sell their official discretion and information” and “by the opportunities to extort payments” because “permits can be delayed, licenses held up, deliberations protracted, proceedings prolonged, unless rewards are offered.”<sup>211</sup> In short, red tape and cumbersome procedures

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205. Harry Harding, *Organizing China: The Problem of Bureaucracy 1949-1976* (Stanford: Stanford University Press, 1981), pp. 7-8.

206. Lee Kuan Yew, *One Man’s View of the World* (Singapore: Straits Times Press, 2013), p. 18.

207. Burns, “Rewarding Comrades at the Top in China,” pp. 63-64.

208. *Ibid.*, p. 64.

209. Ralph C. Chandler and Jack C. Plano, *The Public Administration Dictionary*, 2nd edition (Santa Barbara: ABC-CLIO Inc., 1988), p. 233.

210. Herbert Kaufman, *Red Tape: Its Origins, Uses, and Abuses* (Washington, D.C.: Brookings Institution, 1977), p. 5.

211. *Ibid.*, pp. 51-53.

provide civil servants with the excuse to extort bribes from those members of the public who are prepared to pay “speed money” to “cut” red tape and reduce delay by expediting their applications for permits or licenses.

John and Doris Naisbitt highlighted the great amount of red tape in China by recommending the creation of a “chop index” as all applications are stamped with “chops” by officials to indicate their approval. Apart from reducing corruption, such an index will also be an indication of the extent of red tape. Their recommendation was “as each chop” tempts an official to seek “a little side benefit,” the number of chops should be reduced to reduce temptation and corruption. They contended that the creation of “a chop index would quickly tell you if the number of chops for any given process has been reduced.”<sup>212</sup>

At the Ninth National People’s Congress (NPC) in 1998, ZHU Rongji announced that streamlining government and cutting bureaucracy within 18 months was the top priority of his “three achievements” reforms. Zhu justified the reduction of the number of ministries and departments and their officials by half because “too many officials on low salaries sitting around reading newspapers and drinking tea” was “a recipe for inefficiency and corruption.” In other words, Zhu’s simple formula was: “fewer cadres, less corruption.”<sup>213</sup> During the first plenary session of the State Council in March 1998, Zhu stipulated that all government officials were required to: (1) remember that they were the servants of the people; (2) speak the truth and be responsible for what they said; (3) implement their work without being afraid of offending others; (4) “clean up the corruption problem”; and (5) “study hard and work hard.”<sup>214</sup> Three months later, he revealed his “three fixes” (*san ding*) or plan for streamlining and reorganizing government by fixing the function, organization and plan for personnel arrangements.<sup>215</sup> Unfortunately, in spite of Zhu’s efforts, red tape persists today as ZHANG Tongxi, the Board Chairman of Datong Coal Group in Shanxi, informed NPC delegates in Beijing in March 2013

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212. John and Doris Naisbitt, *China’s Megatrends: The 8 Pillars of a New Society* (New York: HarperCollins Publisher, 2010), pp. 50-51.

213. Laurence J. Brahm, *Zhu Rongji and the Transformation of Modern China* (Singapore: John Wiley & Sons (Asia), 2002), p. 217.

214. *Ibid.*, p. 227.

215. *Ibid.*, p. 228.

that he had to contact 33 government departments and submit 147 documents and 205 permits to open a new coal subsidiary.<sup>216</sup>

Another manifestation of red tape in China is the excessive number of administrative and operating fees, which are collected by the ministries, government bureaus, commissions and authorized organizations. In 2002, there were 340 administrative and operating fees authorized by the State Council, involving more than 50 ministries, commissions and bureaus. In addition, there were also several hundred fees authorized by the provincial governments.<sup>217</sup> The collection of excessive fees has increased business costs, the size of government as well as corruption. The fees collected are considered by government agencies, SOEs and local government as off-budget revenue (called the “Little Golden Box”), which is “often abused and used for lavish pursuits, such as purchasing luxury vehicles” as well as “treating guests, purchasing presents, personal uses, and paying bribes.”<sup>218</sup>

The extent of red tape in China can be assessed by examining its performance on the World Bank’s *Doing Business Surveys* from 2007-2014 as those countries afflicted by red tape rank poorly in these surveys. Table 5 confirms that red tape remains a serious problem in China as its ease of doing business rank has improved from 93rd position in 2007 to 79th position in 2011, but has declined to 96th position in 2014. In terms of starting a business, China’s rank has deteriorated from 128th position in 2007 to 158th position in 2014. Similarly, even though the time taken to obtain a license has been reduced from 367 days in 2007 to 270 days in 2014, dealing with licenses rank has worsened from 153rd position to 185th position during the same period. China’s rank in registering property has also declined from 21st position in 2007 to 48th position in 2014 as it requires four procedures and 29 days to register a property. Finally, Table 2 shows that China’s percentile rank for regulatory quality, which is a measure of red tape, has also decreased from 47.55 to 43.54 during 1996-2012.

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216. “Why China’s Corruption is so hard to clean up,” *Asia Sentinel*, March 20, 2013.

217. Lin Shuanglin, “Too Many Fees and Too Many Charges: China Streamlines Fiscal System,” in John Wong and Lu Ding (eds.), *China’s Economy into the New Century: Structural Issues and Problems* (Singapore: Singapore University Press and World Scientific Publishing, 2002), p. 179.

218. *Ibid.*, pp. 186-189.

**Table 5. Ease of Doing Business Rank in China, 2007-2014**

Criterion	2007	2008	2009	2010	2011	2012	2013	2014
Ease of doing business rank	93	83	83	89	79	91	91	96
Starting a business rank	128	135	151	151	151	151	151	158
Procedures (number)	13	13	14	14	14	14	13	13
Time (days)	35	35	40	37	38	38	33	33
Dealing with licenses rank	153	175	176	180	181	179	181	185
Procedures (number)	29	37	37	37	37	33	28	25
Time (days)	367	336	336	336	336	311	270	270
Registering property rank	21	29	30	32	38	40	44	48
Procedures (number)	3	4	4	4	4	4	4	4
Time (days)	32	29	29	29	29	29	29	29

Sources: World Bank, *Doing Business 2007* (Washington, D.C., 2006), p. 105; World Bank, *Doing Business 2008* (Washington, D.C., 2007), p. 113; World Bank, *Doing Business 2009* (Washington, D.C., 2008), p. 97; World Bank, *Doing Business 2010* (Washington, D.C., 2009), p. 114; World Bank, *Doing Business 2011* (Washington, D.C., 2010), p. 156; World Bank, *Doing Business 2012* (Washington, D.C., 2012), p. 88; World Bank, *Doing Business 2013* (Washington, D.C., 2013), p. 156; and World Bank, *Doing Business 2014* (Washington, D.C., 2013), p. 184.

PAN Guozhang, a 30-year-old entrepreneur, paid an agent 5,000 yuan to help him register his information technology company as the process involved 13 procedures and would take at least 33 days to complete. His experience reflects the daily frustration which many citizens face in navigating China's bureaucratic maze at the provincial and central government levels in their applications for work visas, school loans or other licenses. In March 2013, Chinese Premier LI Keqiang has promised to reduce at least a third of the 1,700 items requiring central government approval within the next five years.<sup>219</sup> However, it remains to be seen whether Premier Li's pledge will be implemented and fulfilled by the bureaucrats.

### C. Low Probability of Detection and Punishment

Even though corruption is an offense, the probability of detection and punishment of corrupt offenses varies in the different Asian countries. For example, corruption thrives in China, India, Indonesia and the Philippines, where the public perceives it as a low risk, high reward activity because corrupt offenders are unlikely to be detected and punished. On the other hand, in Singapore and Hong Kong, which are perceived to be the least corrupt city-states

219. Esther Teo, "China slowly unwinds red tape: Streamlining bureaucratic process part of reforms to spur business," *Straits Times*, October 21, 2013, p. A8.

## MINIMIZING CORRUPTION IN CHINA

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in Asia, corruption is viewed as a high risk, low-reward activity because those involved in corrupt behavior are likely to be caught and severely punished.<sup>220</sup>

The first anti-corruption campaign, the Three Anti Campaign, which began in the fall of 1951 and ended in May 1952, resulted in 107,830 party or state officials being charged for embezzling 1,000 yuan or more. However, only 10,009 (9.3 percent) of them were imprisoned and 42 offenders (0.04 percent) were executed. Overall, 75.6 percent of those officials accused of graft were exempted from any disciplinary action as only 3.6 percent faced criminal charges and 20.8 percent had administrative charges imposed on them.<sup>221</sup>

An analysis of the corruption cases investigated in China from 1993-1998 found that less than half of these cases resulted in the filing of criminal charges and only 6.6 percent of the corrupt officials were sentenced. This means that if a person commits a corrupt offense, he or she has only a 6.6 percent probability of being prosecuted. With such a low probability of being caught for corrupt offenses, it is not surprising that many officials, including senior ones, are willing to assume the low risk for committing such offenses.<sup>222</sup>

In his comparison of the impact of the anti-corruption campaigns in China from 1992-1996 and 2005-2006, Andrew Wedeman found that corruption had deteriorated during the second period as the risk of corrupt offenders being caught was significantly reduced because the time lag between the offense and arrest of the offender increased from 20 months during 1992-1996 to 63 months during 2005-2006.<sup>223</sup> Of the average number of 30,000 public officials charged with economic crimes annually, more than 20,000 officials (66.7 percent) were remanded to the courts for trial, but only 5,000 officials (16.7 percent) were imprisoned for five years or more.<sup>224</sup>

Minxin PEI substantiates his argument that China's enforcement record against corrupt officials is not tough as even though the average number of CCP members punished per year by the CCDI ranges from 97,260 to 190,000 from 1982 to 2006, the percentage of those who are criminally prosecuted varies from 2.9 percent in 2004 to 13.1 percent from December 2004 to November

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220. Quah, *Curbing Corruption in Asian Countries*, p. 18.

221. Lu, *Cadres and Corruption*, pp. 56-57.

222. Burns, "Governance and Civil Service Reform," pp. 43-44.

223. Andrew Wedeman, "China's War on Corruption," in Ting Gong and Stephen K. Ma (eds.), *Preventing Corruption in Asia: Institutional Design and Policy Capacity* (London: Routledge, 2009), p. 26.

224. *Ibid.*, p. 27.

2005. Of the 115,143 party members disciplined during the latter period, 44,836 (38.9 percent) were warned, and 32,289 (28 percent) of them were given a serious warning. In other words, two-thirds of those party members who were disciplined “got away with only a mild to serious warning that appeared to have no real punitive consequences.”<sup>225</sup>

Lening ZHANG states that there are three factors that contribute to why corrupt Chinese officials believed the probability of being detected and punished for corrupt offenses was low. First, the public’s lack of power to supervise and monitor the behavior of officials enables them to abuse their power to further their personal interests with impunity without fear of detection or punishment. In spite of the laws, a senior official can evade criminal prosecution and sanction because of his position even though the public is aware of his misconduct. The second factor is the political tradition of avoiding the imposition of the legal penalty for corrupt offenses as much as possible to save the “face” of the CCP and government and prevent the erosion of official authority. Thus, instead of punishing high-ranking officials, which is shameful and threatens the authority of the CCP and government, the preferred option is to rely on “internal resolution.” Such a tradition reinforces the perception among corrupt officials that they would unlikely be caught or punished. Finally, the prevalence of bribery as a subculture among Chinese officials encourages them to believe that they would not be caught or penalized as only those officials with “bad luck” would be punished for their corrupt offenses.<sup>226</sup>

In short, with the increased opportunities for corruption after 1978 and the ineffective anti-corruption measures, “engaging in corruption was a rational decision” for many officials in China as the costs of corruption were viewed to be much lower than the benefits.<sup>227</sup>

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225. Minxin Pei, “Fighting Corruption: A Difficult Challenge for Chinese Leaders,” in Cheng Li (ed.), *China’s Changing Political Landscape: Prospects for Democracy* (Washington, D.C.: Brookings Institution Press, 2008), pp. 230-232.

226. Lening Zhang, “White-Collar Crime: Bribery and Corruption in China,” in Jiahong Liu, Lening Zhang and Steven F. Messner (eds.), *Crime and Social Control in a Changing China* (Westport: Greenwood Press, 2001), pp. 28 and 33.

227. Chan Kin-man, “Corruption in China: A Principal-Agent Perspective,” in H.K. Wong and Hon S. Chan (eds.), *Handbook of Public Administration in the Asia-Pacific Basin* (New York: Marcel Dekker, 1999), p. 318.

#### D. Decentralization

After 1978, decentralization contributed to corruption in China because it provided local governments, especially those at the county and town levels, with the authority from the central government to implement policies, and managers of SOEs with decision-making autonomy without accountability for their decisions.

At the county and township levels, the Party Committee secretary or the “first hand” is the “most powerful person” because he has the final authority in making all the major decisions, including personnel decisions affecting their officials and the implementation of national economic policies.<sup>228</sup> The central government relied on party discipline, ideology and central economic planning to control the local governments before 1978.<sup>229</sup> However, with the weakening of ideology and centralized economic planning after the introduction of economic reforms in 1978, the central government relies only on the CCP’s organization and discipline and specifically the local party secretary to ensure control of the county and township governments. An unintended consequence of investing so much power in the party secretary is that he has abused his powers as local party chiefs have built their own “independent kingdoms” by circumventing or disobeying the directives of the central government.<sup>230</sup>

In addition to fighting corruption, the DICs also supported DENG Xiaoping’s effort to reduce the authority of those party “tyrants” who blocked his reform proposals. However, the DICs were “helpless against powerful party secretaries” and “local despots” whose power could not be checked.<sup>231</sup> According to the *nomenklatura* system, the party committees are the effective “bosses” of all the party and government officials below them. For example, a county party secretary informed the members of the local political-legal committee that he was responsible for appointing them thus:

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228. Zhong Yang, *Why China’s Local Officials do not always comply with Central Government Policies* (Singapore: East Asian Institute, National University of Singapore, EAI Brief No. 86, April 24, 2001), pp. 3-4.

229. Zhao Suisheng, “China’s Central-Local Relationship: A Historical Perspective,” in Jia Hao and Lin Zhimin (eds.), *Changing Central-Local Relations in China* (Boulder: Westview Press, 1994), pp. 19-34, quoted in *ibid.*, p. 4.

230. Zhong, *Why China’s Local Officials do not always comply with Central Government Policies*, p. 4.

231. Lawrence R. Sullivan, “The Role of the Control Organs in the Chinese Communist Party, 1977-83,” *Asian Survey*, 24 (6) (June 1984): 608.

All of you sitting here, I ask you—you, the court president, if I hadn't put your name up, could you serve? You, the chief procurator, if I hadn't put your name up, could you serve? You, the public security chief, if I hadn't put your name up, could you serve? If you ask me, none of you could serve!<sup>232</sup>

There are five types of issues that affect the relations between the central government and local governments in China. Party secretaries give top priority to policies concerning critical issues like the crackdown on the Falun Gong and the single child policy because they would lose their positions for any mistakes in policy implementation. Similarly, for the implementation of those policies with specific quotas, party secretaries usually comply with meeting the specific and detailed requirements because the assessment of their job performance is related to the fulfillment of such quotas. Thirdly, spotlight issues that are brought to the political leaders' attention by media exposure are usually resolved swiftly by local officials in order to minimize negative consequences for themselves. For example, the reporting of the 1998 fake liquor incident in the Shanxi Province, which led to the deaths of many people from poisoning, resulted in JIANG Zemin, the then-CCP General Secretary, to demand that the provincial leaders resolve the problem and severely punish those responsible. On the other hand, general slogans or guideline issues without specific details or performance indicators are usually ignored or paid lip service by local officials because of the absence of negative consequences for non-compliance. Finally, as thousands of laws and regulations are passed by the NPC, provincial people's congresses and local congresses, the local officials routinely violate these laws and regulations because of their "abuse of power, lack of a sense of the rule of law," "ignorance of the existence of these laws and regulations," and the weak monitoring system. According to ZHONG Yang, the non-implementation of these laws and regulations is the "most problematic area" of policy implementation at the county/township levels in China.<sup>233</sup>

In her insightful analysis of the consequences of decentralization in China, GONG Ting contends that the "incompleteness of decentralizing public authority" has resulted in widespread corrup-

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232. Quoted in Manion, *Corruption by Design*, p. 125.

233. Zhong, *Why China's Local Officials do not always comply with Central Government Policies*, pp. 8-9.

tion among local governments because of their “double identity” as “both a *state political agent* and a *local economic principal*.”<sup>234</sup> First, as state agents, local governments have been given extensive administrative and economic discretion in implementing government policies, including such additional economic powers as “business licensing, resource distribution, administrative budgeting, local taxation, and trade and investment in their own localities.”<sup>235</sup> The enhanced power and discretion of local officials have increased the opportunities for corruption in the transfers of land because of their “*de facto* power to decide whether, how, to whom and at what price to lease land often succumb to bribery, while many of them also engage in aggressive ‘rent-seeking’ activities.”<sup>236</sup> As negotiated land transfers provide ample opportunities for exchanges between local officials and private interests, land corruption has increased as 710,000 cases of illegal land deals were investigated during 1998 to 2003. The illegal land-leasing activities have resulted in the loss of 20 billion yuan a year.<sup>237</sup>

The second role of local governments as economic principals has encouraged local officials to expand their financial resources especially when their performance is evaluated by “local economic output, revenue growth and improvement in living standards,” rather than compliance with the policies of the central government. Financial decentralization has compelled local officials to rely on the creation of “little money lockers” or “small coffers” (*xiaojinku* or the “Little Golden Box” mentioned above) for storing extra- and off-budgetary funds. LU Xiaobo has attributed the widespread organizational corruption in China to the practice of maintaining “small coffers” which are secret funds kept by government agencies, SOEs, and other public agencies. This practice of keeping “small coffers” is widespread in China – in 1985 a state audit bureau of 66,200 agencies found 10 billion yuan worth of concealed accounts, 76 percent of which were revenues illicitly kept by the agencies. Five years later, it was estimated that 120 billion yuan, or 15 percent of the 780 billion yuan of “private savings” in the banks in China belonged to the “small coffers” of different agencies.<sup>238</sup>

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234. Ting Gong, “Corruption and Local Governance: The Double Identity of Chinese Local Governments in Market Reform,” *Pacific Review*, 19 (1) (March 2006): 86.

235. *Ibid.*, 88-89.

236. *Ibid.*, 90.

237. *Ibid.*, 90-91.

238. Lu, “Booty Socialism, Bureau-preneurs, and the State in Transition,” pp. 195-196.

Faced with constraints on in-budget revenues, local governments have increasingly relied on extra-budgetary funds (from public utility charges and user fees by SOEs) and illegal off-budgetary funds, which are collected without the central government's approval, from the "extra fees and surcharges on public goods and services, profits extracted from private enterprises, apportionments, expropriations and fines collected from local businesses or individuals, and kickbacks and bribes paid" to their agencies.<sup>239</sup> The local officials' efforts to increase extra- and off-budgetary revenues have increased the opportunities for corruption because off-budgetary funds are not subject to oversight. The off-budgetary funds kept in the "little money lockers" or "small coffers" are "notoriously associated with the corruption of local officials," as such funds are usually spent on bribery, bonuses and entertainment, including the payment for lavish banquets, dancing, bowling, sauna bathing and vacationing in sanatoriums.<sup>240</sup>

In sum, incomplete decentralization in China has increased corruption among local government officials because their enhanced power and discretion has not been accompanied by accountability for their actions. Consequently, decentralization without accountability and representation has resulted in the localization of corruption in China.<sup>241</sup> The utility of Gong's analysis is confirmed by Kilkon KO and ZHI Hui, who found that fiscal decentralization in those provinces in China with "weak law enforcement is positively associated with corruption while the opposite relationship occurs in [those] provinces with strong law enforcement."<sup>242</sup>

### E. Cultural Factors

Cultural practices like *guanxi* and the tradition of gift-giving contribute to corruption in China by influencing individuals to give or receive bribes. Apart from promoting reciprocity in social relations, gift-giving also encourages bribery among civil servants, who accept gifts provided by businessmen wishing to cut red tape or to obtain licenses or permits improperly. There are six possible bases for *guanxi* namely: locality or dialect; fictive kinship (persons with

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239. Gong, "Corruption and Local Governance," 93.

240. Ibid., 96-97.

241. Ibid., 99.

242. Kilkon Ko and Hui Zhi, "Fiscal Decentralization: Guilty of Aggravating Corruption in China?" *Journal of Contemporary China*, 22 (79): 46.

the same surname); kinship; workplace; trade associations or social clubs; and friendship.<sup>243</sup>

*Guanxixue*, or the “exchange of gifts, favors, and banquets,” is usually associated with official corruption in both official and popular discourse in China. However, while official discourse views *guanxixue* “almost solely in terms of corruption,” popular discourse has multiple interpretations of *guanxixue* besides corruption.<sup>244</sup> In China, “*guanxi* arose as a way to defuse and subvert the elaborate regulations and restrictions that the state redistributive economy imposed on everyday life.”<sup>245</sup> Nevertheless, while the construction and maintenance of *guanxi* do not require gift-giving, “giving gifts is a Chinese tradition that can indicate goodwill or respect.”<sup>246</sup> Indeed, “the Chinese emphasis on personal connections (*guanxi*) makes it hard to distinguish between business-as-usual and corruption.”<sup>247</sup>

LUO Yadong contends that whether gift-giving is perceived as the cultivation of *guanxi* or bribery, depends on the motivation of the person providing the gift. If a government official accepts money in exchange for providing help, it is a bribe and not a gift. On the other hand, if a person gives another a birthday gift, it is not bribery but relationship-building. Similarly, when a person invites someone out to tea, it is not bribery.<sup>248</sup> The tradition of gift-giving makes it easy for those Chinese officials to solicit bribes either directly or indirectly.<sup>249</sup> Furthermore, China’s rampant demoralization, which is reflected in its “ubiquitous corruption, widespread fake products, shameless waste of resources, immodest power abuse, inundated crimes, immoral ‘entertaining’ practices in business,” combined with its “shockingly high social injustice and its derived wealth disparity, has made the society virtually ill and ethically apathetic.”<sup>250</sup>

The most recent manifestation of China’s demoralization is the thriving market in art forgeries, which has become “a breeding ground for corruption” because business executives “curry favor

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243. Luo, *Guanxi and Business*, pp. 5-6.

244. Mayfair Mei-hui Yang, *Gifts, Favors and Banquets: The Art of Social Relationships in China* (Ithaca: Cornell University Press, 1994), pp. 6 and 63.

245. *Ibid.*, p. 27.

246. *Ibid.*, p. 28.

247. Schumpter, “The panda has two faces,” *Economist*, March 31, 2010.

248. Luo, *Guanxi and Business*, p. 29.

249. Yuan Wang, Xin Sheng Zhang and Rob Goodfellow, *China Business Culture: Strategies for Success* (Singapore: Talisman Publishing, 2003), p. 171.

250. Luo, *Guanxi and Business*, p. 227.

with officials by bribing them with art.” To avoid detection and conviction, a businessman will give an official a painting and ask him to auction it. The businessman will purchase the same painting at an inflated price with a substantial profit for the official. The culture of gift-giving is thus responsible for the growth of the art market in China as provincial officials visit Beijing during the mid-Autumn festival in September to bring gifts of art, alcohol and other items for senior government officials. Indeed, the bribery of public officials with art is so rampant today that it has been described as *yahui* or “elegant bribery.”<sup>251</sup>

As China has become demoralized, *guanxi* and corruption are intertwined and lead inevitably to “corrupted *guanxi* and *guanxi*-based corruption.” As *guanxi* is implicated in almost all major corruption scandals in China, *guanxi* provides “a fertile soil” for corruption to flourish, as it is “a powerful tool wielded by corrupt officials to blackmail business for their personal gains.”<sup>252</sup> Luo concludes that *guanxi* connects rent-seekers to favor-seekers in China by providing a shortcut around bureaucratic power and a mechanism for allocating rent in a black or gray economy.<sup>253</sup>

When he was interviewed during the Tiananmen protests in June 1989, FANG Lizhi observed that while corruption in China was “most rife at the top,” the “most common type of corruption was *guanxi*, or personal connections, which acts along the lines of a ‘favor for a favor’, usually at the lower levels of society.”<sup>254</sup> In short, the tradition of gift-giving builds *guanxi* in the business world and the powerful combination of *guanxi* and gift-giving constitutes an important cause of corruption in China today.

## VI. ANTI-CORRUPTION MEASURES IN CHINA

### A. Three Patterns of Corruption Control

There are three patterns of corruption control in Asian countries, depending on the anti-corruption measures employed.<sup>255</sup> Pattern 1 is the least popular and ineffective because it relies on anti-corruption laws without an ACA to implement these laws. Japan is

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251. David Barboza, Graham Bowley and Amanda Cox, “A Culture of Bidding: Forging an Art Market in China,” *New York Times*, October 28, 2013.

252. Luo, *Guanxi and Business*, p. 228.

253. *Ibid.*, p. 229.

254. Quoted in Dick Wilson, “Corruption greasing skids of the economy,” *China Review*, (September 1989): 9.

255. For details of these patterns of corruption control, see Quah, *Curbing Corruption in Asia*, pp. 25-29.

the only Asian country that uses this pattern as it relies on the Public Prosecutors Office to investigate corruption cases instead of an ACA. The second pattern of corruption control relies on multiple ACAs to implement the anti-corruption laws. This pattern is employed by such democratic countries as India, Philippines, and Taiwan, as well as by communist countries like China and Vietnam. The third pattern of corruption control involves the implementation of the anti-corruption laws by a single, independent ACA. It is the most popular pattern because the effectiveness of the Corrupt Practices Investigation Bureau in Singapore and the Independent Commission Against Corruption in Hong Kong SAR has led to the proliferation of ACAs in 15 Asian countries, as shown in Table 6.

**Table 6. Patterns of Corruption Control in Asian Countries**

Pattern	Features	Countries
1	No ACA to implement the anti-corruption laws	Japan
2	Multiple ACAs implement the anti-corruption laws	China, India, Philippines, Taiwan, Vietnam
3	Single ACA to implement the anti-corruption laws	Singapore, Malaysia, Hong Kong, Brunei, Nepal, Sri Lanka, Pakistan, Thailand, Macao, South Korea, Indonesia, Bangladesh, Bhutan, Mongolia, Maldives, Timor-Leste, Cambodia

As China employs the second pattern of corruption control, it has four ACAs to implement the many anti-corruption laws. These laws, multiple ACAs and anti-corruption campaigns are discussed in the following three sub-sections.

**B. Anti-Corruption Laws**

China has many anti-corruption laws and regulations as manifested in the publication of *A Complete Collection of Anti-Corruption Policies and Laws in the People’s Republic of China* in Beijing in 1997.<sup>256</sup> GAO Quanxin, a senior fellow at the Chinese Academy of Social Sciences in Beijing, laments that corruption is “rotting the establishment of a rule of law” because of the ineffective implemen-

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256. Chan, “Corruption in China,” p. 321, note 4.

tation of more than 1,200 laws, rules and directives against corruption.<sup>257</sup> However, ZOU Keyuan had indicated earlier that the NPC and its Standing Committee had adopted 200 anti-corruption laws, resolutions and decisions.<sup>258</sup>

After the establishment of the PRC on October 1, 1949, Article 18 of the Common Program of the Chinese People's Political Consultative Conference specified that all state organs were required to "punish corruption, prohibit waste, and oppose the bureaucratic demeanor" that alienated them from the people. The Act of the PRC for the Punishment of Corruption was adopted in 1952 during the "Three Anti" campaign. DENG Xiaoping's regime relied on chapters 3, 5 and 8 of the Criminal Law of 1979 for prosecuting corruption cases. This law was amended in 1982 to increase the penalty for corruption and specify the punishment for extortion and bribery. In 1988, the Standing Committee of the NPC enacted the "Supplementary Provisions on Punishment for the Crimes of Graft and Bribery" which indicated, for example, that graft involving more than 50,000 yuan (about US\$6,000 in 1997) would result in ten years' imprisonment or the death penalty.<sup>259</sup>

The Criminal Law of 1979 did not provide a legal definition of criminal corruption and was also "too vague and general to distinguish and punish economic crime."<sup>260</sup> Consequently, it was revised to keep up with the new legal and political developments in China and replaced 18 years later by the 1997 Criminal Law. Unlike the 1979 Criminal Law, which included only articles on embezzlement of public assets, bribery, retaliation against complainants, and malfeasance of judicial officials, the comprehensive 1997 Criminal Law has identified a total of 14 corruption offenses, including "a more extensive elaboration" of criminal malfeasance by various officials, as shown in Table 7.

As the penalty for officials who accepted bribes (death penalty for passive bribery) was more severe than for those persons who gave bribes (three years imprisonment for active bribery), the uneven treatment or the "asymmetry of punishments" was identified as

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257. Quoted in David Barboza, "Politics Permeates Anti-Corruption Drive in China," *New York Times*, September 3, 2009, p. B1.

258. Zou Keyuan, "Why China's Rampant Corruption cannot be Checked by Laws alone," in Wang Gungwu and Zheng Yongnian (eds.), *Damage Control: The Chinese Communist Party in the Jiang Zemin Era* (Singapore: Eastern Universities Press, 2003), p. 86.

259. Chan, "Corruption in China," p. 300.

260. Manion, *Corruption by Design*, p. 140.

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a major reason for the increase in corruption cases in China. However, this serious limitation was rectified by the 1997 Criminal Law, which increased the maximum penalty for bribe givers to life imprisonment and confiscation of personal property. In March 1999, the SPC and SPP directed prosecutors and judges to punish both bribe takers and bribe givers, and to impose heavier penalties for bribe giving.<sup>261</sup>

**Table 7. Corruption Offenses identified in China's 1997 Criminal Law**

Corruption Offense	Articles
Embezzlement of public assets	382, 396, 165, 166, 168, 169
Bribery	385, 387, 388, 389, 391, 392, 393
Misuse of public funds	384, 185, 272
Unexplained assets worth huge sums	395
Failure to report and turn in gifts received in official business	394
Retaliation against complainants	254
Malfeasance of judicial officials	399, 401, 402
Malfeasance of taxation officials	404, 405
Malfeasance of customs officials	411
Malfeasance of state commodity inspection officials	412
Malfeasance of quarantine officials	413
Malfeasance in hiring practices	418
Malfeasance in land transactions	410
Malfeasance in company registration and initial public offerings	403

Source: Melanie Manion, *Corruption by Design: Building Clean Government in Mainland China and Hong Kong* (Cambridge: Harvard University Press, 2004), p. 142.

In addition to the many anti-corruption laws, the CCP has also issued 15 political documents specifying the political and disciplinary norms for its members to follow from 1983-2004, as shown in Box 2. However, as these political documents are considered to be more important than the anti-corruption laws, the CCP's reliance on these documents has reduced the role of law in its many anti-corruption campaigns. As some corrupt acts are not punishable by

261. Dali L. Yang, *Remaking the Chinese Leviathan: Market Transition and the Politics of Governance in China* (Stanford: Stanford University Press, 2004), p. 227.

law, ZOU Keyuan contends that these “Party documents are very helpful to curb non-criminal corruption.”<sup>262</sup>

### C. Reliance on Multiple Anti-Corruption Agencies

In China, the anti-corruption laws described above are implemented by four ACAs as shown in Table 8. The lead ACA, the CCDI, was re-installed in 1978 to check corruption among the party members.<sup>263</sup> The CCDI’s origins can be traced to the establishment of the CCP’s disciplinary supervisory commissions at the central and provincial levels in 1927. After assuming power in 1949, the CCP strengthened the DICs at all levels of the party organization by increasing the number of full-time discipline inspection officials from 1,500 to 7,200 from 1951 to 1954. However, the CCP’s discipline inspection system was dismantled during the Cultural Revolution and the CCDI was restored in 1978.<sup>264</sup> The CCDI’s 100 members were elected by the Third Plenum of the 11th Central Committee in 1978, with CHEN Yun as its first secretary. The 12th Party Congress in 1982 elected a new CCDI consisting of 132 members, of whom only 26 had served on the previous CCDI.<sup>265</sup> The CCDI reports to the NPC and is supervised by the CCP’s Central Committee. The composition of the CCDI and its procedures are governed by the CCP’s Constitution and statutes as it has been assigned the responsibility of coordinating the Party’s anti-corruption activities by article 44.<sup>266</sup> The CCDI’s role as the chief coordinator of the CCP’s anti-corruption efforts and the country’s lead ACA was recognized at the 16th Party Congress in 2002.<sup>267</sup>

The SPP’s origins can be traced to the People’s Procuratorate, which was formed in 1949 to ensure that the activities of the government complied with the law and to investigate and prosecute

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262. Zou, “Why China’s Rampant Corruption cannot be Checked by Laws alone,” p. 91.

263. Chan, “Corruption in China,” pp. 300-301. Chan refers to the Central Discipline Inspection Committee instead of the CCDI, but the latter is more accurate because the CCDI is a commission and not a committee.

264. Ting Gong, “The Party Discipline Inspection in China: Its Evolving Trajectory and Embedded Dilemmas,” *Crime, Law and Social Change*, 49 (2) (March 2008): 141-143.

265. Graham Young, “Control and Style: Discipline Inspection Commissions since the 11th Congress,” *China Quarterly*, 97 (1984): 30.

266. Irene Hors, Gretta Fenner, Joachim Pohl and Janos Bertok, “Fighting Corruption in China,” in *Governance in China* (Paris: Organisation for Economic Cooperation and Development, 2005), p. 117.

267. Gong, “The Party Discipline Inspection in China,” 147.

serious crimes committed by public officials.<sup>268</sup> The SPP was re-established in 1978 to combat corruption in the judicial sector. The SPP formed the Procuratorial Division of Graft and Bribery in 1989 after the Tiananmen anti-corruption and democracy movement. Under the SPP, the Bureau for Embezzlement and Bribery of the People's Procuratorate is responsible for handling and preventing cases of embezzlement and bribery by investigating economic crime including misappropriation of public funds, tax evasion and refusal to pay taxes, and use of fake trademarks.<sup>269</sup> In 1989, the SPP institutionalized its anti-corruption efforts with the establishment of the General Bureau of Anti-Corruption.<sup>270</sup>

An Anti-Corruption and Anti-Bribery General Office was established under the SPP in December 1995 and similar offices were created at the provincial level in 28 provincial procuratorates and at the municipal level in nearly 300 municipal procuratorates. This process of building specialized anti-corruption departments in the local procuratorates to enhance their capacity in corruption control continued in 1996.<sup>271</sup> The SPP renamed its Department of Law and Regulation as the Department of Anti-Malfeasance of Duty in July 2000 to reflect these four new priorities: (1) malfeasance of duty of senior officials in the CCP and administrative sector; (2) judicial sector corruption; (3) administrative legal enforcement corruption; and (4) public sector employee corruption.<sup>272</sup>

The supervisory agencies created by the Communist government in the Soviet regions during the civil war in the 1930s were based on the Soviet model. For example, a major function of the Worker-Peasant Supervisory Commission was the prevention of corruption and bureaucratism. In November 1949, the Central Supervision Commission was formed to investigate public accusations

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268. Harding, *Organizing China*, pp. 78-79. For details of the origins of the People's Procuratorate, see George Ginsburgs and Arthur Stahnke, "The Genesis of the People's Procuratorate, 1949-1951," *China Quarterly*, 20 (October-December 1964): 1-37.

269. Luo Ji, Miao Chunrui and Guo Hua, (eds.), *The Work Against Embezzlement and Bribery in the People's Procuratorates of the People's Republic of China* (Beijing: Procuratorial Department for Embezzlement and Bribery, Supreme People's Procuratorate, n.d.), p. 3.

270. Stephen K. Ma, "The Dual Nature of Anti-Corruption Agencies in China," *Crime, Law and Social Change*, 49 (2) (March 2008): 154.

271. Melanie Manion, "Corruption and Corruption Control: More of the Same in 1996," in Maurice Brosseau, Kuan Hsin-chi and Y.Y. Kueh (eds.), *China Review 1997* (Hong Kong: Chinese University Press, 1997), p. 44.

272. Qingli Meng, *Corruption in Transitional China: A 33-Year Study* (Oisterwijk: Wolf Legal Publishers, 2013), p. 62.

**Box 2. CCP's Anti-Corruption Political Documents, 1983-2004**

1. Opinion on Severely Punishing Economic Criminals, 1983.
2. Interim Measures on Severely Punishing Communist Party Members who have Violated Laws or Party Disciplines in the Economic Field, 1983.
3. Notice Requiring Communist Party to Comply with Professional Ethics in an Exemplary Way, 1987.
4. Decision on Firmly Dealing with Communist Party Members who Extort Bribes, 1988.
5. Interim Regulations on Disciplinary Punishment for the Party Members and Leading Cadres who have Committed Severe Bureaucracy and Dereliction of Duty, 1988.
6. Interim Regulations on Disciplinary Punishment for the Communist Party Members who have Violated Party Disciplines in Foreign Activities, 1988.
7. Certain Provisions on Punishing Party Members who have Breached the Socialist Ethics (Trial), 1989.
8. Certain Provisions on Disciplinary Punishment for Communist Party Members who have violated Laws or Party Disciplines in the Economic Field, 1990.
9. Provisions on Disciplinary Punishment for Party Organizations and Party Members who have hampered the Investigation of Cases, 1990.
10. Regulations on the Work Case of Inspection of the Chinese Communist Party Discipline Inspection Organ, 1994.
11. Regulations on Income Declaration by CCP Officials, 1995.
12. Standards on the Honesty in Governance for CCP Officials, 1997.
13. Regulations on the System of Responsibility to Build up Party's Atmosphere and Clean Government, 1998.
14. Regulations of Internal Supervision of the CCP, 2004.
15. Regulations on Disciplinary Penalties within the CCP, 2004.

*Sources:* Zou Keyuan, "Why China's Rampant Corruption cannot be Checked by Laws alone," in Wang Gungwu and Zheng Yongnian (eds.), *Damage Control: The Chinese Communist Party in the Jiang Zemin Era* (Singapore: Eastern Universities Press, 2003), pp. 90 and 95; and Ke-yong Dong, Hong-shan Yang and XiaoHu Wang, "Public Service Ethics and Anti-Corruption Efforts in Mainland China," in Evan M. Berman, M. Jae Moon and Heungsuk Choi (eds.), *Public Administration in East Asia: Mainland China, Japan, South Korea, and Taiwan* (Boca Raton: CRC Press, 2010), p. 107.

against state agencies and officials for malfeasance and other offenses. Local commissions were also created in the provinces and counties. The Austerity Inspection Commission was formed in December 1951 to implement the Three Anti Campaign. The expansion of the supervision apparatus resulted in the existence of 3,586

**Table 8. Anti-Corruption Agencies in China**

<b>Anti-Corruption Agency</b>	<b>Year Formed</b>	<b>Functions</b>
<i>Central Commission for Discipline Inspection</i> (Branches in provinces, municipalities, counties) (Lead anti-corruption agency)	1978	Investigating and prosecuting corruption cases in CCP
<i>Supreme People's Procuratorate</i> Procuratorial Division of Graft & Bribery Bureau for Embezzlement & Bribery General Bureau of Anti-Corruption Anti-Corruption & Anti-Bribery General Office	1978 1989 1989 1995	Investigating and prosecuting corruption cases in Judicial sector
<i>Ministry of Supervision</i> (Branches in provinces, municipalities, counties) (merged with CCDI in 1993)	1986	Investigating and prosecuting corruption cases in Civil Service
<i>National Corruption Prevention Bureau</i>	2007	Preventing corruption; monitoring asset transfer; and information sharing in private organizations

supervisory agencies with 18,000 supervisory officials and 78,000 “people’s supervision correspondents.”<sup>273</sup>

The MOS was established by the 1954 constitution, which empowered the supervisory agencies to supervise, investigate and recommend for further disciplinary measures against administrative misconduct by public officials.<sup>274</sup> The MOS was dissolved in 1959 but restored by the Standing Committee of the Sixth NPC in December 1986 to curb corruption in the civil service.<sup>275</sup> Even though the MOS had received more than 700,000 reports in 1993, both the CCDI and the MOS failed to reduce corruption because the “authorities appear[ed] to lack the political will to handle corruption cases among the more senior party members.”<sup>276</sup> Both the CCDI and MOS have their counterparts at the provincial, municipal, and

273. Lu, *Cadres and Corruption*, pp. 51 and 64-65.

274. *Ibid.*, p. 65.

275. *Ibid.*, 154.

276. John P. Burns, “Civil Service Reform in China,” *Asian Journal of Political Science*, 2 (2) (December 1994): 57-58.

county levels.<sup>277</sup> As most civil servants are also CCP members, the MOS and CCDI merged in January 1993 after working together for six years. However, both ACAs have retained their separate organizational identities, with the MOS being responsible for the control of administrative punishment and the CCDI focusing on the punishment of CCP members.<sup>278</sup>

The National Corruption Prevention Bureau (NCPB) was established on September 13, 2007, with MA Wen, the Minister of Supervision, the CCDI deputy secretary, and a Central Committee party member, as its head. Unlike the SPP, MOS, and CCDI that focus on investigation and prosecution, the NCPB is concerned with “implementing preventive measures, monitoring the transfer of assets across organizations, facilitating and promoting information sharing between agencies, and policing corrupt practices” among private enterprises, social organizations, and nongovernmental organizations.<sup>279</sup> The NCPB is the smallest ACA as it has only 30 personnel drawn from the Ministry of Justice, SPC and the SPP. It is located within the MOS and is divided into four offices and a coordinating office.<sup>280</sup>

#### D. Reliance on Anti-Corruption Campaigns

In addition to the implementation of the anti-corruption laws and regulations by the ACAs mentioned above, the CCP has also relied on anti-corruption campaigns to enhance the enforcement of these laws and regulations. According to Melanie Manion, these campaigns were used as enforcement mechanisms during the 1980s and 1990s to enhance regime legitimacy by producing “enforcement peaks” to offset public cynicism about the effectiveness of the ACAs. However, the emphasis of these campaigns shifted from “enforcement swamping” in the 1980s to “enforcement targeting” in the 1990s.<sup>281</sup>

The first anti-corruption campaign initiated by MAO Zedong in December 1951 was “a huge exercise in mass political education” to emphasize the link between corruption and the bourgeoisie.

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277. Yong Guo, *National Integrity Systems Transparency International Country Study Report: China 2006* (Berlin: Transparency International, 2006), p. 17.

278. Meng, *Corruption in Transitional China*, pp. 65-66.

279. Jeffrey Becker, “Tackling Corruption at its Source: The National Corruption Prevention Bureau,” *Journal of Chinese Political Science*, 13 (3) (2008): 287-288 and 291.

280. *Ibid.*, 291.

281. Manion, *Corruption by Design*, p. 155.

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Apart from mobilizing ordinary citizens to expose corrupt officials, the campaign also provided an opportunity for them to show “their revolutionary zeal and be rewarded accordingly.” Mao used campaigns to control corruption to ensure “deterrence through unpredictability” because the “constant threat of purge” discouraged misconduct by public officials and “unpredictability about the next campaign kept officials off balance, inspiring compliance by raising fears of punishment.”<sup>282</sup>

Unlike the Maoist-style mass movements, the anti-corruption campaigns of the 1980s and 1990s were characterized by two features. First, these campaigns increased the publicity on anti-corruption activities to encourage citizens to report corruption and corrupt officials to confess their crimes. Second, the political leaders used these campaigns to enhance the investigation of corruption cases as criminal offenses as enforcement figures were viewed as political performance targets. In other words, more corruption cases were interpreted as evidence of increased anti-corruption commitment or enforcement success rather than deterrence failure.<sup>283</sup>

The pioneering effort made by the Shenzhen Municipal Procuratorate, in March 1988, to establish a crime reporting center for receiving information from citizens about crimes committed by officials was replicated by other procuratorates. Consequently, 70 percent of the 2,500 procuratorates in China had set up similar reporting centers or hotlines by December 1988. The publicity accompanying the formation of these centers and hotlines made the citizens aware of a new channel for voicing their complaints about official abuses and to participate as informants in the anti-corruption struggle. Consequently, by the early 1990s, these citizen reports were the source for nearly 60 percent of the bribery and embezzlement cases filed by the procuratorates for investigation. By 1995, the reliance on these reports increased to 70 or 80 percent.<sup>284</sup>

As Chinese citizens view corruption as a serious problem in China today and are generally dissatisfied with their government’s anti-corruption efforts, anti-corruption campaigns provide an outlet for them to be involved in anti-corruption enforcement, reporting centers and hotlines to “reinforce the claim that the regime is an ally of ordinary citizens against corrupt officials.”<sup>285</sup> In other

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282. *Ibid.*, pp. 158-159.

283. *Ibid.*, p. 161.

284. *Ibid.*, pp. 163-164.

285. *Ibid.*, p. 164.

words, campaigns provide a window of opportunity for citizens to participate in the government's anti-corruption efforts by encouraging them to submit complaints on corrupt officials.<sup>286</sup> Melanie Manion has estimated that from 1979 to 1999, 28 months were devoted to the anti-corruption campaigns, with the remaining 90 percent focusing on routine anti-corruption enforcement.<sup>287</sup> In sum, China's political leaders view anti-corruption campaigns as "a stone that can kill [the] two birds" of improving the economic environment and winning public support.<sup>288</sup>

## VII. EVALUATION OF CHINA'S ANTI-CORRUPTION MEASURES

### A. China's Performance on Five Corruption Indicators

How does China fare in terms of its performance on the following five indicators: Transparency International's Corruption Perceptions Index (CPI) from 1995-2012; Political and Economic Risk Consultancy's (PERC's) annual survey on corruption, 1995-2013; World Bank's Control of Corruption governance indicator, 1996-2012 and Ease of Doing Business Rank, 2007-2014; and the *Global Competitiveness Report's* indicator on Public Trust in Politicians, 1999-2013?

Table 9 shows, first, that while China's CPI score remains low, it has improved from 2.16 in 1995 to 3.6 in 2008, 2009 and 2011. Second, its score on PERC is also low, ranging from its best score of 6.29 in 2007 to its worst score of 9.11 in 2000. Third, China's percentile rank on the World Bank's Control of Corruption has declined from 43.90 in 1996 to 39.23 in 2012. Fourth, Table 5 above shows that the ease of doing business rank in China has improved gradually from 93rd to 79th from 2007 to 2011, but worsened again to 96th in 2014. Finally, according to Table 10, China's score on the *Global Competitiveness Report's* indicator of public trust of politicians varies from its lowest score of 3.0 in 2000 to its highest score of 4.4 in 2002.

In sum, China's performance on the above five indicators not only confirms that corruption remains a serious problem, but is also a reflection of the ineffectiveness of its ACAs in curbing corruption.

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286. *Ibid.*, p. 166.

287. *Ibid.*, p. 163.

288. Yang, *Remaking the Chinese Leviathan*, p. 221.

**Table 9. China's Performance on Three Corruption Indicators, 1995-2013**

Year	CPI	PERC	Control of Corruption
1995	40th (2.16)	10th (7.3)	NA
1996	50th (2.43)	12th (8.0)	43.90
1997	41st (2.88)	10th (8.06)	NA
1998	52nd (3.5)	6th (6.97)	45.85
1999	58th (3.4)	10th (9.0)	NA
2000	63rd (3.1)	9th (9.11)	50.73
2001	57th (3.5)	7th (7.88)	NA
2002	59th (3.5)	7th (7.00)	33.66
2003	66th (3.4)	8th (8.33)	43.41
2004	71st (3.4)	7th (7.48)	34.63
2005	78th (3.2)	8th (7.68)	31.71
2006	70th (3.3)	9th (7.58)	37.07
2007	72nd (3.5)	7th (6.29)	33.50
2008	72nd (3.6)	10th (7.98)	35.44
2009	79th (3.6)	12th (7.30)	34.93
2010	78th (3.5)	10th (6.70)	32.38
2011	75th (3.6)	11th (7.93)	35.07
2012	80th (3.9)	12th (7.00)	39.23
2013	NA	11th (7.79)	NA

Sources: Compiled from <http://www.transparency.org>; *Asian Intelligence*, No. 579, March 7, 2001, p. 2; *Asian Intelligence*, No. 750, March 12, 2008, p. 7; *Asian Intelligence*, No. 871, March 20, 2013, p. 6; and <http://info.worldbank.org/governance/wgi/index.aspx#reports>.

## B. Performance and Limitations of China's Anti-Corruption Agencies

How are corruption cases handled by China's ACAs? The sectoral approach is used as party officials accused of corruption are dealt with by the CCDI and DICs, while corruption cases involving government officials are handled by the MOS. Thus, the SPP is responsible for those corruption cases of persons who are not party members or government officials.<sup>289</sup>

Party members are subject to the specific disciplinary codes and sanctions stipulated in the CCP's Constitution and other statutes. While minor violations of party rules are handled by the gen-

289. Meng, *Corruption in Transitional China*, pp. 66-67.

**Table 10. Public Trust of Politicians in China, 1999-2013**

Year	Rank	Score*
1999	26th (N=59)	3.5
2000	32nd (N=59)	3.0
2001	18th (N=75)	3.8
2002	12th (N=80)	4.4
2003	20th (N=102)	3.8
2007	45th (N=131)	3.1
2008	36th (N=134)	3.6
2009	26th (N=133)	4.0
2010	22nd (N=139)	4.3
2011	26th (N=142)	4.2
2012	26th (N=144)	4.1
2013	26th (N=148)	4.1

\*The score ranges from 1 (very low) to 7 (very high).

Sources: Jon S.T. Quah, *Public Administration Singapore-Style* (Bingley: Emerald Group Publishing, 2010), p. 244, Table 11.7; and Klaus Schwab (ed.), *The Global Competitiveness Reports 2010-2013* (Geneva: World Economic Forum, 2010-2013), various pages.

eral membership meeting of the relevant party branch, more important and complex cases requiring the expulsion of a party member are dealt with by the CCDI. Disciplinary sanctions against a member of the Central Committee or of a local committee must be approved by the party committee the level above the concerned body to prevent a conflict of interest or abuse of the party's sanction regime. Finally, serious violations of criminal law by a Central Committee member are dealt with by the Political Bureau of the Central Committee.<sup>290</sup>

Party members found guilty of disciplinary offenses are punished according to the severity of their offenses, ranging from a warning, serious warning, demotion from duty, expulsion from the party with a two year probation period, and expulsion from the party and transfer to the judicial system for those accused of accepting bribes exceeding 5,000 yuan.<sup>291</sup> Flora Sapio contends that

290. Hors, Fenner, Pohl and Bertok, "Fighting Corruption in China," p. 117.

291. Flora Sapio, *Implementing Anti-Corruption in the PRC: Patterns of Selectivity* (Lund: Centre for East and Southeast Asian Studies, Lund University, Working Paper No. 10, 2005), pp. 8 and 10.

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party cadres who are being investigated by the CCDI are “shielded by what is generally conceived of as a safe nest ensuring their exemption from criminal punishment.”<sup>292</sup> In his analysis of the punishment of corrupt party cadres in China during 1993-1998, PEI Minxin found that only 1,915 (6.6 percent) of the 28,901 cadres who were disciplined by the Party were sentenced by the courts. Table 11 shows that among the 28,901 cadres disciplined by the Party, only 0.3 percent were senior cadres at the provincial and ministerial level, 7.6 percent involved cadres at the prefectural and departmental level, and 92.1 percent were cadres at the county or division level. Even though 10 percent of more senior corrupt officials were punished, corrupt offenders were treated leniently by the party and faced an extremely low chance of being punished for their misconduct.<sup>293</sup> As mentioned earlier by ZHANG Lening, the political tradition of saving the “face” of the Party and government results in avoiding the imposition of legal penalties for corrupt offenses and relying instead on the CCDI to deal with corrupt party members through “internal resolution”.

**Table 11. Punishment of Corrupt CCP Cadres, 1993-1998**

Rank of Cadres	Disciplined by the CCP	Investigated by Prosecutors	Sentenced by Courts	Sentenced as % of Disciplined
Provincial/ Ministerial	87 (0.3%)	15 (0.1%)	9 (0.5%)	10.3%
Prefect/ Department	2,205 (7.6%)	616 (5.0%)	201 (10.5%)	9.1%
County/ Division	26,609 (92.1%)	11,712 (94.9%)	1,705 (89.0%)	6.4%
Total	28,901 (100%)	12,343 (100%)	1,915 (100%)	6.6%

Source: Minxin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy* (Cambridge: Harvard University Press, 2006), p. 153, Table 4.4.

There are two other reasons that explain the low conviction rates for corruption cases. The first reason is that while the Criminal Procedure Code requires the authorities to investigate all alleged crimes, the investigation of corruption cases depends in practice on whether the investigating officers would be supported by their superiors, especially in investigating allegations of corrupt

292. Ibid., pp. 8-9.

293. Minxin Pei, *China's Trapped Transition: The Limits of Developmental Autocracy* (Cambridge: Harvard University Press, 2006), pp. 152-153.

behavior involving senior party members or high-ranking officials. DICs are given two to three months to conduct preliminary investigations and three to four months for initiating full-scale investigations. As the approval to file cases takes a month, and the party committees take another month to decide on the disciplinary actions, the DICs have up to nine months (or longer for complicated cases) to complete their investigations of corruption cases and make their recommendations.<sup>294</sup> Thus, the second reason is that the nine months taken by the DICs to complete their investigations serve to warn those officials suspected of corruption and give them “sufficient time to destroy their evidence and cover up their tracks.”<sup>295</sup>

When DICs receive reports concerning criminal violations, they conduct their investigations in the usual way instead of immediately transferring these cases to procurators for investigation. As the DIC personnel lack investigative skills and experience, criminals can cover their tracks and destroy incriminating evidence to prevent the investigators from solving the cases.<sup>296</sup> More importantly, the DICs infringe on the SPP’s anti-corruption role when they appropriate cases of criminal corruption and replace harsher criminal punishment with milder party disciplinary actions. According to WEN Shengtang, a procurator with the Anti-Corruption General Bureau:

The major problem is that certain cases of criminal violations, which ought to be transferred to the criminal justice system so that criminal charges can be pursued, are instead handled as disciplinary matters, with disciplinary action replacing criminal punishment.<sup>297</sup>

The DICs’ appropriation of criminal cases and substitution of disciplinary actions for criminal punishment is “a sort of plea bargaining outside the legal system” by punishing party members for disciplinary violations only and protecting them from being investigated and prosecuted by the SPP. Hence, it is not surprising that among the 1.6 million party members investigated by the DICs from 1988 to 1997, only 80,000 of them (or 5 percent) were prosecuted and punished for their crimes.<sup>298</sup>

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294. Manion, *Corruption by Design*, pp. 132-134.

295. Hors, Fenner, Pohl and Bertok, “Fighting Corruption in China,” p. 114.

296. Manion, *Corruption by Design*, p. 135.

297. Quoted in *ibid.*, pp. 135-136.

298. *Ibid.*, pp. 136-137 and p. 234, n. 41.

Apart from the low probability of punishing corrupt CCP officials, the CCDI and DICs suffer from two additional problems: the lack of independence or operational autonomy; and the limited capacity of their personnel. To be effective, an ACA must be able to operate independently without any political interference. There are six indicators for assessing the degree of independence of an ACA: (1) Location: Where is the ACA located in the government? (2) Appointment of Director: Who appoints him/her and to whom must he/she report? (3) Independence from Police: Is the ACA part of the police or an independent agency? (4) Investigation of political leaders and senior civil servants: Has the ACA investigated political leaders and senior civil servants if they are accused of corruption? (5) Taking action against “Big Fish”: Has the ACA taken action against corrupt prominent individuals? How many “big fish” have been prosecuted and convicted? (6) Weapon against opposition: Has the ACA been used by the incumbent government as a weapon against its political opponents?<sup>299</sup>

Using these criteria, the CCDI and the other three ACAs are not independent, except for the third criterion of independence from the police because all four ACAs are not part of the police in China. As mentioned earlier, the 100 members of the re-established CCDI in 1978 were elected by the Third Plenum of the 11th Central Committee and the 132 members of the 1982 CCDI were elected by the 12th Party Congress.<sup>300</sup> Twenty years later, the 121 CCDI members were elected by the 16th Party Congress. The CCDI members have a five-year term and operate under the leadership of the Central Committee. The MOS is a functional department of the State Council and its minister is nominated by the Premier and approved by the NPC or its standing committee. The budgets of the CCDI and MOS are approved by the People’s congresses at the same level.<sup>301</sup>

The CCDI and DICs have encountered “numerous difficulties” because of their lack of sufficient operational autonomy from the CCP. The DICs’ lack of autonomy was first noted in the 1955 National Conference but the 1956 Party Constitution reaffirmed the

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299. Jon S.T. Quah, “Benchmarking the Performance of Anti-Corruption Agencies in the Asia-Pacific Countries,” in Anuradha K. Rajivan and Ramesh Gampat (eds.), *Perspectives on Corruption and Human Development*, Vol. 2 (New Delhi: Macmillan Publishers India, 2009), p. 786.

300. Young, “Control and Style,” 30.

301. Guo, *National Integrity Systems Transparency International Country Study Report: China 2006*, p. 26.

subordination of the DICs to the party committees.<sup>302</sup> Following the control committees of 1955-1968, the DICs are subject to the dual authority or leadership of the party committee at the corresponding hierarchical level, and higher-level control organs up to the CCDI and the Central Committee.<sup>303</sup>

The DICs are required to collect evidence by thorough investigation and their investigations should distinguish between “work mistakes, political mistakes, line mistakes, and counter-revolutionary actions.” Criticism of these mistakes should be strict, but organizational punishment should be lenient.<sup>304</sup> Furthermore, while the DICs insist that party members who violate party style should be severely punished, punishment of disciplinary violations is not their principal method of discipline inspection work. Rather, the DICs rely upon educating party members on discipline and party style.<sup>305</sup> After completing an investigation, the DIC has the authority to give a warning or serious warning to the accused party member if the charges are substantiated. However, the DIC can only recommend to the party committee the more serious penalties of removing the accused from party posts, putting him on probation within the Party, or expelling him from the Party, but there is no guarantee that its recommendations would be accepted by the party committee.<sup>306</sup>

Apart from their limited independence and operational autonomy, the CCDI and DICs are also plagued by a lack of capacity. Lawrence R. Sullivan identified the “poor training, age, and general lack of political influence” of their personnel as the problems affecting the CCDI and DICs during their formative years. Most of the CCDI personnel in 1982 were elderly party leaders with no previous experience in control work. The political and factional strife among the CCDI members was reflected in the high staff turnover from 1979 to 1982. The shortage of personnel hindered control work as many counties, prefectures, and provinces were unable to establish fully staffed DICs in 1982 and 1983.<sup>307</sup>

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302. Young, “Control and Style,” 26.

303. Sullivan, “The Role of the Control Organs in the Chinese Communist Party, 1977-83,” 611.

304. Young, “Control and Style,” 33.

305. *Ibid.*, 39.

306. Gong, “The Party Discipline Inspection in China,” 148.

307. Sullivan, “The Role of the Control Organs in the Chinese Communist Party, 1977-83,” 613.

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In analyzing the DICs' organization, Graham Young observed that it was unclear whether their personnel had received any specialized training because of the emphasis on their moral qualities and adherence to party principles. For example, some of the CCDI members elected in 1978 had experience in party control in the 1950s and 1960s. However, as many cadres were unfamiliar with discipline inspection work, the CCP introduced both ideological and vocational training to enhance the DIC cadres' understanding of party policies and increase their knowledge in related economic, legal, scientific and cultural fields.<sup>308</sup>

On the other hand, GONG Ting contends that the policy capacity of the DICs has been strengthened to deal with the tremendous increase in corruption cases among party members after the 1978 economic reforms. Instead of focusing on the disciplinary violations of individual party members during its inception, the 1980 CCP document on "Some Criteria on the Inner-Party Political Life" required party members to maintain discipline in eight areas: (1) political discipline: adhering to the Party's basic line, principles, policies, and decisions; (2) organizational discipline: upholding democratic centralism as individual members are subordinate to the party organization; (3) discipline in relation to publicity: faithfully disseminating the principles and policies of the Party; (4) discipline in relation to the masses: giving top priority to the interests of the general public and keeping close contact with it; (5) security discipline: adhering to the Party's confidentiality regulations; (6) economic discipline: preventing power abuse in economic activities; (7) personnel discipline: adhering to the merit principle in personnel matters; and (8) discipline concerning foreign affairs: protecting national dignity in handling foreign affairs.<sup>309</sup>

Thus, the CCDI and DICs are now responsible for maintaining the party members' adherence to these eight disciplinary requirements. In short, their role has expanded to include not only their primary function of discipline inspection and investigation, but also rule making, imposition of penalties, and the moral education of party members. However, Gong has not provided relevant data on the current number of CDIC and DIC personnel, and their profiles to substantiate her argument that their policy capacity has been strengthened to enable them to perform their new roles effectively. Melanie Manion reported that there were about 300,000 DIC per-

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308. Young, "Control and Style," 46-47.

309. Gong, "The Party Discipline Inspection in China," 146.

sonnel in 1995.<sup>310</sup> However, there is no published information on the budget, number and profile of the current personnel of the CCDI and DICs.

In his analysis of the control system initiated by the CCP after 1949, Harry Harding identified the Procuracy or People's Procuratorate as the weakest link because its growth was "stunted by a shortage of cadres" and the new regime's reliance on mass campaigns and military control to curb counter-revolutionary and criminal activity. Consequently, the Procuracy played a limited role in the criminal justice system in the early 1950s. Even though the Procuracy had doubled the number of its personnel from 1954 to 1955, it was still "the least powerful and least active" component of the CCP's control system.<sup>311</sup>

The SPP, which was re-established in 1978, operates independently according to the Constitution and Organic Law of the People's Procuratorates. However, its independence is compromised in practice by the power of the local party committee and local people's government regarding the appointment, promotion, transfer or removal of procuratorial personnel and the funding of the procuratorates. Furthermore, a provincial procuratorate is equal in status and independent of the provincial people's government according to the Constitution, but in practice the procuratorate is viewed as a subordinate part of the people's government. Another limitation is that the procuratorates are ineffective in supervising the legality of the work of the public security agencies and labor reform organizations because they cannot enforce their recommendations for rectifying irregularities or impose sanctions for these irregularities. Finally, many procurators are not well trained legally as only 40 percent of chief procurators have undergone short-term training by 1990. Consequently, a Central Procurators Management Academy was formed in 1991 to enhance the training of procurators.<sup>312</sup>

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310. Manion, *Corruption by Design*, p. 121.

311. Harding, *Organizing China*, pp. 78-79.

312. Albert H.Y. Chen, *An Introduction to the Legal System of the People's Republic of China* (Singapore: Butterworths Asia, 1992), pp. 126-127.

**Table 12. Corruption Cases Investigated and Prosecuted by the Supreme People's Procuratorate, 1979-2002**

Period	No. of Corruption Cases Investigated and Prosecuted	Average No. of Cases per year
1979-1982	98,225	24,556
1983-1987	155,000	51,667
1988-1992	214,318	42,864
1993-1997	387,352	77,470
1998-2002	207,103	41,421
Total	1,061,998	44,250

Source: C. Han, "Report on the work of the Supreme People's Procuratorate," *People's Daily*, March 23, 2003, p. 3, quoted in Ke-yong Dong, Hong-shan Yang and XiaoHu Wang, "Public Service Ethics and Anti-Corruption Efforts in Mainland China," in Evan M. Berman, M. Jae Moon and Heungsuk Choi (eds.), *Public Administration in East Asia: Mainland China, Japan, South Korea, and Taiwan* (Boca Raton: CRC Press, 2010), p. 110.

Table 12 shows that the SPP and its procuratorates investigated and prosecuted 1,061,998 corruption cases from 1979 to 2002, or an average of 44,250 cases per year during that time span. However, as there were 150,000 government procurators in 1995,<sup>313</sup> this means that each procurator investigated and prosecuted an average of 7 cases, which is certainly not an impressive output for the SPP and its procuratorates.

The final limitation is the lack of coordination among the four ACAs in China. This problem is not unique to China as the proliferation of ACAs in the Philippines has resulted in "resource and effort-dilution in the anti-corruption efforts due to duplication, layering and turf wars."<sup>314</sup> There is lack of coordination or cooperation among the five ACAs in the Philippines, which compete for recognition, staff, and resources because they are understaffed and poorly funded.<sup>315</sup>

Among the four ACAs in China, the CCDI and MOS have worked closely together for six years until their merger in 1993, as most of the government officials are members of the CCP. However, there is less cooperation and coordination between the CCDI

313. Manion, *Corruption by Design*, p. 121.

314. Gabriella Quimson, *National Integrity Systems Transparency International Country Study Report: Philippines 2006* (Berlin: Transparency International, 2006), p. 30.

315. For an analysis of the limitations of the multiple ACAs in the Philippines, see Quah, *Curbing Corruption in Asian Countries*, pp. 144-147.

and the SPP because of their unequal relationship. As the CCDI is the lead ACA in China, the DICs have several advantages over the procuratorates when investigating corruption cases. First, as the DICs are the first to learn about corruption cases, they can investigate these cases as usual (taking up to nine months or longer) before transferring the cases to the procuratorates. Second, as discussed above, the CCDI can appropriate criminal corruption cases by not transferring these cases to the procuratorates and punishing the errant officials with disciplinary sanctions instead. Third, the broader jurisdiction of the DICs enables them to investigate a broader range of misconduct than the procuratorates. Fourth, there are more DICs, which are located at the grassroots level, in rural villages, urban neighborhoods, and within workplaces, than the procuratorates, which operate only at the county level. Consequently, it is not surprising that the CCDI and DICs have received more reports of corruption than the procuratorates.<sup>316</sup>

Jeffrey Becker contends that the CCDI, MOS, and SPP are ineffective ACAs because of “limited coordination between the three agencies, a lack of timely, actionable information, and narrow oversight capabilities all hinder anti-corruption work.”<sup>317</sup> As the NCPB was established in 2007 to enhance coordination and facilitate cooperation among the ACAs in China, Becker is skeptical about the NCPB’s ability to meet this objective because apart from its limited independence and minimal enforcement capabilities, its creation increases complexity rather than improve coordination. Indeed, the NCPB has been placed in “a highly untenable position” because it lacks the power to enforce its mandate of coordinating the work of the ACAs.<sup>318</sup>

## VIII. CAN CORRUPTION IN CHINA BE MINIMIZED?

### A. Reliance on Corruption as a Weapon against Political Opponents

As an ACA is a powerful agency, the government or political leaders should not abuse their powers by using corruption as a weapon against their political opponents. However, in reality, many corrupt political leaders have frequently employed corruption as a weapon against their political rivals. In her review of the corruption situation in Southeast Asia for Transparency International’s

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316. Manion, *Corruption by Design*, pp. 130-132.

317. Becker, “Tackling Corruption at the Source,” 287.

318. *Ibid.*, 297-299.

*Global Corruption Report 2001*, Dini Djalal has observed that “corruption charges are increasingly used as a means to discredit rivals, rather than as an effort to clean up politics” as “the tendency to use corruption charges to settle political scores is widespread”<sup>319</sup> in Cambodia, Indonesia, Malaysia and Vietnam.

In China, anti-corruption campaigns have been used against political opponents to undermine their power base in the CCP. Indeed, as noted by Joseph Fewsmith, “charging one’s opponents (or their close followers) with corruption—a charge that seems increasingly true of most officials—had become a weapon of choice for political maneuver.”<sup>320</sup> CHEN Xitong, the Beijing party chief, was sentenced to 16 years in prison for graft involving the misappropriation of 22 gifts worth 555,000 yuan and dereliction of duty on July 31, 1998.<sup>321</sup> Chen’s sentence was lenient because more junior party cadres were given life imprisonment or the death penalty for corruption involving smaller sums exceeding 100,000 yuan. Nevertheless, his imprisonment on corruption charges has been viewed as a successful attempt by his political foes to undermine his power as more than 170 corrupt senior party officials have been protected from criminal punishment.<sup>322</sup> Furthermore, it was reported earlier that Chen’s prosecution was delayed for more than two years because the CCP was afraid that he would “expose in public the identity of other high-ranking corrupt officials” if he had to appear in court.<sup>323</sup>

CHEN Liangyu, the Shanghai party chief, was sacked on September 25, 2006 for his alleged role in the misuse of 3.2 billion yuan from Shanghai’s 10 billion yuan pension fund. As an ally of former president JIANG Zemin, Chen was “a political thorn in the side” for President HU Jintao and was “often mentioned as a potential casualty of leadership battles.”<sup>324</sup> Referring to the arrests of Chen and two members of the CCP Political Bureau on corruption charges in the fall of 2006, and the removal from office of the may-

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319. Dini Djalal, “Southeast Asia,” in Robin Hodess (ed.), *Global Corruption Report 2001* (Berlin: Transparency International, 2001), pp. 32-33.

320. Joseph Fewsmith, *China since Tiananmen: The Politics of Transition* (Cambridge: Cambridge University Press, 2001), p. 231.

321. “Web of Deceit: Main characters in the Chen Xitong scandal,” *Straits Times*, August 10, 1998, p. 18.

322. Zou, “Why China’s Rampant Corruption cannot be checked by Laws alone,” p. 86; and Quah, *Curbing Corruption in Asian Countries*, p. 19.

323. Lo, “Public Maladministration and Bureaucratic Corruption,” p. 59.

324. “Downfall swift for Shanghai’s party chief,” *Straits Times*, September 30, 2006, p. 35.

ors of Shenzhen and Chongqing in 2009, John Bryan Starr noted that “anti-corruption campaigns often have as much as to do with settling intra-party rivalries as they do with reasserting public probity.”<sup>325</sup>

The most recent illustration of the reliance on corruption as a political weapon by China’s political leaders was the sacking and detention of BO Xilai, Chongqing’s party chief on March 15, 2012. He was suspended on the evening of April 10, 2012 from his Politburo and Central Committee positions for “serious” but unspecified violations of party discipline.<sup>326</sup> According to John Garnaut, the China correspondent for the *Sydney Morning Herald* and *The Age*:

The political explosion of Bo Xilai is blowing open the black box of Chinese politics and laying bare a world of staggering brutality, corruption, hypocrisy, and fragility. . . . The demise of Bo Xilai has opened cleavages in the Party along factional, ideological and personal lines. . . . Destroying Bo would give Xi [Jinping] a weapon with which he could taint Bo’s associates and accelerate the consolidation of his power.<sup>327</sup>

Steve Tsang, Director of Nottingham University’s China Policy Institute, claims that the BO Xilai scandal is “a political rather than a legal case.” Willy Lam of the Chinese University of Hong Kong has emphasized the importance of the CCP’s dominant faction to control the judicial apparatus so that “it’s then easy to use the law to attack your opponents.” Bo’s downfall as a victim of the factional in-fighting within the CCP in the lead-up to the 18th Party Congress in November 2012 reminded Lam of the “old-style backstabbing under MAO Zedong.”<sup>328</sup>

Bo was expelled from the CCP on September 28, 2012 and handed over to the SPP to face criminal charges of taking bribes, abuse of power, and having “improper sexual relationships with many women.” On October 26, 2012, he lost his immunity against legal prosecution when he was removed from his position as a dele-

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325. Starr, *Understanding China*, pp. 80-81.

326. John Garnaut, *The Rise and Fall of the House of Bo* (Melbourne: Penguin Group [Australia], 2012), pp. 120-124.

327. *Ibid.*, pp. 18 and 129-130.

328. M. Bristow, “China scandal: Is Bo Xilai victim of political dispute?” *BBC News China*, April 17, 2012, available at <http://www.bbc.co.uk/news/world-asia-china-17738723>.

gate to the NPC. He was charged with bribery, embezzlement and abuse of power on July 25, 2013.<sup>329</sup> During his five-day trial on August 22-26, 2013, Bo pled not guilty to the three charges but was found guilty on all charges and sentenced to life imprisonment on September 22, 2013.<sup>330</sup> His appeal against life imprisonment was rejected by a judge of the Shandong Higher Court on October 25, 2013.<sup>331</sup>

The establishment of an ACA sends a powerful signal to the citizens in a country that their government is committed to fighting corruption.<sup>332</sup> However, the reliance on an ACA to combat corruption is a double-edged sword because it can be used by the incumbent government for either good or evil. In the hands of a clean government, the ACA will be an asset and a powerful weapon against corrupt politicians, civil servants and business persons. Conversely, a corrupt government will make a mockery of its anti-corruption strategy by using the ACA to victimize its political foes instead.<sup>333</sup>

## B. Suggestions for Improving China's Anti-Corruption Measures

In his keynote address at the Spring 2009 conference on “The People’s Republic of China at Sixty: An International Assessment,” held at Harvard University, Roderick Macfarquhar observed that “despite repeated official campaigns, regulations, and exhortations, corruption on a colossal scale has infected all levels of state and society.” He further lamented that the status quo would remain unchanged because “so long as local leaders deliver taxes, promote development, and maintain law and order, the central leaders seem prepared to look the other way.”<sup>334</sup>

Indeed, corruption remains a serious problem in China today not only because of the ineffectiveness of its four ACAs but also

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329. “The downfall of Bo Xilai,” *Straits Times*, September 23, 2013, p. A6.

330. Kor Kian Beng, “Bo Xilai remains defiant as he gets life term,” *Straits Times*, September 23, 2013, p. A1.

331. Ho Ai Li, “Court rejects Bo Xilai’s appeal,” *Straits Times*, October 26, 2013, p. A12.

332. United Nations Office on Drugs and Crime, *The Global Programme Against Corruption: United Nations Anti-Corruption Toolkit*, 3rd edition (Vienna, 2004), p. 90.

333. Jon S.T. Quah, “Defying Institutional Failure: Learning from the Experiences of Anti-Corruption Agencies in Four Asian Countries,” *Crime, Law and Social Change*, 53 (1) (February 2010): 51.

334. Roderick Farquhar, “Keynote Address: The People’s Republic of China at Sixty,” in William C. Kirby (ed.), *The People’s Republic of China at 60: An International Assessment* (Cambridge: Harvard University Asia Center, 2011), p. 13.

because no serious attempt has been made by the government to address the five causes of corruption discussed in the fifth section. In his analysis of the corruption situation in China in 2003, ZOU Keyuan contends that “realistically, it is impossible for China to completely eliminate corruption; what it can do is only to curb its increase.” He attributes his pessimistic assessment to the absence of checks and balances on the unbridled power of the CCP and the ineffectiveness of the anti-corruption campaigns to curb corruption after the 1978 economic reforms.<sup>335</sup>

As it is unrealistic to expect the CCP to initiate fundamental political reforms to undermine its power for the foreseeable future, it is unlikely that China will be able to minimize corruption. Nevertheless, the government can prevent the corruption problem from getting worse by enhancing the effectiveness of its ACAs and addressing the causes of corruption. What can be done to reduce the incentive for corrupt behavior and increase the incentive for officials in China to remain honest?

First, the political leaders in China must demonstrate their political will to minimize corruption by abandoning the protection of corrupt party officials from investigation and prosecution by the procuratorates. As discussed in the previous section, the DICs can delay the transfer of criminal corruption cases to the procuratorates to enable the corrupt party members to cover their tracks or destroy incriminating evidence. More importantly, the DICs can also appropriate criminal corruption cases by imposing disciplinary sanctions against corrupt party members instead of transferring them to the procuratorates to spare them from harsher legal penalties. By protecting corrupt party members from investigation and prosecution by the procuratorates, the CCP is encouraging its members to be corrupt rather than remain honest. However, as Robert McGregor has reminded us: “exposing its members to investigation by outside bodies would be intolerable, as it would be akin to ceding the Party’s monopoly on power.”<sup>336</sup>

Second, to discourage and prevent party members from engaging in corrupt practices, the probability of detecting and punishing corrupt offenders has to increase considerably. As shown earlier, PEI Minxin found that only 6.6 percent of the 28,901 cadres disciplined by the CCP from 1993 to 1998 were sentenced by the courts.

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335. Zou, “Why China’s Rampant Corruption cannot be Checked by Laws alone,” p. 84.

336. Richard McGregor, *The Party: The Secret World of China’s Communist Rulers* (London: Penguin Books, 2012), p. 168.

The low probability of detecting and punishing corrupt party members, coupled with the CCP's protective attitude towards its corrupt members, are to a great extent responsible for the widespread corruption in China today. Julia Kwong emphasized in 1997 that curbing corruption not only required "exemplary behavior from the leaders at every level" but also the encouragement and rewarding of honest officials and punishment of corrupt officials and their families.<sup>337</sup>

Third, senior party officials like CHEN Xitong, CHEN Liangyu, and BO Xilai were prosecuted for corruption not only because they were guilty of corrupt offenses, but more importantly, because they had threatened the consolidation of power of political leaders like JIANG Zemin, HU Jintao, and XI Jinping, respectively. It will be difficult for China to minimize corruption if its political leaders continue to rely on using corruption as the weapon of choice against their political foes. An important reason for Singapore's success in combating corruption is that corruption has not been used as a weapon against opposition political leaders by the government because anyone found guilty of corruption, regardless of his/her position, status, or political affiliation, is punished according to the law.<sup>338</sup>

Fourth, as most corrupt officials in China have mistresses, perhaps the CCDI, procuratorates, and the NCPB should encourage and reward jilted mistresses for blowing the whistle on corrupt officials as they are perceived by the public to be more effective than the existing ACAs.<sup>339</sup> Indeed, according to social commentator ZHANG Lijia, the effectiveness of jilted mistresses in exposing corrupt officials in China reflects poorly on the ACAs and the government's crackdown on corruption.<sup>340</sup>

Fifth, as low salaries of government officials and SOE managers constitute an important cause of corruption in China, the government should improve these salaries to minimize the wide gap between salaries in the public and private sectors and reduce their temptation to be corrupt. However, it should be noted that increasing salaries can reduce the incentive for corruption among junior

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337. Julia Kwong, *The Political Economy of Corruption in China* (Armonk: M.E. Sharpe, 1997), p. 151.

338. Quah, *Curbing Corruption in Asian Countries*, pp. 230-232.

339. Jia Lynn Yang, "Ji Yingnan and other jilted mistresses expose Chinese officials' corruption," *Washington Post*, July 25, 2013.

340. Quoted in "On China: Beijing's crackdown on corruption," *CNN.com*, October 16, 2013.

officials but does not eliminate grand corruption committed by senior government officials and politicians. As low salaries constitute only one cause of corruption, salary revision is a necessary but insufficient condition for curbing corruption in China if the other necessary reforms are not also undertaken.

Sixth, as red tape is still a serious problem in China, as shown in Table 5, the government should make a more concerted effort to reduce red tape by streamlining the bureaucracy and eliminating unnecessary regulations. As ministries, government departments, SOEs, and many local governments rely on excessive administrative and operating fees as off-budget revenue, it will be difficult for the central government to prevent the collection of these fees without providing them with an alternative source of revenue. Hence, a more realistic option is for the government to regulate the collection of the administrative and operating fees so that the “little money lockers” or “small coffers” cannot be used by officials for corrupt practices.

Seventh, the experience of Singapore shows that it is possible to minimize the pernicious influences of *guanxi* and gift-giving by reducing red tape and impartially enforcing the rules forbidding the acceptance of gifts by government officials. When LEE Kuan Yew became Singapore’s first Prime Minister in June 1959, he received many gifts from well-wishers. However, he did not accept these gifts to set an example for his colleagues and all civil servants. The Singapore government also introduced regulations to prohibit civil servants from accepting gifts and entertainment from members of the public.<sup>341</sup> If red tape is reduced, businessmen no longer need to rely on *guanxi*, gift-giving or bribes to obtain their licenses or permits in a timely manner.

Eighth, decentralization has contributed to corruption in China by providing local governments with authority from the central government to implement policies and managers of SOEs with decision-making autonomy without being held accountable for their decisions. Accordingly, to curb corruption in local governments and SOEs, the Party Committee secretaries and managers of SOEs must be held accountable for their decisions and actions, especially when they are involved in corrupt practices.

Finally, in addition to implementing the above eight measures, the political leaders in China must also introduce reforms to improve the performance of the four ineffective ACAs. Instead of

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341. Quah, *Curbing Corruption in Asian Countries*, p. 216.

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relying on multiple ACAs, the government should replace the existing ACAs with a single independent ACA that would be outside the purview of the CCP if the political leaders are sincerely committed to minimizing corruption in China. However, this option is unrealistic because “as officials freely acknowledge in private, an independent anti-corruption campaign, following up leads beyond the Party’s control, could bring the whole edifice tumbling down.”<sup>342</sup> As long as the CCP is unwilling to introduce checks on its power, the goal of minimizing corruption in China will remain an impossible dream.

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342. McGregor, *The Party*, p. 168.

**LIST OF ABBREVIATIONS**

ACA	Anti-Corruption Agency
AIC	Austerity Inspection Commission
CCL	Chinese Criminal Law
CCP	Chinese Communist Party
CCDI	Central Commission for Discipline Inspection
CPI	Corruption Perceptions Index
DIC	Discipline Inspection Commission
FBIS	Foreign Broadcast Information Service
GDP	Gross Domestic Product
MOS	Ministry of Supervision
NCPB	National Corruption Prevention Bureau
NPC	National People's Congress
PERC	Political and Economic Risk Consultancy
PRC	People's Republic of China
SOE	State-Owned Enterprise
SPC	Supreme People's Court
SPP	Supreme People's Procuratorate
UNDP	United Nations Development Programme

**GLOSSARY OF CHINESE NAMES**

BO Xilai	薄熙来
CHEN Liangyu	陈良宇
CHEN Xitong	陈希同
CHEN Yun	陈云
CHIANG Kai-shek	蒋介石
DENG Xiaoping	邓小平
GONG Ting	公婷
HU Jintao	胡锦涛
JIANG Zemin	江泽民
LAI Changxing	赖昌星
LEE Kuan Yew	李光耀
LI Keqiang	李克强
MA Wen	马馱
MAO Zedong	毛泽东
PEI Minxin	裴敏欣
SUN Yan	孙燕
XI Jinping	习近平
ZHU Rongji	朱镕基

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In his review of my book, *Curbing Corruption in Asian Countries: An Impossible Dream?*, Leslie Holmes, Professor of Political Science at the University of Melbourne, has recommended that I should include a "dedicated chapter on China" in the second edition of the book.<sup>344</sup> I am very grateful to Leslie for his excellent suggestion and to Mrs Chih-Yu T. Wu, the Executive Editor of the Maryland Series in Contemporary Asian Studies (MSCAS), for her kind invitation to write this monograph on corruption in China for the MSCAS. I hope that both of them will be pleased with the final product. However, they are not responsible for the views expressed in this monograph, which remain my sole responsibility. I would also like to thank my former student, Paul Lim, for preparing the Glossary of Chinese Names.

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343. Quah, *Curbing Corruption in Asian Countries*, pp. 26 and 32. The 10 Asian countries are: Hong Kong SAR, India, Indonesia, Japan, Mongolia, Philippines, Singapore, South Korea, Taiwan and Thailand.

344. Leslie Holmes, "Review of Jon S.T. Quah, *Curbing Corruption in Asian Countries: An Impossible Dream?*" *American Journal of Chinese Studies*, 19 (1) (April 2012): 65-67 at 67.

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*Jon S.T. Quah*  
*Singapore*  
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