

Xi Jinping's Anti-Corruption Campaign: Party Strategy or Way Forward to Corruption-free China

Farida Chawala

June 22, 2019

The anti-corruption campaign in China has been the principal reform policy of the Xi Jinping administration since 2013. More than one and a half million 'Tigers and Flies' have been prosecuted since 2014, both in China and overseas. China's strong armed anti-corruption campaign has invited global attention. This paper reflects upon the intentions behind the campaign and underlines that it is as much a reform to bolster the political economy of China as it is a move to establish President Xi's authority over the government and the party, by purging corrupt elements and potential political adversaries. The success of the campaign hinges upon the ability of China to undertake structural reforms that discourage corruption and create a more open and transparent system to address the needs of aspirational China. It questions whether Xi Jinping's anti-corruption drive has actually delivered social and economic reforms or if it is merely a strategy to centralise power and control over the people and party, even as "Guanxi" culture continues to prevail in China.

Society for the Study of Peace and Conflict
<http://www.sspconline.org/>



Since coming to power in 2012, Chinese President Xi Jinping has regularly made headlines for his momentous policies. Among them, his crusade against corruption and the anti-graft campaign have been significant milestones. The anti-corruption campaign has been used as an institutional battle-horse to strengthen the authority of Xi, who is both the General Secretary of the CPC and President.¹

The economic reform program was approved by the Third Plenum of the CPC in late 2013. It called for the transfer of resources from state owned to household or small enterprises. In due course, under Xi Jinping's leadership, China witnessed a series of reforms, constitutional amendments and new agencies. There is considerable ambiguity on whether the anti-corruption campaign is a power play in order to consolidate Xi's power and restore aspects of the older governance system through neo-authoritarian rule or a strategy to strengthen the reins of weakening party rule due to waning economy and rampant corruption among officials and power holders.

The success of the campaign hinges upon the ability of China to undertake structural reforms that discourage corruption and create a more open and transparent system to address the needs of aspirational China. The paper highlights various approaches by president Xi to reduce corruption through moral grounds, economic reforms and social credibility. It questions whether Xi Jinping's anti-corruption drive has actually delivered social and economic reforms or if it is merely a strategy towards centralization of power.

Corruption in China

To understand Xi's approach to crack down on corruption, it is essential to understand the nature of corruption in China. Economic corruption is defined as benefitting from the public assets for personal gain, including misuse of power and illegal or immoral economic and resource trade.² During the 1980s, when Deng Xiaoping opened the Chinese economy to a hybrid socialist-market, it gave way to corruption. His famous quote, "To get rich is glorious,"³ was followed by people in a negative manner by removing all moral barriers to make money.

Corruption is primarily used to refer to the transfer of public assets for private use at sky-high prices through a process called grafting. Graft is hence the most common form of corruption in China, along with money used to fuel job promotions. Corruption has also resulted from a system based on weak rule of law and an economic model of blurred relations between private enterprises and a large state-owned sector. The corruption during the economic transition phase of 1980s was also exacerbated by the dual price model for consumer and production goods: one determined by market and the other treated as public goods at subsidised prices. Corruption is a breeding ground for changing economic environment and policies in a country.⁴ China is also one of the 'East Asian Paradox' countries where corruption is well-organised network, which

¹ Fabre, Guilhem (2017), "Xi Jinping's Challenge: What Is behind China's Anti-corruption Campaign?," *Journal of Self-Governance and Management Economics* 5(2): 7-28.

² Huang Yukon, "The Truth About Chinese Corruption," Carnegie Endowment for International Peace, May 29, 2015, <https://carnegieendowment.org/2015/05/29/truth-about-chinese-corruption-pub-60265>

³ "The Logic Underlying President Xi's Anti-Corruption Campaign," Greater Pacific Capital, <http://greaterpacificcapital.com/the-logic-underlying-president-xis-anti-corruption-campaign/>.

⁴ Bardhan, P., (1997). "Corruption and development: a review of issues". *Journal of Economic Literature*, 35, 1320-1346. https://www.gu.se/digitalAssets/1373/1373654_wang.pdf

does not impact the economy negatively due to internalisation of its externalities.⁵ This network of organised corruption for the development of businesses and firms becomes a reason for a negative correlation between levels of corruption and growth in China.⁶ As Chinese scholar Min Xin Pei puts it, “corruption in China consists of organised schemes that involve bureaucrats and private businessmen stealing state-owned resources.”⁷ Corruption is said to decelerate economic growth, but China, on the contrary, yields more economic growth despite high levels of corruption. Hence, the question arises - if it is not the retarding economy, why is Xi Jinping prioritising the anti-corruption campaign?



According to the 2017 Corruption Perceptions Index, Corruption Rank in China averaged 68.70 from 1995 until 2017, reaching an all time high of 100 in 2014. (Source: Transparency International)

Intention, Reforms and Outcomes of the Campaign

In Xi Jinping's reform agenda, energy companies were targeted first. This was due to distorted prices of energy, capital and labour. There was widespread corruption in the transactions related to these assets. This corruption was perpetrated by insiders in State-Owned Enterprises (SOEs), who created a private property market in the 90s which was often ignored by corruption watchers in China. A major modus operandi of these insiders in SOEs was to work with public officials to forge documents or trump bank procedures.⁸ The dual track economy was also a catalyst for the rising corruption due to three key players: a resource-rich state enterprise, a private owner and a public official who could aid the collaboration with a legal cap. This gave rise to the Township-Village Enterprises (TVEs), a public-private partnership which garnered

⁵ Shleifer, A. and Vishny, R. (1994). Politicians and Örms. Quarterly Journal of Economics, 109, 995-1025
<https://scholar.harvard.edu/shleifer/publications/politicians-and-firms>

⁶ Wang Y, You J, “Corruption and Firm Growth: Evidence from China” SSEES, UCL, UK,
https://www.gu.se/digitalAssets/1373/1373654_wang.pdf.

⁷ David Skidmore, “Understanding Chinese President Xi's anti-corruption campaign,” The Conversation, October 27, 2017, <https://theconversation.com/understanding-chinese-president-xis-anti-corruption-campaign-86396>.

⁸ Wenhao Cheng, “An Empirical Study of Corruption within China's State-owned Enterprises,” *China Review* 4, no. 2, (Fall 2004): 55-80.

fine examples of cooperation as well as corruption.⁹ Under the circumstances, it became essential for the Communist Party of China to take concrete measures to uphold the declining trust and legitimacy of the party by consolidating power through the leadership of Xi Jinping and setting him up as 'a large and in charge' reformer of China. Xi Jinping resultantly introduced a series of political, economic and social reforms to deal with the crisis of legitimacy of the CPC caused by widespread and growing corruption in China, and involved party functionaries and public officials in these activities.



Wang Qishan (center), China's anti-corruption czar, attends the 6th plenary session of the 18th CPC Central Commission for Discipline Inspection in Beijing, China. (Photo by: Xinhua, Source: Wall Street Journal)

The anti-corruption campaign was planned by the president vigilantly for personal and political gain. Revoking moral obligation among the party members was one of the primary approaches. This was a double-edged sword to establish credibility through public idolisation and removing corruption without using harsh reforms. Another motive of the campaign was to eliminate the rivals by prosecuting them under the charges of corruption. The campaign was also aimed towards reframing and reviewing market and economy to monitor and curb corruption.

1. Reforming Moral Norms

One of the reasons for the campaign was the damage inflicted by the political culture of excessive bureaucratization, cronyism and graft which affected the moral bearings and public perception of the party and the government as a whole. In order to regain the credibility of the Communist Party and make the government bodies accountable to the public, Xi adopted the

⁹ Huang Yukon, "The Truth About Chinese Corruption," Carnegie Endowment for International Peace, May 29, 2015, <https://carnegieendowment.org/2015/05/29/truth-about-chinese-corruption-pub-60265>.

Confucian values which emphasised adherence to proper cultural and moral norms -- values from which the officials of China had distanced themselves over time. Xi Jinping has followed Confucius' quote, "Govern with virtue and keep order through punishment" closely since he came to power in 2012.¹⁰ Hence, the current focus of the campaign is to restructure and discipline the moral behaviour of the officials through tougher penalties and restore public trust in the party. Persecuting more "Tigers and Flies" changed the risk-benefit ratio, which was earlier a low risk, high return gamble as the chances of being jailed for corruption were only three percent.

2. Re-establishing Political Credibility

Xi Jinping's fight did not focus on his own rectitude. In fact, according to a report by Bloomberg,¹¹ his family had inexplicably managed to accumulate about a billion dollars' worth of wealth since his presidency began. His enthusiasm stemmed from the speculation of a potential for political fallout that could lead to political and economic destabilization as a response to rise in corruption.¹² It would appear that Xi's approach towards corruption is similar to his predecessors, only it is more bold and tenacious.

The Central Commission for Discipline Inspection (CCDI) is the body spearheading the anti-corruption campaign in China. It was formerly headed by Vice Premier Wang Qishan and is presently headed by the Politburo Standing Committee member Zhao Leji. More than 1.5 million high ranked officials, including senior party members and military officials have been convicted, dismissed or even jailed following investigations of the 280 governmental bodies since 2013.¹³ Among them are Politburo member Bo Xilai, former Minister of Railways Liu Zhijun and former overseer of China's vast security and law enforcement apparatus, Zhou Yongkang. The People's Liberation Army (PLA) and high-ranked military officials like Xu Caihou, former vice chairman of the Central Military Commission who has been accused of selling military positions, have also been brought into the ambit of the corruption campaign.

3. Uprooting Rivals

Another very evident motive of President Xi's corruption campaign is to eliminate his rivals. Between 2012 and 2017, a pattern was observed in the anti-corruption campaign, following which the 'tigers' that were targeted were put away before being investigated. No current Politburo members were targeted during their official term. This served two purposes: One, it eliminated Xi's rivals without staining the party's image and two, it spared Xi's present allies. Bo Xilai was one of the first high ranked officials arrested in 2012, who was also seen as a potential rival of Xi. He was convicted for bribery (over \$3.2 million), embezzlement and abuse of power and is currently serving a life sentence. In 2014, Zhou Yongkang, the highest ranked official of the Politburo Standing Committee (PSC), was arrested and imprisoned for life on the charges of

¹⁰Keliher M, Wu H. "How to Discipline 90 Million People: Can China's president reform the world's largest one-party state by reforming its officials?" The Atlantic, 2015, <https://www.theatlantic.com/international/archive/2015/04/xi-jinping-china-corruption-political-culture/389787/>

¹¹"Xi Jinping Millionaire Relations Reveal Fortunes of Elite," Bloomberg, June 29, 2012, <https://www.bloomberg.com/news/articles/2012-06-29/xi-jinping-millionaire-relations-reveal-fortunes-of-elite>.

¹² Huang Yukon, "The Truth About Chinese Corruption," Carnegie Endowment for International Peace, May 29, 2015, <https://carnegieendowment.org/2015/05/29/truth-about-chinese-corruption-pub-60265>,

¹³ Li Cheng, McElveen Ryan, "Debunking Misconceptions About Xi Jinping's Anti-Corruption Campaign," Brookings, Op/Ed, July 17, 2014, <https://www.brookings.edu/opinions/debunking-misconceptions-about-xi-jinpings-anti-corruption-campaign/>.

bribery, adultery and leaking state secrets.¹⁴ Another 'tiger in the cage' is Ling Jihua, who was aspiring for a Politburo position, but was demoted to be the Director of the General Office of the CPC during the time of Hu Jintao.

Other officials on the list were the high ranked CMC Army Chiefs Xu Caihou and Guo Boxiong. The only serving official of the Politburo who was charged and convicted was Sun Zhengcai. Therefore, it remains to be seen whether the party's current members are all clean. Also, if Xi has been so ruthless with the retired and the ousted, why not put some current serving officials in jail too, like Zeng Qinghong – the right hand of Jiang Zemin who was widely suspected to be corrupted?¹⁵ These doubts make it unclear whether the campaign is Xi's power play or a party strategy. Whatever it may be, the results have been rewarding for the Chinese Communist Party by helping restore the trust of the people in the party and the leadership. The anti-corruption campaign has served its purpose of accomplishing Xi's most pressing goal of re-establishing the authority of the CPC over its 90 million members.¹⁶



Bo Xilai after the verdict in the court in Jinan in September 2013. (Photo by: REUTERS; Source: The Indian Express)

4. Re-defining the Function of the Market and Balancing the Economy

¹⁴Wesley Rahn, "China's Corruption 'Tiger Hunt'- A political weapon for Xi Jinping?" Deutsche Welle, October 13, 2017", <https://www.dw.com/en/chinas-corruption-tiger-hunt-a-political-weapon-for-xi-jinping/a-40939473>

¹⁵ Lungu Andrei, "Interpreting the Party's anti-corruption campaign," RISAP, September 27, 2017, <http://risap.ro/en/interpreting-the-partys-anti-corruption-campaign>.

¹⁶ Macabe Keliher and Hsinchao Wu., "How to discipline 90 million people," The Atlantic, April 7, 2015, <https://www.theatlantic.com/international/archive/2015/04/xi-jinping-china-corruption-political-culture/389787/>

Xi Jinping also aimed to redefine the basic functions of the market and the government through the campaign. The 3rd Plenum of the 18th Central Committee aimed towards a shift in the economic strategy, from one overly based on state-financed (activities) to a redistribution of the state-party system revenues.¹⁷ Xi has spoken about the need to “actively restructure the economy.” While it is true that there is need for urgent reforms, however, they require the ability to enact policies and a bureaucracy that follows the central government. Factionalism and power politics at all levels in the party only adds to the corruption by local politicians colluding with business owners, making it difficult to implement new laws as the old ones are bent to serve the politicians. Two possible solutions for this are: a more privatised economy in a democratic structure and an independent judiciary, both of which have already been ruled out by the President. As privatisation is off the table, Xi plans for a government which is more regulatory than intervening. As a result, it will give the officials lesser chances to bend the laws according to their will.

In this context, it seems important to consider the role of the SOEs in the Chinese economy. According to Xi's reform agenda, the government will still hold the ownership of the key economic assets but private participation will discourage SOEs from adding up to a disproportionate share of resources and capital by subjecting them to intense competition and tighter regulations. A suggested reform can be to shift the role of the State-Owned Assets and Supervision and Administration Commission (SASAC) from managing state assets to managing state capital, which is significant to improving efficiency by increasing the returns on the assets.¹⁸

China's approach towards economic reform is however, not too different from its gradual march away from a planned economy. Xi Jinping, like other Chinese reformers, believes that ‘the bedrock of a successful economy is not complete privatisation, but effective competition.’¹⁹ While it is strategically important to prioritize the economic reforms, President Xi should also focus on transparency and the role of civil society. Both are essential to maintain a balance and a moral accountability between the government and the people and help increase the public's confidence in the party.

The patterns in reforms implemented in China by CCDI and other miscellaneous reform policies of Xi Jinping suggest that the focus is to root out the corrupt rather than corruption. These two things might appear synonymous, but various reports about change in the curtailment of corruption indicate that the rate of corruption has not changed significantly in the past six years, as recorded by the Corruption Perception Index 2017.²⁰ According to the report, there have been no radical changes over the years that match the claims of the campaign's investigations and convictions. China, which scored 36 points in 2014, moved up only five places to 41 at 77th position in 2017 (on the scale of 0 to 100 where 0 means highly corrupt and 100 means very clean). This rank has further dropped to 87 in 2018²¹ which indicates that corruption is a deep-

¹⁷“The Lion's Share: What's Behind China's Economic Slowdown?” FMSH Working Paper, October 2013, <http://www.fmsh.fr/fr/c/4005>.

¹⁸ Macabe Keliher and Hsinchao Wu., “How to discipline 90 million people,” The Atlantic, April 7, 2015, <https://www.theatlantic.com/international/archive/2015/04/xi-jinping-china-corruption-political-culture/389787/>

¹⁹Kroeber Arthur, “Xi Jinping's ambitious agenda for economic reforms in China,” <https://www.brookings.edu/opinions/xi-jinping-ambitious-agenda-for-economic-reform-in-china/>

²⁰“Corruption Perceptions Index 2017,” https://www.transparency.org/news/feature/corruption_perceptions_index_2017

²¹“China falls in corruption rankings despite Xi's anti-graft campaign: Report” The Economic Times, <https://economictimes.indiatimes.com/news/international/world-news/china-falls-in-corruption-rankings-despite-xis-anti-graft-campaign-report/articleshow/67743744.cms?from=mdr>,

rooted structural problem of the Chinese political culture and cannot be cured by uprooting high-ranking officials and grafters only. Cultural practices such as Guanxi also play a major part in the increased levels of corruption through elites and businessmen. Guanxi is a cultural practice in China which finds roots in confusionist ideals. It is a practice of networking and socialising to extend and receive favours through a give and take ideology that prevails in the Chinese culture for social or occupational interests. According to a Ruihui Han²², Guanxi is a 'passive factor in corruption', i.e. an enabler of corruption among politicians and business owners. Thus, targeting the 'tigers' could mean a clearer message for the public - that nobody is immune under the eyes of CCDI. This, however, does not mean that corruption has reduced. It has only disguised its earlier susceptible form. Business owners and employees complain of the rise in bribery costs and higher risks facing corrupt officials. Entrepreneurs are engaging in innovative ways to siphon their bribes to bureaucrats, like gambling and deliberately losing in the game.²³ There are still a number of factions and patronage networks which can overthrow the reforms and Xi's political power if not regulated cautiously. Caging the tigers and swatting the flies does not wipe out corruption. In fact, it could result in deep-rooted rage and angst against the leader. There is much more to be done in order to achieve considerable results from the campaign, apart from the three phase model of the anti-corruption campaign presented by former anti-corruption chief Wang Qishan, which includes: (1) Instilling fear in the corrupt and the potentially corrupt, (2) A more defined and tougher rule of law based system and (3) Change in the political culture through reforms.²⁴



Wang Qishan at an anti-graft meeting in 2014. (Source: CCDI)

²² Han, R. (2016). Discussion on Relationship between Guanxi and Corruption in China. *British Journal of Economics, Management & Trade*, 14(3), 1-9.

http://www.journalrepository.org/media/journals/BJEMT_20/2016/Jun/Han1432016BJEMT27577.pdf

²³ Anderlini Jamil, "The Political Price of Xi Jinping's anti-corruption campaign,"

<https://www.ft.com/content/3f1938d6-d1cf-11e6-b06b-680c49b4b4c0>

²⁴ Described at the 18th Party Congress as 'the Three Nos': "Say no to corrupting others, say no to succumb to corruption yourself, and say no to thoughts of corrupt behavior."

Future Perspective

A more transparent system, with well-defined rules and laws operating in an independent judicial system is recommended. This eliminates the grey areas and reduces the chances of corruption. The media and civil society, which are completely excluded in China, can play a huge role as regulators and whistle blowers. Xi Jinping has been greatly criticised for his attacks on rights lawyers, independent media and non-governmental organisations, leading to doubts about his rationale, methods and policies. One of the basic causes of corruption is the low salaries of government officials, which encourage them to indulge in illegal money making. More privatisation is the key to a less manipulative and more market-regulated economic system. However, Xi Jinping has expressed his distaste towards two of the potentially most effective institutional reforms. Thus, in order for the anti-corruption campaign to sustain, a broader approach towards better governance needs to be adopted. A new agency, National Supervision Commission (NSC), has been set up to work in tandem with the CCDI, which will be headed by Yang Xiaodu, who was also the deputy chief of the CCDI. The NSC will oversee not only party officials, but also all public servants. It claims that it will investigate about three times more people than the CCDI.²⁵ The question is whether crowding the prisons will help remove the poison of corruption from the Chinese society or will a vicious cycle carry on in different forms.

It is surprising that unlike India, China has not yet taken up the digital way of providing services in public domains like applying for visas, paying utility bills, booking transportation tickets, etc. despite having the digital prowess and technical giants like Baidu and Alibaba. Fighting corruption will have huge economic benefits, because corruption stimulates socio-economic inequality, distorts true economic indicators, undermines economic institutions, reduces efficiency²⁶ and leads to government failure if not regulated in time. Curbing corruption can thus help lower the cost of living of the public as the extraneous fees in the form of gifts (bribes) are cut down.

Conclusion

Xi Jinping has accumulated immense power and bagged an extended presidency through constitutional amendments. This can be a game changer in the implementation of reform policies. More aggressive and ruthless measures can be expected now that the leadership is not at stake, that is, if President Xi Jinping is adamant on uprooting corruption in order to save the waning economy. The Communist Party of China also seems to have regained legitimacy and a stronger hold over people's trust. Hence, if the campaign was a tool to re-establish the power, it will move forward only with popular support. Substantial economic and institutional reforms, however, appear to be a pipe dream as implementing them would lead to a knowledge-based economy and a well-informed population which will press for political liberalisation. Xi's anti-corruption drive is reshaping the magnitude and composition of China's ruling coalition, and during the course of his extended leadership, he has succeeded in centralising his control over

²⁵“China's anti-corruption campaign expands with new agency,” BBC, <https://www.bbc.com/news/world-asia-china-43453769>, (March 20, 2018).

²⁶Armstrong Ian, “Forecasting China's Anti-Corruption Campaign,” Global Risk Indicator (Global Risk Insights), August 30, 2015. <https://globalriskinsights.com/2015/08/forecasting-chinas-anti-corruption-campaign/>

the world's most populous country,²⁷ while corruption continues to thrive in the Chinese system owing to the age old 'Guanxi'²⁸ culture.

If China, through this campaign proves its ability to decrease the corruption levels and boost economic growth, it can be a model for other corruption-ridden societies. It will also benefit China on the economic and political grounds for trade, that already reflected in the World Bank's 'Ease of Doing Business' reports in which it has significantly improved by leaping from 99th position in 2012, 78th in 2017 to 46th position²⁹ in 2018.³⁰ The success of these results have been credited to its big reforms. Thus, anti-corruption campaign can be a transforming factor for China's internal growth and international influence if steered in the right direction.

²⁷David Skidmore, "Understanding Chinese President Xi's anti-corruption campaign, The Conversation, October 27, 2017, <https://theconversation.com/understanding-chinese-president-xis-anti-corruption-campaign-86396>

²⁸ Oxford Dictionary (in China): Guanxi culture: "the system of social networks and influential relationships which facilitate business and other dealings."

²⁹ Press Release, "Doing Business Report: China Carries Out Record Business Reforms, Edges into Top 50 Economies" The World Bank, October 31, 2018, <https://www.worldbank.org/en/news/press-release/2018/10/31/doing-business-report-china-carries-out-record-business-reforms-edges-into-top-50-economies>

³⁰ "China Ranks 46th in Ease of Doing Business Rankings", China Briefing, November 5, 2018, <https://www.china-briefing.com/news/china-46th-ease-doing-business-rankings-world-bank-report>.

FARIDA CHAWALA is a student of International Relations who has completed her M.A. in International Studies from Symbiosis School of International Studies, Pune and graduation in English Literature from Christ College, Rajkot. She is a former intern of Delhi Policy Group. She is an ardent reader with a knack for debating and poetry writing. Her research interests lie in Asian Studies, Climate Change, Zero-Waste Lifestyles, Islamic History and Indian Ocean Region.

ACKNOWLEDGEMENT

“I would like to thank Amb. (Retd.) Biren Nanda, Senior Fellow, Delhi Policy Group (DPG) and Brig. Arun Sahgal, Senior Fellow, DPG for their guidance in writing and editing the paper. I would extend my gratitude to Mr. Animesh Roul, Executive Director, SSPC for enabling the publication of this paper and also to my family and friends for their encouragement. A special acknowledgement to my colleague Mr. Saurabh Singh for his constant support and appreciation.” **FARIDA CHAWALA**

NB: *The views expressed in this article are solely that of the author.*

The Society for the Study of Peace and Conflict (SSPC) is an independent, non-profit, nonpartisan research organization based in New Delhi, dedicated to conduct rigorous and comprehensive research, and work towards disseminating information through commentaries and analyses on a broad spectrum of issues relating to peace, conflict and human development. SSPC has been registered under the Societies Registration Act (XXI) of 1860. The SSPC came into being as a platform to exchange ideas, to undertake quality research, and to ensure a fruitful dialogue.

Copyright © Society for the Study of Peace and Conflict, New Delhi

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without first obtaining written permission of the copyright owner.

Published by:

Society for the Study of Peace and Conflict.

Post Box: 10560,

JNU Old Campus, New Delhi-110067.

Website: www.sspconline.org

<https://www.facebook.com/sspconline>

<https://twitter.com/sspconline>

We welcome your feedback. Email your comments at “sspconline@gmail.com”

Designed and typeset by Excel Solutions