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**Transformative effects of the largest  
anti-corruption campaign in China's modern history<sup>\*\*</sup>**

*Abstract*

*This paper aims at illustrating the pervasiveness of the anti-corruption campaign launched by President Xi Jinping upon his election in 2012. The campaign differs greatly from those initiated by his predecessors and as such is having a huge impact not only on the Communist Party of China (CPC) but on all aspects of Chinese society. A campaign of this magnitude in the second world economy is much more than a criminal justice issue and is bringing about changes that will affect not only the Country, but on the long term it will likely have an impact on the rest of the world in ways which are difficult to project, but are surely of historical proportions.*

*Key words: Anti-corruption, Central Commission for Discipline Inspection, State Owned Enterprises, Xi Jinping.*

## **1. Introduction**

It is now almost four years that China has been undergoing an anti-corruption campaign that is unprecedented in scale and duration in the modern history of this Country. Largely unnoticed in the West, traditionally focused on China's GDP and on major political shifts, the campaign has instead huge implications nationally and beyond.

In its 2015 survey covering 168 countries, Transparency International<sup>1</sup> ranked China at 37 in what is called the Corruption Perceptions Index<sup>2</sup>, the 83th country, together with Benin, Colombia, Liberia, Sri Lanka. At such levels, corruption poses a threat to China's political stability and sustainable development, especially at a time when China's 'Gini' coefficient<sup>3</sup>, a statistical measure of income inequality, is at 0.46 close to that 0.5 threshold where inequality is severe and calls for immediate action. Many experts believe that the widening wealth gap is the result of large amounts of "illegal income" resulting from corruption<sup>4</sup>.

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<sup>1</sup> [www.transparency.org](http://www.transparency.org).

<sup>2</sup> It is a composite index that draws on surveys that poll perceptions of public sector corruption in many countries around the world. It scores countries on a scale from zero to ten, with zero indicating high levels of perceived corruption and ten indicating low levels of perceived corruption.

<sup>3</sup> A measure of statistical dispersion used as a measure of inequality of income distribution or inequality of wealth distribution. It is defined as a ratio with values between 0 and 1: A low 'Gini' coefficient indicates more equal income or wealth distribution, while a high 'Gini' coefficient indicates more unequal distribution. 0 corresponds to perfect equality (everyone having exactly the same income) and 1 corresponds to perfect inequality (where one person has all the income, while everyone else has zero income).

<sup>4</sup> Chen Jia, "Country wealth's divide past warning levels", *China Daily*, 12 May, 2010.

## **2. Past attempts at countering corruption**

With corruption indicators at such high levels, Chinese leaders one after another have for at least two decades placed anti-corruption on their agendas, with different degrees of priority though. Overall, past anti-corruption campaigns were not much more than slogans with which the leadership wanted to demonstrate to the people that they were serious about putting an end to what most damage and irritate them. With rare exceptions in fact, (under Hu Jintao two Politburo members were arrested - Shanghai party boss Chen Liangyu in 2006 and Chongqing party chief Bo Xilai in 2012 - and under Jiang Zemin was the turn of former Politburo member Chen Xitong in 1995) mainly low-to-middle ranking officials, preferably at local level, were caught in the net of the graftbusters and economic and financial crimes continued to thrive.

One would be however wrong to conclude that nothing was done under Hu Jintao and Jiang Zemin to prevent and control this kind of criminality. On the contrary. Beyond national action plans, awareness raising campaigns, investigations and prosecutions of several hundreds low-level officials, many important initiatives were taken particularly in the international arena. Probably the most relevant one is the ratification in 2005 of the United Nations Convention against Corruption (UNCAC). This Convention offers China, and other parties to the Convention, several tools to prevent and control graft. Particularly appreciated by Chinese authorities is the possibility offered by this treaty to pursue the repatriation of corruption suspects and the recovery and return of stolen assets even in the absence of an extradition treaty, something key to China which lacks such treaties with the countries hosting most of its fugitives: Australia, Canada and the US. Then, in 2006, we have the establishment in Beijing of the International Association of Anti-Corruption Authorities<sup>5</sup> (IAACA) under the leadership of the Supreme People's Procuratorate. This Association offers China a platform for fostering networking, capacity building, exchange of information and best practices, and reduce interjurisdictional obstacles. Last but not least, over the past 20 years, the Government of China has been very active in negotiating extradition and mutual legal assistance treaties and in implementing domestic legislation to strengthen international cooperation in the field of extradition, criminal and judicial assistance. Indeed, since 1993, when it concluded an extradition treaty with Thailand, China has signed 81 criminal and civil judicial assistance treaties with more than 52 countries and extradition treaties with 39 countries, including a few Europeans. In addition to these initiatives China was also active in the related anti-money laundering field. In 2005 China joined the Financial Action Task Force (FATF)<sup>6</sup> on Anti-Money Laundering as an observer and became a full-fledged member in June 2007. In the same period Beijing also became a founding member of an FATF-style regional body known as the Euro-Asian Group on Combating Money Laundering (EAG), established in October 2004, and comprising Russia, Ukraine, Belarus, Kazakhstan, Kirghizstan, Uzbekistan

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<sup>5</sup> [www.iaaca.org](http://www.iaaca.org).

<sup>6</sup> The Financial Action Task Force (FATF), created in 1989, is an inter-governmental body whose purpose is the development and promotion of national and international policies to combat money laundering and terrorist financing. The FATF is therefore a "policy-making body" that works to generate the necessary political will to bring about legislative and regulatory reforms in these areas. The FATF has published 40 + 9 Recommendations in order to meet this objective.

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and Tajikistan. Even if China may still be considering terrorism financing one of its top targets in its anti-money laundering activities, as it is the case for many other countries following the attacks on 11 September, 2001, its membership in these anti-money-laundering bodies also helps China achieve its anti-corruption goals. In particular, authorities hope that the involvement in these organizations will help them in identifying and suppressing the countless under-ground banks operating in the country which allow corrupt officials to transfer stolen funds overseas.

The point here is that in spite of the above remarkable involvement and results in the international arena, the picture at national level did not change much. Corruption indeed proceeded undeterred and many say that it even increased in the years leading to 2012.

**3. The election of Xi Jinping as a turning point in anti-corruption**

In fact, it was only in November 2012, when at the conclusion of the 18th Party Congress Xi Jinping was elected General Secretary of the Central Committee of the Communist Party of China, and in March 2013 President of the Republic, that the Country's fight against corruption marked a step change when it was placed right at the top of his political agenda. The President, firmly convinced that at this level corruption poses a mortal threat to the Party and to China's stability, mobilized for this purpose the entire Communist apparatus starting from the powerful and feared Central Commission for Discipline Inspection (CCDI)<sup>7</sup>. Under the new General Secretary's instructions thousands of officials have been brought down including several hundred senior ones, a much higher number than under any of its predecessors. Leaders of the caliber of Zhou Yongkang, who cumulated the three key government positions of Minister of Public Security, Politburo member and Commissioner of the National Narcotics Control Commission (NNCC), have also been sentenced to life in prison<sup>8</sup>. And, again unlike in the past, the campaign has not spared the People's Liberation Army with military chiefs at the level of Vice-Chairman of the Central Military Commission – in other words deputies for military affairs to the President of China who is at the same time Chairman of the Commission – charged with corruption for taking huge bribes<sup>9</sup> in exchange of granting promotions and sentenced to life in prison for this crime. The Vice-Chairman, Guo Boxiong, thus becomes the most senior Chinese military commander ever tried for corruption<sup>10</sup>. The intensity of the campaign is so strong that the President has even received death threats<sup>11</sup>, something which is unprecedented in the history of the People's Republic and confirms indirectly the efficacy of the President's actions.

7 The Central Commission for Discipline Inspection is the highest internal-control institution of the Communist Party (CPC), tasked with enforcing internal rules and regulations and combating corruption and malfeasance in the Party. Since the vast majority of officials at all levels of government are also Communist Party members, the commission is in practice the top anti-corruption body in China.

8 ----- "Zhou Yongkang sentenced to life in prison, no limits for anti-corruption", *Xinhua*, 11 June, 2015.

9 Jun Mai, "Man who ran world's largest army charged with taking US\$ 12,3 million of bribes", *South China Morning Post*, 4 April 2016.

10 Chris Buckley, "Guo Boxiong, Ex Top Military Official, gets life sentence for graft", *The New York Times*, 25 July, 2016.

11 Chris Buckley, "Guo Boxiong, Ex Top Military Official, gets life sentence for graft", *The New York Times*, 25 July, 2016.

While the threat letter openly circulated in the Internet did not make reference to the President's campaign against corruption, but generically referred to his failures in the domestic and international arena, it is evident that the letter's authors are those loosing from the President's reforms of either the economy or the military or both. In fact Xi Jinping is pursuing these reforms also by implementing the anti-corruption campaign.

Almost four years after its launch in 2012, and against all expectations, the campaign can be considered successful, though it is not over yet and nobody can say when it will be. Though this conclusion is not based on solid indicators which are difficult to come by in China in many fields, it is widely accepted and it relies on empirical observation of behaviour of local leaders who have become inactive to avoid being caught in the net, stable or lowering prices of real estate, steep decline in the sales of luxury goods, and positive feedback from ordinary citizens. Few countries both in the developing and developed world can claim such a success in such a short period of time and they would miss an opportunity if their graft-busters and academics did not study the Chinese experience. Indeed, even if most of the adopted anti-corruption measures cannot be replicated elsewhere given the specificity of the rule-by-law system in force in China, as opposed to the Western rule of law, some measures, let alone the degree of determination shown by the top Chinese leadership, can serve as an example and guidance for all those who are tasked with fighting against corruption. Surely the campaign is not without many critics inside and outside China. Inside China several officials believe that the campaign is a tool of a faction within the Party to eliminate another one. Outside China it is criticised by those who focus on the excessive use of force and lack of due process. While there is some truth in these criticisms, it remains a fact that this campaign has reached historical proportion and objectives and is, as such, having highly transformative effects on politics, the legal system and the economy and on China's future.

### *3.1. Impact on politics*

At the political level the campaign has undoubtedly reinforced the President and made of him a leader of the caliber of Deng Xiaoping. In other words, he wields now much more power than most of his predecessors, particularly Hu Jintao and Wen Jiabao, who are today overall considered weak leaders. This extraordinary authority and standing should now enable Xi Jinping to reach basically two objectives previously thought to be unachievable. Firstly and most importantly he is in a position to reform the public sector by downsizing the inefficient and indebted State Owned Enterprises (SOEs), something essential now that China suffers also because of a weak demand for Chinese goods. Secondly, it allows him to reform the military, reducing its size and involvement in business, with the goal not only to improve the armed forces' operational capabilities, but also to ensure their loyalty to the Party, something the current President seems to be unsure of. The reform of the military is indeed no less urgent than the reform of the economy now that the situation in the South, North and East China Seas is less stable than in previous years. Moreover, these actions against graft in the military, beyond improving fighting readiness and loyalty, give him control of

another lever of power. In fact, while with his election as the Secretary General of the Central Committee of the Communist Party of China (CPC) he has come in control of the party machinery and, after the arrest of security czar Zhou Yongkang, he has gained full control of the security apparatus, now, with the arrests of many senior generals, he is now more in control of the military as well.

This spectacular ascent to power by Xi Jinping leaves however a fundamental question unanswered. Undoubtedly the President has much more power than any of his predecessors, including Deng Xiaoping who did not command such control over the military and security apparatus, but has he enough force to carry through his reforms as Mao had? The next 12 months will provide an answer to this question which is key to China's future and the world.

### *3.2. Impact on legal developments*

Looking then at developments in the legal field, this campaign which mainly relies on very effective and invasive administrative and disciplinary measures applied under the direction of the Central Commission for Disciplinary Inspection, is having some positive effects in the field of criminal procedure law. Currently, lower-level courts in China are overseen by the county government, whose party representatives manage the courts exactly as if they were another organ of the government - as a branch of the executive, in other words - which is not the case in most countries. Local party secretaries can appoint judges, decide their salaries and careers, block the hearing of sensitive cases and decide the outcome of others. Such a system offers no remedy to ordinary Chinese who seek redress of abuses that can derive from many situations including: incidents in the mining and factory sector, incidents related to food and drugs safety, disorders linked to forced land expropriation, pollution or denied salaries. And when a case is heard, the sentence is rarely in favour of the plaintiff. The latest amendments to criminal procedure which have increased the capacity of the anti-corruption fighters have had, at the same time, the result to push forward criminal law reforms and the independence of the judiciary. Firstly, territorial competence has been changed by basically creating judicial districts that do not overlap anymore with administrative divisions. Secondly, circuit courts - whereby judges can now hold sessions at several different locations for pre-specified periods of time, with the result that judges from one province or region can now hear cases from others - have been established<sup>12</sup>. Thirdly, a calendar of the cases to be heard in a court of law has been introduced for the first time and this is increasing transparency. And finally, a few dozens courts have been allowed to experiment with a system similar to a jury thus bringing the voice of the community to be heard in the Chinese legal system otherwise dominated by judges and politicians. In this way local party leaders have less opportunities to interfere in the judicial process which is posed to benefit Chinese society at large, let alone foreign investors. Surely a full independence of the judiciary from Party leaders is to be excluded for the foreseeable future, and, moreover, not all news coming out of China in this field

12 ----- "China to adopt circuit courts to reduce interference", *Reuters*, 2 December, 2014

are encouraging. Indeed, the increasing number of closed-door criminal proceedings away from the scrutiny of the people and the press, arbitrary detentions and some renditions from Hong Kong SAR, are a worrying signal that the mainland's criminal justice system is not steadily marching in the right direction. Actually some critics go as far as saying that 2016 is a year of retreat in criminal law reforms. Nevertheless, the above mentioned amendments to criminal procedure law, adopted under Xi's leadership to strengthen his action against graft, are increasingly giving judges more freedom at local level in all cases except for those deemed to have political implications and this is a definitely a positive change with respect to the past.

### 3.3. *Impact on the economy*

Finally, with respect to the economy the effects of the anti-corruption campaign are of a magnitude still difficult to grasp and measure mainly because of two factors. On one side, getting a clear picture of what is going on in the Chinese economy has always been very hard. On the other, the Chinese economy is interlinked with a global economy which is struggling and has not taken a clear course towards recovery. However, at first glance at least, one could say that the President's anti-corruption campaign has stifled the economy, so much so that many in China believe that the economy can be restarted only by reintroducing corrupt practices repressed by Xi's campaign. The explanation of this paradox by which corruption would help Chinese economy grow again is the following: China's old business model based on connections, political patronage and corruption has now ended under the leadership of Xi Jinping, but an alternative economic model has not yet emerged because conservative forces, including the elderly and some of the "princelings" inside the Party – basically those connected to and benefitting from SOEs - oppose the changes<sup>13</sup>. This argument that corruption helps the economy grow has been heard before in countries undergoing serious anti-corruption campaigns and while this usually works out, it is always a solution for the short term. On the long term it would lead local government debt to become wider and finally drag down China with it. So the solution is not to go back to the non-transparent and illegal ways of doing business of the past, but instead to continue economic reforms by basically dismantling most of the SOEs which brought about overcapacity, bad loans and local government debt. The anti-corruption campaign, by taking away money from the economy, has made pro-free-market reforms even more urgent now that China GDP is slowing down. But dismantling the SOEs will not be at all easy and the President is facing extraordinary resistance as demonstrated by the death threats received this year and by the reshuffle<sup>14</sup> he ordered in 2015 of the Central Security Bureau that is in charge of his and other top Chinese leaders' personal safety.

Three are the possible outcome of the President struggle to reform the economy. Or the President will give in to those who back the SOEs or they will give in to him. If neither of these two options will materialize soon, it is likely that we will witness a third

13 Francesco Sisci, "Latest China stock crash spotlights urgent need for financial reform", *Asia Times*, 5 January 2016.

14 ----- "Is Xi Jinping protecting himself from an internal threat? China President reshuffles elite security unit", *South China Morning Post*, 11 March, 2015.

worrysome outcome with unforeseeable consequences: the current resistance to the President's reforms and to his anti-corruption campaign will develop into a full-scale battle, something China has not seen since decades and that nobody wise inside or outside China wants to see.

#### **4. Conclusion**

There is no doubt that we are now at a crucial juncture in the fight against corruption in China. On one side, if the anti-corruption campaign has been successful, its root causes have not been addressed, only its symptoms have. If they are not addressed, and once Xi Jinping retires, corruption will resurface with unpredictable but surely serious consequences for China's future. On the other, the anti-corruption campaign, undoubtedly popular among ordinary Chinese, has damaged the legitimacy of the Party by uncovering illegality and abuse so serious and widespread that shocked and incensed the people. The root causes must be then dealt with and that would need deep political changes which are unlikely.

So, is there a way out? Xi may have an important card up his sleeves which may bring about the desired result without going as far as a parliamentary democracy. Indeed the main outcome of this anti-corruption campaign has been to completely dismantle the system of official power which governed China over decades, by arresting many officials, threatening others, sending some into early retirement and promising rewards to those who take side with the President's economic reform program. This huge blow to the way power was exercised is of the kind seen only right after the Cultural Revolution and thus it could lead officials - pushed to the limits - to accept the reforms that he is now proposing and that many of them are resisting. Once ongoing changes in the security, military and legal areas are completed and consolidated, Xi could concentrate all his energies on the economy and over other problems China is experiencing and thus bring about reforms of unprecedented scope in China's modern history. Corruption would not be anymore an issue of life or death for China and would go back to a physiological level like it is in many other countries.

In other words, through the devastating effects on the Party caused by this anti-corruption campaign, China under Xi Jinping has started a process of radical transformation that once completed will close the four decades of reforms started by paramount leader Deng Xiaoping, and open the door to a new era which, though still difficult to define, certainly will shape the world no less than how China and globalization have changed the world we live in. This is why this campaign is much more than a criminal justice issue, a matter of international cooperation or a problem of ethics, and deserves much more attention than it gets today in the West.

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