Murder, Sex, Corruption: Will China Continue to Hold Together?

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Abstract

The recent Bo Xilai affair has created strains in the Chinese political system and has intensified the power struggle concerning the new leadership appointments due to take place at the 18th Party Congress. The pressure on the political system is intensified by a number of social phenomena such as increased fragmentation, vested interests, corruption, social unrest, increased income and social inequalities and a de facto reform stop since 2009. Some scholars believe that we now see the end of ‘resilient authoritarianism’ and that China either will experience a political and social collapse or move towards a democratic system. However, developments since 1989 show the regime’s amazing ability to revitalize its organizational capabilities and regain its Mandate of Heaven. It may be too early to declare the Party over.

Keywords: Corruption, fragmentation, vested interests, ‘resilient authoritarianism’, future scenarios

In the wake of the Tian Anmen Massacre in 1989 many Western scholars adopted a negative view of the prospect for reform in China. Influenced by the violent crackdown on the students, they predicted that the Chinese Communist Party would disintegrate as it had lost its legitimacy. This scenario of disintegration and meltdown of the system was further reinforced with the implosion of the Soviet state and the Soviet Communist Party’s loss of power. Impressed by these events, Western China scholarship began to focus on civil society, private sector development, central-local tensions, migrants, and other marginalized groups – in short on the centrifugal forces in Chinese
society rather than on the forces that held the system together and made it work.¹

However, the system did not break down and the CCP did not disappear. In fact, by the early 2000s it became clear that the Party had in fact undergone a process of renewal and revitalization. As a result of this process the Party and its governing apparatus were much younger, better qualified and technically more competent than during the Mao era. A few statistics suffice to prove this point.²

In 1979 only 29 percent of Chinese cadres were below 35 years of age. By 2000 the percentage had risen to more than 50 percent. The share of cadres between 36 and 54 years of age had fallen from 65 percent in 1979 to 45 percent in 2000.

The educational level of cadres has also improved significantly since the beginning of the reform period in 1979. The proportion of cadres with only junior middle school education and below was almost 50 percent in 1979. By 2000, this share of less educated cadres had been reduced to less than 8 percent. Among leading cadres, defined as cadres at division (chu) level and above, the share of people with a college degree increased from only 16 percent in 1979 to more than 80 percent by the end of the century. Now more than 95 percent of the Central Committee holds a college degree and an increasing number of top leaders even hold a PhD, although the degree is often obtained on the basis of part-time studies.

Creating a younger and better educated cadre corps was associated with rigorous training courses for Chinese Party and state officials. According to regulations Chinese officials must have at least three months of training within a five year period. For most officials participation in training and educational courses at Party schools or training centres is a precondition for advancing in the system. There are now hundreds of provincial and local Party schools in addition to the Central Party School in Beijing.³
The new civil service regulations passed in January 2006 as well as other recent guidelines and regulations were formulated with stipulations concerning open appointment and selection of cadres and filling of official positions and examination. They include a public notification system for filling positions below department (ting)-level and experiments with multi-candidate elections for leading government and party posts; regular job rotation from section (ke)-level and above; clear measures for performance evaluations combined with public feedback on the quality of work done. Flexible remuneration and pecuniary rewards to high performers were also decided on, and in 2006 the salary system for civil servants was revised, enlarging wage differentials on the basis of administrative ranking and yearly performances.4

In general, Chinese politics became institutionalized. For example, age limits for membership of top Party organs such as the politburo and politburo standing committee were introduced in the era of Jiang Zemin. Thus politburo members who were 70 years of age or close to 70 could be re-elected to these important Party organs. At the recent Party congress the age limit was set at 67, so that politburo members at this age could be promoted, whereas politburo member aged 68 had to retire. Moreover in the 1990s a tenure system was introduced, so that a Chinese official could only work two terms (2 x 5 years) in the same position. These age and tenure limits also applied to top positions such as prime minister or president. Moreover, competitive elements were introduced into the system. This was not only the case at the grass roots level where village leaders are now elected in open elections with multiple candidates competing. It was also the case at the top of the system, where polls were taken to estimate the support of candidates for leadership positions. An example is Xi Jinping’s elevation to the position as heir apparent in 2007 as the result of a straw poll among 300 Chinese top leaders. In the poll Xi Jinping received more support than Li Keqiang, who was widely regarded as Hu Jintao’s favourite. During the preparation of the 18th Party Congress, several polls were taken among senior leaders to determine the
composition of the new Standing Committee. In sum, there is a growing body of regulations detailing leadership selection and appointment and what kind of qualifications Chinese officials and leaders must possess. All this has contributed to the consolidation of the Chinese political system and made it even more resilient.

Andrew Nathan has coined the concept of ‘resilient authoritarianism’ to characterize the stability and sustainability of this system. During the 2000s the ‘resilient authoritarianism’ school gained traction. In 2004 Zheng Yongnian and the present author published a book focussing on the CCP and its organizational renewal. Scholars such as David Shambaugh and Bruce Dickson, who previously would argue that the CCP was losing its capacity and legitimacy to rule and was experiencing steady decay, also emphasized the resilience of the system.

However, it is increasingly clear that resilient authoritarianism is under strain. This is caused by a number of phenomena: increased fragmentation, vested interests/interest groups, reform stop, corruption, social unrest, etc.

**Fragmentation**

Decision-making as well as top appointments in the Chinese political system are characterized by the interaction of a number of influential bureaucracies at both national and provincial level. In addition, a group of SOEs has acquired enormous influence. They hold huge resources as they only hand over a small percentage of their profits to their nominal owner, the state. The top SOEs under SASAC (the national champions) hold an administrative rank at vice-ministerial level and some of them have CEOs at ministerial rank. This means that even government ministers have difficulties issuing orders to the large SOEs. Moreover, many of the SASAC companies are listed abroad and therefore must operate according to market conditions that are globally defined. This further strengthens forces of globalization.
Vested interests
The existence of powerful vested interests further increases fragmentation and strains the existing political and economic order. Vested interests are closely intertwined with the iron triangle of business-Party-state relations. Many Party and state leaders have a career background in the large SOEs, and when the big state-owned business groups were formed in the 1980s and 1990s they were often headed by former high-level officials. The fact that ranking still exists for the SOEs reinforces these connections. The big SOEs are primarily located in the heavy-industrial sectors of the economy, such as oil and gas, steel, power generation, machine-building, etc. These sectors are the privileged sectors in the Chinese economy. They have the attention of the economic planners in Beijing and they have easy access to preferential bank loans. As the well-known economist Sheng Hong has argued in a recent interview, it is necessary to break the monopoly position of these SOEs in order to further advance economic reform.\textsuperscript{10} Premier Wen Jiabao has also on several occasions argued for abolishing the vested interests, but so far with to no avail.

Corruption
Corruption is an increasingly big problem. Big corruption cases continue to see the light of day. In 2006 the mayor of Shanghai, Chen Liangyu, was fired for corruption and two years later handed a jail sentence of 18 years.\textsuperscript{11} In the spring of 2011 the minister of railways, Liu Zhijun, also had to step down accused of corruption. In the business world the head of China Nuclear Corporation, Kang Rixin, was jailed for corruption and expelled from the Party October 2010.\textsuperscript{12} Currently the case against Bo Xilai highlights the problem. Here you have a Party leader who spearheaded a campaign against criminal elements and corruption, but appears to be even more corrupt than the people he clamped down on.

But this is only the tip of the iceberg. At lower levels corruption is an endemic problem. An example is the widespread buying of positions. According to anecdotal evidence you can buy a promotion to vice-ministerial level for about
10-20 million RMB. The step from general director to vice minister is the crucial step to the top in the Chinese power system and therefore officials who cannot make it on their own merits are willing to pay such enormous sums of bribery – of course with the expectation of getting back the investment once the position has been acquired. It was rumoured that Liu Zhijun, the deposed minister of railway, had planned to use 2 billion yuan to buy the post of vice premiership and gain a seat on the politburo.\textsuperscript{13}

The buying of positions is a direct threat to the legitimacy and sustainability of the system. As shown above in the post-Mao period the competencies and qualifications of the Chinese officialdom have increased dramatically. In fact, one could argue that the secret behind the whole reform program and the regime’s ability to stay in power is rooted in the successful upgrading of the quality of the bureaucracy. If the search for talent and competence is undermined by office buying and corruption, the system’s ability to deal with the challenges of continued modernization may be seriously compromised.

\textit{Misuse of public funds}

Associated with corruption is misuse of public funds. Currently, there is a public rage against government officials’ overspending on vehicles, banquets and overseas trips (sangong xiaofei or ‘three public expenses’). According to a law Professor at Peking University a total of 900 billion yuan (US$ 143 billion) of public money is being spent each year on the ‘three public expenses’.\textsuperscript{14} This is about 10 percent of China’s total fiscal spending and larger than the central government’s budget on education and healthcare. In spite of several campaigns to limit public money on cars, dining and overseas trips, expenses have continued to go up, reflecting the fact that officials often disregard regulations in order to keep face by throwing big dinners and driving expensive cars.

Then there is the problem of the lifestyle of the sons and daughters and family members of the political elite. Bo Guagua, Bo Xilai’s son, is a prominent case in point. According to rumours he was driving a red Ferrari and living the high
life in Beijing and Boston where he studied at Harvard University. However, he is not the only high-flyer among the offspring of the elite. A month ago it was revealed that Ling Jihua’s son had been killed in an accident, when his car, a black Ferrari, crashed into a wall in Beijing. The incident was a major factor in the removal of Ling Jihua from the influential position as head of the CC’s General office.

*Income and social inequalities*

In contrast to the affluent lifestyle of the red elite you still find millions of people living below the United Nation’s poverty line of 1 dollar per day. Large numbers of rural migrants have flown into the cities in the hope of earning a better living and elevating their social status. However, lack of relevant skills required in high-end urban industries have limited their job opportunities to lower end jobs. In the state-owned companies salaries have increased substantially in recent years. This especially applies to the leadership teams of these companies who can earn salaries of more than one million yuan.

The Hurun 2012 Wealth report shows that there are now more than 1 million dollar millionaires in China. 63,500 of these belong to the category of super-rich, defined as individuals with more than 100 million yuan as personal wealth.\(^\text{15}\) Wealth is primarily concentrated in the developed Eastern part of China. Thus 84 percent of the wealthiest individuals in China live in the Eastern and Southern regions of China. Beijing is home to the biggest number of China’s wealthiest individuals with 10,500 super-rich individuals, one sixth of the total number in the country. In comparison, Qinghai province only holds 55 super-rich individuals.

*Social unrest*

Social unrest is mounting in China. The number of mass incidents, a term coined by the government to describe strikes, demonstrations, blockages, collective sit-ins or physical conflicts, has increased from to 50,400 in 1993 to 180,000 in 2010.\(^\text{16}\) This shows that the Hu-Wen leadership’s focus on ‘stability preservation’ has failed. Often local conflicts in the country side

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originate in local officials’ expropriating the land of farmers in order to build an industrial development zone or sell the land to property developers. In fact, this kind of practice is a way of earning money for cash-strapped local governments in rural areas. There are also an increasing number of incidents where the local population protests against the building of factories that harm the local environment.

The recent report from the Pew Global Attitudes Project shows that there is a growing concern in the Chinese public about inequality and corruption. Half of the interviewed now say corrupt officials are a very big problem, up from 39 percent in 2008. 32 percent say the same about corrupt business people, also up 11 percentage points from four years ago. In another sign that many Chinese do not see a level playing field in their country, 48 percent of the population now regard the gap between rich and poor as a very big problem, up by 7 percentage points since 2008. According to the survey 81 percent agree that the rich just get richer, while the poor get poorer. Thus, while 70 percent of Chinese say they and their families are better off than they were five years ago they are increasingly worried about corruption and rising income inequalities. The only issue that causes more concern is inflation, which is regarded as a very big problem by 60 percent of Chinese, down from 72 percent in 2008.

In sum, China is confronted with a number of issues which creates concern, dissatisfaction and in many cases physical protest. They all indicate the need for basic reform. Aggravating the situation various factions are engaged in heavy infighting about the composition of the new standing committee of the politburo. Ten years ago the transition from the third to the fourth generation took place in an orderly manner. This time the Bo Xilai affair has created new tensions and raised the stakes. A recent issue of Der Spiegel has ‘Mord, sex, corruption: Machtkampf under China’s Kommunisten’ as the headline on the cover page. Other reports indicate the same thing. China is in trouble and risk further fragmentation resulting in political disintegration and collapse.
**Forces of integration**

However, before the overall situation of the patient is pronounced terminal, it is important to point out that there are forces that continue to hold China together. Even though the big SOEs have developed into powerful entities that pursue their own interests, the Party-state does possess instruments to reduce their autonomy. In terms of control one of the most important instruments is the nomenklatura system. According to this system the Central Organization Department of CC manages and controls 4,500 ministerial level positions, including the CEOs and board chairmen of China’s largest SOEs. This means that the top leaders of these companies are not appointed by the board of these companies, but by the Central Committee.\(^{20}\)

Another instrument of control associated with the nomenklatura system is the so-called cadre transfer system.\(^{21}\) For leading cadres below ministerial and vice-ministerial level the rules are that they have to be transferred after their second term, i.e. after a maximum period of 10 years.\(^{22}\) In this context it is important to note that rotation also takes place between big business and the political world. Thus government officials can be transferred to take up leading positions in the state-owned companies and vice versa. This kind of rotation has certain parallels to the French system of appointing members of the civil service elite to one of the country’s top business positions after having spent a decade or so working for the state, often in a ministerial private office – a practice known as *pantouflage* (literally ‘shuffling across’).\(^{23}\)

In the Chinese case examples of *pantouflage* include Li Lihui's transfer in 2004 from the position as vice-governor of Hainan province to the position as president of Bank of China, or when Zhang Qingwei in 2008 was moved from the position as minister of the Commission of Technology, Science and Industry for Defense to the corporate world to become chairman of the newly formed Commercial Aircraft Corporation of China. A third example is Zhou Yongkang who was appointed Vice-Minister of the Ministry of Petroleum in 1985. When this ministry was abolished in 1988, Zhou Yongkang was
appointed deputy general manager of the newly formed China National Petroleum Corporation and advanced to become general manager of the corporation in 1996. Two years later he was appointed Minister of Land and Resources and returned to central government work. Subsequently he became Party secretary of Chongqing, Minister of Public Security and member of the standing committee of the politburo. A number of additional examples could be mentioned. In fact 52 of China’s governors and vice-governors have a business background. Examples include Li Peng’s son Li Xiaopeng who in 2008 was transferred from the post as CEO of Huaneng to the vice governorship in Shanxi province. These examples show that Party and state organs increasingly use the large business groups as a recruitment base for filling important state and Party positions. More importantly they show that the Party keeps control of leadership appointments and the rotation between leaders of Party, state and business organizations – the iron triangle. In sum, there are forces of integration that hold the system together and prevent fragmentation from becoming disintegration.

Charting the future
Jae Ho Chung has put forward an interesting spectrum of eight possible comparative future scenarios for China:

1. The Yugoslav model (disintegration of the nation-state).  
2. The Indonesian model (incomplete democratic transition, economic stagnation, social discontent).  
3. The Latin American model (nondemocratic, corrupt regime, widening income and social disparities).  
4. The Indian model (complete democratic transition but failure to sustain high economic growth, social discontent).  
6. French model (economically advanced industrial economy, politically democratized and with international influence).  

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7. The coexister (China as a cooperative ‘bigemon’, responsibly engaged in the international arena).

8. The revisionist (China as a powerful, revisionist challenger to the existing international order).

Inspired by Jae Ho Cheng, David Shambaugh has outlined a spectrum of 14 alternative political futures.\textsuperscript{25} The importance of his contribution to the debate on China’s future is that he divides the various scenarios into a tripartite conceptualization of China’s political evolution: (i) Change towards political collapse; (ii) no change; and (iii) political change towards democracy. David Shambaugh argues that since 2009 the reform process has stopped. Since then, the whole system (except things like cadre training) have stagnated, stalled, frozen up, and even retrogressed. He does not go so far as to predict the collapse of the system, but he is increasingly sceptical as to whether the regime and CCP will choose the path of adaptation rather than atrophy.\textsuperscript{26} His tripartite division reminds us that political systems can in fact get stuck in the middle of the transition process. In fact, according to Carothers, most transitional countries enter a kind of gray zone or a no change mode where they are neither clearly dictatorial nor clearly headed towards democracy.\textsuperscript{27} However, in his recent \textit{China Quarterly} article Cheng Li argues that the new socio-economic forces in China in combination with fundamental flaws in the Chinese political systems and factional infighting will break the deadlock – in his mind towards democratic change.\textsuperscript{28}

\textbf{Conclusion}

The Bo Xilai affair has highlighted new cracks in the Chinese political system. They reinforce existing tensions caused by among others increased fragmentation, vested interests groups, corruption, misuse of public funds, in social and economic inequalities. The Bo Xilai case reveals that many of China’s top leaders are in fact engaged in corruption and misuse of public funds. They and their families profit from the existence of vested interest groups and therefore do not support reforms that would abolish the monopoly status of SOEs and other initiatives that would finally allow China to cross the
river after a long period of ‘feeling for the stepping stones’. Corruption, vested
interests, intensified factional power struggles were also factors that combined
with economic imbalances created the political and social environment for the
unrest in 1989. However, so far the top leadership has not yet revealed the
fault lines of political disagreement to the public and has thereby managed to
keep the factional struggle in-house. Moreover, the Chinese political regime,
including the CCP, has over the years shown an amazing ability to revitalize
its organizational capabilities and regain the Mandate of Heaven. Therefore it
is much too early to declare the Party over.

Notes

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