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Corruption Networks in China

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CORRUPTION NETWORKS IN CHINA

An institutional Analysis

Jiangnan Zhu

Introduction

Rapid economic growth provides opportunities for institutionalising new forms of corruption and for re-enforcing existing networks of wealth extraction and illicit activities (Rose-Ackerman 1999). In China, since the late 1990s, there is evidence that economic growth has been accompanied by corruption of increasing severity, complexity, and scope (Gong 1997; Wedeman 2004; Guo 2008). One indication of this intensification of corruption is the high incidence of collective corruption in which a complex network of participants from different government departments, localities, and private sectors operate like a syndicate. These corrupt networks have in some cases developed into corruption on a grand scale involving very high-level officials and the establishment of corrupt empires. The chapter identifies three major politico-economic features leading to this form of corruption in China:

- power concentration in a geographically and functionally fragmented authoritarian regime;
- business-government collusion in a transitional economy; and
- the prevalence of informal politics, especially the factional networks within the ruling party and the privatisation of public power by family members of government officials.

These features are illustrated using the case of a former member of the Politburo Standing Committee (PSC) of the Chinese Communist Party (CCP), Zhou Yongkang, who is to date the highest official ever convicted of corruption.

Corruption in China: definitions and trends

Corruption in China is broadly defined. In addition to monetary activities such as bribery or embezzlement, a corrupt official is almost always vilified for personal failings such as having mistresses, committing adultery (a term appearing in the official media since 2014), neglecting duty, or even leaking state secrets. Corruption in China seems to be, on the one hand, similar to the generic definition of “abuse of public power for private gain” but, on the other,
rather more than that in the context of the public interest and the role of the party. First, although the major actors in Chinese corruption are government officials, the staff of public organizations and even ordinary people engaged in public services may also be considered to commit corruption if their misbehaviour compromises public interests (Ko and Weng 2011).

Second, corruption in China is subject to both criminal law and party discipline. The criminal law regulates not only economic corruption, such as bribery, graft, embezzlement, misappropriation, holding a huge amount of property with unidentified sources, and unauthorised disposal of state properties but also the dereliction of duties and malpractices. Party discipline holds to high formal moral standards and castigates misconduct caused by violation of administrative responsibility and official malfeasance such as shirking, torture, having mistresses, squandering and many other forms of immorality. This broad definition of corruption reflects the CCP’s attempts to control both typical types of corruption and the socially unacceptable behaviour of state functionaries. However, broad definitions do not necessarily correlate with low tolerance of corruption or help in efforts to constrain it (Gong and Wang 2013).

Several scholars argue that corruption in China increased in the late 1990s and can be gauged by the rising percentage of major cases filed, the number of senior officials charged, and the growing amounts of corrupt funds uncovered. For instance, major cases filed by the disciplinary inspection system, which involved officials at or above county/department level (xian/ke) and illicit monies exceeding 10,000 yuan, jumped from approximately 6 per cent in 1987–1988 to more than 30 per cent in 2000 (Wedeman 2004). The average amount of money involved in those cases rose dramatically from 17,000 yuan between 1978 and 1991 to 2,968,000 yuan between 1991 and 2000 and increased further to 3,208,000 by 2004. After 2001, 78.6 per cent of major cases exceeded one million yuan (Guo 2008). Significantly, high-level officials, especially those at or above bureau-level (chu, ting, ju), accounted for 64 per cent of the major actors among publicly reported cases (Gong and Wu 2012).

Concentrating particularly on trends in high-profile corruption, I compiled a dataset from available public sources, including government publications, websites, and media reports of senior officials at or above vice-provincial/ministerial level who were charged or punished for corruption between 1986 and June 2015. Because cases involving those very high-level officials have political importance, the mass media always report them. Thus, this dataset of some 275 officials should be an almost complete list of senior officials accused of corruption since 1986. Figure 3.1 illustrates the distribution of these officials over time. It shows a steadily increasing number of senior officials charged with corruption. Between 1986 and 1994, corrupt senior officials only appeared sporadically and in very small numbers. From 1995 onwards, corrupt senior officials began to show up in consecutive years and in several years the number reached double digits. After 2013, 126 officials were investigated for corruption, accounting for 46 per cent of the whole dataset. The large number after 2013 is apparently the result of the large scale anti-corruption campaign launched by President Xi Jinping after he came to power at the end of 2012. However, many newly investigated officials were involved in corruption long before that. For example, although the former mayor of Nanjing, Ji Jianye, was only arrested in early 2015, he had been engaged in corrupt activities since 1992 when he was only a county party secretary. The dataset also shows that, after 2005, the average amount of illicit money purloined was constantly more than 50 million yuan with the highest amount reaching 200 million yuan.

Underlying these numbers are constantly changing forms of corruption with increasingly sophisticated causes and characteristics, reflecting the changing social environment (Gong 1997, 2002). In the 1980s, the most popular form of corruption was official speculation, taking advantage of the dual-price system between the low state-set prices and the much higher
market prices for raw materials. In the 1990s, when the state further liberalised the prices and carried out taxation, banking, and housing reforms, many new corrupt activities appeared (Gong 1997). While stock market violations, speculation in the burgeoning real estate markets, and smuggling tended to be more frequent in the economically active coastal regions, tax evasion, financial fraud, and buying and selling official positions were more common types of corruption in less-developed areas (Sun 2004; Zhu 2008, 2012). Government procurement and outsourcing of services were also plagued with high incidences of corruption (Gong and Wu 2012).

Since the late 1990s, collective corruption, in which groups of officials working collaboratively like a mafia, has been particularly noticeable (Gong 2002). Although some cases, such as collective embezzlement, only involve government officials, most collective corruption includes complex corrupt networks, which transfer interests among officials in different local bureaucratic systems and to actors outside the government (Gong 2002). For instance, in the notorious Yuanhua smuggling case investigated in the late 1990s, Lai Changxing, the boss of a smuggling empire in Xiamen suborned the entire custom house in Xiamen and cultivated the support of public security officials, local leaders, banks and even the military in Xiamen and in other parts of the country (Shieh 2005). Similar cases were also discovered in Zhanjiang and Shenyang. More recently, the former head of the Chongqing public security bureau, Wen Qiang, together with his local policemen, acted as the unlawful protectors of the criminal underworld in Chongqing (Wang 2013). In these cases, the major players in the criminal networks included private entrepreneurs, state-owned enterprise (SOE) managers, gangsters, local governors, party leaders, bureaucrats, and law enforcers. Collective corruption is politically destructive, as the experience of post-communist countries shows, because corrupt networks can infiltrate and take over state institutions (Shieh 2005).
In my dataset of the 275 senior officials, 58 were involved in 17 different collective corruption cases. Several senior officials were caught because of their linkage to the same case. As Table 3.1 shows, while some cases concentrated in a single locality or functional system, such as Chen Liangyu’s case in Shanghai, the downfall of the Shanxi gang, Liu Tienan’s energy system, and Xu Caihou’s military corruption, other cases had wider repercussions beyond a single locality or bureaucracy. Some even implicated central government leaders, such as the case of Zhou Yongkang, which is discussed later in the chapter.

I also categorise the senior officials in my dataset by their positions when they first became involved in corruption to see which government sectors were most vulnerable to

<table>
<thead>
<tr>
<th>Case No./name</th>
<th>Major participants (title, year of investigation)</th>
<th>Other participants (year of investigation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Yuanhua smuggling case</td>
<td>Shi Zhaobin (Party Secretary of Xiamen and Fujian, 2001), Cong Fukui (Vice-Governor of Hebei, 2001)</td>
<td>Ji Shengde (1999), Li Jizhou (1999)</td>
</tr>
<tr>
<td>3. Tao Siju’s case</td>
<td>Tao Siju (Minister of Public Security, 2002)</td>
<td></td>
</tr>
<tr>
<td>4. Han Guizhi’s case</td>
<td>Han Guizhi (Deputy Secretary of Heilongjiang, Head of Provincial Organizational Department, Chairman of the Provincial PPCC, 2004)</td>
<td>Fan Guangju (2003), Xu Fa (2004), Xu Yandong (2004)</td>
</tr>
<tr>
<td>6. Chen Tonghai - China Petrochemical Corporation</td>
<td>Chen Tonghai (General Manager of China Petroleum &amp; Chemical Corporation, Director of China Petroleum &amp; Chemical Co., Ltd., 2007), Du Shicheng (Deputy Party Secretary of Shandong, Member of Qingdao Municipal Committee, 2007)</td>
<td></td>
</tr>
</tbody>
</table>
10. Ling Jihua’s case  
Ling Jihua (Vice-Chair of CPPCC, 2014), Ling Zhengce (Vice-Chairman of Shanxi Provincial PPCC, 2014)

11. Shanxi Gang  
Du Shanxue (Deputy Governor of Shanxi, 2014), Ren Runhou (Deputy Governor of Shanxi, 2014)

12. Shanghai pension scandal  
Chen Liangyu (Party Secretary of Shanghai, 2006)

13. Liu Zhijun’s railway case  
Liu Zhijun (Minister of Railways, 2013)

14. Jiangxi Jiujiang water systems  
Chen Anzhong (Vice-Chair of Jiangxi Provincial PPCC, 2015)

15. Kunming case  
Bai Enpei (Party Secretary of Yunnan, 2014)

16. Wang Jin’s case  
Zhao Shaolin (Member of Jiangsu Provincial PSC, Deputy Party Secretary of Jiangsu, 2014), Yang Weize (Party Secretary of Nanjing, 2015)

17. Energy system  
Liu Tienan (Deputy Director of the National Development and Reform Commission, 2013)

Source: Based on the author’s dataset of 275 senior officials drawn from cases reported in the Chinese press.

corrupt intrusion. Figure 3.2 shows that 49 officials were local government leaders. This is not surprising given the large executive power and various resources controlled by local governments. This group is followed by the People’s Liberation Army with 48 corrupt officers. In comparison to civilian government, power is more concentrated in the military with less public supervision and transparency given the confidentiality of national security.
Corruption in the military has become a serious problem (Chase et al. 2015). Figure 3.2 illustrates how corruption has spread across different government arenas and has often included the top leaders of a locality or a system. As Sun (2004: 121) observes, some corrupt officials are at “the very top in a local administration”; their involvement in corruption has increased the incidence of collective corruption, in which “almost an entire local government, or a large number of its officials, engage in violations”.

High-profile cases, including senior officials, large sums of money, and collective corruption with complex networks, have accounted for a higher percentage of corruption in China since the late 1990s. Complex corrupt networks have also infiltrated several sectors crucial for national economic and political development, such as the real estate industry and the cadre recruitment and promotion process. The next section explores the institutional causes leading to the current form of corruption in China.

Institutional causes: major factors shaping corruption in contemporary China

The most widely attributed reason for the growth of this kind of corruption in China is probably market reform. For instance, Kwong (1997) points out that the early market transition led to an income gap between the private sector employees and the public employees. Public employees felt a sense of relative deprivation, which may have led many to engage in corruption, and justify it as an income supplement. The marketisation reforms also created many profiteering opportunities for cadres and SOE managers (Sun 2004). Officials’ moral decay, a non-professional civil service system, beset by nepotism and subject to arbitrary subordination to political power, and ineffective supervision and law enforcement have also provided fertile ground for corruption (Lu 2000; Manion 2004; Johnston and Hao 1995). Although many of these problems continue to persist, these factors are especially important in explaining corruption up until the late 1990s. This section focuses on explaining the institutional roots of the corrupt networks apparent in many major collective corruption cases since the late 1990s. I argue that three related causes have been important: 1) power concentration in a geographically and functionally fragmented authoritarian regime; 2) business-government collusion in a transitional economy; and 3) the prevalence of informal politics.

Power concentration in a geographically and functionally fragmented authoritarian regime

The primary factor leading to the syndicated corruption networks is power concentration in a fragmented authoritarian regime. What “appears to be a unified, hierarchical chain of command turns out in reality to be divided, segmented, and stratified” (Lieberthal and Oksenberg 1988: 137). One significant fault line in the system is the division between the centre and the locale while the other organizing concept is that of vertical functional bureaucracies (Lieberthal and Oksenberg 1988).

From the reform era onward, China has been run in a decentralised manner with greater authority granted to local level governments, functional departments, and SOEs in economic and political decision-making (Mertha 2005). However, each decentralised provincial or functional bureaucracy is run in a clearly hierarchical way in which power is centralised in party leaders in each geographical jurisdiction or functional unit. The delegation of greater responsibility to lower level governments to optimise economic growth has inadvertently
led to the development of many closed “local or vertical kingdoms” independent of central oversight and public supervision.

This pattern is especially strong at provincial level. The central government does not have direct control of policy implementation, but instead relies on local government to maintain the authority of the CCP and to implement policies. The level of autonomy granted to provinces allows them to implement policies that may differ from those of the central government if they feel that the new initiative will better promote economic growth but as a quid pro quo the central government requires that political stability be maintained (Liebenthal 2004). Although the centre can assert power through the armed forces and allocation of resources, once the money reaches the province, government projects and contracts are handled through the provincial government, making provincial leaders, especially the party secretaries, extremely powerful.

The central government has made some effort to recentralise by readjusting functional hierarchies and adopting a “soft centralisation” model where key bureaucracies no longer report to local officials but to leaders higher up in the chain (Mertha 2005). While this has reduced local power in village and town level units, power has not been re-delegated to the central government but to provincial governments. Provincial-level government has also been given greater control over cadres at prefecture level, who now report to provincial level units instead of to Beijing (Lam 2010). Thus soft centralisation has only served to strengthen each kingdom with power becoming more centralised in the provincial party secretary and with the prefecture/city level officials becoming more reliant on the province for support.

Given the size and increasing economic power of China, provincial leaders, especially in the more affluent coastal provinces, control economic resources similar to that of nation-states. With such wide-ranging responsibility, little oversight and lack of accountability in an authoritarian state deeply influenced by cultural ideas such as guanxi, provincial leaders and those close to them can more easily use their positions to develop large corruption networks. Firms seeking government contracts also look to provincial leaders and profitable SOEs to establish collusive relationships.

**Business-government collusion in a transitional economy**

Economic transition in China has featured step-by-step reform initiated by a centrally planned system. The economic success has resulted from the massive entry of non-state firms, a dramatic increase in competition both among state firms and between state firms and non-state firms, and improved performance of SOEs energised by state-imposed market-like incentives (McMillan and Naughton 1992). This process has driven a realignment of prices which eroded governmental resources and shifted economic power towards households. Corruption reasserted official superiority and neutralised bureaucratic resistance to reform (Manion 2004).

Several other characteristics of the transitional economy have promoted the collusive business and government relationship which forms the basis of many corrupt networks. First, to guide the economic transition, bureaucratic power has played an indispensable role. The state has maintained secure control of the commanding heights of the economy. In 2003, the state controlled 56 per cent of the national fixed industrial assets, worth $1.2 trillion yuan (Pei 2006). The state is also a dominant player in key sectors, such as energy, steel, telecommunications, and automobiles. In these sectors, despite limited competition among the state firms, private domestic firms, and foreign companies are largely blocked from entering the market to maintain the state’s monopoly profits (Pei 2006). The government also
keeps tight control over most investment projects using its power to issue long-term credit and to grant land-use rights. Many business actors approach government officials with the aim of stripping state assets, leading to rampant corruption, such as kickbacks to bureaucrats. Successful capitalists are often those with political connections, such as members of the CCP, or delegates to people’s congresses or political consultative conferences (Li et al. 2008). Sometimes private entrepreneurs bribe local officials to secure the nomination of delegates (Sun et al. 2014).

A continuing crony relationship with businessmen also benefits government officials more than bribes for individual projects. Local officials, who are constrained by fiscal resources and pressured to promote the local economy, often require private entrepreneurs to help carry out administrative and policy orders assigned from above, such as reimbursing government purchases, aiding poorly performing SOEs, and reducing local unemployment. Private enterprises may even become the local officials’ wallet to deliver bribes for political promotion (Sun et al. 2014).

The party has followed a corporatist approach to embrace economic elites. Within the state system, the relationship between Chinese political and economic elites has even been described as “nomenklatura capitalism” (Crawford 2000). Eighty-one per cent of SOE chief executives and 56 per cent of all senior corporate executives are appointed by the party (Pei 2006). The party has also tried to integrate private entrepreneurs within its ranks so as to win their ideological support and to ensure continued economic growth (Dickson 2008).

The mutual needs of businessmen and government officials have consequently generated entrenched collusive business-government relationships from top to bottom. In my database of the 275 senior officials, at least 158 cases involved bribery or collusive relations with businessmen. These symbiotic relationships are sometimes built on benefits received in exchange for bypassing rules and regulations which have led to very serious outcomes, such as accidents in coal mines (Nie et al. 2013).

**The prevalence of informal politics**

Another institutional factor in the growth of corrupt networks has been the prevalence of informal politics. In China today as in the past, neither a legal system nor a moral order can fully regulate the behaviour of officials (Pye 1995). As a result, informal politics becomes a convenient tool for political elites to secure power and gain protection. Unlike formal politics, which adheres to bureaucratic procedure and policies based on institutional interests and policy preferences, informal politics essentially entails loyalty towards individuals, while fixed procedures and policies are usually absent (Shih 2004). Thus, informal politics is naturally conducive to corruption. Three aspects of informal politics particularly stimulate corrupt networks in China.

First, the primary reflection of informal politics in China is factionalism. Factionalism is not limited to China or culture-given but a consequence of a structure (Nathan and Tsai 1995) which permits groups to emerge, bound by shared background, intertwined careers and bureaucratic responsibilities, and loyalty toward their leaders, seeking benefits for their members (Lieberthal and Oksenberg 1988). They include a series of patron-client pairs where patrons are higher-level officials and clients are their subordinates. Faction members rise and fall together. Without democratic elections as a way to measure which political elites are more popular, a patron may need to signal power to others through his large group of followers and clients who can obtain preferential treatment or promotions from their powerful patron. Thus, both the patron and client will strive to provide each other with protection.
Corruption networks in China
during political struggles. Such patron-client bonds can easily degenerate into corrupt linkages. Some clients constantly deliver benefits, including bribes, to the patron and his family members in order to show their loyalty. In other cases, the patron-client relationship is born in the mutual advantage provided by corrupt means, such as office buying and selling. When clients are investigated for corruption, the patron is incentivised to protect them because a clients’ fall is considered a sign of the weakness of the patron and may even implicate the patron. Corruption buttressed by factional ties tends to operate in a relatively “safe” setting and is consequently difficult to combat.

Second, because of the enduring influence of informal power, corruption networks can be extended as the faction itself expands. Shih (2004) observes that factions have developed communication networks, which enable the faction to increase in size. A patron has the power to mobilise the primary, secondary, and tertiary ties of his network to engage in politics (Nathan 1973). Corruption networks could also develop into tiers through the multiple patron-client relations. For example, when Chen Xitong, the former party secretary of Beijing, was investigated for corruption, the authorities discovered a large corruption network in the Beijing Municipal Party Committee resulting from Chen’s broad and deep links in Beijing (Miller 2015). Moreover, because clients’ personal loyalty forms the patrons’ powerbase, influences from informal networks extend beyond the term in office. Informal power may have a long-lasting effect even after a leader leaves a position (Huang 2000). In many corruption cases, a leader apparently can still seek rents from the system or localities in which he previously worked. If the leader has been promoted to a higher position, his former subordinates would anticipate a pecuniary advantage in meeting his demands. Thus, a corrupt network not only develops along a single patron-client hierarchical line, it also expands across systems and/or localities following an official’s career track. Zhou Yongkang’s case well exemplifies this point. Even after Zhou left the China National Petroleum Corporation (CNPC) and Sichuan province, he was still able to use his corrupt kingdom to extract profits from both places.

Finally, with the prevalence of informal politics, family members of government officials often become involved in a leader’s political network, leading to the privatisation of public power. Family members’ involvement in politics is an inherent tendency within informal politics. As Nathan and Tsai (1995) argue, amongst the political networks formed by leaders in China, memberships are mostly based primarily on kinship or marriage. The offspring of top leaders, or princelings, have more opportunities for promotion (Shih et al. 2012) and informal politics consequently blurs the boundary between the public and private. Many lower level officials try to obtain patronage from their superiors through establishing personal connections with family members and relatives of their leaders. Personal connections also benefit leaders’ family members and relatives. The princelings, for example, use their family status to smooth the road to success by means of guanxi or personal connections (Pye 1995). In many cases, family members, including mistresses of officials, become the means for officials to collect profits. For instance, instead of owning or running businesses directly, officials often retain control by proxy, establishing new firms run by their relatives or transferring ownership of publicly owned assets to private enterprises owned by “cadre kin” (Power et al. 2012). Thus, many corruption networks deeply involve officials’ families, who in turn further extend the corruption networks.

These institutional causes have led to the creation and sustainability of complex corruption networks. The collusive business-government relationship has encouraged crony interactions between businessmen, and sometimes even gangsters, and government officials. The power concentration in the fragmented authoritarian regime has provided a way of building corrupt independent kingdoms. Informal politics further supplements the growth of corrupt
networks. Zhou Yongkang’s case exemplifies how a top leader developed his corrupt empire within a state characterised by these three features.

The case of Zhou Yongkang

A former member of the PSC, Zhou Yongkang is so far the highest-ranking official indicted on corruption charges. At the time of his arrest in December 2014, Zhou’s family assets, estimated at 90 billion yuan (14 billion US dollars), were also seized (Lim and Blanchard 2014a). More than 300 of his close family members and political allies were arrested or investigated (Lim and Blanchard 2014b). Corresponding to the three features of the state, Zhou expanded his corrupt empire by building networks within different geographical or departmental systems where he was once the head, tightening his control over the lucrative petroleum business and assigning important posts to his family members or loyal henchmen. Zhou’s trajectory in establishing this formidable kingdom can be traced roughly according to his career path: his early years in the oil sector, his stint in Sichuan and his peak years overseeing the security apparatus. His family members became increasingly involved in all parts of this corrupt empire (see Figure 3.3).

Zhou Yongkang (originally Zhou Yuanangen) was born in the coastal Jiangsu province in 1942 to a poor rural family of five. His two younger brothers, Zhou Yuanxing and Zhou Yuanqing, also amassed enormous wealth through Zhou Yongkang’s network. In 1961, Zhou

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**Figure 3.3** A simplified illustration of Zhou’s corrupt network

*Source:* Based on news reports cited in the section of Zhou Yongkang’s case.
Yongkang was admitted to the Beijing Institute of Petroleum to study oil exploration, a rare occurrence in those days for someone from his backward home town. In 1964, he became a member of the CCP. After graduation in 1966, he worked as a geological surveyor in the northeastern Liaoning province and lived a thrifty life. He was promoted several times during the Cultural Revolution and in 1976 became the deputy director of the Liao River Petroleum Exploration Agency’s political department, shifting his work from technical labour to political management. At that time, there was some suspicion that Zhou was accumulating wealth illegally (Xie and Wang 2014). Nonetheless, in 1984, he was appointed mayor and deputy party secretary of Panjin, a city in Liaoning province. In 1996, Zhou became general manager and party secretary of the CNPC, reaching his next political milestone.

In the CNPC, Zhou took advantage of his power over the natural resources sector to accumulate enormous personal influence. The oil sector offered Zhou a great opportunity to develop a corrupt empire rapidly, partly due to its state-owned nature, partly because it was a relatively mature and independent department. Zhou also drew on the inter-personal relationships he had cultivated over several decades in the oil sector to ensure that he had the support of important individuals in the system. For example, Jiang Jiemin, the first official who was publicly linked with Zhou and investigated for corruption, was Zhou’s successor as the deputy party secretary of the CNPC (Chen and Areddy 2015). Jiang had been Zhou’s aide since they had worked together in Shandong province in the late 1980s (Gan 2015). Under Zhou’s patronage and Jiang’s direct operation, the assets of the CNPC rose six-fold during Zhou’s tenure on the PSC from 2007 to 2012. PetroChina, the listed arm of the CNPC, also with Jiang as its head, became China’s largest oil producer, the largest company in China by market capitalisation, and the most profitable company in Asia enjoying an expanding global presence. Including Jiang, more than 40 members of the “Petroleum Gang” have been investigated, including high-ranking officials such as the CNPC’s Li Hualin and Wang Yongchun and former vice-president of PetroChina, Ran Xinquan. Several implicated officials had also worked in the oilfields, enabling Zhou to prolong his personal influence not only in the giant oil companies but also in the backstage oilfields such as the Daqing and Liao River oilfields which he frequently revisited even after he left his positions in the oil sector (Xie and Wang 2014). By filling the important posts in the state-owned oil sector with his own people, Zhou Yongkang consolidated his power over the business which in turn bolstered his long-lasting political network.

Zhou’s oil empire involved many of his family members, who found various ways to make money from the CNPC and PetroChina, further entangling Zhou’s political and economic interests with the oil sector. His elder son Zhou Bin’s father-in-law, Huang Yusheng, who had settled in the United States in the 1980s, registered a company in 1992 called Hysco Corporation selling wellhead equipment exclusively to the CNPC (Want China Times 2013). Family members’ involvement in his petroleum kingdom further increased when Zhou’s career reached its zenith in the PSC from 2002 to 2012.

From 1999 to 2002, Zhou served as party secretary of Sichuan province in mid-west China which developed into a second major venue for corrupt activities. Once again, he reserved the most important positions for his allies, including his several personal secretaries. For instance, Li Chuncheng, the first official on the provincial level to be investigated after the Eighteenth Party Congress, was rapidly promoted to the position of the mayor of Chengdu, Sichuan’s capital city, as well as elected an alternate member of the Sixteenth and Eighteenth Central Committees of the CCP. Li finally reached the position of deputy party secretary of Sichuan before he was targeted during the anticorruption campaign in 2012. Ji Wenlin, Li Chongxi, and Guo Yongxiang were all Zhou’s personal secretaries during
his time in Sichuan and were among the core figures of his Sichuan system. Subsequently, they all attained higher office and had control over various kinds of local businesses, such as tourism, electronics, and the wine industries. Even after Zhou Yongkang left Sichuan, his indirect and extensive influence in the state-owned business sectors remained, making it difficult for the central government to control.

In 2002, Zhou was promoted into the politburo as the minister of public security, followed by his appointment as secretary of the central political and legal affairs commission in the PSC, the highest state organ of China, in 2007. During his 10 years in the public security system, he became the “security tsar” and built up extraordinary power over the Chinese legal system because of such politically sensitive events as the Beijing Olympics, unrest in Tibet and Xinjiang, and the Arab Spring. He took strong action to maintain social stability and his dealings with the court system and other levels of the Chinese society enabled him to develop an even larger patronage network. A greater degree of overlapping of Zhou’s three mini-kingdoms gradually occurred during his 10 years in the security sector. For example, Ji Wenlin, Zhou’s long-time personal secretary, followed him to the Central Government, linking the Sichuan system with the security sector.

During this time, Zhou used his influence in the CNPC to give preferential treatment to family members, such as his sister-in-law Zhou Lingying, who had enormous stakes in firms closely tied to the CNPC. The firms included, for instance, Jiangyin Benyue Automobile set up in 2010 for an Audi dealership, Beijing Honghan Investment Company for potash mining, and Kunlun Energy, a CNPC subsidiary which specialises in the liquefied gas business (Xie 2014). Another sister-in-law Jia Xiaoxia, was the general manager of CNPC International (Canada) (Huang 2014). Zhou Yongkang’s son, Zhou Bin, took an 80 per cent stake in a firm called Beijing Zhongxu Yangguang Petroleum and Natural Gas Technology that deals extensively with the CNPC, in addition to selling computer software to CNPC gas stations. Zhou Bin’s parent-in-laws were shareholders of the America-based Hysco Corporation closely tied to CNPC, which was eventually replaced by two newly registered companies in California, Hysco Corporation and Newrun International, running businesses similar to the old Hysco. The new companies reportedly embezzled the CNPC, selling dry oil wells in the United States to the company to reap exorbitant profits (Xinhua Net 2013).

Zhou Yongkang received great benefits not only via his close family members but also by means of “white glove” methods using agents who performed illegal transactions that appeared to be legal and so protected their leader from direct involvement. Wu Bing, portrayed in the Chinese media as a “mysterious wealthy businessman”, acted as a Zhou family puppet in various businesses in Sichuan (Xinhua Net 2013). In 2001, Wu featured in several lucrative deals such as the construction of two hydroelectric stations in the region worth billions of yuan (Zhai and Chiu 2013). Liu Han, who was executed in early 2015, was also Zhou’s white glove agent though much more high profile and notorious. Liu worked together with Zhou Bin in power generation and tourism (Lim et al. 2014). He later built his company, Sichuan Hanlong, into a prominent energy conglomerate worth an estimated 855 million yuan (South China Morning Post 2015). Meanwhile, Liu rose to be the gang leader of Sichuan and was ultimately accused with his brother Liu Wei (Lim et al. 2014) of responsibility for nine murders, multiple assaults, harbouring criminals, obstruction of justice, loan fraud, kidnapping, and contract rigging. In short, Zhou’s family members and white glove agents amassed wealth by all kinds of means in the natural resources and public security sectors. The decentralised nature of China’s political system following the reform era afforded high-ranking officials like Zhou great freedom and responsibility in handling their respective departments and in establishing separate kingdoms. By linking his three spheres of influence with key figures like his son and personal secretaries,
Zhou was able to build a colossal political-economic corruption empire. His massive corruption network only seemed to encourage Zhou to be more ambitious and reckless for power. Rumors circulated that he and Bo Xilai, the former party secretary of Chongqing, plotted a coup against Xi Jinping, which, of course, only sped up the downfall of Zhou’s empire. Zhou retired from the PSC in 2012 and the investigation into his corruption started in August 2013. Fourteen months later, he was expelled from the party and indicted for corruption, abuse of power, and leaking state secrets. In June 2015, Zhou was found guilty and sentenced to life imprisonment. Yet long before his official fall his enormous empire had begun to collapse.

Zhou’s empire was but one of many corrupt networks, large or small, in contemporary China. Several other national-level officials, including Ling Jihua, the former director of the Party’s Central Committee General Office and vice-chairman of the Chinese People’s Political Consultative Conference, Su Rong, the former vice-chairman of Chinese People’s Political Consultative Conference, and Xu Caihou, former vice-chairman of the Central Military Commission, were also indicted in Xi Jinping’s anticorruption campaign. Their corrupt empires all shared similarities with Zhou Yongkang’s. For example, Ling Jihua, the factional head of northern Shanxi province, also developed his personal clout with the support of a group of fallen officials, such as Du Shanxue and Chen Chuanping, both former vice-governors of Shanxi, and Liu Tienan, former vice-chairman of the National Development and Reform Commission. Moreover, these corrupt empires all reflect the three decisive features of the Chinese state: power concentration in a geographically and functionally fragmented system, business-government collusion, and informal politics.

Conclusion

This chapter offers a broad overview of corruption in China based on a literature review, original data analysis, and case studies. Evidence suggests an intensification of corruption in China: a tendency toward developing oligarchic systems which institutionally nurture collective corruption involving complex networks. We identify three institutional factors that shape the form of corruption, namely: 1) power concentration in a geographically and functionally fragmented authoritarian regime; 2) business-government collusion in a transitional economy; and 3) the prevalence of informal politics, particularly factionalism and family members’ involvement in public affairs. The example of the high-profile Zhou Yongkang case illustrates the influence of these features on corruption in China.

Zheng (2006) characterises the current Chinese political system as “de facto federalist”, which is a consequence of two combining forces: decentralisation and globalisation. The former points to the first state feature examined in this chapter, geographical and functional fragmentation, while the latter relates to the second institutional factor, business-government collusion in a transitional economy. Taking into account the third element of pervasive factionalism and cronyism, corruption in China could well turn into an aggregation of powerful oligarchies that amass economic and political power in a certain region or government branch and perch atop enormous personal networks. Furthermore, blatant exposure of corruption cases discrediting high-ranking state officials has not only shown the government’s determination to root out corruption but also revealed the alarming depth of corrupt acts within the Chinese political and economic systems, even as far-reaching as taking place in the highest decision-making body, the PSC, and consequently undermining the overall legitimacy of the government. This complicated situation poses a great challenge for the ruling party, the CCP: how to deal with the penetration of corruption into public bodies and systems while at the same time maintaining a stable regime and sustained economic growth.
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References


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