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## In China, Corruption and Unrest Threaten Autocratic Rule

By Ben W. Heineman Jr.

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*With local protests driven by official corruption plaguing China, how much longer can Communist Party last?*



In recent days, the western media separately reported two discrete stories on China -- one on corruption and a second on a social protest. The two are, however, part of broader, interrelated trends, which together constitute significant threats to autocratic China.

Event one was an online analysis from the money laundering bureau of the People's Bank of China, the central bank, stating that 17,000 Communist Party members and state functionaries had illicitly obtained and then smuggled out of China an astonishing

\$124 billion from the mid-90s until 2008. These kleptocratic acts are symbolic of China's broader corruption.

Event two was a riot by migrant workers in the southeastern city of Zengcheng, in Guangdong province, forcibly put down by security forces. Migrant workers -- estimated

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to number at least 150 million nationally (roughly half the U.S. population) -- often protest because they lack residency rights, which are necessary for access to social benefits like education and healthcare in communities where they work. And these migrant worker disturbances are emblematic of a rising tide of social protest by a variety of groups, which occur at the local level, but which the authorities fear could coalesce into a national movement. Even Chinese authorities estimate that the number of demonstrations is approaching 100,000 per year.

The central bank report on monumental theft of state funds by cadres and officials was completed in June 2008, then marked confidential, but recently (and somewhat mysteriously) appeared on its website after broad coverage in the Chinese media and a public outcry, the report was swiftly removed from site. [According](#) to the *Wall Street Journal*, the central bank had no comment on the report after its fleeting online appearance. And, although the report itself discusses methods China should take to stop money laundering, it apparently does not explain how party members, officials, and officers in state enterprises obtained their outsized illicit gains.

This central bank accounting of huge party and government theft is but one type of corruption involving the Party and government which affects people and enterprises -- both Chinese and non-Chinese. For example, bribes are paid for procurements; judges are bribed by parties to cases; local officials take land from peasants for minimal amounts and personally profit from resale to development interests; officials misuse public funds for personal reasons (from sex to real estate to trips to investments to expatriation of funds); officials exercise "administrative discretion" in favor of those they can extort; enforcement of laws may be frustrated by pay-offs and kick-backs; and local governments may be entwined with organized crime.

Corruption, of course, is notoriously hard to measure. (Analysts look at hard statistics like investigations, prosecutions and convictions -- but these numbers may bear little relationship to underlying reality.) For many who live and operate in China, however, it is an ever-present feature of daily life. In a 2008 survey, Pew found that eight of 10 Chinese consider party and governmental corruption a significant issue.

This conclusion is supported by the leaders of the Chinese government itself, who for some time have recognized, at least rhetorically, that corruption is a serious threat to state order. Hu Jintao, China's President (and general secretary of its Communist Party), has said "Resolutely punishing and effectively preventing corruption bears on popular support for the Party and on its very survival, and is therefore a major political task the party must attend to at all times." Others in government, again at the rhetorical level, have characterized corruption as a life or death issue for the regime.

In recent years, there have been a number of "show" trials, prosecutions, or firings of high level officials for corrupt behavior to symbolize the leaders' concern about the issue (and, in some instances, to deal with political rivals). For example, the vice mayor of Beijing and supervisor for Olympic Construction was fired for taking bribes; the former party boss of Shanghai was sentenced to 18 years for improperly loaning hundreds of millions of dollars from a social security fund to real estate speculators; the head of the China equivalent of the FDA was executed for taking bribes and kickbacks; and the head of China's show-case high speed rail system was fired due to a corruption investigation.

In addition to sanctioning prominent officials, the national government and the Communist Party have announced anti-corruption initiatives -- they recognize that corruption not only distorts the economy, but also underlines many of the burgeoning protests. In rural areas, protests are typically linked to land confiscation, unfair land compensation, arbitrary tax burdens, and health-threatening pollution. In urban areas, civil disturbances are frequently caused by migrant worker discrimination, unsafe working conditions, unpaid wages, or pensions and environmental issues. In both rural and urban settings, there is a general sense of unfairness because government officials, rather than using law to protect individuals, are on the take. They either misappropriate money themselves or receive pay-offs by powerful interests to ignore or distort the law.

Many China experts have noted that the protests arise because China does not afford citizens either open political institutions for changing power or transparent legal institutions for holding officials and businesses to account. Chinese seeking open resolution of disputes are often thwarted and driven to the streets. Moreover, superiors in the party or the government judge local officials by their ability to minimize civil protests, rather than by their capacity to develop legitimate political or legal outlets to address grievances. And, with political or legal institutions ineffective, the suppression of protest by corrupt officials only generates more discontent and more demonstrations.

To be sure, China is in the midst of enacting, if not enforcing, a vast array of new laws -- and of increasing the numbers of lawyers and judges with meaningful legal training. (See, for example, the website of Yale Law School's, [China Law Center](#), or Harvard

Law's [China Studies](#) site.) China is making slow if discernible progress towards a legal system and major legal institutions that have enhanced independence and make some decisions based on law, not politics, [maintains](#) Yale's Jamie Horsley.

Yet the vast legal system (more than 3,000 courts and nearly 200,000 judges) is still plagued by lack of training, competency, and professionalism. Moreover, Horsley herself concludes: "despite the growth of an increasingly robust legal system and broader legal consciousness in the general population, the Communist Party retains ultimate control, especially over the handling of sensitive political, economic, and social issues." Corruption by party, state and state-enterprise officials is one of those "sensitive" areas. Lack of local enforcement remains a major problem. Party discipline, if and when it occurs, is often secret and undermines the legal system because it takes place outside of it.

Although authorities may use the carrot and give in to demands of some protesters, suppression by force, by abuse of "law," by harassment and intimidation and by networks of informers is the current preferred means of addressing civil protests. It is the case especially after the tumult of the Arab Spring caused fears of destabilizing demonstrations in China. (And China is even more forceful in stamping out any protest movement which could go national.) This repression only exacerbates the recurring problem: an absence of open and accountable political and legal institutions which would allow protests to be channeled away from the street. Importantly, by stunting open politics and law, this approach to civil unrest fosters continued corruption in a society awash in money from investment and growth. But this corruption -- both in the sense of officials/cadres taking money illicitly or in the arbitrary use of "law" for personal ends -- only increases, in turn, the pressure for protests. And the great fear of the national government, of course, is that these protests will, at some point, turn into a national movement.

Meaningful steps to reduce widespread corruption will depend on transparency, accountability and rule of law, not just government anti-corruption rhetoric, the occasional sanctioning of a high official and party discipline hidden from legal view. Thus, the recent news reports on corruption and protests noted at the beginning of this piece reflect the broader dilemma. Can China build a meaningful system of law and legal institutions -- not just a quasi-Potemkin village of laws on the books and of lawyers and judges often controlled still by -- or ignored by -- political forces? Or, without law, will it watch widespread corruption continue, in turn generating burgeoning protests at the local -- and perhaps national -- level?

Official corruption poses a serious threat to the ruling party. But so does loss of unfettered power through meaningful rule of law (in part, because so many of the 80 million party members may be implicated in some type of corruption). How China will resolve this tension -- will try to find a balance between these two concerns -- is one of the most important questions for China's future. Behind each separate, discrete headline on public corruption or social unrest in the daily media is this profound and long-term issue tying them together.

As a veteran Chinese communist party leader is reported to have said: "Fight corruption too little and destroy the country, fight it too much and destroy the party."

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