



# The Lions's Share, Act 2. What's Behind China's Anti-Corruption Campaign?

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## **The Lions's Share, Act 2. What's Behind China's Anti-Corruption Campaign?**

Guilhem Fabre

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As we have seen in a previous working paper (« The lion's share : What's behind China's economic slowdown ? »), China's elite have largely benefited from control of state assets and manipulation of the factors market (land, labor and capital) during the first decade of this century. Along with strong growth and social mobility, the accumulation of wealth has created some of the most flagrant social polarization worldwide, much higher than the official statistics. Instead of taking concrete measures to correct these inequalities, according to the new blueprint of reforms launched by the 3rd Plenum in November 2013, the new direction has focused on a gigantic campaign against corruption. The choice of the « tigers » targeted at the highest level reflect an aspect of political infighting.

**Working Papers Series**

# The Lions's Share, Act 2. What's Behind China's Anti-Corruption Campaign?

Guilhem Fabre

April 2015

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## The text

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## Abstract

As we have seen in a previous working paper (« The lion's share: What's behind China's economic slowdown? »), China's elite have largely benefited from control of state assets and manipulation of the factors market (land, labor and capital) during the first decade of this century. Along with strong growth and social mobility, the accumulation of wealth has created some of the most flagrant social polarization worldwide, much higher than the official statistics. Instead of taking concrete measures to correct these inequalities, according to the new blueprint of reforms launched by the 3rd Plenum in November 2013, the new direction has focused on a gigantic campaign against corruption. The choice of the « tigers » targeted at the highest level reflect an aspect of political infighting. The top-down method as well as the creation of numerous « Central Leading Groups », allows the new secretary general and chairman Xi Jinping to concentrate power on a scale unprecedented since Deng Xiaoping. Behind these political stakes, the real goal of the campaign seems to destabilise vested interest groups in favor of the *statu quo*, but the social coalition supporting the power is still fragile, with the passive resistance of the local bureaucraties, the alienation of intellectuals and the uncertainties concerning the gains of the private sector.

## Keywords

China, anti-corruption, corruption, politics, economy, Xi Jinping

## La part du lion, acte 2 : Les dessous de la campagne anti-corruption en Chine

### Résumé

Comme nous l'avons vu dans un précédent document de travail (« La part du lion : les dessous du ralentissement économique chinois »), l'élite chinoise a largement bénéficié du contrôle des actifs publics et de la manipulation du marché des facteurs (terrain, travail et capital), durant les années 2000. L'accumulation de richesses qui a suivi la forte croissance et la mobilité sociale, a créé l'une des plus fortes polarisation sociale au monde, bien supérieure aux chiffres officiels. Au lieu de prendre des mesures concrètes pour corriger ces inégalités, selon le plan de réformes lancé par le 3ème Plenum de novembre 2013, la nouvelle direction s'est concentrée sur une gigantesque campagne contre la corruption. Le choix des « tigres » visés au plus haut niveau n'est pas étranger à des règlements de compte politiques. La méthode très hiérarchique et la création de nombreux « Groupes de direction centraux », permettent au nouveau secrétaire général et président de concentrer le pouvoir sur une échelle sans précédent depuis Deng Xiaoping. Au delà des ces enjeux politiques, le vrai but de la campagne semble être de déstabiliser les groupes d'intérêts en faveur du *statu quo*, mais la coalition sociale soutenant le pouvoir reste encore fragile, avec la résistance passive des bureaucraties locales, l'aliénation des intellectuels et les incertitudes concernant les bénéfices des réformes pour le secteur privé.

### Mots-clefs

Chine, anti-corruption, corruption, politique, économie, Xi Jinping

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**T**he new cycle of reforms launched by the 3rd plenum of the 18th Central Committee of the Chinese Communist Party in November 2013 aims to implement a transition from an economic strategy financed by capital accumulation to one based on redistribution of the the state-party system revenues. As we have seen in a previous study<sup>1</sup>, China's elite have largely benefited from control of state sector assets, and manipulation of the factors market (land, labor and capital). Along with strong growth which has allowed social mobility, the accumulation of wealth has benefited a minority of the population, creating some of the most flagrant social polarization, worldwide, a striking paradox for a regime led by a « communist » party. But instead of taking concrete economic measures to correct these inequalities, the new direction has focused on a gigantic campaign against corruption, which has changed the rules of the political game. This paper seeks to explain the reasons for this campaign, its possible outcome for the new round of economic reforms, and the legacy it will leave behind.

## The extent of social polarization : the anatomy of the lion's share

In contrast to official statistics, a nationally representative survey, conducted in the summer of 2011 with a sample of 8,438 households and 29,450 individuals, indicates that China's Gini coefficient, a measure of inequality on a scale from complete equality (zero) to complete inequality (1), reaches 0,61, at the national level, with regional variations ranging from 0,60 in the east part, 0,56 in the centre and 0,54 in west. Income transfers such as pensions, social security and other social programs tend to reduce inequality on a much smaller scale than in other countries. Poor households in the countryside typically suffer from poor health, lack of medical insurance and low levels of education. Although the saving rate for Chinese households is around 30 percent of aggregate income, less than 55 percent of households saved money in 2010, and 45 percent did not save. According to income levels, the top 5 percent income households account for

50 percent of savings, the top 10 percent represent 66,2 percent, and the top 25 percent income households account for 83,5 percent of total savings.<sup>2</sup>

The situation is even more inequitable with respect to wealth concentration. The Beijing University *2014 Report on the Development of the People's Livelihood in China*, based on a nationally representative panel, covering 15,000 households and more than 50,000 individuals, indicates that the Gini coefficient for wealth inequality has grown from 0.45 in 1995, to 0.55 in 2002, and to 0.73 in 2012. **The top 1 percent of households today concentrate more than a third of wealth, while the lowest 25 % of households account for 1 percent**<sup>3</sup>. Although regional and town and country inequalities explain much of this gap, there are two other specific features of wealth inequalities : 1. Households « within the system » (体制内) have a much higher wealth level than those outside of it (体之外) ; 2. Middle income households' wealth has risen at a fast pace while the low income households and high income household wealth has risen more slowly than in the previous year.

The authors of this report underline the risk of a vicious circle where « the rich get richer and the poor get poorer ». As health expenditures and social insurance represent some 11 percent of household consumption, a larger share than in most developed countries, and as these expenditures influence the households' livelihood, particularly in the case of the poor and the vulnerable, who become marginalized in case of severe illness<sup>4</sup>, transfer payments and a real redistribution policy are seen by Li Gan as the most effective way to correct these inequalities. As shown in the following graph, after transfer payments the Gini coefficient declines from 0.50 to 0.30 in Germany, from 0.51 to 0.34 in the United Kingdom, from 0.46 to 0.33 in Japan, from 0.49 to 0.38 in the U.S, and from 0.5 to 0.3 in France<sup>5</sup>.

2. Li Gan, « Income inequality and consumption in China », August 2013, Texas A&M University, Southwestern University of Finance and Economics (Chengdu), [http://international.uiowa.edu/files/international.uiowa.edu/files/file\\_uploads/incomeinequalityinchina.pdf](http://international.uiowa.edu/files/international.uiowa.edu/files/file_uploads/incomeinequalityinchina.pdf)

3. 国民生发展报告2014, Renmin Wang, Beijing, 26/07/2014 : 北大报告\_中国1%25家庭占有全国三分之一以上财产 网易新闻中心.html

4. Idem, p.2.

5. Li Gan, *article cited*, p. 12. <http://www.cbpp.org/cms/?fa=view&id=4142>

1. « The Lion's Share : What's Behind China's Economic Slowdown ? » October 2013 , FMSH Working Paper : <http://www.fmsch.fr/fr/c/4005>

## Comparison of Gini before and after Transfer Payments of OECD Countries



Source : LI Gan, article cited.

<http://www.cbpp.org/cms/?fa=view&id=4142> (The degree of redistribution seems overstated, as it does not take into account indirect taxes)

## The campaign against corruption and the political power of Xi Jinping

If we look closely at all the reform principles and areas defined by the 3rd Plenum of November, 2013, from the factor markets (land reform, interest rate liberalisation, « registration » or « hukou » reform aiming to integrate progressively the informal labor of more than 260 million migrants), to the state sector reform, the environmental priority, and the redefinition of the central and local governments' fiscal relations, they would result in a redistribution of the « lion's share », a huge transfer of resources from the state and the elites to households and small and medium enterprises.

All these measures have costs and affect powerful stakeholders, as noted in the *China 2030* Report (2012), co-produced by the World Bank and the Development Research Centre of the State Council, which may be regarded as a blueprint

for this new reform cycle : « The most resistant (opposition) group is likely to be vested interests such as those enterprises that enjoy partial or full monopoly (or monopsony) in key markets, as well as firms, groups, institutions and individuals who obtain special privileges and benefits or enjoy special treatment from the current power structure and institutional setting. These groups gain from a special relationship with decision-makers or reap economic rents from distortions implicit in the current price, institutional and administrative structure. They are likely to be influential, powerful, resourceful, and resolute in protecting their interests. Overcoming such opposition will require political courage, determination, clarity of purpose and skilled leadership qualities at the highest level of the government »<sup>6</sup>.

The political nature of this new set of reforms may explain a paradox in 2014. On the one hand, the promise of reforms has been more important

6. <http://www.worldbank.org/content/dam/Worldbank/document/China-2030-complete.pdf> ; p.66.

than its actual delivery ; on the other, the campaign against corruption, or « undesirable work styles » launched personally by Xi Jinping after his access to power at the 18th Party Congress in November 2012, has shaken the whole state-party system, and surprised China and the world by its unprecedented extent and intensity. In this sense, the campaign represents a rupture of the current leadership, in sharp contrast to the post Tian'anmen leaders who had focused their attention on « social stability » and « economic growth ».

Ren Jianming, one of China's leading corruption researchers underlines the novelty of this campaign and its political character. There are 800,000 people, including full and part-time employees, working nationwide in the anti-corruption campaign<sup>7</sup>. An official of the State Organ's Work Committee of the CCP praises its effectiveness, noting that government spending dropped 35 percent in 2014<sup>8</sup>.

Led by Vice-Premier Wang Qishan, one of the closest political confidants and long-term friends of President Xi Jinping<sup>9</sup>, the Central Discipline Inspection Commission (CDIC), whose website attracts up to 2 million viewers every day, is in charge of « hunting tigers (senior officials) and swating flies (lower level officials) », as the movement is called. Between 2012 and 2014, it has investigated 68 high level officials, disciplined over 100.000 party cadres and severely disciplined over 31.000<sup>10</sup>. A dual leadership structure has been created, that sees local inspectors no longer monopolized by their local party committees, but also needing to answer to higher authorities. They face penalties if they fail to supervise and find corrupt officials. Although the inertia

shown by many local governments to implement the reform measures and follow the CDIC campaign illustrate the local resistance to this top-down policy, Cai Xia, of the Central Party School, insists on the shock and the deterrence effects that this campaign has exerted on the thinking of high-level managers<sup>11</sup>. It seems clear that the tolerance and the accommodation of the post-Tian'anmen successive leaderships, which had multiplied the opportunities for corruption in a context of relative impunity, has given way to a new political atmosphere that tends to exert much greater pressure on the state-party apparatus. Opportunities as well as impunity for corruption have vanished with the determination of the new top-down policy.

According to a study published by the magazine *Caijing*, the new campaign has destabilised public servants by reducing their grey income, their powers and prerogatives, and placing them under strict supervision. Sixty-four percent civil servants actually fear some incident in their work, 51 percent fear coming to the attention of the media or internet, and 42 percent dread information leaks about corruption problems<sup>12</sup>. In his 2015 work report Wang Qishan revealed that corruption cases uncovered in government agencies are related to mine development, land leasing, construction projects, misappropriation of public funds, vote buying for local and provincial assemblies, buying and selling of positions. State-owned enterprises (SOE) are also implicated in underhanded schemes involving project bidding, equipment procurement and overseas acquisitions. By September 2014, 67 senior executives were detained in the corruption crackdown, 37 of whom were top executives<sup>13</sup>. This is not surprising, as SOE may be viewed as the lion's share of the state party, concentrating power and capital in a revolving door system of divided loyalty. SOE executives used to enter government to promote their policies and orient the allocation of resources, while government officials used to enter SOE to pursue economic gains<sup>14</sup>.

7. Didi Kirsten Tatlow, *International New York Times*, [sinosphere.blogs](http://sinosphere.blogs), Sept.2, 2014.

8. « China to further tighten disciplinary inspections », Xinhua, July 22, 2014. Another report from Xinhua (07/10/14) notes that « public expenditure on government vehicles, officials' overseas travel and official receptions was reduced by 53 billion yuan (\$ 8.6billion) or 27.5 percent over the previous year. »

9. Cheng Li, *Xi Jinping's Inner Circle : Friends from Xi's Formative Years*, Brookings Institution, Washington, July 2014, <http://www.brookings.edu/research/articles/2014/07/18-xi-jinping-inner-circle-friends-li>

10. <http://foreignpolicy.com/2015/01/09/chinas-anti-corruption-campaign-ensnares-tens-of-thousands-more/> ; Wang Qishan Work Report at the 5th Plenum, January, 12, 2015 (in chinese) : [http://news.xinhuanet.com/politics/2015-01/29/c\\_1114183996.htm](http://news.xinhuanet.com/politics/2015-01/29/c_1114183996.htm)

11. <http://english.caixin.com>, 22/07 & 24/07/2014

12. [Caijing.com.cn](http://Caijing.com.cn) Renmin luntan, 23/07/2014 : <http://comments.caijing.com.cn/20140723>

13. Jinghua shibao (Weibo), 15/09/2014.

14. Guilhem Fabre, « The lion's share : what's behind China's economic slowdown ? », FMSH Working Paper, cited, p.10. <http://www.fmsh.fr/fr/c/4005>.



That said, and despite the assumed popularity of this campaign<sup>15</sup>, the choice of the « tigers » targeted at the highest level reflect an aspect of political infighting. Susan Shirk has emphasized that the issue of official corruption « has emerged as a potent weapon in leadership competition in the post-Mao era »<sup>16</sup>. According to Prime Minister Li Peng, it was Zhao Ziyang's mismanagement of the economy that caused inflation and corruption at the origins of the Tian'anmen « counter revolutionary movement ». One of the key reasons behind the arrest for corruption in 1995 of Chen Xitong, Beijing's mayor and a member of the Politburo -whose 25 members occupy the leading posts in China's state-party system - was his attempt to challenge party chief Jiang Zemin. In 2006, the fall of Chen Liangyu, major of Shanghai and member of the Politburo for a corruption scandal, allowed President Hu Jintao to limit the ascendancy of the Shanghai faction led by ex President Jiang Zemin at the top of the party. The following year, Zeng Qinghong, a close ally of Jiang Zemin, took the initiative to lobby for the post of PRC President, occupied by the secretary general Hu Jintao, but he withdrew his challenge, after the CDIC, (reportedly under instructions from Hu Jintao), found that his son was implied in a corruption case.<sup>17</sup>

The same logic applies to the actual fight against graft, although the unprecedented scale of the campaign deeply modifies the structure of power. Since the opportunities for corruption are dependent on the prerogatives of political decision-makers in the state-party system, they follow the hierarchical ladder. According to Ren Jianming, one of the leading corruption researchers in China « we say that about 30 percent of heads of prefectures are corrupt. By office (provincial level or central level), it is about 50 percent, ministers, about 80 percent. You can work out for yourself what it is on the Politburo »...<sup>18</sup> Even

15. According to Xinhua (22/01/2015), a survey published by *China Youth Daily* showed that 70 % of respondents were satisfied over the campaign.

16. Susan Shirk, *The political logic of economic reform in China*, Berkeley, University of California Press, 1993, p.87, cited in Xuezi Guo, « Controlling corruption in the Party : China's Central Discipline Inspection Commission », *The China Quarterly*, September 2014, n°219, p.617.

17. Xuezi Guo, *idem*, p. 617.

18. See note 9 : *International New York Times*, September 2, 2014. In his published studies, Ren Jianming cites different figures : up to one third of executives with the rank of ministers or above have accepted bribes and commissions or

if the figures are much lower according to confidential documents, around 30 percent of decision makers, at this stage, it is practically impossible for the CDIC to tackle all these cases in a short time. At the highest level, the choice of targets depends largely on the capacity to forge a coalition among the 7 members Standing Committee of the Politburo, the Army and some of the retired leaders who keep networks in the Centre as well as in provinces. Thus the progress of the « tiger hunt » has been linked to political stakes since its beginning.

After the arrest in early 2012 of former Politburo member and Chongqing party boss Bo Xilai, a potential political rival of Xi Jinping, who was convicted of bribery, embezzlement and abuse of power, and is now serving a life sentence, Party inspectors looked closely at officials in Sichuan where they dismantled a network of collusion between politicians and business executives after the launch of the anti-corruption campaign, as early as December 2012. The focus of Sichuan is particularly interesting since one of the closest allies of Bo Xilai, Zhou Yongkang, was formerly a director of China's largest oil company, the China National Petroleum Corporation, CNPC, (1988-1998) and party secretary of Sichuan Province (1999-2002) before his rise to the Ministry of State Security (2002) and then to the permanent Politburo, the highest governing body, from 2007 to 2012. The arrest in March, 2013, of the mining tycoon Liu Han,<sup>19</sup> close to Zhou Yongkang, was followed by the resignation of numerous top-level officials and executives in the economic nomenclature, industry, construction and financial sector. Liu Han was later accused of covering up murders committed by his brother

helped their close relatives and cronies profit in commercial deals. This figure is similar to a 2014 internal report indicating that « more than 30 percent of party, government and military officials were found to be involved in some form of corruption » See. Willy LAM, « Growing CCDI Power Brings Questions of Politically-Motivated Purge », *China Brief*, The Jamestown Foundation, Vol. XV, Issue 3, February 5, 2015. <http://www.jamestown.org/chinabrief/>. On the difficulty of measuring corruption, by perception-based and non-perceptual approaches, see Paul M. Heywood and Jonathan Rose, « Close but no Cigar : the measurement of corruption », *Journal of Public Policy* (2014), 34 :3, 507-529.

19. *Wall Street Journal*, 21/03/2013 : <http://www.wsj.com/video/chinese-billionaires-whereabouts-unknown/004D5711-3214-49AF-B8FF-C835DA-2DA27B.html#0>

Liu Wei, who allegedly ran gambling rings, and executed in 2015<sup>20</sup>.

At the end of July, 2013, the communist party officially announced an investigation into Zhou Yongkang. The downfall of the former Standing Committee Politburo member, and political ally of Bo Xilai, who used to oversee hundred of thousands of police and paramilitary forces with an annual budget of more than \$ 100 billion, marks an extension of the anti-corruption campaign to more than 300 of his relatives, political allies and business associates, detained or questioned<sup>21</sup>.

An investigation of the prosperous state-run oil industry, led to the fall of Jiang Jiemin in August 2013, the former CEO of China National Petroleum Corporation (CNPC), just four months after his appointment as the head of the powerful State-owned Assets Supervision and Administration Commission (SASAC). Jiang Jiemin was linked with his ex boss Zhou Yongkang at the CNPC, as well as with Bo Xilai. The investigation extended not only to high-level managers of CNPC, more than a dozen of whom were removed, but also to its international operations and investments, in Indonesia, Iran and Canada, where local representatives were fired<sup>22</sup>.

In March 2014, the arrests of a political friend of Zhou Yongkang and Bo Xilai, general Xu Caihou, the ex vice-chairman of the Central Military Commission, and of general Gu Junshan, Deputy Director of the General Logistic Department of the People's Liberation Army, is the result of the anti-corruption investigations undertaken in 2012, by a long-time ally of President Xi Jinping, General Liu Yuan, the son of President Liu Shaoqi, political commissar of the PLA's General Logistic Department, in charge of contracts in land, housing, food, finance and services for China's 2.3 million-strong army<sup>23</sup>. This was followed in December, 2014, and in January, 2015, by a major reshuffle linked to the anti-graft push,

among the top military officers of the People's Liberation Army and the military regions. Sixteen generals were placed under investigation for graft, including the two successive deputy political commissars of nuclear forces (Yu Daqing and Zhang Dongshui, from the Second Artillery Corps), the deputy head of the PLA's logistic Department (Liu Zheng), and Guo Zhenggang, from Zhejiang military command, the son of Guo Boxiong, a former member of the Politburo<sup>24</sup>.

The province of Sichuan is not the only example of the link between the CCDI inspections and a political purge at the central level. In Shanxi, as coal mine development, the main resource of the province, is decided by officials, it has favoured opportunities for collusion with entrepreneurs and corruption on a large scale. The campaign against graft has even become a governance issue. After the fall of the former vice-governor Du Shanxue and Chinese People Political Consultative Conference (CCPC) vice-chairman Ling Zhengce, five of 15 members of the provincial party standing committee were placed under investigation in 2014<sup>25</sup>.

Ling Zhengce was the brother of Ling Jihua, the ex chief of staff of President Hu Jintao, as head of the General Office of the CCP Central Committee, and one of the numerous vice chairmen of the Chinese Political Consultative Conference, an advisory body. The Shanxi born Ling Jihua, linked to Jiang Jiemin, has been under investigation since December 2014, for having turned his native province into a kleptocratic bonanza, by forming the « Shanxi Gang », a corrupt network of officials and businessmen. In his report to the three day Plenum of the CCDI, presided by Xi Jinping in January 2015, Wang Qishan emphasized the links between corruption and key wrongdoings such as forming factions and cliques<sup>26</sup>. In the wake of Ling Jihua's investigation, the successive arrests of Chinese spy Ma Jian, deputy Minister of the omnipotent security Ministry, and of executives of financial companies such as the Founder Group, a Peking University-owned technology conglomerate, and the

20. *Financial Times*, February 9, 2015 : <http://www.ft.com/intl/cms/s/0/9bba0d9e-b02b-11e4-a2cc-00144feab7de.html#axzz3SOTOsoD7>

21. Reuter, 17/09/2014 ; *Financial Times*, March, 31, 2014 : <http://www.ft.com/intl/cms/s/0/259ad956-a841-11e3-a946-00144feab7de.html#axzz3SOTOsoD7>

22. <http://english.caixin.com>, 23, 24/07/2014.

23. John Garnaut, « Rotting from within », *Foreign Policy*, April 2012 ; Cheng Li, article cited : <http://www.brookings.edu/research/articles/2014/07/18-xi-jinping-inner-circle-friends-li>

24. [English.caixin.com](http://English.caixin.com), January 8, 2015 ; Kevin N. McCauley, *China Brief*, Vol. XV, Issue 3, February 5, 2015. ; Bloomberg, January 15, 2015 ; [English.caixin.com](http://English.caixin.com) March 3, 2015.

25. Ren Jianming, interview cited, note 9, *Shanxi ribao*, 23/07/2014.

26. *South China Morning Post*, January 12, 2015 ; Xinhua, January 29, 2015

Minsheng Bank, the nation's first privately owned lender, revealed a complex network of interests in relations to Ling Jihua<sup>27</sup>,

Bo Xilai, Zhou Yongkang, Ling Jihua and General Xu Caihou, who died of cancer in 2015, were rumoured to be the leaders of an « anti-Xi Jinping cabal » within the Party. Their fall for corruption is thus linked to political rivalry.<sup>28</sup> But far from being reduced to a power struggle, the anti-corruption campaign by its scale and its intensity has already deeply modified the power structure. If one agrees with Akio Takahara, the University of Tokyo, that « political actors can contend for power through and around institutions, and institutions can better carry out their mission if they increase their relative power »<sup>29</sup>, the anti-corruption struggle has been used as a battle horse to strengthen the authority of the new Secretary General and President. The CCDI whose work was previously limited to clean governance, has extended its prerogatives to the whole administration, by stationing branch-offices in top Party and government units, such as the CCP Central Committee's General Office, the Organization Department (in charge of personnel and promotions), the Propaganda Department, the General Office of the State Council, the National People's Congress, and the Chinese People Political Consultative Conference (CPPCC). In 2015, it plans to station anti-corruption cells in all regional party and government units as well as in important SOEs<sup>30</sup>.

In addition, Xi Jinping has taken the initiative to preside over numerous Central Leading Groups, which cover not only foreign affairs, national security, military reform, cybersecurity and information technology, but also matters, that fall generally within the competence of the State Council, such as financial and economic affairs. The Central Leading Group on Comprehensively Deepening Reforms, presided by Xi Jinping, includes five deputies CCDI Party Secretaries, among the 39 seniors cadres with the rank of

27. *South China Morning Post*, January, 11, 2015 ; *The National Interest*, January, 20, 2015 ; [English.caixin.com](http://English.caixin.com), February 2, 2015 ; Bloomberg, February 1, 2015.

28. Willy LAM, article cited, <http://www.jamestown.org/chinabrief/>

29. Richard C. Bush III « American and Japanese Scholars View China's Economy and Politics », Brookings Research Article, January 27, 2015.

30. Willy LAM, article cited, <http://www.jamestown.org/chinabrief/>

ministers or above, who seat on this body. These leading groups *institutionalize* the concentration of power in the hands of Xi Jinping. The division of labor and tendency of bargaining among interest groups or regions which prevailed in the ex Politburo Standing Committee, under Hu Jintao and Wen Jiabao, has given way to a new concentration of political, economic and military power, where the new President is omnipresent on all fronts,

With this new approach the whole political atmosphere has changed: the fight against dissidents is more resolute than ever, officials are worried about their work and careers, multinational corporations complain against accusations of tax-avoidance practices, or what they see as a onesided application of the anti-monopoly law<sup>31</sup>, and significantly, **almost half of China's most wealthy individuals, among the top one percent income households, are considering relocating to a developed market within the next five years**<sup>32</sup>. The U.S is their favorite destination. Their share of foreign purchases of real estate leaped to 16 percent in the year ending March 2014, from 5 percent in 2007. According to a recent journalistic investigation, Chinese nationals hold US \$ 660 billion in personal wealth offshore and they spent US \$ 22 billion in U.S homes in 2013<sup>33</sup>. They paid a median price of \$ 523,148 higher than any other nationality and more than double the \$ 199,575 median price of all households sold<sup>34</sup>. Chinese applicants made up more than 85 percent of the nearly 11.000 people who received investors' visas in the US in the first eight months of 2014, and 43 percent of investors' visas in the UK. Statistics from the other preferred destinations such as Australia and Portugal, indicate an explosion of the number of wealthy

31. Li Jing, *South China Morning Post*, October 14, 2014 ; Tao Jingzhou, *Financial Times*, August 8, 2014 : <http://www.ft.com/intl/cms/s/0/170f1536-2f9c-11e4-83e4-00144feabdc0.html#axzz3G2E0UcYn>; Tom Mitchell, *Financial Times*, October 7, 2014 : <http://www.ft.com/intl/cms/s/0/7082de52-4e3e-11e4-adfe-00144feab7de.html?siteedition=intl#axzz3G2E0UcYn>

32. According to Barclay's Wealth Insights, which surveyed more than 2000 individuals and investors : Bloomberg, Sept 14, 2014.

33. <http://www.businessweek.com/articles/2014-10-15/chinese-home-buying-binge-transforms-california-suburb-arcadia>

34. Gary Shilling, Bloomberg, View, January, 23, 2015.

Chinese trying to gain residency or citizenship abroad<sup>35</sup>.

This tendency already affects the external accounts. Illicit capital outflows, often via businesses in Hongkong, have surged in the past few years, with a clear acceleration in 2014. Goldman Sachs economists, MK Tang and Maggie Wei, note that the « errors and omissions » of the Chinese balance of payments, which reflect a mismatch between official records of cross-border flows, were equivalent to net outflows of more than \$ 300 billion since 2010, including a record \$ 63 billion in the third quarter of 2014, as yuan sentiment soured and President Xi Jinping anti-corruption offensive strengthened<sup>36</sup>.

These illicit outflows combined in 2014, with a surge in Chinese out-going investment, whose rising rate has exceeded that of in-coming investment flows. Slowing real estate activity, diminishing return on investments and weakening economy have pushed Chinese companies to increase overseas business and diversify abroad. China's capital account posted its widest deficit since at least 1998 in the fourth quarter of 2014, with record outflows (including the net errors and omissions), of \$ 91 billion. Even if the central bank has amassed the largest world reserves of foreign exchange in order to face any kind of speculative pressures and capital outflows<sup>37</sup>, illicit outflows linked to officials have become an important aspect of the anti-graft fight.

The « Fox Hunt » project, launched in 2014, aims to return corrupt officials who have fled the country. Some 762 of them were returned to China in 2013, and 500 in 2014, on suspicion of « criminality in taking advantage of their positions of power ». More than 10 billion yuan, (1,615 US \$ billion) have been confiscated according to the Supreme Court<sup>38</sup>. The launch of the APEC anti-corruption network, in the summer of 2014, provides further evidence of the Chinese government's determination to institutionalize international cooperation in this field. Accor-

ding to Huang Shuxian, the vice-secretary of the CCDI in charge of these matters, « our campaign to seize fleeing officials and return what they have stolen will become an important aspect of our political and diplomatic ties with other nations... focused on persuading foreign governments not to harbour these criminals »<sup>39</sup>

At this stage, with such a political and socio-economic impact, it seems reasonable to ask what is the ultimate goal of the anti-corruption campaign, which has dominated the 2014 agenda and continues in 2015.

## The destabilisation of « stability »

Wang Qishan, the head of the CDIC, suggests that the goal of the crackdown is to get rid of corruption and bad work styles in the party and the government, by focusing on treating symptoms to buy time to solve the root cause of corruption<sup>40</sup>. But behind this official position, there is a political strategy and vision which, without being explained at the highest level, has been discussed in intellectual circles close to the corridors of power.

The arguments of Professor Sun Liping (Department of Sociology, Tsinghua University) may shed some light on this debate. For Sun Liping, who has the (false) reputation as having served as Xi Jinping's PhD advisor, the biggest threat to China is not social turmoil, but social decay. This diagnosis, developed in 2009, implies another vision of Chinese society and politics, in the sense that « the opposite of social turmoil is social stability and the opposite of social decay is social health »<sup>41</sup>.

In his article, « The challenge to reform of vested interest groups has not yet really come<sup>42</sup>, » Sun Liping focuses on the centrality of vested interest groups. These groups, he writes, can stop the reform process in mid-course and in the

35. *Financial Times*, January 13, 2015 : <http://www.ft.com/intl/cms/s/0/986bd08a-9b10-11e4-882d-00144feabdc0.html?siteedition=intl#axzz3Shb3xUtz>

36. Justina Lee, Bloomberg, January 13, 2015.

37. David Keohane, *Financial Times*, February 4, 2015, <http://ftalphaville.ft.com/>

38. *The Telegraph*, 25/07/2014. Xinhua, January 7, 2015 : the CCDI has recovered more than 3 billion yuan (\$ 483 million) for the year 2014.

39. *Xinhua*, 10/10/2014.

40. Beijing's University Li Chenyan, interview by Zhou Dongxu, <http://english.caixin.com> 22/07/2014.

41. <http://chinadigitaltimes.net/2009/03/sun-liping-%E5%AD%A9%E7%AB%8B%E5%B9%B3-the-biggest-threat-to-china-is-not-social-turmoil-but-social-decay/>

42. 既得利益集团对改革的挑战还没有真正到来, 改革内参 (*Reforms' Internal References*), 17/04/2014, published in *Fenghuang Pinglun* 凤凰评论, 17/04/14: [http://news.ifeng.com/a/20140417/40003398\\_4.shtml](http://news.ifeng.com/a/20140417/40003398_4.shtml)

name of « stability » go back to the noxious policies of the dignitaries (权贵). In these conditions, the potential for reform is quite narrow. It has to guard against the pitfalls of « leftist absolutism » and « rightist elitism ». It is easy to use « absolutism » to crush the power of the dignitaries, but if the dignitaries prevail, it seems possible that they would « launch a war to plunder the wealth of society and the masses ».

The issue is to make « an important leap at the beginning of the reform, to transform the fight against corruption into a systematic liquidation of the noxious policies of the dignitaries. » The fact that China has known land requisition, eviction and development on such a large scale, that it has failed repeatedly to pay migrants' salaries, « are for the most part directly linked to the process of plundering wealth by dignitaries ». But on these grounds, where the masses' rights to defend their interests have been systematically crushed, without mercy, has emerged an ideological system of « stability », which is no more than a strategy to preserve vested interests.

This focus on « stability » to defend the interests of the elite works against majority rights and has exacerbated the opposition between them and the government. At the same time, the preservation of stability at any cost has violated the law, to the point that one can no longer distinguish true from false, and that Chinese society becomes one without rule, where words count less than fits and shows of strength.

Sun Liping's charge against « stability », which was the masterword of the post-Tian'anmen successive leaderships, is also founded on a critical analysis of the reform process, which has practically stopped, according to him, after the 1990s, despite official discourse to the contrary. On the surface, the power structure and the market seemed to combine, but in fact, the markets were instrumentalised by the power structure, which led to the formation of stable and powerful interest groups. These groups neither want to advance nor to go back ; their only goal is to maintain the status-quo. That is why their noxious policy was led in the name of « stability ». They are the forces behind four calamities, 1. the decline of economic vitality 2. social polarisation 3. social defeatism, and 4. environmental disaster. Moreover, they constitute a kind of « wall » blocking all roads to reform. Xi Jinping and Li Keqiang have underlined the importance of these interest groups after

the third Plenum of November, 2013. « In this situation », writes Sun Liping, « **the only possibility is to start with an anti-corruption campaign to lift up this wall** <sup>43</sup> ». His attention is concentrated not on the efficiency of anti-corruption efforts, which takes the form of a campaign, but on the capacity of this movement to shake the power of vested interest groups.

In contrast to 1980s, reforms, which benefitted from a large social coalition with the rehabilitation of « rightists » of the Hundred Flowers campaign (1957), intellectuals, officials and victims of the Cultural Revolution and the continuous rise in the economic conditions of the masses, linked with rural policies, the actual reforms, according to Sun Liping, do not benefit from such social consensus. The real danger does not happen during the launch of the reform process, as no group wants to appear as an opponent and face retaliation, but during the course of the reforms. Vested interest groups and dignitaries may not oppose the reforms, but later distort the concrete measures by transforming them in a war of plundering wealth, exactly as in the 1990s, with the reform of the state sector.

Rapid economic growth over the past thirty years has accompanied slow income growth for most people. Sun Liping underlines the discrepancy between national and international statistics on poverty, which has fallen in China's official figures to 80 million inhabitants at the end of 2010 (living on less than 1500 RMB/year)<sup>44</sup>. According to the international UN standard, 250 million Chinese were living at this time on less than 1,25 US\$ per day, and 900 million were living on less than 2 US \$ per day... The fruits of development have thus been won by dignitaries groups, who have privatized public assets, in the state sector, mines, land allocation, etc. Most of the social contradictions of China are directly linked to this plundering of public assets, which have been locked up in the name of « stability » at any cost.

Thus, behind the anti-corruption campaign, the real political objective is to destabilise the

43. Idem, p.2.

44. According to this very low measure of poverty, China has reduced poverty to 6% of its population, a much better result than the U.S, where the official poverty rate is estimated in 2013 at 14.5 percent of the population: <http://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-249.pdf>

dignitaries, eradicate their noxious policies, and create a just society, based on impartial justice, the goal of the next 30 years of reform, after the last 30 years mainly devoted to the construction of a economic market system.

## The justification for « impartial justice »

According to Sun Liping, the lack of impartial justice is at the root of the social problems and contradictions in Chinese society. From an economic point of view, the lack of economic vitality over the past years is mainly due to the lack of a competitive environment at the macro level, the concentration of resources in the hands of governments, their intervention in markets, and the power of monopolies. The creation of a level playing field in terms of competition among enterprises and sectors is thus the key to economic revitalisation.

In terms of society, most of the actual contradictions in China are no longer the result of malnutrition, as was the case at the beginning of the 1980s, but the result of social injustice. Norms of justice have been set at the lowest level where there is hardly any room to settle conflicts, sometimes even for managers and local officials. The crux of the issue here too, is political. Despite the fact that the masses call for justice, the fascination for « stability » has led not only to a lack of impartial justice in concrete situations, but also sometimes to its destruction. Many recent social surveys have shown that the destruction of impartial justice concerns not only disadvantaged groups, but also the groups most envied by the public, such as government officials, policemen, teachers, private entrepreneurs and even high-level managers. All these groups feel vulnerable.

According to Sun Liping, reform towards impartial justice must be based on 1. Institutionnalized oversight and limits on the power of authorities so that the life of political society may be brought under the boundaries of law ; 2. Eradication of crony capitalism (权贵资本主义) and establishment of a representative mechanisms and pluralist pressure groups in society; 3. Promotion of a citizens' consciousness and development of social organisations to protect impartial rights and to advance the equality of civil rights. Funded on a legal basis, on the authority of the constitution, the rule of justice and the impartiality

of government administration, such reform, in order to abolish the crony capitalism, implies that those in power must disassociate themselves from particular interests.

To those who find these objectives « idealistic », Sun Liping replies by citing Amartya Sen according to whom the consensus of people on what is unjust in reality goes far beyond the consensus on what is just philosophically. To get rid of what is felt as unjust is thus the most realistic way to progress towards a just society.

## The anti-corruption campaign and the rule by law

It is striking to see the close fit between Sun Liping's arguments and the political agenda, not only with respect to the intensity of the anti-corruption campaign, but also with respect to the « rule by law » or « governance according to law » (依法治国), the main theme of the November 2014 Central Committee Plenum. His analysis seems more political and outspoken than many points of view developed about the links between corruption and state sector reform<sup>45</sup>.

That said, if rule by law is to protect the right of the people, the whole legal system has to be reformed in favor of judicial independence, the end of the supervision of the all powerful Party's Central Politics and Law Committee, which oversees « above the law » the nation's courts, prosecutors and police, as underlined by Jian Ping, former president of China's University of Political Science and Law<sup>46</sup>. This implies a reduction of the party's power and a kind of « westernization » which is not at all in the mind of Chairman Xi Jinping, who likes to portray his policies as rooted in national virtues and tradition, and has well shown to the party, after his access to power, in his 2012 southern tour, that he would not become a new Gorbachev.

If we look at things from another angle, from the Chinese tradition of politics and power,

45. *China News Analysis*, Les nouvelles de Chine, Aout 2014 p.7-20 : <http://www.centreasia.eu/publications/china-analysis>

46. For a discussion of « The long journey to the rule of law », see Jiang Ping, former president and tenured professor at China's University of Political Science and Law, in *Caixin*, 16/09/2014: [http://english.caixin.com/2014-09-16/100729435.html?mc\\_cid=6a4d78fe62&mc\\_cid=c480cfc6eb](http://english.caixin.com/2014-09-16/100729435.html?mc_cid=6a4d78fe62&mc_cid=c480cfc6eb)

transmitted in these classics that Xi Jinping has cited on numerous occasions<sup>47</sup>, the rule by law is the basic principle of the « Legalist » (or absolutist) tradition in Chinese politics, illustrated by Shang Yang, the thinker and statesman (390-338 B.C) whose anti-elitist and egalitarian policy transformed the state of Qin into a powerful kingdom, able to unify China one century later, with the first emperor Qin Shihuangdi (260-210). Xi Jinping cited Han Fei (280-233 B.C), the philosopher who synthesised the legalist and taoist school for the political use of the first emperor : « When those who uphold the law are strong, the state is strong. When they are weak, the state is weak »<sup>48</sup>. The reality seems to be more complex than this absolutist tradition.

On the one hand, Xi has progressively neutralised the liberal reformers' collective call for « constitutional governance » (宪政) after he came to power at the end of 2012<sup>49</sup>. Document n°9, of April 2013, a secret circular of the CCP Central Committee General Office, identified seven noteworthy problems in the ideological sphere : promoting western constitutional democracy, promoting universal values such as western human rights, promoting civil society through « citizens movements » attempting to dismantle the ruling party's social foundation, promoting neo-liberalism by arguing that state owned enterprises (SOE) are national monopolies, and trying to weaken the government's control on the economy, promoting the « freedom of press » and challenging China's principle that the media and publishing sectors should be subject to Party's discipline, promoting historical nihilism by « reassessing history » of new China and rejecting the accepted conclusions on historical events and figures, and finally questioning reform, opening

47. The CCP has published online (in Chinese) a collection of the chairman's citations of numerous classics in many different speeches : <http://cpc.people.com.cn/n/2014/0529/c164113-25080175.html>

48. [http://www.nytimes.com/2014/10/12/world/leader-taps-into-chinese-classics-in-seeking-to-cement-power.html?](http://www.nytimes.com/2014/10/12/world/leader-taps-into-chinese-classics-in-seeking-to-cement-power.html?_php=true&_type=blogs&r=0) ; [http://sinosphere.blogs.nytimes.com/2014/10/14/xi-jinping-on-exceptionalism-with-chinese-characteristics/?\\_php=true&\\_type=blogs&r=0](http://sinosphere.blogs.nytimes.com/2014/10/14/xi-jinping-on-exceptionalism-with-chinese-characteristics/?_php=true&_type=blogs&r=0); For a debate on « Rule of Law » see *China File* : « Rule of Law, Why Now ? » : <http://www.chinafile.com/conversation/rule-law-why-now>

49. See the fascinating account of the debate around constitutionalism, by Rogier Creemers, « China's constitutionalism debate, content, context and implications », Working Paper, published in a revised version in *The China Journal*, n° 74, July 2015 : <https://chinacopyrightandmedia.wordpress.com/publications/>

up and the socialist nature of socialism with Chinese characteristics, by calling it « capitalist socialism », « state capitalism » or « new bureaucratic capitalism »<sup>50</sup>.

The internet and the academy were identified as the main conduits of these « mistaken views and ideas », and then subject to further control, with the creation in 2014 of the Central Leading Group for Cyberspace Affairs, the strengthening of the Cyberspace Administration of China, and the strengthening of the ideological leadership of the Party in higher education (January 2015 Central Committee Document). Rogiers Creemers explains that the choice of academic institutions as a target is justified from the point of view of the actual leadership, by the fact that many well regarded Chinese professors may have views influenced by their education or long time stays abroad, they have considerable input into policymaking process and they shape the worldview of future generations in a country where political protest, from May Fourth 1919 to Tian'anmen in 1989, have tended to originate from universities. According to the new Central Committee instructions, research should now focus on material issues, not on philosophical or ideological debate<sup>51</sup>.

On the other hand, for the first time in CCP history, a Central Committee Plenum has been devoted to the country's legal development. Xi Jinping has clearly explained what he meant by « placing power in the cage of law » in Seeking Truth (求是), the CCP Central Committee theoretical journal (2014, n°21) : « Our constitution, as an expression of our basic law, is a reflection of fruits of the Party's leadership of the people in carrying out revolution, construction and reform, and it established the leadership position of the Chinese Communist Party emerging from history and the choice of the people »<sup>52</sup>. This is a totally different view than the one defended by Zhang Qianfan, of Beijing University Law School, a leader of the constitutionalist movement, according to whom Article 5 of the Constitution specifies that « no

50. For a complete English translation, see *China File*, August 11, 2013: <http://www.chinafile.com/document-9-chinafile-translation>

51. Robert Creemers, « Ideology Matters: Parsing Recent Changes in China's Intellectual Landscape, *Sinocism China Newsletter*, February 2015: <https://sinocism.com/?p=11410> and Roger Creemers, *China Copyright and Media Blog* : <https://chinacopyrightandmedia.wordpress.com/>

52. David Bandurski, *China Media Project*, January 6, 2015.

organization or individual may enjoy the privilege of being above the Constitution and the law »<sup>53</sup>. That may explain the virulence of the 2013 debate against constitutionnalists who pleaded for the strict implementation of the 1982 Constitution.

In Xi's rhetoric, the Party and the people are the same. At the central conference on political and legal work in January, 2015, he recommended that « Party committees at all levels should set an example of abiding by the law, they should enable law enforcement agencies and judicial departments to work independantly ».... while « law enforcement agencies and judicial departments should be loyal to the Party ». This apparent contradiction between independance and loyalty hides a recentralisation of the legal apparatus, in order to tackle the corruption and inefficiency of the legal process as well as the local protectionism and the usual interventions of local officials in the roughly 3,000 local courts, which are unable to enforce citizens' constitutionnal rights against corrupt public servants. Thus, as Jerome Doyon and Hugo Winckler underline, « independance from local governments comes at the price of recentralization and therefore an increased dependance on higher levels of the Chinese government »<sup>54</sup>. If « the power is in the cage of law », its key remains in the hands of the Standing Committee of the Politburo...

The same logic applies to anti-corruption . In a context of a weak legal system, political supervision enforcing Party discipline appears to be a more efficient way to restrain bureaucratic corruption. The CCDI is a Party internal control structure that promotes internal supervision for its 87 millions members, and a mechanism of checks and balances within the system. It is clearly above the law in the sense that , once a case is approved, as underlined by Xuezhi Guo<sup>55</sup> charged officials are put under « double restraint »

53. Peter Ford, *The Christian Science Monitor*, May 24, 2013. <http://www.csmonitor.com/World/Asia-Pacific/2013/0524/A-tussle-in-China-over-the-Communist-Party-bowing-to-the-Constitution>

54. « The Fourth Plenum, Party Officials and Local Courts », *China Brief*, The Jamestown Foundation, Special Issue on China's Fourth Plenum, Vol.XIV, Issue 22, November 22, 2014: [http://www.jamestown.org/programs/chinabrief/archivescb/2014/?no\\_cache=1&tx\\_publicationsttnews\\_pi2%5Bissue%5D=22](http://www.jamestown.org/programs/chinabrief/archivescb/2014/?no_cache=1&tx_publicationsttnews_pi2%5Bissue%5D=22)

55. « Controlling corruption in the Party: China's Central Discipline Inspection Commission, *The China Quarterly*, September 2014, n°219, p. 605-607.

(双规) that is to say confined for questioning in off-site detention, accompanied by « protectors » 24 hours a day to prevent them from committing suicide....without judicial involvement or oversight. As officials are isolated, cut from from any contact in order to reduce the potential influence of networks, there is a complete assymetry of information between them and the CCDI investigators who generally gather evidence through cooperation of their friends and neighbors. Professor Zhang Qianfan, a leading member of the constitutionnalist movement, see this kind of practice, applied for Bo Xilai, Zhou Yongkang and Ling Jihua, as a complete denial of any basic citizens' rights, which is practiced from the top of the profiteers to the bottom of Chinese society<sup>56</sup>.

## The top-down dynamic and the problematic social coalition

The top down dynamic of Xi Jinping has allowed him, for the moment, to concentrate power and maintain the initiative. His anti corruption campaign and his vision of the « Chinese dream » as a rejuvenation of the nation and the enabling of a middle-class lifestyle, may be popular. But as Sun Liping emphasized, he has not succeeded in assembling a social coalition comparable to the one Deng Xiaoping created in the 1980's among farmers, workers, and rehabilitated intellectuals and officials. Xi Jinping has already alienated the country's intellectuals with his strenghtened political control, ideological influence over the academy, and web and media censorship.

At the top, some of the targets of the anti-corruption campaign are far from mobilizing unanimity among party elders. It is a public secret in Beijing that ex Presidents Jiang Zemin, and Hu Jintao, former vice-president Zeng Qinghong, and former premiers Li Peng and Wen Jiabao were not favorable to disciplinary action against Zhou Yongkang<sup>57</sup>.

In addition, Cheng Li, one of the keenest observer of Chinese politics, suggests that Xi Jinping

56. 为什么反宪政没有未来? « Why anti-constitutionalism has no future? » Financial Times, Chinese edition, January 5, 2015: <http://www.ftchinese.com/story/001059920?full=y>

57. Willy Lam, « Xi consolidate power at Fourth Plenum but sees limits », *China Brief*, special issue, 22, November 20, 2014, cited.



leads the « princeling » faction, in the party, of leaders born to families of revolutionaries or high officials, with Jiang Zemin and most of the other Politburo Standing Committee members, contrary to Li Keqiang, one of the « tuanpai », leaders who have ascended to power, like President Hu Jintao, through the Chinese Communist Youth League, and who generally come from a more modest family background and leadership experience in less developed inland regions. The predominance of the Jiang Zemin-Xi Jinping camp in the actual Politburo Standing Committee allowed Xi Jinping to take the initiative and consolidate power. But the Chinese Communist Youth League faction seems much more powerful in the actual Central Committee. They will reflect, at the 19th Party congress in 2017, the five Politburo allies of Xi Jinping, who are expected to retire<sup>58</sup>.

In the fall of 2014, Geremie Barme has shown that the officials from the princeling faction were generally exempt from the anti-corruption movement, the « tiger hunt » being reserved to high officials of more modest family backgrounds<sup>59</sup>. The reshuffle in the army supports this point of view, as it has favored the appointments of many princelings, already dominating the top ranks of China's armed forces, and having risen to high posts more quickly than those from ordinary backgrounds<sup>60</sup>.

The game of factions is not substantial but can extend to another level if the anti-corruption campaign creates tensions inside the state-party system or has repercussions on the Chinese economy. As Sun Liping suggested, there is covert resistance to the present campaign : the People's Daily noted that strict discipline was necessary in the current situation and listed officials' bad behavior in ignoring Party rules and « bargaining » with the Party, such as asking for promotion or better treatment, complaining or showing reluctance in their duties or disregarding Party decisions in their departments<sup>61</sup>. As Wang Qishan noted in his work report that all SOE under central government will be inspected by CCDI in

2015, one may expect further scandals in the pillar sectors of state power (banking, oil, infrastructure, transport, telecommunications) which are abusing of their market power, with oligopolistic practices.

At the same time, the cases of Zhou Yongkang, Ling Jihua and Xu Caihou have shown that political factions are linked with vested interest groups. The princelings for instance, have not only strategic positions in the army, but also in the SOE, especially in the banking and financial industry. Despite Sun Liping's wish that « those in power must dissociate from particular interests » one must not forget with Xue Zhiguo that

« China's elite have pursued wealth and political influence through trading power for monetary and non monetary resources. The pattern of the corruption in China's new elite has now evolved into exchanging power for power, in which the vested interest groups cooperate with one another to secure or enhance their political influence or even aim at a monopoly of political power. This trade is also related to guanxi (relations) networking, in which some offer their absolute loyalty to others in exchange for protection and career growth. High ranking-leaders, especially top leaders such as Xi Jinping and Li Keqiang, were awarded their positions based on the compromise and bargaining of the political factions and interest groups ». <sup>62</sup>

As politics appears completely mingled with economics, the anti corruption campaign has obvious repercussions on the economy. Economic slowdown has already accelerated, following the general climate of distrust among the most wealthy Chinese, who vote with their feet, of interference by the CCDI in the activities of business and finance, and of a wait and see attitude and foot-dragging among officials, who are delaying some investment decisions, out of the fear to be suspect in an eventual corruption probe, or due to the lack of incentive with the loss of their grey income<sup>63</sup>. The CCDI refutes the theory of any influence of its action on the economic climate, asserting that the economic slowdown is a part of the « new normal » (新常态) restructuring, that economic growth is still high in comparison to

58. Cheng Li, « China's Domestic Dynamics : Implications for India and The United States », Brookings, January 2015.

59. <http://www.thechinastory.org/2014/10/tyger-tyger-a-fearful-symmetry/>

60. « PLA's Luo Yan rails against perception of China's princelings », *WantChinaTimes.com*, January 1, 2015.

61. Xinhua, January 26, 2015.

62. « Controlling Corruption in the Party », article cited, *The China Quarterly*, p.614-615.

63. <http://www.dw.de/chinas-corruption-crackdown-is-slowing-the-economy/a-17755255>

the rest of the world, and that its action is cleaning up the abuses of power and ostentatious consumption of some officials, while preparing the field for future reforms<sup>64</sup>.

Such a position is based on the assumption that the party-state is able to reform itself, and to go back, by the virtue of discipline to its ideal of representing the public good. This is a far cry from what has prevailed over the last 23 years, where the lion's share of wealth accumulation has been raised through the state-party system, the alliance of power and business. Wang Qishan addressed the view that corruption cannot be solved under a one party system, citing the words of Xi Jinping : « I don't believe that the members of our Communist Party are that evil »<sup>65</sup>. Behind this belief in the possibility of self-reform, it is puzzling to see the postponements until now or the mere refusal of implementing concrete measures applicable to everyone, such as the declaration of the assets of officials and their family, and the creation of a property tax, which would limit the capital gains and reallocate resources toward local governments, responsible for most public expenditures.

The choice of selective, top-down political action with anti-corruption measures, and the postponement of concrete measures to tax capital gains is indeed risky, as the multiplication of high-level corruption cases may have a negative impact on the reputation of the Party and aggravate internal divisions among vested interest groups. The fact that the two successive leaderships of the party since Tian'anmen are criticized in Sun Liping's text may suggest that there will be further settlements of scores... To prevent a house of cards scenario, where the Party's bad reputation would combine with further divisions to endanger its survival, the Party anti-corruption experts have called for a compromise with vested interest groups which would accept institutionalized anti-corruption measures, as part of the « new normal » policy, against a conditional amnesty to offenders, as long as they return their illicit

gains to the government<sup>66</sup>. But Xi Jinping seems resolute to sustain his initiative and to advance it according to his own agenda.

The social coalition sustained by the belief in the « Chinese dream », appears fragile. The alienation of intellectuals, and strengthening of cyber-control, which may weaken R&D and innovation policy, the uncertainties of the private sector which is supposed to be the main beneficiary of opening up the state sector to competition, declining returns on investments and the economic slowdown which is far from assuring a « continuous rise in the economic conditions of the masses », such as the one observed at the beginning of Deng Xiaoping's reforms. Beyond the possible reaction of « vested interest groups », these uncertainties may be the true challenge of the Xi Jinping's reforms.

64. 中纪委刊文驳反腐影响经济论:或别有用心 (The CCDI refutes the argument that anti-corruption influence the economy : or having something up one's sleeve), February, 12, 2015.: <http://news.sina.com.cn/c/2015-02-12/053931511528.shtml?utm>

65. <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20150211000016&cid=1101>

66. Xue zhi Guo, article cited, *The China Quarterly*, p.621.

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