



## Governance in China

On March 15, 2005 a group of distinguished ambassadors, policymakers, international governance and China specialists converged at the Center for Strategic and International Studies to examine governance challenges in China. The event featured Richard Thornburgh, Former U.S. Attorney General, Stapleton Roy, former Ambassador to China, David M. Lampton, Director of Chinese Studies at the Nixon Center, Roderick Hills, Founder and Chair of the Hills Program on Governance, Bates Gill, the Freeman Chair in China Studies, and Cheng Wenhao, Director of the Anti-Corruption and Governance Research Center, Tsinghua University. Rule of law, institutional and political reform, and the importance of public opinion about corruption were key themes addressed during the session, which was co-sponsored by the Hills Program on Governance, the Freeman Chair at CSIS, Transparency International, and the National Committee on U.S.-China Relations.

In opening remarks, John J. Hamre, President and CEO of CSIS, described the Center's recent efforts to examine developments on Chinese governance. He emphasized that with the growing foreign investment in China, the country's internal development warrants great attention from the international community.

### Fighting Corruption: Law Enforcement, Preventive Measures, and Education

**Dr. Cheng Wenhao**, *Director of the Anti-Corruption and Governance Research Center, Tsinghua University*

Cheng Wenhao outlined three important themes for discussion: (1) the current situation of China's corruption problems, (2) national strategies to combat corruption, and (3) the achievements of its anti-corruption campaign thus far.

Pointing to public opinion surveys, Cheng noted that corruption consistently surfaces as a grave public concern. Existing anti-corruption agencies face resource constraints, and are not properly equipped to address the cost corruption imposes on society.

Key areas susceptible to corruption include: state-owned enterprise (SOE) reform, distribution of public land, and the taxation and public health systems. Cheng suggested a three-pillar approach to address vulnerabilities in these areas and together form an effective anti-corruption strategy: (1) law enforcement, (2) corruption prevention, and (3) good governance education.

The Chinese government is receptive to innovative ways to combat corruption. These include creating a management information system for the use of public agencies and a nationwide electronic government project aimed at encouraging transparency. Cheng also emphasized the importance of Chinese cooperation with international agencies that promote good governance. Indeed, China has demonstrated this by signing the United Nations Convention against Transnational Organized Crime and the United Nations Convention against Corruption.

Despite promising citizen approval ratings of the government's anti-corruption efforts, China's fight against corruption is just beginning. While the country's anti-corruption campaign is moving forth in the right direction, prevention and education must become cornerstones of a successful strategy. China must also continue to play an active role in the global anti-corruption drive.

### Toward Greater Transparency: The Rule of Law and an Independent Judiciary

**Richard Thornburgh**, *Former U.S. Attorney General and Former Governor of Pennsylvania*

Richard Thornburgh emphasized two issues on governance reform in China: (1) the importance of the rule of law and (2) the unanimous misgivings regarding the lack of independence of the judiciary system. China's reformers until recently had very few champions within

the government examining the tenets of the rule of law. The government has referred to Hong Kong's Independent Commission for Anti-Corruption (ICAC) and Singapore's governance structure as a model for Chinese reforms, which is a good sign that China is looking forward.

Thornburgh emphasized five pre-requisites China must meet to achieve good governance:

- Constitutional statutes must be in place to reflect the importance of transparency and accountability.
- Law enforcement, particularly a professionalized police force, must be well trained and properly compensated to effectively guard against any conflict of interest.
- A fully independent judiciary that encourages proactive and good behavior should also discipline those who abuse power. An independent judiciary provides a strong basis of support for anti-corruption activities and acts as a watchdog that watch out for conception issues concerning corruption.
- A high level of transparency in the political process requires a clear and visible commitment by the political leadership.
- Compliance and execution of the law; laws existing on paper may be good, but must be translated into action. (*cont on pg 3*)

**Corruption** is seen as China's biggest political and economic challenge in the twenty first century. Scholars estimate that the cost of corruption is between 13 – 16% of China's GDP, a conservative range.\* Crimes range from tax evasion, to illegal management of state investment monies and rampant abuse of economic power and monopoly. Despite the leadership's efforts to curb corruption, they have never been recognized to be sincere or effective, often hindered by vested interests by state officials, particularly pervasive at the local levels outside of central supervision. Compounded by weak judiciary and policy structures, reform has been slow and sporadic.

Under the new leadership of President Hu Jintao and Premier Wen Jiabao, the Chinese government has undertaken a more people-oriented approach in recognition of the growing gap between the rich and poor. Corruption has been identified as "social pollution", taking its toll on the disenfranchised and generating a growing number of riots spreading across China. The atmosphere for exposing corruption is loosening to an extent. The number of senior officials charged with corruption and the amount of corrupt monies reported has increased substantially beginning in the mid-1990s. The results can be interpreted in two ways: on one hand, it could be that more cases, old and new, are being exposed due to the government's commitment to show results for its anti-corruption reform. On the other hand, corruption may have "intensified" as a result of increased opportunities for rent-seeking due to growing economic freedom. The challenges facing the government in its efforts to improve its governance are huge but not insurmountable. Yet the government does not have the luxury of time as the results of such reform will be imperative to sustain the government's legitimacy as well as its booming economy.

*\*Hu Angang, an economist at Tsinghua University, identifies at least ten categories of economic losses caused by corruption which equaled 14.9 percent of China's GDP in 2000. Hu, Angang, "Public exposure of economic losses resulting from corruption," China and the World Economy, no. 4 (2002).*

## Paradigm Shift: From Communist Ideology to Economic Performance: Governance as Legitimacy

Stapleton Roy, *U.S. Ambassador to China: 1991-1995*

Stapleton Roy emphasized (1) the context of the origins of corruption in Communist China, (2) the government's limited capability to deal with corrupt officials, and (3) the challenge of maintaining party discipline amidst growing corruption.

Roy challenged systemic arguments that communism breeds corruption; he argued that systemic origins fail to reveal the root of the problem, which is ultimately human nature. Drawing on his experiences in Indonesia and China, he contrasted the two countries: two different political systems with similar corruption levels. Unlike Indonesia, the Chinese government has demonstrated a greater willingness to pursue and punish corrupt entities. Roy introduced the distinct political relationship the Chinese Communist Party (CCP) has historically had with corruption. The CCP gained victory in 1949 at the expense of the Kuomintang's (KMT). During its final years in power, the KMT suffered a total breakdown in government discipline, which the CCP restored swiftly once in power. Roy stressed that the discipline demonstrated by the CCP in its early years has faltered since the opening of China's economy.

On the government's ability to deal with corrupt officials, Roy noted that while the government has arrested and executed high level corrupt officials, it does not punish people within the network of officials who protect these corrupt individuals. He introduced the concept of princelings and their networks, which perpetrate corruption. The party, whose priority has shifted from communist ideology to economic performance, recognizes the extent of its corrupt regime and understands that its legitimacy will be severely undermined if the problem persists. As China continues to open economically, political change will inevitably follow. In order to maintain party discipline in an incessantly changing political and economic environment, the CCP must continue to create new institutions and strengthen existing ones to instill proper rule of law.

## Building Momentum on Building Institutions

David M. Lampton, *Director of Chinese Studies, Nixon Center*

David Lampton emphasized the importance of institutions as a means to control corruption. He warned that as China moves from a state-controlled central system to a market economy, loopholes in the transitional phase must be addressed.

Lampton shared an observation of the recent National People's Congress (NPC) meeting in early March, where a series of votes were conducted. He stressed that in the NPC, No votes represent greater gravity than No votes in the United States. When the anti-secession law was passed, it received 98.9% of the votes with only two abstentions. The National Development and Reform Committee (NDRC) received a 98% approval, while the office of budget reported 88% approval. The disciplinary and supervision bureaus received only 83% approval, while the judiciary courts received less than 70% approval. In the context of NPC voting, such figures represent a weak vote of confidence.

While the Chinese public may welcome the government's push to move forward with anti-corruption efforts, the system still has a long way to go in establishing the legitimacy of a clean and effective government.

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