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CORRUPTION OR *GUANXI*? DIFFERENTIATING BETWEEN THE LEGITIMATE, UNETHICAL, AND CORRUPT ACTIVITIES OF CHINESE GOVERNMENT OFFICIALS

Jacob Harding*

China has a well-documented corruption problem that has continued for decades, evolving concurrently with China's economy and various institutional structures. In analyzing China's corruption problem, the current definitions of corruption are inadequate to account for China's guanxi *culture, which requires gift giving in order to facilitate relationship building. By some definitions, the behaviors that* guanxi *culture mandates for Chinese society are corrupt when government officials engage in them, perhaps even implying that Chinese culture itself is corrupt. This is a mistake because it distracts from the actual causes of corruption. China's corruption problem is caused by institutional and structural flaws that provide opportunities and incentives for corruption that would be exploited regardless of* guanxi *culture. Thus, it is important to explicitly exclude legitimate* guanxi *practices from the definition of corruption in order to bring into better focus the institutional, structural and procedural flaws that cause corruption and to provide workable solutions.*

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I. Introduction

A visitor knocks at the sturdy screen door of a concrete apartment complex and the inhabitant hurriedly runs to the door to answer, first opening the solid inner door to see the familiar face of the visitor. Of course, the inhabitant then immediately opens the screen door to allow the visitor to enter. They don't shake hands because the visitor is clutching a watermelon against his chest with one arm, and holding the stringed handle of a square, glossy white paper bag that contains a bottle of wine in the other. Immediately upon entering, the visitor attempts to hand the wine to the inhabitant, but the inhabitant vociferously refuses. The visitor moves further in and puts the watermelon down while once again offering the wine, pleading with the inhabitant to accept. Again, the inhabitant refuses, but after the third begging offer, the inhabitant finally accepts the wine, thanking the visitor repeatedly. Later, they share a meal with the many others present, and, after fighting over who pays the bill, the inhabitant is given the honor.[1]

This dance of unsolicited generosity, repeated refusals, and profuse thanking happens constantly throughout China and is mandated by the cultural practice of *guanxi*. It happens in homes, offices, restaurants, bars, nightclubs, and many other locations. The participants might be family, friends, co-workers, or potential business relations. But the gift is not an end; it is the beginning of the long process of building good relationships in China because each gift carries with it a burden to reciprocate at a later time. These developed relationships later allow the possibility of greater networking through social introductions.

Both foreigners and Chinese people recognize that China does have a corruption problem. For centuries, western visitors and commentators on China have complained about corruption in China.[2] However, China's ancient and unique *guanxi* culture makes defining corruption in China difficult[3] because the reciprocal gifting mandated by *guanxi* often looks suspicious under many definitions of corruption. But *guanxi* is not necessarily corrupt. When defining corruption in China, we must be careful not to ignore or label China's legitimate *guanxi* culture as corrupt. *Guanxi* can provide a positive cultural framework for building and

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1. This story is an illustration based upon the author's own experiences in China.

2. China, Democracy, and Law: A Historical and Contemporary Approach 43, 48 (Mireille Delmas-Marty & Pierre-Etienne Will eds., 2012) *quoting* Karl Gutzlaff, Journal of Three Voyages along the Coast of China in 1831, 1832, & 1833, 70 (1834) ("Bribery, lies, misrepresentations, mutual accusations, . . . are the order of the day. Only those who know by experience the nature of a mandarin's cunning will be able to appreciate the means by which he must maintain himself.").

3. *See* Yan Sun, Corruption and Market in Contemporary China, 2 (2004).

maintaining warm and lasting relationships in China. Thus, when defining corruption in China, it is best to consider corruption on a spectrum, since the difference between corruption and legitimate *guanxi* is often a matter of degree. When the unwritten rules of *guanxi* are followed, the reciprocal cycle of gift giving is not corrupt. I call this "Legitimate *Guanxi* Practice."

However, when people abuse *guanxi*'s unwritten rules requiring gifting and reciprocation with the intent to receive an illegitimate benefit rather than to build a relationship, their behavior no longer qualifies as Legitimate *Guanxi* Practice. Instead, behavior such as a business person giving government official gifts of priceless watches, lavish dinners, prostitutes, money, apartments, foreign trips, and the like in exchange for favorable treatment within the official's sphere of authority – rather than for the sake of maintaining a good relationship and facilitating networking opportunities – are properly classified as corruption. This kind of corruption can be further broken down into two sub-types: "Unethical *Guanxi* Practice" and "Legal Corruption."

Distinguishing between Legitimate *Guanxi* Practice and these two types of corruption fits within China's existing framework for regulating corrupt practices. The Chinese Communist Party (CCP) publishes and enforces ethical rules for controlling Unethical *Guanxi* Practice; China's Criminal Code also contains laws covering Legal Corruption which are enforced by the judicial system.

By clearly separating out Legitimate *Guanxi* Practice, we can focus our attention on the large institutional flaws that allow corrupt activities. Empirical studies of corruption prosecutions over the last thirty years illustrate that corrupt practices in China have changed. These changes track with the economic and institutional reforms during that time period. This data suggests that the causes of China's corruption problem are institutional in nature, rather than *guanxi* based. While the form of corruption has changed concurrently with changes in the form and structure of the economy and government institutions, the existence and practice of *guanxi* is ancient and has not dramatically changed.

The root causes of China's corruption problem lie within China's institutional structures for regulating corruption, China's method of anti-corruption enforcement, and China's burdensome bureaucracy. China's anti-corruption structure is not independent of the CCP. As a result, when a government official is reported, investigated, or faces trial for corruption, he or she may be able to use CCP influence to obtain a favorable outcome.[4] Moreover, China's historical enforcement of anti-corruption law has been intermittent, providing little disincentive for engaging in corruption.[5]

4. *See, e.g.,* Ling Li, *The "Production" of Corruption in China's Courts: Judicial Politics and Decision Making in a One-Party State*, 37 L. & Soc. Inquiry, 848, 854 - 56 (2012) [hereinafter Li (2012)].

5. Melanie Manion, Corruption by Design: Building Clean Government in Mainland China and Hong Kong, 161 (2004).

Furthermore, China's bureaucracy and regulatory structures are overly burdensome, creating a strong incentive and opportunity for corruption.[6] Solving China's corruption problem requires making the anti-corruption enforcement mechanisms more independent of the CCP, making official corruption a consistent priority, and making the bureaucracy more efficient.

In Section II, I describe the unwritten rules of *guanxi* and show how China's CCP regulations and Criminal Code distinguish between Legitimate *Guanxi* Practice, Unethical *Guanxi* Practice, and Legal Corruption. In Section III, I describe how the characteristics of China's corruption problem have changed simultaneously with economic and institutional reforms. In Section IV, I describe the flaws in the judicial system, existing anti-corruption enforcement methodology, and China's bureaucracy that contribute to China's corruption problem and posit ways that addressing institutional flaws can help permanently remedy China's corruption problem.

II. Distinguishing Legitimate Guanxi Practice, Unethical Guanxi Practice, and Legal Corruption

1. The Rules of *Guanxi* and Legitimate *Guanxi* Practice

The scope of *guanxi*'s influence within Chinese society is extremely broad with a long history. *Guanxi* is omnipresent within Chinese society[7]; it is a moral code proscribing proper social behavior within Chinese culture[8], and prescribes rules for the development, maintenance, and use of connections[9]. These rules govern all social interactions within Chinese government, business, and society.[10] *Guanxi* has had this role for thousands of years and can be traced back to the Confucian concept of *lun*.[11]

6. *See* Ann Florini, Hairong Lai & Yeling Tan, China Experiments: From Local Innovations to National Reform 53 (2012).

7. The prevalence of *guanxi* within contemporary Chinese culture has made "reciprocity of favor exchanges . . . the most pervasive rule guiding Chinese social and economic interactions." Xiao-Ping Chen & Chao C. Chen, *On the Intricacies of the Chinese Guanxi: A Process Model of Guanxi Development*, 21 Asia Pac. J. Mgmt. 305, 317 (2004).

8. *Id*. at 309. The unwritten rules of *guanxi* govern proper interpersonal behavior in many instances, such as proper behavior when seeing family, meeting new acquaintances, visiting a person's house, or sharing a meal, to name a few.

9. *See id*. at 307.

10. *Id*. *Guanxi* has been shown to help businesses gain a competitive advantage. *See* Ling Li, *Performing Bribery in China: Guanxi Practice, Corruption with a Human Face*, 20(68) J. of Contemporary China 1, 3 (2011) [hereinafter Li (2011)]. *Guanxi* has also been shown to help businesses reduce some transactions costs in the Chinese business world, but is itself a transactional cost. As a result, while developing, maintaining, and using *guanxi* can reduce some costs and place a business or an individual in a better position, it may not result in an increase in net profit. *See* Seung Ho Park & Yadong Luo, *Guanxi and Organizational Dynamics: Organizational Networking in Chinese Firms*, 22 Strategic Mgmt. J. 455, 473 (2001). Finally, within the CCP, *guanxi* can be used to mobilize political support. Chen & Chen, *supra* note 20, at 310.

11. Chen & Chen, *supra* note 21, at 307. The concept of *lun* encompassed the

Because of *guanxi*'s ancient roots and prevalence in society, it is impractical to expect to eliminate its practice as a solution to corruption. Instead, we should explain the unwritten rules of *guanxi* and accept that when these rules are followed, the behavior is not corrupt. I call this "Legitimate *Guanxi* Practice."

Guanxi practice begins with developing a relationship. *Guanxi* consists of relationships based on family ties, familiar connections (former classmates, colleagues, or people from the same place), and with strangers.[12] Outside of the family context, *guanxi* is developed by finding or forming a basis of familiarity that creates an avenue for building a relationship, either through school connections, introductions, or the like.[13] Once a basis is established, the relationship is developed and maintained through social activities such as dinners, and most importantly, through an unending cycle of reciprocal gift giving.[14] The culture of reciprocal gifting to build relationships, including gaining social introductions to government officials, has been documented for centuries.[15]

The rules for the nature, frequency, and value of the reciprocal gifting practice are intricate. A good *guanxi* relationship develops over time through multiple interactions and exchanges, creating a web of reciprocal obligations and indebtedness.[16] To maintain the relationship, each party understands that they must fulfill their duties with regard to these obligations.[17] Moreover, *guanxi* is best developed by providing continuous and competitive reciprocal exchanges that are of great value to the receiver, and of greater value than that which was previously received by the current giftor.[18] This interaction culminates in feelings of gratitude, closeness, and indebtedness such that the other party will reciprocate at a later time, preferably when it is needed and possibly at the other party's request.[19] A failure to follow the rule of reciprocity will have detrimental effects on the violators' *guanxi* and reputation.[20]

In practice, providing gifts is the most effective way to develop a relationship in China. Take for example the fictional account of a Chinese

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importance of human relationships, maintaining social order, and moral principles governing interactive behaviors. *Id.* at 307-08.

12. *Id*. at 308; Thomas W. Dunfee & Danielle E. Warren, *Is Guanxi Ethical? A Normative Analysis of Doing Business in China*, 32 J. of Bus. Ethics 191, 192 (2001). In the family context, the relationship develops through an inherited relationship.

13. Chen & Chen, *supra* note 21, at 315; Douglas Guthrie, *The Declining Significance of Guanxi in China's Economic Transition*, 154 China Quarterly 254, 256 (1998).

14. Chen & Chen, *supra* note 21, at 315; Guthrie, *supra* note 27, at 256.

15. In the seventeenth and eighteenth centuries, Jesuit missionaries gave gifts of clocks to Chinese officials and were rewarded with the right to stay in accommodations. Carlo M. Cipolla, Clocks and Culture 1300-1700 81-83 (1967).

16. Guthrie, *supra* note 27, at 256.

17. *See id*.

18. Chen & Chen, *supra* note 21, at 317.

19. *Id*. at 318.

20. *Id*.

auctioneer, Zhang, developing a *guanxi* relationship with a judge, Hou.[21] To initiate the relationship, Zhang went to Judge Hou's home with a case of "health preserving" alcohol, which had no market value at the time, to present as a gift.[22] At this time, there was no *quid pro quo* discussion, but merely a gift which serves as the basis for building a friendship.[23] Later, Zhang retained a calligraphy tutor for Judge Hou's son, again with no *quid pro quo* discussion.[24] These *guanxi* building interactions eventually benefited Zhang when Judge Hou helped to introduce Zhang to the court official who was in charge of selecting an auction house for assets that the court had seized.[25] This example shows how relationships are developed and maintained in China, but it also illustrates how difficult defining official corruption can be because of *guanxi*.

Defining official corruption in the Chinese context is difficult because any definition should account for China's unique and historic *guanxi* culture.[26] Broad definitions of corruption would classify many legitimate social interactions in China as corrupt. For example, corruption has been defined as the "misuse of entrusted power in exchange for private benefits"[27] or, broader still, "behavior that deviates from the formal duties of a public role because of private-regarding gains."[28] Under these definitions, Judge Hou may have engaged in corruption if the socially required gifts he received are considered the requisite gains or benefits constituting corruption. But successfully developing any relationship in China requires this continuous gifting and reciprocating process. Thus, we should account for it in any definition of corruption.

More narrow definitions of corruption are more appropriate in the context of China and *guanxi* culture. An example of a more narrow definition of corruption is "the abuse of public office for private gain in violation of rules."[29] The requirement for a "violation of rules" may be sufficiently narrow if they incorporate unwritten *guanxi* rules within the

21. Li (2011), *supra* note 24, at 5, *citing* Fushi, *Qingci* [*Celadon*], ch. 2 and ch. 8.

22. *Id*.

23. *Id*. In fact, Zhang's intent was to obtain an illegitimate benefit, which would constitute corruption. However, this part of the story illustrates how *guanxi* actually works in practice in modern relationships between business people and government officials.

24. *Id*.

25. *Id*. at 6.

26. *See* Sun, *supra* note 4, at 2.

27. Li (2011), *supra* note 24, at 4. Andrew Wedeman, a professor of political science specializing in China's political economy and corruption, defines corruption similarly, but more broadly, as the use of public authority for private gain. Andrew Wedeman, *The Intensification of Corruption in China*, 180 China Quarterly 895 (2004) [hereinafter Wedeman (2004)].

28. Jing Vivian Zhan, *Filling the Gap of Formal Institutions: The Effects of Guanxi Network on Corruption in Reform-Era China*, 58 Crime L. Soc. Change 93, 95 (2012); *see* Qianwei Zhu, *Reorientation and Prospect of China's Combat Against Corruption*, 49 Crime L. Soc. Change 81, 82 (2008); Wedeman (2004), *supra* note 41, at 895; *see also* Manion, *supra* note 8, at 5; Sun, *supra* note 4, at 2-3.

29. *See* Manion, *supra* note 8, at 5 (emphasis omitted).

rule framework that must be trespassed. Thus, in a Chinese context, we should define corruption as requiring a violation of rules, specifically including rules of *guanxi.* Under that reading, Judge Hou would not have engaged in corruption if his acceptance of the gift and his subsequent reciprocation were not violations of *guanxi* rules – his actions would constitute Legitimate *Guanxi* Practice.

2. Distinguishing Legitimate and Unethical *Guanxi* Practice

It is apparent that the line between Legitimate *Guanxi* Practice and corruption is difficult to judge.[30] The difficulty exists because the distinction between the two is largely a matter of degree. This line can be crossed in terms of frequency or amount of contact, or the reciprocal benefit received. When the activity crosses the line, Legitimate *Guanxi* Practice becomes Unethical *Guanxi* Practice and is corrupt.

Chinese anti-corruption structures implicitly recognize that this distinction exists and draws a flexible line. First, the Supreme People's Court has provided guidance instructing adjudicators to analyze circumstances to "carefully distinguish" between bribery and gift.[31] This suggests that the Chinese view *guanxi* as a legitimate practice, but recognize that at some point the activities can go beyond what is culturally acceptable under the rules of Legitimate *Guanxi* Practice. Moreover, the CCP publishes and enforces ethical rules for official behavior which illustrate the CCP's view on activities which go beyond Legitimate *Guanxi* Practice, such as lavish wining and dining, visiting prostitutes, housing irregularities, illicit business operation, and nepotism.[32] Thus, Unethical *Guanxi* Practice constitutes *guanxi* type behaviors that cross a certain line and violate the CCP's ethical rules. Because the CCP will have concluded that such behaviors violate Legitimate *Guanxi* Practice rules, they should be considered corrupt.

As an example of behavior that falls close to the line, in 2013 a CCP party chief criticized the frequent use of public funds for banquets for government officials costing more than 10,000 Yuan (USD $ 1,605.00).[33] While the amounts may not appear alarming at first glance, when compared with the spending ability of many people in China, the practice is close to Unethical *Guanxi* Practice.[34] This issue becomes more problematic if we look at the entire effect. Official spending on banquets costs the Chinese government approximately $48 billion dollars annually.[35]

30. *See* Andrew Wedeman, Double Paradox: Rapid Growth and Rising Corruption in China 92-93 (2012) [hereinafter Wedeman (2012)].

31. Shuangge Wen, *The Achilles Heel That Hobbles the Asian Giant: The Legal and Cultural Impediments to Antibribery Initiatives in China*, 50 Am. Bus. L.J. 483, 527 (2013).

32. *See* Hualing Fu, *The Upward and Downward Spirals in China's Anti-Corruption Enforcement*, Comparative Perspectives on Criminal Justice in China 390, 395-96 (2013).

33. *Frugal Wining and Dining*, China Daily (Jan. 30, 2013, 7:25 AM), http://usa.chinadaily.com.cn/opinion/2013-01/30/content_16186059.htm.

34. *See id*.

35. Joshua Keating, *When the Banquet Ends*, Slate (Jan. 9, 2014, 10:26 AM),

A more extreme example of Unethical *Guanxi* Practice is found in the story of Lai Changxing, who developed his criminal smuggling network by lavishly wining, dining, and entertaining government officials at the Red Mansion, his house of pleasure.[36] In this case, the activities were frequent, the values were high, and the purpose of the *guanxi* type practice was to obtain an illegitimate and illegal benefit. The use of these methods to develop *guanxi* was unethical and the overall scheme was criminal. The government officials entertained by Lai used their positions to obtain benefits from a person engaged in criminal activity and provided aid to a criminal enterprise.[37]

In the margin between these two examples, we can only begin to guess the range and frequency of activities that constitute Unethical *Guanxi* Practice. Many Unethical *Guanxi* Practice occurrences may not be discovered. Also, where practices only violate CCP rules and not criminal laws, the CCP disciplines the officials internally and, generally, does not publish detailed information.[38] Thus, it is difficult for outsiders to analyze the extent of Unethical *Guanxi* Practice in China.

3. Distinguishing Unethical *Guanxi* Practice and Legal Corruption

Within the activities that constitute corruption in China, we may further distinguish between Unethical *Guanxi* Practice and Legal Corruption. Unethical *Guanxi* Practice consists of *guanxi* type behaviors that violate CCP ethical rules. Legal Corruption involves activities which may include some Legitimate *Guanxi* Practice or Unethical *Guanxi* Practice, but violate China's anti-corruption Criminal Laws. Again, this distinction may only be a matter of degree.

Chinese Criminal Law categorizes graft/embezzlement (*tanwu*)[39], bribery (*shouhui*)[40], and misappropriation (*nuoyong*)[41] as economic crimes

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http://www.slate.com/blogs/the_world _/2014/01/09/when_the_banquet_ends_china_is_cutting_back_on_lavish_official_banquets.html.

36. Shawn Sheih, *The Rise of Collective Corruption in China: the Xiamen Smuggling Case*, 14 J. OF CONTEMPORARY CHINA, no.42, 2005, at 67, 71.

37. *See id*. at 74-75.

38. *See* Wedeman (2004), *supra* note 41, at 904.

39. The Chinese Criminal Law addressing graft forbids "state personnel," including managers of state owned companies, from taking advantage of their office to "misappropriate, steal, swindle or use other illegal means" to "acquire state properties." Zhonghua Renmin Gongheguo Xingfa [Criminal Law of the People's Republic of China], art. 382 (promulgated by the Standing Comm. Nat'l People's Cong., Mar. 14, 1997, effective Oct. 1, 1997; amended in 1999, 2001, 2002, 2005, 2006, 2009, and 2011, final amendment effective May 1, 2011) [hereinafter China Criminal Law].

40. The Chinese Criminal Law regarding bribery forbids "any state functionary," including government officials or managers of state owned companies, from "taking advantage" of their authoritative position to "extort" or "illegally accept… money or property" in exchange for providing benefits to the person providing money or property. *Id.* at art. 385; Wen, *supra* note 45, at 492.

41. For a government official to be guilty of misappropriation, they must be "state personnel" and "take advantage" of their authority to "misappropriate" public

that are included within Legal Corruption.[42] China also has a crime of illicit enrichment, which punishes government officials for possessing assets clearly in excess of their earnings.[43] Moreover, in recognition of the difficulty of distinguishing between corrupt and legitimate activities, the sentences authorized by the law for these crimes are based on whether the crime is "serious," and whether the amounts are "huge," or "extremely huge."[44]

The lines delineating Legal Corruption are more clearly articulated than for Unethical *Guanxi* Practice. For graft and bribery, the Chinese Criminal Law allows sentences of ten years to life imprisonment when the amounts involved are greater than 100,000 Yuan. Demanding a bribe carries an even heavier sentence.[45] Moreover, if the crime is "serious," the law authorizes the death sentence.[46]

The crime of misappropriation authorizes its own punishment based on whether the crime is "serious."[47] If the misappropriation is not serious, the sentence cannot be more than five years. If the misappropriation is serious, the sentence must be greater than five years and can potentially be a life sentence.[48] Furthermore, the law creates a more "severe" punishment for those officials who misappropriate money from one of China's public works funds.[49]

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funds for "personal use" or "illegal activities," or "misappropriate large amounts of public funds without returning the money within three months." China Criminal Law, *supra* note 53, at art. 384; *see* Sun, *supra* note 4, at 29-31.

42. *See* Wedeman (2012), *supra* note 44, at 13. Sun, however, creates a more exhaustive list, and includes squandering (*huihou langfei*), privilege seeking (*yiquan mousi*), negligence (*duzhi*), illegal profiteering (*touji daoba*), violation of accounting procedures (*weifan caijin jilu*), smuggling (*zousi*), and moral decadence (*daode duoluo*) in her categorization of corruption. I categorize most of these infractions as Unethical Corruption rather than Legal Corruption even though they are the subject of criminal laws. The most commonly prosecuted legal corruption crimes (bribery, graft, and misappropriation) are discussed here instead. Sun, *supra* note 4, at 26-35.

43. The China Criminal Law addressing illicit enrichment punishes government officials who possess or spend more money than they can justify if the difference is "huge" or "extremely huge" unless the official can explain the source of the income. China Criminal Law, *supra* note 53, at art. 395; *see* Margaret K. Lewis, *Presuming Innocence, or Corruption, in China*, 50 Columbia J. Transnat'l L. 287, 335 (2012) for a discussion of the procedural issues involved with enforcement of the unjust enrichment law.

44. It is safe to assume that CDIs (The local CCP corruption enforcement department) or the CCDI (the central CCP corruption enforcement department) look to similar data, such as the amounts involved and the frequency of transactions to determine whether activities are Legitimate *Guanxi* Practice or corruption.

45. China Criminal Law, *supra* note 53, at art. 386.

46. *Id.* at art. 383 (1) & 386. Article 383 scales the punishments based on the amount obtained during the commission of the crime: between 50,000 – 100,000 Yuan creates a mandatory sentence of more than 5 years to a life sentence; for amounts between 5,000 – 50,000 Yuan the mandatory sentence is between 1 and 7 years unless the crime is serious and requires a sentence between 7 and 10 years. *See id.* at art. 383(3). For amounts between 1,000 – 10,000 Yuan the punishment may be mitigated to administrative punishment by the CDI if the official expresses repentance and returns the money.

47. *Id.* at art. 395.

48. *Id.* at art. 384.

49. *Id.*

The crime of illicit enrichment structures its penalty based on the differential between the legitimate income and unexplained assets of an official; this can be categorized as "huge" or "extremely huge."[50] Where the difference is huge, the sentence must be less than five years; if the difference is extremely huge the sentence must be between five and ten years.[51]

The majority of data about corruption in China comes from official Chinese prosecution figures encompassing activities that constitute Legal Corruption. However, the CCP does not publish data about ethics violations. Thus, our view of Unethical Guanxi Practice is more limited.

From that record, we can see that the characteristics of corruption in China have changed in step with economic and institutional reforms over the last thirty years. These changes have created new opportunities for corruption which have been exploited. *Guanxi* culture, on the other hand, has not significantly changed during that same time period. Thus, we should explicitly exclude Legitimate *Guanxi* Practice from any definition of corruption in order to better focus on the actual causes of corruption – the institutional flaws that provide opportunities for corrupt behavior. To discover these causes, we need to first look at how corruption has changed in China.

III. The Evolution of Corruption in China

During the last thirty years, corruption in China seems to have gotten worse.[52] Based on statistical increases in the number of prosecutions of economic crimes considered corruption, scholars have concluded that the amount of corruption increased from 1979 to 1989.[53] After 1989, the number of corruption prosecutions decreased, but the amount of money involved in each case increased significantly.[54] Moreover, the rank of public official prosecuted for corruption has also increased.[55]

50. *Id*. at art. 395.

51. *Id.*

52. *See* Wedeman (2004), *supra* note 41, at 895; *see also* Wedeman (2012), *supra* note 44, at 2. According to Transparency International's Index of Perceived Levels of Corruption, in 2013, China ranked 80 out of 177 surveyed countries, or the 45th percentile, for perceived levels of corruption. In 2003, China ranked 66 of 133 surveyed countries, the 49th percentile. *Corruption Perceptions Index 2013*, Transparency Int'l, http://cpi.transparency.org/cpi2013/results/ (last visited Mar. 2, 2014); Transparency Int'l, *Corruption Perceptions Index 2003*, Transparency Int'l, http://archive.transparency.org/policy_research /surveys_indices/cpi/2003 (last visited Mar. 2, 2014). This suggests that perceived corruption is not improving much, and may be getting worse.

53. Wedeman (2012), *supra* note 44, at 93. Because the information is based solely upon prosecutions, the statistics only reflect Legal Corruption.

54. *Id*; Manion, *supra* note 8, at 87-93; *cf.* Sun, *supra* note 4, at 193. Sun simply states that corruption may have increased, but does not take a strong stance. In 1997, China increased the monetary thresholds required for an activity to constitute corruption; Wedeman argues that part of the decrease in prosecuted cases post-1997 is attributable to this threshold increase. Wedeman (2012), *supra* note 31, at 3. Manion also makes this point and further argues that the figures are unreliable and systemic problems skew the data. Manion, *supra* note 6, at 87-90.

55. Wedeman (2012), *supra* note 44, at 95.

The type of corrupt activities that Chinese government officials engaged in changed because the legal, regulatory, and business environment, as well as the corresponding opportunities and incentives for corruption also changed.[56] Early corruption in Post-Mao China was limited in scale and effect because the economy was tightly controlled and largely non-monetary; there simply were not opportunities for large-scale corruption.[57]

In the 1970s, China operated a centrally planned economy where the ability to engage in corruption was limited based on the amount of power that local officials held.[58] From the 1970s until around 1992, China's economy operated on a two-track system where commodities were given two prices: cheaper planned economy prices and more expensive market prices.[59] Corruption during this period largely entailed officials earning a profit by selling commodities pegged for the planned economy into the market economy at a price above the fixed price but below the market price.[60]

In the 1990s, China's economy entered into a new reform period that included massive decentralization of authority and state assets, which once again changed the subject matter, incentives, and types of corruption.[61] During the economic reform process, China's government transferred control over a number of assets to non-state entities.[62] The process of transferring these assets, including state companies and land, provided government officials with opportunities to extract profits by selling the assets for a price greater than that which was set by the State.[63]

Government officials were often in a position to set prices and determine which bidders would be allowed to purchase government assets.[64] Thus, those with an interest in acquiring the asset had an incentive to develop a relationship with the presiding government official.[65] As the reforms regularized, the assets transferred shifted from rural to urban and the value of those assets increased. Thus, the monetary value of engaging a government official in corruption significantly increased.[66]

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56. *Id*. at 96-109. Corruption requires both opportunity and incentive. Sun, *supra* note 4, at 4-5. Opportunity to engage in corruption is derived from an official's sphere of power, such as responsibilities in administering regulations, approving allocations, controlling production, and providing employment. There is often a clear economic incentive to engage in corruption. However, the decision to engage in corruption is ultimately a cost/benefit analysis that balances the incentive against legal, institutional, or moral disincentives.

57. *Id*. at 2.

58. Wedeman argues that at this time, corruption was centered around the culture of *guanxi*. Wedeman (2012), *supra* note 44, at 96-109.

59. Sun, *supra* note 4, at 24.

60. *Id*. at 55.

61. *Id*. at 55-67.

62. Wedeman (2012), *supra* note 44, at 112.

63. *Id*.

64. Sun, *supra* note 4, at 61. The corrupt practices also spread into the banking sector with questionable loans.

65. Wedeman (2012), *supra* note 44, at 113; Sun, *supra* note 4, at 61.

66. Wedeman (2012), *supra* note 44, at 113. For an example of the costs

More recent corruption practices have been described as "collective corruption," which entails large corrupt enterprises that span multiple departments, businesses, and individuals, both inside and outside the party and government.[67] In a 1999 Xiamen smuggling case, a private entrepreneur named Lai Changxing ("Lai") developed an empire that smuggled an estimated 53 billion Yuan worth of goods over a three year period.[68] The investigation implicated more than 300 officials, including some senior party, government, and military officials.[69] Lai developed this network through bribes, wining and dining, and entertaining at his house of pleasure, the Red Mansion.[70] The smuggling operations were controlled by Lai's Hong Kong company, the Yuanhua Group, which coordinated the smuggling and obtained official approvals.[71] Collective corruption has not been limited to the smuggling context.[72]

While the overall number of prosecuted corruption cases has decreased, the amount of money, the rank of the officials involved, and the complexity of the corrupt enterprise operations has increased. Because the characteristics of Chinese corruption shifted concurrently with economic and institutional changes, it is likely that Chinese corruption is caused by flaws in the institutional structure. Thus, the best solutions to China's corruption problem should address these flaws directly through institutional reforms.

IV. Major Causes and Solutions to China's Continued Corruption Problem

China's corruption problem is caused by flaws in the institutional structures for regulating corruption, China's method of anti-corruption enforcement, and China's burdensome bureaucracy. Thus, China will have the greatest success battling corruption by addressing these institutional problems. First, China's anti-corruption enforcement structures provide officials the ability to influence anti-corruption enforcement in investigation, prosecution, and sentencing. Furthermore, China's methods of enforcement and identification are inconsistent, and do not provide adequate disincentives. Finally, China's burdensome bureaucratic structures make engaging in corruption more cost efficient for both private and public parties. I will describe the problems and suggest solutions below.

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associated with developing the relationships with government officials, *see* Sun, *supra* note 4, at 60-61.

67. Sheih, *supra* note 50, at 67.

68. The goods smuggled included refined oil, cooking oil, automobiles, cigarettes, electronics, chemical, pharmaceuticals, and textiles. *Id*. at 71.

69. *Id*.

70. *Id*.

71. The smuggling operation was complex and utilized numerous officials to help goods gain entry without paying duties and to transport the products in-land for distribution with local government protection. *Id*. at 72. The scheme included party and government leaders, the financial industry, and the military. *Id*. at 67.

72. *See* Wedeman (2012), *supra* note 44, at 167.

1. Structural Problems in China's Anti-Corruption Enforcement

The Chinese anti-corruption enforcement structure creates opportunities for corrupt officials to use their CCP position and power to influence the decision to investigate, discipline, and prosecute. This is possible because of the relationship between the CCP and the government. As a broad generalization, it is useful to envision the structure of China's government as two linear, parallel structures: the government and the CCP. The CCP controls the overall operation of the government, with power over official appointment, behavior, and the overall operation of the government. Both the government and CCP are divided into departments based on subject matter; these divisions are replicated throughout the administrative divisions of China's government.[73] Because of the interplay between the CCP and the government, it is difficult to distinguish the two entities from one another, and a given rank in the CCP will be roughly equivalent to its corollary ranking in the government.

Thus, the CCP controls China at both the national and local levels. The national governing structure is a hierarchy with the majority of power in the hands of the 7 highest ranking CCP members, who are placed into the highest government positions and collectively known as the Politburo Standing Committee.[74] The Politburo is a group of the next highest ranking 25 CCP members.[75] Below the Politburo is the Central Committee of the Party Congress with around 200 members, and then the Party Congress, which has over 2,000 delegates.[76] The CCP also has Committees at these levels within the structure of provincial, prefecture, and local governments.

China's anti-corruption structure begins with the CCP's discipline structure. The CCP enforces its ethical rules through a disciplinary structure composed of local "Disciplinary Inspection Committees" ("CDI") at each administrative level of government and within each local CCP Committee.[77] All CCP members are accountable to the CDI at their respective level and the CDIs at all levels above them.[78] At the top of the hierarchy is the Central Committee of Disciplinary Inspection ("CCDI").[79]

73. China's governmental structure is separated into four administrative divisions: the provincial, prefecture, county, and township levels. Susan V. Lawrence & Michael F. Martin, Understanding China's Political System, Cong. Research Serv.,1, 9 (2013). The largest division is at the provincial level, made up of 34 provinces. *Id*. Below the provincial level is the prefectural level, which consists of 300 units. *Id*. Next is the county level consisting of nearly 3,000 units. *Id*. The lowest administrative level consists of 40,000 townships and towns. *Id*.

74. *Id*. at 21.

75. *Id*.

76. *Id*.

77. Fu, *supra* note 46, at 393.

78. *Id.*

79. *Id*. at 392. The original CCDI was created in 1977. Stephen K. Ma, *The Dual Nature of Anti-Corruption Agencies in China*, 49 Crime L. Soc. Change 153, 154 (2008). Hereinafter, I will refer to CDIs to include both CDIs and the CCDI.

The CCDI directly handles the investigation of government officials at the provincial level.[80]

The structure of the CCP's CDI system is inherently problematic because the investigator and investigated are frequently both members of the CCP at the same level.[81] Even without *guanxi* culture, such a structure inhibits anti-corruption efforts because it requires the investigators to investigate and discipline those with whom they have a working relationship, or even their superiors, because they will all also be members of the same CCP Committee.

The procedure for investigation also allows corrupt government officials to influence CDI corruption investigations before an investigation takes place. To begin, any investigation of CCP officials above a certain ranks must first be endorsed by the CCP committee of that jurisdiction.[82] Thus, a senior CCP official may exercise their influence over a committee and stop an investigation before it begins. The CCP has recognized this problem and has attempted to address the issue by occasionally having a CCDI use CDI members from Area A to investigate Government Officials in Area B, or to detain the Government Official in Area C.[83] China has also recently announced plans to increase the role of the CCDI, which may weaken the agency problem in all but the cases of the highest ranking officials.[84] However, it is unclear how often these solutions are employed or how effective they are when used.

Corrupt officials may also influence the CDI's decision to render discipline. Once the CDI investigates and concludes that an official should be disciplined, they may independently render two disciplinary actions: they may issue a warning letter or issue a "serious" warning letter.[85] The CDI may also recommend the case to the CCP Committee at the corresponding level, which will decide whether to take the disciplinary action, of which there are three types: the Committee may dismiss the member from CCP positions, retain the CCP member or expel the member from

80. The CCDI primarily has jurisdiction over the cases of ministers, vice ministers, provincial governors, and vice governors, but the CDIs frequently refer cases to the CCDI for guidance. *See* Fu, *supra* note 46, at 395-401.

81. Ting Gong, *The Party Discipline Inspection in China: Its Evolving Trajectory and Embedded Dilemmas*, 49 Crime L. Soc. Change 139, 149 (2008).

82. Fu, *supra* note 46, at 394. The appointment, promotion, and personal welfare of CDI members is controlled by the party, which can hinder the CDI member's ability to perform their tasks independently. *Id*. at 403.

83. *See id.* at 394.

84. Zhong Gong Zhong Yang Wei Yuan Hui Jue Yi: Guan Yu Zai Zong He Ruo Gan Zhong Da Wen Ti (中共中央委员会决议：关于在综合若干重大问题) [CCP Central Committee Resolution Concerning Some Major Issues in Comprehensively Deepening Reform] (passed by the 18th Central Committee of the Chinese Communist Party, Nov. 12, 2013), http://chinacopyrightandmedia.wordpress.com/2013/11/15/ccp-central-committee-resolution-concerning-some-major-issues-in-comprehensively-deepening-reform/ (China).

85. Fu, *supra* note 46, at 397-98.

the CCP.[86] Thus, a corrupt government official has a second chance to influence CCP discipline by influencing the decision of the CCP Committee, which they may already be a member of. Considering that increasingly higher ranking officials are now prosecuted for corruption, it is likely that this problem has also grown.

Corrupt officials may also influence the decision to prosecute. First, the corrupt official can exploit the structural and procedural flaws in the CCP's disciplinary inspection structure and target the CDI, which investigates first.[87] Thereafter, the CDI has discretion to transfer cases to a procuracy and court for criminal prosecution.[88] The corrupt officials then have a second opportunity to influence the level of discipline applied for their case at the judicial level.

Critics of China's anti-corruption mechanisms often focus on the CDI's use of discretion in forwarding cases to the procuracy. Critics argue that the percentage of cases of official corruption forwarded from the CDIs or CCDI is low.[89] Because the CCP does not publish information about discipline, it is difficult to determine how much weight to give this argument, but it is safe to assume that the problem exists.

Corrupt officials can also attempt to influence a court's verdict; the CCP is structurally able to influence decisions in a given case, regardless of the merits.[90] China's court structure provides ranking CCP officials the power to influence cases by providing instructions to managing judges, who can in turn influence the lower level judge who actually decides the case.[91] Thus, it is possible for a corrupt official to influence the verdict with his own power, or with the help of another CCP official or the managing judge.

However, the ability of a corrupt official to influence verdicts may be less of a problem in corruption cases than in other cases because the CDI will have had discretion to allow or disallow prosecution of the case; thus, the CCP will have already investigated and decided to allow criminal charges. Therefore, it is plausible that in the case of corruption, there may be less leniency for a corrupt official in cases that the CDI forwards to the procuracy because the CCP has already made a decision. In fact, there may be little hope for avoiding a conviction for corruption by that

86. *Id*. at 398; Gong, *supra* note 144, at 149.

87. *Id*.

88. *Id*.

89. Wedeman (2012), *supra* note 44, at 147. Wedeman argues that this is not the case, but that the amount of cases forwarded to the procuracy is substantial and the penalties are severe. Some estimate that more than eighty percent of all corruption cases are first investigated by a CDI before being forwarded to the procuracy for a criminal investigation. Fu, *supra* note 46, at 395. The statistical data regarding the number of cases forwarded to the procuracy by CDIs is limited because the CCP does not publish this data. However, some estimates suggest that only three to four percent of the cases investigated by a CDI or the CCDI are forwarded. *Id*. at 400.

90. Li (2012), *supra* note 7, at 850.

91. *Id*. at 850, 853-54.

time; statistically, the courts render some form of a guilty verdict in an extremely high percentage of cases.[92]

While a corrupt official's ability to influence a verdict in a corruption case may be limited, corrupt officials can nevertheless attempt to hinder the initial CDI investigation, CDI discipline, and the decision to forward a case to the procuracy. This makes anti-corruption efforts extremely difficult. Thus, for China to make significant headway against corruption, China must first reform the corruption discipline structure. The most important step is to limit the ranking officials' ability to influence the CDI. One way to accomplish this is to centralize corruption investigations and discipline. Such a change will remove the investigators from the corrupt officials' sphere of influence and allow the CDI to independently investigate, discipline, and decide to prosecute.

2. Intermittent Enforcement and Identification

While China operates the CDI and judicial anti-corruption structures consistently, occasionally, China publically focuses on the "anti-corruption struggle" (*fan fubai douzheng*) in "campaigns" against corruption (*yanda*).[93] During these campaigns, the CDIs and the procuracy increase efforts for the detection, investigation, and prosecution of corruption.[94] Government officials do not formally announce *yanda* campaigns; rather, the beginning of a *yanda* campaign is signaled by an official shift in the rhetoric of official speeches and documents. The rhetoric indicates a new hard line approach against corruption.[95] For example, in 1982, officials began citing to Deng Xiaoping's notion of working with "two hands" to fight corruption and build the economy, in contrast to the prior rhetoric that focused only on the economy.[96]

Campaigns end with officials placing the official emphasis back on the economy and discontinuing the anti-corruption rhetoric.[97] For example, Manion argues that the Party General Secretary ended a 1995 cam-

92. Wedeman points out that between 2001 and 2006, the procuracy accepted an average of 58,000 cases of alleged corruption per year; of these, the procuracy filed an average of 31,500 cases for criminal investigation. Wedeman (2012), *supra* note 44, at 147. While the court system did not accept all cases filed, once accepted, sentences were issued eight-seven percent (87%) of the time; only one percent were found innocent. *Id*. Wedeman's statistical analysis shows that one in five of the cases received a prison sentence, one in ten were sentenced to probation, and around 20,000 received lesser administrative punishments. *Id*. at 150.

93. Manion, *supra* note 8, at 161.

94. *Id*. It is difficult to ascertain the amount of the increase because the CDIs and CCDI do not publish data; the increase in prosecutions of Legal Corruption during periods of *yanda* is nevertheless well documented.

95. *See id*. at 161-62.

96. *Id*. at 162.

97. *Id*. Because the determination of the beginning and ending of an anti-corruption campaign requires the examination of rhetorical nuance, it is an inexact science, especially with regards to the ending point of a campaign. Thus, Manion identifies five campaigns between 1979 – 2000, while other sources identify seven or eight, or even describe a continuous campaign. *Id*. at 162-63.

paign with a speech at the Sixth Plenum[98] that emphasized "economic construction" focusing on "reform, development, and stability" but did not mention the anti-corruption effort.[99]

During a *yanda* campaign, local and central government offices widely promote avenues for reporting corruption.[100] This results in a large increase in reports that are also publicized as evidence of success.[101] Western observers interpret the increase in reports and prosecutions to mean that the existing anti-corruption structures were ineffective at deterring corruption, while the Chinese read this information to mean that the *yanda* campaign was successful at alleviating corrupt activities.[102]

The difference between the two perspectives is due to differences in the Western and Chinese definitions of success; for the Chinese, the campaign is successful if it catches corruption; the western commentator frequently views success as eliminating corruption to the greatest extent possible, which should result in fewer cases of corruption in the future. Both perspectives are correct based on their own definitions. However, one problem with the Chinese view of success in this context is that China's *yanda* campaigns will appear to be more successful in a more corrupt country such as China. Assuming that the goal of anti-corruption is to make the country as corruption-free as possible, success requires more than an anti-corruption campaign.

To decrease the amount of corruption in China, China must make anti-corruption a consistent priority. Operating intermittent campaigns allows corrupt officials who were not identified during one campaign to continue with their business as usual once they have survived the storm.[103] Thus, the anti-corruption efforts need to operate with sustained intensity for a sufficient period of time to permanently stop corrupt activities disassemble collective corruption networks, rather than allowing them to wait for the storm to clear. Absent this type of methodological change, China can expect corruption to remain a problem.

China can further increase the risk of detection by providing anonymous forums for the public to report official malfeasance. During campaigns, a high percentage of those eventually prosecuted are identified by the public.[104] In the past, the CCP has set up phone, email, and other reporting avenues[105] and, in August 2013, the CCDI created a website

98. Plenums are general meetings of the Central Committee which generally focus on national goal-setting and the approval of various measures. Lawrence & Martin, *supra* note 118, at 24.

99. Manion, *supra* note 8, at 162.

100. *Id*. at 163.

101. *See id*.

102. *See id*. at 161.

103. Zhu, *supra* note 42, at 84.

104. Another example is the high-profile case of the cadre nicknamed "Brother Watch," who was identified by web reports. *See* Ma Lie, *'Brother Watch' Pleads Guilty to Corruption*, China Daily (Aug. 31, 2013, 8:24 a.m.), www.chinadaily.com.cn/china/2013-08/31/content_16934017.htm.

105. Gong, *supra* note 144, at 147-48.

where the public can report allegations of corruption directly to the CCDI.[106] This has resulted in more than 15,000 reports in only half a year, with an average of over 700 reports per day.[107] However, anonymous reporting platforms by themselves are not enough.

Ensuring that the CCDI takes action remains a problem. While linking the report directly to the CCDI is an efficient mechanism for circumventing local cronyism, there is still the risk that the CCDI will use its discretion to do nothing about the problem. Thus, once anonymous reporting mechanisms are in place, the next step will be for China to make the system more transparent in order to ensure that those who deserve discipline are held accountable. The CCDI has pledged to increase the transparency of its investigation activities on the website.[108] However, it remains to be seen whether the CCP's actions in providing the forum and statements urging transparency are genuine or simply a public relations maneuver.[109]

3. Transactional Costs of China's Bureaucracy

China has a massive bureaucracy and regulatory system that creates significant transaction costs and delays for both citizens and businesses.[110] In the late 1980s, a person seeking to do business in China was faced with the daunting task of obtaining hundreds of authorizations, a process which could require over a year to complete.[111] These processes were not only inefficient, but also provided opportunities for multiple government officials to extract rents.[112] Since the 1980s, China has eliminated, consolidated, and streamlined the approval process, which has limited some opportunities for corruption.

This process began at the local levels when the central government began pressuring local governments to increase economic output, leading localities to take the practical step of reducing regulatory requirements.[113] In 2002, the central government followed the local officials' lead and began scaling back the required administrative approvals.[114] China needs

106. Xinhua, *Discipline Agency Receives 760 Tip-Offs Daily*, China Daily, usa.chinadaily.com.cn/china/2013-09/25/content_16993188.htm (last visited Mar. 8, 2014).

107. *Id*.

108. *Id*.

109. Contrary to the public perception this new platform creates, the procuracy is prosecuting a group, called the "New Citizens' Movement," who claim to be fighting official corruption, as well as the group's attorney. The cynical view would suggest that this prosecution signals that the central government is not truly dedicated to fighting official corruption. However, it could indicate that the central government will not tolerate activist activity outside of the platforms it provides. *China Anti-Corruption Activists on Trial in Jiangxi*, BBC News, http://www.bbc.co.uk/news/world-asia-china-24700026 (last updated Oct. 28, 2013, 9:55 AM).

110. Forini, Lai & Tan, *supra* note 9, at 40.

111. *Id*. at 40.

112. *Id*.

113. Wedeman (2012), *supra* note 31, at 42-45.

114. In 2002, the central government cut 789 administrative approvals; in 2003, they cut further 406 administrative approvals; in 2007, they cut another 128; in 2010,

to continue the trend towards streamlining the administrative approvals process in order to further decrease the opportunities and incentives for corruption.

China can further streamline the operation of its bureaucracy by instituting national electronic monitoring systems. While required approvals and regulations can be easily changed, it is more difficult to monitor the way in which government officials work in discharging their duties.[115] Officials may create their own opportunities for corruption. Officials may tell applicants that they need to obtain approvals at other offices, request unnecessary documents, or just work slowly. In response to this problem, Shenzhen city installed an electronic supervision system to oversee the process of granting licenses.[116] This resulted in a decline in complaints about officials using the administrative processes for personal gain.[117] When combined with more efficient regulatory requirements, workforce monitoring will significantly diminish the opportunity and incentive for corruption.

Additionally, China can decrease bureaucratic incentives and opportunities for corruption by creating central locations for completing related regulatory processes. These locations are often called government affairs supermarkets.[118] An example of this type of reform was instituted at the county level in Xiaguan district in Nanjing prefecture, Jiangsu province.[119] In 2000, Xiaguan moved more than 40 administrative services to one location so that an individual or entity could obtain all of their approvals at a single location.[120]

The creation of a government affairs supermarket led to an increase in efficiency because it downsized administrative staff, reduced individual shirking, reduced processing time, and promoted the merger of overlapping services and approvals.[121] Thus, by instituting these centralized government affairs supermarkets throughout the country, China can further limit corruption.

V. Conclusion

China has an ancient and pervasive culture of *guanxi*, the rules of which mandate reciprocal and continuous gifting to develop, maintain, and use relationships. No person in China is exempt from this culture. However, current definitions of corruption often inadequately account for *guanxi* culture. Many of these definitions consider culturally required

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they cut 113 administrative approvals. Forini, Lai & Tan, *supra* note 9, at 47.

115. *See id*.

116. The process includes an electronic interface and video surveillance that allows external officials to supervise the work, attitudes, and efficiency of the staff. *Id*. at 51-52.

117. *Id*. at 53.

118. *Id*. at 56.

119. *Id*.

120. *Id*. at 57.

121. *Id*. at 57-58.

behaviors to be corrupt. This conclusion implies that the core of Chinese culture must change for China to successfully eliminate corruption. Such a solution is impractical and would be ineffective.

Moreover, empirical studies of corruption show that over the past thirty years, the characteristics of corruption in China have changed concurrently with changes in the economic and regulatory structures. Conversely, *guanxi* culture has remained the same for centuries. This suggests that the causes of China's corruption problem are institutional rather than cultural. Thus, I have exempted from the solution to corruption Legitimate *Guanxi*, which I define as practices that fall within the unwritten rules of *guanxi* that are not corrupt. By limiting the definition of corruption in this way, it is possible to identify the major institutional causes of corruption and posit workable solutions.

China's corruption problem is caused by flaws in the CDI and judicial structures, which provide government officials multiple opportunities to use their CCP rank to influence the anti-corruption efforts of the CDIs and the procuracy; by intermittent anti-corruption efforts that do not effectively disincentivize corruption; and by a burdensome bureaucracy which creates opportunities and incentives for corruption. Thus, for China to decrease corruption over the long term, China should enact reforms that directly address each of these causes.

China could effectively solve the agency problem in the investigation, prosecution, and discipline of corruption by structurally limiting the ability of the CCP to influence anti-corruption efforts. China can further increase the effectiveness of its anti-corruption efforts by making anti-corruption a consistently high priority. Finally, China should continue to reform its bureaucratic structures to make them more efficient while concurrently ensuring that government officials fulfill their duties diligently. By instituting these reforms, China will successfully limit the opportunities and incentives for officials and private parties to engage in corruption and thereby decrease corruption within China.