



Pacific Strategies & Assessments

**ANTI-CORRUPTION EFFORTS WITHIN
THE PEOPLE'S REPUBLIC OF CHINA:
CAN HONG KONG ACT AS A BLUE
PRINT FOR THE PRC?**

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INTRODUCTION

Corruption is so damaging to growing communities because of its ability to divert money and energy from those working honestly and with integrity to those that live off the work of others. Corruption breeds and protects further corruption. It becomes an insidious unbreakable way of life. A corrupting individual when confronted with a competitor will likely negatively impact them or others to maintain or gain an advantage. Within businesses, this tendency diverts energy away from innovation and feeds those willing to feed off the efforts of others.

Negative implications of corruption and its ability to damage legal frameworks have been recognized within China as seen with its commitment to the United Nations Convention against Corruption (UNCAC) in 2006. China has further ratified the threat of corruption and is now a member of the Organizations for Economic Cooperation and Development (OECD), the U.S. Foreign Corruption Packages ACT (FCPA) and UK Bribery Acts. The existing PRC laws against corruption are a bit of a patchwork. There is the PRC Criminal Law, PRC Anti-unfair competition law and the internal discipline regulations within government bodies.

Hong Kong's anti-grafting practices have been merited internationally. In the early 1970s, following a number of high profile graft cases, Sir Murray Maclehole's, Hong Kong's governor from 1971 to 1982, response transformed Hong Kong's anti-corruption strategies. As a result Hong Kong's economy has grown, satisfaction with government control has developed and the city has now become one of the world's leading business and finance centers. Some 50 years later, as China's own economy is rapidly changing, many of the same corruption issues that Hong Kong faced are now beginning to emerge. Can Xi Jinping learn from the Hong Kong model?

Sir Murray Maclehole's strategy was based on a two-tiered model. He addressed the cause of corruption, which was poor public sector salaries, impacted by the rise in inflation at the time. Secondly the establishment of Hong Kong's Independent



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Commission Against Corruption (ICAC) focused on combatting the effect of corruption: through public arrests, media publication and the government building trust with the public. The body is an independent organ that bypasses other government agencies, reporting directly to Hong Kong's then governor, and now the chief executive. The anti-graft agency operates on Hong Kong's existing rule of law and legislation when dealing with corrupt-related investigations. It works closely with the media to publicize and encourage reporting of corruption; and is staffed with trained professionals with attractive wages to increase relevant individuals to assume responsible roles. Today Mainland officials are reportedly visiting ICAC members and HK government officials to learn lessons on how the city has been so successful in preventing and eradicating existing corruption.

The increase in high-profile cases in the People's Republic of China (PRC) indicates that Xi Jinping is responding to the effects of corruption. What is important is to realize the shift in who is being targeted; transiting from tackling 'flies' to what Xi Jinping refers to as 'tigers' or the bigger culprits. The efforts reflect his determination to enhance the legitimacy and transparency of the party by rooting out corrupt officials. What Xi has done by targeting those with bureaucratic and financial power, is confirm that selective approval for investigating government officials will not be tolerated. However many have also started to question whether increased efforts will ever completely warn off all the tigers within the party;¹ if not, has the system itself become inherently susceptible to corruption? Does the key for China lie in another state that operates on a different system?²

This paper will compare the Hong Kong model with the current situation in China. It will first look at how the ICAC and Sir Murray Maclehole's strategy recognized and sought to tackle both causes and effects of corruption. Current cases of anti-grafting in China

¹ Wu, "China's fallen security chief."

² Wu, "China's fallen security chief."



and Xi's encouragement to combat the effects of it will be outlined. It is clear China has taken on some aspects of Hong Kong's successes, i.e. the arrest of both Bo Xilai and Zhou Yongkang, the question now is how and whether Xi will recognize causes for corruption. How the Chinese government will tackle core sources for corruption remains uncertain.

HONG KONG REFORMS AND ESTABLISHMENT OF ICAC

Hong Kong's ICAC operates on different guidelines to China's Supervisory System. The conditions under which the ICAC emerged at the time differ from China's political, economic and social climate today. The ICAC established in 1974 under Sir Murray Maclehoose— Hong Kong's then governor, was a response to the growing instability and upheaval Hong Kong faced during the 1960s-70s.

During the 1970s, Hong Kong was experiencing an unstable economy, unstable financial system and political system, much of which was affected by corrupt members in government. It was estimated that from 1963 to 1973, just before ICAC's emergence, triads and the police in Hong Kong took in \$10billion Hong Kong dollars in "tea money." Ambulance staff would demand tips before picking up patients, and the habit of tipping the 'right' officials when applying for public housing or for free education became a resigned fact of life.³ Within 3 years of its establishment, corruption syndicates in government were dismantled, while ICAC officers prosecuted 247 government officials. Ambiga Sreenevasan a former Bar Council President, mentioned at a Global Issues Forum held in Jaya, that "even after 35 years of its establishment, ICAC is still a success."

The ICAC, due to its independence, always has a jurisdiction to investigate. Its independent relationship to the Hong Kong government prevents any limitations or restrictions in investigation and screening. Its independent and autonomous relationship

³ "ICAC Hong Kong."



has been further supported by the recruitment of professional staff with packages that ensure a longer-term retention. The Hong Kong's ICAC operates on a three-pronged approach of: law enforcement, prevention and education. The ICAC works in accordance with Prevention of Bribery Ordinance (POBO) that lays out clear guidelines under which civil servants in Hong Kong carry out their daily duties. It does not permit any form of bribery of officials.⁴

The ICAC is divided into three departments, each one with a specific responsibility in responding to corruption:

- **Operations Department** investigates corruption allegations
- **Corruption Prevention Department** examines practices and procedures of government departments and public bodies to reduce opportunities for corruption
- **Community Relations Department** educates the public against corruption

(Source: ICAC Hong Kong website) Accessed July 31, 2014.

It is important to understand the emergence of an independent body was not the only reason why Hong Kong is less corrupt today. Compared to China, Hong Kong operates on different systems including an independent Rule of Law and other autonomous agencies within the state. Its relationship between the state and civic body is also unique. The ICAC's accomplishments should be recognized with two major changes during precious decades. One of the major changes was the rise in salaries and benefits for civic servants. What Sir MacLehose and possibly others during the 1970s realized was how disparities between government and private sector jobs were fuelling corruption. Acknowledging this, civil servants wages started to increase and their roles and responsibilities were more clearly defined. Within ICAC itself policies including the ICAC special allowance scheme were introduced. Aiming to tackle the root cause of

⁴ Michael, "Can the ICAC reduce Corruption?"



corruption in other government departments, similar opportunities and rewards were provided with specific focus on the Hong Kong Police Force.

Another key factor for ICAC's success was the change in attitudes within Hong Kong's civic society; cooperation between the ICAC and Hong Kong citizens remains crucial for further accomplishments. The data below is from a survey conducted by the ICAC in its annual report in 2013. The percentage of those willing to report corruption has experienced a steady incline, peaking at 80.6% by 2013; an increase of 4.7% since 2010. Those without an opinion or unsure have also decreased between 2010 and 2012. This suggests that people are becoming more trusting and willing to cooperate with ICAC, partly because the benefits of reporting corruption outweigh tolerating its ill tendencies. These indicators are clear signs that the public are beginning to maintain high ethical standards in all dealings, whilst showing zero tolerance for corruption and reporting it when it does occur.⁵

Willingness to Report Corruption: data provided by ICAC

Willingness to Report Corruption (%)	2010	2011	2012	2013
Willing	75.9%	77.2%	79.2%	80.6%
Unwilling	5.3%	4.7%	5.1%	4.9%
Depending on circumstance	15.9%	15.5%	14.1%	12.5%
Don't know/no opinion	2.9%	2.6%	1.5%	2.0%
Sample	(1 570)	(1 506)	(1 529)	(1 482)

⁵ ICAC Hong Kong.”



Source: ICAC Annual Survey 2013.

http://www.icac.org.hk/filemanager/en/Content_1283/2013surveysummary.pdf.

Accessed July 31, 2014.

With the help of ICAC and the POBO, Hong Kong has a clean and relatively corruption-free reputation. In 2012, Transparency International's corruption perception Index ranked Hong Kong 12, above Japan, UK and the U.S. with China down at 80.⁶ The combination of an independent anti-corruption body, an active civic society as well as the POBO led to the arrest of the expatriate police officer Peter Godber Fitzroy, who was targeted for his growth in assets of over HKD\$4.3 million. Both investigations led by the ICAC and the widespread protests of students in Victoria Park no doubt contributed to his final arrest.⁷ However cases including the allegations against Raphael Hui, the former chief secretary and the spending habits of Timothy Tong Hin-Ming are reminders that Hong Kong is still not completely corrupt-free.

⁶Yip, "Can Hong Kong Stay Corruption-free?"

⁷ "ICAC Hong Kong."





Raphael Hui Si-yan:

Source: <http://www.scmp.com/news/hong-kong/article/1300442/huis-financial-woes-just-keep-piling>.

CORRUPTION WITHIN THE PRC

The emergence of corruption within China is also not a recent issue. It existed before the pre-revolutionary society of the Maoist decades.⁸ Even throughout China's dynastic circle, individuals would be confronted with corrupt-related allegations. Why corruption is still such a persistent problem in China is clear: the official civil servant salaries in China do not meet the costs of living in its rapid growing economy and the tone from the top of the CCP leadership are believed to be thoroughly corrupt; establishing businesses for the 'princelings' or children of party leaders and perpetuating wealth within an elite group rather than for the people. As recent investigation into the crackdown of China's "naked people" have shown that as many as 1,000 civil servants in Guangdong have spouses or children living abroad.⁹

⁸ Lu, "Political Economy of Corruption,"

⁹ BBC News, "China Investigation."



Legal definitions of corruption are more complex. Chinese law makes a distinction between corruption and other forms of official malfeasance. It separates “economic crime” (jingji zuixing) which involves bribery, corporate embezzlement, tax evasion and copyright fraud, from something it describes as “disciplinary crime” (fa zuixing).

“Disciplinary crime” is what the Chinese government refers to as corruption. It includes criminal negligence, dereliction of duty and a variety of civil rights violations (malfeasance).¹⁰ Entitlement to rights is also distinct. In China, the separation between property rights and hierarchy rights is defined differently. Property rights are condoned in law, whilst hierarchy rights are expressed in party discipline.¹¹ Systems have been put in place to tackle malfeasance and violation of rights within party discipline.

COUNTRY	RANK	CI: LOWER	CI: UPPER	2012 SCORE	
Bosnia and Herzegovina	72	7	37	47	42
Brazil	72	8	36	48	43
Sao Tome and Principe	72	3	34	50	42
Serbia	72	7	36	48	39
South Africa	72	9	37	47	43
Bulgaria	77	9	36	46	41
Senegal	77	9	39	43	36
Tunisia	77	7	38	44	41
China	80	9	35	45	39
Greece	80	7	33	47	36

¹⁰ Weddeman, “The Intensification of Corruption in China.”

¹¹ Root, “Corruption in China,” 750.



Source: Transparency International: *the global coalition against corruption*, Corruption Perceptions Index (CPI) for 2013¹² Accessed July 31, 2014

The scale of corruption within the PRC can be seen in the table provided above by Transparency International. The ranking number shows the order of corrupt countries in the world with 1 being the least corrupt. In 2003 the organization placed China 80th out of 187 countries, with Hong Kong ranking within the top 30. Statistics like these are reminders why corruption can not be tolerated in China; not only for its reputation but also for future trade prospects and international diplomacy. Multilateral organizations including Asian Development Bank are already in discussion with China on the standards of accessibility, transparency and predictability of the risks in investments with existing corruption.¹³

Acknowledging Brazil in the data analysis and China, two out of four of the BRIC countries were placed substantially high in the rankings. Some have questioned whether developing countries moving towards a market-based economy are more susceptible to corrupt tendencies.

There is much evidence that Xi and his government are aware of these risks. The establishment of agencies including the Disciplinary Inspection Committee (DIC) and the Supervisory System are clear signs the Chinese government is tackling the effect of corruption. The Supervisory System and the DIC both work very closely to investigate allegations made against corrupt officials. The Supervisory System, established by the State Council in 1987, is responsible for monitoring government departments, state organs and public officials. The DIC mirrors the responsibility of the Supervisory System. It follows up on violations of Party discipline and violations of state law by Party

¹² In the table above, CI refers to Confidence Interval. The confidence interval reflects some of the uncertainty associated with a country's CPI score. It is calculated by looking at the range of scores given by all the data used to calculate that country's score, such that a wider interval reflects a wider variation in the data for that country..

¹³ Root, "Corruption in China," 756.



members. The two systems are not segregated, as most state officials working within these systems are also government officials. Both the DIC and the Supervisory body are restricted to investigating cases of malfeasance and non-criminal violations of Party discipline.¹⁴ Some have begun to question whether this inter-related relationship between party and agencies within the state could be contributing to what China understands to be the cause of corruption i.e. the disparity between official civil servant salaries and the cost of living.

XI JIN PING'S STRATEGIES—HOW EFFECTIVE?

China's new Communist Party General Secretary Xi Jinping is clearly aware of the risks of corruption. He has argued for government officials to obey party constitution and to drive forward and fight off "flies and tigers." Without this attitude, as quoted by China's previous successor Hu Jintao, corruption will "kill the party and ruin the country."

The effects of corruption have also been acknowledged by Xi. China's decision to invest into anti-corruption strategies should also be recognized. In 2012 Thomson Reuters estimated that China spends a total of 100 billion U.S. dollars annually trying to combat the issue. Successes of these efforts include Bo Xilai and the investigation of Zhou Yongkang: both high level officials coupled with bureaucratic power. His commitment to fighting corruption has meant that selective screening of government officials is now less tolerated. Although talk about corruption and its effects are becoming prominent in China, just how effective are these campaigns?

With Xi's current anti-corruption campaigns, investigations into high-ranking officials as well as lower party members are beginning to be approved. Those with ostentatious displays of luxurious possessions and obscure spending habits will be held with great speculation. Unlike past reforms, there is still much hope that the legacy of Xi's anti-corruption campaign will crucify the effects of corruption and deter its root causes.

¹⁴ Weddeman, "The Intensification of Corruption."



Reforms to increase accountability and reduce corruption also operate on both bottom-up and top-down approach. Top down institutions in China include village party organizations and the cadre responsibility system otherwise known as the “cadre commission system.” They are intended to guarantee that village officials meet certain policy targets and performance goals set by higher officials within government. These goals are in accordance with the interest of the people and reinforce public good provision. Democratic bottom-up approach includes village-level elections as established in 1987 called the Organic Law of Village Committees.¹⁵ Village reforms also include the tax-for-fee system, which prohibits local governments from using collected tax money for individual interests or arbitrary spending.

Although reforms and efforts to mobilize the population have increased, has corruption decreased? The emergence of high-profiling cases does not necessarily mean corruption is decreasing; instead that individuals previously protected in the past by bureaucratic powers are now unable to escape government speculation. What the Chinese government needs to consider now is the next stage of the anti-graft campaign. Xi, undoubtedly on the right lines to target corrupt officials now faces the challenge of rooting out core reasons for corruption.

CONCLUSION

There are signs that China is learning from the Hong Kong model. The BBC estimated that around 4,000 Mainland Chinese officials visit Hong Kong each year to learn from the anti-corruption body.¹⁶ Some officials in China have also shown willingness to follow the ICAC framework. Zhu Guoming, party secretary of Guangdong’s Commission for Discipline Inspection (CDI), has argued that the Mainland needs to learn from ICAC’s

¹⁵ Tsai, *Public Goods Provision*.

¹⁶ Yip, “Can Hong Kong Stay Corruption-free?”



experience in combatting corruption.¹⁷ In 1989, the first anti-corruption agency was established under the Guangdong Provincial People's Procuratorate, which draws on similar experiences and lessons learnt from ICAC.¹⁸

Although Xi has continued to tackle the effect of grafting in the PRC, the next question is: how will his leadership tackle the root causes for corruption? If Xi's leadership is to continue with the Hong Kong model, the PRC government will have to re-structure civil servant management, particularly salaries and packages, to deter individuals from engaging in fraudulent activity. But this does not mean developing civil servant management alone with combat corruption completely.

China is likely to find its own solution to combat causes for corruption, than to use Hong Kong as a blue print. Firstly both Hong Kong and China operate on different political systems, and secondly the model of Hong Kong is not corruption-free. The next stage for Xi's government is reconsider strategies that will deal with preventing corruption from occurring. Whether he is willing to actively address both the cause and effect of corruption, and how this will impact costs for doing business in China remains uncertain.

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¹⁸ Cheung, "Who's Influencing Whom?" 728.



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