

June 19, 2006

As China's Economy Thrives, So Does Graft

Beijing's Limited Success at Curbing Abuses Could Impede Adoption of Free-Market System

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June 19, 2006; Page A8

BEIJING -- Recent high-profile corruption cases in China underscore the challenges the country's leaders face as they seek to counter the drawbacks of fast economic growth.

In recent weeks, a Beijing vice mayor has been sacked, a high-ranking naval officer is being investigated for accepting bribes, according to a person familiar with the case and Reuters, and the secretary general of China's arbitration commission was arrested for "economic crimes."

The cases have emerged even as Chinese leaders pledge to make fighting corruption a priority amid public discontent over abuses. By many accounts, corruption is worsening as some public officials and private businessmen attempt to take advantage of China's sometimes chaotic market economy.

Failure to curb such behavior could ignite a backlash with the potential to slow China's adoption of a full-blown market system. The linkup of "qian" and "quan" -- or money and power -- in many ways resembles the robber-baron economy of postcommunist Russia.

In China, observers suggest that the Communist Party's failure so far to implement meaningful political changes that could bring more checks and balances to the system appears to be allowing graft to thrive in the go-go environment of a transitioning economy.


"The quantity of corruption crime cases has continued to rise," since China launched market liberalizations in 1978, Ye Eng, a senior government prosecutor, said in Hong Kong last month.

He noted that the number of "major and important" cases has increased, and the amount of money involved in each crime has reached millions or tens of millions of yuan.

A prominent sociologist here agrees. "Corruption is worse today than before because there's so much more money involved," said the academic, who declined to be identified for fear of retaliation.

Even during the days of China's strict communist rule, officials enjoyed privileges. Nowadays, the government's extensive control over permits for businesses and assets such as land -- combined

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with low civil-servant salaries -- creates an incentive for officials to potentially abuse their positions.

At the same time, increasing numbers of successful businessmen are allegedly using their heft to secure positions in government or representative bodies, like the Chinese People's Political Consultative Conference, where they can use their influence to benefit themselves.

Corruption problems have been particularly acute in the banking sector. The Bank of China has been hit by financial scandals in recent years, including the conviction of former Chairman and President Wang Xuebing for accepting more than one million yuan in bribes to approve loans.

Details of recent corruption cases remain sketchy. The deposed vice mayor, Liu Zhihua, was in charge of the city-planning department, which is overseeing construction projects for the 2008 Olympics in Beijing. According to a report by state-run Xinhua News Agency on June 11, Mr. Liu was removed from his post for "corruption and dissoluteness" as his wrongdoings were found "to be quite serious and have baneful social influence."

No further details have been officially disclosed. But Wen Wei Po, a Chinese government-backed newspaper in Hong Kong that authorities sometimes use to provide further details of cases, said Mr. Liu came under investigation after foreign investors reported him for "taking huge amounts of bribes from foreign investors, intervening in major projects ... and [offering] illegal approvals of land use," among other actions.

A Chinese businessman who alleges his land in a Beijing suburb was confiscated to make way for a development project involving Mr. Liu claims he watched as the developer -- a former midlevel official in Beijing city's construction department -- called the vice mayor to discuss the project while Mr. Liu was on a trip to the U.S. "Usually no one has that sort of access to a vice mayor, unless they have a personal relationship," says the businessman, who asked not to be identified. Efforts to reach Mr. Liu were unsuccessful.

The case of the naval officer, identified by Wen Wei Po as Vice Admiral Wang Shouye, also allegedly involves money. According to a person with ties to the military, who doesn't want his name used for fear of retaliation, the officer was found to have accepted bribes totaling millions of dollars in exchange for handing out contracts to construction companies and other favors.

Retired officers disgruntled over the officer's alleged behavior allegedly helped expose him, the person says. "If the military has become like this, what's to become of the rest of the country?" this person asks.

Another case that has drawn international attention is that of Wang Shengchang, secretary general of the state-run China International Economic and Trade Arbitration Commission, who was arrested in April on suspicion of "economic crimes," according to Xinhua. The commission is an important venue for settling contract disputes between Chinese and foreign firms.

Mr. Wang's alleged offense is believed to be being loose with agency funds, says a person familiar with the commission.

Even where alleged corruption isn't an issue, officials are coming under fire for wasteful expenditures. Zhu Lijia, a professor at the China National School of Public Administration, published an article recently estimating that officials use four million cars at a total annual cost of

408.5 billion yuan (\$51.07 billion), or more than 13% of the central government's revenue for fiscal 2005.

His article, which appeared in Study Times newspaper published by the Communist Party's cadre-training school, said annual expenditures by officials, including for meals and overseas travel, are about 900 billion yuan.

The Ministry of Finance has said the actual total is about 120 billion yuan, according to state media. Central authorities have taken largely cosmetic steps to tackle alleged corruption and waste. They moved quickly in Mr. Liu's case, abruptly dismissing the Beijing vice mayor from his post earlier this month. They are requiring that the number of deputy party secretaries be cut to one or two from as many as eight at various levels of local government; a number of provinces, including Fujian and Hainan island in the south, have already begun to whittle their numbers. Additional, incremental political overhaul could come after party leaders convene for the 17th party plenum next fall and party chief Hu Jintao further consolidates power, says a Chinese newspaper editor.

Possible changes being considered include offering representatives of China's independent political parties high-level government posts and giving the country's traditionally rubber-stamp legislatures more say on budget issues.

The editor says corruption has become so problematic that the leadership has little choice but to act. "The situation is stronger than the individual," he says.

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