

Chinese leadership tries to revamp its corrupt image

By John Chan
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Xi Jinping, the new Chinese Communist Party general secretary, last week issued rules to try to reshape the CCP bureaucracy's image of arrogance and distance from ordinary people. His announcement forms part of the anti-corruption campaign he unveiled shortly after he was installed at last month's 18th party congress.

The campaign has a double aim: to dampen widespread public hostility to the endemic corruption at all levels of the regime, and prepare the ground for a pro-market offensive to vastly reduce the role of the state in the economy.

According to the state media announcement, the new politburo's instructions include banning floral bouquets and red carpet welcomes for senior officials, as well as "empty talk" at meetings. The politburo declared that party cadres must refrain from attending ribbon-cutting events, and spend more time visiting local communities.

The new rules further call for a halt to highly visible security measures, such as clearing venues and blocking roads, when senior officials travel, and for an end to the practice of mobilising overseas Chinese students and members of the Chinese diaspora to welcome leaders visiting a foreign country. And instead of the media reporting every activity of leading figures, "the activities of politburo members should be reported on their news value, and shortened in frequency, number of words and duration."

Chinese officials have become notorious for socialising with the business people, under the slogan of "attract business and investment." Connected to this culture are stories of CCP officials using their power to benefit their family members in business, as well as to acquire luxury villas, expensive cars and mistresses.

Well aware of the popular disgust, Xi warned at a

politburo meeting last month that corruption had "led to the venting of public outrage, to social turmoil and to the fall of governments" in countries such as Egypt and Tunisia. New Central Discipline and Inspection Commission head, Wang Qishan, last week also pointed to dangers of public hostility over corruption. He urged officials to read French historian Alexis de Tocqueville's 1865 classic on the lead up to French Revolution, *The Old Regime and the Revolution*.

In another move to demonstrate the new leadership's anti-corruption credentials, Wang announced last week a first step in requiring officials to publicly declare their assets, with Guangdong province to become the testing ground.

In reality, such measures will only serve to trim the bureaucracy, as demanded by the capitalist elite, but will not touch the vast business holdings of senior CCP leaders. Thanks to the last wave of privatisation in the 1990s, which introduced share ownership, CCP officials can hide their interests through complex share-holdings by relatives and even overseas proxies.

The US-based Chinese-language channel NDTV reported in June on the extensive business interests of Liu Yunshan, now a member of the seven-man CCP Politburo Standing Committee—the highest decision-making body. Liu and his son are said to have secretly controlled the Elephant Investment Group, which has 11 companies ranging from real estate to hotels and shipping. Through Elephant Investment, they own controlling stakes in China's largest dairy giant, the Yili Group, which has 130 affiliates and is one of *Forbes* 2000 top companies in the world, as well as another pharmacy and property development group, Jinyu. In addition, they are believed to have numerous mining interests in Inner Mongolia, featuring coal and molybdenum mines.

Liu's son is also in charge of the 500 billion yuan (\$US80 billion) investment arm of China Life, a state-owned insurance giant. NDTV said the younger Liu had directed some of its assets into investment in real estate projects developed by his own companies.

Xi's anti-corruption campaign is bound up with a pro-market policy to streamline the state bureaucracy. Since Deng Xiaoping initiated capitalist restoration in 1978, officials at all levels of government have been locked in increasing competition for investment in their towns and cities, driving a culture of ostentatious wealth. These displays have been financed out of government revenues as well as outright corruption—in essence, by appropriating a portion of the profits made by exploiting the cheap labour of Chinese workers.

The private business elite and foreign corporations tolerated an expanding bureaucracy during the export-led booms of the 1990s and 2000s. But since the global financial crisis began in 2008, this has become increasingly untenable. The latest decrees on bureaucratic life echo the calls by Xi's predecessor, Hu Jintao, at the recent 18th party congress for the building of a "service type" government—similar to "small government" demands of financial elites in the West.

In another move, Xi made a visit to a "Road to National Renewal" exhibition last week, with other six new members of the Politburo Standing Committee. There he warned that "empty talk does damage to the country." This marks a clampdown on any ideological differences that might open the door for the working class to challenge the regime.

Immediately after Xi's comment, the state press singled out former Chongqing party secretary Bo Xilai, who was expelled from the party earlier this year for corruption, as an example of someone who engaged in "empty talk." Bo represented a layer of the bureaucracy that opposed undermining the country's biggest state-owned enterprises, and instead proposed that they be developed into national corporate champions in world markets.

At the same time, Bo made populist appeals against the widening wealth gap, and called for a "profitable" state sector as a means of financing public spending to alleviate social tensions. This generated sharp factional conflict within the CCP bureaucracy in the lead up to this year's 18th party congress. The dominant sections of the regime had agreed to a joint report with the

World *China* Bank, 2030. The called document for a further opening up of the economy to international capital, which will involve the privatisation of the remaining 100,000 state enterprises and the deregulation of much of the economy, ranging from state-controlled land to credit.

Bo's posturing in favour of social reforms ran the risk of heightening expectations in the working class and creating political difficulties for the regime in imposing its open market agenda. While Bo has been ousted over corruption allegations, the concerns remain. Xi's call for a ban on "empty talk" reflects fears in Beijing that any public discussion on economic policy or social inequality could fuel popular discontent.

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