



China's double standard? Fighting corruption at home, turning a blind eye abroad by Virginia Marantidou and Brad Glosserman

Virginia Marantidou (virginia@pacforum.org) is a WSD-Handa fellow at Pacific Forum CSIS. Brad Glosserman (brad@pacforum.org) is executive director of Pacific Forum CSIS.

The Xi Jinping government knows well the dangers of corruption: it considers this “social pollutant” an existential threat to the Chinese Communist Party. And yet, China turns a blind eye to the corrosive effects of the substantial flows of its aid, assistance, and investment funds on recipient nations, all in the name of ‘noninterference.’ If China is sincere about wanting to aid nations with its monies, it should be equally forthcoming with standards for good governance to ensure that Chinese assistance does not do more harm than good. China’s silence is deafening.

The combination of breakneck economic growth with single-party rule has overwhelmed Communist party officials with opportunities to divert money to parochial interests. Not surprisingly, corruption has run wild. Since his accession to power, Xi Jinping has waged war against corruption, noting in a speech to the Politburo in 2012 “...that if corruption becomes increasingly serious, it will inevitably doom the party and the state. We must be vigilant. In recent years, there have been cases of grave violations of disciplinary rules and laws within the party that have been extremely malign in nature and utterly destructive politically, shocking people to the core.”

Xi launched a sweeping anti-corruption campaign, exempting no level of the party, the state, or the military. To date, 182,000 party officials have been investigated and 32 leaders at the vice-ministerial level and above have been arrested. Some of the “tigers,” in Xi’s terminology, that were brought to justice include Bo Xilai, former minister of commerce and member of the Central Politburo, Xu Caihou, former vice chairman of the Central Military Commission, Liu Zhijun, former minister of railways, and Zhou Yongkang, the powerful head of China’s security apparatus. There have been investigations into claims of negligence, graft, and abuse of power. The regime is cracking down on privilege and excess including lavish banquets, expensive social events – even funerals – and luxury goods to the extent that analysts worry about the negative impact these investigations could have on the Chinese economy.

Regardless of whether the anti-corruption campaign is a genuine attempt to save the Communist Party and China from the cancer of corruption, a moral campaign, a cynical exercise to eliminate political rivals as some suggest, or a combination of the three, Xi’s rhetoric and actions are based on the powerful connection between money and corruption. The Xi government recognizes that massive amounts of money

flowing throughout the country have corroded China’s political system and society and thus there is an urgent need to control it.

It is disturbing then that China turns a blind eye to the dangers that could result from massive infusions of Chinese money into the (much smaller and hence more easily overwhelmed) economies of countries with which it does business or offers aid. To get some sense of scale, according to Chinese official data, China’s foreign assistance funds (excluding government-sponsored investments) during the period 2010-2012 reached \$14.41 billion with 51.8 percent pouring into Africa. Top recipients of Chinese aid in Africa have been Angola, the Democratic Republic of Congo, and Ethiopia, countries plagued by corruption, weak governance structures, and instability.

To be clear: China’s aid is needed and welcome in recipient countries that struggle to provide for their population’s basic needs. Our concern stems from Beijing’s hands-off approach to assistance, providing money without conditions. Beijing touts this as a virtue of Chinese policy, contrasting its condition-free lending with that of Western countries and international financial institutions, all of which demand compliance with good governance practices before providing funds.

China justifies these policies in the name of its “noninterference policy,” arguing that Beijing has no right to intervene in the internal affairs of recipient states. China’s official policy on aid explains that “when providing assistance it adheres to the principles of not imposing any political conditions, not interfering in the internal affairs of the recipient countries and fully respecting their right to independently choose their political systems and models of development.” (In fact, recipients of Chinese aid have to accept conditions such as the use of Chinese companies – a demand that isn’t uniquely Chinese – and promise to adhere to the “one China principle,” both of which could be considered interference in domestic affairs.)

In the abstract that makes sense, but given China’s acute awareness of the corrosive impact of such funds, this policy seems hypocritical at best and immoral at worst. Hypocritical because China knows well that such funds themselves risk interfering in internal affairs since unfettered money nurtures corruption, distorts good governance, and eventually alters the socio-political landscape of those countries.

It is immoral because Chinese behavior undercuts the efforts of other governments to fight the deleterious impact – the risk of corruption – of such monies.

Morality is often a taboo subject in international relations scholarship and is frequently met with cynicism. In an anarchic world, governed by the exercise of power, moral

questions are distractions or even obstacles to pragmatic policymaking. China's foreign assistance policy adopts this logic. Aid has been a useful policy instrument for China that not only serves economic interests but helps it exert influence, boost its soft power, and forge partnerships.

Plato challenged the belief that morality and power are at odds in *The Republic*, in a dialogue between Socrates and the sophist Thrasymachus on the need for moral uprightness. For Thrasymachus, justice and moral uprightness reflect power and interest. If one has both the interest and the power to be immoral and unjust, then there is no reason to be moral. Socrates countered that immorality is unnatural and moral uprightness and justice bring harmony and serenity to the individual and social groups in a polity. In Socrates' argument, being immoral is illogical and destructive by nature.

Curiously, China actually backs Socrates' case for justice and morality. In the short-term, China's offer of unconditional foreign aid seems pragmatic and beneficial, but in the longer term it is irrational and bound to undermine its own interests. There is already evidence of this blowback.

In 2011, Libya, one of the chief recipients of China's foreign assistance and government-sponsored investment, dissolved into civil war, largely triggered by popular discontent against poor government performance, high levels of corruption, cronyism, and nepotism. Estimates over losses in energy-related investments have been as high as \$20 billion while China had to launch a non-combatant evacuation operation to save more than 30,000 Chinese citizens. Now, China fears similar losses in Syria.

Corruption has also dogged China's relations with neighboring countries such as those in Central Asia. The Chinese complain that corruption there is far worse than many other places. For instance, in Kyrgyzstan there have been frequent claims that Chinese companies cannot succeed without payoffs to officials. At the same time, efforts to develop relationships with local power brokers have alienated communities that, in many cases, manifest their frustration and grievances in protests against China for supporting local corruption.

Nevertheless, China plans to pump large amounts of money into the region through new financial institutions, such as the Asia Infrastructure Investment Bank (AIIB), the Silk Road Fund, and the BRICS New Development Bank, all intended to adopt the Chinese policy of lending without political preconditions. The Chinese government believes that this money will bring development and growth and thus prosperity and stability to its periphery, while also increasing Chinese influence in the region and promoting its leadership. Yet according to the logic that drives China's domestic politics, these infusions of money, given without close scrutiny and control, are likely to do more harm than good, to both the recipient nation and eventually to China.

PacNet commentaries and responses represent the views of the respective authors. Alternative viewpoints are always welcomed.