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政治體系與貪污：台灣與中國大陸案件之比較探討  
Political Regime Types and Corruption: A Comparative  
Perspective on the Cases of Taiwan and the PRC

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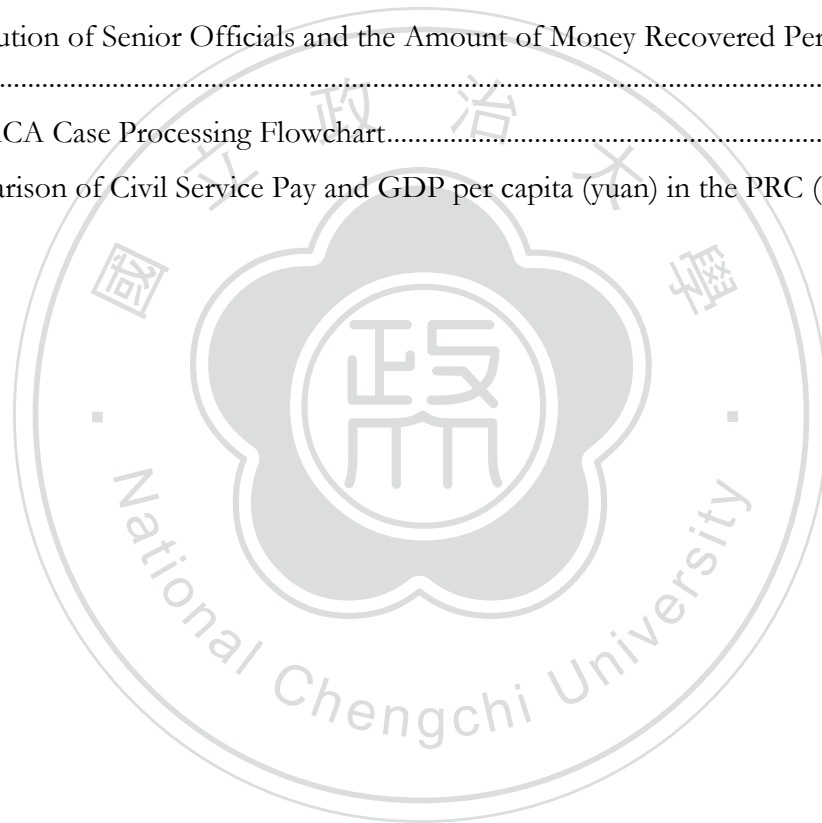
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## Abstract

Scholars of corruption have come to a general consensus on the relationship between democratization and corruption. They agree that due to institutional developments propelled by democratization, corruption will eventually be reduced. China has been able to develop without democracy. In this thesis I challenge the influence of political regime type on corruption. Is democracy really necessary for the reduction of corruption?

To find out the relationship between political regime type and contexts of corruption I compare the cases of Taiwan, a democracy, and the PRC, an authoritarian country. I analyze both using a model for the analysis of the causes and curbs of corruption by Quah. By comparing the cases we find out that they are similar in terms of the following factors that cause corruption: civil servant salaries and culture. We also find out that they are different in the following: red tape and opportunities for corruption, risk of detection, and genuine political will to tackle corruption. Additionally, we find that China has a peculiar pattern of anti-corruption measures in that there are two sets of rules governing the punishment of official malfeasance: the law and CCP Discipline. The latter can take precedence, thus creating an inequality in the rule of law.

Overall, we conclude that these differences can be attributed to the differences in political regime type. Thus, in terms of corruption, political regime type matters.

# I. Introduction

In the last few years, political corruption has been a hot item in both Taiwan and Mainland China with the trial and conviction of numerous high level officials, like Liu Zhijun in China and Lin Yi-shih in Taiwan. Both cases clearly demonstrate the detrimental effects corruption can have on society. In the first case, the railway minister Liu Zhijun of the People's Republic of China was sacked and sentenced to death this year. Misallocations of resources by him are judged to have caused the crash of a high-speed rail train in Wenzhou province in the same year, causing the deaths of 40 people.<sup>1</sup> The second case concerns the sentencing of secretary-general of the Executive Yuan (the executive branch of the Taiwanese government) Lin Yi-shih. The official was convicted of demanding bribes from a construction company before allowing construction. This case shows how corruption brings about economic inefficiency and unfairness among other negative effects on society. But how do we interpret these reports when assessing the development of anti-corruption efforts? Are the governments' anti-corruption efforts effective and are the bad guys increasingly getting caught? Or is the increase in reports on officials' malpractices signifying that the actual corruption rate is going up?

## I.I Literature Review: Democracy and Corruption

A large body of research, mostly based on data from third-wave democracies in the eighties, has indicated a relationship between corruption and democratization in the form of an inverted U-curve

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<sup>1</sup> Kaiman, Jonathan. "Liu Zhijun, China's Ex-railway Minister, Sentenced to Death for Corruption." *The Guardian*. 8 July 2013. Web. 8 November 2013.

shaped trend.<sup>2</sup> As countries democratize corruption levels tend to rise until they reach a certain modernization threshold after which the levels of official malfeasance start to decline. Campbell and Saha argue that “if democracy can work effectively then it will have an inherent tendency to inhibit corruption.”<sup>3</sup>

One underlying argument of this relationship between a democratic political regime and corruption is the public choice explanation of competition in economic and political arenas. Scholars of the Cold War era have argued that heavy government intervention in the economy provides government officials with opportunities for lucrative rent-seeking behavior.<sup>4</sup> Their studies were mostly implying authoritarian interventionism in the context of the Soviet Union. More recently, a study by Ades and Di Tella has shown that countries with industrial policies that promote ‘national champions’ have seemingly higher levels of corruption.<sup>5</sup> This suggests a step away from a relationship between political regime type and corruption, and a step towards a more direct relationship between economic policy and corruption.

Regarding the political arena, democratic competition is seen to inhibit corruption “since [politicians] cannot capture high bribes and yet must suffer the externality costs of policies passed by their colleagues as well as corrupt behavior by bureaucrats, democratic politicians will be more likely than authoritarian leaders to pass anti-corruption policies and to ensure that they are enforced.”<sup>6</sup>

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<sup>2</sup> Campbell, Neil, and Shrabani Saha. "Corruption, Democracy and Asia-Pacific Countries." *Journal of the Asia Pacific Economy* 18.2 (2013): 290-303.

<sup>3</sup> Campbell, Saha. (2013): 290.

<sup>4</sup> Tullock, Gordon, “The Welfare Costs of Tariffs, Monopolies and Theft”, *Western Economic Journal*, 5 (1967): 224–32; Krueger, Anne O., “The Political Economy of the Rent-seeking Society”, *American Economic Review*, 64 (1974): 291–303; Bhagwati, Jagdish N. "Directly unproductive, profit-seeking (DUP) activities." *The journal of political economy* (1982): 988-1002.

<sup>5</sup> Ades, Alberto, and Rafael Di Tella. "National Champions and Corruption: Some Unpleasant Interventionist Arithmetic." *The Economic Journal* 107.443 (1997): 1023-1042.

<sup>6</sup> Montinola, Gabriella R., and Robert W. Jackman. "Sources of corruption: a cross-country study." *British Journal of Political Science* 32.1 (2002): 150.



Especially the incentive of re-election is considered a mechanism through which political competition reduces corruption.<sup>7</sup>

Montinola and Jackman add two more reasons why democratic competition reduces corruption.

First of all, democracies are associated with freedom of information and association that helps in the monitoring of public officials. Additionally, the “possible turnover of power in democracies implies that politicians cannot always credibly promise that particular laws and regulations will continue in the future. This minimizes the size of bribes that rent-seekers are willing to pay.”<sup>8</sup>

So in summary the current body of research claims that democracy inhibits corruption, because it implies economic and political competition and institutions that reduce incentives for corruption.

Additionally, democracies traditionally have freedom of information and association that will allow for more transparency.

### I.II Literature Review: Modern China and Corruption

The abovementioned body of research assumes that democracy inhibits corruption in comparison to authoritarian governments like communist ones. More recently, with China’s rise appears a new, difficult to define, political regime type that distinguishes itself from traditional authoritarianism.

These days it is problematic to call the People’s Republic of China (hereafter referred to as the PRC) a traditional communist country. It has opened up to the capitalist world market and its government has shown a conscious effort in anti-corruption. As shown by regular media reports, China’s corruption problems are very large in comparison to other advanced economies, and their war on corruption has not been easy.

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<sup>7</sup> Rasmusen, Eric, and J. Mark Ramseyer, “Cheap Bribes and the Corruption Ban: A Coordination Game Among Rational Legislators”, *Public Choice*, 78 (1994): 305–27.

<sup>8</sup> Montinola, Jackman. (2002): 153.

The political economy of China, however, is considerably different from that of other traditional authoritarian countries. We cannot assume that the Chinese Communist Party (hereafter referred to as the CCP) cannot successfully combat corruption without embracing democracy. Even without democracy, China does not lack competition in economic and political arenas. Since 1982, China has embraced capitalism and the world market. Although, there is no doubt that the CCP has a strong industrial policy that promotes 'national champions' like Sinopec and PetroChina, there are many private economic players that are slowly but surely growing, especially as credit becomes more available for private enterprises.

Additionally, although the CCP has the monopoly on political power in the People's Republic of China (hereafter referred to as the PRC), there has been evidence of political competition inside the party between two 'factions' known as the princelings and the Communist Youth League,<sup>9</sup> with Xi Jinping of the former being the current 'victor' and leader of the CCP.

Finally, the previous conception that freedom of information is a right reserved for democracies seems to become less self-evident with the rise of online microblogging (Sina Weibo).<sup>10</sup> Regardless of the CCP's attempt to curb the dissemination of information through this internet age medium, one post on Weibo has the ability to reach millions of people before it gets deleted by the censors. All of the above lead me to believe that the rise of new China brings some previous assumptions about democratization being a precondition for successful anti-corruption into question. The modern day context of corruption needs a reassessment.

### I.III Research Question

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<sup>9</sup> Li, Cheng. "The Battle for China's Top Nine Leadership Posts." *The Washington Quarterly* 35.1 (2012): 131-145.

<sup>10</sup> "Micoblogs: Small Beginnings." *The Economist* 6 April 2013. Web. 18 Nov. 2013.

In this preliminary study on corruption I aim to answer the following research question. Does the political regime type influence a country's corruption context? With the latter I mean the framework of causes and curbs to corruption that are found in different countries. In order to do this I will put the cases of Taiwan, a democracy, and the PRC, a non-democracy in comparative perspective. For both cases I will first provide an overview of the development of the causes and curbs of corruption through a literature study of the social and institutional developments in the trends of corruption in both countries. Then, I will analyze both cases' contexts of causes and curbs of corruption using John S. T. Quah's model for analyzing a country's corruption context. Then I will place them into a comparative perspective in order to clearly show the differences and similarities of both cases.

With this method we will be able to identify the role of political regime type in both contexts.

#### I.IV Literature Review: Contexts of Corruption

If we want to assume a perspective less biased by political regime types we must first define corruption and secondly adopt a framework that delineates the basic causes and curbs of corruption. In this section I will shortly address both issues.

A definition often used is provided by Joseph S. Nye who says that corruption is "behavior which deviates from the normal duties of a public role because of private-regarding (family, close private clique), pecuniary or status gains; or violates rules against the exercise of certain types of private-regarding influence. This includes such behavior as bribery (use of rewards to pervert the judgment of a person in a position of trust); nepotism (bestowal of patronage by reason of ascriptive relationship rather than merit; and misappropriation (illegal appropriation of public resources for

private-regarding uses)".<sup>11</sup> This definition clearly outlines certain acts of corruption. Additionally, it emphasizes acting against deviations from the normal duties of a public role. This is one of the ways in which defining corruption is dependent on what are considered the normal duties of an official which will deviate between different countries, legal frameworks and government positions. Another definition used mainly to categorize abuse of office by public officials is by Kenneth Gibbons. He lists the following abuses of office:

- "A civil servant gives a position in his office to a relative rather than a better-qualified applicant. (*Nepotism*)"
- "A political party wins an election and then removes all office-holders who supported the opposition party. (*Patronage*)"
- "A legislator owns stock in a mining company, and votes for a bill which will give tax concessions to the company. (*Legislative conflict of interest*)."<sup>12</sup>

Heidenheimer adds the following to this list. "*Awarding of government contracts to favored friends or political supporters, lying to the media and the public, and many forms of campaign finance.*"<sup>13</sup>

These definitions provide a clear overview of the different manifestations of corruption. I've listed them for the purpose of providing more insight in these. John S.T. Quah uses the following definition in his work.<sup>14</sup> It is based on the United Nations Development Program's definition: "the misuse of public power, office or authority for private benefit – through bribery, extortion, influence peddling, nepotism, fraud, speed money or embezzlement."<sup>15</sup> Quah adds the words "or private" to

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<sup>11</sup> Nye, Joseph S. "Corruption and Political Development: A Cost-Benefit Analysis." *The American Political Science Review* 61.2 (1967): 419.

<sup>12</sup> Adapted from: Gibbons, Kenneth M. "Variations in attitudes toward corruption in Canada." *Political Corruption. A handbook*. Ed, Heidenheimer, A. J., and Michael Johnston. New Brunswick, 1989. 779.

<sup>13</sup> Heidenheimer, A. J., and Michael Johnston. *Political Corruption: Concepts and Contexts*. New Brunswick, 2002. 27.

<sup>14</sup> Quah, Jon S. T. *Curbing corruption in Asian countries: An Impossible Dream?*. Singapore: Emerald Group Publishing, 2011.10.

<sup>15</sup> United Nations Development Programme. *Fighting Corruption to Improve Governance*. New York, 1999. 7.

the definition, thus: “the misuse of public *or private* power”.<sup>16</sup> This has the advantage of being able to include private abuse of power in his research. However, for the purpose of simplicity it is best to use the definitions of corruption offenses in legal terms in our cases of Taiwan and the PRC. These will be addressed later in the text.

In addition to this definition there are two more dimensions that we must explore in our assessment of corruption. These can be embodied in two questions. First, “is corruption a fact of life or a way of life?”<sup>17</sup> The first kind takes place in a country where the rule and authority of the law is established. The second kind is found in a country where the rule of law is not yet firmly founded.<sup>18</sup> The second question is the following: “is corruption grand or petty in nature?”<sup>19</sup> “Grand corruption refers to corruption by political leaders and senior civil servants and usually involves large international bribes and hidden overseas bank accounts. [...] On the contrary, petty or ‘survival’ corruption is practiced by underpaid junior civil servants who demand bribes from the people to expedite their applications or perform other favors.”<sup>20</sup> It is important to note that, although grand corruption is more destructive in general, both are extremely disruptive to society and any anti-corruption effort can only be deemed successful if it can tackle both forms of corruption at the same time. For this research I prefer to use a different terminology for this distinction, namely *need-driven* and *greed-driven* corruption. These are more self-explanatory.

For our assessment framework it is important to establish the factors that will provide political leaders, civil servants, and bureaucrats with strong incentives to commit acts of corruption. It is equally important to establish how to dispel these incentives using institutional measures. This is

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<sup>16</sup> Quah.(2011): 10.

<sup>17</sup> Quah.(2011): 10.

<sup>18</sup> Lovell, David W. “Corruption as a Transitional Phenomenon: Understanding Endemic Corruption in Post-Communist States.” *Corruption. Anthropological Perspectives*. Ed. Haller, Dieter and Chris Shore. London, 2005. 79.

<sup>19</sup> Quah. (2011): 10.

<sup>20</sup> Ibid.: 10-11.

what I will refer to as the causes and curbs on corruption in the rest of the text, otherwise known as the contexts of corruption.

First we will discuss the causes of corruption. Leslie Palmier has identified three of these factors, namely: opportunities, salaries and policing.<sup>21</sup> The balance between these factors can have a significant effect on the political economy of corruption in a country. Countries with few opportunities for corruption, good salaries and effective enforcement of anti-corruption laws normally have minimal corruption. Therefore, according to Palmier, “an effective anti-corruption strategy should reduce or remove the opportunities for corruption, raise the salaries of civil servants and political leaders, and ensure a high degree of policing.”<sup>22</sup> In countries with many opportunities, low salaries and weak enforcement, corruption will be more substantive.<sup>23</sup> Additionally, we will add ‘culture’ and ‘political will to genuinely tackle corruption’ as factors, as Quah does.<sup>24</sup> Let’s discuss the factors of Quah’s model of the causes and curbs of corruption in more detail.

The first factor contributing to corruption is *relatively low civil servant salaries*. In the public sector, wages are generally not as competitive as those in the private sector. In developing countries government officials have strong incentives to collect bribes in order to make ends meet.

Additionally, with low wages it becomes more difficult to recruit competent and qualified personnel.

The second factor is *opportunities for corruption and red tape*. When the role of government expands into more sectors of society and the economy, generally the amount of opportunities for corruption increases. For example, when bureaucrats are put in charge of the administration of certain regulations regarding the access to certain goods and services, the position can be abused to extract

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<sup>21</sup> Palmier, Leslie. *The Control of Bureaucratic Corruption: Case Studies in Asia*. (New Delhi, 1985): 271-272.

<sup>22</sup> Quah. (2011): 14.

<sup>23</sup> Palmier. (1985): 272.

<sup>24</sup> Quah. (2011): 20-22.

rents from those seeking these goods or services. Regarding these opportunities Warwick<sup>25</sup> distinguishes ‘wet’ and ‘dry’ government agencies. ‘Wet’ agencies are in direct contact with the public, like customs or police departments. Working in this kind of agency provides more opportunities for corruption than ‘dry’ agencies which are more office based, like research and administrative departments. Additionally, government ‘red tape’ provides opportunities to provide expedition or delays to government application procedures.

The third factor is *the risk of detection and punishment* of corrupt practices. Corruption thrives when it is perceived as a low risk, high reward activity.<sup>26</sup> Additionally, in some countries, arrested officials are able to interfere with the investigation by soliciting the influence of their protectors in the hierarchy. The perception of the risk is highly influenced by the exposure of corruption by mass media. The following quote by Singapore’s former Prime Minister explains the power of public opinion on the corruption risk perception very eloquently: “[.] the strongest deterrent is in a public opinion which censures and condemns corrupt persons, in other words, in attitudes which make corruption so unacceptable that the stigma of corruption cannot be washed away by serving a prison sentence.”<sup>27</sup> A more objective method is the amount of corruption cases that make it to court in comparison to the amount of guilty verdicts.

Fourth, we need to take *cultural factors* in account when assessing corruption. For example, in many East-Asian countries the tradition of gift giving can often not be distinguished from bribery. These traditions can be so strongly ingrained in the customs of the inhabitants of a country that bribery is not even perceived as corruption.<sup>28</sup> Another example is the culture of ‘amoral familism’, a term

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<sup>25</sup> Warwick, Donald P. “The Effectiveness of the Indonesian Civil Service.” *Southeast Asian Journal of Social Science*. 15.2 (1987): 43.

<sup>26</sup> Quah. (2011): 18-19.

<sup>27</sup> *Straits Times*. January 27, 1987: 11.

<sup>28</sup> Quah. (2011): 21.

coined by Edward Banfield.<sup>29</sup> In cultures with this tradition the family is more important than the rest of society. This encourages deviance from universalistic norms, because advancing your family's interests goes above the interests of society as a whole. This factor is deeply ingrained in some societies and is very hard to reverse and will likely take multiple generations to change substantially. In our comparison we will mostly use the cultural factor as a control variable. We assume that the cultures of Taiwan and the PRC are relatively similar in terms of their influence on corruption contexts. However, it must be noted that there are most likely subtle and significant differences to be explored that are beyond the scale of this study. I want to stress culture's importance although we downplay it in this text to highlight other factors.

Our final factor causing corruption is a *lack of genuine political will* to tackle the problem. This is most likely caused by corrupt, senior officials approaching the end of their careers at the top levels of government. "If a country's political leaders are not committed to fighting corruption this lack of commitment will be reflected in the absence of comprehensive anti-corruption legislation, and the anti-corruption agencies' inadequate budget and personnel."<sup>30</sup> The political will of the leadership is additionally reflected by the reforms they put in place. Are they aimed at cracking down on corruption in the short term or do they consist of reforms aimed at bringing about long-term improvement?

The second part of Quah's model for corruption contexts are the different manifestations of anti-corruption measures. He posits three distinct patterns of corruption control as employed in Asia-Pacific countries and they are based on combinations of anti-corruption laws and anti-corruption agencies (hereafter referred to as ACAs).<sup>31</sup> The first pattern is found in countries with anti-corruption legislation, but no ACA for the implementation of those laws. An example was Mongolia

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<sup>29</sup> Banfield, E. C. *The Moral Basis of a Backward Society*. New York, 1958.

<sup>30</sup> Quah. (2011): 22.

<sup>31</sup> Quah. (2011): 25-29.



before the launch of its special ACA in 2006. It had a law on Anti-Corruption and three provisions making bribery illegal. The task of upholding these laws fell solely on the General Prosecutor's Office and the courts.

The second pattern involves anti-corruption legislation and multiple ACAs. Having multiple ACAs has negative effects on their efficiency. Sadly, in many cases there is overlap in jurisdiction and even competition between agencies. An example of this pattern is the Philippines with seven laws and a stunning 19 anti-corruption agencies.

The third pattern is of the type found in Singapore and Hong Kong. This pattern involves the implementation of anti-corruption law by a single, independent ACA. These are the Corrupt Practices Investigation Bureau (CPIB) in Singapore and the Independent Commission against Corruption (ICAC) in Hong Kong. These two countries, although small, have been the most successful in combating corruption in the Asia-Pacific. Therefore this pattern is, by Quah, perceived as the most effective pattern.

With this model of causes of corruption and institutional anti-corruption measure patterns, we will be able to understand the contexts of corruption in our cases studies in a qualitative way.

#### I.V Hypothesis

My overall hypothesis is that the frameworks of the causes and curbs of corruption are essentially the same in both countries. In other words, corruption is a problem that appears in similar ways in both democratic and PRC-style authoritarian countries, because corruption trends are chiefly driven by reforms and trends driven by economic development.

Democracies were able to combat corruption more effectively than authoritarian countries, because almost all cases of the latter were unable to attain sustained economic growth and development.

However, China has been growing economically since its opening up in the early eighties. Therefore I predict that it benefits from development in terms of corruption just like a democracy would.

If this proves to be true, we can make claims about a universal nature of corruption and additionally a universal method of curbing it. Additionally we can provide preliminary policy recommendations for both countries.

From the perspective of the framework I expect that the comparison of the two case countries shows a similar over time trend from mostly low level *need-driven* malfeasance towards increasingly grand level *greed-driven* corruption. First of all I expect that in the past (in the times of authoritarian Taiwan and early post-Mao China) *civil servant salaries* were very low, but have risen substantially since then. Additionally, I expect that during this time the civil servant examination system has become more rigid and complicated, thus bringing down opportunities and incentives for low-level corruption.

Moreover, I hypothesize that *opportunities for corruption and red tape* favor grand corruption more than low level malfeasance over time due to administrative reforms and increasing transparency and rigid requirements in accounting practices for the use of taxpayer money by local officials. Administrative reforms and the increasing complexity of red tape reduce opportunities for lower level officials to engage in certain acts of corruption. However, reforms are always implemented from the top.

Therefore, it might be creating loopholes that only the highest officials are capable of abusing, thus increasing opportunities for grand corruption.

In line with these reforms I expect the same trend to happen in the *risk of detection and punishment of corruption*. With increasingly transparent accounting, the risk of detection will become higher for low level officials, but due to increasingly complex red tape it might become less risky for high level officials. This again would reflect a shift from mostly *need-driven* towards chiefly *greed-driven* corruption.

The factor of *culture* plays a part in Chinese societies regarding corruption. A persistent gift giving culture and strong hierarchical ties all create a culture in which corruption is, to a certain level, seen as normal. However, since the Taiwan and China are both culturally Chinese, this factor in our framework mainly serves as a control factor, making these two cases highly comparable.

Additionally, I expect that *lack of political will* plays a similar role in both countries. The people leading both countries are currently split between younger, Western-educated politicians and members of the ‘old guard’ who potentially have more vested interests. This factor has a strong influence on anti-corruption politics in the following form. In terms of anti-corruption the young and the old find a consensus at dealing with lower level corruption, but spending less effort on higher level malfeasance.

I expect that this final factor is one of the reasons why both cases don’t have a single fully independent anti-corruption agency. Both countries have multiple ACAs that answer directly to the top leadership.

### I.VI Methodology

My methodology is twofold. First I will provide a literature study of the development of corruption trends in both Taiwan and the PRC.

Then I will provide an analysis of both cases following Jon S. T. Quah’s model for the frameworks of causes and curbs of corruption. This will be done through careful literature research of primary and secondary source material. This model has not been conceptualized and used outside Quah’s own work before. Quah has decades of experience studying corruption and his insightful pieces on corruption in Asia have inspired me to follow in his footsteps and use his model and apply it in a comparative context.

This analysis will allow for a comparison of the two corruption contexts of democratic Taiwan and non-democratic China and will highlight the similarities and differences. Through this method I will be able to make conclusions about the relationship between political regime types and the contexts of corruption.



## II. Historical Literature Study of the Case of Taiwan

Taiwan's postwar history has been dynamic. In 1949, the Chinese Nationalist Party, the Kuomintang (KMT), retreated from the mainland to settle on the island of Taiwan after they lost the Chinese Civil War to the Chinese Communist Party. Upon arrival on the island, KMT Chairman Chiang Kai-shek established martial law. This is the official starting point of authoritarian rule on the island.<sup>32</sup>

Democratization started in 1986 when the Democratic Progressive Party (DPP) was founded and tolerated by the authoritarian regime. In 1987, Chiang Ching-kuo, Chiang Kai-shek's son and successor, lifted martial law. After Chiang Ching-kuo's death in 1987, Lee Teng-hui (KMT) succeeded him and became the first democratically chosen president of Taiwan in 1992.

Democratization was complete when the DPP won the presidential election on an anti-corruption platform in 2000 and effectively ended 51 years of KMT rule.<sup>33</sup> The important questions we will look at are: a) did democratization reduce corruption in Taiwan; and b) what are the causes of corruption in Taiwan?

A good place to start analyzing a country's levels and nature of corruption is Transparency International's Corruption Perception Index data of the country. This data can be found in Table 1 and Figure 1 below.

Lee Teng-hui's KMT was perceived as heavily corrupted. The DPP promised to end that when Chen Shui-bian won the election race on an anti-corruption platform in 2000. Their clean image was destroyed soon after as evidence arose of massive bribes being demanded by his wife for mediating

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<sup>32</sup> Yu, Chilik, et al. "Evolving perceptions of government integrity and changing anticorruption measures in Taiwan." *Preventing Corruption in Asia*. Ed. Gong, Ting, and Stephen K. Ma. Routledge, 2009. 189-190.

<sup>33</sup> Yu, et al. (2009).

in massive business deals. After losing the election in 2008, President Chen Shui-bian was arrested upon charges of embezzlement, taking bribes and money laundering.<sup>34</sup>

In 2009, the Hong Kong-based Political Economic Risk Consultancy (PERC) reported in its annual report on corruption in Asia that for the first time Taiwan scored lower than China in terms of corruption. China ranked 8<sup>th</sup> with a score of 6.16 (0=least corrupt; 10=most corrupt) and Taiwan ranked 10<sup>th</sup> with a score of 6.47. Chen Shui-bian's successor Ma Ying-jeou rejected the finding and ordered the anti-corruption agencies in Taiwan to provide a report on major cases and a plan to amend the situation.<sup>35</sup> His first term in office was marked as one marked by relative stabilization of cross-strait relations and the establishment of a new ACA (Agency Against Corruption). His second term has, so far, been marked by popular mistrust as he is now commonly referred to the "9% president" referring to his abysmal recent approval ratings.<sup>36</sup> Regardless of his popularity, Transparency International's Corruption Perception Index has given Taiwan a stable score of 6.1 for three consecutive years since 2011, indicating stagnation but a peak in the trend the development of corruption.

What are the more qualitative aspects of the trends in corruption practices in Taiwan? In the next section we will take a more qualitative look at common acts of corruption in Taiwan.

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<sup>34</sup> Quah. (2011): 153-155.

<sup>35</sup> Quah, Jon ST. *Taiwan's Anti-Corruption Strategy: Suggestions for Reform*. Maryland: Maryland Series in Contemporary Asian Studies, 2010. 1-2.

<sup>36</sup> "Banyan: On the antlers of a dilemma." *The Economist*. 29 March 2014. Web. 4 May 2014.

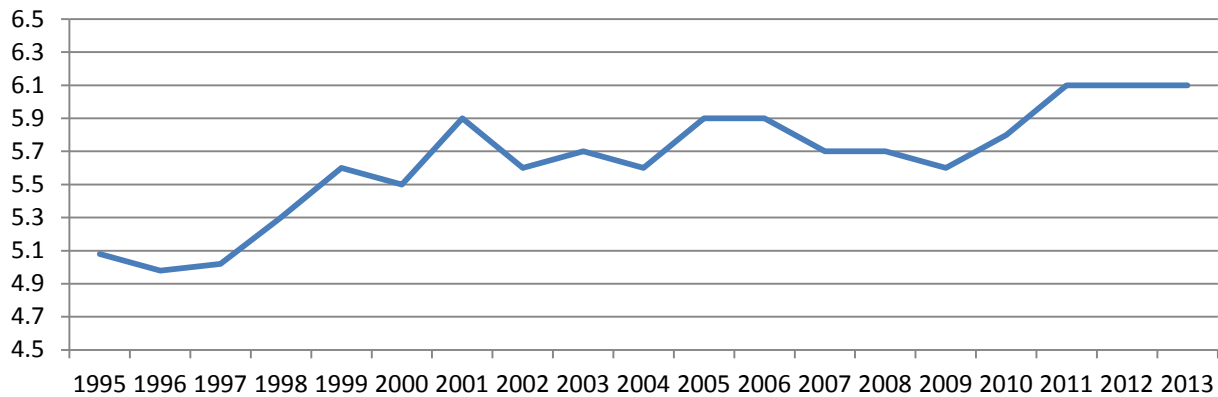
Table 1: TI's Corruption Perception Index of Taiwan (1995-2013)

Year	CPI Rank	CPI Score	No. of Countries
1995	25 <sup>th</sup>	5.08	41
1996	29 <sup>th</sup>	4.98	54
1997	31 <sup>st</sup>	5.02	52
1998	29 <sup>th</sup>	5.4	85
1999	28 <sup>th</sup>	5.6	99
2000	28 <sup>th</sup>	5.5	90
2001	27 <sup>th</sup>	5.9	91
2002	29 <sup>th</sup>	5.6	102
2003	30 <sup>th</sup>	5.7	133
2004	35 <sup>th</sup>	5.7	146
2005	32 <sup>nd</sup>	5.9	159
2006	34 <sup>th</sup>	5.9	163
2007	34 <sup>th</sup>	5.7	180
2008	39 <sup>th</sup>	5.7	180
2009	37 <sup>th</sup>	5.6	180
2010	33 <sup>rd</sup>	5.8	178
2011	32 <sup>nd</sup>	6.1	183
2012	37 <sup>th</sup>	6.1	176
2013	36 <sup>th</sup>	6.1	177

Note: CPI score ranges from 0 (most corrupt) to 10 (least corrupt)

Retrieved from: [www.transparency.org](http://www.transparency.org)

Figure1: TI's Corruption Perception Index of Taiwan (1995-2013)



Note: CPI score ranges from 0 (most corrupt) to 10 (least corrupt)

Retrieved from: [www.transparency.org](http://www.transparency.org)

## II.I Corruption in Taiwan

Corruption was a major problem within the KMT ranks since its rule on the mainland. As Chiang Kai-shek tried to consolidate his power during the Chinese Civil war he collected an ever larger group of allies in the form of multiple warlords. Although his Nationalist army was large, it was very diverse and not very disciplined. The KMT suffered from factional struggles, corruption and low morale.<sup>37</sup> These deep-seated troubles followed the KMT to Taiwan after the Japanese surrender in 1945 and the retreat from the Mainland in 1947. Although Chiang Kai-shek recognized that corruption was a problem in 1952 and initiated some reforms, including the exclusion of some leaders suspected of corruption and the raising of civil servant salaries, anti-corruption was never given priority during the period of martial law.<sup>38</sup>

Quah indicates that according to the 4,177 corruption cases listed in Taiwan's annual Anti-corruption Yearbooks the most common forms of corrupt practices in Taiwan during 1989-2002

<sup>37</sup> Quah. (2010): 11.

<sup>38</sup> Ibid.: 12.



were illicit gains (33.6%), malfeasance (19.3%), bribery (17.7%), misappropriation of public funds (16.3%) and graft (13%). Additionally, he shows that during 1989-1998 the majority of the suspects of corruption were civil servants. From 1999-2008 the majority were non-civil servants.<sup>39</sup> These numbers, however, do not tell us much as these numbers do not take into account the amount of money involved. Therefore, it is more beneficial for our research to take a closer look at common practices of corruption in order to establish the causes.

One of the most common forms of corruption in Taiwan is vote-buying. It can be defined as “the exchange of money or gifts for a vote between candidates or their agents (vote brokers) and voters during an election campaign with the aim of winning the election.”<sup>40</sup> In most cases the gift is money. Other gifts include hosting “election banquets, transfer of loans, increasing employees’ salaries, and payment of voters’ tax bills.”<sup>41</sup>

When money is used to buy votes, the average amount is less than the salary of a day’s work. For this kind of vote-buying the goal is not to buy the vote, but to buy the loyalty of supporters and promote the candidate.<sup>42</sup>

The next common form of corruption in Taiwan is Heijin or “Black Gold” politics. *Hei* means black, referring to the underworld, and *jin* means gold. Heijin is a common word in Taiwan referring to the “penetration into politics of violent underworld figures and greedy business tycoons and the inevitable subsequent social ills such as vote-buying, political violence, insider trading, bid rigging, and official (and unofficial) corruption.”<sup>43</sup>

The abolition of martial law in 1987 had the consequence of increasing gang violence because of the release of many criminals who were arrested during an anti-organized crime campaign in 1984. In

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<sup>39</sup> Quah. (2010): 13.

<sup>40</sup> Quah. (2011): 165.

<sup>41</sup> Ibid.: 166.

<sup>42</sup> Ibid.: 166-167.

<sup>43</sup> Chin, K. L. *Heijin: Organized Crime, Business, and Politics in Taiwan*. Armonk: M. E. Sharpe, 2003. 8.

1990 the Taiwanese government unleashed another clean-up campaign named “Operation Cleansweep”. In reaction to these campaigns, some underworld figures transformed themselves into politicians or businessmen in order to keep themselves safe. In 1996, current president Ma Ying-jeou, who was the Minister of Justice at the time, launched a campaign to root out gangsters in politics. This campaign led to the arrest of around a hundred underworld figures, of which some were politicians.<sup>44</sup>

The problem of heijin politics can be attributed to the concurrence of the ambitions of politicians, businessmen and gangsters. Politicians rely on business for campaign funds and on gangsters to facilitate vote-buying. Businessmen rely on politicians for the procurement of permits and on gangsters for protection against victimization by other gangs and the settlement of private business disputes. Finally, gangsters rely on protection by politicians against the law and on the help of businessmen in the procurement of profits.<sup>45</sup>

The problem of Heijin politics is different from criminal penetration of politics in other countries, because “the integration of upper-world and underworld has contributed to the development of a morally confusing society where politicians are talking and acting like gangsters and gangsters are talking and acting like politicians.”<sup>46</sup>

## II.II Anti-Corruption Measures in Taiwan

Anti-corruption measures in Taiwan can be separated into government offices charged with the task of anti-corruption, otherwise known as Anti-Corruption Agencies (ACAs), and anti-corruption legislature.

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<sup>44</sup> Quah. (2011): 168.

<sup>45</sup> Chin. (2003): 16

<sup>46</sup> Ibid.: 19.

Taiwan has multiple ACAs. The first one is the *Ministry of Justice Investigation Bureau* (MJIB). It is the lead ACA in Taiwan. The official task it has been charged with is the “the investigation and prevention of matters that may jeopardize national security and violate national interests; matters which shall be stipulated by the Executive Yuan.” Its two primary missions are to protect national security and investigating major crimes. The government bureau has nine official functions:

- Prevention of sedition
- Prevention of treason
- Prevention of unauthorized disclosure of national secrets
- Investigation of corruption, bribery, and vote-buying
- Prevention of drug trafficking
- Coordination in handling cases of organized crime
- Prevention of significant economic crimes and money laundering
- Investigation of national security matters
- Other investigations and prevention of matters as assigned by superior authorities concerning national security and interests

As we can see only the fourth and last functions are actually related to fighting corruption.

Additionally it needs to deal with “counter-infiltration from the PRC, prevention of infiltration from other countries, counter terrorism, protection of national secrets, domestic security investigation, coordination of national internal security, and research on cross-strait relations. Furthermore it is responsible for investigating public corruption, malfeasance and election fraud; economic crime; drug crime, money laundering and [online] crime.”<sup>47</sup> Therefore we can state that the MJIB is *not* a

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<sup>47</sup> Quah. (2010): 54.

dedicated ACA.<sup>48</sup> It was the lead ACA until the establishment of the Agency Against Corruption in 2011. We will expand upon their relationship later.

The origins of the Ministry of Justice Investigation Bureau go back to the establishment of the Investigation Bureau of the Ministry of Interior in Kuanchew in 1949. It relocated to Taipei in December of the same year.<sup>49</sup> On June 1<sup>st</sup>, 1956 it assumed responsibility for major investigation and internal security issues concerning national safety and violation of national interests and was renamed the Investigation Bureau of the Ministry of Judicial Administration. Dealing with the offense of ‘corruption and abuse of power’ was one of its responsibilities. In May 1979 the Economic Crime Prevention Center was established and took over the anti-corruption activities. In 1980, the judicial system was reorganized and the Investigation Bureau was renamed the MJIB. The MJIB formed the Corruption Elimination Department in February of 1989 and assigned a staff of 505 people and took over anti-corruption activities again. It was separated into five sections. The first was charged with the planning, promotion, supervision and evaluation of anti-corruption work. The second and third were assigned the planning direction of anti-corruption activities in northern and eastern Taiwan and in central and southern Taiwan respectively. The fourth section was concerned with reports and prevention of corruption and the fifth was responsible for secretarial work of the Supervision Committee of Ethical Affairs of the Executive Yuan and investigations transferred from the ethical affairs units that we will discuss in the next section. The CED was established following the experiences of relatively successful anti-corruption activities of the ICAC in Hong Kong and the CPIB in Singapore.<sup>50</sup>

In February 1991 it was renamed the Anti-Corruption Division (ACD) and the five sections were charged with new responsibilities. “Section I was entrusted with the acceptance of various reports of

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<sup>48</sup> Quah. (2010): 54.

<sup>49</sup> Ibid.: 54.

<sup>50</sup> Ibid.: 55.

impeachment and management of various clues concerning corruption cases. Section II was responsible for checking the clues and the investigation and supervision of general corruption cases. Section III dealt with the investigation, prosecution, supervision of special cases and cases referred by the Executive Yuan, Control Yuan, and other government agencies. Section IV was given the task of preparing cases studies, conducting research and providing analysis and suggestions for improving the ACD's anti-corruption efforts. Section V was responsible for the planning, controlling, evaluating, and execution of the anti-corruption task by collecting relevant statistics, compiling anti-corruption regulations, and coordinating the efforts of the relevant government agencies. A Special Team was also formed to prevent and investigate public construction fraud.”<sup>51</sup>

The second ACA is the *Agency Against Corruption* (AAC), previously known as the Department of Government Employee Ethics (DGEE). The Agency Against Corruption was established recently in 2011 and took over the supervision of Government Employee Ethics Units from the previous DGEE. According to the *Anti-Corruption Yearbook 2012*, the AAC is “a composite organization that fulfills both the functions of corruption prevention and corruption eradication and is responsible for the tasks of promoting anti-corruption policies, anti-corruption tasks, corruption prevention, and corruption eradication. [...]. The staff responsible for investigating corruption and related crimes has judicial [...] powers. AAC also initiated the groundbreaking “resident prosecutor” system with district prosecutors selected by the MOJ stationed at the AAC and becoming directly involved in the AAC's investigation procedure to improve the quality of evidence gathering and the efficiency of the investigation.”<sup>52</sup> Although it states that the AAC is an independent government organ, it falls under the Ministry of Justice.

The origins of the AAC are found in July 1953. The Taiwanese government formed a security office for maintaining internal security control. Fighting corruption was not a part of their assignments yet.

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<sup>51</sup> Quah. (2010): 56.

<sup>52</sup> Agency Against Corruption. *Taiwan Anti-Corruption Yearbook*. Taiwan, 2012. 139.

In September 1968, government employee ethics investigation was added to the office's list of functions. In 1972 the security office was consumed by the Personnel Department II. On June 16<sup>th</sup>, 1992 the Legislative Yuan passed the 'Statute for the Establishment of Government Employee Ethics Organization and its Personnel' which reorganized the Personnel Department II into the DGEE.<sup>53</sup> In 2011 the AAC was established and it took over the supervision of Government Employee Ethics Units and got more executive functions. In summary the AAC has the following functions:

- Formulating policies
- Preventing corruption
- Cracking down on corruption
- Supervising Employee Ethics Units

Before further addressing the AAC we should establish how the Taiwanese employee ethics units operate. Government ethics in Taiwan is implemented by various public prosecutors offices, the MJIB and government ethics units under supervision of the AAC. The task of eliminating corruption is executed by the public prosecutor offices (PPOs) and the MJIB. The Government Ethics Units under the AAC's supervision are focused on the prevention of corruption. "All public agencies in Taiwan except for elective institutions, military organizations, and public schools, have government ethics units, which are responsible for detecting corruption by advising the heads of the organizations on the establishment of built-in anti-corruption mechanisms."<sup>54</sup> In addition to preventing corruption, they are also in charge of protecting confidential information related to national security.

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<sup>53</sup> Quah. (2010): 56.

<sup>54</sup> Ibid.: 57.

In addition to supervising the Government Employee Ethics Units, the AAC has the following divisions:

- Planning Division: long term planning; formulating long- and medium-term plans for anti-corruption
- Corruption Prevention Division: “formulation of corruption prevention laws and systems; implementation of conflict-of-interest act, asset declaration of public officials; enforcement of ethics codes for public servants, and publicity and education on clean politics [...] in public agencies, at schools and in businesses and civic bodies.”
- Malpractice Investigation Division: “Formation of laws and regulations, systems and measures; investigation in corruption-related crime; encouragement and protection for whistle-blowers, and corruption-crackdown administration.”
- Northern, Central, and Southern Investigation Offices: “Gathering criminal evidence in the district; making analysis and investigation”<sup>55</sup>

In 2014 the AAC employs 106 anti-corruption investigators<sup>56</sup>, but it is entitled to the recruitment of 240 anti-corruption officers.<sup>57</sup>

The third of the anti-corruption agencies in Taiwan are the *Public Prosecutor's Offices*. Apart from the MJIB, the investigation of corruption cases is also executed by the Supreme Prosecutor's Office (SPO), the High Prosecutor's Offices (HPOs) and the 21 PPOs throughout Taiwan. Additionally there are four Special Investigation Task Forces focused on criminal profiteering (one at the HPO named the 'Investigation Task Force for Criminal Profiteering Crimes',<sup>58</sup> and three branches in Taichung, Tainan and Kaohsiung). “The PPOs are responsible for prosecuting crimes and

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<sup>55</sup> Agency Against Corruption. *AAC Overview* (2013): 4-5.

<sup>56</sup> Hsiao, Po-wen. “Taiwan's anti-corruption agency lacks manpower.” *Want China Times*. 24 June 2014. Web. 15 June 2014.

<sup>57</sup> *AAC Overview*. 3.

<sup>58</sup> Herbert Smith LLP. *Guide to Anti-Corruption Regulation in Asia 2012/2013*. Hong Kong: Herbert Smith, 2012. 66.

supervising the execution of criminal verdicts. [...] Their additional functions include exercising judicative power over criminal cases, administering probation and aftercare services, increasing the legal awareness of peoples' rights and obligations, offering legal aid, and building capacity to protect victims of crime.”<sup>59</sup>

Figure 2 shows how a corruption case in Taiwan is processed. Investigation starts in either the MJIB or the AAC. These two agencies do not work together and in actuality compete with each other. In the recent case of Taoyuan County Deputy Commissioner Yeh Shih-wen, following the Agency Against Corruption's investigations,<sup>60</sup> the cases was forwarded to the Procuratorate for further questioning and, most likely, prosecution in the future. The Ministry of Justice Investigation Bureau had no influence in the investigation efforts.

After investigation by one of the two agencies, the case is forwarded to the Procuratorate after enough evidence is collected. The agencies themselves have no judicial powers, so they rely on the Procuratorate to issue warrants to further collect evidence for eventual prosecution. Once sufficient evidence is collected the case is forwarded to the court for prosecution.

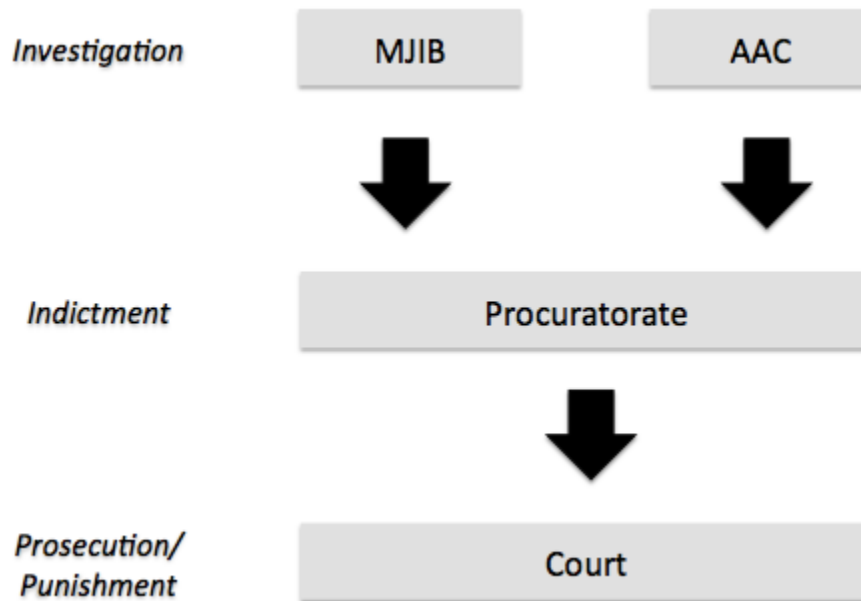
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<sup>59</sup> Quah. (2010): 59.

<sup>60</sup> Hsiao. (2014).



Figure 2: Taiwan ACA Case Processing Flowchart



The second element of a country's anti-corruption measures is its set of anti-corruption legislation. The main sources of anti-corruption regulations in Taiwan are the *Criminal Code*, that "imposes punishment for corruption to deter public servants from breaching their fiduciary duties to the nation"<sup>61</sup>, the *Anti-Corruption Statute* that "imposes a heavier criminal responsibility for the crime of corruption,"<sup>62</sup> and the *Government Procurement Act*.

The Anti-Corruption Statute became law in 1963 in order to stop and punish corrupt officials. It applies to all public officials (Article 2). "Article 4 specifies the penalty of imprisonment from 10 years to life and a maximum fine of NT\$100 million for those found guilty of any of these five offenses:"

- "Theft or misappropriation of public equipment or property.

<sup>61</sup> Herbert Smith LLP. (2012): 66.

<sup>62</sup> Ibid.: 66.

- Corruptly demanding, receiving, or accepting anything of value by means of coercion, extortion, conversion or collection.
- Falsely reporting the quantity of public equipment or goods procured, receiving an unauthorized commission on procurement or engaging in other corrupt acts relating to the construction of government projects or the procurement of government equipment or materials.
- Using government vehicles to transport contraband or to transport goods for the purpose of tax evasion.
- Corruptly demanding, soliciting, receiving, accepting or agreeing to receive or accepting any bribe or other unjust enrichment in return for being induced to execute or fail to execute any act in violation of the official duties of such official or the commissioned duties of such person commissioned to undertake specific public affairs duties.”<sup>63</sup>

This penalty will be enhanced for officials in higher positions, and reduced for those who voluntarily surrender themselves and return all proceeds if other accomplices are arrested following their assistance to the police. As shown in Table 2, more than half of the number of corruption offenses during the period of 2004-2008 broke the Anti-Corruption Statute, reflecting the law’s importance among Taiwan’s anti-corruption legislation.

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<sup>63</sup> Quah. (2010): 61.

Table 2: Number of Offenses of Anti-Corruption Laws in Taiwan (2004-2008)

Year	Anti-Corruption Statute	Government Procurement Act	Criminal Code	Total
2004	269 (57.5%)	118 (25.2%)	81 (17.3%)	468 (100%)
2005	235 (59.8%)	94 (23.9%)	64 (16.3%)	393 (100%)
2006	227 (49.4%)	155 (33.8%)	77 (16.8%)	459 (100%)
2007	359 (50.3%)	233 (32.6%)	122 (17.1%)	714 (100%)
2008	289 (53.7%)	148 (27.5%)	101 (18.8%)	538 (100%)
Total	1,379 (53.6%)	748 (29.1%)	445 (17.3%)	2,572 (100%)

Retrieved from: Quah. (2010): 62.

The second important law for anti-corruption in Taiwan is the Government Procurement Act (GPA). As shown in table 2 during 2004 and 2008, 29.1% of all corruption cases were violations of the GPA. This law was established by President Lee Teng-hui in 1998 with the following objectives: “to establish a government procurement system that has fair and open procurement procedures, can promote the efficiency and effectiveness of government procurement operation, and is able to ensure the quality of procurement.”<sup>64</sup> It defines ‘procurement’ as “the contracting of construction work, the purchase or lease of property, the retention or employment of services, etc. [...] It imposes a penalty of imprisonment from one to seven years and a fine of NT\$3 million for anyone who commits violence, administers drugs, or hypnotizes a supplier not to tender or to tender contrary to its real intention, or cause the winning tenderer to forego the award or to assign or subcontract after the award.”<sup>65</sup> This punishment will be enhanced or reduced based on if the crime results in the victim’s death or not.

<sup>64</sup> Quah (2010): 61.

<sup>65</sup> Ibid.: 61.

Thirdly certain forms of corruption fall under the Criminal Code. Most notably, the crime of vote-buying falls under the Criminal Code, the Presidential and Vice Presidential Election and Recall Law, and the Public Officials Election and Recall Law.



### III. Historical Literature Study of the Case of the PRC

Corruption in China surged after the start of the Deng Era reforms as economic changes and growth created incentives for abuse of power by officials that did not exist during the planned economy era. This triggered a self-proclaimed war on corruption by the CCP leadership. Corruption in China has experienced considerable development since the eighties. Table 3 and Figure 3 show Transparency International's Corruption Perception Index from 1980 to 2013. It leads one to believe that, corruption decreased over the nineties and then stagnated in the twenty-first century. Scholars agree that corruption in China experienced a structural change<sup>66</sup> during the period between the eighties and the twenty-first century, in the form of a "qualitative shift from the prevalence of rank-and-file involvement to more senior officials' involvement in corruption"<sup>67</sup>, or as Wedeman calls it, an intensification of corruption, in terms of senior officials and increasingly large sums of money.<sup>68</sup> In this chapter we will look at the causes and characteristics of the corruption trends from the 1980s onwards.

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<sup>66</sup> Wederman, Andrew. "The intensification of corruption in China." *The China Quarterly* 180 (2004): 895-921; Wedeman. (2008); Guo, Yu. "Corruption in Transitional China: An Empirical Analysis." *The China Quarterly* 194.1 (2008): 358-360; Ko, Kilkon, and Cuifen Weng. "Structural Changes in Chinese Corruption." *The China Quarterly* 211, (2012): 718-740.

<sup>67</sup> Ko and Weng. (2012): 722.

<sup>68</sup> Wederman, Andrew. "The intensification of corruption in China." *The China Quarterly* 180 (2004): 895-921.

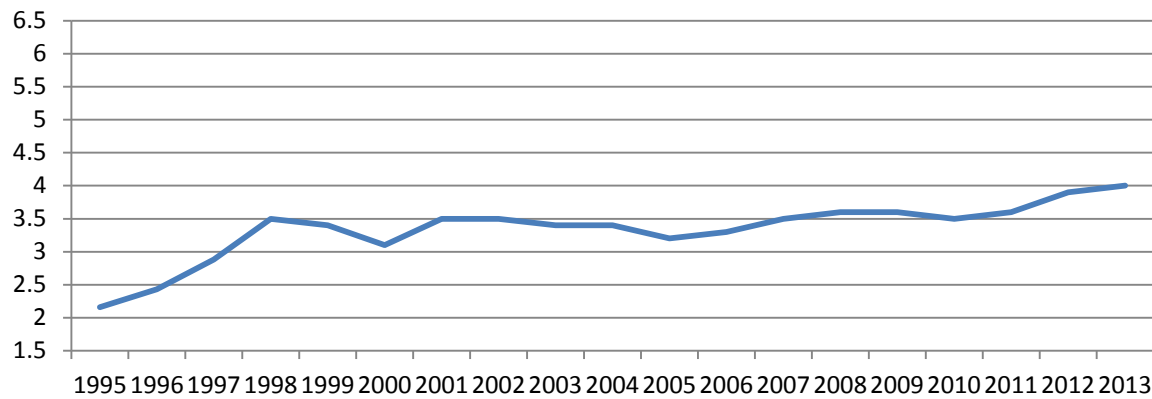
Table 3.: TI's Corruption Perception Index of the People's Republic of China (1995-2013)

Year	Score	Ranking	Total Countries
1995	2.16	40 <sup>th</sup>	41
1996	2.43	50 <sup>th</sup>	54
1997	2.88	41 <sup>st</sup>	52
1998	3.5	52 <sup>nd</sup>	85
1999	3.4	58 <sup>th</sup>	99
2000	3.1	63 <sup>rd</sup>	90
2001	3.5	57 <sup>th</sup>	91
2002	3.5	59 <sup>th</sup>	102
2003	3.4	66 <sup>th</sup>	133
2004	3.4	71 <sup>st</sup>	145
2005	3.2	78 <sup>th</sup>	158
2006	3.3	70 <sup>th</sup>	163
2007	3.5	72 <sup>nd</sup>	179
2008	3.6	72 <sup>nd</sup>	180
2009	3.6	79 <sup>th</sup>	180
2010	3.5	78 <sup>th</sup>	178
2011	3.6	75 <sup>th</sup>	182
2012	3.9	80 <sup>th</sup>	174
2013	4.0	80 <sup>th</sup>	175

Note: CPI score ranges from 0 (most corrupt) to 10 (least corrupt)

Retrieved from: [www.transparency.org](http://www.transparency.org)

Figure 3. TI's Corruption Perception Index of the PRC (1995-2013)



Note: CPI score ranges from 0 (most corrupt) to 10 (least corrupt)

Retrieved from: [www.transparency.org](http://www.transparency.org)

### III.I Corruption in the PRC

From its outset, post-reform China saw a surge in corruption after capitalist market reforms were implemented and economic development took off. Ko and Weng indicate five main causes, namely marketization, fiscal decentralization, remnants of the command economy and state-owned enterprises (SOEs), an underdeveloped civil service system and a lack of development in laws curbing corruption.<sup>69</sup>

Economic growth saw rising incomes in the private sector as public wages remained the same, and so an income gap developed between the private and public sectors. This in combination with distributive power over land, capital and business approvals gave local officials a large incentive to engage in rent seeking behavior.<sup>70</sup>

Fiscal decentralization is one of the reform strategies designed to increase local economic efficiency.

After successful implementation in the local agricultural sector in the late 1970s and early 1980s,

<sup>69</sup> Ko and Weng. (2012): 720-722.

<sup>70</sup> Ibid.: 720-721.

fiscal decentralization was implemented in the entire country. As a result, local government officials enjoyed relative fiscal autonomy.<sup>71</sup> Sadly, the uncontrolled nature of this freedom gave officials incentives and opportunities to raise extra-budgetary funds. This was a widespread form in which embezzlement and misappropriation of public funds took place.<sup>72</sup>

In order to transition to a market economy smoothly, China maintained a dual-price system between 1980 and 1992. This meant that there were state-set prices and market prices.<sup>73</sup> For example, agricultural firms had to sell a certain quota at state-set prices. Any surplus produced on top of that could be sold for market prices. The gap between these two prices gave officials opportunities for corruption, as they had discretion over prices and quotas. Since the assessment of officials was largely based on economic performance in their jurisdiction, many of them used their old ties to the management of SOEs in combination with power over state prices to give them an unfair advantage in the market.<sup>74</sup>

Another cause of corruption was the civil service system. There was no real distinction between civil servants and political appointees, so nepotism was a problem. This issue was only solved after the implementation of a meritocratic civil service system in 1993.<sup>75</sup> Apart from this the first-in-commands of committees have an overconcentration of power, which also incentivizes corruption in some cases.

The final factor causing corruption in the eighties was the lack of development in anti-corruption legislature. Statutes regarding the definition of different types of corruption and their corresponding sentences were described only vaguely. The guidelines to corresponding sentences were supplemented by a government document only in 1988. Also, the division of functions and

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<sup>71</sup> Naughton, Barry. *The Chinese Economy: Transitions and Growth*. MIT Press, 2007. 88-90.

<sup>72</sup> Ko and Weng. (2012): 721.

<sup>73</sup> Naughton. (2007): 91-98.

<sup>74</sup> Ko and Weng. (2012): 721.

<sup>75</sup> *Ibid.*: 722.



jurisdictions between party and state of the Discipline Investigation Committees and the Ministry of Supervision were unclear and slowed down anti-corruption efforts.<sup>76</sup>

### *After Tiananmen*

From the start of the nineties a shift in the political economy of corruption started to take place. This is mainly attributed to a change in the role of the government. In this period we observe a change in policy to that of an active government in terms of anti-corruption efforts. Guo argues that this change in government stance was triggered by the 1989 Tiananmen Square uprisings.<sup>77</sup> The rebellion made the CCP realize the severity of the corruption problem. This “wake-up” is also attributed to the changing context of a private sector growing in importance and increased pressure to reform from the outside as the Chinese economy became more and more entwined with the world economy, especially after joining the World Trade Organization in 2001.<sup>78</sup>

The first major reform influencing established corruption trends was the tax reform of 1994. This was in effect a recentralization of the tax system. Local officials no longer enjoyed the autonomy in the raising and management of tax funds as before, as the decision making authority was held at more centralized levels. This made it more difficult for local cadres to embezzle and misappropriate public funds.<sup>79</sup> The 2006 abolition of agriculture taxes especially curbed farm tax extortion, as there had been many complaints about tax exploitation of farmers in rural areas.<sup>80</sup>

The problem of the misappropriation of public funds was also addressed by the budgeting and accounting reform of 1998 and especially the implementation of the departmental budget planning system in 2000. Along with the establishment of new accounting laws in 1999, these reforms

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<sup>76</sup> Ko and Weng. (2012): 721.

<sup>77</sup> Guo. (2008): 358-360.

<sup>78</sup> Ibid.: 722.

<sup>79</sup> Ibid.: 724.

<sup>80</sup> Kennedy, J. J. “From the Tax-for-Fee Reform to the Abolition of Agricultural Taxes: The Impact on Township Governments in North-West China.” *The China Quarterly*. 189 (2007): 43-59.

standardized government budgeting and accounting practices from the local up to the central levels. This effectively created a higher degree of transparency and mitigated previous incentives for corruption.<sup>81</sup>

In 1998 a comprehensive government reform was implemented, effectively downsizing the government body, in order to increase efficiency. For example, the amount of ministries was reduced from forty to twenty-nine. The reform also included the abolition of many “ministry-led industries”. This established SOEs as independent firms, with full decision making authority on the employment of managers, in effect cutting off the old ties with local officials and eliminating opportunities for corruption between local governments and SOEs.<sup>82</sup>

In 1993 the old cadre system was replaced by the civil service system, which was based on meritocratic principles. In 1997 the civil service exam system was implemented nation-wide. In the following years this system was gradually expanded to other sectors of government. For example, in 2003 the examination system was expanded to the People's Court and the People's Procuratorate. With the institutionalization of recruitment on a meritocratic basis, nepotism in party recruitment and promotion became more difficult.<sup>83</sup>

Finally, criminal law dealing with corruption had been expanded greatly. The Chinese Criminal Law (CCL) of 1979 only defined three types of corruption, namely embezzlement, bribery and neglect of duty. In addition, guidelines on punishment were vague and unspecific. The new CCL of 1997 explicitly described seven different types of corruption and gave precise guidelines for the corresponding punishments with degrees of severity.<sup>84</sup>

In summary, from roughly the nineties onwards the government engaged in a series of serious reforms in order to close loopholes, standardize government protocol nation-wide, increase

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<sup>81</sup> Ko and Weng. (2012): 724.

<sup>82</sup> Ibid.: 723.

<sup>83</sup> Ibid.: 723.

<sup>84</sup> Ibid.: 722.

supervision and transparency and improve overall efficiency in the political economy of China. One would expect a significant drop in corruption. In contrary, according to the Corruption Perception Index (Fig. 2), corruption worsened from the nineties onwards. How can we explain this? The next section summarizes recent empirical research revealing current trends in official corruption in China.

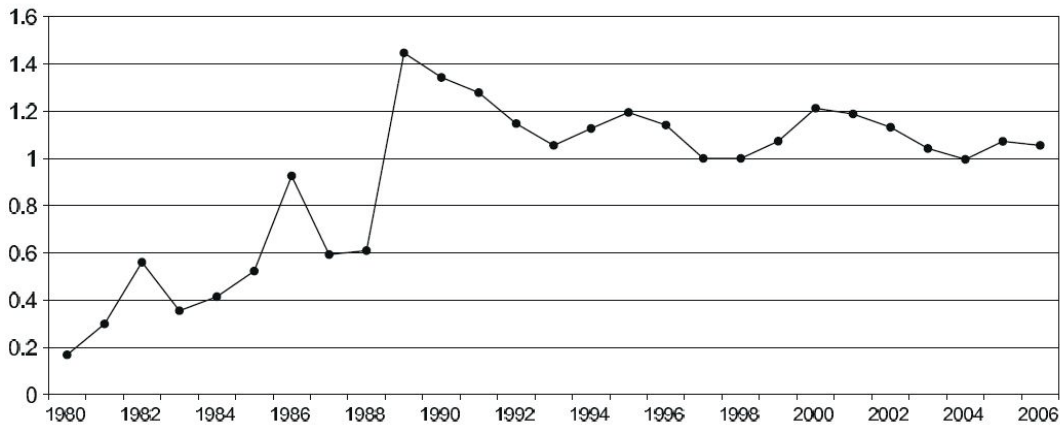
### *Changing corruption*

What are the effects of the change in government stance? We have seen the perceived decrease in corruption from the mid-nineties onwards in Table 3. Figure 4 shows the revealed rate of corruption (based on the amount of corruption cases). The data was compiled by Wedeman and is based on the number of cases of corruption filed and closed on corruption by the Central Discipline Inspection Committee (CDIC) and the People's Court. We can observe a spike in the amount of cases after the 1989 incident. This corresponds with the implementation of the reforms as discussed in the previous section. After the spike, the overall number of cases starts to decrease. This claim is substantiated by empirical research done by Ko and Weng in 2012. They also argue that the number of cases of corruption has fallen between 1998 and 2007.<sup>85</sup>

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<sup>85</sup> Ko, Weng. (2012).

Figure 4. Revealed Corruption Rate: Index of Economic Crime Cases Filed in the PRC (1980-2006)



Note: 1997-8=1; Index of economic crime cases filed in the PRC

Retrieved from: Wedeman. (2008): 10.

This does not mean that corruption is getting better overall. Recent empirical research analyzes the data from the anti-corruption institutions in China and makes several significant conclusions.

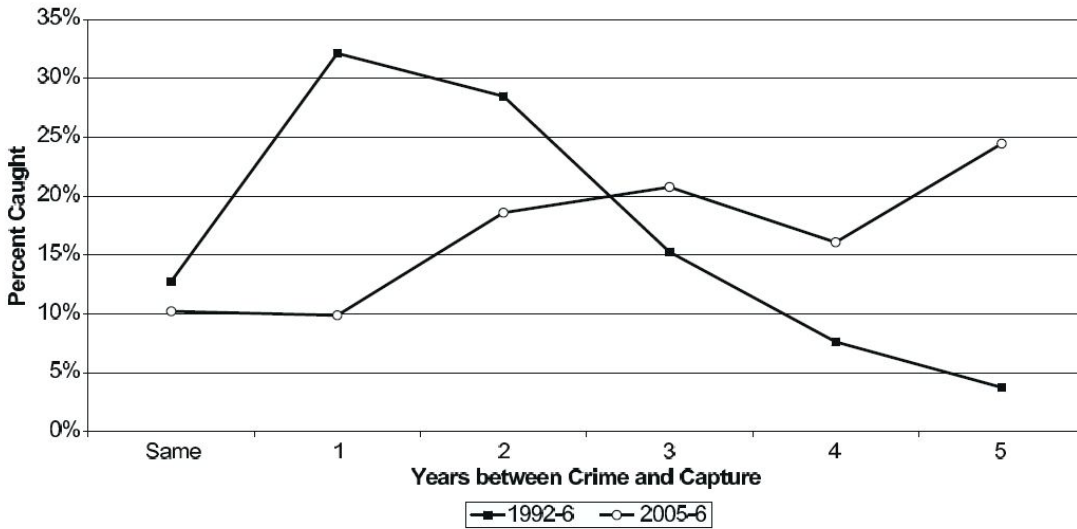
Two empirical studies by Guo and Wedeman<sup>86</sup> both conclude that the time between engaging in corruption and getting caught, or as they call it, the crime-capture lag, has increased (see Figure 5).

An increasing crime-capture lag indicates a decrease in risk of capture. During 1992-1996 on average officials were caught within 20 months of engaging in corruption. In the period 2005-2006 officials were caught in an average of 63 months.<sup>87</sup> This decrease in risk can be associated with a larger actual rate of corruption (ARC), which is a statistic that cannot be measured, only estimated.

<sup>86</sup> Guo. (2008); Wedeman. (2008).

<sup>87</sup> Wedeman. (2008).

Figure 5: Average Crime-Capture Lag in Official Corruption Cases in the PRC (1992-6 and 2005-6)

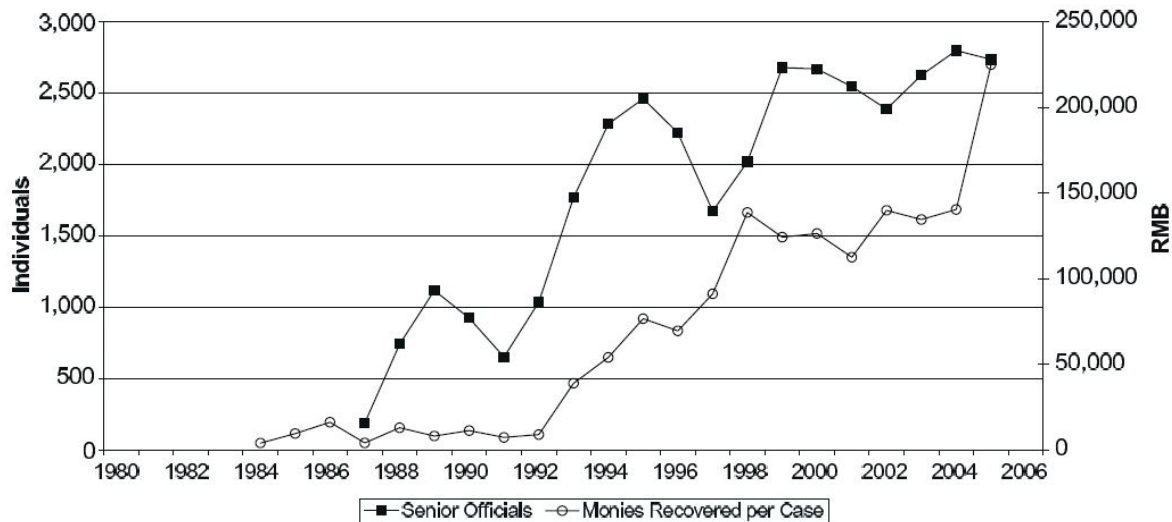


Retrieved from: Wedeman. (2008): 23.

Apart from decreasing risk of capture, Wedeman argues that there is an intensification of corruption.<sup>88</sup> This conclusion is based on data that shows a substantial increase in the amount of senior officials that have been persecuted for corruption, as well as a rise in the average amount of money involved in the cases.

<sup>88</sup> Wedeman. (2004); Wedeman. (2008).

Figure 6: Persecution of Senior Officials and the Amount of Money Recovered Per Case in the PRC (1980-2006)



Retrieved from: Wedeman. (2008): 12.

In a very recent study, Ko and Weng analyze corruption in terms of different types of malfeasance.<sup>89</sup>

Their results show a steady decrease of the number of cases of non-transactional corruption (embezzlement and misappropriation), but a steady increase in transactional corruption (bribery).

In summary, empirical studies suggest a qualitative transition away from petty *need-driven* corruption by low level officials, towards a more pervasive, deeper-seated and grander *greed-driven* type of corruption involving high level officials and very large sums of money.

The post-Tiananmen reforms seemed to have been effective in combating the more 'traditional' causes of corruption as described in a previous section. Especially the administrative and budget reforms have been considered successful reducing opportunities and incentives.<sup>90</sup> Types of

<sup>89</sup> Ko and Weng. (2012): 718 – 740.

<sup>90</sup> Ma, Jun, and Xing Ni. "Toward a Clean Government in China: Does the Budget Reform Provide a Hope?" *Crime, Law and Social Change*, 49.2 (2008): 119-138.

corruption typically more common in the eighties, like embezzlement and misappropriation of public funds have seen a decrease in the number of cases filed since the 1990s.

However, the evidence reveals a level of high-level, *greed-driven* corruption that has either grown since the nineties, or has been hidden until now.

### *Xi Jinping's anti-corruption crackdown*

The most recent developments, although still not conclusive, must be noted here. Since he took office as the General Secretary of the CCP, Xi Jinping started a large-scale crackdown campaign against corruption and lavish spending by party officials. Corruption crackdown campaigns are not unseen in the PRC, but often lack any structural reforms and thus don't bring any lasting change. These campaigns are often judged to be consolidation efforts by new leaders in order to purge political opponents.<sup>91</sup>

The CDIC published that they punished 182,000 officials in 2013 for charges of corruption. This is a 13 percent increase from its performance in 2012. Also, the ratio of higher level officials that received punishment is higher than before. The campaign has even been called the biggest of its kind 'since Mao'.<sup>92</sup>

However, although the campaign dwarfs many similar campaigns of the country's past, evidence suggests that like its predecessors it is mainly a political tool to purge political opponents and consolidate Xi's power. It has become clear that the campaign has been laying heavy focus on punishing members of those associated with the China National Petroleum Corporation (CNPC) with over 300 arrests. This group of CCP members is referred to as the 'petroleum faction' and was headed by ex-Standing Committee member Zhou Yongkang, who was placed under house arrest

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<sup>91</sup> Zhan, Jie, "Assessing Xi Jinping's Anti-Corruption Campaign" *World Policy Blog*, 29 April 2014. Web. 12 June 2014.

<sup>92</sup> Oster, Shai. "President Xi's Anti-Corruption Campaign Biggest Since Mao." *Bloomberg*. 4 March, 2014. Web. 8 June, 2014.

and is currently under meticulous investigation. While this faction is under attack by anti-corruption forces, China's two other oil giants have not been touched.<sup>93</sup> When a campaign is this selective it becomes more difficult to assume that this campaign is in essence any different from the ones preceding it and there is no reason to expect any significant long-term reforms in terms of anti-corruption.

In the next sections we survey China's anti-corruption legislation and ACAs.

### III.II Anti-Corruption Measures in the PRC

In China, the organs in charge of anti-corruption are often referred to as discipline inspection committees. The CCP, as a Leninist Party, has a disciplinary mechanism in the form Discipline Inspection Committees. The Party sets up committees at each level of government. Within each of these there is a standing committee called a discipline inspection committee (DIC). The members are in charge of all disciplinary matters concerning that government committee. These DICs, however, answer to both the CCP Committees at the same level and to the DIC at the next higher level.<sup>94</sup> At the very highest level we find the the *Central Discipline Inspection Committee (CDIC)*.

The CDIC and DICs are charged with the investigation of allegations of malfeasance and have the authority to impose disciplinary measures on party members. These measures range from warnings to probation and expulsion from the party. These organs are, however, non-judicial and thus have no prosecutorial authority and cannot inflict criminal punishments.<sup>95</sup>

A second organ that is officially charged with the task of anti-corruption is the *Ministry of Supervision*.

Their task and authority is basically the same as that of the CDIC, but then for members of state.

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<sup>93</sup> LeVine, Steve. "Why Xi Jinping May Soon Call a Halt to His Latest Corruption Crackdown." *Quartz* 22 April 2014. Web. 28 June 2014.

<sup>94</sup> Fu, Hualing. "The Upward and Downward Spirals in China's Anti-Corruption Enforcement." *Social Change* 7.26 (2011): 30.

<sup>95</sup> Wedeman, Andrew. *Double Paradox: Rapid Growth and Rising Corruption in China*. Cornell University Press, 2012: 146.



Since virtually all members of state are also party members there was a lot of overlap between the investigations of the CDIC and those of the Ministry of Supervision. Therefore the central government announced the integration of functions between the two organs in 1993 in order to increase efficiency.<sup>96</sup>

In the chain of anti-corruption institutions we next find the *Procuratorate*. This is a judicial organ that has the legal authority to indict individuals on criminal charges and prosecute them. In summary the CDIC and Ministry of Supervision first suspect and investigate cases. Once they have substantial evidence they forward it to the procuratorate who continues the investigation and then produces an indictment. If the case still stands, it is then finally forwarded to the court system where the suspect will be put on trial.<sup>97</sup>

Chinese Law concerning corruption has been updated through the years to cover a wide definition of corruption crimes and punishments. Before the economic reforms of 1979 Chinese anti-corruption law was not well developed. It only described three types of corruption (embezzlement, bribery and neglect of duty) and it had insufficient specification for the punishment of corrupt party members. In 1988 these sentencing guidelines were adjusted. The *1997 Chinese Criminal Law* clarifies different types of corruption depending on different actors, behaviors and motives. The types of corruption specified were expanded to seven types and prescribes according punishments (adjusted to the severity/amount of money involved).<sup>98</sup> Other successfully implemented anti-corruption laws are the Regulations on Report of Personal Important Events of Party and Government Officials (1997), Administrative Supervision Law of the People's Republic of China (1997), Regulations on Enforcing the Responsibility System of Construction of the Party Conduct and of a Clean

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<sup>96</sup> Ko and Weng. (2012): 722.

<sup>97</sup> Wedeman. (2012): 146.

<sup>98</sup> Ko and Weng. (2012): 723.

Government (1998), and Provision on the Real-name Person Savings Account System (2000).

Additionally, in 2007 there were over 500 anti-bribery laws in place.<sup>99</sup>

Apart from criminal laws against corruption, the CCP's disciplinary system has set up a range of soft laws to guide its members. These rules prohibit and punish, among others, lavish living, violating the one-child policy, housing irregularities, unauthorized business operation, profiteering, nepotism aiming at self-enrichment, smuggling, irregular banking loans and misappropriation of public funds.<sup>100</sup> The punishments for these offenses range from a warning to expulsion. There is a large overlap between these CCP rules and legal norms. In these cases the CCP rules often take precedence. Therefore legal norms are basically regarded as being ousted. When a member breaks one of the rules and the DIC catches him or her, there is the possibility of the decision being made to deal with the case internally and thus the case is not forwarded to the Procuratorate for further investigation and criminal prosecution, effectively circumventing the rule of law.

Although the CCP disciplinary rules prevail over legal norms, this does not mean that the system has a solid institutional foundation. "There is a lack of concrete institutional design and enforcement mechanism which could place compulsion on CCP members with any effectiveness. As it is openly conceded by the CCP itself, the CCP disciplinary rules are characterized by wide gaps and a large degree of flexibility and uncertainties."<sup>101</sup> An example that Fu Hualing mentions is that every year the CCP circulates rules that prohibit CCP members from accepting red envelopes around and demands that they surrender these to the government. However, enforcement is solely based on voluntary compliance. Therefore the entire system's efficacy is in question. Most rules are founded on the principles of "self-investigation", "self-correction" and "self-regulation".

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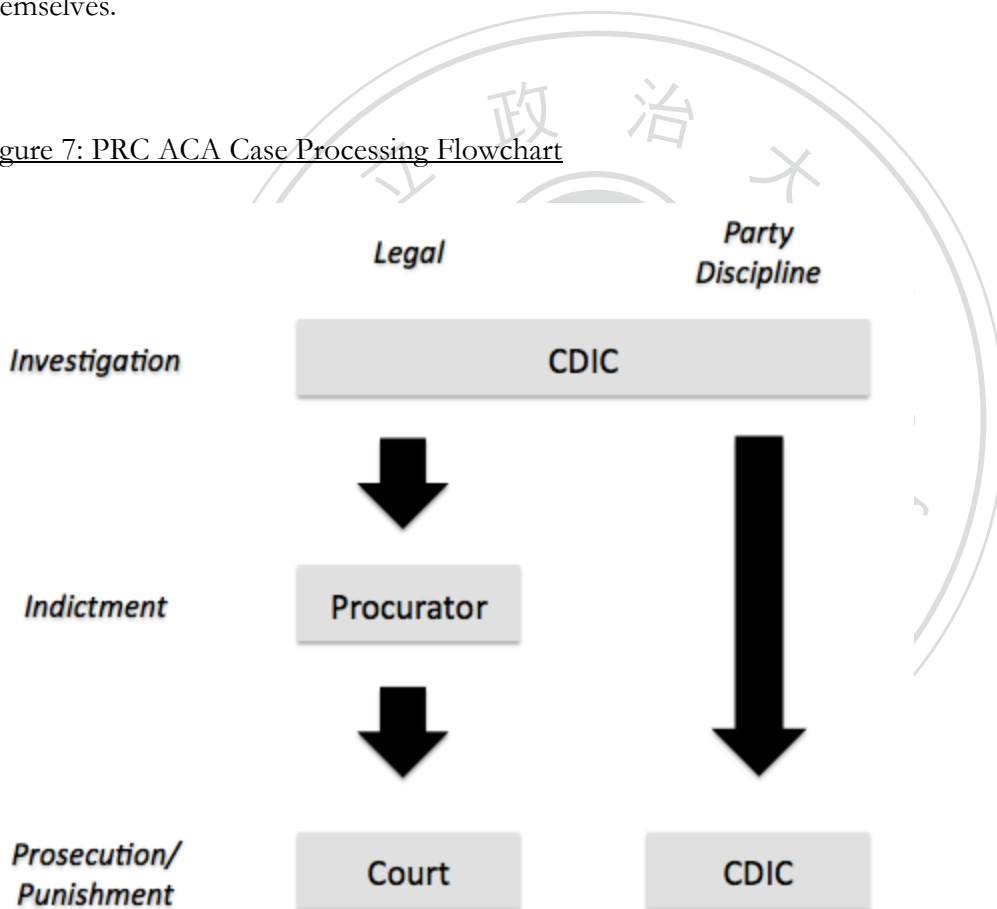
<sup>99</sup> Ko and Weng. (2012): 72.

<sup>100</sup> Fu. (2011): 33.

<sup>101</sup> Ibid.: 33.

Figure 7 gives an overview of the processing of a corruption case in China. There are two sets of rules that a case can be judged by, legislation and CCP party discipline rules. The decision of what rules the case will follow lies in the hands of the party ACA, the Central Discipline Inspection Committee. Investigation starts with the CDIC. Then the institution decides if the case is forwarded to the procuratorate for legal indictment and later prosecution at the People's Court. Otherwise the CDIC takes the matter in its own hands and decides the punishment of the official in question themselves.

Figure 7: PRC ACA Case Processing Flowchart



## IV. Quah Model Analysis of Taiwan and the PRC

In this section we will analyze the cases of Taiwan and China using the previously mentioned model by Jon S. T. Quah, for comparing contexts of corruption. It consists of an analysis of the causes of corruption using the following five factors causing corruption:

- relatively low civil servant salaries
- opportunities for corruption and red tape
- low risk of detection and punishment
- cultural factors
- lack of genuine political will to tackle corruption

Additionally we will categorize the countries' anti-corruption systems into one of the following patterns of corruption control as set up by Quah:

- Anti-corruption legislature without a single ACA
- Anti-corruption legislature with multiple ACAs
- Anti-corruption legislature with a single ACA

We will start with Taiwan, and follow with the PRC. After which we will put both into a clear table in order to get an overall picture of the political economies of corruption of Taiwan and China.

#### IV.I Causes and Curbs of Corruption in Taiwan

##### *Civil servant salaries*

Low civil servant salaries are often cited as causes of corruption. In Taiwan, officials' incomes have seen remarkable development over the last century.

During the Japanese occupation, Taiwan's civil service was very ineffective due to low salaries. "The salary levels of the lower echelons of the bureaucracy were so bad that corruption became necessary in order for those officials to survive."<sup>102</sup>

In the last years of the KMT in Mainland China, the nationalist party's 'irresponsible' fiscal policy caused incredible inflation increasing the cost of living to a point that civil servants were unable to live off their salaries. A lot of talent refused to apply for the civil service because of this. Among existing civil service personnel, some chose to take on other jobs in order to make ends meet, others decided to abuse their position and engaged in corruption to supplement their income.<sup>103</sup>

The problem was acknowledged by Taiwanese Minister of Personnel, Fatsang Ley, in 1962, as he proclaimed that the existing salaries simply left a lot of room for improvement. Sadly as the economy was just starting up after the war, there was no way for the government to afford a salary increase. He stated that any salary reform should address the following three goals:

- "The salary scale should be good enough for the purpose of recruiting and keeping well qualified personnel."
- "The salary should be adequate enough to make people willing to do their best."
- "The salary plan should be so designed as to develop team spirit among fellow-workers in an organization or agency and boost the group morale."<sup>104</sup>

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<sup>102</sup> Maguire, Keith. *The Rise of Modern Taiwan*. Aldershot: Ashgate, 1998. 23.

<sup>103</sup> Maguire, 1998. 81.

<sup>104</sup> Quah, 2010. 26.

The first substantial government response to the problem came in the late 1950s. Corruption in the Customs Department could hamper trade and fostering trade was an important objective for the KMT government in the time when Taiwan's economy was starting up. Therefore, in the late 1950s and early 1960s, customs officials were paid double the salaries of other civil salaries to prevent corruption and attract talent.<sup>105</sup> Additionally, the Anti-Corruption Statute was enacted in 1963, establishing stiff punishments for the crime of corruption.

Since then wages have gone up with the growth of the economy. A good way to see where civil salaries stand now is comparing them to neighboring countries. "The president of Taiwan has an annual salary of US\$180,000, followed by the prime minister, who earns US\$121,500 yearly, and ministers with annual salaries of US\$72,000. These salaries are higher than the salaries of political leaders in Malaysia, Thailand, Philippines, Indonesia, Vietnam and Cambodia. Similarly, the salaries of Taiwanese civil servants are also lower than the salaries of their counterparts in Singapore, Hong Kong, Japan and South Korea."<sup>106</sup> As we can see, in comparison to other Asian countries, Taiwanese civil servants are not poorly paid.

Another important aspect of this salaries and corruption is the salary gap between the public and private sectors. Robert Wade discovered this phenomenon in 1990. He noted that public salaries are often thirty to fifty percent lower than what the same person could make in the private sector in Taiwan.<sup>107</sup> This gap could possibly make civil servants more vulnerable to bribes from the Taiwanese businessmen. The case of Chen Shui-bian and his wife taking bribes (among other offenses) during his two terms in office is a clear example of this. The highest paid man in the Taiwanese government still resorted to corruption.

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<sup>105</sup> Quah. 2010: 27.

<sup>106</sup> Ibid.: 27

<sup>107</sup> Wade, Robert, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* Princeton: Princeton University Press, 1990. 219.

One important thing to note about civil servant salaries is that they are stable and the bonuses are quite substantial. In 2009 the government decided not to follow other countries like Singapore in reducing the salaries of senior civil servants and ministers by 19 percent because of the economic recession that hit the world.<sup>108</sup>

Overall we can say that the salaries are still not among the highest, most competitive in Asia.

Singapore's government wages are known to compete with the private sector and are among some of the highest in the world in order to attract the best possible talent and dissuade corruption.

However, the wages are not as low as before and government officials are capable of making a decent living off their salaries alone. This means that the petty corruption that was rampant during the martial law period, which was caused by very poor salaries, is now almost non-existent. We can say that *need-driven* corruption is now less prominent than *greed-driven* corruption.<sup>109</sup>

#### *Red tape and opportunities for corruption*

A good way to judge a country's efficiency in terms of red tape is by using the World Bank's *Doing Business* Surveys. As we can see in Table 4 below, Taiwan's world ranking in terms of ease of doing business went down from 43<sup>rd</sup> to 61<sup>st</sup> between 2007 and 2009. It has been going up since 2010 and has been ranked a stable 16<sup>th</sup> in 2013 and 2014.

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<sup>108</sup> Quah, 2010. 29.

<sup>109</sup> Gong, Ting, and Alfred M. Wu. "Does Increased Civil Service Pay Deter Corruption? Evidence from China." *Review of Public Personnel Administration* 32.2 (2012): 193.

Table 4: World Bank's *Doing Business Survey*: Taiwan's Ranking in the World (2006-2014)

<b>Year</b>	<b>Ranking</b>	<b>Total Countries</b>
2006	43 <sup>rd</sup>	155
2007	47 <sup>th</sup>	175
2008	50 <sup>th</sup>	178
2009	61 <sup>st</sup>	181
2010	46 <sup>th</sup>	183
2011	33 <sup>rd</sup>	183
2012	24 <sup>th</sup>	182
2013	16 <sup>th</sup>	185
2014	16 <sup>th</sup>	189

*Note: The numbers are rankings in the world. A lower number equals a better relative score.*

Retrieved from: [www.doingbusiness.org/downloads](http://www.doingbusiness.org/downloads)

Table 5 below shows us where Taiwan's strengths and weaknesses lie in terms of ease of doing business while comparing its worst recent year (2009) to its best (2014). In 2014 Taiwan ranks highly in resolving insolvency, starting a business dealing with construction permits, getting electricity and trading across borders. Problematic areas in Taiwan are registering property, getting credit, protecting investors, paying taxes and enforcing contracts.

In Figure 5, we can see in which areas of doing business substantial progress has been made. Most progress was made in starting a business, dealing with construction permits, protecting investors, and paying taxes. Among these, the substantial improvement in dealing with construction permits stands out. Construction permits are a form of red tape that often can be used for corruption in the form of bribing an official in order to receive building permits. The improvement in this area indicates that corruption involving construction permits has been addressed substantially.



However, Taiwan has experienced a slight decline in the areas of registering property and getting credit. These are possibly related to the recent decline in Taiwan's economic growth and do not directly indicate corruption.

Overall, the conclusion we can draw from *Doing Business* data is that Taiwan has seen vast improvement in term of reducing red tape since it peaked in 2009.

Table 5: Taiwan's Rankings in *Doing Business* Topics 2009 and 2014

<b>Topic</b>	<b>2009</b>	<b>2014</b>	<b>Change</b>
<i>Starting a business</i>	119th	17	-102
<i>Dealing with construction permits</i>	127th	7	-120
<i>Registering property</i>	26th	31	+5
<i>Getting credit</i>	68th	73	+5
<i>Protecting investors</i>	70th	34	-36
<i>Paying taxes</i>	100th	58	-42
<i>Trading across borders</i>	30th	18	-12
<i>Enforcing contracts</i>	88th	84	-4

*Note: The numbers are rankings in the world. A lower number equals a better relative score.*

Retrieved from: [www.doingbusiness.org/downloads](http://www.doingbusiness.org/downloads)

#### *Risk of detection and punishment*

As we have discussed in the previous section discussing Taiwan's anti-corruption laws, the punishments set up for the crime of corruption are quite substantial. Those found guilty of one or more of the specified corruption offenses as specified in the Anti-Corruption Statute will be fined a maximum amount of NT\$100 million and imprisoned from 10 years to life. As even the ex-president of Taiwan Chen Shui-bian still resorted to corruption, resulting in him having to spend the rest of his life in prison, having the punishment is not enough to fully deter corrupt behavior.

In order to more closely analyze the risk of detection, we will look at data of judicial results of corruption cases in Taiwan. We will compare data from the period of 1991 to 2002 as collected by Quah, and more recently published data by the Agency Against Corruption of the period from 2008 to 2012. This data shows the total number of corruption related cases brought to the procuratorate and the rates of suspects being found guilty over the years. As shown in Table 6, during the period of 1991-2002, out of a total of 841 cases, 209 suspects were found guilty of corruption. This is a conviction rate of 24.9 percent, which is relatively low. If we look at the trend over the years, the data indicates that the conviction rate has slightly increased from an average of 19.33% in the years 1991-1994 to an average of 26.15% in the years 1999-2002.

Table 6: Judicial Results of Corruption Cases in Taiwan (1991-2002)

<b>Year</b>	<b>Not Prosecuted/Not Guilty</b>	<b>Found Guilty</b>	<b>Total</b>
1991	85 (91.4%)	8 (8.6%)	93 (100%)
1992	44 (81.5%)	10 (18.5%)	54 (100%)
1993	29 (78.4%)	8 (21.6%)	37 (100%)
1994	25 (71.4%)	10 (28.6%)	35 (100%)
1995	59 (64.8%)	32 (35.1%)	91 (100%)
1996	64 (72.7%)	24 (27.3%)	88 (100%)
1997	60 (63.8%)	34 (36.2%)	94 (100%)
1998	79 (79.8%)	20 (20.2%)	99 (100%)
1999	69 (80.2%)	17 (19.8%)	86 (100%)
2000	47 (73.4%)	17 (26.6%)	64 (100%)
2001	33 (68.8%)	15 (31.3%)	48 (100%)
2002	38 (73.1%)	14 (26.9%)	52 (100%)
<b>Total</b>	<b>632 (75.1%)</b>	<b>209 (24.9%)</b>	<b>841 (100%)</b>

Retrieved from: Quah. 2010. 35.

In Table 7 we can see the similar data for the years 2008-2012, as provided by the Agency Against Corruption. When one compares the court data from this and the abovementioned, the results are stunning. First of all, of the 2,553 cases brought to the procuratorate during this period 1,761 (68.98%) were found guilty, of which 1,155 (45.2%) of the total cases were found guilty on charges of corruption and 606 (23.7%) on non-corruption charges. This is a very impressive improvement in comparison to 1991-2002. In the past the minority of the cases were found guilty, while now the opposite is true and the majority of cases end with a guilty verdict.

Secondly, it is striking when one compares the total amount of corruption cases in the two periods. While in the period of 1991-2002 a total of 841 cases was brought to the procuratorate, in 2008-2012 a stunning total of 2,553 suspects were brought to court on charges of corruption.

Table 7: Judicial Results of Corruption Cases in Taiwan (Total of 2008-2012)

<b>Persons convicted</b>	<b>Persons Found Not Guilty</b>	<b>Persons Found Guilty</b>	<b>Indicted and found guilty of corruption charges</b>	<b>Indicted and found guilty of non-corruption charges</b>
2,553 (100%)	792 (31%)	1,761 (68.98%)	1,155 (45.2%)	606 (23.7%)

*Retrieved from: Agency Against Corruption. Taiwan Anti-Corruption Yearbook. 2012.*

This trend indicates that Taiwan's has made great strides since 1991 in terms of administrative, judiciary and transparency related reforms. In 2009, the newly elected president Ma Ying-jeou and the Ministry of Justice put a reform plan named the 'National Integrity Building Plan' into action. It is a comprehensive plan based on the underpinnings of the United Nations Convention against Corruption and Transparency International's National Integrity System. It is a comprehensive blueprint for government reform comprising of "eight specific actions, 44 tactics and 80 measures

whereby key ministries and commissions will set goals for effectiveness and integrate the strengths of government, private enterprise and the public as a whole.”<sup>110</sup>

The principles of the plan are as follows:

1. “*Strengthening anti-corruption measures*: enhancement of internal and external control mechanisms, strict action against corruption and other illegal behavior”
2. “*Upholding public-sector ethics*: implementation of the Integrity and Ethics Directions for Civil Servants, including maintenance of detailed records of private-sector contacts (meetings with lobbyists, gifts, etc.), and performance evaluations”
3. “*Promoting corporate credibility*: establishment of business ethics guidelines to strengthen corporate governance and social responsibility”
4. “*Expanding public guidance*: reinforcement of educational programs focusing on character building and rule of law, encouragement of public participation in maintaining ethical standards”
5. “*Increasing efficiency and transparency*: construction of e-government, ensuring information transparency and accessibility“
6. “*Enhancing the openness of government procurement*: implementation of the Government Procurement Act, ensuring fair competition “
7. “*Ensuring fair participation in politics*: establishment of sound electoral laws and forceful action against vote-buying so as to allow talented individuals to run for public office”
8. “*Participating in international cooperative efforts*: enhancement of transnational exchanges, prevention of money laundering, mutual assistance in law enforcement“<sup>111</sup>

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<sup>110</sup> Ministry of Justice of the Republic of China. *Building a Clean Taiwan*. 2012. Web. 6 July 2014. 3.

<sup>111</sup> Ministry of Justice. 2012. 3-4.

This comprehensive plan of government reform has already yielded positive results, as Table 7 indicates. We will revisit the National Integrity Building plan later.

### *Cultural factors*

In Chinese societies, certain cultural factors have been attributed to encourage and enable various forms of corruption. These are the traditions of *guanxi* and gift-giving culture. First of all we should define *guanxi*. It is “the concept of drawing on connections in order to secure favors in personal relations and includes reciprocal obligations to respond to requests for assistance.”<sup>112</sup> Directly translated, the word *guanxi* means relationship, but its meaning is not the same as in the Western sense. “Three factors influence the ‘closeness’ of a *guanxi*: the existence of a base; the extent of “closeness” or “distance”; and the affect or *ganqing*. The closeness of *guanxi* depends on the existence of its base,” which is defined as a means of shared identification, such as family, hometown, school or colleagues.<sup>113</sup>

Gift-giving is a common tradition that is often facilitates *guanxi* in Chinese societies. An example would be the recent phenomenon of Chinese tourists buying so many souvenirs abroad.<sup>114</sup> It is often expected that the traveler brings back gifts for family members, friends and colleagues.

*Guanxi* and gift-giving culture are factors contributing to corrupting behavior because they make it harder to perceive a bribe for what it is. “If a government official takes money in exchange for providing help, it is a bribe. If one gives a person a birthday gift, however, it is relationship-building. If one spends money by taking someone out to tea, it is not bribery.”<sup>115</sup>

A form of corruption where the role of *guanxi* and gift-giving is apparent is the phenomenon of vote-buying in local Taiwanese elections. Prospective voters are gifted a sum of money by a

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<sup>112</sup> Luo, Ya-dong. *Guanxi and Business*. 2<sup>nd</sup> ed. Singapore: World Scientific Publishing, 2007. 2.

<sup>113</sup> Quah, 2010. 37.

<sup>114</sup> “Chinese Tourists: Coming to a Beach near You”. *The Economist* 18 April 2014. Web. 6 June 2014.

<sup>115</sup> Luo, 2007. 5-6.

representative of the candidate running for the position. This money, however, is often seen simply as a part of an interpersonal relationship that results in the vote going the candidate's way or not. It is not the major factor. Vote-buying is an 'accepted' practice as it is considered an expression of the candidate's good will and respect for the voters.<sup>116</sup>

Cultural elements are rigid and hard to change. There is not much that a democratic government can do to change a culture. Cultural practices that have been passed down for hundreds of years do not change overnight. Only through education campaign could the culture regarding *guanxi* and gift-giving change over a long-term perspective. Therefore the cultural factors influencing corruption in Taiwan are a subtle and rigid obstacle in anti-corruption that can only be overcome by gradual education and growing awareness.

#### *Political will in curbing corruption*

The fifth and final cause of corruption in Quah's framework of causes and curbs to corruption is political will to genuinely deal with the issue of corruption. He defines it as "the demonstrated credible intent of political actors (elected or appointed leaders, civil society watchdogs, stakeholder groups, etc.) to attack perceived causes or effects of corruption at a systematic level. Defined thus, the lack of political will is perhaps the most important reason for the extensive corruption in many Asian countries today."<sup>117</sup>

After the KMT moved to Taiwan in 1949 Taiwan was ruled by Chiang Kai-shek from 1949 until his death in 1975. He was then succeeded by his son Chiang Ching-kuo who ruled from 1975 until 1987. "[Although Chiang Kai-shek ] believed that KMT officers and officials should uphold high professional standards and private morals, he failed to centralize financial arrangements and curb

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<sup>116</sup> Quah. 2010. 38-39.

<sup>117</sup> Ibid.: 42.

corruption in the military.”<sup>118</sup> He prioritized the promotion of cohesion and loyalty among his supporters. Tolerating corruption was a tradeoff he had to accept in order to promote unity. His son and successor, Chiang Ching-kuo, had a reputation as a clean leader and being vehemently intolerant towards corruption since his time serving under his father on the mainland. When he was appointed as vice premier in 1969 he started an anti-corruption drive aimed at exposing malfeasance in the banana business. Then he issued the ‘Ten Rules of Reform’ and the ‘Ten Taboos’ in 1972 for all civil servants. This meant that they were permitted from patronizing ‘girlie restaurants’, ‘black coffee shops’ and karaoke bars or the hosting of large banquets. This was enforced by sending police officers to patrol these places. It resulted in the firing of some officials.<sup>119</sup> He also cracked down upon bribery and other abuses of office. He personally signed the arrest warrant for his cousin Wang Cheng-yi, the director-general of the Government Personnel Bureau.<sup>120</sup> In 1985 after a large scandal involving the Tenth Credit Co-operative, Chiang Ching-kuo began a series of reforms involving democratization, increased transparency and accountability. After the previously mentioned scandal he was more concerned about the problem of corruption than ever and sought a solution that would create more permanent change.<sup>121</sup> These reforms included the toleration of the establishment of the Democratic Progressive Party in 1986 and the ending of martial law in 1987. Chiang Ching-kuo died in 1988 and was succeeded by his vice-president, Lee Teng-hui. He continued his predecessor’s democratic reforms and became the first democratically elected president of the Republic of China in 1992. However, unlike Chiang Ching-kuo, he was not committed to anti-corruption. He used his business-tycoon contacts to help finance his campaigns. Additionally, with democratization vote-buying became more and more widespread. During his time in power, it was not addressed as the KMT did not punish its members for engaging in vote-buying.

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<sup>118</sup> Quah. (2010): 43.

<sup>119</sup> Ibid.: 43.

<sup>120</sup> Ibid.

<sup>121</sup> Ibid.: 44.

Lu Ya-li says corruption worsened under Lee Teng-hui in two forms: “First, in his power struggles with his political rivals, he usually requested the support of the local politicians and tolerated their wrongdoings in return for their support; and second, among his close friends, there were many leading businessmen who usually used their connections with high-ranking government officials to obtain favors such as huge loans from public banks.”<sup>122</sup> Larry Diamond also voices criticism of Lee Teng-hui concerning corruption: “[...] it was also under his leadership that the KMT increasingly tolerated and embraced local organized crime figures in order to preserve its electoral dominance. One KMT Justice Minister after another failed to mobilize the forces of law against this problem, and at least two are rumored to have resigned in frustration over the party’s refusal to let them go after vote-buying and organized crime, no matter the political consequences.”<sup>123</sup>

The abovementioned Table 6 further accentuates how Lee’s leadership was not strict on corruption. During the years 1991 up to 2000, when Chen Shui-bian of the DPP won the presidential election, of all corruption cases involving officials only 24.3% were found guilty. This further accentuates Quah’s reasoning, that the political will to tackle corruption is one of the most important factors in a country’s causes and curbs to corruption.

In 2000, Chen Shui-bian won the presidential election for the DPP on an anti-corruption platform. As we mentioned earlier in this text, President Chen was not as clean as he pretended to be and was arrested and sentenced to prison along with his wife, soon after his second term.

In 2008, Ma Ying-jeou won the presidency for the KMT and renewed his term in office in 2012.

There are a few things that indicate that he and his cabinets have a genuine will to tackle the problem of corruption. The first indicator is Ma Ying-jeou’s accomplishments and clean record.

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<sup>122</sup> Lu, Ya-li. “Lee Teng-hui’s Role in Taiwan’s Democratization: A Preliminary Assessment.” *Assessing the Lee Teng-hui Legacy in Taiwan’s Politics*. Ed. Dickson, Bruce, and Chien-min Chao. M.E. Sharpe, 2002. 64.

<sup>123</sup> Diamond, Larry. “How Democratic is Taiwan? Five Key Challenges for Democratic Development and Consolidation.” *Paper for symposium on “The Transition from One-Party Rule: Taiwan’s New Government and Cross-Straits Relations”*, Columbia University. 2001. 6.



During Lee Teng-hui's time in office, Ma was the minister of justice between 1993 and 1996. As previously mentioned, under his command the ministry executed a crackdown on 'black gold' politics in which more than 100 politicians with relationships to criminal organizations were arrested.<sup>124</sup>

Secondly, Ma Ying-jeou's reform policy is comprehensive and progressive. I mainly refer to the previously mentioned 'National Integrity Building Plan'. This is a comprehensive set of reforms aimed at creating a more efficient, transparent and less corrupt government. As we have shown earlier in the text, Taiwan's Corruption Perception Index is at its all-time high (6.1) and the percentage of corruption cases ending with a guilty verdict is at 68.9% (2008-2012) during Ma's first term. All of this indicates that Ma Ying-jeou has shown more initiative and dedication to anti-corruption than his predecessors.

*Curbs of corruption: pattern of anti-corruption in Taiwan*

Currently Taiwan has an anti-corruption legislation consisting of the *Criminal Code*, the *Anti-Corruption Statute*, and the *Government Procurement Act*. The anti-corruption agencies responsible for anti-corruption efforts are the *Ministry of Justice Investigation Bureau*, the *Agency Against Corruption*, and the *Procuratorate Offices*. This classifies Taiwan's anti-corruption pattern as 'Anti-corruption legislation with multiple ACAs'.

According to Quah the problem with this pattern is that overall there is no necessity to have multiple ACAs as their jurisdictions will inevitably overlap. Instead of working together they will compete with each other, thus creating inefficiency. Additionally, Quah states that for the best results ACAs should be completely independent. The Taiwanese ACAs do not fulfill these conditions as they are all under the Ministry of Justice.

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<sup>124</sup> Quah. 2011. 168.

The decision to establish the *Agency Against Corruption* is a commendable initiative as its structure follows many international guidelines for setting up an anti-corruption agency. Additionally, there are procurators directly working for the AAC to increase efficiency in together. However, for the AAC to fully utilize its potential, the MJIB should suspend its anti-corruption function.

#### IV.II Causes and Curbs of Corruption in the PRC

##### *Civil servant salaries*

As we have noted before, the PRC has seen remarkable administrative reforms since it opened up to capitalism in 1979. This includes increases in civil servant salaries. Before reforms the People's Republic of China was mainly a labor intensive, low-pay, and minimal consumption economy.<sup>125</sup> But as Gong and Wu note, civil service wages saw remarkable improvements after 1997 with six pay raises. "The then Premier Zhu Rongji promised to double the salary of civil servants within three years [...]. The dramatic change in the wage policy for government employees may be attributed to several factors. The most obvious one was the intention to increase the morale of civil servants whose salaries had been chronically low."<sup>126</sup> But another reason for reform was made clear by the 1997 Asian Financial Crisis. "[...] China faced the thorny problem of how to avoid economic stagnancy and seek sustainable development. The new wage policy thus became an integral part of the government strategy of increasing spending to boost domestic demand. The concern over corruption played an equally, if not more, important role in the decision about pay increases."<sup>127</sup> Reportedly Premier Zhu Rongji said the following: "[...] though we are unable to afford high salaries, we may still use salary increments to deter corruption."<sup>128</sup>

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<sup>125</sup> Cooke, Fang Lee. "Public-Sector Pay in China: 1949-2001." *Human Resource Management in China Revisited*. Ed. Malcolm Warner. New York: Routledge, 2005.

<sup>126</sup> Gong, Wu (2012): 201.

<sup>127</sup> Ibid.: 201.

<sup>128</sup> "Civil Service Remuneration Will Increase Dramatically in 3 Years." *Takung Pao*. 11 January 2000. Chinese ed. A1.

A total of six wage increases happened the years 1997, 1999, 2001, 2003, and 2006. “The increments were by no means small. For example, the overall salary paid to state organs and social organizations increased by 21 percent on average in 2001, as a result of two separate pay increases that year in January and October. The pay rate jumped by 23 percent again in 2007, one year after the 2006 pay raise ordered by the central government. Consequently, the salary of civil servants in 2007 was 8.38 times that of that of 1993.”<sup>129</sup>

An even better idea of the extent of these reforms is achieved by comparing civil service pay to GDP per capita over the years. Figure 8 shows a comparison between the average wages for civil service personnel and GDP per capita as compiled by Gong and Wu using China Statistical Yearbook data. The table shows that civil service wages become increasingly competitive from 1997 onwards. “[...] the average annual pay of Chinese civil servants exceeded the country’s GDP per capita in 1999 for the first time and remained larger ever since. The ratio of civil service pay to GDP per capita increased from 1.26:1 in 2000, to 1.90 in 2004, to 2.21 in 2006, and reached 2.47 in 2007.”<sup>130</sup>

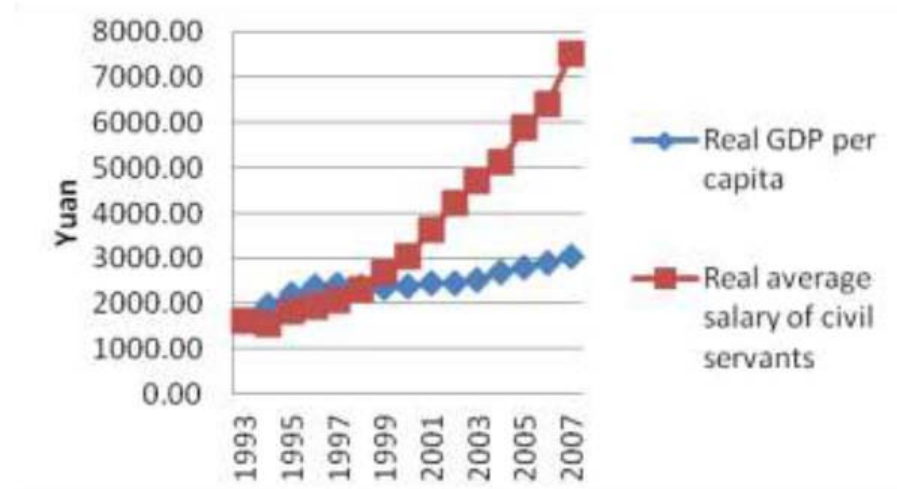
With civil service wages being above the national average the PRC government has succeeded in making official salaries competitive with the rest of the labor market. This indicates that just like in Taiwan incentives *need*-driven corruption among government employees are lower in comparison to *greed*-driven corruption compared to before the reforms.

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<sup>129</sup> Gong, Wu. (2012): 202-203.

<sup>130</sup> Ibid.: 203.

Figure 8. Comparison of Civil Service Pay and GDP per capita (*yuan*) in the PRC (1993-2007)



Retrieved from: Gong, Wu. (2012): 203.

#### *Red tape and opportunities for corruption*

As we did with the case of Taiwan we will use data from the World Bank's annual *Doing Business* surveys to assess the ease of doing business in China as an indicator for red tape and opportunities for corruption.

Table 8 shows China's overall ranking in the world in terms of ease of doing business from the years 2006 until 2014. Except for a drop to ranking number 53 in 2009, China has hovered between rankings 79 and 96. Therefore we can say that China's still has a lot of red tape and relative inefficiency in terms of doing business.

Table 8: World Bank's *Doing Business Survey*: China's Ranking in the World (2006-2014)

Year	Ranking	Total countries
2006	91st	155
2007	93rd	175
2008	83rd	178
2009	53rd	181
2010	89th	183
2011	79th	183
2012	91st	182
2013	91st	185
2014	96th	189

Note: The numbers are rankings in the world. A lower number equals a better relative score.

Retrieved from: [www.doingbusiness.org/downloads](http://www.doingbusiness.org/downloads)

Table 9 below shows a closer picture of what the major problem areas are in China's red tape and compares the 'good' year of 2009 and 2014. The first thing to notice is that over five years not much progress has been made. China's ranking worsened in almost all categories. Only paying taxes became easier between 2009 and 2014, but it is still one of the lowest rankings among the topics. The three categories that China scores lowest in are starting a business, dealing with construction permits, and paying taxes. The first two could be interpreted as indirect indicators of corruption. Difficulty dealing with construction permits and starting a business are two areas where officials can find opportunities to demand bribes for expedition of permit applications.

In summary, the data does not indicate that China has recently seen improvement in solving these problems and therefore we can state that red tape is a significant factor in providing incentives for officials to commit acts of corruption.

Table 9: China's Rankings in *Doing Business* Topics (2009 and 2014)

Topic	2009	2014	Change
<i>Starting a business</i>	151st	158	+7
<i>Dealing with construction permits</i>	176th	185	+9
<i>Registering property</i>	30th	48	+18
<i>Getting credit</i>	59th	73	+14
<i>Protecting investors</i>	88th	98	+10
<i>Paying taxes</i>	132nd	120	-12
<i>Trading across borders</i>	48th	74	+26
<i>Enforcing contracts</i>	18th	19	+1

Note: The numbers are rankings in the world. A lower number equals a better relative score.

Retrieved from: [www.doingbusiness.org/downloads](http://www.doingbusiness.org/downloads)

#### *Risk of detection and punishment*

Unlike Taiwan, for the case of China we cannot use judicial data on conviction percentages in corruption cases to give us an indication on the risk of detection. As we have stated earlier in the text, the problem is that there are two sets of rules that CCP officials abide to, namely the law and party discipline rules. We have discussed earlier that usually party discipline takes precedence over the rule of law. Therefore judicial data would be a very weak indicator of the extent corrupt official actually getting caught.

In an analysis of the Party Discipline Inspection, Deng Jintong states the following: “[...] the internal decision making system concentrates the power within the [DIC] leadership and then further to the [CDIC] leadership. With no other supervision, the cases against central corruptions would be arbitrarily dismissed; and even if being investigated, such decisions are not because of law but politics. And some local corruptions may also be dismissed for the interests of party leadership over the area [*sic*]. Although the standard for such dismissals is politically clear, it is only political policy, very instable and changeable. And the law is unclear on many aspects of corruption investigations,

including the seriousness of certain frequent corruption activities and has weakly regulated the plea bargain power of the prosecutors. Moreover, the whole current institutions rely heavily upon the attitude of the central leadership and remain largely political policies. [...] it is predictable that in the long term, [...] and maybe already on the way, without further reforms, corruption would further spread up, high-level [DICs] themselves would be corrupt and such institutions would be wholly ineffective.”<sup>131</sup>

As has been widely reported by international media, since Xi Jinping’s inauguration as Party Chairman in late 2012, the CCP has cracked down hard on corruption in China. “The campaign [...] has been surprisingly broad and sustained, and is intensifying as it enters a second year. The Central Commission for Discipline and Inspection, the party’s watchdog, says that 182,000 officials were punished for disciplinary violations in 2013, an increase of more than 20,000 over 2012, and of nearly 40,000 over 2011.”<sup>132</sup> With these numbers we could conclude that since Xi rose to power the risk of detection and punishment of corruption within the CCP is higher in recent years than before. However, this is not because the anti-corruption institutions have become more advanced, but a matter of current politics. New leaders in China often use anti-corruption crackdowns as a means to consolidate their power. Therefore, the risk of detection and punishment in actuality is additionally dependent on how much you conform to the current leadership’s agenda.

### *Cultural Factors*

Like Taiwan, China shares the same cultural elements of *guanxi* and gift-giving culture. Like in Taiwan, it is chiefly manifested through acts of bribery. Li Ling describes the relationship between *guanxi* and corruption as follows: “[...] the causality link between *guanxi*-practice and corruption is

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<sup>131</sup> Deng, Jinting, and Fenfei Li. "The Limits of the Arbitration in Anticorruption by China's Party Discipline Inspection Committees." *SSRN 2445284*, 2014. Web. 11 July 2014. 31.

<sup>132</sup> “Less Party Time.” *The Economist* 25 January 2014. Web. 12 June 2014.

the inverse of the view held by many. It is not that the participants of corruption are compelled to corrupt conduct because of the existence of certain reciprocal relationship, but on the contrary, these participants adopt guanxi-practice as an enabling operating mechanism that facilitates corruption. In this sense, guanxi-practice is not only ‘fuelling’ corruption, but it is a necessary and integral part of corruption in China.”<sup>133</sup>

As an integral and deeply-embedded element of Chinese culture, this is an important factor causing corruption that most likely will not change in the near future.

#### *Political will to tackle corruption*

Genuine political will to tackle corruption is a major factor in the causes and curbs on corruption of the PRC. A great example of this notion is ex-premier Zhu Rongji (see the previous section on civil servant salaries in China) who expressed that genuine reform is necessary in order to effectively deal with corruption. His reforms ranged from civil service system reforms to decentralization of administrative responsibilities to lower level officials. Table 3 shows the development of China’s Corruption Perception Index from 1996 to 2013. Between the years 1997 and 2001 China’s score improved from around 2.5 to around 3.5. Although China still doesn’t rank very high this was a substantial improvement in its score. In the years 2001 until 2011 the score did not change much indicating no substantial reforms by the Hu-Wen leadership. However, in the last two years (2012 and 2013) the score went up to, respectively, 3.9 and 4.0. These years coincide with the ascent of a new leadership under Xi Jinping.

As noted earlier in this text, Xi Jinping has launched a massive anti-corruption campaign that has been implemented since he entered office in December of 2012. The increase in China’s CPI score

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<sup>133</sup> Li, Ling. "Performing Bribery in China: Guanxi-Practice, Corruption With a Human Face." *Journal of Contemporary China* 20.68 (2011): 20.



could be attributed to this campaign. As we noted earlier, the campaign is broader and has lasted longer than anti-corruption crackdowns of the past. However, corruption is a convenient excuse to get rid of political enemies and Xi's anti-corruption campaign has often been judged to be nothing more than a tool to consolidate his power.<sup>134</sup>

New leaderships have used anti-corruption crackdowns in this way in the past. "In 1951, Mao Zedong launched the "Three-anti/Five-anti campaigns" to uproot corruption. However, in reality the campaign served as a means of repressing oppositions to the Communist Party. Similarly, in 1998 the "Three Stresses Party Rectification" campaign launched by Jiang Zemin, brought down several senior officials on corruption charges. In 2004 Hu Jintao spoke about the need of anti-graft campaigns in order to keep the Party strong by eliminating corruption. In 2006 Hu sentenced Chen Liangyu, a member of Jiang Zemin's Shanghai Clique, which hindered Hu's reforms, to 18 years in prison on bribery and corruption charges."<sup>135</sup>

As history suggests, there is no reason to assume that Xi's anti-corruption campaign will bring long-term improvements to China's corruption levels. One of the big issues in fighting corruption is the double set of rules governing the punishment of corruption, the law and party discipline. Xi Jinping shows no sign of passing the task of anti-corruption to an independent non-CCP anti-corruption institution. As long as the party discipline system stays the way it is, anti-corruption in the People's Republic of China remains a political tool, not an institutional solution to the problem.

#### *Curbs of corruption: pattern of anti-corruption in the PRC*

The People's Republic of China officially has two ACAs that work together. The first is the Central Discipline Inspection Committee and the Lower Discipline Inspection Committees. An important

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<sup>134</sup> Zhan, Jie, "Assessing Xi Jinping's Anti-Corruption Campaign" *World Policy Blog*. 29 April 2014). Web. 12 June 2014; "Less Party Time." *The Economist* 25 January 2014. Web. 12 June 2014.

<sup>135</sup> Zhan. (2014).

thing to note is that the CDIC answers to the Politburo Standing Committee and is thus not an independent institution. The second is the Procuratorate that prosecutes the cases forwarded to them by the DICs. However, since the Procuratorate does not engage in its own investigations unless the CDIC forwards a case to them. I do not consider the two competing and we can say that the CDIC is the organ almost fully in charge of anti-corruption. Therefore I claim that the PRC's system has one non-independent ACA.

The anti-corruption legislation in the People's Republic of China is based mostly on the 1997 Chinese Criminal law and other statutes, as previously mentioned. In addition to legal rules against corruption, there are also the CCP party discipline rules. This set of regulations is more important for party members as virtually every official in China is a CCP member. As we noted before, this set of rules overrides the legal rules.

All put together, the PRC's pattern of anti-corruption does not fit one of the three as mentioned in Quah's model. Therefore I'd like to establish a fourth pattern of anti-corruption. This pattern has *two sets of anti-corruption regulations and a non-independent ACA.*

## V. Comparison and Discussion

In Table 10 the Quah model analyses of Taiwan and the PRC are put side by side. In this section we will discuss the similarities and differences between the frameworks of the causes and curbs of corruption of both cases. Earlier in this text I hypothesized that the causes and curbs in democratic Taiwan and authoritarian PRC would prove to be essentially the same thus indicating that the problem of corruption manifests itself in different societies in a universal way and is not affected by political regime type.

Table 10: Comparison of the Causes and Curbs of Corruption in Taiwan (Ma era) and the PRC (Xi era)

<b>Quah Model Comparison of the Causes and Curbs of Corruption</b>		
<b>Pattern of Anti-Corruption (Curbs)</b>		
<i>Country</i>	Taiwan	PRC
	Anti-corruption legislation; multiple non-independent ACAs	Two sets of anti-corruption rules (law and CCP discipline); single non-independent ACA
<b>Causes of Corruption</b>		
<i>Country</i>	Taiwan	PRC
<u>Civil servant salaries</u>	Salaries currently competitive due to good benefits; <b>high enough to suppress <i>need-driven</i> corruption.</b>	After civil service wage rises between 1997-2002 salaries now competitive; <b>high enough to suppress <i>need-driven</i> corruption.</b>
<u>Red Tape and Opportunities for Corruption</u>	Red tape system is <b>ranked high</b> in the world; massive improvements in recent years; <i>starting a business</i> and	Red tape system <b>ranked among third world nations</b> ; no significant improvement over the recent years;

	<i>dealing with contracts</i> are ranked <b>very high</b> compared to rest of the world.	<i>starting a business</i> and <i>dealing with contracts</i> are ranked <b>very low</b> .
<u>Risk of Detection and Punishment</u>	Since the implementation of the 'National Integrity Building Plan' (2008) almost <b>thrice the amount of officials convicted</b> and <b>around three thirds are found guilty</b> .	Low-level officials have higher risk of detection; risk for high level officials <b>depends on political relationship</b> towards the leadership.
<u>Cultural Factors</u>	<i>Guanxi</i> and gift-giving culture	<i>Guanxi</i> and gift-giving culture
<u>Political Will to Tackle the Problem of Corruption</u>	Ma Ying-jeou's reputation and National Integrity Building Plan's implementation and results indicate a <b>strong will in tackling corruption</b> .	<b>No genuine political will to tackle the problem of corruption.</b> Xi Jinping's anti-corruption campaign is the broadest and most exhaustive of its kind up to date; however no commitment to long-term institutional reform.

## V.I Comparison

### *Patterns of anti-corruption*

Earlier in the text I hypothesized that both countries would have the same pattern of anti-corruption legislation and non-independent ACAs. This hypothesis turned out to be wrong. Taiwan correctly fits this pattern. However, upon closer analysis the PRC does not fit the same pattern, or any other of Quah's patterns of anti-corruption. The PRC has non-independent ACAs just like Taiwan. Yet, the PRC has two sets of anti-corruption regulations that officials abide by, the law and the rules of party discipline, of which party discipline often takes precedence. In Taiwan all officials are judged by the law.

This is an important point regarding the relationship between corruption and political regime type.

With two sets of regulations, the punishment of corruption becomes political instead of legal in the

higher levels of politics. Because the CDIC answers to the Politburo Standing Committee, the highest level of CCP leadership remains isolated from any real danger of getting caught.

This is different in democratic Taiwan where ex-president Chen Shui-bian was tried and convicted of corruption on the basis of the same rules that all citizens of Taiwan abide by.

Having a separate set of party discipline regulations is another cause of corruption in itself, because it creates an uneven playing field as party members and non-party members are treated differently by the law. When these differences occur, opportunities for corruption arise.

Party discipline inspection could exist in Taiwan, but it would never be able to take precedence over the legal framework in terms of anti-corruption. In a democracy like Taiwan a politician that does not follow the law would not be able to stay in power for long. *Therefore we can conclude that this is a point where political regime type creates a difference in corruption trends.*

#### *Civil servant salaries*

I hypothesized that in both countries civil servant salaries were previously very low, but have increased to a level high enough to suppress *need-driven* corruption. In both Taiwan and the PRC civil servant salaries have been at a very low point in the past, thus being a cause of *need-driven* corruption. However, the wages have become more competitive in both countries. In Taiwan, due to economic growth, significant benefits in comparison to private sector jobs, and wage stability during economic downswings, wages have become attractive to a satisfactory level. In the PRC, civil servant wages have been raised by reforms during 1997-2002 and are currently at a level significantly above the GDP per capita.

In both democratic Taiwan and authoritarian PRC governments have realized the importance of having competitive wages for civil servants and have managed to root out *need-driven* petty corruption by lower level officials who depended on corruption to make a living.

This cause of corruption has manifested itself and has been dealt with in similar ways in both Taiwan and the PRC. It is an economic cause of corruption that appears in poor countries. For both democracies and authoritarian governments economic growth and the raising of government salaries are a remedy to this cause of corruption. Therefore this is not an indication of a difference between corruption trends in democracies and authoritarian countries.

### *Red tape and opportunities for corruption*

I hypothesized that red tape and opportunities for corruption would be influenced by administrative reforms through the years in both countries. These reforms would create more rigid systems of administration and a more transparent bureaucracy, thus reducing opportunities for lower-level petty corruption and giving more opportunities for higher level corruption due to the ability to manipulate more complex administrative loopholes.

After analysis it seems that my hypothesis is half right. Both countries have seen reforms lowering opportunities and incentives for low level officials. Therefore we can conclude that over the years petty corruption has decreased. However, opportunities for grand corruption by higher officials are developing very differently in both countries and here the difference between democratic and authoritarian political regimes stands out.

In Taiwan, 2008 was the year that Ma Ying-jeou won the presidential election, running on an anti-corruption platform. The following year he initiated the 'National Integrity Building Plan', a comprehensive plan to make government more efficient and more transparent. Additionally, under his leadership the Agency Against Corruption was established. It is not as good as replacing all ACAs with a single independent agency, but it increases efficiency due to the involvement of government ethics committees and district procuratorate. The efficacy of these reforms show from Taiwan's high ranking in the World Bank's *Doing Business* index since 2009. These reforms are results

of democracy. The previous president, Chen Shui-bian was corrupt and the people demanded reform. Ma Ying-jeou had to genuinely appeal to this popular sentiment in order to get elected. The results are that he enacted reforms that make it more difficult for any officials, including the higher ups, to get away with acts of corruption.

In the PRC, Xi Jinping started an anti-corruption campaign that has resulted in the arrest of many officials of low and high levels. However, there are no indications that he is willing to make any administrative reforms making high-level party members' dealings more transparent. The highest levels of the CCP remain a black box and there seems to be no incentive for them to change this due to the CCP's monopoly on power. This is another fundamental difference between democratic and authoritarian regimes in terms of the causes and curbs of corruption.

#### *Risk of detection and punishment of corruption*

My hypothesis about the risk of detection and punishment of corruption factor was similar to the previous one. In both countries risk of detection becomes progressively higher for lower level officials over time due to administrative reforms and at the same time the risk of detection and punishment has become lower for higher level officials as they make the rules.

Similar to the previous section, the analysis indicates that I was only half correct in my hypothesis.

As shown with court data of both countries, the risk has become progressively higher for lower level officials in both countries. The data indicates that these trends correspond with administrative reforms. Again I was wrong about higher level grand corruption. There is evidence for a surge in higher level grand corruption in the PRC. The highest levels of the CCP make the rules and are thus not in danger of being detected. Furthermore, risk of detection as a high level official is of a political nature. In the context of Xi Jinping's current anti-corruption crackdown, the risk of capture is higher if you politically oppose the leadership.

In Taiwan judicial data shows an increase from around a 25% chance of being found guilty in corruption cases during 1991-2002 to chance of around 75% of being found guilty after the implementation of the 'National Integrity Building Plan' in 2008. This is evidence that the risk of detection is becoming higher for all levels of government.

The analysis of this factor further indicates that the trends in corruption of democratic and authoritarian nations are similar regarding low level corruption, but very different in terms of high-level, grand corruption.

#### *Cultural factors*

I hypothesized that the cultural factors causing corruption are similar in Taiwan and the PRC, since both have a strong traditional Chinese cultural history. As discussed before, the influence of *guanxi* and gift-giving culture promotes the manifestation of corruption. Culture is hard to change from the top down, regardless of the political regime. There is no evidence of these cultures changing in the short or long term in both countries. Therefore this serves as a control variable, making Taiwan and the PRC more easily comparable.

#### *Political will to tackle the problem of corruption*

I expected that political will to tackle corruption would play a similar role in both countries as the countries' political elites are both split into younger, progressive, and western-educated factions and the conservative old-guard of party elites. The younger ones have less vested interests and a more progressive attitude and would thus display a stronger political will to tackle the problem.

Currently both countries are ruled by relatively young politicians with western education backgrounds. However, the analysis indicates that my hypothesis was incorrect. There is a large difference in political will between both countries' leaderships. Taiwan's ruling elite shows far more



genuine will to tackle the problem of corruption with its 'National Integrity Building Plan' reforms, than Xi Jinping's administration does with its anti-corruption campaign. As we have shown before, Taiwan's current policies show genuine improvements in the country's government infrastructure to warrant lasting results in terms of anti-corruption. As for the PRC, there is no indication that the current anti-corruption campaign is anything more than a method for Xi Jinping to consolidate his power. As long as he does not address the issues of party discipline preceding over the rule of law when it comes to the trial of party members or establishing the CDIC as a truly independent ACA, then there is no indication of genuine will to tackle corruption.

## V.II Discussion

In this section I will take a closer look at the implications our case study has on the state of research regarding the relationship between corruption and democratization. As noted earlier in this text, the majority of the body of previous research suggests that democratization inhibits corruption.

The relationship between corruption and democratization is described as an inverted U-curve by Campbell and Saha.<sup>136</sup> “[...] there is a cubic relationship between democracy and corruption, such that, a democratic transformation (starting at an extremely dictatorial level) initially reduces corruption, but at intermediate levels of democracy increases corruption, and finally, at mature stages, substantially reduces corruption.”<sup>137</sup> This is reflected in the experience of newly democratic

Taiwan. As noted earlier, Taiwan's first democratically elected president Lee Teng-hui resorted to the cutting of deals with business tycoons and organized crime members, thus creating a political climate with more corruption. His successor Chen Shui-bian proved to be no better after his arrest for corruption in 2008 following his second term in office. Following the above mentioned theory, Ma Ying-jeou and his National Integrity Building Plan could possibly be the threshold after which

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<sup>136</sup> Campbell, Saha.(2013).

<sup>137</sup> Ibid: 299.

corruption starts to decrease. However, it is still too early to tell. Campbell and Saha note: “[...] we find that the turning point for democracy reducing corruption is relatively high for Asia-Pacific countries. A possible policy implication from this is that reforms to institutions and practices [...] need to be persisted with, and, we should not be disillusioned simply because past mature-democracy-enhancing reforms failed to impact upon the level of corruption.”<sup>138</sup> The reform program can only be the turning point for democratization to start reducing corruption in Taiwan if the leaders persist in implementing the reforms.

This theory can be associated with the factor of ‘political will to tackle corruption’. The theory of the U-curve relationship between corruption and democratization is not upset by the experience of modern day authoritarian China. There is no indication of any institutional threshold of this kind being reached in the Middle Kingdom.

However, the cases of Taiwan and the PRC do not offer conclusive evidence for *or* against the U-curve theory of the relationship between democratization and corruption. We should continue to track the development of corruption in the two countries as it still remains unclear if Taiwan’s corruption levels will continue to drop and/or if the PRC will start definitive reforms to lower overall corruption levels without democratization.

One thing that this study highlights is that the development of corruption cannot fully be explained by democratization (or the lack thereof). Earlier in the text we established that low civil servant salaries and a low level of a country’s economic development is one of the chief causes of *need-driven* corruption. As we have seen, both Taiwan and the PRC are able to solve this problem with the combination of economic growth and civil service wage reforms. This is thus a form of corruption that is not caused by a lack of democracy, but by economic factors.

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<sup>138</sup> Campbell, Saha.. (2013): 300.

This deserves more focus in future research on the causes and curbs of corruption. This research highlights that instead of looking for an end-all solution to corruption different forms of corruption should be identified and dealt with accordingly.

Another perspective on the development of corruption is the idea by Ades and Di Tella that governments focusing on promoting large state owned companies, or ‘national champions’ have higher levels of corruption.<sup>139</sup> In future research on corruption comparing Taiwan and the PRC, it would be interesting to focus on this element. There are plenty of large SOEs in the PRC, but in Taiwan the situation has changed considerably in recent years. A comparison of the two cases could possibly yield interesting insights related to Ades, Alberto and Di Tella’s theory.

Another reason that researchers attribute democratization with the curbing of corruption is the amount of apparent transparency democratic elements like freedom of information and association provide to society, thus making it harder to get away with acts of official malfeasance. Recently research has been done that has revealed that Taiwan, although a democracy doesn’t always live up to the expectations that democracy provides rule of law and equality.<sup>140</sup> The authors of ‘Procedural quality only? Taiwanese democracy reconsidered’<sup>141</sup> use a method to assess the ‘quality’ of a country’s democratic system in order to conceive a non-static notion of democracy. It would be interesting for researchers to explore the relationship between the ‘quality of democracy’ and corruption. One conclusion we can make about the cases of Taiwan and the PRC is that the rule of law, or the lack thereof, is a key difference between the two cases in terms of corruption trends.

However, following the above mentioned authors’ notions of quality of democracy, one can deduce that democracy does not by default indicate that a country has ‘rule of law.’ Future research should

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<sup>139</sup> Ades, Alberto, Di Tella.(1997).

<sup>140</sup> Chang, Yu-tzung; Chu, Yun-han; Huang Min-hua. “Procedural quality only? Taiwanese democracy reconsidered”. *International Political Science Review* 32:598 (2011). pp. 598-619.

<sup>141</sup> Chang, Chu, Huang. (2011).

pursue the possibility that the relationship between levels of ‘rule of law’ and corruption might be stronger than that of democratization and corruption.



## VI. Conclusion

After a thorough perspective on the cases of causes and curbs of corruption in Taiwan and the People's Republic of China, we have reached the concluding section of this text. Previous studies on the relationship between democracy and corruption focus on the power of democratic institutions to inhibit corruption. Institutions like public elections, freedom of information and association, and a free press are often considered to be among the most important factors leading to the negative relationship between democratization and corruption. In this study I sought to challenge the role of political regime type in terms of its relationship with corruption. Maybe the above mentioned are factors in a relationship between development and corruption. The purpose of pursuing this train of thought is to explore a universal nature of corruption, regardless of the context. This should be the ultimate goal of corruption researchers, to fully understand it at its essence in order to deal with it effectively no matter the context.

The People's Republic of China was once undoubtedly a communist country. As of now, scholars have more trouble placing it among the rest of the Cold War era type communist nations. It has adopted capitalism in the early eighties and proceeds with steady reforms improving the lives of its many citizens. The old communist countries were stuck in terms of development (leading to the eventual downfall the Soviet Union) and this resulted in rampant corruption. China has been able to avoid stagnating growth due to its pragmatic view of what their ideology should allow in terms of policy. My research aims to contribute by exploring the notion that the institutional reforms associated with a reduction in official corruption are not restricted to democratic political regimes. As the case of interest that challenges the paradigm is China, I chose to compare it to Taiwan, a democratic Greater China nation with cultural similarities.

In some ways the comparison of these two nations is shaky. Taiwan is a very small country in comparison to China and beyond the size difference the countries institutional systems are very much at odds with each other. China is in many ways a unique case that does not easily lend itself to comparison. However, as the body of my study shows, if we use a model that is unbiased in terms of political regime type and is focused on the factors causing corruption, key insights are to be gained at just how the two systems influence corruption trends in different and similar ways. Taiwan and China are countries that both developed after World War II, therefore their development timings are close enough to compare. Additionally, there is no other democratic country in the world that has cultural factors influencing corruption that are so similar to the PRC's than Taiwan. Therefore, the comparison is a valid attempt to gain understanding of their corruption contexts and the nature of corruption itself.

Overall the abovementioned comparisons provide insight that goes well beyond my initial expectations. My hypothesis that in democratic and authoritarian regimes the issue of *need*-driven corruption was driven by a lack of oversight and low civil service salaries was correct. I also found that this problem was dealt with in the same way in both political regime types, namely through the implementation of administrative reforms and providing more competitive remuneration for government employees. Both regime types show similar trends for this form of corruption.

However, the analysis showed a different picture than I hypothesized regarding high-level, grand corruption. I hypothesized that the administrative reforms would promote grand corruption regardless of political regime type due to increasingly complex red tape providing more lucrative opportunities for the higher-ups in charge. My research shows that high level corruption is dependent on other factors, most importantly the rules that the officials have to abide by. In democratic Taiwan, all officials adhere to the rule of law. Therefore, the administrative and legal systems constrain their behavior as much as lower level officials and ordinary citizens. In the

authoritarian PRC, party discipline is above the law and the political elite is above party discipline. This gives anti-corruption a more political nature among higher-ups in the PRC than in Taiwan. This is a fundamental difference between both countries' frameworks of causes and curbs of corruption. The difference is directly related to regime type. One of the key elements of democracy is the rule of law. If a country does not have this it will affect their corruption trends in a negative way.

In summary, in contrary to my hypothesis, in the comparison of corruption trends between democratic Taiwan and non-democratic People's Republic of China, key elements of democracy stand out as major factors suppressing corruption. Therefore, the notion that democratization curbs corruption still stands.

Another area where my research contributes is corruption research methodology. This is the first time that Jon S. T. Quah's has been used in the format of a model for the comparison of different frameworks of causes and curbs of corruption. Especially comparing the five causes of corruption is particularly revealing. Overall this research shows how usable the Quah model is in comparative studies. However, using the model for this research also points out its shortcomings.

This text contributes to this model by pointing out a fourth pattern of anti-corruption. This is the pattern of the PRC with multiple sets of anti-corruption legislation and a non-independent ACA.

Quah's model has a few problems. It is biased in that it uses the anti-corruption systems of Singapore and Hong Kong as the benchmark for optimal anti-corruption. This is reasonable as the two countries have the lowest CPI scores in the world. However, there this assumption is problematic. The most important point here is that Singapore and Hong Kong are city-states and much smaller than most other countries in the world. The difference in scale in terms of anti-corruption coverage between Singapore and, for example, China is enormous.

This study has many other shortcomings and limitations. The most important shortcoming is the lack of up-to-date judicial data from the PRC. From other literature we assume that corruption cases in China follow two sets of rules, either the law or CCP party discipline rules. It would have been revealing to compare the amount of cases forwarded to the Procuratorate to the amount of cases that the Discipline Inspection took care of itself. Here I am limited by a limited proficiency in the Mandarin language and lack of publicly open data provided by the CCP.

Another limitation to this study was a lack of travel funds. It would have been revealing to interview experts on both sides about the five causes of corruption in Taiwan and the PRC. As there was no possibility to travel to the PRC, a one-sided interview in Taiwan would not have been representative. Asia is one of the most dynamic regions in terms of corruption in the world in this day and age. There is still much to be learned from the developments currently in motion here. Researchers should continue watching Xi Jinping's anti-corruption campaign and Taiwan's National Integrity Building Plan unfold and keep them in comparative perspective. This is important for the U-curve shaped relation between democratization and decreasing corruption theory. As of right now CPI numbers of the last two years hint at a slightly decreasing level of corruption in the PRC. While there is no direct evidence of this being the threshold after which corruption levels start decreasing, there is always the possibility of a drastic change being in the works. CCP politics are unpredictable, but not incomprehensible.

Another direction that future researchers should look at is expanding the scope of the comparison to all Greater China countries. A comparative perspective of the PRC, Singapore, Hong Kong, and Taiwan could reveal a lot about the development of corruption and its relationship to Chinese cultural factors.

Additionally, as I have stated earlier, Quah's model takes the city-states of Singapore and Hong Kong as its benchmark for judging other cases. Future researchers could expand the model by using



a less biased bar. For example, the Anti-Corruption guidelines as set up by the World Bank could be used as a gauge for different cases.

The study of corruption is a very interesting and dynamic field and the fruits of its research can have far reaching consequences for the welfare of the people who fall victim to it. When one studies corruption, one must keep in mind that it is a societal ill that creates inequality and inefficiency. In societies where corruption is rampant adversity is constantly reproducing. This study hopes to bring us a small step closer to the understanding of the nature of corruption. There is still much to be discovered, but much progress has been made.



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