

# Building an Integrity System with Chinese Characteristics

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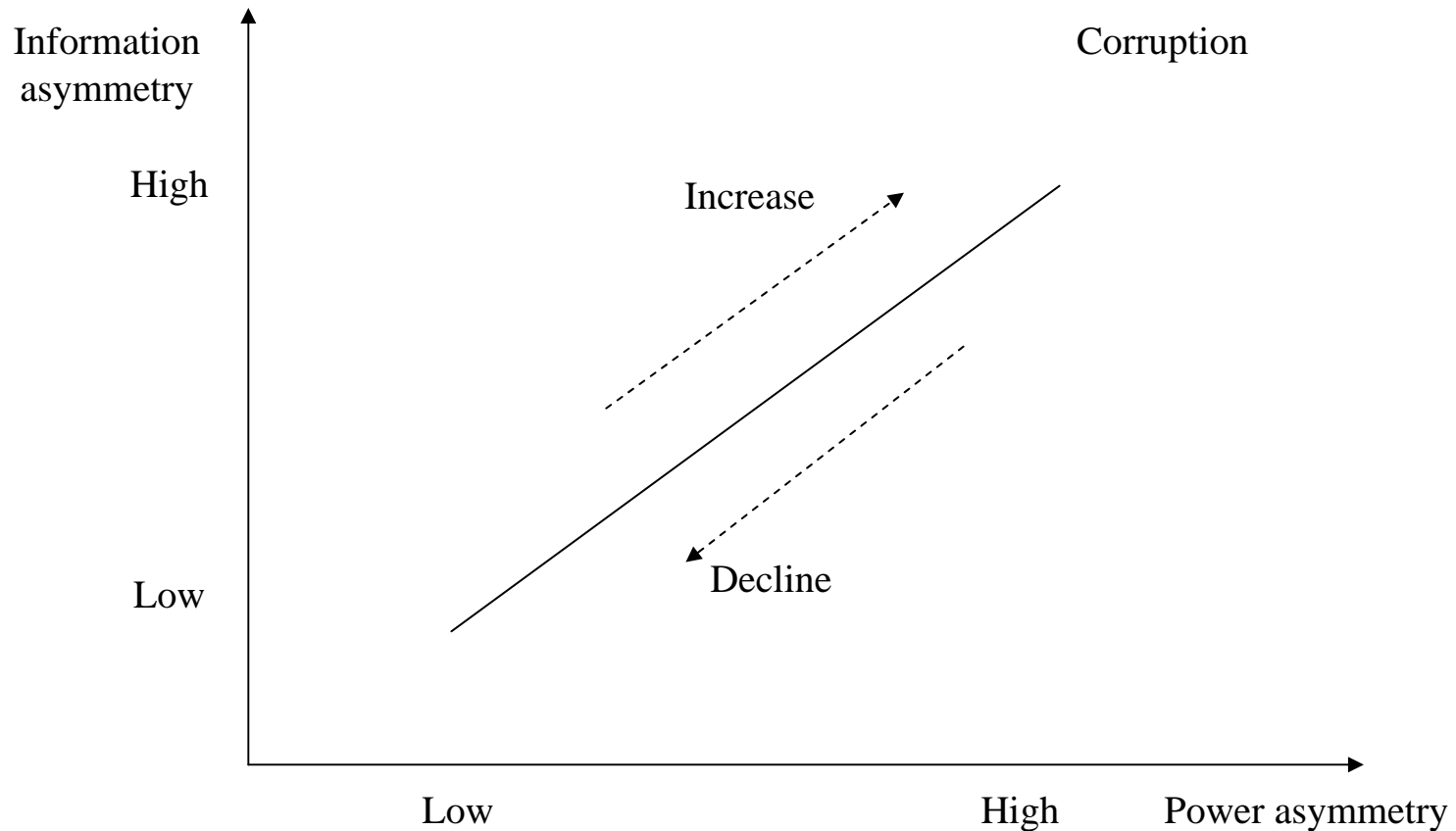
# - Agenda

- Structural sources of corruption (two asymmetries)
- Evaluations on China's corruptions
- Development agendas of China's anti-corruption
- Experiences of China's anti-corruption
- Conclusion: Building an Integrity system with Chinese characteristics

# - Structural sources of corruption

- Power asymmetry: Asymmetry of public power and supervision power
- Information asymmetry: Asymmetry between corrupter and supervision agencies
- Corruption is the result of power asymmetry and information asymmetry
- The aim of anti-corruption is solving two asymmetries, the essence of anti-corruption is to reduce transaction cost and governance cost

# - Correlations of information asymmetry, power asymmetry and corruption



# - China's two asymmetries

- Biggest political condition: Five tiers government system (31 provinces, 333 prefectures, 2860 counties, 41040 townships level jurisdictions)
- Transparency revolution to solve information asymmetry
- Supervision revolution to solve power asymmetry
- Institutional building is the essential way to implement related revolutions

# - Social recognitions

- Experts survey (social problem rank): (1) *San-nong* issues, (2) Corruption, (3) Economic instability (CASS, 2003)
- Officials survey (social problem rank): Corruption is out of top 3 (CASS, 2005)
- Urban residents survey (social problem rank): (1) Laid-off, (2) Corruption, (3) Income inequality (CASS, 2003)

# - Recognitions of social problem by urban residents

	No. 1		No. 2		No. 3	
	Problem	Ratio (%)	Problem	Ratio (%)	Problem	Ratio (%)
2000	Laid-off	88.9	Corruption	79.5	Income inequality	71.6
2001	Corruption	79.1	Laid-off	75.1	Income inequality	64.5
2003	Laid-off	70.4	Corruption	54.7	Income inequality	40.4

Source: CASS, 2005.

# Corruption Perceptions Index(TI)

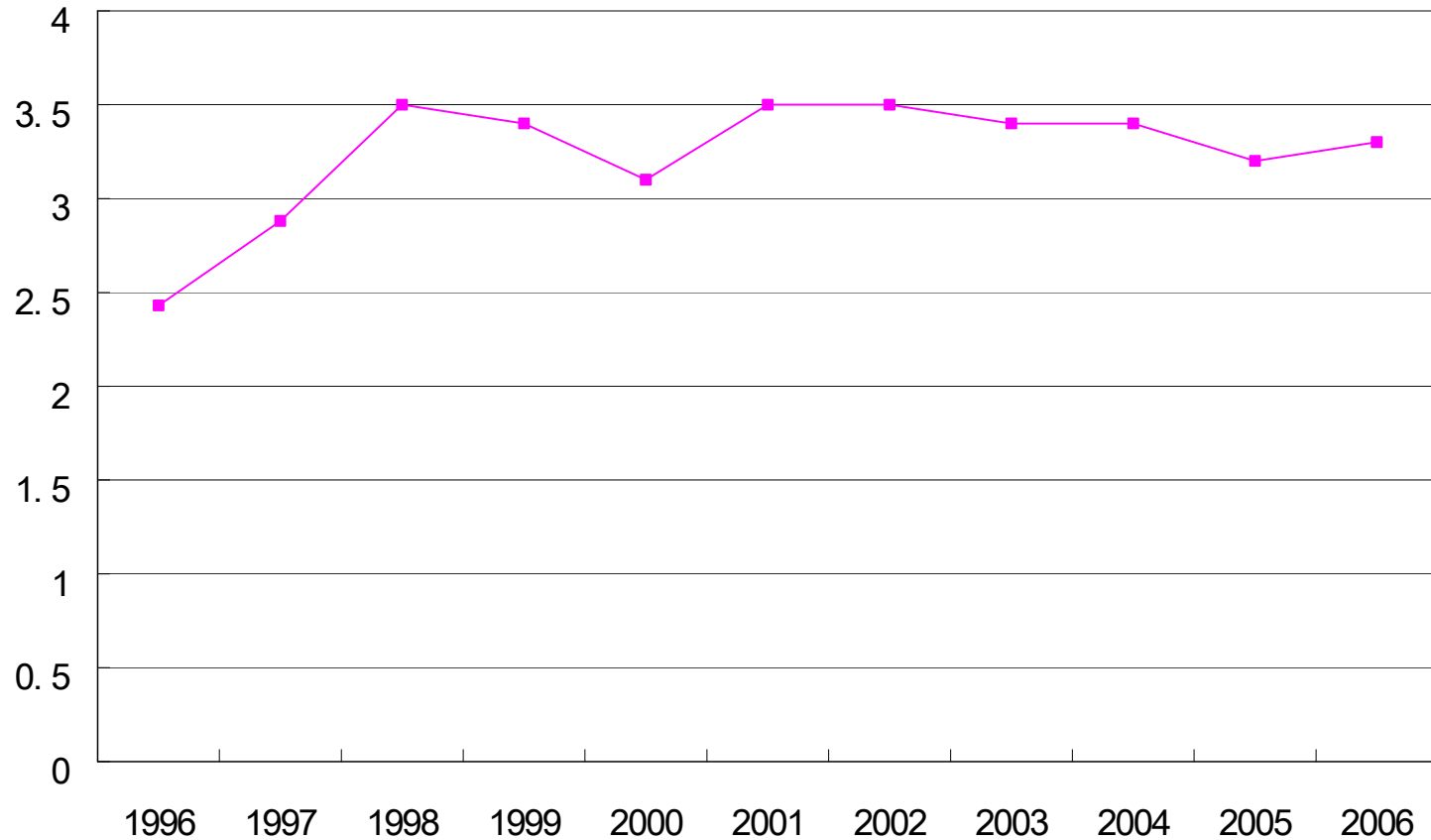
## ( 1996 - 2007 )

Country	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Poland	5.57	5.08	4.6	4.2	4.1	4.1	4.0	3.6	3.5	3.4	3.7	4.2
Czech Republic	5.37	5.20	4.8	4.6	4.3	3.9	3.7	3.9	4.2	4.3	4.8	5.2
Hungary	4.86	5.18	5.0	5.2	5.2	5.3	4.9	4.8	4.8	5.0	5.2	5.3
Russia	2.58	2.27	2.4	2.4	2.1	2.3	2.7	2.7	2.8	2.4	2.5	2.3
China	2.43	2.88	3.5	3.4	3.1	3.5	3.5	3.4	3.4	3.2	3.3	3.5
Indonesia	2.65	2.72	2	1.7	1.7	1.9	1.9	1.9	2.0	2.2	2.4	2.3

# - International organization's recognitions

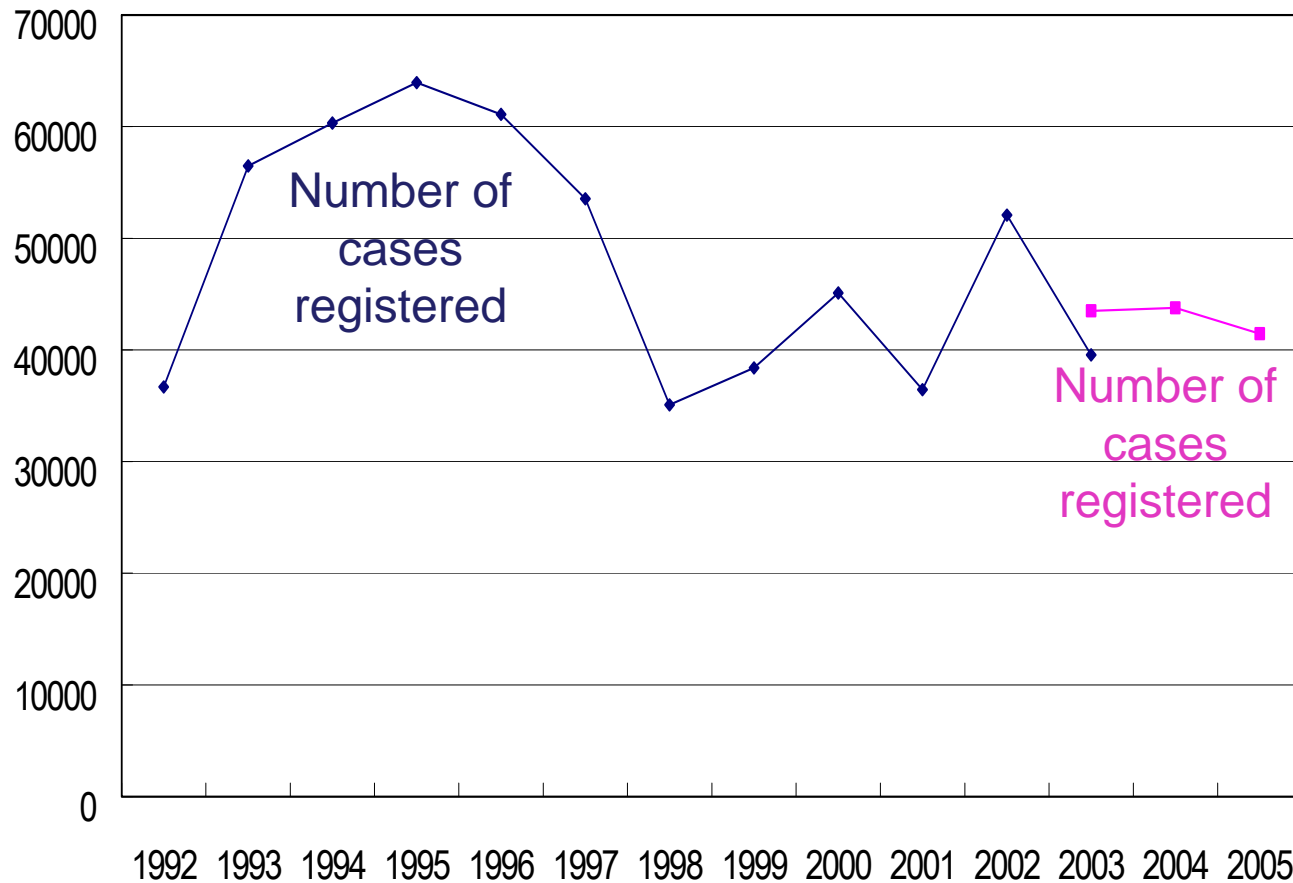
- Transparency International: Relatively middle level corruption in China since 90s, no better and no worse
- OECD: Complex situations and threats to political and economic stability, problems in slight punish on bribers, no effective protection on whistleblowers and intervention on anti-corruption

# - China's Corruption Perceptions Index (CPI, 1996-2006)



Source: Transparency International.

# - Cases under Direct Investigation by Procuratorate's Offices (1992-2005)



Source: China Statistical Yearbook, various years.

# - My evaluations

- The biggest challenges of China  
Communism Party is from internal, but not external; is economic corruption, but not political disruption
- “Two Stills”: Corruption is still daunting and still heavy
- “Two tensions”: Party & Citizen, Party & Civil society

# - Phrases of anti-corruption

- 1<sup>st</sup> phrase: Institutional rebuilding (1978-1991)
- 2<sup>nd</sup> phrase: Institutional deepening (1992-2001)
- 3<sup>rd</sup> phrase: Institutional improving and National Integrity System (2002- )

# - Remarks on anti-corruption institution evolution

- Complementarity of related institutions
- Institutional evolution: Not autonomic, but self-conscious; not passive, but active; both induced and compellent; both political desire, learning capacity and innovation capacity
- Institution is invisible infrastructure with high externality, invisible investment with long term dividends

# - Experiences of anti-corruption in China

- Party has strong desire and open political promise
- Fulfill promise by top leaders, and supervised by all citizens
- Continue to explore National Integrity System with China-characterized

# - Reasons of building National Integrity System

- Anti-corruption is the part of institutional building
- Transparency International defined the ultimate way to anti-corruption is to build National Integrity System
- Change corruption from low risk, high profit to high risk, low profit

# - Purposes of National Integrity System

- From bad governance to good governance
  - Corruption is bad governance
  - Anti-corruption is good governance
  - Anti-corruption didn't mean to anti-person's corruption, should build institution to prevent corruptions
- The ultimate purpose of national Integrity system is to make corruption afford high risk and receive low profit

Sustainable Development

Legal System

Living Quality

# National Integrity System

Legislation agencies

Administrative agencies

Judicial system

Audit department

Supervision specialist

Anti-corruption agencies

Servant system

News media

Civil society

Private Enterprise

International organization

Citizen Recognition

Social Value

# - Conclusions

- Corruption is still daunting challenge for China's long term prosperity
- The purpose of National Integrity System and build Incorruptible society is to innovate China-characterized anti-corruption
- Development is top priority, anti-corruption is also top priority
- Anti-corruption is not only Party's responsibility and also all people's responsibility