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## Shanghai, and the Fall of Chen Liangyu: Corruption, Politics or Both?

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### Key Points:

- Shanghai Party Secretary and Politburo member Chen Liangyu is the highest level victim of investigations into corruption for a decade in China.
- But it is not clear how extensive the current purge will be, nor, for that matter, whether Chen's fall is as much linked to an assertion of power by President Hu in Beijing as the claims of his involvement in graft and misappropriation of social security funds
- Chen's fall is part of the seemingly never ending story of corruption in China, and the public battle against it. However, does not draw a line under this story.
- Shanghai will continue to be the economic power house of the new China, whoever is chosen to replace Chen. And Beijing will continue to be wary of Shanghai's aspirations, and just how soon, and how much, it can declare itself to be the "new Hong Kong"

### Chen's Fall

Chen Liangyu was abruptly removed from his position as Party Secretary in Shanghai on the 25<sup>th</sup> of September. His photo, speeches, and recent remarks were removed even more swiftly from official websites than the excision of Mao's heir and successor Lin Biao from Party photos in the early 1970s after his fall and disgrace. While New China is constructed and rebuilt, it seems the pattern and structure of removal from power remains unerringly the same. So too does the general lack of clarity about exactly how, why and where Chen went wrong.

Chen being seen as a protégé of former President Jiang Zemin has fuelled speculation that this is part of a larger assertion of power from President Hu and his relatively new team in Beijing. Parallels with the fall of Beijing Mayor Chen Xitong in 1996-1997 have been drawn. The main claim against Shanghai Chen (no relation of Beijing Chen) involves misappropriation of social security funds. Some US\$400 million has gone missing over the last few years, to be invested, it is claimed in property, business interests, and other “illegitimate and irregular” areas. But some commentators have argued that Chen Liangyu was hardly a threat to Hu Juntao, and in some ways has become more prominent through being felled than he was before when he was in power.

Chen had only joined the Politburo, the supreme decision making body in China, in 2001. He was the highest ranking member of the Politburo with the clearest links to the UK, having spent a few months as a UK government funded Chevening Scholar in the early 1990s, at Birmingham University, before being summoned back to Beijing. A native of Shanghai, and an engineer by background, rumours of Chen’s problems began to surface in the Hong Kong press early last year. Some idea that there might be some substance behind these rumours came earlier this year when a lower level official, Qin Yu, was removed from power. As yet, no charges have been levelled against Chen, and it is perfectly possible that he might languish under investigation for several more months. His fall reminds leaders in other provinces that as Beijing wishes, so it does, and that even the most strident local area must reckon, ultimately, with the significant powers of the national Party and its disciplinary structure. Premier Wen Jiabao and the State Council recently also slapped Governor of Inner Mongolia Yang Jing over the knuckles for building a power generator without central sanction.

### **Chen and Corruption in the New China: The Wider Meaning**

The real issue highlighted by Chen’s abrupt disappearance is to return, again, to the old theme of corruption in China. A recent study of Shanghai noted that one of the results of the enormous economic explosion over the last two decades was the hike in land prices. Shanghai real estate now ranks among the most expensive in Asia. The city’s population of 21 million is growing by half a million a year. Shanghai is not geographically large. Unlike Beijing, it is bordered on the south by the sea. There is only so much land to go round. The more recent solution, evidenced by the dramatic Pudong redevelopment zone skyline, is to build increasingly tall skyscrapers, one of

which is scheduled to be the world's tallest building when it is finished. Residential accommodation has been shifted to the newly created suburbs of the city. This has meant that the municipal government has been in control of freed up property worth hundreds of millions of pounds.

One of the perennial problems of those in government positions in China is that they are reasonably modestly paid, in control of areas where huge amounts of cash are swishing around. It is not uncommon for deputy mayors or senior leaders in provincial and national governments to be responsible for multi million pound projects. Add this to the general lack of transparency in the awarding of government contracts and disbursement of funds, and the combination can be deadly. Chen's fall was preceded a few months back by the removal of a Vice Mayor in Beijing involved in 2008 Olympic projects. This raises the interesting question of how in fact corruption is avoidable in an environment where there is such a massive mismatch between the stated rewards for officials, and what they can gain quite easily by other means.

#### **Chen's Fall: Start of a New Beginning or Heralding More of the Same**

The impact of the fall of an official even as prominent as Chen is likely to be limited, and short lived. Chen Xitong, a much more powerful and threatening figure in the early 1990s, was, after his removal in 1997, pretty much finished. There were no long term systemic changes or lessons learnt from his fall, nor that much sense that the Party was looking at what he claimed to have done and learning how it might change and reform its internal and external regulations and procedures. This provokes two related thoughts: that currently corruption is an endemic part of the Chinese political system, and that those accused of it, because it is generally quite rare, are in fact being accused for political reasons. That at least seems to be the public reaction to Chen's removal in Shanghai – something that is accepted with weary resignation as having little impact on how things are done in the city, and being prompted for reasons far from those stated.

President Hu had come to power with the promise of a more businesslike and open approach to government. But the treatment of Chen is an event that could have happened any time in the last quarter of a century, and signifies more business as usual rather than any great sea change. The real challenge to the Party is the hundred of thousands of officials for whom the temptation of 'irregular' activities are part and parcel of their daily activity. Treating this would involve a bold assault by the

Party on two areas – strict separation of legislative and executive powers, so that the Party no longer acts as judge, jury and (all too often) executioner. And a general opening up to outside scrutiny and challenges of some of its most protected and cherished privileged areas. There is little evidence that either of these are about to occur any time soon, and in fact the case of Chen shows more continuity with the past than any fresh action.

### **Life goes on...**

Some things do change, however, In Maoist China, events like the fall of Mao, or the rise of the Gang of Four were news not for weeks or months, but years. These days, infected by the same swift attention span as the rest of the world, the news agenda moves on in a matter of days. Now Chen is in the process of being airbrushed from history, speculation is focussing on who will replace him. At the moment, Shanghai Mayor Han Zheng is stand in Party Secretary. But there are credible rumours that a supposed Hu protégé, like the current governor of Jiangxi, will take over. That will be leapt upon by subscribers of the conspiracy school of history to prove that all of this, located so conveniently near the Party Plenum where personnel changes are made, had everything to do with high level factional political battles, and nothing to do with the smokescreen of corruption. But there are also stories that current Minister of Trade, and ex Mayor of Dalian Bo Xilai might be in the frame. All of this is likely to be resolved in the next fortnight or so.

There is an added dimension to this. The rivalry between Shanghai and Beijing has a long history – predating, in fact, the founding of the People's Republic in 1949. Away from the generic issues of corruption and factional politics, there is also a way of reading the recent events in Shanghai as the central government reminding its economic power house that it is still a junior partner in the great enterprise of the reconstruction of the New China. Shanghai is used to these sporadic lessons in humility. Omitted in the early 1980s from Deng Xiaoping's 'Open Zones' (an omission he was subsequently to admit was his greatest mistake) the city has, in the 1990s, enjoyed a renaissance. The more cynical point out that the award of the World Expo to the City for 2010 (an event Shanghai tirelessly lobbied for, and which the UK supported) can be read as a consolation prize for Beijing's hosting of the Olympics two years earlier. The Expo is witnessing promises of massive funding and regeneration, almost as though Shanghai is taking this opportunity to assert its dominance over the future. For other regions in China, Chen's fall is a demonstration

by Beijing that Shanghai should realise the golden days of the President Jiang – Premier Zhu `Shanghai Clique' are over.

It is unlikely that this immense, dynamic city will be set back much by the removal of the so called main man. It will continue to boom ahead, posting 10 per cent growth rate statistics each year. What is more interesting is where the trail begun in Shanghai might lead. These investigations have a nasty habit of reaching places they were not meant to, and already rumours are swirling that people at the Centre are now in the frame. President Hu evidently felt he had the power base and grounds to launch this process. But whether he will be able to stop it if it reaches too close to home is another matter. The bottom line remains the same: to be a leader in China means to be available to temptation and demands that are most of the time irresistible, and there is little sign that anything is being done to address that question. The current round of purges is unlikely to change that.

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