China’s former security chief under investigation

John Chan
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The political implications of the recent corruption trial of Bo Xilai, the former Chongqing Communist Party secretary and Politburo member, have become even clearer as the leadership of President Xi Jinping and Premier Li Keqiang targets former security chief Zhou Yongkang.

Zhou was a member of China’s top leadership body—the nine-member Politburo Standing Committee—and in charge of China’s security apparatuses for a decade. He was Bo’s most powerful backer. Now he is reportedly under investigation for corruption.

Zhou retired after former President Hu Jintao handed power to the “fifth generation” of Chinese leaders, headed by Xi, at the last Chinese Communist Party (CCP) congress in November. Zhou rose to prominence via the highly profitable state-owned oil companies and is regarded as a leading figure in the wealthy “oil faction” of the Chinese oligarchy.

Hong Kong’s *South China Morning Post* reported on August 30 that during their annual retreat at the Beidaihe resort in August, top CCP leaders “agreed to open a corruption investigation into former security tsar Zhou Yongkang.” The newspaper explained that the inquiry “could send even bigger political shockwaves through Beijing than the trial of Bo Xilai, who was widely considered a key Zhou ally.”

Citing CCP sources, the *Post* reported that, given the scale of Zhou’s corruption and the vast fortune he amassed through the oil industry, President Xi ordered investigators to “get to the bottom of it.”

The Xi leadership is not interested in addressing corruption, which is rampant throughout the entire CCP bureaucracy. Last year, using publicly available information, Bloomberg concluded that Xi’s family members had a fortune of at least $US376 million. The *New York Times* also reported last year that former Premier Wen Jiabao helped his family amass at least $2.7 billion in a vast network of businesses, ranging from tyre manufacture to private equity investment and the diamond trade.

Four senior oil executives, including Jiang Jieming, former head of the largest company, China National Petroleum Corporation (CNPC), were detained last week over corruption allegations. Jiang was appointed just half a year ago as the head of the State Assets Supervision and Administration Commission, which oversees China’s 100-plus largest state-owned enterprises. All the executives were connected to Zhou, especially when he was in charge of Sichuan Province, before being named public security minister in 2002.

The first major target of Xi’s “anti-corruption” campaign was a former deputy party secretary in Sichuan, Li Chuncheng, who was detained in December. In August this year, a Sichuan businessman Wu Bing, also thought to have close connections with Zhou, reportedly disappeared.

The decision of the Xi leadership to pursue Zhou and his supporters is bound up with the next stage of pro-market restructuring, which is centred on privatising key strategic state-owned sectors, such as energy and finance. Premier Li and his predecessor Wen Jiabao set out this agenda last year in a joint report with the World Bank, *China 2030*. Shortly afterward, Bo was detained.

China’s export-led economic expansion has slowed sharply under the impact of the continued slump in its major markets in the US, Japan and Europe. Many export firms now rely heavily on government subsidies to survive. Huge levels of local government and corporate debt threaten to trigger a devastating financial crisis.

The response of the Xi leadership has been to try to

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boost the economy by opening up highly profitable sectors of state-owned industry to foreign investment. This agenda, which involves wholesale plant closures, job cuts and the relentless driving up of productivity, was set out in the *China 2030* report, in the line with the longstanding demands of international finance capital.

China joined the World Trade Organisation (WTO) in 2001, but did not agree to fully open up key strategic sectors to foreign capital. Foreign ownership in banking is still heavily restricted. In the auto sector, foreign multinationals operate through joint ventures and cannot hold a majority stake. Auto parts are mostly sourced locally.

Despite complaints by foreign investors, sections of the CCP bureaucracy, including Zhou, Bo and their supporters, have argued that the largest state-owned enterprises should be protected and transformed into "national champions" to rival their global counterparts—akin to the South Korean conglomerates such as Hyundai and Samsung.

Xi-Li leadership is also targeting Zhou, who is regarded as an obstacle to the *China 2030* agenda, as part of its efforts to defuse the Obama administration's aggressive "pivot to Asia," aimed at undermining China's strategic and economic position. Xi has called for a "new type of great power relations" with the US.

Zhou, on the other hand, is associated with the efforts of major Chinese state-owned oil companies to acquire energy supplies. This has become a major source of tension with the US. He was behind the agreements securing gas supplies from Central Asian countries, such as Turkmenistan and Kazakhstan. He was also responsible for turning Sudan into a major oil supplier for China.

Domestically, Zhou has been associated with the ruthless police-state suppression of any opposition, which has resulted in a rapid expansion of the domestic security budget—it now exceeds spending on health, education and even defence. The crackdown is in response to rising social unrest, featuring tens of thousands of "mass incidents" each year, including strikes and protests.

Sections of the CCP bureaucracy regard reliance on such repressive measures as untenable in the long term. They reacted to the toppling of dictatorships in Egypt and Tunisia in 2011 and are seeking new political mechanisms to control the working class. Their orientation is to build a social base among the so-called liberal middle classes through a mixture of pro-market restructuring and limited concessions on democratic rights.

Before Bo's downfall, Zhou recommended the Chongqing party chief as his successor in the top state security position. Following Bo's arrest in March 2012, there were rumours in Beijing of a coup and a confrontation between Zhou's security forces and army units loyal to former President Hu.

In a still unexplained incident, Zhou was acutely embarrassed by the escape of blind human rights lawyer Chen Guangcheng from house arrest in Shandong province to the US embassy in Beijing. As a result, Zhou was stripped of his security powers. The new security chief, Meng Jianzhu, no longer has the same political status as Zhou—he is a member of the Politburo, but not of its powerful standing committee.

The decision to launch a corruption investigation into Zhou signals that the sharp divisions over economic and foreign policy within the CCP bureaucracy are far from resolved.

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