

China's former security chief indicted on corruption charges

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9 April 2015

The Chinese regime's supposed "anti-corruption" campaign has reached the highest levels of officials linked to giant state-owned enterprises (SOEs). Those targeted include Zhou Yongkang, the head of China's security apparatus until 2012, and others directly connected to ex-Chinese leader Jiang Zemin.

Zhou is the most senior party official ever to be prosecuted in the name of combating corruption. He was formally indicted last Friday on charges of bribery, abusing power and leaking state secrets. No date was given for his trial, which will be conducted in Tianjin, a northern port city near Beijing. Last December, the former Chinese Communist Party (CCP) Politburo Standing Committee member was expelled from the ruling party.

The anti-corruption campaign is a pretext for the current leadership of President Xi Jinping, who took office in November 2012, to purge the government and the CCP of powerful political opponents while imposing economic restructuring designed to further open up China to private and foreign investment. Xi hopes that by eliminating Zhou and his allies, he can break the resistance in ruling circles to his government's plans to deregulate the SOEs.

Jiang Zemin, president from 1989 to 2002, protected the top 100 SOEs from privatization. Figures such as Zhou Yongkang and former Chongqing party boss, Bo Xilai, gained power while advocating the transformation of the biggest SOEs into "national champions" that could compete with global transnational corporations. Bo was sentenced to life imprisonment on corruption charges in September 2013.

Zhou, Bo and their allies were not at all opposed to the restoration of capitalism in China over the past three decades but wanted to protect their powerbases

and financial interests in the SOEs.

While Jiang Zemin so far remains unscathed, numerous other "tigers"—or high-ranking government officials—have fallen. Xu Caihou, a former vice-chairman of China's Central Military Commission, and Ling Jihua, a onetime candidate for the Politburo, were accused of corruption last year. The two men, along with Zhou and Bo, were dubbed the "New Gang of Four" by Chinese media. Xu died from bladder cancer in March.

As part of Xi's purge, an inspection of 26 SOEs began last month. The sweep has already netted several company chief executives. On March 15, auto manufacturer FAW Group Corporation's chairman Xu Jianyi was accused of "severe violations of discipline and the law." The following day, PetroChina general manager Liao Yongyuan was placed under investigation on similar charges. "Violations of discipline" has become a common euphemism for corruption allegations.

FAW is one of the leading auto manufacturers in China with ties to both Jiang Zemin and Zhou Yongkang. Jiang spent his early career in FAW and then, while president, backed an industrial faction that included Zhou and Xu Jianyi. The auto industry has reportedly resisted "reforms" of SOEs since Jiang left office.

Zhou is also closely connected to the oil faction, having built up his career in the China National Petroleum Corporation (CNPC), and becoming its general manager in 2006. Liao Yongyuan was close to Zhou. Jiang Jiemin, the former CNPC chairman, was expelled from the CCP at the October 2014 plenum. PetroChina is the listed arm of the CNPC.

Corruption is rife throughout China's Stalinist bureaucracy, which enriched itself through the looting

of state property as it oversaw the restoration of capitalism from the 1980s. But this campaign is directed elsewhere—at breaking up the power bases that have rested on the largest SOEs. The petroleum industry was Zhou’s “independent kingdom,” commented Wang Zhengxu, an associate professor at the University Nottingham in the UK.

During the CCP’s 2013 Plenum, the government unveiled extensive plans for economic deregulation to encourage foreign investment in fields such as telecommunications and energy, two of the industries also targeted in the recent investigations. Last year’s plenum built on this, claiming that the party would pursue the “rule of law,” indicating that the government would continue its “anti-corruption” push in conjunction with economic deregulation.

This campaign is intensifying. Premier Li Keqiang stated at the beginning of last month’s National People’s Congress: “Oversight over state assets will only get tougher, and elements of corruption will be thoroughly investigated and punished.” The 11-day congress, which ended on March 15, was used as a platform to push ahead with economic restructuring aimed at the SOEs. Saying of the proposed reforms, Li declared: “But however painful it might be, we are determined to keep going until our job is done.”

Other executives caught up in recent investigations had connections to cliques in the steel, oil and electricity industries that resisted the restructuring plans.

On March 31, Cui Jian, the deputy general manager at the state-owned Baosteel Group Corporation was accused of violations of duty. The next day, China Southern Power Grid vice-president Xiao Peng and former China National Offshore Oil Corporation vice-general manager Wu Zhenfang were accused of “duty-related crimes” and “suspected serious violations of party discipline.” No further details were provided. Xiao was the fourth executive from his company to be placed under investigation since March.

The Chinese government is also targeting IT industry bureaucrats. Two high-level officials at telecommunications company China Unicom were accused of corruption at the end of last year. General manager of network construction Zhang Zhijiang was arrested on December 15 and Zong Xinhua, the general manager of IT and e-commerce, was arrested three days

later. Both men have ties to Jiang Zemin through the latter’s son, Jiang Mianheng, a powerful figure in China’s telecommunications industry.

These developments are being monitored keenly in international media and financial circles as evidence of Xi’s consolidation of power and his willingness to carry through the wholesale pro-market agenda that will more fully open China up to global corporate exploitation.

An article in the London-based *Financial Times* commented: “Mr Zhou’s trial will confirm Mr Xi’s status as the country’s most powerful ruler since Deng Xiaoping, the transformative post-Mao leader who launched the reform and opening program that has made China the world’s largest economy by some measures.”



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