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# How Chinese e-Public Feel and Think About Corruption

Kam C. Wong



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**How Chinese e-Public Feel and Think About Corruption:  
A Case Study of Audit Storm (*Shenji fengbao* - “审计风暴”)**

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## **ABSTRACT**

Corruption is pervasive, rampant, enduring, and above all else an accepted (by the government), tolerated (by the people) and taken for granted (by all) social problem in China. Still, corruption is a major concern for the political leaders, general public and foreign observers. Foreigners complained about the corruption cost of doing business in China. Students took to the street and peasants staged violent protest against government corruption. The consensus is that corruption challenges CPC's legitimacy and threatens China's stability.

A systematic review of literature uncovers no investigation on the Chinese people's reception and reaction to the corruption, in the net. This is a first attempt to do so.

This is a research into the "feelings" and "thinking" of Chinese internet users (e-public) on (anti)corruption in China. Specially, it tries to document and analysis the comments – reaction of the e-public to news articles on various aspects of "Audit Storm" in June – July of 2004.

## **What Chinese e-Public Feel and Think About Corruption: A Case Study of Audit Storm (*Shenji fengbao* - “审计风暴”)**

### **Introduction**

Corruption is pervasive, rampant, enduring, and above all else accepted (by the government), tolerated (by the people) and taken for granted (by all) social problem in China.<sup>2</sup>

In March 2004, Jia Chunwang, the prosecutor-general of the Supreme People's Procuratorate, reported investigating 39,562 cases of corruption and dereliction of duty involving 43,490 officials in 2003, leading to charging of 26,000 officials and recovering of 4.3 billion yuan for the state. In 2007, Jia Chunwang reported that Prosecutors investigated more than 180,000 cases of embezzlement, bribery, dereliction of duty and rights violation in the past five years (2002 – 2007), a marked decrease from prior year. But convictions rose 30.7 percent to nearly 117,000. 35 officials at the provincial or ministerial level, 930 at the municipal level and nearly 14,000 at or above the county level were investigated for embezzlement, bribery, and misappropriation of public funds in the past five years.<sup>3</sup>

Corruption is a major concern for the political leaders, general public and foreign observers. The CPC espoused a zero tolerance policy towards to keep corruption under control. President Hu Jintao speaking for the 16th CPC Central Committee, stressed: "The CPC never tolerates corruption ...resolutely punishing and effectively preventing corruption is

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<sup>2</sup> “Anti-corruption Chinese official sentenced for bribery,” *Epoch Times* Nov. 20, 2003

<sup>3</sup> Jia Chunwang delivered a work report of the Supreme People's Procuratorate during the third plenary meeting of the First Session of the 11th NPC (March 10, 2008).

crucial to the popular support for the Party and its survival."<sup>4</sup> In 2007, Transparency International's latest Corruption Perceptions Index rated China at 3.5 out of a possible 10 point scale, which ranks it about halfway between the worst countries (Myanmar and Somalia, both 1.4) and the best (Denmark/Finland, 9.7).<sup>5</sup> The foreigners complained about the cost of corruption in doing business in China. Students took to the street and peasants staged violent protest against government corruption.<sup>6</sup> The consensus is that corruption challenges CPC's legitimacy and threatens China's stability.<sup>7</sup>

In spite of public concern with corruption we know very little how Chinese people "feel" and "think" about corruption. A systematic review of literature uncovers no investigation on the Chinese people's reception and reaction to the corruption in the net. This is a first attempt to do so.

This is a research into the "feeling" and "thinking" of Chinese internet users on (anti)corruption in China. Specially, it tries to document the comments and analysis the content – reaction of the e-public to three news articles over investigation process,<sup>8</sup> structure<sup>9</sup> and result<sup>10</sup> of "Audit Storm"

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<sup>4</sup> "Hu Jintao: No tolerance to corruption." *People's Daily* October 15, 2007.

<http://english.peopledaily.com.cn/90002/92169/92187/6283181.html>

<sup>5</sup> "The 2007 Transparency International Corruption Perceptions Index". (Countries with scores of less than 3 indicate "rampant corruption" according to TI.)

<http://www.infoplease.com/world/statistics/2007-transparency-international-corruption-perceptions.html>

<sup>6</sup> Yan Sun, "The Chinese Protests of 1989: The Issue of Corruption," *Asian Survey*, Vol.

31 (8): 762-782 (1991). John Chan, "Student protest exposes rift in Chinese regime,"

*World Socialist Web* Feb. 24, 2003. <http://www.wsws.org/articles/2003/feb2003/chin-f24.shtml>

<sup>7</sup> Minxi Pei, "Corruption Threatens China's Future," *Carnegie Endowment for International Peace* POLICY BRIEF 55, October 17, 2007.

[http://www.carnegieendowment.org/files/pb55\\_pei\\_china\\_corruption\\_final.pdf](http://www.carnegieendowment.org/files/pb55_pei_china_corruption_final.pdf)

<sup>8</sup> How CNAO audit was conducted?

<sup>9</sup> Who should conduct the audit, central vs. local?

<sup>10</sup> What enforcement followed the Audit Report?

in June – July of 2004 (which uncovered substantial financial irregularities and official corruption.)

This article is organized in the following ways. After this brief introduction, Section I is on “Research Literature, Focus and Methods” The review uncovers no research into web based public opinion on corruption. Section II “Corruption in China” provides a brief overview on the prevalence of corruption and efforts in anti-corruption. Section III “Audit Storm” provides a brief background of “Audit Storm” and China National Auditing Office to contextualize this study. Section IV describes the “Research Data” used. Section V reports on “Data Analysis.” Final Section VI is conclusion.

## I

### Research Literature, Focus and Methods

#### Research literature

Research literature into corruption in the PRC are numerous,<sup>11</sup> rich, variegated, and multi-disciplinary.<sup>12</sup> Technical reports and academic papers have variously looked into the nature and characteristics,<sup>13</sup> incidence and

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<sup>11</sup> Feng Chen, “Subsistence Crises, Managerial Corruption and Labour Protests in China,” *The China Journal*, No. 44: 41-63 ( 2000); Kang Chen, “Fiscal centralization and the form of corruption in China,” *European Journal of Political Economy*; Gregory C. Chow, “Corruption and China’s Economic Reform in the Early 21st Century,” Princeton University. CEPS Working Paper No. 116, October 2005; Chengze Simon Fan & Herschel I. Grossman, “Incentives and corruption in Chinese economic reform,” *Journal of Economic Policy Reform*, Vol. 4 (3):195 - 206 (2001); Ting Gong, “Dangerous collusion: corruption as a collective venture in contemporary China,” *Communist and Post-Communist Studies*, Vol. 35 (1): 85-103 (2002); “Forms and characteristics of China’s corruption in the 1990s: Change with continuity,” *Communist and Post-Communist Studies* Vol.33 (3): 277-288 (1997); Yufan Hao “From rule of man to rule of law: An unintended consequence of corruption in China in the 1990s,” *Journal of Contemporary China*, Vol. 8(22): 405 – 423 (1999); Yufan Hao & Michael Johnston, “Reform at the Crossroads: An Analysis of Chinese Corruption,” *Asian Perspective*,

prevalence,<sup>14</sup> distribution and trend,<sup>15</sup> causes and remedies,<sup>16</sup> impact<sup>17</sup> and implication of corruption.<sup>18</sup>

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1995; Zengke He, "Corruption and anti-corruption in reform China," *Communist and Post-Communist Studies* Vol.33 (2): 243-270 (2000); Alan P. L. Liu, "The Politics of Corruption in the People's Republic of China," *The American Political Science Review*, Vol. 77 (3): 602 – 623 (1983), pp. 602-623; Jean C. Oi, "Market reforms and corruption in rural China," *Studies In Comparative Communism*, Vol. 22 (2-3): 221-233 (1989); Jean-Louis Rocca, "Corruption and Its Shadow: An Anthropological View of Corruption in China," *The China Quarterly*, No. 130: 402-416 (1992); Hilton Root, "Corruption in China: Has It Become Systemic?" *Asian Survey*, Vol. 36 (8) No. 8 (Aug., 1996), pp. 741-757 (1996); Richard Levy, "Corruption, Economic Crime and Social Transformation since the Reforms: The Debate in China," *The Australian Journal of Chinese Affairs*, No. 33:1-25 (1995). Xiaobo Lü, *Cadres and Corruption: The Organizational Involvement of the Chinese Communist Party* (Stanford: Stanford University Press, 2000); Xiaobo Lu, "Booty Socialism, Bureau-Preneurs, and the State in Transition: Organizational Corruption in China," *Comparative Politics*, Vol. 32 (3): 273-294 (2000); Barbara N. Sands, "Decentralizing an economy: The role of bureaucratic corruption in China's economic reforms," *Public Choice* Vol. 65 (1) (1990); Andrew Wederman "The Intensification of Corruption in China," *The China Quarterly* 180: 895-921 (2004); L Zhang, "Chapter 2: White-Collar Crime: Bribery and Corruption in China." In pp. 23 - 46 Jianhong Liu, Lening Zhang, Steven F. Messner, *Crime and Social Control in a Changing China* (Greenwood Press, 2001); Flora Sapio, "Implementing Anticorruption in the PRC Patterns of Selectivity," Working Paper No 10, 2005. Centre for East and South-East Asian Studies Lund University, Sweden [www.ace.lu.se](http://www.ace.lu.se)

<sup>12</sup> See "Corruption and Anti-Corruption Reform in and beyond China;" "Part I: China: A Corruption-Embattled Country;" (**Guest Editors:** Ting Gong and Stephen K. Ma); "Part II: Anti-Corruption Reform: Strategies and Tactics" (**Guest Editors:** Ting Gong and Stephen K. Ma); "Part III: Cross-Regional Perspectives on Corruption." *Crime, Law and Social Change* Volume 49 (Vol. 1-2: 1 – 239 (2008).

<sup>13</sup> Xie Baogui (Director, Prosecution Department Against Economic Crime of Supreme People's Procuratorate in the PRC), "The Function of the Chinese Procuratorial Organ in the Combat Against Corruption," *ASIAN JOURNAL OF PUBLIC ADMINISTRATION*, Volume 10(1): 71-80 (1988), esp. "the characteristics of corruption crimes in China" at pp. 73-4; He Qinglian, "The Evolution of Corruption in China- Part 1," *The Epoch Times* | Aug 13, 2004 (Corruption has evolved from individual activities (before 1995), to organized behavior (before 1998) to systematic in nature.); Hong Lu & Elaine Gunnison, "Power, Corruption, and the Legal Process in China," *International Criminal Justice Review*, Vol. 13 (1): 28-49 (2003) ("An analysis of 1,554 criminal court cases, adjudicated between 1986 and 2001, suggests that corruption offenses were significantly different from non-corruption offenses in both offender and offense characteristics and in key legal decisions.") .

<sup>14</sup> Minxin Pei, "Corruption Threatens China's Future." *Carnegie Endowment Policy Brief* No. 55, October 2007 (Corruption penetrates every department of the state. It is "concentrated in sectors with extensive state involvement, such as infrastructure projects,

A closer examination of the literature shows that there is one area of corruption studies that is not adequately researched into, i.e., e-public opinion on the corruption and its counter-measures. Public opinion researches are all general attitudinal survey of how people feel about corruption in global terms. Public opinions collected were not from the respondents' own words, and few addressed specific issues within particular context and concrete situations. No research to-date has been conducted analyzing e-public reaction to (anti)corruption efforts reported in the news.<sup>19</sup> As a result, there is little data and scant knowledge of the variability, and with nuances, of the public's (anti)corruption attitude and stance, feeling and

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real estate, government procurement, and financial services.”<sup>14</sup> Railroads, aviation, telecommunications, and electricity production sectors are particularly vulnerable to corruption.)

<sup>15</sup> Stephen K. Ma, “Reform Corruption: A Discussion on China's Current Development,” *Pacific Affairs*, Vol. 62 (1): 42-52 (1989); Gong Tin, “Forms and characteristics of China's corruption in the 1990s: Change with continuity,” *Communist and Post-Communist Studies* Vol. 30 (3): 277-288 (1997) (“This paper focuses on recent patterns of China's corruption to see how new and different, if not more, corruption has occurred despite the gradual shrinking of non-market elements in the economy.”).

<sup>16</sup> Keith Henderson, “The rule of law and judicial corruption in China: half-way over the Great Wall.” In pp. 151 – 159. *Transparency International, Global Corruption Report 2007* (Cambridge University Press, 2007)

<sup>17</sup> “Corruption and Anti-corruption Strategies in China,” Presented by Angang Hu, Center for China Study, Chinese Academy of Sciences, Qinghua University. February 13, 2001. *Carnegie Endowment for International Peace* (Conservatively estimated at 13-16% of China's GDP)

<http://www.carnegieendowment.org/events/index.cfm?fa=eventDetail&id=284&&prog=zch&proj=zdr1>

<sup>18</sup> Minxin Pei, “Corruption Threatens China's Future.” *Carnegie Endowment Policy Brief* No. 55, October 2007, esp. “Policy Implications for the United States and Its Allies”, pp. 6-7. “Corruption: China's Achilles' Heel?” Panel member. Julia C. Kwong, Richard J. Levy, Randall Peerenboom, and James V. Feinerman. Woodrow Wilson Center's Asia Program. December 1, 2003.

<sup>19</sup> When the Hunan provincial government in 2004 put forward the proposal of partial amnesty of corrupt officials after five years of research, public reactions were initially negative. Eighty percent of the Sichuan internet users opposed the idea; 62 percent argued that it violated the principle of the rule of law; 20 percent disliked the idea; and only 16 percent said the idea could be experimented. *Ming Pao*, June 22, 2004, p. B12

thinking. Currently, public (negative) attitude towards corruption is often assumed, and not demonstrated, still less documented and analyzed.

*Survey on corruption as a social problem*

On January 14, 1999, the Xinhua news reported that a CPC survey of 121 communist members showed that 65 percent of 121 respondents believed that curbing corruption and strengthening self-discipline of Party members and government cadres are vital to uphold public morality and social ethics. In 1997, 22.3 percent of respondents cited education and propaganda as effective for improving public morality.<sup>20</sup>

According to another government public opinion survey<sup>21</sup> conducted by Zhejiang CCP Discipline Committee on Party work style and clean government released on January 7, 2001,<sup>22</sup> most people in Zhejiang think

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<sup>20</sup> “Senior Heads Roll as Fears of Social Unrest Mount,” *AP* Friday, January 15, 1999 <http://search.earthlink.net/search?q=Senior+Heads+Roll+as+Fears+of+Social+Unrest+Mount+&area=earthlink-ws>

<sup>21</sup> Methodology: This is a province wide survey involving 11 municipalities and 25 counties (city, prefecture). 2500 questionnaires were distributed with 100% response rate. The random sample consisted of Party members, league members, democratic members, enterprise workers, peasants, political cadres, intellectuals, students, unemployed workers, retirees and others. Chinese University of Hong Kong. Survey shows: Corruption is the first factor affecting social stability. (“调查显示：腐败是影响社会稳定的首要因素”) *Eastday.com* January 7, 2001

<http://news.eastday.com/epublish/gb/paper148/20010107/class014800003/hwz285545.htm>

<sup>22</sup> It is always dangerous (misinformation and misinterpretation issues) to work with incomplete (focus, scope, depth, and context issues), unsubstantiated (reliability and validity issues) and second hand (selection and perspective issues) official survey data (misinformation and disinformation issues) that is reported in the news (agenda setting and gate keeping issues). This is particularly the case with CCP Party research and PRC press accounts (propaganda state issues). A number of methodological and analytical issues present themselves when interpreting this set of data: How was the survey item “corruption” conceptualized and operationalized? How was the survey conducted – why was there a 100% respond rate? How might CCP sponsored research affect the integrity of the research, in terms of conduct (bias researchers) and response (interactive effect)? [This is particularly problematic in rural setting when the people are relatively uneducated, unsophisticated and indiscriminate in research matters. Party, clan, and

that corruption is a very serious problem. For example, a majority of the Zhejiang people (74.58%) consider corruption in government to be very serious (10.28%), serious (22.4%) or somewhat serious (25.32%). The rest think that it is not serious or have no opinion (25.32%).

**Table 1: Zhejiang CCP public opinion on seriousness of corruption - 2000**

<b>Level of Corruption</b>	<b>Survey Result</b>
<b>Very serious</b>	10.28%
<b>Serious</b>	22.48%
<b>Somewhat serious</b>	41.9%
<b>Not serious</b>	25.32

Source: Adapt from “Survey shows: Corruption is the first factor affecting social stability” (“调查显示：腐败是影响社会稳定的首要因素”) *Eastday.com* January 7, 2001

The above Zhejiang CCP finding compares favorably with a 2001 Horizon Research Group (NGO) nation wide cities survey that finds 94.5% of the urban residents consider the problems of corruption as serious or very serious.<sup>23</sup> When the Zhejiang people were asked to rank the impact of corruption on social stability, the respondents ranked it as number one. In order of ranking, the factors affecting stability include: (1) corruption; (2)

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family members are also prone to group speak and loyalty response. Some of the same considerations afflict the democratic – election process. For example, rural people in China do not speak their mind and when they do, they do not voice individual concerns but collective ideas. Research problems and electoral issues with Chinese characteristics should be a subject matter of investigation.]

<sup>23</sup> The differences of 20%, i.e. Zhejiang - 74.58 vs. Horizon - 94.6%, is substantial but not surprising. The Horizon survey is conducted in the cities where corruption is considered more rampant and crude, thus more viewed as more serious.

workers released into the market; (3) social disorder; (4) uneven distribution; (5) superstition; (6) cult.<sup>24</sup>

However when the Horizon Research Group asked urban residents to list seven top social problems, “clean government” did not show up as the most significant concern in three of the four years when the survey was conducted. In fact, in the four year surveys (1999 – 2002), “clean government” was picked as the number one social problem only once in 1999. Since then it has never made the top four most important social problems. The problem with “clean government” registered a decline from year to year, i.e., 1999 #1, 2000 #5, 2001 #6, until it dropped out of the chart in 2002. For example, in 1999, the first three social problems were “clean government,” “unemployment” and “public security.” In 2000 they were “environmental protection,” “unemployment” and “children’s education.” In 2001 they were “unemployment,” “environmental protection” and “social security.” In 2002 they were “unemployment,” “social security,” and “environmental protection.”

**Table 2: List of social problems (Top 7) in major cities in China: 1999 - 2002**

<b>Ranking Of Social Problems</b>	<b>1999 11 cities</b>	<b>2000 10 cities</b>	<b>2001 10 cities</b>	<b>2002 10 cities</b>
<b>1</b>	Clean government	Environmental protection	Unemployment	Unemployment
<b>2</b>	Unemployment	Unemployment	Environmental	Social security

<sup>24</sup> For further supporting official (CPC and government) research data validating this ranking scheme, i.e. corruption as the top of people’s concern from 1996 to 2002. See note 6 to Sun Liping, "Mechanisms and Logic: Research Regarding China's Social Stability" " Conference on “China after the 16th Party”, The Carnegie Endowment for International Peace – China Program, November 16-17, 2002.

			protection	
3	Public security	Children's education	Social security	Environmental protection
4	Pension system	Public security	Economic development	Medicare information
5	Housing reformation	Clean government	Housing reformation	Economic development
6	Environmental protection	Economic development	Clean government	Housing reformation
7	Inflation	Pension system	Public Security	Children's education

Source: Research on Chinese People Living Index (1999 – 2002), Horizon Research Group<sup>25</sup>

In another national public opinion survey commissioned by the CPC Political Bureau and conducted by the Central Research Office (中央研究室) Chinese Academy of Social Science, Sociology Research Office and People's Daily Social Research Office in 26 large and medium size cities in 2003, the respondents were asked about their five most urgent expectations of the government. The top two were concerned with fighting corruption. The first requested the Party cadres and their family to release their personal financial data on income and property. The second requested Jiang Zeming to provide for an accounting of his efforts in fighting corruption and explain why he was not failed after three years in office. It further requested Jiang to open up all government records - investigation files, hearing records – bearing on corrupted cadres and officials.<sup>26</sup>

<sup>25</sup> Abstracted from Victor Yuan's power-point presentation, "How Chinese People View their Government, Society and Foreign Countries." In seminar on "Taking the Pulse of the Chinese Public" The Carnegie Endowment for International Peace – China Program, Slide 14, Friday, April 25, 2003 <http://www.ceip.org/files/pdf/chinesegames.pdf>

<sup>26</sup> The other three requests were: (3) Jiang should have breached the gap between the rich and the poor and provide social net for the less fortunate. (4) Jiang should have sought political reform and protect the rights of the people. (5) Jiang should have established the rule by law with equality to all and privileges to none. "Two items of public opinion

From this two set of research findings by Zhejiang CCP (2001) and Horizon Research Group (1999 - 2002) we can conclude that for the nation as a whole corruption is a very “serious” problem nation wide and especially to urban dwellers. However, “clean government” is not the only concern Chinese people have in mind.<sup>27</sup>

From this set of research findings commissioned by the CPC Political Bureau, we learned that the people want more open and accountable government. These research findings, typical of many others, confirmed what the Party and state leadership already know from their personal experience; corruption is pervasive in government, generating discontent within the people and eroding the legitimacy of the Party-government.

### Research focus

In June of 2004, the China National Audit Office published an Audit Report<sup>28</sup> revealing substantial financial irregularities and official corruption at all levels of government and multitude of state agencies. The current

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made Jiang Zemin fearful” (两项民意调查拍死江泽民), *Renmin Bao* <http://back.renminbao.com/rmb/articles/2003/1/7/24637.html> (When asked about their opinion of the Party and the new leadership, a full 72% has no confidence with the CPC leadership. Only 17% has confidence or very much confidence. Still most of the respondents, 68%, are full of confidence or have confidence about the nation’s future. The approval rating of Hu and Wen were over 80%, i.e. Wen by 87% and Hu by 82%. Wen was considered non-corrupt and Hu was considered as careful. Jiang’s rating was 0%.

<sup>27</sup> The respondents also think that the government has taken the necessary steps to address corruption issues. Thus, between 1999 and 2000 7.8% more people thought that corruption was under control and 10.93% more people were satisfied or very satisfied with the Party’s clean government and anti-corruption efforts. Finally the most encouraging survey finding shows that 44.68% people was of the opinion that government organs have used great or very great effort in dealing with leading Party cadres’ disciplinary and legal violations. This is an increase of 7.36% and 9.76% over that of last two year (1999, 1998).

<sup>28</sup> See discussion at Section “III: Audit Storm,” *infra*.

study is an investigation into Chinese people's reception and reaction – feeling and thinking - about (anti)corruption, especially how they view “Audit Storm” issues, over the net.

“Reception” refers to “feeling, attitude, understanding” and “reaction” refers “opinion and judgment.” Since “feeling, attitude, understanding” provides the necessary foundation and with it the point of departure for “opinion and judgment,” and “opinion and judgment,” which is derived from and thus reflect upon the underlying “feeling, attitude, and understanding,” they cannot be easily desegregated conceptually or observed separately, empirically.

Conceptually, “feeling” is defined as “emotional” response associated and identified with certain facts and arguments. This can be operationally observed with the use of emotionally laden words: “Kill the corrupted officials.” “Attitude” is a personal disposition towards a set of facts or circumstances. This is demonstrated in ones approach to facts and issues. “Party cadres should be shameful and resign over corruption” is revealing of a person's disposition – attitude over corruption by public officials. “Understanding” is defined as “comprehension with reasoning.” This can be observed by interpreting and analyzing facts and data, with the help of (pre) suppositions. “How can a state employee be allowed to (mis) appropriate public money for private use.” “Opinion and judgment” is defined as taking up a position on issues based on feeling or reasoning. They can operationally observed by an acceptance or rejection of an argument: “There is hope for China.”

The data for this research comes from systemic gathering of web comments in 2004, right after the “Audit Storm” broke. The method of research is one of content analysis for themes and concepts.

### Research methods

In order to assess public “reception” of and “reaction” to various issues presented by the “Audit Storm” and related events, e.g., Beijing Audit Report,<sup>29</sup> In order for me to familiarize the reach and focus, contour and context, content and style of Audit Storm e-comments, I have read over all the 54540 public web comments on various aspects and different issues pertaining the auditing of PRC government activities at the national and local level that is posed to sohu.com.<sup>30</sup> This allows me to have an overview of all the issues, and an overall “feel” and “touch” about the data. The “feel” and “touch” allows me to put any specific comments I analyzed in context.

The current research only deals with reception and reaction to three newspaper posting. The three posting are chosen to draw the public in discussing three issues: investigation process,<sup>31</sup> structure<sup>32</sup> and result<sup>33</sup> of Audit Storm.

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<sup>29</sup> On July 29, 2004, Director of the Beijing Municipal Audit Bureau Yang Xiaochao submitted its annual Audit Report, i.e., Audi work report regarding implementation of 2003 Beijing municipality budge and other government receipt and expenditure》 (《Guanyu Beijing shi 2000 nian shiji yuxuan zhixing he qita caizheng shou zhi de shenji》 - 《关于北京市 2003 年市级预算执行和其他财政收支的审计工作报告.》 to the 12<sup>th</sup> Standing Committee of the Beijing Municipality People’s Congress in accordance with 《 Temporary method in the implementation of Beijing municipality budget audit》 (Beijing municipality people’s government order number 29) 《 Beijing shi yuxuan jixing qingkuan shenji zanxing fnfa》 (Beijing shi renmin zhengfu di 29 hao ling) - 《北京市预算执行情况审计监督暂行办法》 (北京市人民政府第 29 号令) of November 3, 1995 <http://www.bjab.gov.cn/zfgz/gzml22.htm>

<sup>30</sup> <http://comment.news.sohu.com/comment/topic.jsp?id=220685254> The commentaries have been purged. I have copies of most of them on file.

<sup>31</sup> How CNAO audit was conducted?

<sup>32</sup> Who should conduct the audit, central vs. local?

<sup>33</sup> What enforcement followed the Audit Report?

When I read the comments, I try to put myself in the shoe of the commentators; young, liberal, educated. I was reading for the range of issues raised and kinds of arguments made. I was also reading to ascertain the tone, texture, style, and manner of the discourse.<sup>34</sup> What are the main themes and repeated ideas in the public – grass roots domain? What is the diversity and strength the public reactions? What is the foundation or basis of public reaction? What is the quality of the debate?

In the end, I am interested in deciphering – ascertaining and analyzing - the multifarious individual attitudes and essentialist collective dispositions towards the “Audit Storm,” particularly the historical, political, social and cultural context, such as ideological framework, value structure, social practices informing the discourse.<sup>35</sup>

Discourse analysis, as distinguished with linguistic analysis,<sup>36</sup> studies the meaning of discourse 'beyond the sentence', i.e., language in context; historical, political, social, cultural. I am most interested in uncovering the discourse framework identifying the political relationship between the people and the government, e.g., offering and demanding, solidarity and distance, dominance and subordination, and the value orientation of the people towards government corruption polices and actions.

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<sup>34</sup> John Searle, *Speech Act*, (Cambridge University Press, 1969) (Illocutionary force indicating devices, include: word order, stress, intonation contour, punctuation, the mood of the verb, the existence of performative verbs.)

<sup>35</sup> J L Lemke, “Resources for Attitudinal Meaning: Evaluative Orientations in Text Semantics,” *Functions of Language* 5(1): 33-56, 1998.

<sup>36</sup> This contrasts with types of analysis more typical of modern linguistics, which is chiefly concerned with the study of **grammar**: the study of smaller bits of language, such as sounds (phonetics and phonology), parts of words (morphology), meaning (semantics), and the order of words in sentences (syntax). Discourse analysts study larger chunks of language as they flow together.

### Data set

The data set used is the opinions and comments posed to the “sohu.com web-friends discussion forum” (*wangyou pinglun*). The forum allows sohu web users to react to a certain posed news item. The news items originated from other printed or e-news outlets, e.g. *China Daily* or *People’s Daily*. The sohu news items are organized around a theme, in this case that of the “Audit Storm” under the title of “Special topic: Standing Committee of the NPC meeting, Ministry of Finance, Auditing Office audit work report”<sup>37</sup> The “Special topic” discussion led with the story of : “Leaders of State Power Corporation of erroneous policy decision led to serious losses.”<sup>38</sup> This led off news item reported that the 2003 CNAO Audit Report noted that the leadership and executives of the China State Power Corporation has squandered 3.28 billion as a result erroneous policy (*zhengce shiwu*) and illegal actions, including acting as guarantor for Beijing Wei Ke Rui Company (not a legal entity) between 1994 to 1996 leading to a loss in principle and interest of 1.12 billion yuans, under reporting of profit of 3.2 billion yuan in 2003 and 7.8 billion between 1998 and 2004, and unaccounted for fund of 4.5 billion yuan. There was also 12 cases of economic crime discovered amounting to 1 billion yuan, including embezzlement and fraud of 83 million yuan by the corporation’s general manager and his family. The item captures the essence of the CNAO Audit Report in content, i.e., pervasive corruption and gross abuses of power

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<sup>37</sup> “Special topic: Standing Committee of the NPC meeting, Ministry of Finance, Auditing Office audit work report” (Zhuanli: Renda changweihui huiyi, caizhengbu shenjichu gongzuo baogao 专题 人大常委会会议 财政部审计署作工作报告).

<sup>38</sup> “Former National Electricity Company leaders erroneous policy decision led to serious losses” (Yuan guojia dianli gongsi lingdao banzi juece shiwu zaocheng zhongda sunshi - 原国家电力公司领导班子决策失误造成重大损失 ) **NEWS.SOHU.COM** June 23, 2003 19:33 hours (Source: China News Web ) Zhongguo xinwen wang - 中国新闻网)

resulting in huge loss of state capital and assets, and tone, e.g., pointed criticism of wrongdoings. The item attracted voluminous,<sup>39</sup> strong and diverse comments with the first<sup>40</sup> saying “need to conduct (audit) vigorously” (“得狠<sup>41</sup>办<sup>42</sup>呀”), calling for continue effort to root out corruption and abuse.

Comments on “Audit storm” topics are of various lengths, some as short as one and others collected 2000 thousands of comments. The length of the comments varies but most of them are from one to three lines. One liner (in actuality 10 words or less) is the norm and one or two words are not uncommon. The longer ones, about 10%, are from 4 to 8 lines. Few went beyond 12 lines. The style of comments ranges from emotion outburst to cynical rebuke to enthusiastic support to rational discussion. Most of them are negative and critical. All of them are in one way or another supportive of the audit, the auditors, and the national leaders.

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<sup>39</sup> 2313 comments in one week, i.e., between 2004年06月23日19时57分 and 2004年07月31日10时41分.

<sup>40</sup> 2004年06月23日19时57分

<sup>41</sup> “Hen” can describe action or mental state. *The Pinyin CHINESE-ENGLISH DICTIONARY* (H.K. Commercial Press 1998), 277R. The translation provided is about the need for vigorous action. The other possible translation is to conduct the audit with ruthlessness of heart, i.e., having no mercy. It is not uncommon to attach two meanings to one word or phrase “rigorous action with ruthless heart”. Chinese civilization, as reflected in its literary tradition, prides herself on subtleness of expression, nuance in articulation and richness in meaning. The conventional saying: “all is in what is not being said” (“jinzai buyan zhong”) informs that what is not being stated in China is as important, if not more important, than what is being said. This understanding of Chinese civilization and linguistic tradition cautions against rush to judgment, either certitude in ones translation or unproblematic interpretation of text, of what was being said on the web.

<sup>42</sup> It is not clear in context whether “ban” or “to deal with” referred to the audit process or audit results. The comment might be directed at the conduct of the audit itself, i.e., need to investigate the case with thoroughness, or it might be directed at the follow up actions, i.e., need to follow through with the audit findings to hold people responsible, or possibility both.

It appears that the intensity and length of discussion levels off since June 23, the first day the “Audit storm” broke, as evident by the fact that the number of messages declined, the tone less visceral, the discourse more reflective, the reactions more nuances, the demand less punitive. It is also clear that after about 50 – 100 comments, the diversity and richness of the comments wear off. I have thus paid more attention to the first 100 comments.

## II

### Corruption in China

#### Prevalence of corruption

Corruption afflicts all levels of government. For example, former vice-chairman of the 9th National People’s Congress Standing Committee Cheng Kejie was executed on September 14 2000 for taking 41 million RMB in bribes,<sup>43</sup> former deputy governor of Jiangxi province Hu Changqing was executed on April 8, 2000 for taking 5.4 million RMB in bribes and possessing 1.6 million RMB worth of property from unknown sources,<sup>44</sup> and former vice minister of the Ministry of Public Security Li Jizhou was sentenced to death with a 2-year suspension in 2001 for accepting bribes of one million yuan, 500,000 U.S. dollars and 30, 000 HK dollars from Lai Changxing, the mastermind behind the huge Xiamen smuggling case;<sup>45</sup> and finally a top Guangdong court judge, Mai Sung-kai, was convicted in

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<sup>43</sup> “Chronology of Cheng Kejie Case.” *People’s Daily* September 14, 2000.

[http://english.peopledaily.com.cn/english/200009/14/eng20000914\\_50544.html](http://english.peopledaily.com.cn/english/200009/14/eng20000914_50544.html)

<sup>44</sup> “Rise & Fall of Hu Changqing” *People’s Daily* April 14, 2000.

[http://english.peopledaily.com.cn/english/200004/14/eng20000414\\_38924.html](http://english.peopledaily.com.cn/english/200004/14/eng20000414_38924.html)

<sup>45</sup> “Former Deputy Public Security Minister Sentenced to Death,” *People’s Daily* October 23, 2001. [http://english.peopledaily.com.cn/200110/23/eng20011023\\_82949.html](http://english.peopledaily.com.cn/200110/23/eng20011023_82949.html)

December of 2003 for accepting bribes totaling 1 million yuan from 1989 to 1998.<sup>46</sup>

Corruption penetrates every department of the state. It is “concentrated in sectors with extensive state involvement, such as infrastructure projects, real estate, government procurement, and financial services.”<sup>47</sup> Railroads, aviation, telecommunications, and electricity production sectors are particularly vulnerable to corruption.<sup>48</sup>

Then there are also corruptions in the private sector: “In 2005 alone, the China Banking Regulatory Commission (CBRC) unearthed irregularities involving misused funds of 767.1 billion renminbi (RMB), or \$ 97 billion. The CBRC uncovered 1,272 criminal cases and disciplined 6,826 bank employees (including 325 senior managers).”<sup>49</sup>

Finally, corruption is increasingly being organized and systemized.<sup>50</sup>

## Cost of corruption

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<sup>46</sup> *Oriental Daily*, December 20, 2003, p. A30.

<sup>47</sup> Minxi Pei, “Corruption Threatens China’s Future,” *Carnegie Endowment for International Peace* POLICY BRIEF 55, October 17, 2007.  
[http://www.carnegieendowment.org/files/pb55\\_pei\\_china\\_corruption\\_final.pdf](http://www.carnegieendowment.org/files/pb55_pei_china_corruption_final.pdf)

<sup>48</sup> “Corruption and Anti-corruption Strategies in China,” Presented by Angang Hu, Center for China Study, Chinese Academy of Sciences, Qinghua University. February 13, 2001. *Carnegie Endowment for International Peace*  
<http://www.carnegieendowment.org/events/index.cfm?fa=eventDetail&id=284&&prog=zch&proj=zdr1>

<sup>49</sup> Friedrich Wu, “China losing its battle with corruption,” *The Japan Times*, Monday, Oct. 2, 2006. <http://search.japantimes.co.jp/cgi-bin/ea20061002a1.html>

<sup>50</sup> “Systemic Corruption: Something Rotten in the State of China,” *Economist* February 15, 2002. (“So pervasive is corruption in China that it would be hard to find any leader whose associates and family members are beyond suspicion.” For example, Li Peng’s wife, Zhu Lin, and his son, Li Xiaopeng, had control over Huaneng Power International, the country’s largest independent power. Li Peng was the second highest ranking Politburo member after China’s president, Jiang Zemin.)  
<http://www.globalpolicy.org/nations/corrupt/2002/0215china.htm>

Academic studies show that corruption is consuming huge portion of the GDP, and getting worse, with no end in sight:

“Conservatively estimated at 13-16% of China's GDP ...First, tax evasion is the largest economic loss to corruption, accounting for 7.6-9.1% of GDP. Economic losses from lost tariff revenues are particularly large. In 1994, the official average tariff rate was 36%, while the effective tariff rate was only 2.73%. The loss of tariff revenue for the government was 7.1% of GDP. In 1998, the official tariff rate was 15%, while the effective tariff rate was 2.69%. The loss of revenue for the government was 1.7% of GDP. In 2000, the net economic loss from lost tariff revenue was 13.7% of GDP. Next, illegal management of public investment monies and public expenditures has made these activities the second largest economic loss to corruption, accounting for 3.4-4.5% of GDP. Third, rents from monopolies are the third largest economic loss to corruption, accounting for 1.7-2.7% of GDP. Rent-seeking behavior leads to a loss in consumer surplus and in social welfare. The main sources of rent-seeking behavior are dual track pricing, which is in decline; abuse of economic privilege and monopoly power; high import tariffs and quotas; and favorable government policies given to specific sectors or interest groups. Finally, income from the underground economy in illegal goods-smuggling, drugs, and trafficking-is the fourth

largest economic loss to corruption, accounting for 0.4-0.5% of GDP.”<sup>51</sup>

### **Fighting corruption**

CPC fight against corruption has been unrelenting.<sup>52</sup> Since the 15th Chinese Communist Party Congress in 1997, over 2000 regulations or policies have been set up to stop corruption. Among these, about 120 were set up by Central Commission for Discipline Inspection of the CPC, (virtually the highest law and policy enforcing department), and the Ministry of Supervision.<sup>53</sup>

**Table 3: Statistics on Corruption Cases Investigated by Inspection**

#### **Bodies**

<b>Year</b>	<b>No. of Cases</b>	<b>No. of Officials involved</b> (county level and above)
1988	36,500	
1989	58,926	742

<sup>51</sup> “Corruption and Anti-corruption Strategies in China,” Presented by Angang Hu, Center for China Study, Chinese Academy of Sciences, Qinghua University. February 13, 2001.

*Carnegie Endowment for International Peace*

<http://www.carnegieendowment.org/events/index.cfm?fa=eventDetail&id=284&&prog=zch&proj=zdrf>

<sup>52</sup> “Corruption and Anti-corruption Strategies in China,” Presented by Angang Hu, Center for China Study, Chinese Academy of Sciences, Qinghua University. February 13, 2001.

*Carnegie Endowment for International Peace* (“At the ministry level, the chance of corrupt officials getting caught is about 1 in 10. The rate is about half of that for county level officials, where 90% of corrupt officials operate. Of those that get caught, the number of officials that get sentenced by criminal courts is about 6.6%, a negligible number. The intrinsic problem here is that the penalty for corruption is too light while the risks of engaging in corrupt activities are also too low.”)

<http://www.carnegieendowment.org/events/index.cfm?fa=eventDetail&id=284&&prog=zch&proj=zdrf>

<sup>53</sup> “Theatrics for promotions: Corruption in China,” *The Epoch Times*, Feb. 24, 2004.

1990	51,373	1,188
1991	46,219	924
1992	98,876	915
1993	56,491	1,037
1994	60,312	1,827
1995	63,953	2,262
1996	61,099	2,699
1999	38,382	2,200
2000	45,113	2,680
2001	54,367	2,670

Source: China's Supreme Procuratorate Annual Reports

The CCP and PRC government has tried continuously and in different ways to fight corruption, including:

*First, grant of amnesty.* In order to induce corrupted officials to come clean with their corruption and start afresh, the PRC authorities - the CPC Central Disciplinary Commission, the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Supervision – has established a "Special Action" amnesty program known as "One, two, three project" (Yi, er, dan gongcheng)<sup>54</sup> Under the project corrupted Party members and government officials were given amnesty if they surrender their ill gotten gains into a special bank account authorized by CPC Central Disciplinary Commission a designated bank account with no question asked and no punishment imposed.<sup>55</sup> The immunity project was conceived five years ago

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<sup>54</sup> “一二三工程”

<sup>55</sup> “China considers special action against corruption,” *Beijing Time*, June 16, 2004.

(March 2000) under the auspices of “Countermeasure research on punishment and prevention of corruption in China in the new millennium.”<sup>56</sup> The research project was conducted by Wang Minggao of the Hunan CPC Organizing Committee and the Disciplinary Committee.<sup>57</sup> The “One, two, three project” promises immunity if the corrupted official takes the following action. First, the corrupted officials turned in the ill-gotten gains by depositing it in a national account. The official need to turn in a “special fund hand-in form” declaring the time of hand-in, the amount of money surrenders and source of the money. Second, there will be no punishment for timely and full return of corrupted money or property. The immunity program – “Research on punishment and prevention and forfeiture of loots accounts’<sup>58</sup> - was being experimented in six provinces: Zhejiang, Jiangsu, Anhui, Xinjian, Liaoning and Ningxia and 20 cities nation wide, including Shenzhen, Zhuhai, Jinan, Changsha.

*Second, neutralize corruption rings.* One way to fight corruption is to neutralize political factions and contain unhealthy relationship (*guanxi*),<sup>59</sup> e.g., “Shanghai clique” vs. Communist Youth League (CYL) factions.<sup>60</sup>

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<sup>56</sup> “新世纪中国惩治和预防腐败对策研究” (Xin shiji zhongguo chengzhi he yufang fubai duice yanjiu

<sup>57</sup> The research was designed by Wang Minggao and 20 other experts. The research was conducted by 69 researchers and divided into 12 topic areas. It involved distributing 11,000 surveys and in-depth interviews with 510 experts and consultation with affected agencies and organizations., e.g., police, procuratorate, court, custom, bank etc. The recommendations are summarized in Wang Minggao, “Reflection and recommendation regarding special action to punish and prevent corruption” (“Guanyu caiqu tebei xingdong chengzhi fubai de xikao he jianyi” - 《关于采取特别行动惩治腐败的思考和建议》)。

<sup>58</sup> 惩治和预防腐败与设立全国退赃公开账号研究》 (“Chengzhi he yufang fubai yu sheli quanguo tuikzhuang gonggai changhao yanjiu”)

<sup>59</sup> See Andrew J. Nathan, "A Factional Model of Chinese Politics," *China Quarterly* , no. 53 (January-March 1973), pp. 34-66; and the critique by Tang Tsou, "Prolegomenon to the Study of Informal Groups in CCP Politics," *China Quarterly* No. 65 (January-March

Corruption is made possible and easier, if it is facilitated by such factions or cliques.<sup>61</sup> On April 4, 2002, the CPC promulgated a “Notice regarding leadership Party cadre cannot participate in self-organized “fellow village association”, “school mate association”, “comrade – in – arms association” organizations.”<sup>62</sup> The “Notice” sought to reduce the influence of “clique” politics by breaking them up before they have a chance to get established. Thus, while acknowledging the benefits of the various associations to the Party cadres (*ganbu*)– from common bonding to mutual assistance, the

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1976), pp. 98-113. Tian Jing and Wang Chu, “China power struggles: Resisting reforms,” *Asia Times* July 16, 2004 (Jiang’s Shanghai Clique holds different opinions on political reforms than Hu.)

<http://www.atimes.com/atimes/China/FG16Ad05.html>

<sup>60</sup> Wang Chu, “Power struggle in Beijing: Hu vs Jiang,” *Asia Times* July 16, 2004 (Hu is trying to wrestle power from Jiang whom tried to derail his reform program.)

<http://www.atimes.com/atimes/China/FG08Ad04.html> Professor Willy Wo-Lap Lam, ‘Civilization’ balances bickering CCP factions,” *CNN.Com* January 1, 2003. (Fudan University professor Wang Huning, advisor to Jiang, has argued that “zhengzhi wenming” means that cadres with different ideological slant and political agenda should learn to work with each other in a civilized manner. ).

<sup>61</sup> Factional politics have a long and deplorable history in China, imperial and contemporary. Andrew Nathan, "A Factionalism Model for Ccp Politics," *The China Quarterly* 53 (1973). The Republic of China was much afflicted with warlord factionalism, which divided China into ever smaller spheres and regions of influence, fostering civil war and precluding national unity. During the cultural revolution there was not a united front of students but factional groups fighting for dominance. Andrew G. Walder, “ Beijing Red Guard Factionalism: Social Interpretations Reconsidered.” *The Journal of Asian Studies* 61, no.2 (2002): 437-471. In 1976, when Mao picked a successor, he chose Hu Guaofeng because Hu did not engage in factionalism. See n. 5 and discussion, in F.C. Teiwes, “Politics at the "core": the political circumstances of Mao Zedong, Deng Xiaoping and Jiang Zemin,” *China Information*, vol.XV:1, pp. 1-66 (2001).

<sup>62</sup> CPC Central Commission for Disciplinary Inspection, CPC Organization Department, General Political Department, Document (Zhonggong zhongyang jiwei, Zhonggong zhongyang zhujǐ bu, Zhong zhengzhi bu wenjiang) Organization General [2002] No. 19 (Zhutong [2002] 19 hao) Dated April 4, 2002: “Notice regarding leadership Party cadre cannot participate in self-organized “fellow village association”, “school mate association”, “comrade – in – arms association” organizations” (Guanyu lingdao ganbu bude canjia zifa chengli de “laoxiang hui” . “xiyou hui”, zhanyou hui” zhujǐ de tongzhi) <http://www.nbu.edu.cn/allwebs/wwwjiwei/zywj.htm>

“Notice” made clear that the Party is much concerned with of the ill effects of *ganbu* using “*guanxi network*” (*guanxi wan*) or “small circle” (*xiaoquanzi*) to entertain each other lavishly or conspire with each other for personal gains:<sup>63</sup> “Leadership cadres participated in such organization activities mostly to make friendly contacts (*lianluo genqing*), establish wide social network (*guangjiao banyou*) or to facilitate home village economic development, to provide advise and assistance to construction of alma-mata. There are a small number of *ganbu* who in the name of making friends, eat and drink excessively. (*da chi da he*) spent to the excess (*huihuo wuduo*), and even establish “relationship network” (*guanxi wan*), set up “small circles” (*xiaoquanzi*) making cliques (*tuantuan huohuo*) or engaging in illegal organizing activities, having unwholesome effect in the midst of cadres.”<sup>64</sup>

*Third, reporting of property.* On December 25, 2000, Wei Jianxing, secretary of the CPC Central Commission for Discipline Inspection (CCDI), on occasion of the Fifth Plenary Session of the Central Commission for Discipline Inspection of the CPC announced that in order to build a clean government CCDI would tighten disciplinary regulation of leading Party cadres. Officials should not accept payments, in cash securities or in kind, from people and units under their management and control. Such regulation

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<sup>63</sup> Victor Shih, “Factions Matter: Personal Networks and the Distribution of Bank Loans in China,” *Journal of Contemporary China*. 13 (38): 3-19 (2004) (Empirical study demonstrating the factional ties, i.e., ties between provincial and national leaders, determines monetary distribution in the PRC banking system.)

<sup>64</sup> Notice regarding leadership Party cadre cannot participate in self-organized “fellow village association”, “school mate association”, “comrade – in – arms association” organizations” (Guanyu lingdao ganbu bude canjia zifa chengli de “laoxiang hui” . “xiyou hui”, zhanyou hui” zhuji de tongzhi)  
<http://www.nbu.edu.cn/allwebs/wwwjiwei/zywj.htm>

will extend to their family and after they leave their post for transfer or retirement.<sup>65</sup>

*Fourth, transparency in hiring.* One of the ways to promote legitimacy and accountability in government anti-corruption effort is by introducing more democratic oversights in the PRC government and Party process and practice. In July 2000, the Supreme People's Procuratorate (SSP) in Beijing was recruiting for 16 senior prosecutors, including the deputy head of the Anti-Corruption Bureau and head of department for the prevention of malfeasance. Candidates have to give presentations on personal motivation and qualifications and took questions from senior judges on controversial legal and jurisprudential issues.<sup>66</sup> The selection was conducted in front of 400 people in a meeting room, including 13 senior judges, 37 staff members of the Anti-Corruption Bureau, 40 plus journalists, and others SPP members.

The candidates were assessed by president senior judges and rated by participating staff members in the respective departments in the SSP the candidate applied. The SPP would decide based on the candidates performance, judges assessment and staff votes.

Traditionally, Party leaders and government officials were selected competitively from lower ranks, administratively. Starting with 2000, the Party introduced open competition into cadres and officials selection process.

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<sup>65</sup> "Officials at Ministerial Levels to Report Private Property," *Xinhua* December 26, 2000. <http://china.org.cn/english/DO-e/5742.htm>

<sup>66</sup> "People are complaining that corruption is bad, and the corruption of anti-corruption officials is worse. What is your comment on this, and what will you do if you get the post?"

SSP would eventually open up 80% of SSP, including 130 section chiefs, to such an open and competitive process of selection in the future.<sup>67</sup>

*Fifth, Central Discipline Inspection Commission (CDIC )to consolidate powers. As Fan Ren points out,*

Currently, Party discipline inspection organizations dispatched by the CCP CDIC to various localities are under the dual leadership of the CDIC and local Party committees. This structure has severely weakened the function of discipline inspection organizations. To put an end to this awkward situation, the Party Central Committee is freeing discipline inspection organizations from the leadership of local Party committees, to ensure they work independently, improve their role in supervising local authorities and thus ward off corruption. After the reform, Party discipline inspection organizations and staff dispatched by the CDIC to various localities will be under the direct and sole leadership of the CDIC.<sup>37</sup>

*Sixth, other proposals*

In a report prepared for the Global Corruption Report, Guo and Liao Ran reported:

First, the Government Procurement Act came into force in January 2003, regulating public procurement and having

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<sup>67</sup> “China Openly Recruits Department-Level Officials,” *People’s Daily* July 20, 2000 [http://english.peopledaily.com.cn/english/200007/20/eng20000720\\_45936.html](http://english.peopledaily.com.cn/english/200007/20/eng20000720_45936.html)

guidelines to prevent corruption. Second, amendments to the Criminal Code were ratified, including the stipulation that the abuse of authority and dereliction of duty by judicial officials would be subject to a penalty of ten years' imprisonment. Third, Guo and Liao referred to Shenzhen's political reforms of separating the powers of policy-making, enforcement and supervision. Fourth, they emphasized the new leadership under President Hu after March 2003 called for an acceleration of anti-corruption drive, like dispatching 45 inspectors of the CDIC to visit all provinces. Fifth, an administrative licensing law was passed in August 2003 to streamline and introduce transparency into the administrative system. According to the new law, license applications would be filed in writing so as to "avoid face-to-face contact with officials, hopefully lessening the incidence of 'improper fee collection.'"<sup>68</sup>

### **Nothing works?**

In the end, nothing seems to work. On February 9, 2001 the China Daily published a commentary on the work of the Fifth Plenary Session of the Central Commission for Discipline Inspection. The commentary, if read closely, reveals the current thinking of the CPC leadership and new initiative on fighting corruption.<sup>69</sup> Judging by the tone and texture of the commentary as a whole, nothing seems to work in anti-corruption drives and measures, to date:

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<sup>68</sup> Guo Yong and Lian Ran, "China," in <http://www.globalcorruptionreport.org>, p. 178, access date: June 26, 2004.

<sup>69</sup> "Anti-corruption plan has to be carried out without fail: commentary" *China Daily* February 9, 2001. <http://app1.chinadaily.com.cn/highlights/party16/editorial/209.htm>

First, thus far anti-corruption measures have not been altogether successful in controlling corrupting at its roots. The commentary is brutally honest, in a nation given to personal flattery<sup>70</sup> and a Party disposed to mass propaganda, in acknowledging that all is not well. Not one word was mentioned about how successful the anti-corruption drive has been in the past years.<sup>71</sup>

Second, the fight against corruption determines the fate of the Party and the nation.<sup>72</sup> The commentary was frank in acknowledging, through the words of Jiang, that legitimacy and standing, and indeed continue relevancy and ultimate survival, of the Party is determined by how the Party is successful in dealing with pervasive and corrosive corruption now afflicting every activities and segments of China political and economic life. More pointedly how CPC conducts itself in terms of work style, i.e., whether it is clean, and organizational discipline, i.e., whether it can fight corruption,<sup>73</sup> in doing the people's business is determinative of its legitimacy and survivability in the future.

Third, the lack of success in fighting corruption resulted from poor work style, i.e., lose of ideological spirit and lax in Party discipline. Particularly:

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<sup>70</sup> The only person who is getting any praise is that of Secretary Jiang, even then his praise is more formal than real, more on his insights of past failings than his achievements in fighting corruption.

<sup>71</sup> The only perfunctory endorsement came at the end of commentary: "Such being the case, while successfully carrying out this year's anti-corruption work, we must pay attention to maintaining the consistency and continuity of the work and thereby fulfilling the various tasks set forth previously."

<sup>72</sup> General Secretary Jiang Zemin made an important speech...the historical law that the will of the people decides the rise or fall of a political party and a regime..."

<sup>73</sup> The Party has all but bet its survival on its ability to control and eradicate corruption.

“Leading Party and government officials assume general responsibility for the improvement of the Party style of work and promotion of clean and honest government within the scope of their respective responsibilities, if they take a perfunctory, negligent attitude toward the anti-corruption work within the range of their respective responsibilities, with the result that problems arise one after another, thus causing very bad influence, then these leading cadres will be investigated and affixed responsibility, and they must never be indulged in their dereliction of duty.”

To ratify the situation, reinvigorated ideological spirit, stricter Party discipline and more concrete ideas in fighting corruption at its roots is necessary.<sup>74</sup>

Finally, the lack of success in fighting corruption also resulted from a lack of enthusiasm and effort at “some regions and departments, which develop a superficial style of work, often just hold another meeting to transmit the work arranged at a meeting without hooking it up with their local realities, they practice formalism, do things as a mere formality, and so on and so forth, this style of work inevitably bungles matters.”

The China National Auditing Office (CNAO) and Audit storm are the latest entries into China’s unrelenting fight against corruption. To this new anti-corruption player and initiative we now turn.

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<sup>74</sup> “President Hu charts path in anti-corruption drive,” *China Daily*. 2007-01-10 07:21 (Speaking to CPC Central Commission for Discipline Inspection (CCDI), Hu called for four steps to fight corruption: “step up ethics education; to keep up the momentum of the campaign by routing out key offenses and high-level suspects; to address the problems that pose a great threat to the public interest; and to mend the official system and its procedures at the same time.”)

### III

#### Audit Storm

##### **The China National Auditing Office (CNAO)**

For the first 30 years (1949 – 1979), the People’s Republic of China has no national audit agency. In 1982, Article 91 of the PRC Constitution provides, for the first time, an “auditing body”:

“The State Council establishes an auditing body to supervise through auditing the revenue and expenditure of all departments under the State Council and of the local governments at different levels, and those of the state financial and monetary organizations and of enterprises and undertakings. Under the direction of the Premier of the State Council, the auditing body independently exercises its power to supervise through auditing in accordance with the law, subject to no interference by any other administrative organ or any public organization or individual.”<sup>75</sup>

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<sup>75</sup> **CONSTITUTION OF THE PEOPLE'S REPUBLIC OF CHINA** (Adopted at the Fifth Session of the Fifth National People’s Congress and Promulgated for Implementation by the Proclamation of the National People’s Congress on December 4, 1982.) <http://english.peopledaily.com.cn/constitution/constitution.html>

Given the constitutional mandate, the CNAO was first established on December 1982, at the 5<sup>th</sup> Plenary Session of the 5th National People's Congress. Article 2 of the Audit Law People's Republic of China stipulates that:

“The State Council shall establish audit institution who will take charge of auditing revenues and expenditures of public finance of departments of the State Council and local governments at various levels, revenues and expenditures of state banking institutions, state enterprises and undertakings. The audit institution shall be under the direct leadership of the Premier of the State Council and exercise its power of supervision through auditing independently in accordance with the law and subject to no interference by any administrative organ or public organization or individual. People's governments at and above the county level shall establish corresponding audit institutions. Local audit institutions at various levels shall be accountable and report on their work to the people's governments at the corresponding levels and to audit institutions at the next higher levels.”<sup>76</sup>

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<sup>76</sup> Audit Law of the People's Republic of China (Adopted at the Ninth Meeting of the Standing Committee of the Eighth National People's Congress on August 31, 1994, and amended in accordance with the Decision on Amending the Audit Law of the People's Republic of China at the 20th meeting of the Standing Committee of the 10th National People's Congress of the People's Republic of China on February 28, 2006)  
<http://english.mofcom.gov.cn/article/policyrelease/domesticpolicy/2006pdf/20060602434087.pdf>

As conceived, the CNAO, reporting to the Standing Committee of National People's Congress through the State Council, is a government accounting office of the People's Republic of China (PRC) responsible for conducting central, external, independent financial audits on all Party organizations and government agencies, nationwide, including Supreme People's Court, Supreme People's Procuratorate, Ministry of Public Security and Armed Police, amongst others.<sup>77</sup>

According to the PRC Constitution and the Audit Law, CNAO exercise its audit functions independently and without interference from other authorities.<sup>78</sup> The ambit of CNAO covers all persons and organizations receiving funds from or sharing revenue with the state or local governments.<sup>79</sup> Currently, NPC and CCPCC are not audited by CNAO, but they will be in the near future.<sup>80</sup>

While constitutionally, the CNAO functioned as a budget accounting and fiscal responsibility office, increasingly and especially after 2000, the office has been used as an all purpose clean government and integrity unit, i.e., to instill financial discipline, foster integrity, promote clean government, and fight corruption.

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<sup>77</sup> For a brief overview of CNAO, see "Government Auditing in the People's Republic of China" at CNAO official website, <http://www.cnao.gov.cn/>

<sup>78</sup> According to PRC Audit Law (<<Zhonghua renmin gongheguo shenji fa>>- 《中华人民共和国审计法》) and "Temporary means to conduct central budget audit" ( Central<<Zhongyang yuxuan jixing qing kuang shenji jian du zhenxing banfa>> 《中央预算执行情况审计监督暂行办法》), the NCAO is required to conduct annual audit.

<sup>79</sup> "China considering publishing all audit reports," *People's Daily* July 7, 2004. [http://english.people.com.cn/200407/07/eng20040707\\_148801.html](http://english.people.com.cn/200407/07/eng20040707_148801.html)

<sup>80</sup> "Audit Report 2003: Heroes Wielding Calculators" (Oriental Outlook Weekly, translated by Guo Xiaohong, Tang Fuchun and Ni Xiaoqiang for china.org.cn, July 12, 2004) (Interview with Zhang Qiuxia, director of the National Audit Office's (NAO's) Department of Non-Profit Government Agencies Audit)

The strategy to use auditing as a clean government and anti-corruption device, first found support in Zhu Ronji's administration in 2000, and has intensified since then.<sup>81</sup> The change of policy is widely reported in the press. The People's Daily reported in October 2000 that: "More Chinese ministers will be audited this year by the National Audit Office to more effectively curb corruption."<sup>82</sup>

The shift in CNAO function and focus was first hinted at the National Audit Working Conference (January 19 to February 22, 2000) by State Counselor and Secretary General of the State Council, Wang Zhongyu with Auditor General Li Jinhua outlining the anti-corruption work ahead in a report: "Highlighting Priorities and Strengthening Audit Forces to Fulfill Effectively Audit Mandate According to Law."<sup>83</sup>

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<sup>81</sup> At an auditing conference (2000), Zhu stressed the importance of and need for a national auditing program to promote clean government and ethical officials. "Auditing Roots out More Corrupt Officials," *China Daily*, October 27, 2000 (Since 1998, auditing uncovered 96.17 billion yuan (US\$11.59 billion) corruption money); "Premier Stresses the Importance of Auditing Work," *China Daily* January 14, 2003 (Zhu called for improved auditing of government departments and state enterprises to uncover fraud and corruption.) The national drive to use auditing as an anti-corruption tool found resonance in provincial and municipal administrations, see "Shanghai Stresses Auditing to Combat Corruption," *Xinhua* March 6, 2001 (Vice Mayor Chen Liangyu stressed that complete and comprehensive auditing in areas of finance, state assets, social welfare fund and local leaders' accounts help to combat corruption). For internal policy statements registering a shift of policy from general auditing to clean government initiative, see The General Office of CNAO, "Five Important Tasks of Chinese Audit in 2001"(2001-3-13) ("The first task is to deepen the audit of budget implementation in the light of financial system reform... In doing so, the audit work can help to disclose and correct the wrongdoings such as tax frauds and fight against power abuse and corruption") and "Measures adopted by CNAO to root out corruption," *China Audit News*, April 18, 2001 (To carry out the instructions of CCDI of CCP on "Timely Instituting Measures to Root Out Corruption" the CNAO (National Audit Office of China)

<sup>82</sup> "More Chinese Ministers to Come Under Gaze of Auditors," *People's Daily*, October 29, 2000.

<sup>83</sup> General Office of National Audit Office of China, TOP 10 EVENTS FOR THE YEAR OF 2000 IN CHINESE GOVERNMENT AUDIT WORK (2001-3-14)  
[http://www.cnao.gov.cn/content/sr/reports\\_display/show\\_reports.php3?id=616](http://www.cnao.gov.cn/content/sr/reports_display/show_reports.php3?id=616)

The new anti-corruption policy was fully embraced in the National Working Conference on Economic Fiduciary Duty Audit (October 26 to 28, 2000). The policy importance of the conference was reflected by the importance of leadership attending and scale of organization involved. The conference was jointly held by all Party and government agencies having a role in supervision, namely the CCDI of the CPC, the Central Organization Department of CPC, the Ministry of Supervision, the Ministry of Personnel and the National Audit Office. The conference was attended by: The State counselor Mr. Wang Zhongyu and the Deputy Secretary of the CCDI of CPC and Minister of the Ministry of Supervision Mr. He Yong both spoke of the importance of auditing work as an anti-corruption device. Auditor General Mr. Li Jinhua spoke on the auditing of economic fiduciary duties. Over 300 deputies from nationwide local institutions of disciplinary inspection, organization, supervision, personnel and audit offices attended.

The shift in policy was confirmed by the General Office of CNAO with the formulation of internal policy: “Five Important Tasks of Chinese Audit in 2001” (2001-3-13) states in pertinent part:

“The first task is to deepen the audit of budget implementation in the light of financial system reform... In doing so, the audit work can help to disclose and correct the wrongdoings such as tax frauds and fight against power abuse and corruption.... The importance should be attached to disclosing and correcting the misappropriation of public funds, hidden reserves, extravagance

and waste so as to promote the reasonable and effective utilization of public funds.”<sup>84</sup>

Some of the internal measures adopted to make CNAO a more efficient and effective anti-corruption agency included: (1) Increase professionalism through collective review of audit decisions and dispositions. (2). Implement standardized audit regulation and uniform accounting standards. (3) Strengthen supervision of audit through strict enforcement of ethics rule, such as the Eight-Clause Prohibition, to reduce conflict of interests and influence pedaling. (4) Prevent corruption by revoking all the special bank accounts for the collection and surrender of penalty funds. (5) Improve effective monitoring of government offices and officials through internal accounting, i.e., financial management, economic supervision and fiduciary responsibilities. (6) Perfecting social supervision system through enhancing public participation and input, e.g., setting up opinion box, establishing complaining centers, hiring social auditors, and holding public hearings.<sup>85</sup>

As a result of anti-corruption policy, CNAO became much more active in auditing to detect corruption. For example, since 1983, CNAO has audited more than three million work units around the country and recovered illegal funds worth 130 billion yuan (15.7 billion US dollars).<sup>86</sup> In 2000

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<sup>84</sup> CNAO official website

[http://www.cnao.gov.cn/content/sr/reports\\_display/show\\_reports.php3?id=609](http://www.cnao.gov.cn/content/sr/reports_display/show_reports.php3?id=609)

<sup>85</sup> See “Measures adopted by CANO to root out corruption,” *China Audit News*, April 18, 2001 (To carry out the Instruction of CCDI of CCP on “Timely Instituting Measures to Root Out Corruption” the CNAO (National Audit Office of China) adopted formulated six implementation measures to fight corruption with auditing:

<sup>86</sup> “China's Improvement of Audit System Retrieves Huge Losses,” *People's Daily* August 20, 2003. (Accordant to Li Jinhua, CNAO audited a total of 104,000 units in 2001

alone, the CNAO recovered 19.2 billion yuan (US\$2.3 billion)<sup>87</sup> and of public funds, or 14.8% of the 20 years total.<sup>88</sup>

In the first 11 months of 2001, CNAO audited 107,000 institutions and uncovered malpractice involving 160 billion yuan (US\$19.3 billion) vs. that of 104,000 institutions and 205.2 billion yuan (US\$24.7 billion) of irregularities in 2002.

As a result of the change of policy, the CNAO is auditing less but uncovering more, i.e., being more productive. This suggested more focused and more effectiveness auditing.<sup>89</sup>

CNAO officials when conducting audit are subjected to exacting auditing guidelines<sup>90</sup> and demanding professional ethics,<sup>91</sup> including: “Practice Directions of Audit Institutions for Financial Audit of State Industry Enterprises” (Promulgated on December 17, 1996); “Standard of Audit Institutions on Audit Working” (Promulgated on December 11, 1996); “Circular of the CNAO on Implementation of the Government Auditing Standards of the People's Republic of China” (Promulgated on December 3, 1996); “Standard of Audit Institutions on Audit Evidence” (Promulgated on December 11, 1996); “Standard of Audit Institutions on Preparation of Audit

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and uncovered 205.2 billion yuan (about 24.7 billion US dollars) of illegal and irregular funds.) [http://english.people.com.cn/200308/20/eng20030820\\_122674.shtml](http://english.people.com.cn/200308/20/eng20030820_122674.shtml)

<sup>87</sup> There is a variance between news report and CNAO on the rate of recovery, i.e. 19.2 billion (“China's Improvement of Audit System Retrieves Huge Losses,” *People's Daily* August 20, 2003) vs. 20.2 billion (CNAO General Office, “Significant Achievements in China's Government Auditing Work of 2000’ (2001-3-13).

[http://www.cnao.gov.cn/content/sr/reports\\_display/show\\_reports.php3?id=610](http://www.cnao.gov.cn/content/sr/reports_display/show_reports.php3?id=610) I can find no reconciliation of these two accounts.

<sup>88</sup> “Premier Calls for Thorough Investigation into Audit Cases,” *People's Daily*, January 5, 2001.

<sup>89</sup> “Auditors to Keep Eye on the Malpractice in State Firms,” *People's Daily*, January 22, 2003.

<sup>90</sup> Accessible at <http://www.cnao.gov.cn/>

<sup>91</sup> MEASURES ADOPTED BY CANO TO ROOT OUT CORRUPTION(2001-4-18) [http://www.cnao.gov.cn/content/sr/reports\\_display/show\\_reports.php3?id=700](http://www.cnao.gov.cn/content/sr/reports_display/show_reports.php3?id=700)

Programs” (Promulgated on December 11, 1996); “Provisions of Audit Institutions on Administrative Review of Audit” (Promulgated on December 16, 1996); “Provisional Practice Directions for Auditing Central Budgetary Implementation” (Promulgated by Decree No. 181 of the State Council of the People's Republic of China on July 19, 1995); “Standard of Audit Institutions on Preparation and Review of Audit Reports” (Promulgated on December 11, 1996); “Standard of Audit Institutions on Evaluation of Audit Items” (Promulgated on December 11, 1996); “Professional Codes of Ethics for Auditors of Audit Institutions” (Promulgated on December 16, 1996); “Standard of Audit Institutions on Computer Assisted Audit” (Promulgated on December 19, 1996); “Practice Directions of the CNAO for Financial Audit of the Central Bank” (Promulgated on December 5, 1996); “Practice Directions of the CNAO for Financial Audit of State Monetary Institutions” (Promulgated on December 5, 1996); “Practice Directions of Audit Institutions for Financial Audit of State Industry Enterprises” (Promulgated on December 17, 1996); “Practice Directions of Audit Institutions for Financial Audit of the State Commodity Circulation Sector” (Promulgated on December 16, 1996); “Practice Directions of Audit Institutions for Auditing Budgetary (Estimate) Implementation of State Construction Project” (Promulgated on December 17, 1996); “Practice Directions of Audit Institutions for Auditing Final Accounts at the Completion of State Construction Projects” (Promulgated on December 13, 1996); “Practice Directions of Audit Institutions for Auditing Special Agriculture Funds” (Promulgated on December 17, 1996); “Practice Directions of Audit Institutions for Auditing Operating Funds” (Promulgated on December 13, 1996); “Practice Directions of Audit Institutions for Auditing Administrative Funds” (Promulgated on December 13, 1996); “Practice Directions of Audit

Institutions for Auditing Social Securities Funds” (Promulgated on December 13, 1996).

### **The Audit Report**

On June 23, 2004, the China National Auditing Office (CNAO)<sup>92</sup> stunned the nation with the submission of “Regarding 2003 Audit Working Report on the Implementation of 2002 year’s Central Budget and the Revenue and Expenditure of Other Public Funds” (hereinafter Audit Report)<sup>93</sup> to the Standing Committee of the National People’s Congress (NPCSC) of the People’s Republic of China (PRC). The Audit Report rendered an in-depth accounting of the nation’s budgetary health.<sup>94</sup>

The Audit Report uncovered extensive financial improprieties and egregious budgetary irregularities with 41 of the 55 audited ministries and commissions under the State Council, involving a total of RMB 1.42 billion (171.56 million US dollars).<sup>95</sup> Implicated organizations included: General Administration of Sports/Beijing Organizing Committee for the Games of

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<sup>92</sup>For a brief overview of history and development, structure and process of CNAO, see “Government Auditing in the People's Republic of China” at official website, <http://www.gov.cn/>

<sup>93</sup> “Guanyu 2003 nian zhongyan yuxuanjixing he jita caizheng de shenji gongao baogao” - 关于2003年度中央预算执行和其他财政收支的审计工作报告》 (Reported to 10<sup>th</sup> meeting of the Tenth NPCSC). For a Chinese version, see “Li Jinhua presenting 2003 Audit Report” (“Li Jinhua shenjizhang zuo 2003 shenji gongzuo baogao”) *xinhuanet* [http://news.xinhuanet.com/zhengfu/2004-06/24/content\\_1543949.htm](http://news.xinhuanet.com/zhengfu/2004-06/24/content_1543949.htm). For a brief discussion of the background and content of the Audit Report, see “Cleaning Up” and “Corruption Levels Astonishing,” respectively. In “Cover” pp. 18 – 22 and 22 – 25 *Beijing Review*, Vol. 27 - 28) July 15, 2004. [http://www.bjreview.com.cn/200428/Cover-200428\(A\).htm](http://www.bjreview.com.cn/200428/Cover-200428(A).htm)

<sup>94</sup> For an overview of the charter, law, structure and process of PRC’s audit system, Li Jinhua, “China's Governmental Auditing System,” *International Journal of Government Auditing* (April 1999)

[http://findarticles.com/p/articles/mi\\_qa3662/is\\_199804/ai\\_n8798793](http://findarticles.com/p/articles/mi_qa3662/is_199804/ai_n8798793)

<sup>95</sup> “China to audit more State-funded institutions to curb corruption,” *People’s Daily* July 7, 2004. [http://english.people.com.cn/200407/07/eng20040707\\_148713.html](http://english.people.com.cn/200407/07/eng20040707_148713.html)

the XXIX Olympiad (BOCOG),<sup>96</sup> – Ministry of Education,<sup>97</sup> State Power Corporation of China,<sup>98</sup> Yangtze Water Resources Commission,<sup>99</sup> the Industrial and Commercial Bank of China (ICBC).<sup>100</sup> For example, seven

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<sup>96</sup> “Sports Administration Denies Misuse of Funds,” *China.org.cn* July 7, 2004. (The reported misappropriation of 131m yuan (\$13.2m) earmarked for the Beijing 2008 Olympics organizing committee since 1999 by the GSA, of which RMB 109 million went for constructing staff quarters.)

<sup>97</sup> “Rampant Corruption Haunts Education Minister Chen Zhili,” *Asia Time*, July 18, 2004 (Translated by Epoch Times) (Some of the irregularities and improprieties included: *Misuse of authority*. From 2001 to 2002, Oriental College Town Development, Inc. illegally signed a contract with five village committees in Langfang city of Hebei province and Tongzhou district in Beijing, to leased farmers’ collective lands to build five golf courses (5,728 acres of cultivated land). *Securing of risky loans*. Loans for constructing college towns was not likely (impossible) or intended to be repaid. For example, 12 loan projects - Xianling and Jiangning districts of Nanjing city, and Xinxiao district in Pukou – amounted to 2.7 billion yuan (US\$326 million). The schedule repayment amount surpasses annual income of lenders by approximately 40 to 80 percent. *Heavy and growing debt burden*. The audit investigated 17 provinces (district, cities) and 50 counties’ secondary education funds. “[A]t the end of 2001, secondary school debts from 50 provinces totaled 2.4 billion yuan (US\$289.8 million). By the end of 2002, it had increased 30 percent to 3.1 billion yuan (US\$374.3 million) ... [by] June 2003, this number had increased another 25.7 percent, reaching a total of 3.9 billion yuan (US\$470.9 million).” *Collection of excessive and illegal fees*. 45 of the 50 audit counties have this problem. In 2001, 413 million yuan (US\$49.9 million) illegal fees were collected. *Diversion of fund to inappropriate use*. “Since 1999, the education board has used 13.56 million yuan (US\$1.6 million) from the textbook fund for personal (11.03 million yuan (US\$1.3 million) and entertainment use (25.2 million yuan (US\$3 million). <http://english.epochtimes.com/news/4-7-18/22515.html>

<sup>98</sup> “China’s audit storm “involves” the issue of “power shortage,” *China Economic Net*, July 26, 2004. (The CNAO found irregularities with the disposition of RMB 21.14 billion of state funds, including actual loss of RMB 7.84 billion (RMB 3.53 or 58%) and latten loss of RMB 3.28 or 42% due unauthorized or non-rule conforming decision making. There were RMB 7.8 billion in deliberate distortion of profits and losses, i.e., fraud, and RMB 4.5 billion loss of state-owned assets, i.e., unaccounted fund. RMB 1 billion involved “economic crime” by leaders.)

<sup>99</sup> “Audit storm’ stirs furore in media,” *People’s Daily*, July 5, 2004. (“One official from the Yangtze Water Resources Commission, which was accused of collusion with jerry-builders in embankment construction, accused audit offices of trying to score political points by disclosing misconducts which were already uncovered.”)

<sup>100</sup> “ICBC Lost 1b yuan in Bad Loans,” *China’s Daily* June 24, 2004. (“China’s largest bank, Industrial and Commercial Bank of China (ICBC), lost more than 1 billion yuan (US\$121 million) in loans made to a privately-owned firm in Guangdong’s Nanhai city.” <http://www.china.org.cn/english/features/audit/102450.htm> “CNAO Reveals Widespread

ministries obtained a total of 96.73 million yuan by cheating on their number of work staff and fabricating construction projects.<sup>101</sup> Since 1999, that the General Administration of Sports misappropriated 131 million yuan (US\$15.8 million) earmarked for the organizing committee of the Olympic Games since 1999.<sup>102</sup> About 109 million yuan (US\$13.2 million) of the money was used to put up residential buildings for its staff and the rest was invested into companies, according to the audit report.<sup>103</sup>

The 2004 audit has four focus:<sup>104</sup> (1) uncover serious violations of law and regulations, such as when the Olympic Committee misused of funds to

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Corruption,” (After an eight-month inspection of 21 subsidiaries, CNAO found irregularities involving 6.9 billion yuan (US\$833.7 million), with problems in its billing, consumer lending and loans to local governments and private companies. In one case, 110 million yuan was illegally withdrawn. In another 1 billion yuan in corporate loans ended up in individual saving accounts.) *China Daily*, Eastday.com November 3, 2004) <http://www.china.org.cn/english/2004/Nov/111119.htm>

<sup>101</sup> “Embezzlement, fraud exist in implementation of central budget,” *People’s Daily*, June 24, 2004. [http://english.people.com.cn/200406/24/eng20040624\\_147436.html](http://english.people.com.cn/200406/24/eng20040624_147436.html)

<sup>102</sup> This is counter to the audit conducted in 2001. The Beijing Olympic Organizing Committee (BOCOG) was found in December 2001 to conduct audit for the 2008 Olympics by annually. The BOCOG Supervisory Committee is an independent organization headed by Vice Minister of Supervision Li Zhilun and made up of 21 members from Beijing and central government departments. The latest audit report of July 2003 found no corrupted practices. “No Corruptive Practice Found in BOCOG so Far: Official,” *People’s Daily*

[http://english.people.com.cn/200307/02/eng20030702\\_119327.shtml](http://english.people.com.cn/200307/02/eng20030702_119327.shtml) This is particularly embarrassing when PRC and President Jiang has put the their respective reputation on the line to make sure that the high flying and high profile Olympic games project with a total cost of for civic, environmental protection and transport facilities, and organizing coming close to 280 billion yuan (33.8 billion US dollars). ”China Vowing to Curb Corruption with Olympic Projects Construction: Official,” *People’s Daily* March 10, 2003. [http://english.people.com.cn/200303/10/eng20030310\\_113039.shtml](http://english.people.com.cn/200303/10/eng20030310_113039.shtml)

<sup>103</sup> “Audit: US\$170 million discovered misused,” *People’s Daily* June 24, 2004. [http://english.people.com.cn/200406/24/eng20040624\\_147385.html](http://english.people.com.cn/200406/24/eng20040624_147385.html)

<sup>104</sup> “Surrounding the focus, handling the intent, express the characteristics – Characteristics of the “two reports” of the central budge implementation” (“Weirao zhongxin, bawo liyi, xiequ tedia – jiannian zhongyang zhixing shenji “liangge baogao” de tedian” - 围绕中心 把握立意 写出特色——今年中央预算执行审计“两个报告”的特点) *China Audit News* (Zhongguo shenji bao), June 28, 2004, CNAO [http://www.audit.gov.cn/cysite/docpage/c676/200407/0708\\_676\\_9693.htm](http://www.audit.gov.cn/cysite/docpage/c676/200407/0708_676_9693.htm)

build residential housings for employees; (2) reflect major problems affecting the mass' personal interests, e.g., when disasters funds were misappropriated or peasants land were confiscated illegally for commercial development; (3) focus on problems or loopholes in macro control, e.g. accountability with banks loans and credits and two channel for income and expenditures; (4) the effective and efficient use of financial resources .

In the end, the Audit Report outlined five main problem areas:

- (1)“Fraud, embezzlement and misuse of government funds allocated to disaster relief, education, the Olympics and treasury bonds, by organizations of both the central and local governments;
- (2)Financial irregularities at banks resulting from inadequate supervision;
- (3)Tax irregularities, with some tax bureaus failing to collect taxes or failing to suspend or terminate levies when so ordered;
- (4) Illegal requisitioning of land for development, with some local governments abusing authority in order to obtain profits;
- (5) Misrepresentation and fraud employed by private enterprises to obtain bank loans.”<sup>105</sup>

The CNAO, however, stopped short of recommending any administrative discipline and criminal charges in the Audit Report.<sup>106</sup>

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<sup>105</sup> “Reform to Bloom After Audit Storm,” *China Business Post* (translated by Tang Fuchun for china.org.cn) July 9, 2004.

<http://www.china.org.cn/english/2004/Jul/100846.htm>

<sup>106</sup> *Id.* (The Industrial and Commercial Bank of China (ICBC) disciplined 366 staff for financial misconduct.) For a summary of financial responsibilities and discussion of (possible) criminal liabilities, see Chen Jing Jing, “On criminal law analysis of “Audit list” – criminal law liabilities analysis of major case implicated by 2003 annual Audit Report” (“Dui ‘shenji qingdan’ de xingfar jiedu – 2003 niandu shenji gongzuo baogao suo she zhongdai xingshi zeren de falu fanshi - 对“审计清单”的刑法解读——2003

## Reaction to Audit Report

The Audit Report (2003) attracted immediate attention<sup>107</sup> and maintained sustained interests, domestically (with public media,<sup>108</sup> private citizens,<sup>109</sup> experts<sup>110</sup> and scholars alike,<sup>111</sup>) and internationally.<sup>112</sup> The

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年度审计工作报告所涉重大案件刑事责任的法理分析) *Fazhi Ribao* 《法制日报》 July 2, 2004.

<http://www.chinalaw.gov.cn/jsp/contentpub/browser/contentpro.jsp?contentid=co1927833706>

<sup>107</sup> "Audit Report Fallout Stirs Public Interest," *China Daily* July 26, 2004

<sup>108</sup> "'Audit storm' stirs furor in media," *People's Daily*, July 6, 2004 (Beijing News described the Audit Report as "startling," attributing the source to many of the people's e-comments. The *Beijing Youth Daily* observed that the "Audit Storm" unleashed by Auditor-General Li Jinhua showed no sign of abating.) See separately, "State auditors reveal widespread fiscal irregularities," *Interfax.com* June 25, 2004; "Audit storm shows government determination," *People's Daily* July 1, 2004. ("China's Auditor-General Li Jinhua submitted an astonishing auditing report to the Standing Committee of the 10th National People's Congress (NPC) on June 23, 2004); "Reform to Bloom After Audit Storm," *China Business Post* (translated by Tang Fuchun for china.org.cn) July 9, 2004; "Sports Administration Denies Misuse of Funds," *China.org.cn* July 7, 2004. "Audit storm' whets (sic) watchdog's appetite," *China Economic Net*, July 16, 2004 (CNAO has been filing audit reports since 1983, but has only been taken seriously in 2004. The "audit storm" has "grabbed the attention of the media and the Chinese public.") [CEN report is based on China Daily Report] "Audit Storms' not best solution," *China Economic Net*, July 16, 2004 (*China Youth Daily* opined that rule of law not mass campaign style "Audit Storm" should be used to correct government abuse. Mass campaigns, like those of "Cultural Revolution" (1966 – 1978) are disruptive and should not be repeated.)

<sup>109</sup> Experts discussing "Audit storm" (Zhuanjia tan zhongguo "shenji fengbao")(专家谈中国“审计风暴”) (The audit was well received by all the people. The audit only uncovered the tip of an iceberg. In order for the audit to be totally effective, the auditing must be done by independent body. That is why local auditing units are not effective in checking local problems and it takes NAO to uncover corruption and abuses.) *dajiyuan* July 16, 2004. <http://www.dajiyuan.com/gb/4/7/16/n597601.htm>

<sup>110</sup> School of Public Administration, Anti-corruption research Office, "Anti-corruption audit: Important signal in anti-corruption progress" (Liaozhebg shenji: Fanfu douzheng jinchen zhong de zhongda xinhou - 廉政审计: 反腐败斗争进程中的重大信号) July 7, 2004. [http://china.dayoo.com/gb/content/2004-07/07/content\\_1620156.htm](http://china.dayoo.com/gb/content/2004-07/07/content_1620156.htm)

<sup>111</sup> "'Audit storm' stirs furor in media," *People's Daily*, July 6, 2004 (*People's Daily*: The Yangtze Water Resources Commission accused CNAO of political grandstanding but later retracted. The ICBC acknowledged failings and disciplined 336 staff members. Southern Weekend: The report Li delivered exposed the unprecedented depth, breadth

controversy has come to be known in China as the “Audit Storm” (*Shenji fengbao*). The Auditor-General Li Junhua became an overnight anti-corruption hero.<sup>113</sup>

Since its first publication (June 23, 2004), the Audit Report has courted controversies, one after another.

First, there is a recurring issue of why this Audit Report was handled differently, i.e., released and debated in the public domain.<sup>114</sup> The Audit Report marked a change of guards, with its philosophy and policies, at Zhongnanhai.<sup>115</sup> This thesis is supported by many circumstantial evidences. Premier Zhu Rongji (March 1998 to March 2003)<sup>116</sup> was known for being

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and magnitude of funding abuse. *Beijing News*: "Startling" is the word people are using to describe Li's report. And this is not exaggerated, considering the scope and extent of official misconduct in the use of public money Beijing Youth Daily: The "Audit Storm" unleashed by Auditor-General Li Jinhua on June 25 shows no sign of abating.

<sup>112</sup> Chen Wu, "China Airs Some Very Dirty Laundry," *Business Week* June 28, 2004. [http://www.businessweekasia.com/bwdaily/dnflash/jun2004/nf20040628\\_1545\\_db039.htm](http://www.businessweekasia.com/bwdaily/dnflash/jun2004/nf20040628_1545_db039.htm) "Chinese officials misuse \$27m of Olympics funds," *Strait Times*, June 25, 2004 <http://www.straitstimes.com/eyeoneasia/story/0,4395,258131,00.html> Transparency International (TI). "China Audit Report Reveals Widespread Abuse of Public Funds but Marks a Shift towards Transparency." (Press Release), Berlin, July 23, 2004 "Report: Organizers of 2008 Beijing Olympics caught diverting millions," *AZP* June 24, 2004 <http://cbs.sportsline.com/olympics/story/7445189> "Scandal hits 2008 Beijing Olympics," *msnbc* June 25, 2004. <http://www.msnbc.msn.com/id/5281250/>

<sup>113</sup> Li Jinhua was number four on the top ten most influential financial persons in China in 2003 for publishing the Audit Report. The top ten most famous financial person in China in 2003 (2003 Zhongguo xida caijing mingliu - 2003 中国十大财经名流) *Hong Tat Times* <http://www.hongtatimes.com.cn/htsb651/sj/01.htm>

<sup>114</sup> The first CNAO press conference was held in December 1998, and its first report to State Council was in June 1999. Xuan Chen and Jinchun Guo "Lessons from "Audit Storm" in China," Volume 4, No.4 (Serial No.22). *Chinese Business Review* (2005), p. 2.

<sup>115</sup> "China considering publishing all audit reports," (The State Auditing Administration is considering publishing all audit reports of future projects, both Chinese premiers Zhu Rongji and Wen Jiabao read the audit reports in depth, and gave instruction accordingly. Wen never changed or revised any audit report. ) *People's Daily* July 7, 2004. [http://english.peopledaily.com.cn/200407/07/eng20040707\\_148801.html](http://english.peopledaily.com.cn/200407/07/eng20040707_148801.html)

<sup>116</sup> Mentor to Premier Wen Jiabao, his successor.

honest, forthright and outspoken.<sup>117</sup> As early as 2001, Zhu has proposed the use of audit to keep clean government.<sup>118</sup> Yet under Zhu's watch, the auditing process and findings were not discussed in public.<sup>119</sup>

Audit Report marked a "generational" change of leadership is supported by the following facts and circumstances:

- (1) Li Jinhua was reappointed as the Auditor-General by the Hu-Wen administration on March 16, 2003. He made it known then his priority was to fight financial irregularities and official corruption with national audit in all areas and at every level.<sup>120</sup> In this regard, Li's policy reflected Hu-Wen's governing philosophy, i.e., open, clean and accountable government.<sup>121</sup>

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<sup>117</sup> "Premier Stresses the Importance of Auditing Work," *Xinhua News Agency* January 14, 2003 (Premier Zhu Rongji on called for improved audit to build a clean government and ensure sustained healthy economic development.)

<http://www.china.org.cn/english/2003/Jan/53455.htm>

<sup>118</sup> "Thorough Investigation Into Audit Cases," *Xinhua* 01/05/2001 ("Chinese Premier Zhu Rongji recently urged audit officials to "deeply" and "thoroughly" investigate cases involving serious financial infringement.") <http://www.china.org.cn/english/DO-e/6066.htm>

<sup>119</sup> "The Iron-fisted Auditor," *Xinhua News Agency* (translated by China.org.cn) July 15, 2004 (When asked: "Did you expect that this year's audit report would receive greater public attention than last year's?" Li said, "Although I provided the materials, that was not my personal decision. It is the government -- or the premier -- that is determined to expose these problems in order to rectify and solve them.")

<http://www.china.org.cn/english/2004/Jul/101377.htm>

<sup>120</sup> "Li Jinhua: openness and transparency an effective prescription for corruption," *People's Daily* July 1, 2004.

[http://english.peopledaily.com.cn/200407/09/eng20040709\\_149088.html](http://english.peopledaily.com.cn/200407/09/eng20040709_149088.html)

<sup>121</sup> H. Lyman Miller, "The Hu-Wen Leadership at Six Months," *China Leadership Monitor*, No.8, esp. "Political Reform and Leadership Approach" (p.3 - 5).

[http://media.hoover.org/documents/clm8\\_lm.pdf](http://media.hoover.org/documents/clm8_lm.pdf)

- (2) “Audit storm shows government determination”<sup>122</sup> to reform the nation. Audit Storm is one of the many steps to construct a nation of rule of law,<sup>123</sup> open government and market economy.<sup>124</sup>
- (3) The Audit Report was enthusiastically embraced and strongly supported by the administration. Soon after the submission of the Audit Report, Wen promised follow up actions, including starting criminal investigation and administrative discipline of officials.<sup>125</sup>
- (4) The Audit Report was favorably reported by all official public media; CCTV,<sup>126</sup> *China Daily*,<sup>127</sup> *People’s Daily*,<sup>128</sup> *China Youth Daily*.<sup>129</sup>

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<sup>122</sup> “Audit storm shows government determination,” *China Daily* July 1, 2004. (Audit Storm an integral part of a larger scheme to reform the government “This astonishing audit report again displayed the central government's determination and courage to face reality and push forward reforms,” including: Tightening CPC internal regulation, supervision and discipline; The State Council called for constructing governments ruled by law in ten years; Central government reforming the banking system by purchasing “questionable loans;” Standardization of enterprise taxations; Withdrawal of state-owned funds from the capital market; Tighten land approval and clear up projects misusing lands; Accelerate SOE reforms.)

[http://english.peopledaily.com.cn/200407/01/eng20040701\\_148207.html](http://english.peopledaily.com.cn/200407/01/eng20040701_148207.html)

<sup>123</sup> Administrative Permission Law of the People's Republic of China. (Adopted at the 4th Meeting of the Standing Committee of the Tenth National People's Congress of the People's Republic of China on August 27, 2003, is hereby promulgated and shall go into effect as of July 1, 2004. Order of the President of the People's Republic of China, No. 7.) Art. 1 provides: “This Law is enacted in accordance with the Constitution to standardize the institution of the procedure for, and the granting of, administrative permission, to protect the legitimate rights and interests of citizens, legal persons and other organizations, to safeguard public interests and maintain public order, and to ensure and supervise the effective exercise of administration by administrative departments.”

<sup>124</sup> “Audit storm shows government determination,” *op. cit.*

<sup>125</sup> “Corrupt Officials to Be Prosecuted; Probe Ongoing,” *China Daily* July 12, 2004 (Ministry of Supervision confirmed that misused of public fund will be investigated, serious cases will be prosecuted. Lin Kongxing, former general manager of the Huazhong Power Group, suspected of taking RMB 1 million in bribes and embezzling about 1 million yuan (US\$120,000) was arrested and prosecuted. The GAO was also under investigation for embezzlement.) <http://www.china.org.cn/english/2004/Jul/100976.htm>

<sup>126</sup> “CCTV names 2004 top ten economic personalities,” (Beijing Today), Dec. 31, 2004. [http://www.chinadaily.com.cn/english/doc/2004-12/31/content\\_405076.htm](http://www.chinadaily.com.cn/english/doc/2004-12/31/content_405076.htm)

<sup>127</sup> “Corrupt Officials to Be Prosecuted; Probe Ongoing,” *China Daily* July 12, 2004.

For example, The CCP Party School newspaper *Study Time (Xuexi shibao)* asked for full support of the Audit Report.<sup>130</sup>

Second, there are conflicting accounts on how extensive and deep financial irregularities were.<sup>131</sup>

Third, there is an issue as to why this Audit Report received “exceptional” public attention. The CNAO has been conducting auditing since 1983 discreetly. For example, the Audi Report of 2002, were 30 pages long and contained many revealing details about government financial improprieties and official corruption.<sup>132</sup> It did not attract as much attention as Audit Report of 2003.

Finally, many believed that the Audit Storm was mounted as much to clean up China, actualize public supervision, improve international image, enhance governance capacity,<sup>133</sup> as it was to eliminate political oppositions (Shanghai Gang) and consolidate Hu-Wn’s power base.<sup>134</sup>

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<sup>128</sup> “Hundreds punished amid audit storm,” *China Daily* September 1, 2004. ((Audit Storm resulted in nearly 600 people punished, including PCB (368 people, with 52 fired, 4 prosecuted); Huaihe River (202 people disciplined); Ministry of Water Resources (21 people criminally investigated); Education authorities in Huazhou City and Zhanjiang City in Guangdong Province (10 people disciplined); Huazhou Municipal Education Bureau (director fired); Wujiang/Zhanjiang (directors fired); The State Power Co. (vowed to improve management)

[http://english.peopledaily.com.cn/200409/24/eng20040924\\_158161.html](http://english.peopledaily.com.cn/200409/24/eng20040924_158161.html)

<sup>129</sup> “Audit Report Fallout Stirs Public Interest,” *China Daily* July 26, 2004 (China Youth Daily called for swift actions to deal with Problems revealed in Auditor-General Li Jinhua's report.)

<sup>130</sup> Fan Dula (“Shenji fengbao” shi yi kuai shijinshi -“审计风暴”是一块试金石” *STUDYTIMES.COM* (Issue 245) (第 245 期) )

<sup>131</sup> “Audit Finds US\$7.7 Billion Misused,” *China Daily* January 31, 2004.

<sup>132</sup> “People's Republic of China: Audit report for 2002,” *International Journal of Government Auditing* (October 1 2003)

<sup>133</sup> Chinese Communist party Publishes Key Policy Document on Governance Capability,” *People’s Daily* (English) online, September 26, 2004.

[http://english.peopledaily.com.cn/200409/26/print20040926\\_158378.html](http://english.peopledaily.com.cn/200409/26/print20040926_158378.html)

<sup>134</sup> Tracy Quek, “China Cleans House, But consolidation of political power at the heart of anti-graft drive, say experts,” *Straits Times*, Feb 5, 2007 (“Over the past three years,

## IV

### Research Data

This research seeks to capture e-public's (internet users) reception and reaction to three "Audit Storm" news stories, capturing their feelings and thinking on three major issues: process, structure, and outcome of Audit Storm.

#### (1) *On process of audit*

Auditor - General Li Jinhua has submitted a report to the NPC about problems of auditing in China. National Audit Office (NAO) Wuhan was in charge Yangtze River engineering projects. The audit team uncovered a conspiracy to inflate budget, cut costs and compromise quality in a key levee project at the Yangtze River, uncovering a total of 80 millions yuan deficiencies.<sup>135</sup> In a *Zhongguo Qingnian Bao* report, the NAO Wuhan audit team was asked to reveal their secret of success.

NAO Wuhan team painstakingly reconstructed the investigation step by step, including, how irregularities in construction were uncovered<sup>136</sup> and

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the Hu-Wen team has been carrying out the party's anti-graft drive in a more serious fashion, especially compared to the Jiang Zemin era.' Anti-corruption drive was meant to shore up support for the Hu-Wen 'people-centred' approach and lessen influence of Shanghai influence (arrest of Party boss of Shanghai Chen Liangyu).

<sup>135</sup> Cong Wanghua *Shenji neimu: changjiang fang yinbi gongcheng tou gong jian liao shi zenme chade* [How corruption on the Yangtze River engineering projects is being investigated]," *NEWS.SOHU.COM* (Chinese Youth News – *Zhongguo Qingnian Bao*) 2004 年 06 月 30 日 00:00

<http://news.sohu.com/2004/06/30/71/news220777101.shtml>. English version appears as Cong Wanghua, "Shenji neimu: changjiang fang yinbi gongcheng tou gong jian liao shi zenme chade [How corruption on the Yangtze River engineering projects is being investigated]," *Xinhua*, 30 June 2004.

<sup>136</sup> The Wuhan auditors meticulously check receipts and billings against work done. *Id.*

how vice-chairman of the board of directors of the China Electricity Council Lin Kongxing was prevented from fleeing the country.<sup>137</sup>

Wuhan auditors also related many of the difficulties confronted during the investigation, including:

First, failure of cooperation; to answer questions, to produce data, to explain work done, to supply false/misleading information;

Second intimidation of audit workers by all means (SMS, phone, memos) and with all kinds of people, e.g., gangs;

Third, bribing of auditors. For example the Wuhan team was offered 120,000 yuan for report 1 million yuan less of loss in the audit report.

Fourth, interference with investigation. Corrupted officials sought to interfere with investigation through Party leaders, relatives and friends.

Fifth, lack of resources. In order to demonstrate independence and maintain objectivity, the Wuhan auditors had to survive on a shoestring budget, augmented by personal outlay for meals and travels.

This item is chosen because it provides transparency to the process of investigation. It allows the readers to react to how the audit was conducted, not just result achieved.

The first entry was on June 30, 2004, 5.55 am.<sup>138</sup> There were 351 entries as of July 28, 2004, 00.05 am.<sup>139</sup> The first 100 comments were translated and analyzed.

## *(2) On outcome of audit*

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<sup>137</sup> Lin wanted to go back to Henan to summer break. The investigators were suspicious that he might flee. The case was reported to Li Jinhua [the Auditor General]. Lin and a number of partners were detained at the airport and charged with stealing 83 million yuan earmarked for a construction project. *Id.*

<sup>138</sup> 2004年06月30日05时55分 IP地址: 221.196.159.

<sup>139</sup> 2004年07月28日00时05分 IP地址: 222.90.58.

One month after the outbreak of the Audit Storm, none of the leading Party cadres or senior government officials implicated by the audit was held officially responsible or have personally resign. The question raised and to be discussed was: What is the public opinion towards Audit Storm outcome? This issue was dealt with in an article published on July 27, 2004. The title of the news item reflected mal-contentment, “Up till the present no officials resigned as a result of audit storm, the press is agitating for “no release for four” (souhu article)<sup>140</sup> This article referenced prominently other articles from *STUDYTIMES.COM* (*Xuexi shibao*) published by the CCP Party School in arguing for speedy and resolute follow up action to the Audit Report findings.

In elaborating of the theme and elucidating on the issue, two articles were found at the *STUDYTIMES.COM* in the relevant period corresponding to the main theme in the souhu article discussion, i.e. Fan Dula’s article “Audit storm” is a piece of testing stone” (CCP article 1)<sup>141</sup> Fan Wei’s article “What are people’s expectation after the “storm”?(CCP article 2).<sup>142</sup>

In CCP article 1, the author observed the total absence of serious follow up action and meaningful accountability one month after the submission of the Audit Report. Specifically, notwithstanding the shocking Audit Report to the NPC and the strong reaction by the public afterward,

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<sup>140</sup> “Shenji fengbao qijinwu guanyuan chizhi, meiti xu “shige bu fangguo”)- 审计风暴迄今无官员辞职 媒体吁“四个不放过”) *NEW NEWS.SOHU.COM* 2004年07月27日 11:15 (Source: Zhongguo xinwenwang)  
<http://news.sohu.com/20040727/n221220499.shtml>

<sup>141</sup> Fan Dula (“Shenji fengbao” shi yi kuai shijinshi -“审计风暴”是一块试金石” *STUDYTIMES.COM* (Issue 245) (第 245 期) )  
<http://www.studytimes.com.cn/chinese/zhuanti/xxsb/619431.htm>

<sup>142</sup> Fan Wei (“Fengbao” zhihou renmen huan qidai shenmo? - “风暴”之后人们期待什么”? *STUDYTIMES.COM* Issue 245 (第 245 期)

there was follow up (san)action, i.e., senior Party cadres or high government officials being held responsible. In fact there were more concerns expressed about Auditor – General’s well being than the officials audited by him. There were many attempts to quibble (*jiobian*), negotiate (*jioshe*), and plea for mercy (*suoqing*) and very little effort to confront the findings of the Report and deal with the issues raised.<sup>143</sup>

In CCP article 2, the author argued for keeping faith with Premier’s Wen’s “four not quitting” pledges (in dealing with national disasters), being: “not relenting (“quitting”) until reasoning for the incident is thoroughly investigated, not relenting until people who were responsible are dealt with, not relenting until reform measures are in place, not relenting until lessons are learned.” In so doing, Fan started by asking the question of what has been achieved by the “Audit Storm.” He observed, as with CCP article 1, that in spite of the finding of problems and responsibilities, no officials has been punished according with “Regulation of the Communist Party of China on Disciplinary Action”<sup>144</sup> or resigned according to “Temporary Regulation on Party leadership Cadres resignation.”<sup>145</sup> He suggested that audited department and officials should correct mistakes and learn lessons from the audit. They should follow the admonitions of Wen of Feb. 16, 2004 that in dealing with major safety issues, public officials should adopt that ‘four not quitting.’<sup>146</sup>

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<sup>143</sup> Fan Dula (“Shenji fengbao” shi yi kuai shijinshi -“审计风暴”是一块试金石” **STUDYTIMES.COM** (Issue 245) (第 245 期) )

<sup>144</sup> 《Zhongguo gongchandang jilu chufeng tiaoli》 《中国共产党纪律处分条例》 )

<sup>145</sup> 《Dangzhengganbu ciji zhanxing guding》 《党政领导干部辞职暂行规定》

<sup>146</sup> The “four not quitting” are: “shigu yuanyin bu chaqing bu fangguo (事故原因不查清不放过), shigu zeren zhe de budao chuli bufangguo (事故责任者得不到处理不放过), zhenggai cuoshi buluoshi bufangguo(整改措施不落实不放过), jiaoxun bu xiqu bufangguo, (教训不吸取不放过)”

This item is chosen because it speaks to remedial actions taken after the “Audit Report” or outcome of Audit Storm. It allows the e-public to speak to the CPC and government reaction than the Audit Report’s process and findings of corruptions. In essence, tapping into how people “feel” and “think” about state response to corruption, after being uncovered by NCAO. To the Chinese, and particularly after Deng, actions speak louder than ones.

The first comment was made on July 27, 2004 at 11.67 hours and the last on July 30, 2004 at 20.13 hrs. There were a total of 50 pages of responses, or about 1000 entries. 100 items were randomly analyzed.

### (3) *On structure of audit*

With the publish of report there is call for local audits. As proposed by the *Information Times*:<sup>147</sup>

“Realistically, the method adopted by the can set an example for local audit offices. It is more appropriate to say, local audit offices in carrying out their won duties has made important contribution, but compare with the bold deed and brave action , we rarely hear about such large scale exposure of economic problems at various constitutive government departments at different level. Is that because there are fewer problems at local vs. central level? Or is it the case that local audit office dare not act and afraid to do? Looking at the facts, with many of the problems exposed by , many of them involved the local levels, why is that the local audit office have not discovered the same?

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<sup>147</sup> “Local (government) auditing should also be reported daily (Difang shenji ya ying gongu niandubao - 地方审计也应公布年度报) *Information Times* (Xinxi shubao- 信息时报) June 25, 2004 <http://news.sohu.com/2004/06/25/44/news220704463.shtml>

It looks like, the local audit office has the need to audit itself: to see how far it comes when compared with ? What should be done next time? <sup>148</sup>

The reason why this news item is chosen is because it raises an important policy issue: Who has the right, duty, motivation and capacity to conduct audit at the local level? More importantly, practically, who is more effective in rooting out local corruption? The debate shifted from substantive, i.e., how people feel about corruption and counter measures, to how should anti-corruption be conducted.

## V

### Data Analysis

#### (1) On audit process

##### Feeling of appreciation

The strongest feeling expressed is one of effusive appreciation: “Salutation to all audit workers. Salutation to all people of honesty and integrity,”<sup>149</sup> and unreserved admiration: “You people are really being responsible to history, society and personally.”<sup>150</sup> It is important to note that both comments spoke to a larger purpose of what the auditors were doing, i.e., making history, enriching society as it upholds (rediscovered) principles of honesty and integrity.

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<sup>148</sup> “Local (government) auditing should also be reported daily (Difang shenji ya ying gongu niandubao - 地方审计也应公布年度报) *Information Times* (Xinxi shubao- 信息时报) June 25, 2004 <http://news.sohu.com/2004/06/25/44/news220704463.shtml>

<sup>149</sup> 2004年06月30日05时55分 IP地址: 221.196.159.

<sup>150</sup> 2004年06月30日09时04分 IP地址: 218.28.152.

The basis of appreciation was that the “Audit comrades are doing a good job.”<sup>151</sup> More specifically, auditors were appreciated for: *Standing up to power*: “Preserve until the end, do not back down in front of the strong, all people under heaven bow in respect, whole nation will remember you! Salutation!”<sup>152</sup> *Defending good against evil*, “Comrades keep on with the good work. The integrity of the country depends on you...Work hard, and do battle with the evil forces.”<sup>153</sup> *Making a difference*, “You work under extremely difficult situations, and yet you have conduct cases much better than Anti Corruption Bureau, Courts and Disciplinary Commission,”<sup>154</sup> *Saving a nation*: “Savvier of Chinese race.”<sup>155</sup>

The appreciation comes from all quarters, revolutionaries, “In the name of revolution, we salute the audit workers,”<sup>156</sup> as well as common people: “The common people support you!!!”<sup>157</sup>

#### Rendering of support

The effusive appreciation is back up with strong offer of support, including more money for the investigation: “Whenever there is a need for money, just make an announcement on the web, I will be first to donate...”<sup>158</sup> more income for the auditors, “The Audit Department should be paid well to instill integrity!!!”<sup>159</sup> more political support for the cause, “Chinese love their country ... there is no way to repay. We need to work

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<sup>151</sup> 2004年06月30日08时31分 IP地址: 218.82.96.

<sup>152</sup> 2004年06月30日07时51分 IP地址: 61.155.24.

<sup>153</sup> 692004年06月30日09时14分 IP地址: 211.97.173.

<sup>154</sup> 2004年06月30日09时03分 IP地址: 218.92.189.

<sup>155</sup> 2004年06月30日06时34分 IP地址: 219.156.111.

<sup>156</sup> 2004年06月30日08时08分 IP地址: 61.173.7.

<sup>157</sup> 2004年06月30日09时57分 IP地址: 220.176.81.

<sup>158</sup> 2004年06月30日07时28分 IP地址: 219.146.141.

<sup>159</sup> 2004年06月30日08时07分 IP地址: 221.231.64.

together, before China can be awakened,”<sup>160</sup> emotional support from groups, “We support you with our life,”<sup>161</sup> and personal support from individuals, “Is the audit office hiring? I want to do it.”<sup>162</sup>

*Feeling of hope*

There is a sense of hope: “We have renewed hope!”<sup>163</sup> “Chinese now really have “hope!”<sup>164</sup> At its core, the hope rests on the belief that there are still officials with honesty and integrity around, “China still has upright people. The Chinese Race now has hope.”<sup>165</sup> More importantly, the “Audit Storm” renewed people’s hope for the Party, “We firmly believe that the Party will solve problems involving itself in a proper manner ... We hope that audit work quickly penetrates different areas, and achieve systematic supervision, and use the heavy punch of law, to punish people who violated the law.”<sup>166</sup> In the end, the audit gives the people hope for a better China, “If the current (audit) work is carried out steadily, then our Chinese race will have hope! We can be able to establish an honest, fair, democratic, wealth and strong society. If so our Chinese race will have hope of revival!”<sup>167</sup>

These comments clearly show that the Chinese people are sick and tired of corruption practices and policies of old. They are yearning for a change. They look forward to the day when China can become strong and respected. That day would not come until and unless the Party and

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<sup>160</sup> 2004年06月30日08时47分 IP地址: 61.134.11.

<sup>161</sup> 2004年06月30日09时12分 IP地址: 218.0.151.

<sup>162</sup> 2004年06月30日09时41分 IP地址: 218.19.160.

<sup>163</sup> 2004年06月30日08时04分 IP地址: 202.113.12.

<sup>164</sup> 2004年06月30日08时24分 IP地址: 218.246.82.

<sup>165</sup> 2004年06月30日07时57分 IP地址: 202.120.20.

<sup>166</sup> 2004年06月30日08时40分 IP地址: 61.243.183.

<sup>167</sup> 2004年06月30日08时13分 IP地址: 218.22.240.

government come clean. Much to the credit of Hu-Wen, the Audit Storm provided a sense of hope, long eluded the people in the last 20 years.

*Feeling of empowerment*

With hope, the people also felt empowerment. “In reality, everything cannot escape the watch eyes of the people.”<sup>168</sup> People are now confident that: “whatever the corrupted officials do, we can all see, and feel. They dare not.”<sup>169</sup> Justice will be done: “In fact, in this world all matters are known “in heaven, on earth, to you and me. If there is an investigation, no one can escape.”<sup>170</sup> Specifically, the people believe that they can clean up China, in house: “Currently, some leaders’ children use public fund to do business and earn illegal money. There is corruption. The country must deal with them, otherwise they will escape to other counties to enjoy themselves!! Need to close the door to hit the dog!!”<sup>171</sup>

*Feeling of negativities*

Hope also gives rise to anxiety. People are anxious that the “Audit Storm” will not last.

Anxiety leads naturally to skepticism. “A lot of empty talk.”<sup>172</sup> A few are critical: “Do not look at the advertisement, look at the effect.”<sup>173</sup> Others cautions against rush to quick judgment: “we need to wait and see!!”<sup>174</sup>

In the end, people are afraid that, judging from past experience, the bark might be worse off than the bite. “Need to see result, we have witness a

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<sup>168</sup> 2004年06月30日08时03分 IP地址: 222.82.232.

<sup>169</sup> 2004年06月30日07时54分 IP地址: 218.71.222

<sup>170</sup> 2004年06月30日08时36分 IP地址: 221.136.72.

<sup>171</sup> 2004年06月30日08时00分 IP地址: 210.82.50.

<sup>172</sup> 2004年06月30日08时32分 IP地址: 218.79.203.

<sup>173</sup> 2004年06月30日06时34分 IP地址: 219.156.111.

<sup>174</sup> 2004年06月30日08时17分 IP地址: 219.140.56

lot of big thunder, small rain.”<sup>175</sup> Many times in the past, Chinese leaders have failed to carry through with their anti-corruption campaign, especially when senior leaders are implicated. “The investigation should go up and up, until it ends. However many times the investigation ends without reasons after discovering the culprits, this is the tragic story of China.”<sup>176</sup>

As to corruption, people feel alarmed by the magnitude. “Too scary to meet the eyes.”<sup>177</sup> As to corrupted officials, they feel hatred. “Kill! Kill! Kill!!!”<sup>178</sup> “Kill, no reason why this kind of people should escape being killed.”<sup>179</sup>

*What needs to be done?*

The public made a number of constructive comments and concrete suggestions, including:

- (1) *More, and more thorough investigation.* The public wanted the audit to go deeper, “Should investigate into the problem deeper,”<sup>180</sup> spread wider,” grow stronger, “Strengthen the audit, this is being responsible to the people and country”<sup>181</sup> and continue until done, “Preserve until the end, do not back down”!<sup>182</sup>
- (2) *Institutionalization.* “It is necessary to institutionalized Li Jinhau (effort), then and only then can our government live and rule forever.”<sup>183</sup>

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<sup>175</sup> 2004年06月30日07时59分 IP地址: 61.240.171.

<sup>176</sup> 2004年06月30日08时21分 IP地址: 218.246.82.

<sup>177</sup> 2004年06月30日08时40分 IP地址: 61.175.232

<sup>178</sup> 2004年06月30日08时25分 IP地址: 218.1.21

<sup>179</sup> 2004年06月30日07时10分 IP地址: 61.150.127.

<sup>180</sup> 2004年06月30日07时15分 IP地址: 222.76.37.

<sup>181</sup> 2004年06月30日08时00分 IP地址: 210.82.50.

<sup>182</sup> 2004年06月30日07时51分 IP地址: 61.155.24

<sup>183</sup> 2004年06月30日08时29分 IP地址: 222.39.110.

- (3) *Legalization*. “Only one Li jinhua is not enough. Should establish a legal system. Only then can (the audit) be strengthen, deepen, lengthen!!!!”<sup>184</sup>
- (4) *More power*. “Recommended that the Audit Department be given power to arrest, similar to that of Hong Kong ICAC.”<sup>185</sup>
- (5) *More publicity*. “Recommend the establishment of a CCTV audit channel.”<sup>186</sup>
- (6) *More transparency*. “The more transparent the better...”<sup>187</sup>
- (7) *More incentives*. “Should set up an audit incentive fund: such fund can be taken out of a portion of seized illegal money, the money can be used to reward audit personnel or pay informers or witnesses, and encourage more and more people to participate in this kind of activities and mobilize and speed up our nation’s legalization process.”<sup>188</sup>
- (8) *More supervision*. “Who is to audit the auditors in their execution of audits!?”<sup>189</sup>
- (9) *More restrictions on suspects*. “There should be strict investigation into the nationality and foreign travels of sons, daughters and relatives of high officials! They should openly register to all the people.”<sup>190</sup>
- (10) *More accounting for officials*. “Calling for public release of official family property, to see whether income and expense is balanced.”<sup>191</sup>

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<sup>184</sup> 2004年06月30日09时07分 IP地址: 218.27.64.□

<sup>185</sup> 2004年06月30日08时35分 IP地址: 61.167.60.

<sup>186</sup> 2004年06月30日08时05分 IP地址: 218.28.41.

<sup>187</sup> 2004年06月30日07时54分 IP地址: 218.71.222.

<sup>188</sup> 2004年06月30日08时19分 IP地址: 61.185.215.

<sup>189</sup> 2004年06月30日08时28分 IP地址: 210.22.108.

<sup>190</sup> 2004年06月30日08时39分 IP地址: 218.58.248.

- (11) *Auditing hiring system.* “Why is it that the hiring system is not being audited? That is most fundamental.”<sup>192</sup>
- (12) *Prevention over punishment.* “The focus of this line of work should be in prevention, not correction. This way we can stop future problems of this kind from happening. If we audit in the front end, there will not be that many more problems. This way we have achieved the purpose of supervision.”<sup>193</sup>
- (13) *Pay attention to systemic small cases.* “When Comrade Jinhua investigates the big and important cases, he should also paid attention to many small corruption which affect collective interests, and proposes some preventive measures to stop illegal billing. We look forward to reform at the roots.”<sup>194</sup>
- (14) *Keep investigation process secret.* “Is there a need to report on the details of audit? Reporter comrades should only report the result, otherwise the tactics and techniques will be revealed....”<sup>195</sup>

## **(2) On local audits**

### General support for audit

There is the usual and expected amount of outpour of jubilation, adulation and support. “Auditor-General Li Jinghua, you are great! On behave of the billions of China workers and peasants I salute you! The

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<sup>191</sup> 2004年06月30日08时13分 IP地址: 218.22.244.

<sup>192</sup> 2004年06月30日08时43分 IP地址: 61.183.131.

<sup>193</sup> 2004年06月30日09时11分 IP地址: 202.105.135.

<sup>194</sup> 2004年06月30日09时05分 IP地址: 218.12.43.

<sup>195</sup> 792004年06月30日09时25分 IP地址: 61.194.55.

National Audit office is finally on the right track, Director Li is setting a good example.”<sup>196</sup>

### General agreement on principle

As a matter of first principle, no one argues against public accountability and formal supervision, and open audit. “All local audit departments should publish their reports, this is being responsible to the people, to the nation.”<sup>197</sup>

### Local audit needed in practice

As a matter of practice, local audit is deemed necessary in order to get to the bottom of corrupt matters. “Great! But investigation should go to the bottom of it all! We should learn from painful experiences, change our past painful mistakes, this is the way to make China civilization great again!”<sup>198</sup> Conversely, national auditing, no matter how vigilant, will not be able to get to the core and roots of corruption problem. “China is big, can we just rely on National Audit Office? One must understand, basic level audit also represent the image of audit agencies.”<sup>199</sup>

In fact many argued that local audit is indispensable in the fight against corruption because, first, there are more corruption at the local level, “Local audit is more important, because there are more and larger problem.”<sup>200</sup> Second, the local level is less open and more conducive to

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<sup>196</sup> 2004年06月26日09时30分 IP地址: 61.138.70, p. 2

<sup>197</sup> 2004年06月25日09时01分 IP地址: 218.104.207, p. 5

<sup>198</sup> 2004年06月26日17时32分 IP地址: 218.5.83, p. 2

<sup>199</sup> 2004年06月26日23时40分, p. 1

<sup>200</sup> 2004年06月26日18时22分 IP地址: 219.129.10, p. 1

corruption. “I think local places are more dark (corrupt), more necessary to use more effort.”

Thus, in order “[t]o reduce or eliminate corruption, the National Audit Office must strengthen the leadership of the local audit offices, insist on yearly audit, elevate the powers of the local audit departments, not controlled by local government as a result of dual leadership.”<sup>201</sup> In this regard, there is a lot the locals can learn from the central government, “Local audit organization should learn from National Audit Office.”<sup>202</sup>

### Three schools of thoughts: idealists, pragmatists, realists

Ultimately, the debate turns on whether local audit is a feasible policy. In this regard, there are three schools of thoughts, the idealists, the pragmatists and the realists

For the idealists, the reasons for local audit are citizens’ right to know and official accountability, Their sentiments are best captured by the following comment:

“The National Audit Office openly published financial usage conditions of various departments, this method is very good. The taxpayers and public has a right to know about the financial situation. This is conducive to supervising work of functional departments. Local governments should also publicized audit reports routinely. Local government should establish news reporting system, answer questions by media and the public.”<sup>203</sup>

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<sup>201</sup> 2004年06月25日10时49分 IP地址: 218.23.229, p. 5

<sup>202</sup> 2004年06月26日19时15分 IP地址: 61.182.32, p. 1

<sup>203</sup> 2004年06月25日06时57分 IP地址: 222.84.160, p. 5

For the pragmatists, the problems with local audits are lack of independency and conflict of interests:

“The reason why Audit Office dare to do hard battle and reveal so many problems with central ministries and commissions is because it is directly led by the Premier, but local audit agencies is attached to local government, if local government heads do no want the problems to spread, especially when they involve issues of local interests, will necessarily downsize the problem from big to small and to none. Local audit agencies are at best local government’s internal organs, its independence is relatively small, it is in a difficult situation. There is a need to change the audit management structure.”<sup>204</sup>

### *The pragmatists*

The pragmatists accused the idealists of ignoring realities: “This fellow is either a dumb book person, or he is speaking blindly with open eyes. What is the condition of China’s audit situation right now? particularly with local audits.”<sup>205</sup> Idealists are accused of being crazy: “For the local audit to be published like the Audit Report is a crazy person’s dream talk.”

<sup>206</sup>

That does not stop some pragmatists to show admiration for and seek reconciliation with idealists’ point of view, in spite of differences, “Though not feasible, still admires the person’s courage.”<sup>207</sup> Specifically, the pragmatists point out that local auditors deserve credit in standing by

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<sup>204</sup> 2004年06月26日09时39分 IP地址: 221.231.100, p. 2

<sup>205</sup> 2004年06月25日08时41分 IP地址: 61.55.43, p. 5

<sup>206</sup> 2004年06月26日09时24分 IP地址: 211.140.151, p. 2

<sup>207</sup> 2004年06月25日17时02分 IP地址: 61.138.98, p. 3

idealistic principles. “To tell the truth, that [being ethical] is the most basic requirement of a person, but in order for the government to achieve this, it is so difficult”<sup>208</sup> and “[t]here are just too many questions, this is merely the beginning, most local audits are just passing through, it is difficult to have anti-corruption effect, but it is all a good thing, and should be supported.”<sup>209</sup>

The idealist should definitely be given credit for trying, “Local audit department dare not publish annual audit report! This is too difficult for them, please have mercy for them.”<sup>210</sup>

The pragmatists point out that there are a number of political, structural and operational problems associated with local audits:

*First, problem with politics.* “Local audit in the end is a bargain.”<sup>211</sup> More egregiously, “Local audit departments are protective umbrellas and instrumentalities to harm others who are against those in power. It should be led vertically by National Audit Office, and cannot be controlled by local government, otherwise it is just useless.”<sup>212</sup>

*Second, problem with dual control.* “The hiring and firing of local audit department head reside in local hands, although business leadership is in the hand of upper level audit departments, i.e. so called “dual leadership”. Under this condition of personnel management authority remaining with the local, the idea of dual leadership has no real meaning. Subordinates to audit superiors, how can that be done?”<sup>213</sup>

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<sup>208</sup> 2004年06月25日18时31分 IP地址: 218.58.205, p. 3

<sup>209</sup> 2004年06月26日16时20分 IP地址: 218.76.112, p. 2

<sup>210</sup> 2004年06月25日16时53分 IP地址: 61.138.98, p. 3

<sup>211</sup> 2004年06月25日20时08分 IP地址: 61.185.242, p. 3

<sup>212</sup> 2004年06月26日18时56分 IP地址: 218.88.138

<sup>213</sup> 2004年06月25日08时08分 IP地址: 218.200.145, p. 5.

*Third, problem with local financing of operations and control of process.* “How dare the local audit (agencies) expose problems of local government like the National Audit Office? Local audit offices depend on local financial support to eat! ... The local audit only caters to the local government.”<sup>214</sup>

*Fourth, problem with administrative control.* “I am a local audit worker, if local audit is to be published openly, the first thing to do is to have “tiaoguan” (management from above). It is only after “tiaoguan” that we can strengthen audit independence. Think about it: Can you confront one who can frame you and give you your rice bowl?”<sup>215</sup>

### *The idealists*

The idealists, while conceding difficulties, are of the opinion that local audits should and can be done.

*First, audit is important for China.* “The method of National Audit Office has great meaning, with deep and long impact.”<sup>216</sup>

*Second, there is a right to know.* “Local audit should publish annual audit report. Thus it allows us the taxpayers to know that money paid was used the people. There should be a right to know, I appeal to increase perfection of the legal system.”<sup>217</sup>

*Third, we should do what is right.* “We should do what is required of us, we will not become soft.”<sup>218</sup>

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<sup>214</sup> 2004年06月30日20时32分 IP地址: 218.15.254, p. 1

<sup>215</sup> 2004年06月25日20时03分 IP地址: 218.95.119.

<sup>216</sup> 2004年06月26日16时14分 IP地址: 61.133.63, p. 2

<sup>217</sup> 2004年06月26日18时11分 IP地址: 218.246.36, p. 2

<sup>218</sup> 2004年06月25日13时59分 IP地址: 61.174.215, p. 4

*Fourth, where there is a will, there is a way.* “If we have the support of the central government and the coordination of the people, nothing cannot be overcome!”<sup>219</sup>

*Fifth, Li Jinhua is a good example,* “An era requires examples, society requires spirit ... from their hearts to the central government. We learn about hope for the motherland. There is nothing impossible in this world. Only if we tried to conquer them.”<sup>220</sup>

*Sixth, China is changing, starting with the top.* “From the revelation of last year’s “Audit Storm” to this year’s audit report, it is evident the nation’s top management is getting more transparent.”<sup>221</sup>

*Seventh, it is about balance of power.* “It is all a matter of supervision, problem with balance of interests and balance of powers.”<sup>222</sup>

In order to introduce open local audit, idealists suggested a number of reform measures:

*First, local auditors report to NPC;* “Audit should be managed directly by the NPC.”<sup>223</sup>

*Second, local auditors report to State Council,* “Well said, should only report to State Council.”<sup>224</sup>

*Third, local auditors report to Premier,* “Hope that Audit Office resemble Hong Kong ICAC, and have more authority. Also there should be

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<sup>219</sup> 2004年06月25日15时10分 IP地址: 210.72.21, p. 4

<sup>220</sup> 2004年06月25日15时10分 IP地址: 210.72.21, p. 4

<sup>221</sup> 2004年06月26日01时01分 IP地址: 221.203.149, p. 3

<sup>222</sup> 2004年06月25日10时58分 IP地址: 61.155.212

<sup>223</sup> 2004年06月28日14时17分 IP地址: 61.185.201, p. 2

<sup>224</sup> 2004年06月26日16时36分 IP地址: 221.233.43, p. 2

vertical management, only obey the command of the Premier, not too many other superceding authorities.”<sup>225</sup>

*Fourth, local auditors report to central administration.* “Local audit should be vertically led by central audit office, cannot be controlled by local government.”<sup>226</sup>

*Fifth, open local auditing should be required by law.* “Local audit agencies publishing audit report requires revision to the Audit Law.”<sup>227</sup>

*Sixth, NPC should strictly enforce audit law.* “NPC is not only concerned with having law to following, more importantly law should be obeyed.”<sup>228</sup>

*Seventh, audit law must be detailed and with sanctioned.* “NPC should immediately legislate that audit departments at every level to report directly to NPC annually about audit results of relevant departments. Failure to report is considered a dereliction of duty. If the audit findings are not dealt with, officials will be sidelined.”<sup>229</sup>

*Eight, holding auditors responsible and accountable.* “Improve the quality (sic) of audit work, should hold responsible auditors who become corrupt on audit problems found.”<sup>230</sup>

*Ninth, learned from central.* “Local audit organization should learn from National Audit Office.”<sup>231</sup>

### *The realists*

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<sup>225</sup> 2004年06月26日16时36分 IP地址: 221.233.43, p. 2

<sup>226</sup> 2004年06月26日18时44分 IP地址: 218.3.246,

<sup>227</sup> 2004年06月26日07时01分, p. 3

<sup>228</sup> 2004年06月26日09时04分 IP地址: 219.145.160, p. 2

<sup>229</sup> 2004年06月25日08时58分 IP地址: 218.94.36, p. 5

<sup>230</sup> 2004年06月25日21时14分 IP地址: 220.173.187, p. 3

<sup>231</sup> 2004年06月26日19时15分 IP地址: 61.182.32, p. 1

The realists – cynics, see the whole audit process in general and local audit in particular, as a big show, “Local audit departments, is the ear of a deaf person - - for show, only know how to sing songs of compliments!!”<sup>232</sup> Or that, “For now, local audit departments are decorative vases,”<sup>233</sup> and a formality, “It is just formality and going through the motion, this is the normal official work style of our government officials.”<sup>234</sup>

### **(3) On outcome of audit:**

How do people feel of lack of follow up with NCAO audit report?

*People are disappointed.* There were more words than deeds, promises than performance. “Loud thunder, noisy wind, heavy clouds, scattered rain.”<sup>235</sup> For example, they do not understand “why is it that no responsible people were being held accountable”<sup>236</sup> and “who is protecting the corrupted officials?”<sup>237</sup>

*People are insecure.* “Only thunder strike, with no rain. When the thunder past, everything will be back to normal.”<sup>238</sup>

*People are disillusioned,* and “can no longer see any hope.”<sup>239</sup> One dispirited commentator asked, “What happen after resignation or firing? The next lot of officials will be better? If one were to look at what happened to those being fired, I think they will still be corrupted. How

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<sup>232</sup> 2004年06月25日08时17分 IP地址: 219.156.11, p. 5

<sup>233</sup> 2004年06月25日13时16分 IP地址: 218.82.41, p. 4

<sup>234</sup> 2004年06月25日16时37分 IP地址: 61.51.197, p. 3

<sup>235</sup> 2004年07月27日13时01分 IP地址: 211.162.64

<sup>236</sup> 2004年07月28日00时29分 IP地址: 220.169.249.

<sup>237</sup> 2004年07月28日00时30分 IP地址: 211.100.104

<sup>238</sup> 2004年07月27日12时48分 IP地址: 218.73.249

<sup>239</sup> 2004年07月27日12时41分 IP地址: 219.145.61

many officials have been really punished, except for those who bite each other like a dog.”<sup>240</sup>

*The public felt misled*, “In reality it is mild “wind” yet it is promoted as a “storm”<sup>241</sup> and the Party is putting on a big PR show. “Big thunder little rain. Engaging in formalism.”<sup>242</sup> More pointedly, “If there is no follow up with the audit, then it is best not to do so, this way the public would not be frustrated. I do not understand why. Is it really the case that punishment stops with high officials.”<sup>243</sup>

*The public felt betrayed*, “A few days ago there seems to be hope, but now it is again despair, with no hope. I have to cry.”<sup>244</sup>

As to coping, some chose to *accept reality*, “You can scream and yell until your throat is soar, they do not mind.”<sup>245</sup> Others, not knowing what else to do, clinged on. “It is better to have hope, even though we know that hope is like a building floating in the sky, but the only thing we have is hope.”<sup>246</sup> Still others found it wise to *lower their expectation*, “Forget it, don’t have high expectations! Do not know how Li Jinhua feel? We still support the Audit Office, who let us know the truth.”<sup>247</sup>

In the very end, people became *stoic* “[u]ltimately, all these will disappear in thin air, history told us so, why be angry?”<sup>248</sup> and put up with it, “Tolerate”<sup>249</sup>

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<sup>240</sup> 2004年07月27日12时33分 IP地址: 61.52.52

<sup>241</sup> 2004年07月28日01时56分 IP地址: 210.86.78.

<sup>242</sup> 2004年07月27日12时46分 IP地址: 221.219.188

<sup>243</sup> 2004年07月28日06时19分 IP地址: 219.139.51.

<sup>244</sup> 2004年07月27日12时23分 IP地址: 221.192.220

<sup>245</sup> 2004年07月27日12时41分 IP地址: 218.17.92.

<sup>246</sup> 2004年07月27日12时41分 IP地址: 202.102.185.

<sup>247</sup> 2004年07月27日12时35分 IP地址: 61.183.251

<sup>248</sup> 2004年07月28日00时12分 IP地址: 220.173.25.

What do the people want?

Irrespective how the public felt, they have natural aspiration and dreams, legitimate wants and needs. “Absolute powers corrupt.”<sup>250</sup> Sadly, the stronger the aspiration and deeper the dreams, the more emotional and horrific the demand. “Firing a batch will make way for another batch. People keep coming, one after another. Should kill it at the roots”<sup>251</sup> and “(f)or social order, for country’s development, for people’s trust in Party – government, should act when need to, kill when need to, cannot be too soft.”<sup>252</sup>

The public “strongly demands accountability.”<sup>253</sup> “The government has to be more forceful, in showing its strength. Do not leave the common people with a bad name to be yelled at for generations to come!!!!”<sup>254</sup>

The public demanded accountability as a matter of right, “If there is no accountability, the people of the whole country would not agree.”<sup>255</sup> They demanded accountability because (according to Mao) the “mass” (*qunzhong*) knows right from wrong, “The people’s eye are clear sighted, please do not disappoints them!!!”<sup>256</sup>

People’s democratic demands cannot be taken lightly, nor be avoided easily. They “strongly request the implementation of accountability

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<sup>249</sup>2004年07月27日12时42分 IP地址: 61.242.105

<sup>250</sup>2004年07月27日23时32分 IP地址: 61.185.32

<sup>251</sup>2004年07月27日12时49分 IP地址: 61.50.145

<sup>252</sup>2004年07月28日00时18分 IP地址: 222.183.74.

<sup>253</sup>2004年07月27日12时32分 IP地址: 61.149.67.

<sup>254</sup>2004年07月27日12时33分 IP地址: 218.3.188.

<sup>255</sup>2004年07月27日12时30分 IP地址: 218.76.0

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<sup>256</sup>2004年07月28日02时36分 IP地址: 128.180.100

system, not only chanting slogans.”<sup>257</sup> Ultimately, the public want action, not words. “If no one deals with what the audit turned up, the same as having no audit”<sup>258</sup>

Loud slogans and empty promises are not harmless. “If we discovers audit problems and take no action to resolve the same, it is best not to audit at all because a lot of people will get hurt in the process.”<sup>259</sup>

Broken promise also challenges the Party’s commitment to law. “Need to look at audit carefully to determine whether the movement is for real. Whether we are serious in establishing a rule of law system in holding officials accountable by law”<sup>260</sup> and in the process harm the well being of the people, “Being tolerant of and compassion with corrupted officials, large and small, is cruelty to the people.”<sup>261</sup>

### What are some of the concrete demands?

*People wanted truth* “What is happening? We need to search for the truth.”<sup>262</sup> *People wanted quick action.* “Activities which hurt people’s interests should be dealt with in a speedy fashion.”<sup>263</sup> *People wanted resignation.* “Firmly request that they resign.”<sup>264</sup> *People wanted retribution.* “Should not allow bad people off the hook;”<sup>265</sup> *People wanted measured and nuanced response.* “Reform is a slow and experimental

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<sup>257</sup>2004年07月27日12时28分 IP地址: 219.140.18

<sup>258</sup>2004年07月28日10时05分 IP地址: 61.142.34.

<sup>259</sup>2004年07月28日00时34分 IP地址: 218.59.220

<sup>260</sup>2004年07月28日06时41分 IP地址: 61.50.205

<sup>261</sup>2004年07月28日00时58分 IP地址: 218.88.164

<sup>262</sup>2004年07月27日12时55分 IP地址: 221.204.66

<sup>263</sup>2004年07月28日16时41分 IP地址: 218.11.29

<sup>264</sup>2004年07月28日09时04分 IP地址: 220.160.18.

<sup>265</sup>2004年07月28日08时59分 IP地址: 202.108.109

process, should not take it too fast. Chinese reform is an entirely new exercise, looking at Russia as an example, the most important thing at to take care of is to maintain a social stability, promote strong nation, create wealth for the people, and establish a rule of law country and society. Then and only then will China have hope.”<sup>266</sup> *People wanted solution.* “Everything can be settled.”<sup>267</sup>

What is the problem? Or, why no follow up action – firing or resignation?

### Why do officials not resign?

*Officials have privileges.* “Being a Chinese official has a lot of benefits.”<sup>268</sup> “It looks like being an official is to obtain self benefits, if not would have resigned early.”<sup>269</sup> “Job position is hard to earn, how can one resign that easily?”<sup>270</sup>

*Officials (cadres) have no shame.* “Are you still behaving like a communist party member? You have done a lot of bad things and still feel no same. Do you resemble a Chinese? Are you still a human being?”<sup>271</sup> “Should the community party members not make an example of self?”<sup>272</sup>

### Why no official sanction?

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<sup>266</sup> 2004年07月28日06时06分 IP地址: 211.150.240

<sup>267</sup> 2004年07月27日13时03分 IP地址: 211.166.59

<sup>268</sup> 2004年07月27日12时41分 IP地址: 211.90.238.

<sup>269</sup> 2004年07月27日12时26分 IP地址: 221.8.132

<sup>270</sup> 2004年07月27日12时22分 IP地址: 61.181.236

<sup>271</sup> 2004年07月27日12时48分 IP地址: 219.146.163.

<sup>272</sup> 2004年07月27日12时40分 IP地址: 218.58.51

*Leadership problem.* “If most of the people do not confront the issues head on, then even if we ourselves do the wrong thing there is no shame, why should people resign?”<sup>273</sup>

*Conflict of interest reason.* “People will not use a knife to cut up his own kind. In a one party state, it is natural that there is self-protection, and no opportunities given to others. In between money and power, one has lost his self (identity, integrity), who can solve this problem?”

*Rule of man problem.* The nation cannot function based on personality (Li Jinhua), rule of man (Party leader) or central command, “Why is it that we need the Primer to say something before we punish those illegal people.”<sup>274</sup>

*Political reason?* “Is it true as foreign scholars said, contemporary China has regress to 20th century, each force occupies an area, the central government can do little to rule?”<sup>275</sup>

*Political culture reason.* “How far China can be compared with Western countries? This problem is not too difficult. Chinese political culture still has a ways to go.”<sup>276</sup>

*Historical reason?* “Punishment stops at the doorstep of the officials.”<sup>277</sup>

*Philosophical-jurisprudential reason?* “This is the compassion of our legal system.”<sup>278</sup>

*Moral reason?* “Conscience is missing”<sup>279</sup>

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<sup>273</sup>2004年07月28日07时59分 IP地址: 221.1.148.

<sup>274</sup>2004年07月27日22时30分 IP地址: 220.173.25.

<sup>275</sup>2004年07月27日12时39分 IP地址: 219.237.1.

<sup>276</sup>2004年07月27日12时38分 IP地址: 210.22.206.

<sup>277</sup>2004年07月27日12时32分 IP地址: 218.87.185

<sup>278</sup>2004年07月28日07时17分 IP地址: 221.136.48.

*Practical reason?* “This is a big country, there is only one Li Jinhua, that set your hope too high.”<sup>280</sup>

*Work style reason.* “Do not confront big ones, deal with small ones has no meaning!!!”<sup>281</sup>

*Self-serving reason.* “How to do deal with it? If one if not careful, one might get another big fish?”<sup>282</sup>

*Prudential reason.* “If there is arrest it implicates many, if not arrest it is hard to be accountable. If arrest, do not know how many people will be involved.”<sup>283</sup>

*Feasibility issue.* “Nearly all are corrupted officials, who are you going to audit?”<sup>284</sup>

*Structural reason.* “The audit storm shows that the audit office has done its best!! What problems the audit report revealed got delayed, is the problem of the Supervision Department!”<sup>285</sup>

*Bureaucratic reason.* “This society operated abnormally, if everything is turned over to the audit office, what is the use for discipline commission and the courts.”<sup>286</sup>

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<sup>279</sup>2004年07月27日12时46分 IP地址: 211.90.191

<sup>280</sup>2004年07月27日12时26分 IP地址: 218.18.95

<sup>281</sup>2004年07月28日10时22分 IP地址: 61.163.62

<sup>282</sup>2004年07月27日12时15分 IP地址: 221.6.37.

<sup>283</sup>2004年07月27日12时32分 IP地址: 61.149.67. Jim Yardley, “The Chinese Go After Corruption, Corruptly,” *The New York Times* (October 22, 2006) (“The problem with China today is that if you want to pursue corruption, so many people are tainted,” said Minxin Pei, a scholar at the Carnegie Endowment for International Peace in Washington.)

<sup>284</sup>2004年07月28日11时16分 IP地址: 221.3.211

<sup>285</sup>2004年07月27日12时28分 IP地址: 221.192.68

<sup>286</sup>2004年07月28日09时54分 IP地址: 218.57.205

*Supervision reason.* “Confronted with that much evidence, what did the procuratorate do? Do they not have a problem? If so, who is there to supervise?”<sup>287</sup>

### **How to be successful in fighting corruption?**

There are two broad principles that are most fundamental. First, “Without the participation of the people, anti-corruption struggle will not be won! We have to fight a people’s struggle against corruption.”<sup>288</sup> More pointedly, “The rise and fall of a nation ultimately rest on the shoulders of each individual. Only the people can move history.”<sup>289</sup> The question here is who to represent the people. “Only the people’s power cannot be resisted, however who is really standing for the people.”<sup>290</sup> This is where the second principle comes in. Second, “we need to see the conviction of the Party and government leaders!!!”<sup>291</sup>

In terms of strategy and policy, the following need to be adopted:

First, *earn people’s trust.* “When we cannot take care of obvious problems, how can we obtain the trust of the people? Are we not promoting corruption:? What a sorry mess, Li Jinhua trying to get water but turn up empty.”<sup>292</sup>

Second, *follow the truth.* “This might sound like a slogan, but the only weapon against corruption is truth.”<sup>293</sup>

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<sup>287</sup>2004年07月27日12时24分 IP地址: 195.177.212

<sup>288</sup>2004年07月28日10时29分 IP地址: 221.217.145. See also “We need to undertake a people’s struggle.” 2004年07月28日10时30分 IP地址: 221.217.145.

<sup>289</sup>2004年07月27日22时33分 IP地址: 221.219.197

<sup>290</sup>2004年07月28日09时26分 IP地址: 218.2.221

<sup>291</sup>2004年07月27日12时25分 IP地址: 219.133.

<sup>292</sup>2004年07月27日12时47分 IP地址: 220.200.28.□

<sup>293</sup>2004年07月28日11时29分 IP地址: 221.3.211.

Third, *establish legal system*, “perfect the legal system.”<sup>294</sup> “Have rule but not follow, implement law, but not strict. This is the legal system in China.”<sup>295</sup>

Fourth, *follow rule of law*. Rule the country by law., focus on rule. If rule does not bear fruit, how can we make people obey the law.”<sup>296</sup>

Fifth, *pursue deterrence*. “Drastic action is necessary to make an example to provide for deterrence, “Execute a few by firing squad, otherwise it is not going to finished.”<sup>297</sup>

Sixth, *set examples*. “If we do not dispose of a few, this kind of things will last forever.”<sup>298</sup>

Seventh, *go after leaders*. “In small places, we must in order to arrest the thieves we must first catch the kingpin.”<sup>299</sup>

Eighth, *establish accountability*. “Should led the judicial system investigate the subjects of audit. If those who are responsible are being suppressed, then it will be easier to deal with later.”<sup>300</sup>

Ninth, *instill administrative accountability*. “It should be the case that once we find out which department has problem, we will hold the department above responsible.”<sup>301</sup>

## VI

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<sup>294</sup>2004年07月28日08时21分 IP地址: 218.56.22.

<sup>295</sup>102 2004年07月27日13时04分 IP地址: 218.28.66

<sup>296</sup>2004年07月27日12时51分 IP地址: 220.171.147

<sup>297</sup>2004年07月28日08时01分 IP地址: 221.1.148

<sup>298</sup>2004年07月27日12时46分 IP地址: 219.150.203

<sup>299</sup>004年07月27日23时32分 IP地址: 211.156.183.

<sup>300</sup>2004年07月28日03时32分 IP地址: 137.229.38

<sup>301</sup>2004年07月27日22时35分 IP地址: 219.136.10.

## **Conclusion**

This research of first impression documents the feeling and analyzes the thinking of Chinese e-public towards (anti)corruption in China; in process, structure and outcome. In the process it finds that the e-public were overwhelmingly in support of the Audit Storm, especially the auditors, and their putative leader, Li Jinhua. All agreed that the Audit Storm is a move in the right direction.

The e-public were jubilant and hopeful about the audit process but were less sanguine with the outcome and most uncertain about the prospect of a clean China. Still, they are ready to serve up a fistful of penetrating observation, e.g., Audit Storm is more “thunder” than “rain,” and rendered a bundle of constructive comments.

If the Chinese authorities are reading this, the e-comments are most important to take to heart. The best way to fight corruption is to institutionalize the Audit Storm, to legalize the law enforcement system, and finally to allow for people’s supervision through transparency in governance.