Discussion on Relationship between Guanxi and Corruption in China

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Author’s contribution
The sole author designed, analyzed and interpreted and prepared the manuscript.

ABSTRACT

Anti-corruption movement became more violent in recent years in China, because China government notices the corruption damaged the social interests seriously. In many cases, guanxi is regarded as the corruption phenomenon, as guanxi is almost always involved in the corruption. Previous researches have analyzed guanxi’s function in corruption. However, questions have been raised that whether guanxi is the cause of corruption. Up to now, far too little attention has been paid to the question whether guanxi is the cause of corruption. This paper set out to analyze the relationship between guanxi and corruption. Results showed that guanxi is not the cause of corruption, on the contrary, it is only the tool of corruption. That is, guanxi is the passive factor in corruption. Guanxi’s corruption function can only be achieved in the special circumstances, such as the men-ruling public administration and legality, and the information asymmetry. Besides, in Confucian traditional cultural society, guanxi is the important resource of power for the individual. So guanxi is easily transformed into the corruption.

Keywords: Guanxi; corruption; renqing; ganqing; mianzi.

1. INTRODUCTION

Along with the fast economic development of China, corruption, as an unintended byproduct increased ever since the reform of China in 1980s [1]. The corrupted officials pursue the monetary or non-monetary resources, such as the career advancement, sexual favours, inside

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information and guaxi [2], which has damaged the regime seriously. Anti-corruption movement punished many corrupted officials in recent years. Corruption, as a long existing phenomenon, has results in much damage to China regime and social justice. Although Chinese Communist Party (CCP) has tried many measures to counter on the corruption, for example, the Central Discipline Inspection Commission (CDIC), it seems ineffective to some extent, in that “the structural, institutional and cultural problems embedded in the system, such as the deeply-rooted guanxi culture and structural flaws, combined to overpower to these efforts” [2].

To find the core cause of the corruption is critical to the anti-corruption effect. Here, Guanxi is thought as the main cause of the corruption in China government and politics. On the other hand, Guanxi is also deemed as the unique phenomenon in China by many researchers (e.g. [3,4]). But guanxi also exists in many of the other countries, as the personal relationship is the fundamental phenomenon in human society. However, guanxi in China context would results in the corruption, but in the western world, not. So it would be interesting to discuss about guanxi in the background of China society and the corruption with the reference of the Chinese guanxi.

Increasing researches has pointed out the guanxi is one of the main cause of corruption. Wang Peng [5] demonstrated that guanxi distorted China's legal system “by facilitating the buying and selling of public offices and promoting the formation of corrupt networks between locally-based criminals and government officials” [5]. Short after the Cultural Revolution, guanxi benefited the economic development to some extent, because guanxi reduce the transaction cost and resulted in the competition advantage, however, guanxi is also the adverse factor to the economic development in the long run in that guanxi would be the deterrent for the free economic competition, which is the side effect of guanxi [6]. The increasing corruption ever since the reform of China in 1980s is one of the side effects of guanxi.

In China background, guanxi is “a power relationship as one’s control over a valued good or access to it gives power over others” [7]. Nevertheless, guanxi also has some other means, such as relationship, matter, affect, concern, and backdoor connections [8]. Generally, guanxi is mainly about the special connection between different individuals or groups for all kinds of benefits. Guanxi is based on renqing (the obligated affection) or qinqing (the affection between the relatives), by which guanxi is formed. The ordinary measures to form guanxi is through the frequent connection or gift exchange. So it would find that guanxi is like the ordinary partnership, clan relationship or friendship, as existing in other cultures and nations. But in China background, such partnership, clan relationship or friendship would resulted in the special function, that is, “a power relationship as one’s control over a valued good or access to it gives power over others”.

So it can concluded that guanxi in China is the relevant to the special cultural or social background. Therefore, if one wants to understand the guanxi, he/she should understand the special background of guanxi. Rare researches have dealt with the background of guanxi, while many of the researches discussed the guanxi itself in China. But, without China background, guanxi would not be formed.

This paper sets out to analyze the unique background of guanxi. The paper is organized as follows. It begins by the description of guanxi’s function in corruption, which includes the guanxi in business, the extra-legal protection and the government. Then the paper discusses on the reasons of guanxi’s popularity in China, which include the men-ruling public administration feature, information asymmetry and unique China traditional social cultural behavior characteristics. The third section of this paper analyzes the mechanism of guanxi in corruption, which will progress through three aspects of guanxi: renqing, ganqing and mianzi. Gift-presenting and gift-exchanging phenomenon in maintaining and promoting guanxi are also analyzed especially in this section.

2. GUANXI’S FUNCTION IN CORRUPTION

Many researchers noticed the relationship between guanxi and corruption in China. The function of guanxi in corruption can be discussed in three aspects, which are about the legal system, the commercial business and the promotion of the officials.

The guanxi in the legal system distorts the normal legal function. “Evidence from China suggests that police and judicial activities are highly embedded in guanxi networks, fostering corruption and injustice within China’s legal system. It also suggested that protection and
enforcement mechanism choices are dictated by trust and reputation within guanxi networks." [5]. According to Xinhua News Agency, the police office positions at different levels could be sold and bought with different prices [5]. The transactions of the positions are different from the economic business transactions, in that the prices of the transactions depend on the interpersonal relationships between the holders and receivers of the benefits [9]. If the holder and the receiver do not have guanxi with each other, a middleman would cope with the problems by bringing the buyer and the seller together [10]. The legal enforcement is also distorted by guanxi, for example, it undermines the criminal justice system by “allowing locally-based criminals to create mutually beneficial networks with government officials." [5]. The corruption among the police officers and the criminals can be derived from the clientelistic relationships or bribery in the form of expensive gifts and/or services, and money, and sex services, or through interpersonal, family guanxi links [11]. The gifts, service and money are the measures to form guanxi, and so are the clientelistic relationships. All the measures are for guanxi, so it would find that guanxi is more important than money, service and other factors. In the corruption, the police officers are more care about the principle of reciprocity or the obligation with guanxi networks [5]. Other evidence also showed that the guanxi could obtain the extra-legal protection, for example, coping with government officials’ extortion, solving the problem of being stalked and debt collection [5].

With guanxi, corruption prospers, which undermines the legal system in China. Guanxi permeates in the legal system and hinders the enforcement of law.

Guanxi in commercial business also plays the critical role in China. In many commercial fields, guanxi is critical to the long-term relationship, and the pure transaction relationship would weaken the business transaction in China [12]. However, when one talks about the guanxi between the commercial business and the corrupted officials, guanxi would refers to the unofficial institution or hidden rules [13]. The companies or other economic organizations would bribe some corrupted officials for the economic benefits. The bidding of the government would result in the bribery of the different companies. The companies which have favorable guanxi with the corrupted officials would have more opportunities to win the bidding. For example, Li Zhen, who was the secretary of Cheng Weigao, received much bribery from the Nanjing Second Constriction Company, in which the Cheng Weigao had been the boss. Nanjing Second Construction Company was awarded many construction contracts by the bribery.

Guanxi in both the relationship between the different companies and the relationship between the companies and the corrupted officials would not be written in the official documents, that is, guanxi belongs to the hidden rules. Nevertheless, guanxi in the former relationship would benefit economic transaction healthily in society, on the contrary, the guanxi in the latter relationship would benefit the corrupted officials and the companies, but damage the society and market. So here we would find guanxi in the different backgrounds would have different meanings and functions.

The guanxi between business and corrupted officials would damage the society and the economy profoundly. Although China have made economic progress in the past 30 years, China is increasingly demoralized, and that is manifested in part in the intertwinement between guanxi and corruption [14]. With guanxi, both the corrupted official and the briber company would be awarded the intended benefits, without the punishment of the formal law ordinarily. In the bribery and corruption with guanxi, the trust relationship would be weakened. In other words, “guanxi will be permeated by instrumentality, selfseeking opportunism, and dishonorability rather than by trust relationships based on mutual warmth, loyalty, and respect." [14].

In the promotions of officers, guanxi is also important. For example, according to Xinhua News Agency, the police office positions at different levels could be sold and bought with different prices [5], however, the money would not as important as guanxi [5].

Li Zhen, who once had been the secretary of the Secretary of Hebei provincial Party Committee, got the fast promotions in different levels. The reasons for his promotions would be special guanxi with the high rank officials. Because of the guanxi with the retired officials came from Beijing, He was promoted to the provincial government. After he became the secretary of the Secretary of Hebei provincial Party Committee, he got more opportunities to be promoted. Then he became the director general.
of taxation bureau in 1997 and the reserve cadre of national taxation bureau and provincial people’s government. But he was soon be arrested because of his arrogance, conceit and corruption in 2000. In 2003, Li Zhen is sentenced to death. Both Li Zhen’s rise and downfall were bound with guanxi. His fate reflects the life trajectory of a corrupted official who had once been the secretary. The secretary of the officials would often be promoted easily because of the guanxi between the secretary and the official he/she serves. The secretary position is regarded as the cradle of the future officials [15]. Many officials have the experience of secretary working before they are promoted. However, in recent years, the corruption of secretary increased [16]. Although secretary is small potato in the power system [17], however, because of his/her critical guanxi net, secretary would have great power. That is, guanxi empower the secretary, and in some situations, the guanxi would result in corruption.

Beside the legal system, commercial business, the promotion of the officers, there are many other spheres involved with the corruptions resulted from guanxi. For example, in the hospital, the patient would get the prior attention and the concern from the doctor if he/she has guanxi with the doctor. In the arrangement of the entrance of the student, one can choose the better school for his/her child. In many of the cases, guanxi is more important than money or other benefits.

So here it would find that the corruption has intimate connection with guanxi. In the process, guanxi became the core factor that facilitates the accomplishment. So if the corruption becomes more serious, people would resort to guanxi more.

Guanxi seems the cause of corruption, however, in China society, guanxi exists anywhere. In many cases besides the corruption, guanxi would play the positive role. For example, guanxi in the legal system would facilitate the legal enforcement, especially when the local police investigates the local situation, the police would accomplish the mission smoothly because of the good guanxi with the local residents. In the business, the long-term cooperation would be formed with nice guanxi. And in the official circle, the good guanxi would lubricate the interpersonal relationship and the make the work more easily. Above all, guanxi would facilitates the works and different matters with low cost.

3. REASONS OF GUANXI’S POPULARITY IN CHINA SOCIETY

There are two reasons why guanxi becomes popular in China society. These are information asymmetry, men-ruling society and Confucian tradition.

The first reason of guanxi’s popularity is information asymmetry. Information asymmetry has been serious in China society. From the guanxi’s function in corruption mentioned above, it would find that guanxi in this condition coexists with hidden rules, which are acquiesced and obeyed by the participators and not stipulated in the official documents. That is, the information is not transparent.

When the information becomes opaque, the individual would resort to the guanxi, which can be relied on, because if the society is permeated the opaque information, the function of the legality and government administration would not be effective. The hidden rules would function well in the condition.

The information asymmetry will happen if the government does not release the necessary information to society. China government notices such problems, therefore many measures are undertaken in order to release the information effectively, for example, China’s Government Online Project was formally launched in 1999. Such project is expected to improve the quality of governance, and about 80% of all government agencies, local and national, have websites [18]. The government online project results in many good results: the ordinary people can “track public information online and report corrupted public officials anonymously and instantaneously” [18], the citizens get more opportunities to participate the public administration. Nevertheless, there are still many shortcomings. Most of the services online only mention the guidelines generally, beside, nearly half of the government websites are simply one-way mirrors, and therefore the more interaction is badly needed [19]. The government websites would underline the achievement and successes of government, however, the unavoidable mistakes and failures are overlooked [18].

Although the government online project has some deficiencies, such project is one huge progress of the governance quality. Before the launching of the project, the information asymmetry existed and people cannot get the
necessary information effectively. So in such situation, the guanxi will play more important role in work and life of the ordinary people. The transparency of public authorities is critical to build the socialism harmonious society and prevent the corruption [20].

On the other hand, the public authorities without the supervision also would result in the adverse effect of guanxi. In the opaque society, the public authorities are not well supervised, so the corruption is inevitable. Therefore guanxi will be used to attain the benefit illegally.

The opaque society results in the corruption, that is, it distorts the normal connection, communication and the affection between individuals or groups. Therefore, guanxi becomes necessary for individual in order to ensure the benefits.

So it would find that guanxi is the passive factor in the corruption activities. The cause of corruption is not guanxi but the opaque society and the corresponding information asymmetry. Guanxi can be understood as the interpersonal relationship in the broad sense, so in any cultures and nations, to maintain the good interpersonal relationship is important. However, in China, such interpersonal relationship would be deemed as the companion of corruption in some situations.

The second reason for guanxi's popularity is men-ruling society. Traditionally, the public administration in China is of the ruling based on men, but not based on institution. That is, the administration relies on the individual person, but is not according to the institution. Such phenomenon can be found in many China cultural products, for example, in the anti-corruption novels in China, the corruption and the corrupted officials is often found and defeated by the upright officials [21]. Such novels not only reflect the reality of the official circle, but also reflect the notions of the common people, which is one kind of cultural phenomenon. Once the public administration relies mainly on men, the one who wants to get benefit only need to deal with the due men, so the bribery would inevitable. The cause of the administration by men has some relationship with the centralization of power in ancient feudal society. The administrator feared the subordinators would threaten his power, so he would control the power solely and would not distribute the power to get the better administration [22]. Contemporary China government has changed the situation, however, the adverse effect of the two thousand years feudal society administration power form still has some adverse effects on modern political ecology.

The administration by men also decides the guanxi in the official circle. As the institution does not function as well as men, so if the one wants to achieve success, the shortcut would the endeavor to use guanxi.

The third reason for guanxi’s popularity is the tradition social cultural behavior features in China. When Fei described the social network of China society, he said that the western social individual’s network is akin to the sticks bound together by the social organization, while the structure of China society is like the ripples caused by throwing a stone into a pond, and each person is situated in the center of the ripple [23]. It would find that the individual’s perspective is according to the social distance between himself/herself and others. That is, the individual would think and act according to the different distances of guanxi with different others, but not according to the organization he/she belonged to. Hsu believes that the personality in the western culture is regarded as individual who stands alone against the world, while the personality in Asian culture means the individual within a matrix in which each person maintain relationship with others at a satisfactory level of dynamic equilibrium [24]. Compared to America society, China and Japan societies are the countries that emphasize the interpersonal relationship more, as America society emphasizes individualism more. However, good interpersonal relationship is important for any individual and society. Guanxi maintains the important position in China society, so is in Japan society. The concept of Relationalism in China is the counterpart of notion of Individualism in the Western context [25]. So in this sense, an individual’s life is not decided by himself or herself, but by the relationship with others. “An individual’s social relationship is a very important source of power. One’s power is determined by the extent of control exercised by an individual over resources and his/her particular relationship network.” [26]. Yan believes that establishing and maintaining a good friendship by managing guanxi may help one individual overcome the different crises [27]. In order to get the resources, the individual in China cultural society would tries to get the more guanxi, so to maintain the harmonious interpersonal relationship is one critical work. To some extent, the more harmonious of the
interpersonal relationship, the more possible that one can achieve the success.

This section has explained the causes of the guanxi’s popularity in China society, which has the tendency to transit to corruption. The following section moves on to analyze the mechanism of guanxi in corruption.

4. MECHANISM OF GUANXI’S FUNCTION IN CORRUPTION

Regarding to the mechanism of guanxi in corruption, the paper will analyze that according to the different components of guanxi in China society. Kipnis categorized guanxi’s components into three parts: a) ganqing (positive affect), b) reciprocal favor (renqing) and c) mianzi (face) [28]. To maintain guanxi, one should invest money, affection, time and energy. “To maintain a healthy relationship, Chinese people place a high value on the obligation to reciprocate.” [26] One should obey the rules of guanxi, especially the rule of the reciprocal relationship. Once the rules are violated, the one would endangered [29].

Renqing refers to the obligation of the benefit receivers to do favor to the giver. Through creating the obligation and indebtedness among society, renqing makes the one should do the favor for the one he/she owns [30]. The debtors of renqing should repay the benefactor when the benefactor needs and the circumstance permits [31]. It is common sense that one should pay the benefactor in almost all the cultures. However, the form of paying back in China cultural society is different from that in the western world. In the western world, the paying back is based on the symmetrical reciprocation and balanced exchanging [32]. In China cultural society, one need not pay back immediately, on the contrary, one can use the debt in the future. That is, one can repay the debt in the indefinite future. On the other hand, the debt of renqing cannot be calculated by the cash. So renqing debt can play the critical role in achieving success.

Ganqing, as another factor in guanxi can also be cultivated. Ganqing refers to the emotional commitment involved in the participators. The most intimate ganqing is qinqing, which is based on the blood relationship. In the communication among social individuals, by sharing the feelings, beliefs, judgements, opinions and thoughts, the participators can cultivate ganqing [32]. Just like renqing, ganqing also cannot be calculated by cash. Ganqing is one kind of bond more intimate than renqing, besides, ganqing among the participators is more personal than renqing. It just like the friendship but not only the transaction based on the benefit, but on the contrary, ganqing would have more function in achieving success. So the investment to ganqing, ganqing touzi, is important to the participators.

Mianzi is an individual’s awareness of his image in others’ mind [33,34]. In English, miansi can be translated as saving of face. Mianzi is often earned by the good performance, the high social status and the more resource controlling [33]. To maintain the other participators’ mianzi is also important, for example, one should not deny others’ request directly, on the contrary, he or she should find an excuse to deny the request indirectly [26], because the direct deny would hurt the requestors’ feelings and make them feel losing face(mei mianzi). Mianzi is also cannot be calculated by cash.

Renqing, ganqing and mianzi compose the guanxi’s mian part. In the men-ruling society, guanxi is critical, so the maintenance and investment of renqing, ganqing and mianzi are although important. Corruption happens in the process of such investment and maintenance. The bribers make use of the renqing, ganqing and mianzi to interrupt the normal public administration and the legality. Just because of the incalculability of renqing, ganqing and mianzi, the bribery would get the huger benefit through the comparatively little investment.

To maintain good guanxi, gift plays a significant role. Gift-exchanging or gift-presenting are common in America, Japan and China. However, compared to Japan and China, America society has less gift-exchanging or gift-presenting. In both Japan and China, gift is popular in the interpersonal communication. Compared to Japan, in which the gift-presenting or gift-exchanging mainly happen after the subjects have got the benefits, the gift-exchanging or gift-presenting in China have more intentions to get the future possible benefits. That is, gift enables the giver to have more advantages to require the receiver and the receiver has more obligation for the giver [35]. It can be said that the gift-exchanging or gift-presenting have more implication of bribery. Or in the other words, the gift in China is on the blur territory between the bribery and normal communication. To extinguish the gift-exchanging or gift-presenting is impossible in any society, and it would be more unlikely in China society. However, the gift has
the blur implication of bribery and illegality. That is, gift-presenting and gift-exchanging are one kind of the investment to the guanxi, however, they are on the blur territory of the bribery and the normal communication. For example, the red envelope with money is can be deemed as the gift, because the on the festivals or other ceremonies, such envelopes would be necessary as the customary behavior. But it can also be regarded as the bribery, because the bribery would bribe the officials with it in the name of customary interpersonal communication.

Such behavior would be normal on common occasions, but when it is necessary to make use of guanxi to achieve illegal benefit, it would be transformed into the corruption easily. For example, mishu, secretary of the high rank officials, would often be faced with gift-presenting. The givers would notice the future promotion of the mishu. Through gift-presenting, they would cultivate ganqing and create rening with the receiver. So in the future, when it is necessary, the givers can make request to the receiver according to rening and ganqing.

Nevertheless, the gift exchanging and presenting is only one way to cultivate ganqing and create rening. There are many other ways to achieve ganqing and rening, for example, sharing the same opinions and feelings.

The guanxi, or interpersonal relationship with Chinese characteristics, is the main factor influences the achievement in some cases. But in most of the cases, guanxi would not be obvious. On the contrary, guanxi is concealed and hidden. The outsider would not find the guanxi among the insiders, so the corruption would not be found immediately. Therefore the corruption by guanxi is promoted in this sense.

5. CONCLUSION

Interpersonal relationship is the common phenomenon in every societies. Nevertheless, guanxi is one unique interpersonal relationship in China. It would find that guanxi is one kind of long-existing phenomenon in traditional China society, and it is different from that the interpersonal relationship type in the western world. Guanxi connotates some values, obligation, responsibility and affection, which would be more than that in the western world. Additionally, in most of situations, guanxi is more precious than money. Ordinarily, guanxi is one kind of the normal interpersonal relationship, however, it can be easily changed into the tool of corruption. In corruption, guanxi is more important than cash or other kinds of briberies. Guanxi distorts the normal public administration and legality. However, guanxi, as the traditional and customary interpersonal relationship type, is not the active factor to cause the corruption, on the contrary, it is a kind of passive factor in the cause of corruption. That is, guanxi is only the tool of corruption.

Traditional men-ruling cultural society results in that the interpersonal relationship is more important than the institution. That is, if one wants to get the benefit, he/she can make the shortcut by the guanxi, but not according to the institution or legality. Information asymmetry is also one cause of making use of guanxi in the corruption. Guanxi’s popularity in China is also because of the unique cultural society features, which values guanxi more important than that in many other countries.

Guanxi, in many cases, has advantages to reduce the costs of the transaction and increase the time of the cooperation. Unfortunately, guanxi became the tool for the corruption. In corruption, rening, qinqing and mianzi are three factors which influence the guanxi. Such three factors is more important than cash in most of the cases. Gift-exchanging and gift-presenting are the typical ways to maintain or create guanxi. Just like guanxi, gift-exchanging and gift-presenting are customary ordinarily, however, those are on the blur territory between corruption and the normal interpersonal communication.

The relationship between guanxi and corruption has some practical implications. As guanxi is the basic interpersonal relationship in China, people should not denied guanxi at all. Besides, guanxi is not the cause of the corruption. However, legal system should address some sensitive groups’, such as the official circles’, guanxi prudently, because in such groups, guanxi could easily be transformed to corruption.

Empowering more organizations or institutions to supervise the activities of sensitive groups is another way to avoid corruption. As we have discussed above, information asymmetry and men-ruling society is the cause of the popularity of guanxi in China, so empowering more organizations and institutions, which can reduce information asymmetry and promote legality, is an effective to avoid the side-effect of guanxi.
COMPETING INTERESTS

Author has declared that no competing interests exist.

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