

Chapter 10 (from [Real Jiang Zemin] –there is no English version available.) - The downfall of each party in the battle of greed



Section 2 - Foreign businesses' corruption in China

When Deng Xiaoping started economic reform in the 80's, westerners were very cautious entering the Chinese market due to unfamiliarity with Chinese customs, but western companies were also concerned with the conditions of investment in China, labour relations, stability of the society, trustworthiness of the government, human rights issues, conflicts in cultural awareness, etc.

Companies in Hong Kong, Macau and South East Asia, particularly companies owned by Chinese, took the lead stepping into the unpredictable environment. As they gained bigger and bigger profits, the western companies became interested. They threw their cautious judgments to the wind and jumped onto the bandwagon of China's economic reform. Since then, corporate ethics and social justice have run a poor second to profits.

Many foreign investors did scoop up some "valuables", but in exchange, they've given up the "invaluable". As they may not have realized, this is a costly exchange. Foreign investors have lost their ethics one step after another; but they may not have sensed any change just yet.

The moral corruption of foreign investors in China can be seen everywhere, from the traditional corruption of bribing with money and young women, creative corruption of site-seeing expeditions, family emigration, studying abroad, sponsorship deals etc.; to the intangible of moral degradation, employee repression, environmental pollution, even to the overt aiding the Chinese Communist Party (CCP) with internet censorship, human rights crimes, etc.

Rapidly adapting to CCP style

Objectively speaking, Jiang Zemin did not come up with any plan to make "the corrupt western businesses" fall apart, it is unlikely that he is capable of formulating such a strategy. Jiang is

only capable of repeating his usual evil methods of running a country, amplifying the weakness of greed that resides in all foreign investors. Jiang turned China into a huge magnet by finding ways to favour foreign businesses making foreign investors irresistibly attracted to the China market.

Meanwhile, Jiang created an institutionalized and national wide system of moral corruption in China. Regardless what color foreign businesses come with, the instant they enter the dye-vat of the CPP's corruption, they become dark and dirty. This is something that foreign investors did not anticipate before entering China.

As foreign companies entered China, sociologists conducted a series of studies on China, and soon grasped the meaning of the "Chinese-style" of doing business. As a foreign company, it must hide under a "safeguarding umbrella" from the Chinese government in order to survive.

Such "safeguarding umbrella" is capable of granting privileges that are usually not available under legal operations, pulling off complex contracts from central to local governments, and perhaps even formulating legislation favoring foreign businesses.

Holding onto such a "safeguarding umbrella" requires directly bribing the connected Chinese government officials, and also requires hiring officials' relatives, so they can "better serve their own country".

From the days of Jiang Zemin to Hu Jintao, many high government officials' siblings' are educated in the west. Western companies and banks hired many of these "princelings" to increase their chance of making money in the China market. Leading financial firms in the west try to get "princelings" to use the power of their parents to help them get underwriting approvals for China's domestic IPO projects in New York and Hong Kong.

Below are a few examples:

Feng Shaodong (Wilson Feng), son-in-law of the People's Congress leader Wu Bangguo was the chairman of Merrill Lynch China. In 2006, Merrill Lynch underwrote ICBC's IPO projects in Hong Kong, launching the biggest IPO in history. Feng Shaodong's part in this cannot be underestimated.

Zhu Yunlai is the son of Zhu Rongji, CEO of China International Capital Corporation (CICC), China's first joint investment bank. China Construction Bank holds the majority shares; Morgan Stanley holds 34% and the Singapore Government investment companies have 7.35% of shares.

Under the leadership of Zhu Yunlai, CICC has become the central brokering company issuing shares overseas.

Ren Keying is the daughter of the previous Guangdong provincial secretary Ren Zhongyi, and daughter-in-law of former chief secretary Zhao Ziyang (now deceased). Ren graduated from Princeton University, College of Business Administration. She was employed by the US bank

Bear Stern for seven years and promoted to senior managing director; in August, 2001 Ren was transferred to Salomon Smith Barney (now known as Citigroup Global Market) China Department serving as managing director.

Zeng Zhijie (Jeffrey Zeng), son of Vice Prime Minister Zeng Peiyan graduated from the University of Nagasaki-shi, Japan, then obtained a master's degree in Management Science at Stanford University, while employed by Mitsubishi Corporation and CITIC Pacific HongKong.

The deals of Bo Xilai and his wife

Nevertheless, only the top corporations or financial firms have the financial power to move CCP high officials' siblings to open the backdoor for them; other corporations can only set a lower expectation and form alliances with local government officials or top management roles in industrial and commercial financial firms. We'll use Bo Xilai as an example. When Bo was the mayor of Dalian city he lowered the terms by providing 3 years tax-free and inexpensive land; many foreign companies opened factories in the development zone, including Japanese firms Daqing Metal, KVK - that caused environmental problems.

The bosses of these foreign companies formed close relationships with Bo and local officials. With Bo Xilai's "guidance" they made a lot of profit by exploiting employees. Bo installed hundreds of surveillance cameras in the development zone of Wucai city. He even joked to a journalist that he can see who's peeing in every corner. A Japanese printer manufacturing firm Sida Jingmi underwent a week-long strike action because the workers were upset about low wages and having been terminated from jobs without reason.

The police and the government, both under Bo's command, aligned with the employers in forcing workers to forgo their rights. A micro motor manufacturing firm named WanBaoZhi restrained the workers bathroom time and based on their performance they were given a different color hat with a total of five colors. Many workers caught kidney disease because they couldn't go to the bathroom on time. Female workers of yet another small Japanese firm were asked to drink and sleep with the firm's boss; otherwise they'd lose their jobs.

When interviewed why they didn't take the issue to court they responded, "The boss of the firm hired Bo's wife (Gu Kailai) to be his legal adviser, there was no chance for us."

500,000 corruption cases

Under the influence of "Chinese-style" politics and economics and the downfall of the Chinese population's moral standards, China has become an abased land nurturing overseas corruption.

China Managers Online reported: "According to incomplete statistics, crimes related to foreign business corruption have been inclining steadily since the year 2000. In the year 2003 alone

there were 1500 cases related to foreign companies accepting bribes, a 20% increase compared to the previous year.”

Legal Morning Post reported in 2006 that based on recent statistics from Anbound Group, “In the past decade, bribery incidents of international corporations in the China region have been inclining continuously. There have been more than five-hundred-thousand cases investigated under the category of international corporate corruption, 64% of them are related to international trade and foreign businesses.”