

Xi's graft crackdown may be factor in economic downturn, says analyst

EILEEN NG
eileenng@mediacorp.com.sg

SINGAPORE – President Xi Jinping's anti-corruption campaign has creat-

ed a climate of uncertainty in bureaucratic and business circles, and this could be one of the main reasons for China's economic slowdown, said an analyst on Chinese politics yesterday.

Dr Chen Gang, a senior research fellow at the National University of Singapore's East Asian Institute (EAI), said the ongoing corruption investigations have created a "witch

hunt" fear within the bureaucracy, leading to inaction by government officials. This, in turn, has stalled project implementation and caused cut-backs in domestic investment.

He was speaking at a panel session on Chinese domestic politics at the East Asia Outlook Conference 2016 organised by the EAI.

On the sidelines of the event, Dr Chen told TODAY that many Chinese bureaucrats at the local level are not working hard to attract investment or promote local development as ties with the business world may result in them being charged with corruption. "For example, in handling relationships with businesspeople, of course you have to go to banquets or other places, and these are the events they try to avoid due to the 'witch hunt' sentiment as a result of the anti-corruption drive."

Dozens of Chinese officials have been jailed for corruption since Mr Xi took office three years ago and launched a renewed push against the problem, warning that it was so severe it could affect the Communist Party's grip on power.

China, the world's second-largest economy, reported yesterday that it recorded gross domestic product (GDP) growth of 6.9 per cent for 2015, its lowest in 25 years, as trade and consumer spending weakened.

China's economic slowdown has prompted its government to introduce several economic measures to boost the market, and EAI senior research fellow Sarah Chan noted that China's future growth is expected to rely on domestic rather than external demand, given that its economy is currently being rebalanced and restructured.

"We see the economy orientating from external demand for growth to one that is increasingly driven by domestic demand. This means from manufacturing to services, from investment to consumption and from labour-intensive to a more skills-intensive industry," said Dr Chan, also a panellist at yesterday's forum.

Dr Chen expects that bureaucratic fears over the ongoing anti-corruption campaign will further slow China's economic growth. He predicted that GDP growth could be as low as 6 per cent by the end of this year.

"If you go to many counties in China, you can see that construction of local infrastructure has almost come to a stop, and the bureaucrats are not very enthusiastic about promoting local economic developments. As long as this sentiment hangs around, I don't think the economy will perform well," he said.

Ultimately, this could lead to a legitimacy crisis for Mr Xi as those affected by his anti-graft push might be biding their time, waiting for him to make a mistake or weaken, said Dr Chen.

"Xi's reforms and anti-corruption campaign have provoked a lot of heavyweights and they are waiting for a good chance to fight back. I don't know when, but it's obvious that a slowdown in the economy can be used as an excuse for them to fight back," he said.

"With unprecedented financial turmoil and if the economy turns sour, the oligarchs might fight back. This could be a big challenge to Xi's leadership."



“In handling relationships with businesspeople, of course you have to go to banquets or other places, and these are the events they try to avoid due to the 'witch hunt' sentiment as a result of the anti-corruption drive.”

Dr Chen Gang
SENIOR RESEARCH
FELLOW AT THE
NATIONAL UNIVERSITY
OF SINGAPORE'S
EAST ASIAN INSTITUTE
(PICTURE), ON HOW THE
CRACKDOWN HINDERS
BUREAUCRATS IN
CHASING INVESTMENTS