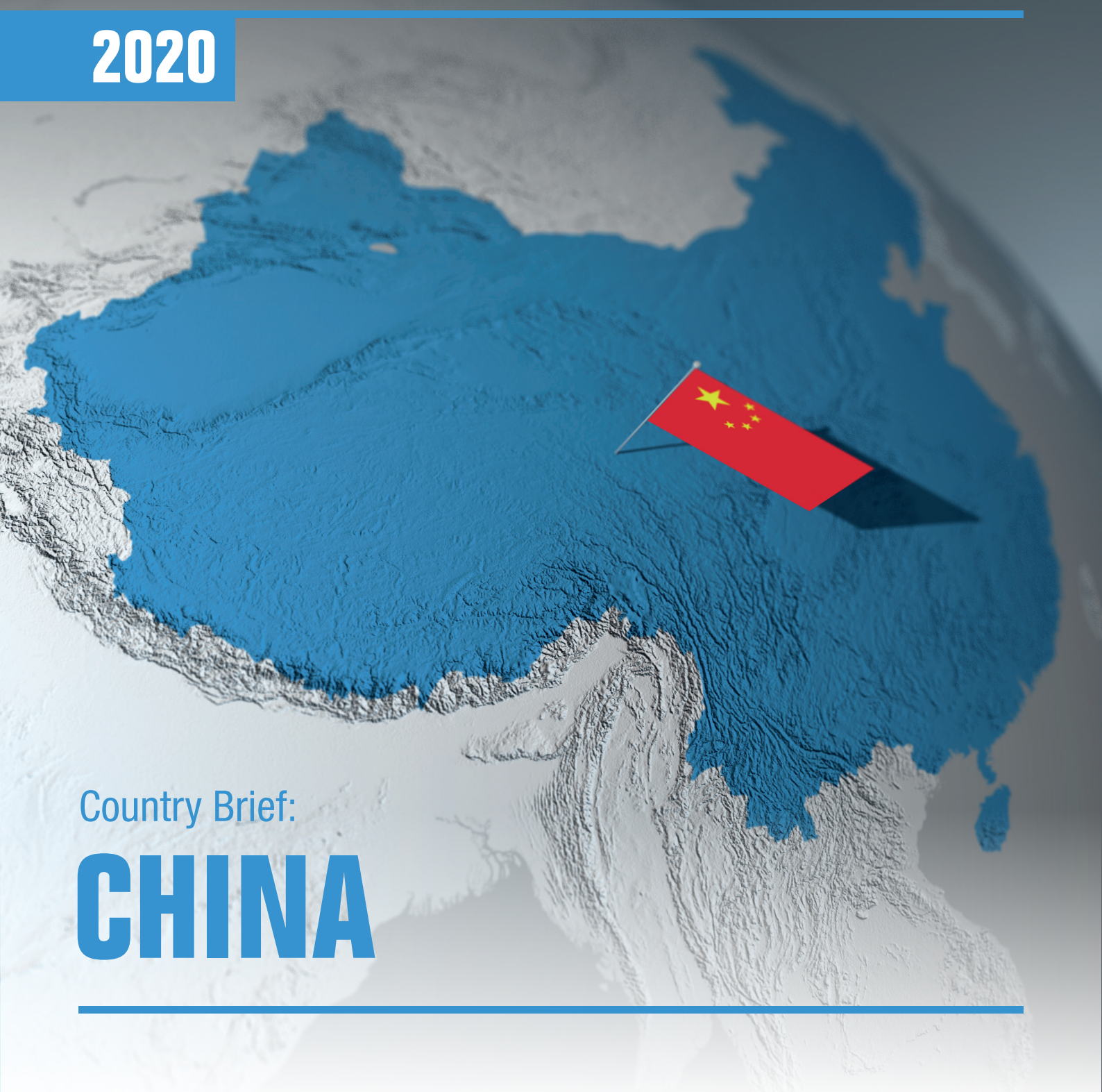




**Government Defence
Integrity Index**



2020



Country Brief:

CHINA

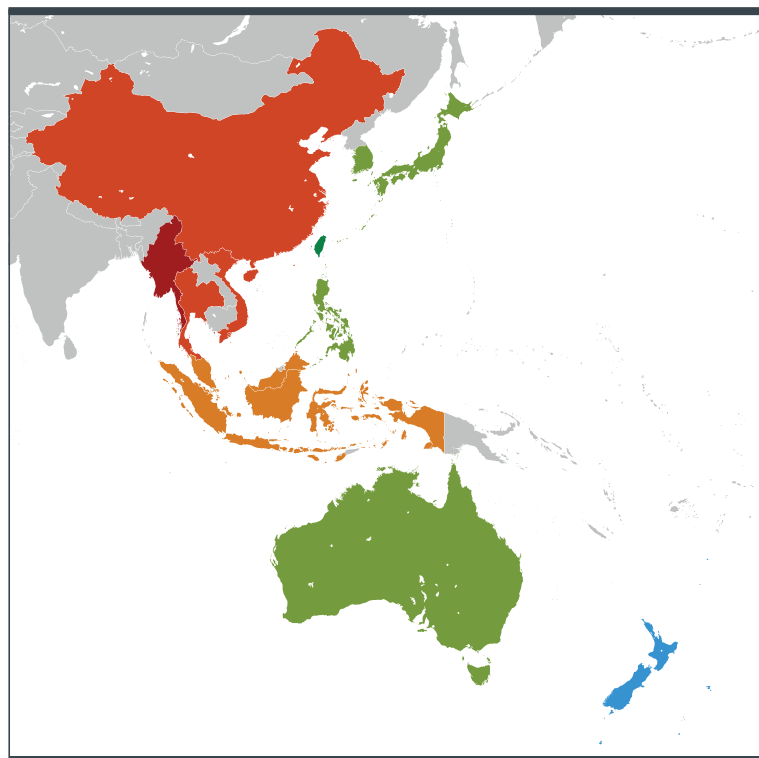


CHINA

The world's largest trading power and source of global lending, boasting the world's largest population and military, China occupies a key position in the international system. Under President Xi Jinping, China has pursued a strategy aimed at reclaiming the country's historic position of leadership and centrality on the global stage, through a combination of military, economic, political, cultural and technological means.¹ In the foreign policy arena, this strategy has driven an increasingly assertive and aggressive stance being taken by Beijing, both in its immediate neighbourhood and further afield.² From bolstering territorial claims in the South China Sea and sending warplanes into Taiwanese airspace, to clashing with Indian forces in the Himalayas and engaging in trade and diplomatic wars with the United States and Australia; Chinese foreign policy is growing more confrontational.³

Yet, for some analysts, this belligerence is also a result of a comparative weakening of the regime at home.⁴ The COVID-19 pandemic has seen the economy shrink for the first time in forty years and could seriously undermine the Chinese Communist Party's (CCP) legitimacy, which is closely intertwined with economic growth.⁵ Internal "stability maintenance" including policing and internal security, is consuming ever greater sums of public funds,⁶ whilst drawing criticism, especially with regards to Beijing's treatment of Uyghurs in Xinjiang. Meanwhile, Xi's efforts to concentrate power are still ongoing and new campaigns suggest there are still tensions among the political leadership as to his rule.⁷ In this context, Xi has embarked on a significant military modernisation drive designed to turn the People's Liberation Army (PLA) into a world class military.⁸ Yet, institutionalised secrecy, an absence of external oversight and high-levels of corruption risk throughout the sector risk undermining such efforts. There is no external involvement in policymaking, procurement or budgeting and all defence issues are tightly controlled by the CCP. Transparency is severely limited throughout, undermining anti-corruption standards and increasing the risk of abuses in all areas.

Member of Open Government Partnership	No
UN Convention Against Corruption	Ratified in 2006
Arms Trade Treaty	Accession in 2020



Asia-Pacific

The Asia-Pacific region is home to some of the biggest military and economic powers in the world, as well as critical financial and trade hubs, natural resources and around 60 per cent of the world's population, and the region has become a major area of geopolitical rivalry. The continuing deterioration of Sino-American relations is having widespread implications for countries in the region. Security challenges presented by an increasingly assertive China, the continuing threat posed by North Korea and the protracted insurgencies in Thailand, the Philippines, Myanmar, Indonesia and Malaysia will also remain key concerns moving forward, as will emerging security threats related to cyberwarfare and the impact of climate change. However, Asia-Pacific has huge variations in the quality of defence governance mechanisms, which will determine how well defence institutions can respond to these challenges. It is home to both New Zealand, the highest scorer in the index, and Myanmar, one of the lowest. Though challenges are extremely varied across the sample, corruption risks are particularly pronounced in relation to financial management and procurement, where defence exceptionalism remains pervasive and exempts the sector from standard reporting and publishing standards. Operations too are highly vulnerable to corruption, while personnel management and policymaking are considered significantly more robust.

¹ Elizabeth Economy, 'Xi Jinping's New World Order: Can China Remake the International System', *Foreign Affairs*, January/February 2022.
² Kawashima Shin, 'China's Foreign Policy: Inflexibility Rules', *The Diplomat*, 29 August 2021.
³ Eliot Pence, 'To Understand China's Aggressive Foreign Policy, Look at its Domestic Politics', *Council on Foreign Relations*, 8 October 2020.
⁴ Hal Brands and Michael Bleckley, 'China is a Declining Power – and That's the Problem', *Foreign Policy*, 24 September 2021.
⁵ BBC News, 'China's Virus-hit Economy Shrinks for First Time in Decades', 17 April 2020.
⁶ Willy Wo-Lap Lam, "'Stability Maintenance' Gets Major Boost at the National People's Congress', *The Jamestown Foundation*, 22 March 2019.
⁷ Lily Kuo, 'Xi Jinping's Crackdown on Everything is Remaking Chinese Society', *The Washington Post*, 16 November 2021.
⁸ Shawn Yuan, 'Just How Strong is the Chinese Military?', *Al-Jazeera*, 29 October 2021.



CHINA

Overall scores

The size of the colour band corresponds to number of countries that fall into that category.

CHINA SCORE
VERY HIGH RISK

E

28



A > 83-100 VERY LOW

B > 67-82 LOW

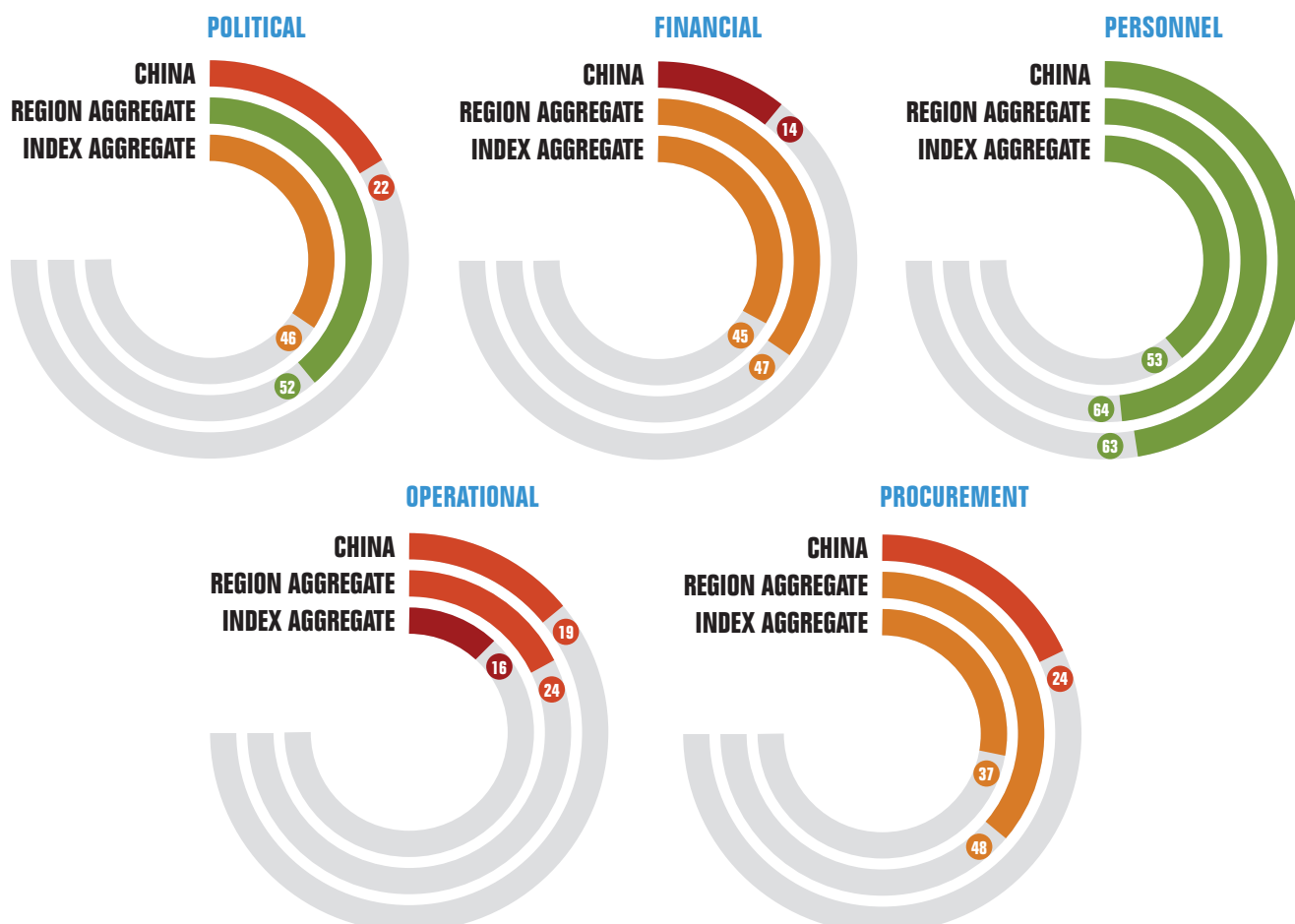
C > 50-66 MODERATE

D > 33-49 HIGH

E > 17-32 VERY HIGH

F > 0-16 CRITICAL

Risk Comparison





CHINA

Parliamentary Oversight

Legislative oversight of budget (Open Budget Survey, 2019)	31/100
Military expenditure as share of government spending (SIPRI, 2020)	4.7%
Committee members with defence expertise (%)	No such committee exists.
# of meetings/year	No such committee exists.
Last review of defence policy/strategy	2019 (Defence White Paper)

China's political system is characterised by a concentration of state powers in the National People's Congress (NPC), which, along with all other state organs, is controlled by the CCP.⁹ There are no meaningful elections and no system of parliamentary checks and balances. In recent years, President Xi has sought to shore up his position and concentrated power in his hands, including by purging the upper echelons of the military and administration of enemies and by extending presidential term limits.¹⁰ Xi has also increased his control over the PLA and the defence sector more broadly,¹¹ by pushing through reforms and purging the military's upper echelons.¹² As such, CCP control over the armed forces is firm and there is no external involvement in the defence policy-making process.¹³ All defence and security matters are dealt with by the Central Military Committee (CMC), which is the CCP's designated organ of control for such issues. Similarly, with regards to the budget, there is no discussion on the subject in the NPC, which simply rubberstamps the budget proposed by the CCP without submitting any amendments or holding any debates.¹⁴ Moreover, with regards to financial oversight, there is no external auditing of defence expenditure. The National Audit Law stipulates that the CMC has its own Audit Regulation, exempting it from external scrutiny.¹⁵ Instead, defence expenditure is monitored exclusively by the CMC's Audit Office (CMCAO), which has been particularly active during anti-corruption drives and there has been a clear intensification of activity since 2012.¹⁶ Yet, it remains under tight political control and does not publish any full audit reports, nor is it subject to external oversight making any assessment of its effectiveness or standards impossible.

Financial Transparency

Defence-related access to information response rates	(1) % granted full or partial access: N/A (2) # subject to backlog: N/A
Defence-related complaints to ombudsman/commissioner #	No such institution exists.
Does the commissioner have authority over the MoD?	No such institution exists.
Audit reports on defence (2018-2020) #	None
Open Budget Index (IBP, 2019)	19/100
World Press Freedom Index (RSF, 2021)	177th out of 180

The Chinese government is noted to have a history of withholding, manipulating and falsifying data for its own purposes.¹⁷ The CCP's control over the state apparatus means that information is generally only released when it fits CCP narratives and when it would not prejudice its ability to maintain and exercise power. As such, government transparency is poor, particularly in the defence sector where the majority of financial information is withheld from publication. The published defence budget, for instance, contains only basic and highly aggregated figures, particularly with regards to procurement and R&D.¹⁸ In a similar vein, there are no published reports on actual spending during the financial year, and no financial statements comparing actual expenditures with budgeted forecasts, making it difficult to assess how funds are utilised. Moreover, there is no publication of sources of income other than from central government allocation, including from arms sales or commercial activities by state-owned enterprises in the defence sector. It should also be noted that off-budget spending is prevalent. One estimate puts this figure as high as 33% of the total publicly available budget.¹⁹ There are no recording mechanisms or regulations to ensure that such spending is registered and monitored, making it highly vulnerable to corruption. Finally, China has no legislation guaranteeing the public's right to access government information, such as a Freedom of Information law. As such, there are no mechanisms through which citizens can request defence information as all such data falls under the CMC's jurisdiction.²⁰

⁹ Bertelsmann Stiftung, *BTI 2020 Country Report: China*, Gutersloh, Bertelsmann Stiftung, 2020, p. 10.

¹⁰ Bertelsmann Stiftung, *China*, p. 4.

¹¹ Derek Grossman and Michael S. Chase, 'Xi's Purge of the Military Prepares the Chinese Army for Confrontation', *Rand*, 21 April 2016.

¹² Joel Wuthnow and Philip C. Saunders, 'Chinese Military Reforms in the Age of Xi Jinping: Drivers, Challenges and Implications', *China Strategic Perspectives*, no. 10, 2013.

¹³ Alice P. Miller 'The PLA in the Party Decision Making System', in Philip C. Saunders and Andrew Scobell, *PLA influence on China's National Security Policymaking* (California: Stanford University Press, 2015).

¹⁴ Michael S. Chase, Jeffrey Engstrom, Tai Ming Cheung, et al., *China's Incomplete Military Transformation*, (Santa Monica: RAND Corporation, 2015).

¹⁵ People's Republic of China, *National Audit Law*, Article 51, 2000.

¹⁶ Michael Peck, 'Forget the Stealth Fighters and Aircraft Carriers: China's Military has big problems,' *National Interest*, 2 August 2019.

¹⁷ The Heritage Foundation, *China 2021 Transparency Report*, Washington DC, The Heritage Foundation, 2021, p. 5.

¹⁸ Matthew P. Funaiolo and Brian Hart, 'Understanding China's 2021 Defence Budget', *CSIS*, 5 March 2021.

¹⁹ Meia Nouwens, 'China's defence spending: a question of perspective?', *Military Balance Blog (IISS)*, 24 May 2019.

²⁰ China Law Translate, 'Regulations of the People's Republic of China on Open Government Information,' 2019.



CHINA

Personnel Ethics Framework

Whistleblowing legislation	Provisions on Protecting and Rewarding Whistleblowers (2016)
# defence-sector whistleblower cases	Data is not publicly available.
# Code of conduct violations	Military: Data is not publicly available. Civilian: Data is not publicly available
Financial disclosure system	# submitted: No disclosures required. # of violations: No disclosures required.

Anti-corruption standards in the PLA's personnel management systems are moderately effective, but some clear gaps remain. Military personnel are subject to the PLA's Military Oath and the Code of Conduct for Performing Official Duties with Integrity,²¹ which outline some standards expected of personnel but stop short of providing guidance on how to proceed when faced with corrupt activities. Civilian personnel must abide by the Civil Service Law, which makes explicit reference to corruption offences but, again, fails to provide clear guidance on mitigating such risks.²² However, there is no publicly available information on the enforcement of these codes of conduct or of anti-corruption measures more generally. This makes an assessment of their effectiveness and implementation extremely difficult, particularly in a context where anti-corruption drives are routinely politicised and has been used to clear the ranks of officers unsympathetic to the CCP leadership.²³ This politicisation is also reflected in the appointment and promotion processes for personnel, particularly at senior positions. While formal promotion processes exist,²⁴ appointments are known to be highly influenced by military officers within the chain of command and there is a long-standing problem of selling posts and promotions.²⁵ The complete absence of any external scrutiny is a key factor in facilitating this, which undermines fair, objective and meritocratic processes and rewards corruption and political fidelity. The weakness of whistleblower protections is a further obstacle to anti-corruption efforts. In 2016, the government issued the Provisions on the Protection and Rewarding of Whistleblowers, which were designed to grant better protection to those reporting corruption, including in the military.²⁶ However, there is a long history of retaliation and retribution against whistleblowers in China, which renders reporting a dangerous decision.²⁷ Whistleblowers must enjoy political support from senior military and CCP figures to protect themselves from retaliation in practice. Vice-versa, factional ties with high-ranking officers protect some officials from being investigated for corruption, thereby undermining confidence in the impartiality and effectiveness of whistleblowing.²⁸

Operations

Total armed forces personnel (World Bank, 2018)	2,695,000
Troops deployed on operations #	1,031 in South Sudan (UNMISS), 413 in Mali (MINUSMA), 410 in Lebanon (UNIFIL), 218 in DRC (MONUSCO), 86 in Abyei (UNISFA), 20 in Western Sahara (MINURSO), 4 in Cyprus (UNFICYP), 4 in Israel (UNTSO)

The tenth largest contributor to UN Peace Operations in the world, China deploys troops to eight different operations, including a significant share to peacekeeping mission in South Sudan, Mali and the DRC.²⁹ In parallel, China has a number of military deployments around the world linked to Belt and Road Initiative projects.³⁰ However, in spite of this extensive commitment to international operations, China's anti-corruption standards for operations are extremely poor. Fundamentally, China does not have a military doctrine addressing corruption as a key issue for operations. While a 2019 Defence White Paper does identify corruption as a potential issue on operations,³¹ there is no evidence that measures have been taken to integrate this into operational planning or to make this a strategic priority. This is partly due to the lack of available information on key aspects of China's military operations, including pre-deployment training programmes and forward planning processes. There is, however, no evidence that personnel receive specific anti-corruption trainings as part of pre-deployment packages either before either peace operations or other deployments. There is also no information available on whether China deploys trained personnel to monitor corruption during deployments, or whether it has a specific monitoring and evaluation policy in place. It should be noted that in 2017, China created a standby peacekeeping force in order to create a more comprehensive strategic planning system and improve the domestic legal system for such operations.³² However, to date, it is unclear how this will impact on anti-corruption standards for military operations.

²¹ People's Republic of China, 'Regulations on the Performance of Official Duties With Integrity by Leading Cadres With Party Membership in the Armed Forces', 2011.

²² People's Republic of China, *The Civil Servant Law of the People's Republic of China*, 2005.

²³ The Guardian, 'Top Chinese general Guo Boxiong jailed for life for taking bribes', 26 July 2016.

²⁴ People's Republic of China, *Law of the People's Republic of China on Officer in Active Service*, 2000.

²⁵ Wang Peng, 'Military Corruption in China: The Role of Guanxi in the Buying and Selling of Military Positions', *The China Quarterly* 228, 2016, pp. 970-971.

²⁶ People's Republic of China, 'Regulations on Protecting Whistleblowers'.

²⁷ Julia Zhang, Randy Chiu, and Liqun Wei, 'Decision-Making Process of Internal Whistleblowing Behaviour in China: Empirical Evidence and Implications', *Journal of Business Ethics* 88 (2009), pp. 25-41.

²⁸ Qingjie Zeng and Yuejong Yang, 'Informal Networks as Safety Nets: The Role of Personal Ties in China's Anti-corruption Campaign', *China: An International Journal* (2017), pp. 26-57.

²⁹ United Nations Peacekeeping, 'Troop and Police Contributors by Country', 31 October 2021.

³⁰ Michael Kovrig, 'With an Influx of Blue Helmets and Cash, China's Role in African Security Grows More Pervasive', *China File*, 23 October 2018.

³¹ Ministry of Defence, 'China's National Defence in the New Era', July 2019.

³² Xinhuanet, 'Stepping up and improving the strategic planning of the UN peacekeeping participation mechanism', 29 March 2019.



CHINA

Defence Procurement

Military expenditure (US\$ mil) (SIPRI, 2020)	244,934
Open competition in defence procurement (%)	Data is not publicly available.
Main defence exports – to (SIPRI, 2016-20)	Pakistan, Bangladesh, Algeria, Myanmar, Thailand
Main defence imports – from (SIPRI, 2016-20)	Russia, France, Ukraine, United Kingdom, Switzerland

China has experienced a historic military modernisation process in the last two decades. The PLA's budget is growing year on year and has significantly expanded its capabilities and furthered professionalization in recent years.³³ China has also undergone a process of bureaucratic restructuring, designed to centralise and standardise its weapons procurement strategy and to foster a closer cooperation with the private sector.³⁴ Nevertheless, continuing opacity and secrecy in the procurement process significantly increases the risk of corruption in the procurement process. Defence acquisitions are generally regulated by the CMC's Equipment Procurement Regulations, which outline the procurement process in detail from needs assessment to delivery of goods.³⁵ The military has two online procurement portals: one for non-weaponry, which lists tenders and announcements of results in open source format;³⁶ and one for

weaponry where results and specifications are only available to bidders.³⁷ Nevertheless, the vast majority of weaponry is acquired through single-sourcing or direct awards, particularly for Russian-supplied systems. Aside from these basic details transparency is extremely limited throughout the procurement cycle, particularly for large contracts for weaponry or sensitive equipment, and no information is published on contract implementation for example. Similarly, there is little clarity around planned and actual purchases. While the CMC's regulations stipulate a three-year procurement plan,³⁸ these are not made public and the only information on planned procurement is contained in defence white papers which are generally superficial.³⁹ Actual purchases of weaponry are only made public through official press releases and in parades and there is no access to information beyond the data that is proactively released by the authorities. As such, there is ample scope for individual purchases to be unplanned and opportunistic in nature, particularly given the lack of effective oversight. As stated previously, all oversight is undertaken by the CMC and there is no independent scrutiny of defence policymaking or procurement. While the CMC was restructured in 2016 in the face of extremely high levels of corruption, it remains to be seen how effective these changes will be in curbing abuses of power and in enhancing the effectiveness of the procurement process.⁴⁰

³³ Yuan, 'Just how Strong is the Chinese Military?'

³⁴ Rand Corporation, 'Defence Acquisition in Russia and China', 2021, p. 16.

³⁵ Central Military Commission, 'Equipment Procurement Regulations', Military Act No. 50, 2002.

³⁶ 'PLA Procurement (non-weaponry)', plp.cn

³⁷ 'PLA Weaponry Procurement', weain.mil.cn

³⁸ Central Military Commission, 'Equipment Procurement', Article 16.

³⁹ Ministry of Defence, 'China's National Defense in the New Era', 24 July 2019.

⁴⁰ Yoram Evron, 'Reforming China's Arms Procurement System,' *Asia Pacific Bulletin* 361, 2016.

Version 1.0, October 2021

GDI data collection for **China** was conducted August 2019 to April 2020. The narrative discussion in this GDI brief was produced at a later time with the most recent information available for the country, which may not be reflected in the GDI country assessments or scores.

CHINA 2020 GDI Scorecard

		Grade	Score
Political Risk		E	22
Q1	Legislative Scrutiny	F	8
Q2	Defence Committee	F	0
Q3	Defence Policy Debate	E	31
Q4	CSO Engagement	F	8
Q5	Conventions: UNCAC / OECD	E	25
Q6	Public Debate	C	50
Q7	Anticorruption Policy	C	63
Q8	Compliance and Ethics Units	C	50
Q9	Public Trust in Institutions	NS	
Q10	Risk Assessments	F	0
Q11	Acquisition Planning	E	25
Q12	Budget Transparency & Detail	D	38
Q13	Budget Scrutiny	F	0
Q14	Budget Availability	F	8
Q15	Defence Income	E	17
Q16	Internal Audit	D	42
Q17	External Audit	F	0
Q18	Natural Resources	NEI	
Q19	Organised Crime Links	C	50
Q20	Organised Crime Policing	E	25
Q21	Intelligence Services Oversight	F	0
Q22	Intelligence Services Recruitment	F	0
Q23	Export Controls (ATT)	C	50
Q76	Lobbying	F	0
Financial Risk		F	14
Q24	Asset Disposal Controls	E	17
Q25	Asset Disposal Scrutiny	E	17
Q26	Secret Spending	F	0
Q27	Legislative Access to Information	F	0
Q28	Secret Program Auditing	F	0
Q29	Off-budget Spending	F	8
Q30	Access to Information	F	0
Q31	Beneficial Ownership	NEI	
Q32	Military-Owned Business Scrutiny	E	25
Q33	Unauthorised Private Enterprise	B	75
Q77	Defence Spending	F	0
Personnel Risk		C	63
Q34	Public Commitment to Integrity	A	92
Q35	Disciplinary Measures for Personnel	B	75
Q36	Whistleblowing	D	42
Q37	High-risk Positions	F	8
Q38	Numbers of Personnel	B	67
Q39	Pay Rates and Allowances	A	100
Q40	Payment System	A	92
Q41	Objective Appointments	E	17
Q42	Objective Promotions	E	25
Q43	Bribery to Avoid Conscription	NA	
Q44	Bribery for Preferred Postings	B	75
Q45	Chains of Command and Payment	A	100
Q46	Military Code of Conduct	NEI	

OVERALL COUNTRY SCORE

VERY HIGH RISK

E

28

RISK GRADE

A • 83-100 VERY LOW

B • 67-82 LOW

C • 50-66 MODERATE

D • 33-49 HIGH

E • 17-32 VERY HIGH

F • 0-16 CRITICAL



Personnel Risk		C	63
Q47	Civilian Code of Conduct	NEI	
Q48	Anticorruption Training	B	75
Q49	Corruption Prosecutions	D	42
Q50	Facilitation Payments	B	75

Operational Risk		E	19
Q51	Military Doctrine	E	25
Q52	Operational Training	NEI	
Q53	Forward Planning	NEI	
Q54	Corruption Monitoring in Operations	NEI	
Q55	Controls in Contracting	F	13
Q56	Private Military Contractors	NS	

Procurement Risk		E	24
Q57	Procurement Legislation	D	38
Q58	Procurement Cycle	C	50
Q59	Procurement Oversight Mechanisms	F	13
Q60	Potential Purchases Disclosed	F	13
Q61	Actual Purchases Disclosed	F	13
Q62	Business Compliance Standards	E	25
Q63	Procurement Requirements	E	25
Q64	Competition in Procurement	E	25
Q65	Tender Board Controls	F	6
Q66	Anti-Collusion Controls	B	67
Q67	Contract Award / Delivery	E	31
Q68	Complaint Mechanisms	NEI	
Q69	Supplier Sanctions	C	58
Q70	Offset Contracts	F	0
Q71	Offset Contract Monitoring	F	0
Q72	Offset Competition	E	25
Q73	Agents and Intermediaries		
Q74	Financing Packages	F	0
Q75	Political Pressure in Acquisitions	NS	

KEY

NEI Not enough information to score indicator

NS Indicator is not scored for any country

NA Not applicable



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Foreign, Commonwealth
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Ministry of Foreign Affairs of the
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