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**Bloomberg News**

**China Looks to Hong Kong Graft Buster in Anti-Bribery Fight**

By Shai Oster July 02, 2014

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Tony Kwok, former deputy commissioner of Hong Kong's Independent Commission Against Corruption, seen here in a July 29, 2005 file photograph. Photographer: Joel Nito/AFP/Getty Images

In 1970s Hong Kong, graft was so bad expectant mothers had to bribe hospital orderlies for a glass of water or a bedpan. Today corruption monitor Transparency International ranks Hong Kong 15th cleanest of 177 countries.

The city is transformed. Government services from birth certificates to driving licenses are produced with efficiency and ease. Public hospitals charge HK$100 ($12.90) a day for intensive care, or even sometimes waive all fees. The gambling monopoly, run by the Hong Kong Jockey Club, has become the city’s biggest taxpayer.

That’s caught the attention of officials in mainland China, where the government has revealed that top Communist Party cadres down to high school teachers -- and even soldiers -- are taking bribes costing tens of billions of dollars. President Xi Jinping has launched the biggest anti-corruption drive in decades and on June 30 he expelled retired General Xu Caihou from the Communist Party for bribery, handing his case to prosecutors. Xu is the highest-level military official ensnared for corruption in more than half a century.

The general’s arrest underscores how the Peopleâs Liberation Army, a pillar of communist authority whose reputation for honesty helped win popular support in China’s civil war, faces the challenge of weeding out corruption that includes payments to pass entrance exams.

**84 Percent**

In Hong Kong, the trial of two property tycoon brothers accused of bribing the city’s No. 2 government official has highlighted the reputation of the Independent Commission Against Corruption. The brothers deny the allegations and told investigators any payments were part of a legitimate consultancy agreement with the official.

The ICAC was created 40 years ago with broad powers to investigate and arrest anyone, and answers only to the territory’s top official. The commission said it won convictions in 84 percent of its cases in 2012, the latest year for which data is available.

“They’re not the first -- they’re the best,” said Bryane Michael, a senior fellow at Hong Kong University’s Institute of International Financial Studies who advises the Hong Kong government and has worked for the World Bank, said of the commission. “From Macedonia to Nigeria, many states have tried to replicate them. Most of them failed.”

**By Design**

Tony Kwok, the former top civil servant at the agency, has traveled to 30 cities in China to share his expertise.

The ICAC declined a request for an interview and said it doesn’t comment about ongoing investigations.

Mainland China -- which excludes Hong Kong, Macau and Taiwan -- may not be able to match the record of the former British colony because it’s a one-party state, according to Melanie Manion, author of “Corruption by Design.” She argues in her book that each crackdown serves a political agenda that undermines the law, then leaves an overwhelmed legal system forced to hand out clemencies until the next campaign.

Still, Kwok, the ICAC’s former deputy commissioner, is advocating its methods across China and in some 50 other countries. A trim 67-year-old squash player, he was the first Chinese to attain the highest civil service post in the commission after China took sovereignty of Hong Kong in 1997.

**Like a Cop**

On a muggy summer day, Kwok sits in the corner of a Hong Kong coffee shop with his back against the wall and scans everyone stepping through the front door. More than a decade after he ran the city’s anti-corruption watchdog, he still behaves like a cop.

Such vigilance served him well at the ICAC and made him a regular lecturer to China’s own graft busters. He says he’s suggested they centralize anti-corruption agencies so they’re not beholden to provincial priorities.

Another point he makes is the danger of popular resentment over the kinds of unfair treatment that angered Mohamed Bouazizi. The Tunisian street vendor set himself on fire in protest of his treatment by city officials, triggering the Arab Spring.

“I tell the Chinese: ‘You need to learn a lesson. It’s a hawker being harassed by the chengguan that starts it all,’” he said, referring to the Chinese name for the local government agents tasked with enforcing ordinances such as those on licensing and sanitation, whose alleged abuses have been a source of friction.

**Sweeping Power**

His views are tracked by the country’s most senior leaders. After television reporters from China’s official state-run news agency interviewed him, they prepared a special report for the Central Commission for Discipline Inspection, the Communist Party’s anti-corruption body run by former Beijing mayor Wang Qishan, the reporters said.

In some respects, the Communist Party’s watchdog is even more powerful than the ICAC. It has sweeping power to detain party members without charge or access to a lawyer before deciding whether to hand them over for prosecution.

Yet China’s enforcers face some limits on their powers, according to Kwok. Investigators on the mainland are prohibited from using sting operations to entrap suspects such as the Abscam scandal that was the basis for the film “American Hustle.” Neither can they use wiretaps or surveillance, he said.

And while there are branches of the discipline commission down to every province, town and even in state-owned enterprises, only 10 percent of the commission staff actually investigate, he said.

**Bo Xilai**

“If you just increase that ratio to 20 percent, risk of engaging in corruption doubles,” Kwok said.

Beyond any technicalities are the inherent problems of the party trying to police itself. The long career Bo Xilai, a rising political star and former party chief of Chongqing who was sentenced to life in prison for corruption last September, highlighted the flaws in the system. Bo’s case came to light after his ex-police chief attempted to defect to the U.S.

“In China, the party and government are inseparable,” Kwok said. “Ideally, instead of the party, one should have the procuratorate investigating.”

Kwok is optimistic that despite these obstacles, President Xi’s campaign could work because he’s made corruption dangerous.

**Politburo Meeting**

Xi presided over the Politburo meeting that expelled Xu, 71, who had been vice chairman of the Central Military Commission, China’s highest military body. The move strips away his legal protections as a senior cadre.

The most important element to defeating corruption is making it too risky to commit a crime, Kwok said.

“This can be a turning point in China,” Kwok, interviewed before Xu’s expulsion, said of Xi’s campaign. “If it can be sustained, people will be more careful.”

Kwok has the experience to make such an assessment. He was one of the earliest recruits after the ICAC was created in 1974, in the wake of protests after Peter Godber, the British colony’s police chief, evaded bribery charges by sneaking out of Hong Kong with millions of dollars in ill-gotten gains.

The police force was so riddled with corruption, the British colonial government imported 200 retired officers from the U.K. and elsewhere who didn’t have local ties. They were paired with young recruits right out of college or civil servants from immigration or customs, like Kwok.

**High Hopes**

Their first target was the police. The campaign came to a head three years later when dozens of police stormed the ICAC’s offices, prompting Hong Kong’s governor to declare a partial amnesty.

By then, the commission had built up enough popular support to continue operating.

“The first years are critical. People have high hopes, they support you. If you lose that support, you can’t get it back,” Kwok said. “Once you lose credibility it’s finished.”

The ICAC model has been copied around the world. Among the countries Kwok has traveled to are Indonesia, the Philippines and Botswana, which he says is one of the few places where it has worked because the leadership has the political will to go after wrongdoers.

“They religiously followed the Hong Kong model and even brought in a Hong Kong official to run it and sent officers to train in Hong Kong,” he said.

**Exported Problem**

Most countries have failed to replicate it, said Hong Kong University’s Michael.

He says because Hong Kong doesn’t criminalize bribery in a foreign jurisdiction it has effectively exported the problem, mostly to China where he estimated the city’s businesses paid HK$30 billion a year in bribes.

Today, attention in Hong Kong is focused on the trial of Thomas and Raymond Kwok, the billionaire brothers who run the city’s second-largest developer by market value, Sun Hung Kai Properties Ltd. (16) They aren’t related to Tony Kwok, the former ICAC deputy commissioner.

The High Court was told they used a complicated scheme of steering favors including rent-free luxury flats, cash and sweetheart loans to Rafael Hui, Hong Kong’s chief secretary from 2005 to 2007. They are among five defendants in the trial. All have pleaded not guilty to all the charges, including conspiracy to commit misconduct in public office and to offer an advantage to a public servant.

Hui, 66, is alleged to have received more than HK$35 million in the form of payments and unsecured loans from the billionaire co-chairmen of Sun Hung Kai, according to the ICAC.

**Pink Bunny**

The Kwoks cast a long shadow over Hong Kong, with Sun Hung Kai owning the city’s tallest building and co-owning the second-tallest. Tenants include a Ritz-Carlton hotel as well as local operations of Morgan Stanley, Credit Suisse Group AG and UBS AG.

The brothers cited their Christian faith as a source of strength during a press conference after they were charged, and have built a church atop Hong Kong’s third-highest building and a full-scale replica of Noahâs Ark.

The company founded by their father has been roiled by a feud that had split the city’s second-richest family. Brother Walter Kwok, who had taken their father’s place as chairman in 1990, was replaced by his mother. In a court filing, Walter had said his brothers tried to remove him because he was suffering from mental illness, which he denied.

For the streams of acolytes coming to study the ICAC, the first stop is the commission’s in-house museum. Features include dioramas of markets with different colored lights for brothels, gambling dens and opium parlors. A winged fluffy pink bunny is part of a publicity campaign targeting children.

One key exhibit: a reproduction of the notebook where Godber, the former police chief, kept meticulous records, including maps and dates, of all the kickbacks he collected from criminals.

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