Conclusion: Financial Crime and the “Chinese Century”

In a 1941 *Life* magazine editorial, *Time/Life* publisher Henry Luce noted Britain’s decline and urged the US rulers “to create the first great American Century,” a world dominated by US military and corporate power (Luce, 1941). The United States remains very powerful but its capacity to lead the world has been diminished by the burden of debt accumulated over the past decades and the recent financial meltdown. On the other hand, China has witnessed the emergence of a new industrialization era characterized by rapid economic development, the world’s largest foreign-exchange reserves, and a growing financial market. Many observers assert that the world’s economic fortunes are now increasingly dependent upon China, including “the prospects of the dollar, the Euro, the oil price, industrial commodities, global equity markets and bond prices” (Rees-Mogg, 2005; Subramanian, 2011).

China, anxious to convert its economic resources into “soft power,” is trying to build an alternative architecture for the world economy. In October 2013 the Chinese government proposed the Asian Infrastructure Investment Bank (AIIB) to compete with the International Monetary Fund (IMF), World Bank, and Asian Development Bank led by Western nations. The purpose of the multilateral development bank is to finance infrastructure projects in the Asia-Pacific Region. The bank is expected to be capitalized mostly by China with an initial subscribed capital of between US$50 billion and US$100 billion. As of April 12, 2015, almost all Asian nations and most major Western nations had joined the AIIB. The exceptions were the USA, Japan, and Canada. In addition to the AIIB, in 2013, China also proposed a new development bank with its BRICS partners, Brazil, Russia, India, and South Africa, and a US$40 billion “silk road” infrastructure fund to boost connectivity between Central Asia and Europe.

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Nobody would question China’s ambition to become a global power. The Chinese economy is now the world’s second largest national economy with a GDP of approximately US$9.2 trillion (after the USA, which has a GDP of approximately US$16.8 trillion) based on the World Bank’s purchasing power parity (PPP) (World Bank, 2015). If it keeps an annual growth rate of 9 percent, as Goldman Sachs predicts, China is likely to surpass the United States and become the world’s largest economy in 2027, and it is expected to be twice as large as the US economy in 2050. If the century starting in 1941 is considered the “American century,” is the next century, starting in 2041, likely to be the “Chinese century?”

The answer is not necessarily as straightforward as it might seem, since China’s capabilities and future plans for economic, political, and social change remain obscured by a combination of various key factors. In particular, as long as the one-party authoritarian rule continues, such a political culture will continue to foster corruption and financial crime, which may counter China’s economic efforts. This chapter will discuss China’s dilemma of having a market economy and a one-party regime, its impact on financial crime, and the reverse of the overall effect of financial crime and enforcement on China’s economic and political landscape.

Market Economy versus Authoritarian Rule

No country has seen such rapid changes as China. During several early decades of the twentieth century China underwent calamitous events, including the breakdown of the imperial era, repeated foreign invasions, and massive internal wars. Without a doubt, China’s economy suffered heavily during these unquiet times, and the country remained in chaos. The nation’s economy was particularly hit badly by the war of resistance against Japanese invasion and the Civil War from 1937 to 1949, after which the winning CCP led by Mao Zedong founded the PRC and declared the liberation of Chinese people from imperial and foreign suppression. However, the centrally planned command economy introduced by Mao resulted in economic stagnation and political cruelty. His Communist experiments, the Great Leap Forward (1958–1962) and the Cultural Revolution (1966–1972), especially, caused an unprecedented economic disaster killing 30 to 32 million, and a persecution campaign that killed 20 to 50 million (Dikotter, 2011).

After US President Richard Nixon’s visit to China in 1972 ended more than 20 years of isolation and tension between China and the West, the traditional closed-door policy was gradually replaced by an open-door policy aimed at integrating the outside world into China. However, it was