Critical Issues Confronting China:
Business and the State
David Barboza, New York Times
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After winning the Pulitzer Prize for International Reporting in 2013 “for his striking exposure of corruption at high levels of the Chinese government, including billions in secret wealth owned by relatives of the prime minister,” David Barboza, now a Boston-based correspondent for the New York Times, continued his path of document research on large Chinese companies to reveal the hidden relationship between Chinese businesses and the government. He reflected on the question, “What have I missed (in the year-long run up to his coverage on Prime Minister Wen Jiabao’s enormous family wealth, published in October 2012)?” Looking at a picture of the nine-member Politburo Standing Committee, his answer was “a lot.”

Almost every one of the Committee members’ families has made huge sums of money. But to prove it with solid evidence without putting any whistle blower in danger was a daunting task. Barboza started with those prominent Chinese multinational companies, and examined the ownership structure of their multi-layered subsidiaries—many of which may be mere shell companies to pass around assets—from their public filings with the American government. He asked: who benefited the most from these companies’ initial public offerings (IPOs) or other major financial transactions? Who got into the deals right before successful IPOs? Where does the money lead?

“Following the money” as a thread of his research, Barboza also asked larger questions: What does this opaque and highly complex ownership structure imply about how Chinese business works? What are the features of the Chinese institutional structure that result in this particular way of doing business? What does this mean for elite Chinese politics? What are its impacts on daily Chinese life? How could it have been different?

So as to avoid putting any of his sources in danger, Barboza relies heavily on document research. He wants his documented evidence to be so strong and accurate so that it can withstand contest in court. His high standards and the opacity of the complex structures of large Chinese conglomerates, designed to conceal the ultimate owners with “the white gloves,” require careful research of massive public filings by these companies with the Chinese government and, when they expand overseas, with foreign governments.

Having been a foreign correspondent in Shanghai for a decade, prior to his revelation of Wen’s family wealth in 2012, Barboza followed what happened in the aftermath of the 1989 Tiananmen Square demonstrations. The government indicated that they would restrict the families of leading cadres from lucrative business dealings. Some the goals of the demonstrators in Tiananmen Square were anti-corruption, targeting the families of the current top leaders.

Yet the results afterwards were the exact opposite. Those princelings’ business involvements became more rampant and more insidious. This may have been a result of their fear of another possible revolution, in the shadow of the Tiananmen demonstrations. They may have felt that
they had to get into the core businesses, such as energy, finance, and telecommunication, in order to strengthen their position in the system. Consequently, they occupied top positions in many large state-owned enterprises (SOEs), joint ventures with foreign companies, and prestigious investment banks.

In this process of self-enrichment, there is a question about the role of major foreign companies, such as Goldman Sachs, Morgan Stanley and J. P. Morgan, as well as international institutions like the World Bank. Barboza asked: Did they knowingly facilitate the propagation of those dynastic families in their projects in China by giving jobs to their young princelings or working through their family members? American companies needing operating licenses from and protection by the Chinese government have felt the necessity to build relations with those Chinese in advantageous positions in order to do business in the Chinese way and to feel safe and to be perceived as legitimate in China. International institutions seeking impact in China have thought that the most efficient way to persuade China to reform, to think and behave in a “Western” manner, was to work through those family members with real power and influence.

Because corruption and self-enrichment are so prevalent at the top level, Barboza does not think that the current Chinese anti-corruption campaign targets corruption per se. Rather, it is a process of eliminating political enemies or is a result of certain officials losing out in their internal disagreements or factional struggles.

Barboza stated that his main purpose is not to uncover the villains in Chinese businesses, but to illuminate China’s particular political and institutional structures that enable such an astonishing scale of corruption at the highest level of government. Adding the fourth “T” – transparency— to the three troublesome Ts - Tiananmen, Tibet and Taiwan - all sensitive issues to the Chinese government, Barboza predicts transparency through freedom of press to be the last area for China to open up. Right now, it is too frightening for the government to do so as it has to control what messages to deliver to the public.