China officials smuggled $124bn

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Full Text (423 words)

Central bank report outlines corruption ; Cadres fled with funds over 15 years

Corrupt Chinese officials smuggled an estimated Rmb800bn ($123.6bn) of ill-gotten gains out of the country over a 15-year period, according to a report released by China's central bank.

About 17,000 Communist party cadres, police, judicial officers and state-owned enterprise executives fled the country between the mid-1990s and 2008, the 67-page report said.

For higher-ranking officials who managed to abscond with large amounts of money, the US was the favourite destination, while Canada, Australia and the Netherlands were also popular. Those who could not immediately secure visas for western countries often chose to stay in small countries in eastern Europe, Latin America and Africa while they waited for a chance to move to their final intended destination.

Lower-ranking officials tended to escape to countries bordering China, the report said. The independently administered Chinese territory of Hong Kong was also a popular transit point.

The report, stamped "internal materials, store carefully" and compiled in June 2008, was -published on the website of the central bank's anti-money -laundering bureau this week. The bureau took the report down after it generated a public outcry.

In a refrain regularly repeated by senior Chinese leaders, the report warned that rampant corruption posed a threat to Communist party rule.

It also provided a fascinating insight into the mechanisms behind that corruption by identifying eight ways that officials funnel their illicit funds offshore.

Overseas casinos were commonly used to launder money out of the country in collusion with gaming operators, the report said. Many officials carried large amounts of cash across the border or disguised money transfers to relatives, mistresses and other confidantes abroad, while more sophisticated cadres relied on fake trade documents and overseas investments.

Others used credit cards to buy large amounts of luxury goods overseas and then used illicit funds to pay back the fees in China.

Chinese capital controls are supposed to limit individuals to annual remittances of just $50,000 in or out of the country.

The sectors that were most at risk of having corrupt officials abscond with stolen funds were "sensitive industries" like finance, state-owned monopolies, construction, transport and tax, investment and trade departments of the government, the report said.

Anecdotal evidence suggests the number of officials absconding abroad with stolen assets is increasing, in part because of a senior leadership transition scheduled for late next year.

Many officials fear they will be losers in the power struggles that are expected to accompany the transition.

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