

Closing loopholes

Gary Sands says more cooperation is needed between the US authorities and China to facilitate the return of corrupt Chinese officials who fled to America with their ill-gotten gains

In an ongoing crackdown on corruption, the Ministry of Public Security recently announced a policy to encourage reporting on “dual citizens” – people who obtain citizenship in another country yet still maintain their Chinese citizenship and benefits.

The “fox hunt” campaign, announced in July, seeks to catch corrupt officials who have fled overseas with their illicit assets.

As part of the crackdown, the ministry is using a tactic once employed during the Cultural Revolution – asking the populace to help identify and blow the whistle on suspected fellow citizens. By seeking the assistance of a population fed up with corrupt officials, the authorities hope to uncover so-called “naked officials”, public servants who have sent their family and assets overseas in an effort to hide their ill-gotten gains.

Given the size of China’s population and the opportunities for corruption, the task is daunting. A 2008 report by the People’s Bank of China suggested that anywhere from 16,000 to 18,000 individuals accused of corruption had fled China since the mid-1990s. The Washington-based Global Financial Integrity group estimates that, between 2005 and 2011, some US\$2.83 trillion flowed illegally out of China.

The authorities brought back more than 300 fugitives in the first half of 2014, according to Xinhua. Interpol is also in the hunt, having issued arrest warrants for 69 Chinese wanted on charges of corruption, embezzlement, fraud and bribery.

So where are Chinese authorities and Interpol looking for these “naked officials”? Analysts note that Asia and Africa are popular destinations for economic fugitives, but countries that do not have extradition treaties with China are also very popular. China has 38 extradition treaties, but not with the US, Canada and most European countries.

Liao Jinrong, an official with the Ministry of Public Security, believes “the US has become the top destination for Chinese fugitives fleeing the law”, with more than 150 of these “naked officials” remaining at large there. Over the past decade, only two of these fugitives have been brought back to China from the US.

The lack of extradition treaties with the US and European countries, along with cumbersome legal procedures, are mostly to blame for the low extradition rate. The US and European countries are loath to hand suspects back to China – where they suspect the courts will systematically violate their human rights or condemn suspects to death. For its part, Beijing is



dismayed at the lack of cooperation in what it feels is its right to prosecute its own citizens under its own laws.

Yet perhaps most galling to Beijing is not the near-impossible extradition of its economic fugitives, but the welcoming arms of America. A recent article in *The Wall Street Journal* revealed that investors from China accounted for 85 per cent of US investor visas this fiscal year. Last year, they accounted for more than 80 per cent

By seeking help from the population, the authorities hope to uncover so-called ‘naked officials’

of the immigrant investors. The immigrant investor scheme, also known as the EB-5 programme, was established in 1990 to extend visas to foreign investors whose contributed capital could help stimulate the US economy through job creation and investment.

The programme initially sought to attract a diversity of new citizens – no single country is allotted more than 7 per cent of the total visas available under programme rules. But there are exceptions

made in the event of lax demand – the unused visas from other countries’ quotas can be transferred to another where demand is stronger.

Under the EB-5 programme, applicants promise to make a capital investment of either US\$500,000 or US\$1 million, depending on whether the investment is in a high-unemployment/rural area, or an area with average employment. After a two-year waiting period, during which the applicant pledges to create or preserve at least 10 jobs within two years, the applicant (along with family members) typically become eligible for green cards, or permanent residency.

The investor visa programme stipulates that the assets contributed cannot have been “acquired, directly or indirectly, by unlawful means (such as criminal activities)” and “investment capital cannot be borrowed”, although how the authorities can make a clear judgment on both these criteria is subject to debate.

Last December, the Department of Homeland Security suggested that the immigration service did not have the necessary legal power or wherewithal to properly police the programme, stating that it “is limited in its ability to prevent fraud”. Indeed, much criminal activity in China goes undetected, as do opaque schemes between individuals who may transfer assets among themselves using hidden side agreements, or sell shares in the new enterprise they are expected to create in the US.

What is clearly needed is more cooperation among Chinese officials and US judicial authorities to help pursue those economic fugitives who have attained their wealth through illicit means. Officials from the public security ministry are reportedly pursuing a meeting with top US judicial authorities, including the Department of Homeland Security, in order to discuss extradition procedures, the apprehension of economic fugitives, and the recovery of stolen assets.

Beijing should further seek the cooperation of the US and European countries through the UN Convention Against Corruption, which obliges the 140 countries and regions that have ratified it to cooperate in the fight against graft.

There is nothing wrong with legitimate investors from South Korea, India, Mexico, China or any foreign country taking their honest, hard-earned capital to the US and using it to help stimulate the economy and create jobs. The problem lies in determining the source of an applicant’s wealth when dealing with officials of foreign countries where transparency is often lacking.

The next round of US investor visas becomes available on October 1 – let’s hope there is greater international cooperation among national authorities so that the American visas go to those who truly deserve them.

Gary Sands has run his own private equity financial advisory in Shanghai since 2006

Where’s the line?

Kelly Yang wonders if exposing someone’s boorish behaviour on social media is acceptable, even necessary. Or is that bullying?



Last week, four young Western women travelling on a bus pulled the “I’m a lawyer” card on me. I was heading home from the public pool, with my mum. The bus was packed – standing room only. The four women sat in one row, chatting happily. I asked them gently if they would mind giving up a seat for my mum, who is in her 60s, but they did not even bother answering.

As more elderly people crowded onto the bus, I felt the fury build up inside me. The elderly held onto the handles. Every time the bus took a sharp turn, they braced themselves, hanging on for dear life. Meanwhile, the women continued to hold court in their seats. My glares did nothing to interrupt their conversation.

Just when I thought the situation was hopeless, I remembered that this is 2014, not 2004, and I whipped out my phone and snapped a photo of them just as the bus pulled to a halt.

“Hey! What do you think you’re doing? Did you just take a photo of us?” one of the women demanded. “Yup,” I admitted. “And I’m uploading it to Twitter.”

Her jaw dropped. I proceeded to point to all the elderly people around us. Many were getting off, but they shot me looks of thanks as they disembarked.

I turned back to the young women. “I’ll have you know that I’m a lawyer,” one of them said. “Actually, we’re all lawyers!” They uttered the word “lawyer” like it had magical powers. “You can’t post that photo of us. That’s an invasion of our privacy! You’ve got to delete it,” one said. “We’ll sue you if you post it!”

Just at that moment, the bus arrived at my stop and I got away from the screaming women. That afternoon, I started to wonder: if I put the photo up on Twitter or Facebook, is it really an invasion of privacy?

A quick Google search revealed that it is permissible in Hong Kong to take photographs of an individual in a public place, such as a street. But is a bus a public place? And should I have warned them before taking the photo?

More questions popped up as the week went on. Several times, my fingers lingered over my phone as I contemplated what would happen if I posted it – most likely, nothing. Sadly, I’m no Kim Kardashian. I don’t have that many followers on Twitter. But, in our technological age, all it takes is one follower. What if, after a few retweets, someone identifies the woman and they start getting harassed online. Would it be cyberbullying? By exposing their poor manners on social media, would I be crossing the line?

On the other hand, if I don’t publish it, if I yield to their threat of a lawsuit, what does that make me? A coward who caves in to bullying? If, ultimately, I can’t even use social media to expose wrongdoing, then what’s the point of it?

It’s been a week since the incident and I still haven’t made my decision. What would you do? I welcome your advice. Right now, the photo sits on my phone, one tap away from being posted and one swipe away from being deleted.

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Scottish exercise of democracy becomes anti-democracy fodder in Chinese press

Chang Ping looks at how referendum on independence is being used to belittle Western governance

As part of the United Kingdom, Scotland has been administered in a way no worse than Hong Kong has under Chinese rule. Certainly, it has had more autonomy than the so-called autonomous regions of Tibet (西藏) and Xinjiang (新疆). Still, in Scotland, the calls for secession have never ceased, and now its people are poised to vote in a referendum for independence.

This is how democratic societies handle conflict. Many expect this example of democracy in action to put Beijing to shame, and they have waited in gleeful anticipation to see how the government media mouthpieces would make a fool of themselves trying to rationalise it.

As it turns out, these media outlets have had no problem justifying the unjustifiable. Unembarrassed, they have risen to the challenge. The *Global Times* is typical. In one editorial, it said the Scottish independence referendum had pushed the union to the cliff’s edge: if Scotland became independent, David Cameron would go down in history as a “criminal” who presided over a break-up; if the bid was rejected, Cameron’s government must be able to stop the independence movement and prevent its serious consequences. It warned that if “a child knew it could get milk by crying”, and this became normal behaviour in British politics, the country would “never have peace”.

The idea of Scottish independence may not be as galling to the Chinese

government as independence for Tibet, Xinjiang, Taiwan or Hong Kong, but it is still seen as a disruptive force that threatens unity and stability, to be condemned. Knowingly or unknowingly, Chinese media reports reflect this bias.

A *Southern Weekend* report was scathing in its analysis: “If and when this battle for independence – which, at heart, seemed to be only a tussle over money – succeeds, Britain will definitely become a second-class nation, and this will create a problem for the EU.”

The referendum is seen as a disruptive force that threatens unity and stability

Premier Li Keqiang (李克強) was asked about the referendum when he visited Britain in June. He said he wanted to see a “strong, prosperous and united United Kingdom”. Li was setting the tone for his country’s media.

There is no doubt Scottish independence would bring many challenges, both for the new country and the union. And this has provided the Chinese media with ammunition for an attack. The confusion now, the uncertainty in the future, and the impact the referendum will have on the other secessionist

movements in Europe – all these have become problems created by Scotland’s independence advocates.

A Shanghai-based online news portal, The Paper, published an article that was widely distributed on the major Chinese media sites. Titled, “A countdown to the referendum: the British government in a panic”, it said an opinion poll on the referendum had sent the whole of England into a panic. “September 18 has become a ticking bomb, and the countdown has started,” it said.

The site has also published other interviews and analysis of the referendum that reflected other viewpoints, but these were not widely shared.

The *Global Times* went further than stating its support for British union. In fact, the main point of its editorial was not its rejection of Scottish independence, but its rejection of referendums per se.

Deploying the same terms and expressions that the Chinese communist government often trots out in its propaganda on national unity, the editorial warned of the referendum’s potential impact on developments in Tibet, Xinjiang and Hong Kong. It said: “With its complex history and ethnic diversity, China cannot afford to play this British game [of independence].”

On August 31, the Standing Committee of the National People’s Congress announced its decision on Hong Kong’s electoral reform, setting severe limits that sparked a public uproar. One contentious point

was a requirement that the chief executive must “love Hong Kong and love China”.

Notably, the *Global Times* editorial said: “The dramatic change in Scottish public opinion in a short span of two years showed the impact a splittist governing party can have, and how effective it can be in pushing the independence agenda and mobilising community support for it.”

That’s not all. Since pro-democrats often highlight the stability of democracies, the editorial noted: “The Scottish independence movement clearly tells us that even an advanced, established country like Britain isn’t as stable as we thought.”

In another report on the topic, the paper also criticised the hypocrisy of the West on the issue of human rights. It said that when Cameron was a researcher for the Tories, he had argued that Hong Kong should not be returned to China because human rights were higher than sovereign rights, yet, now faced with the prospect of Scottish independence, he is singing a different tune. “This shows up the hypocrisy of Europe’s champion for human rights,” the report said.

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Ukraine crisis a reminder to West of threat from Russia

G. Bin Zhao says triangular global order, including China, creates stability

American political risk expert Ian Bremmer recently wrote that the EU and Europe had been evasive on the Russian aggression in Ukraine. Although Nato recently held a summit to address the emergency, support for Ukraine was far too little to counter the Russian action, leaving many questions unanswered.

For example, how will the military conflict develop? What are Russia’s goals? How should China respond?

Relations between Ukraine and Russia go back thousands of years. Ukraine became independent from the former Soviet Union only in 1991, and historically its eastern areas have been more intimate with Russia. Its national destiny has always been under Russia’s shadow.

The current military conflict is more complex than a fight between pro-Russian and pro-European factions. Following the annexation of Crimea by Russia, several of Ukraine’s eastern regions have indicated their intention to follow suit.

Militarily, with Russia’s intervention, it is not an equal fight. But direct military intervention by Nato is unlikely. The worst outcome, and maybe the most probable one, is that the regions of Donetsk and Luhansk will join Russia. Meanwhile, Ukraine continues its pro-European policies, possibly even joining Nato and the euro zone down the line.

Russia undoubtedly considers Ukraine’s pro-European policies a “betrayal of brothers”. We should also remember that Putin’s dream is

to revive the Russian bear. The EU and Nato’s eastward expansion in recent years has eroded Russia’s influence in the region and Moscow cannot be expected to abandon its core areas of traditional domination.

If Russia manages to absorb several eastern areas of Ukraine into its territory, Putin may see this as a satisfactory trade-off. If the situation worsens, Nato boots on the ground could lead to an expansion of the war, which Nato fears most.

Europe and the US are content to see Ukraine seek

The Ukraine crisis could be seen as Russia’s response to the idea of a G2 and the US pivot

refuge in the EU, as this will further dilute Russia’s influence. But a war over the territory would benefit no one. Further, many European nations have balked at economic sanctions, fearful of the effect they would have on their fragile economies.

So how does all this affect China? Some years ago, the idea of a “G2” was proposed, in which China and the US, as the two major economic powers, would work together to deal with pressing global issues.

It was not universally popular, but some Chinese

people see it as a sign that the West attaches great importance to China’s rise. This may be a flattering assessment; in fact, the advantages of such a pact would far outweigh the disadvantages for China, given that it still has a way to go to match the US in global strength and reach.

In addition, the US “pivot to Asia” is based on the premise that China is now its biggest adversary. The Ukraine crisis could be seen as Russia’s counter-response to the idea of a G2 and the US pivot. The crisis clearly indicates that Russia is still the West’s biggest adversary, not China.

It is also a reminder of the triangular nature of the current international order: the West (plus Japan); Russia; and China. Western nations remain the most powerful. But although Russia has the smallest economy of the three, it is also much less dependent on Western economies than China, and is well known for its hegemony.

Finally, the Ukraine crisis could make Western politicians reassess the global situation, and decide to upgrade Nato’s importance while reducing the intensity of the US pivot to Asia. A triangular framework will ultimately have a positive influence on world stability; a triangle is, after all, the most stable geometric shape. In this case, Lao Tzu’s saying that “misfortune may be a blessing in disguise” would be very apt.

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