



Closing in on Zhou's circle

BY BENJAMIN KANG LIM AND BEN BLANCHARD

MARCH 30 - AUGUST 1 BEIJING

China seizes \$14.5 billion assets from family, associates of ex-security chief

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Chinese authorities have seized assets worth at least 90 billion yuan (\$14.5 billion) from family members and associates of retired domestic security tsar Zhou Yongkang, who is at the centre of China's biggest corruption scandal in more than six decades, two sources said.

More than 300 of Zhou's relatives, political allies, proteges and staff have also been taken into custody or questioned in the past four months, the sources, who have been briefed on the investigation, told Reuters.

The sheer size of the asset seizures and the scale of the investigations into the people around Zhou — both unreported until now — make the corruption probe unprecedented in

modern China and would appear to show that President Xi Jinping is tackling graft at the highest levels.

But it may also be driven partly by political payback after Zhou angered leaders such as Xi by opposing the ouster of former high-flying politician Bo Xilai, who was jailed for life in September for corruption and abuse of power.

Zhou, 71, has been under virtual house arrest since authorities began formally investigating him late last year. He is the most senior Chinese politician to be ensnared in a corruption investigation since the Communist Party swept to power in 1949.

"It's the ugliest in the history of the New China," said one of the sources, who has ties to the leadership, requesting anonymity to avoid repercussions for speaking to the foreign media about elite politics.

The government has yet to make any official statement about Zhou or the case against him and it has not been possible to contact Zhou, his family, associates or staff for comment. It is not clear if any of them have lawyers.

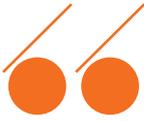
The party's anti-corruption watchdog and the prosecutor's office did not respond to requests for comment. In the secretive world of China's Communist Party, targets of its investigations usually disappear, often for months or even years, until an official announcement is made.

Xi ordered a task force formed in late November or early December to look into accusations against Zhou, sources have previously told Reuters. They have not said what the allegations were except that they were related to violating party discipline, official jargon for corruption.

A third source with ties to the leadership said Zhou had refused to cooperate with investigators, insisting he was the victim of a power struggle.

"Zhou Yongkang is tough and claims it's political persecution," the source said.

Zhou rose through the ranks of China's oil and gas sector before joining the elite Politburo Standing Committee in 2007, where as domestic security chief his budget exceeded defence



The seized assets had a combined value of at least 90 billion yuan.



spending. He retired in 2012 and was last seen at an alumni event at the China University of Petroleum on Oct. 1.

BONDS, VILLAS, CARS, LIQUOR, GOLD

The first two sources said prosecutors and the party's anti-corruption watchdog had frozen bank accounts with deposits totaling 37 billion yuan and seized domestic and overseas bonds with a combined value of 51 billion yuan after raiding homes in Beijing, Shanghai and five provinces.

Investigators had also confiscated about 300 apartments and villas worth around 1.7 billion yuan, antiques and contemporary paintings with a market value of 1 billion yuan and more than 60 vehicles, the sources added. Other items seized included expensive liquor, gold, silver and cash in local and foreign currencies.

The seized assets belonged to those in custody, the sources said, without saying how many people in total had been detained compared to just questioned. Most of the assets were not in Zhou's name, they added.

According to the sources, the seized assets had a combined value of at least 90 billion yuan, although it was unclear what share of that total was ill-gotten and would be turned over to the state.

The amount eventually made public could be smaller to avoid embarrassing the party and angering ordinary Chinese, the sources said.

Such asset seizures, while large, are not uncommon in China, where excess has often been revealed from graft probes in recent years. In January, the respected Chinese magazine *Caixin* said authorities had seized a solid gold statue of Mao Zedong among other things from the mansion of a senior military officer who has been under investigation since he was sacked in 2012.

LONG LIST

The first two sources added that more than 10

of Zhou's relatives had been detained. They included Zhou's one-time television reporter wife Jia Xiaoye, his eldest son from a previous marriage Zhou Bin, Zhou Bin's in-laws and Zhou Yongkang's brother.

About 10 officials who held a rank equivalent to at least vice minister were also under investigation, the sources said.

Among them were Jiang Jiemin, former chairman of both state energy giant PetroChina and its parent China National Petroleum Corporation (CNPC), former Vice Minister of Public Security Li Dongsheng and Ji Wenlin, ex-vice governor of the southernmost island province of Hainan.

Chinese state media has announced that all three were being investigated for serious violations of discipline. They were either proteges or aides to Zhou.

Reuters has been unable to contact the three men. It's unclear if they have lawyers.

More than 20 of Zhou's bodyguards, secretaries and drivers had also been detained, the sources said. Many other family members and associates had been questioned.

THE BIGGEST TIGER?

Since becoming head of the party in late 2012 and then president a year ago, Xi has vowed to go after both powerful "tigers" and lowly "flies" in an effort to crack down on the corruption he says threatens the party's very existence.

But Xi is in a dilemma over whether to put Zhou on trial lest it further undermine public faith in the party, the three sources said, referring to the growing disillusionment in China over rampant graft and abuse of power.

Xi would also risk alienating other party elders who fear that they and their families could be next, political analysts say.

Putting someone as powerful as Zhou in the dock would be a political decision that only Xi could make after getting the consensus of senior party members, Xi's predecessors and other retired top officials, they say.

In ordering the investigation, Xi broke with an unwritten rule that incumbent and retired

members of the Standing Committee were immune from prosecution.

As a member of the Standing Committee, the apex of power in China, and a former domestic security chief, Zhou would have intimate knowledge of the skeletons in the party's closet.

It is still unclear exactly why Zhou has been targeted, though an early sign that he might have overstepped was when he retired and the position of domestic security chief was dropped from the Standing Committee.

Sources have also said Zhou angered Xi and other leaders over Bo Xilai, whose career was ended in 2012 by a murder scandal in which his wife was eventually convicted of

poisoning a British businessman who had been a family friend.

Before Bo's downfall, Zhou had recommended that Bo succeed him as domestic security chief, multiple sources with direct knowledge of the matter have said. 

Cover photo by **Jason Lee**
Editing by **Dean Yates**



China's Xi likely to promote army general who exposed graft

BY BENJAMIN KANG LIM AND BEN BLANCHARD

AUGUST 1 BEIJING

President Xi Jinping is likely to promote a corruption whistleblower to China's top military decision-making body to underscore his determination to tackle graft inside the country's rapidly modernising armed forces, two sources said.

General Liu Yuan, 62, the eldest son of late president Liu Shaoqi, is set to be appointed to the Central Military Commission during a meeting of the Communist Party's elite 205-member Central Committee in October, a source close to the leadership and a second source with ties to the military said.

Security had been stepped up around Liu after he had received death threats for exposing the worst military graft scandal in modern

China, which involved the widespread selling of positions in the People's Liberation Army (PLA), three separate sources added.

Xi has made tackling pervasive official corruption one of his top priorities since he took over the party in November 2012. His crackdown accelerated this week when the party said it was investigating former domestic security chief Zhou Yongkang for breaching party discipline, a euphemism for corruption.

Xi has also demanded the military clean up its act and become more combat ready as China asserts itself in the disputed waters of the East and South China Seas, though the country has not fought a war in decades and stresses it wants peaceful ties with its neighbours.

"Liu Yuan will at the very least become a member of the Central Military Commission. He could even become a vice-chairman," said the source close to the leadership, who requested anonymity to avoid repercussions for speaking about elite politics to a foreign reporter without permission.

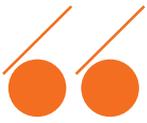
Xi, who has publicly acknowledged his friendship with Liu on a number of occasions, heads the Central Military Commission, which controls the 2.3 million-strong armed forces, the world's largest. The commission has two vice chairmen.

Liu is currently political commissar of the PLA's Logistics Department.

A vocal critic of graft in the military, Liu's whistleblowing paved the way for corruption charges against retired military commission vice chairman and former politburo member Xu Caihou as well as Lieutenant-General Gu Junshan.

During a closed-door meeting of the country's top brass in 2012, before Xi took over the party, Liu accused Gu and his protectors of corruption and vowed to fight graft even if it meant losing his job, multiple sources have told Reuters.

This led to an investigation and the sacking of Gu as deputy logistics chief later in 2012, those sources said. Xu, one of Gu's main supporters in his rise through the ranks, was then implicated during interrogations of Gu.



Because he has been very high-profile on anti-corruption, his promotion could trigger a backlash given the political system.



China said in June it would court-martial Xu, who retired from the Central Military Commission in 2013, for taking bribes. Gu was charged with corruption earlier this year.

“Liu Yuan has the ability and the guts to fight corruption,” said the source with ties to the military.

Liu could not be reached for comment. A relative contacted by telephone declined to comment.

Reuters has not been able to reach either Xu or Gu for comment. It is not clear whether they have lawyers.

GO AFTER THE “DEGENERATES”

China intensified a crackdown on rampant corruption in the military in the late 1990s, banning the PLA from engaging in business. However, the military has conducted commercial dealings in recent years due to a lack of checks and balances, sources say.

The buying and selling of military positions has also been an open secret, but Chinese media have generally avoided the topic. For officers who paid bribes to be promoted, corruption is seen as a means of making a return on their investment.

Indeed, there could be risks for Xi in promoting Liu, said Huang Jing, a PLA expert at the National University of Singapore.

“Because he has been very high-profile on anti-corruption, his promotion could trigger a backlash given the political system,” he said, referring to the military’s deeply ingrained corruption culture.

“The Chinese leadership would have to be very careful and very prudent if they were to promote him to the Central Military Commission.”

Liu has recently led a rhetorical assault on military corruption.

In an article last month in the party’s influential journal Qiushi, Liu called for “degenerates” to be expelled from the party, and for party members to take the battle against corruption to the highest levels.

“Dare to criticise, and resolutely dispel fears

that come from worrying that criticising those ranked above you will only cause trouble,” he wrote.

Liu first attracted wide attention for a rambling essay he wrote as a preface for a friend’s book in 2010.

He called for China to reject imported political models, including Western democracy, and extremes of the left and right. In convoluted language, Liu nevertheless appeared to be suggesting a more open political system that would allow more robust debate without challenging the leadership of the party.

In a late start to a military career, Liu joined the People’s Armed Police as a political commissar at 41 before transferring to the army.

He was passed over for promotion at the party’s 18th Congress in November 2012, sources have previously said, partly because he was too close to Bo Xilai, a charismatic politician who fell in a divisive scandal following accusations his wife murdered a British businessman in 2011. 

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