

Excellence in Investigative Reporting
Behind the sinking of the Sewol
Choe Sang-Hun, Alison Leigh Cowan, Martin Fackler, and Scott Sayare
International New York Times

1. With ferry deaths, a tycoon's downfall



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DEADLY DIVES
FOR ABALONE

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International New York Times

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The scene in Suncheon, South Korea, where the body of Yoo Byung-eun was found last month. Mr. Yoo, 73, owned the ferry Sewol, whose sinking caused the deaths of 304 people.

With ferry deaths, a tycoon's downfall

SEOUL, SOUTH KOREA

South Korean disaster exposed practices that put passengers at risk

BY CHOE SANG-HUN, MARTIN FACKLER, ALISON LEIGH COWAN AND SCOTT SAYARE

After all the lavish galas in his honor at landmarks like the Louvre and Versailles, the tens of thousands of devotees following his religious teachings for decades, the hundreds of homes and businesses reportedly stashed around the globe, Yoo Byung-eun ended up alone, his body splayed on its back and rotting in the weeds, empty liquor bottles by his side.

Weeks before, nearly 10,000 police officers had raided his church's compound in the largest manhunt in South Korean history, armed with backhoes to dig up underground hiding places, only to leave empty-handed. They had almost caught him once, it turned out, but Mr. Yoo slipped away, hiding in a secret room behind a wall in a distant villa, almost \$1 million in two suitcases at the ready.

After a lifetime of craving recognition, of building a flock that showered him with cash and helped fund a business empire selling everything from toys to ships, Mr. Yoo found his moneymaking machine brought more than his own undoing, prosecutors say. It also contributed to one of the worst peacetime disasters in the nation's history — the sinking of the ferry Sewol in April, which killed 304 passengers, the vast majority of them high school students.

Millions of dollars from the web of companies, including the one that owns the ferry, went to Mr. Yoo, 73, and his two sons, prosecutors say, squeezed from the business through an increasingly perilous set of decisions that enriched his family at the expense of the passengers.

Scores of cabins and even an art gallery laden with marble were added to the ferry's upper decks, making the ship top-heavy. So much extra cargo was crammed on board that there was sometimes no space to secure it properly with chains and lashings. And, prosecutors say, the ferry's crucial ballast water, needed to balance all the additional weight, was deliberately drained so that the vessel would not sit too low — a telltale sign to inspectors that the ferry was dangerously overloaded to bring in more money.

"It was a miracle that the ship actually sailed as far as it did; it could have tipped over any time," said Kim Woo-sook, dean of the graduate school at Mokpo National Maritime University. "For them, cargo was cash."

Few events in recent memory have rattled South Korea more deeply than the sinking of the ferry, a disaster captured in haunting text messages and cellphone videos from students as the ship slipped into the Yellow Sea.

As the ferry first started tilting, some students did not yet grasp the danger, shouting, "This is fun!" and joking about posting the event on Facebook. But as the ship listed farther, panic spread, with students yelling, "We don't want to die!" and recording hurried goodbyes to their parents.

"This looks like the end," one boy shouted into a smartphone, before another cut in: "Mom, Dad, I love you." Such scenes reverberated around the world. Since then, scores of people have been arrested in connection with the sinking, including regulators, the captain, officers and members of the crew. But at the heart of the tragedy, and the investigation into how it happened, sits one of the nation's most eccentric, and now reviled, families.

"The Yoo Byung-eun family, which is the root cause of this calamity, is inviting the ire of the people by flouting the law rather than repenting before the people and helping reveal the truth," said President Park Geun-hye, who has also been widely criticized for her government's failure to prevent the disaster, much less find Mr. Yoo before his death. His wife and two of his four children are now in custody, and one son remains at large.

The Yoo family's representatives did not provide answers to questions about the disaster, their businesses or their church. Many church members have said, however, that Ms. Park is trying to demonize the Yoo family to deflect criticism from her government. But dozens of interviews with regulators, coast guard officials, prosecutors, dockworkers, crew members and family business associates seem to confirm the prosecutors' contention that the Yoo family played a crucial role in the tragedy by cutting corners on the ferry's safety, even as it was spending lavishly on itself.



The search for Yoo Byung-eun was the largest manhunt in South Korean history.

The family used a sprawling group of at least 70 companies on three continents as a personal A.T.M., prosecutors say. In their own names or through companies that they control, family members own at least \$8 million worth of real estate in the United States alone, including a condominium at the Ritz-Carlton in Manhattan, and have the rights to be an American distributor of Debaube & Gallais, the French maker of luxury chocolates once favored by Marie Antoinette. In France, they own an entire hilltop village.

The family also spent tens of millions of dollars to lionize Mr. Yoo, a convicted swindler known best in South Korea in connection with the mass suicide of 32 members of a splinter group of his church more than two decades ago.

Hoping to reinvent him as a Zen-like artistic genius, a family business donated \$1.5 million to the Louvre, which then etched his new identity — the pseudonym Ahae — in gold on a marble wall at the museum. The family inaugurated a worldwide tour of his photos at Grand Central Terminal in FERRY, PAGE 4

U.S. could help Ukraine target missiles

BY DAVID E. SANGER AND ERIC SCHMITT

The Pentagon and American intelligence agencies are developing plans that would enable the Obama administration to provide specific locations of surface-to-air missiles controlled by Russian-backed separatists in eastern Ukraine so the Ukrainian government could target them for destruction, American officials said.

A proposal would allow for sharing of specific locations of rebels' surface-to-air weapons.

But the proposal has not yet been debated in the White House, a senior administration official said. It is unclear whether President Obama, who has already approved limited intelligence sharing with Ukraine, will agree to give

more precise information about potential military targets, a step that would involve the United States more deeply in the conflict.

Already, the question of what kind of intelligence support to give the Ukrainian government has become part of a larger debate within the administration about how directly to confront President Vladimir V. Putin of Russia and how big a role Washington should take in trying to stop Russia's rapid delivery of power-

ful weapons to eastern Ukraine.

At the core of the debate, said several officials — who, like others interviewed, spoke on the condition of anonymity because the policy deliberations are still in progress — is whether the American goal

FIGHTING THWARTS DEAL ON CRASH SITE
An agreement to give foreign police access to a downed Malaysian airliner was stalled by heavy fighting. PAGE 6



Waiting it out: Israelis taking cover in the restroom of a restaurant near the Gaza border. Hamas and Israel went back and forth Sunday on cease-fire proposals. PAGE 6

World Cup's sponsors speak up about corruption

FRANKFURT

BY JACK EWING

Sponsors were unusually vocal after the latest accusations of corruption at FIFA, the organizer of the World Cup, surfaced just before the soccer tournament began in June.

Sony, the electronics and entertainment giant, called for an investigation of possible irregularities in choosing a site for the 2022 World Cup. Adidas, the German sportswear manufacturer, warned that "the negative tenor of the public debate around FIFA at the moment is neither good for football nor for FIFA and its partners." Their sentiments

were echoed by others, including Coca-Cola, Visa, Hyundai and Budweiser.

But now that the matches in Brazil are over, it is unlikely that sponsors will pound their fists and demand reforms.

FIFA's corporate partners have a long history of enduring serial FIFA controversies in silence, and that is unlikely to change. There is just too much money at stake.

"These sponsorships don't come cheap," said Simon Chadwick, a professor of sports business strategy at the Coventry University Business School in Britain. He estimated that companies spend up to \$100 million for sponsorship rights and a similar sum on related advertising. PAGE 15

INSIDE TODAY'S PAPER

China unit's food products banned

The OSI Group, the United States parent company of Shanghai Hushi Food, the scandal-stricken Chinese food supplier, has said it is withdrawing all products made by the subsidiary. BUSINESS, 14

Reddit getting serious about ads

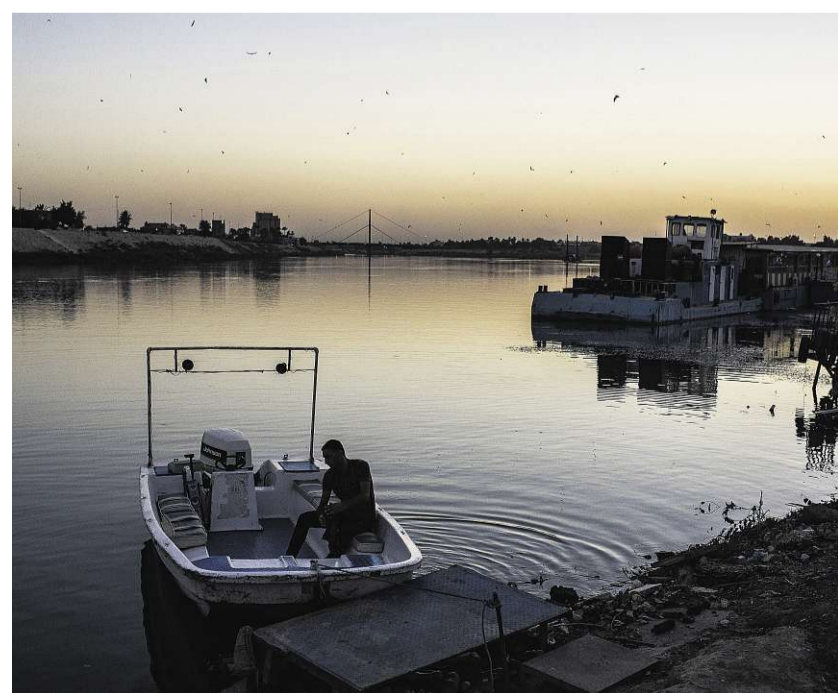
The challenge for the quirky web service Reddit is to figure out how to become a real business without alienating its millions of users. BUSINESS, 14

News that loses time for reflection

Bearing witness is the oldest tool in the journalist's arsenal, but it becomes something different delivered in real time, David Carr writes. BUSINESS, 16

1974: Greece's watershed year

Forty years ago this month, Greece set course on a long period of stability. But many problems from that time persist, Nikos Konstandaras writes. OPINION, 8



EBB AND FLOW: A river taxi operator on the Tigris River, which lies between two Baghdad neighborhoods that were once closely linked but are now drifting apart. WORLD NEWS, 6

ONLINE AT INYT.COM

Trail of medical missteps

The death of a young American in China has raised serious questions about Peace Corps medical care and how the agency responded to a volunteer's dangerous illness. nytimes.com/asia

Mr. Tran's messy life and legacy

When he died in 2012, Truong Dinh Tran left a fortune valued at \$100 million, at least 16 children by five women, one self-described wife, and no last will. nytimes.com/nyregion

A new media darling at 55 years old

A TV commercial for a supermarket has turned a hermit into a German media sensation. nytimes.com/europe

Budding author in Giants' backfield

The rookie running back Andre Williams, whose career goals extend beyond football, has assumed a prominent role in the opening week at the training camp of the New York Giants. nytimes.com/sports

A nonwhite doll crosses over

With minority babies in the United States now roughly half of all infants, one cartoon reflecting that population shift has become a sensation: "Doc McStuffins." nytimes.com/business

NEWSSTAND PRICES

Bali RP 28,000 (including PPN)	Hong Kong HK\$ 24.00	Maldives US\$ 3.80	Seoul Won 2,000	Vietnam US\$ 4.00
Bangladesh Tk. 135.00	Indonesia RP 28,000 (PPN Incl.)	Manila Peso 100.00	Singapore US\$ 4.70 (GST Incl.)	
Bangkok Thai Baht 80.00	Jakarta RP 28,000 (including PPN)	Myanmar US\$ 4.50	Sydney A\$ 8.25 (GST Incl.)	
Brunei B\$ 8.00	Japan Yen 200 (Tax included)	Nepal NRs 50.00	Taipei NT 115.00	
Cambodia US\$ 3.50	Macau P 24.00	Pakistan RS 20.00	Taiwan NT 115.00	
China RMB 29.00	Malaysia RM 7.50/8.00	Philippines Peso 100.00	Thailand Thai Baht 80.00	

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Taliban advancing in Afghanistan

The Taliban's increasing domination of key strategic areas around the Afghan capital, Kabul, has cast doubts on the government's stability after the United States completes its withdrawal of combat troops. WORLD NEWS, 5

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World News

Ferry deaths expose tycoon's questionable practices

FERRY. FROM PAGE 1

New York and spent nearly \$1 million to rent space as part of a deal to exhibit his work for months at Versailles, the palatial former home of French monarchs.

A sumptuous affair to begin the event, catered by a Michelin-starred chef, drew ambassadors and celebrities like the mother of Carla Bruni-Sarkozy, the singer-model wife of the former French president, according to Le Figaro. At a separate concert at the end of the exhibition, the London Symphony Orchestra played, premiering a brand-new piece: Symphony No. 6 "Ahae."

In one of their more damning findings, prosecutors say that so much money was being siphoned away from the ferry company to Mr. Yoo and his relatives that it was starved of funds and spent just \$2 last year on safety training for the Sewol's crew members. The money went to buy a paper copy of a certificate.

During the accident, the chaos caused by the lack of training was clear. Some crew members readily admitted in interviews after the disaster that they had no idea what to do during the emergency, had never done evacuation drills and made fatal mistakes like repeatedly telling passengers over the intercom to "stay inside and wait" as the ship began to sink, dragging scores of students down with it.

The ferry company was able to cut corners so dangerously because South Korea's system for regulating ferries — like so much of regulation in South Korea — is based on trust, riddled with loopholes, manpower shortages, petty corruption and a reliance on businesses to police themselves. The broad, tacit acceptance of lax safety standards to keep the economy humming has been blamed for everything from building collapses to a nuclear energy scandal over fudged testing results that has raised serious questions about the safety of the country's 23 reactors.

Public outrage since the ferry accident has pushed President Park to vote to strengthen safety standards by rooting out what she called "layers of corruption," including collusive ties between regulators and businesses.

Prosecutors and government auditors said coast guard officials turned a blind eye to problems with safety checks after they had been taken to the resort island of Jeju, where they were wined and dined by the ferry company. Other inspectors admitted that they eyeballed boats from a distance to see how deeply they sat in the water, effectively guessing whether they were overloaded with cargo.

Members of Mr. Yoo's church, known as Salvationists, say such discoveries are behind the government's push to investigate the Yoo's, saying it hopes to shift attention away not only from its own regulatory failures, but also the badly fumbled rescue attempt of the ferry, which had only 172 known survivors. The accident left Ms. Park's government in disarray. Her prime minister tendered his resignation, and her approval ratings have plummeted.

"It's as if all the problems are solved once they crack down on Yoo Byung-eun and the Salvationists," said Yi Tae-jong, who operates an online archive of Mr. Yoo's sermons and is a church spokesman. "From the days of founding our church, he is our biggest mentor."

GRAND CHILDHOOD AMBITIONS

Mr. Yoo's grand ambitions started in boyhood. A sickly child, he dreamed of becoming "a sculptor greater than Michelangelo," according to a collection of sermons published in 1981. But soon after high school, in the 1960s, he found a new calling: religion.

The source of his inspiration was an American Christian missionary, whose teachings led the young Mr. Yoo to evangelize as well, his church website says. A charismatic speaker, he soon had enough followers to help found a new religious movement with a fellow preacher — following a well-worn tradition in South Korea, the birthplace of the Rev. Sun Myung Moon and his Unification Church.

Mr. Yoo's church, the Evangelical Baptist Church of Korea, now claims to have 100,000 members, adhering to a polarizing interpretation of how Christians reach salvation.

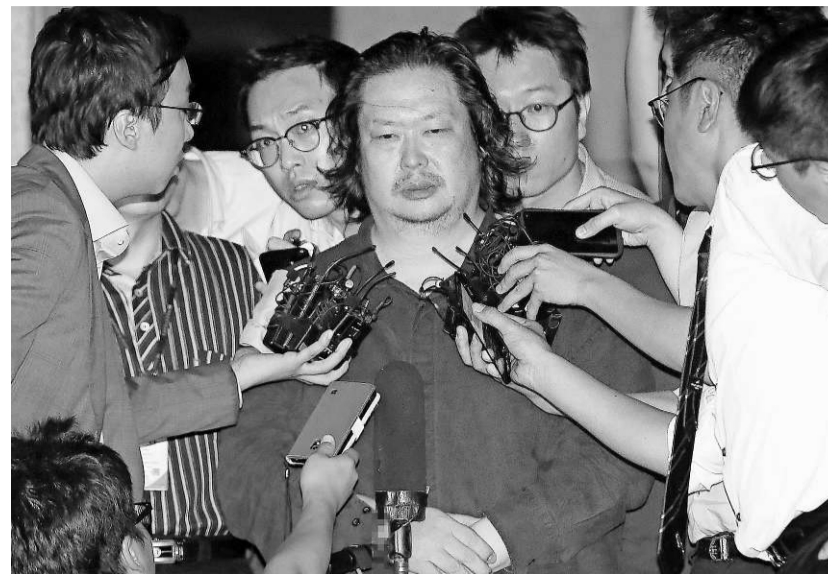
"They no longer have to repent, even if they commit such sins as adultery and theft; they are lawless people," said Jin Yong-sik, a Presbyterian pastor in Anseong and an expert on fringe churches in South Korea. "Yoo Byung-eun is a cult leader. He is deified as a Moses or a messiah among his followers, and they give him money as he pleases."

Church leaders dispute the allegations, saying their religion is being vilified despite being rooted in the Bible. One of their tenets — a focus on health — appears to stem from Mr. Yoo's frailty as a child, when he suffered from tuberculosis, and a personal preoccupation with cleanliness. He preached that cleansing the body and particularly the blood could help achieve spiritual purity, and wrote disapprovingly of fellow Christians' lengthy prayers before meals that allowed "little white specks" of spit to fall in their food.

As Mr. Yoo built his church, he embarked on a second career, as a business magnate. Starting in the 1970s, he turned the church into a source of cash, investigators and former and current Salvationists say, by persuading adherents to donate to or invest their savings



SOUTH KOREA COAST GUARD VIA YONHAP, VIA ASSOCIATED PRESS



HAN JONG-CHAN/YONHAP VIA ASSOCIATED PRESS



SYLVAIN COLLET

Clockwise from top left: The Sewol ferry was made dangerously top-heavy by additional cabins and an art gallery, ordered installed by Mr. Yoo, prosecutors said; Mr. Yoo's elder son, Yoo Dae-kyoon, 43, was arrested in South Korea on Friday; the elder Mr. Yoo's photographs on exhibit at the Louvre in 2012. A Yoo family business donated \$1.5 million to the museum.

in his growing number of companies.

Some of his businesses found a particularly captive market in his flock, selling to his followers. In recent years, they marketed products related to the church's teachings such as green tea and even enema kits to cleanse members' bodies of impurities.

This type of approach gave him a source of cash in an era when South Korea was still impoverished and was just beginning its so-called economic miracle. Money for investment was hard to come by, so by using church members as a source of capital, he was able to build factories and companies at the same time that Samsung and Hyundai rose to prominence, though he never matched their size.

By the 1980s, he had built a mini-chaebol, or family-run business group, that over the years has included a dizzying array of products, including a top-selling shark oil supplement, organic milk, cosmetics, auto parts and special paint for nuclear plants.

He was recognized as a rising figure in the nation's business world when the military dictator Chun Doo-hwan visited one of his factories in 1984. Two years later, Mr. Yoo was suspected of using his growing political connections to get into the business of operating passenger vessels, with one of his companies winning the right to run tourist boats on Seoul's Han River when the city hosted the 1988 Summer Olympics.

Even then, Mr. Yoo's vessels faced criticism for overloading. Once, when his company tried to board more than twice one vessel's maximum limit of 200 passengers during a busy holiday season, irate passengers almost rioted, said Lee Cheong, a former Salvationist who worked as a crewman on the boat. He said Mr. Yoo watched the melee impassively from the pier.

CRASHING TO EARTH

Mr. Yoo's ascent was halted in 1991, when he was arrested after the deaths of 32 members of a splinter group from the Salvationists. They were found dead in the attic of a factory cafeteria in 1987; some of them had been hanged. An investigation by the police did not charge Mr. Yoo in connection with the deaths, ruling them a mass suicide that appeared to be a result of loans that the group could not repay.

But Mr. Yoo was convicted on charges of defrauding his church members by

improperly diverting money to his businesses, charges that he denied until his death. He spent four years in prison, from 1991 to 1995.

The prison sentence, and the subsequent collapse of his business group during the Asian financial crisis in the 1990s, were a fall from grace from which few Koreans expected him to recover. But prosecutors say he bounced back quickly upon release and found ways to avoid public scrutiny.

First, after his companies went bankrupt, he regained control of his businesses by having his two sons buy back companies from receivership at fire-sale prices after a government recovery program had forgiven much of the debt, government officials and prosecutors

"This guy has woven together all past Korean scams, both economic and religious, and he's created a more universal one."

say. With his sons and a daughter, Mr. Yoo then linked these companies in a tight web of murky cross-shareholdings that prosecutors contend Mr. Yoo controlled by placing family members and loyal church believers in executive jobs.

"They mixed religion with business, pooling donations from church members to use in buying and expanding businesses," Lee Jin-ho, a prosecutor, said during a hearing in June. "Management, key shareholders and even internal auditors were all Salvationists, so there was no system of check and control. If the Yoo family demanded money, the companies complied."

In a church sermon recorded in 2005, Mr. Yoo exhorted his followers to stick together against what he called continued persecution for their beliefs.

"Things are tough for us, and others treat us like rags, but we must remember: 'Blessed are you when people insult you, persecute you and falsely say all kinds of evil against you because of me. Rejoice and be glad,'" Mr. Yoo said, quoting from Matthew.

Prosecutors and financial regulators contend that Mr. Yoo and his family invented increasingly creative ways to enrich themselves. One way was by charging Yoo-controlled companies fees to use some of the more than 1,300 patents and trademarks that they claimed,

many of which prosecutors say were a sham. In one case, investigators say, Mr. Yoo's elder son, Dae-kyoon, 43, charged the ferry company, the Chonghaejin Marine Company, \$1.45 million for the right to use the name of one of its own ferries. The other son owned the rights to the name Sewol, the ferry that sank, though it was unclear if he ever charged the company to use it.

At the same time, regulatory filings show, the Yoo's owned no shares of Chonghaejin, at least not on paper. But the ferry company's largest stockholder was a shipbuilding business, Chonhaji Co., that in turn was controlled by I-One-I Holdings, an investment company whose name Mr. Yoo's two sons are listed as controlling shareholders. The prosecutors also say that behind the scenes Mr. Yoo acted as the chairman and chief decision maker of the ferry company — which family representatives have denied — and earned a salary of almost \$10,000 a month.

Mr. Yoo was able to operate behind the scenes so effectively, prosecutors said, because the ferry company's chief executive, Kim Han-sik, was a loyal church member who followed Mr. Yoo's orders and hid a 10 percent share of the ferry operator for Mr. Yoo under his name. Mr. Kim recently admitted in court that he embezzled \$131,000 from the ferry company to pay consulting fees to Mr. Yoo's brother.

Prosecutors say that Mr. Yoo and his two sons, or companies that they controlled, received a total of at least \$3.82 million from the ferry company in recent years. On top of that, regulatory filings show, the ferry company spent \$2.5 million to buy stakes in other Yoo-affiliated companies, including one that prosecutors say contributed to Mr. Yoo's art exhibits abroad.

But as money was being funneled to the Yoo family, the ferry company was struggling financially, reporting a loss of \$764,000 last year, regulatory filings show — leaving little left over for the kind of training and safety precautions that could have helped crew members respond to the emergency on the Sewol.

ARTISTIC ALTER EGO

Of all the family's schemes, prosecutors and financial regulators say, the most elaborate involved the photographs taken by Mr. Yoo's artistic alter ego, Ahae.

The Yoo's and their associates forced

their own businesses, including the ferry company, to buy his photos at inflated prices, pitching them as good investments, prosecutors say. Church members also bought photos, although some followers were skeptical that they would prove valuable in the future, according to Mr. Yi, the Salvationist who is a spokesman for the group.

Some supporters championed investing in Mr. Yoo's photos in the hope that prices would spike. But others, despite their qualms, bought the photos to try to rehabilitate Mr. Yoo's reputation — and, by extension, their church's.

"It has been a long grievance for us all these years, the bias against our church," Mr. Yi said. "We had expectations that if Ahae was internationally recognized as a photographer and if people learned that Ahae was actually Yoo Byung-eun, it may help dispel the misunderstanding and prejudices against our church in South Korea."

Previously unheard of, Ahae — an outdated term for child in Korean — seemed to burst onto the art scene three years ago with the series of exhibitions of his nature photos held at famous locations around the world. The exhibit at the Louvre — in rented space in the museum's gardens — was paid for by Ahae Press Inc., a company in New York. Ahae Press was run by Mr. Yoo's younger son, Yoo Hyuk-kee, 41, who usually goes by the name Keith. The rental of the space alone cost more than half a million dollars, and did not include the cost of a specially built pavilion.

The traveling exhibit, sometimes called "Through My Window," featured photos taken every day for four years from a window in Mr. Yoo's studio in a wooded church complex south of Seoul, according to church members. In a written statement in response to questions, the managing director of Ahae Press, Michael Ham, said that Mr. Yoo took 2.7 million photos from the same window in a project inspired by his prison stay, when he viewed the outside world through a prison window.

Mr. Yoo, who in his guise as Ahae cultivated an air of mystery by only allowing himself to be photographed from behind or the side, is described by the website of Ahae Press as a sort of renaissance man: "an inventor, entrepreneur, philanthropist, environmental activist, martial artist, painter, sculptor, poet, and photographer."

"The exhibitions were a way to in-

crease public awareness of the beauty of nature and need to preserve the natural environment," Mr. Ham wrote. "In our view, a beautiful and worthwhile endeavor has been distorted and virtually destroyed by false statements and inaccurate media reports," he said, in an apparent reference to the criticism leveled at Mr. Yoo since the ferry disaster.

The company that operated the Sewol ferry, Chonghaejin, was one of the companies that bought Mr. Yoo's art. In an interview with a Korean magazine before his arrest in May, the company's chief executive said Chonghaejin had spent almost \$100,000 to buy 200 coffee-table books of Mr. Yoo's photos. Prosecutors said the ferry company also spent \$107,000 for seven photos.

Other Yoo-associated companies paid even more per photo, they said, with one spending as much as \$21,400 each.

There is, however, little evidence that the photos have much market value. Art experts, dealers and auction houses said they were unaware of any of the photos' being sold to serious dealers or collectors.

"My informed opinion as a museum curator for the last 15 years is there is no market for these works at any price. You couldn't give them away," said Christopher Phillips, curator of the International Center of Photography in New York, who has organized exhibitions of Asian photography. Speaking of Mr. Yoo, he said, "This guy has woven together all past Korean scams, both economic and religious, and he's created a more universal one."

BEGINNING OF TROUBLE

In the ferry disaster, the Sewol's troubles appear to have begun with the addition of the extra cabins and the art gallery above the main deck in late 2012, a change prosecutors say Mr. Yoo personally ordered.

The task of signing off on the new design fell to the Korean Register of Shipping, a private group that the government licenses to certify ships as seaworthy. Inspectors accepted the changes, but only after setting limits on the amount of cargo the vessel could carry and a clear minimum on the amount of ballast water needed when fully loaded. It also assigned an inspector to ensure the remodeling was done correctly.

That inspector is now one of six regulators behind bars. His indictment says he approved the retrofitting without properly conducting an "incline test" to determine whether the renovated ship was stable.

The coast guard was supposed to check whether he had performed the test properly, but it did not, government auditors and prosecutors say. In an interim investigative report this month, the government's board of audit suggested the redesign had not followed the approved blueprints and was 100 tons heavier than promised. Much of the extra weight came from the addition of thick marble slabs for the art gallery.

The next layer of protection was supposed to come from the Korea Shipping Association, which checks that ships are not overloaded. Each time ferries leave port, they report the amount of cargo they are carrying to K.S.A. inspectors.

Critics of the maritime safety system have long said that the shipping association should not monitor safety because it has a built-in conflict of interest: It is an industry group funded by the shipping companies that it is supposed to monitor.

K.S.A. officials in Jeju, the resort island on the Sewol's route, admitted during an interview in June that inspectors did not leave shore to inspect ships when deciding whether they were overloaded. They argued that shippers deprived them of the money needed to do more thorough inspections.

They now admit that looking at the load line painted on the side of ships posed a special risk, because companies could simply mask heavier cargos by shedding ballast water, as the crew of the Sewol is accused of doing. In that case, the tactic proved deadly, removing a critical counterweight needed to prevent the vessel from capsizing.

As it was, prosecutors say the company overloaded the Sewol during at least 139 voyages in the 13 months it was in service. In court, some executives and crew members have acknowledged that the ship routinely carried more cargo than it was allowed. Dockworkers say the ship was so unstable that it would lurch

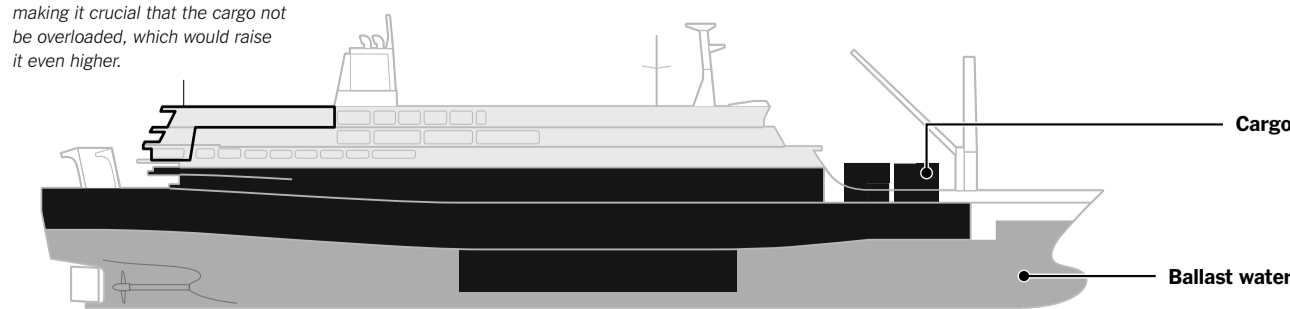
FERRY, PAGE 5

Prosecutors say excess cargo contributed to sinking of Korean ferry

When the Korean ferry Sewol sank this April, it was carrying almost twice its recommended cargo weight, according to South Korean prosecutors. Inspectors checked the ship's overall weight by visual inspection, but did not closely check how the weight was balanced. In order to keep weight within permitted limits, prosecutors say, the ship's crew reduced the amount of ballast water being carried. This, combined with the heavier cargo, would have raised the ship's center of gravity, making it more prone to tipping.

Korean ferry Sewol

ADDITIONAL CABINS AND EXHIBITION SPACE
These additions, completed in 2013, raised the ship's center of gravity, making it crucial that the cargo not be overloaded, which would raise it even higher.



Source: South Korean prosecutors

MAXIMUM PERMITTED

Cargo
1,077 metric tons

MINIMUM REQUIRED TO BALANCE 1,077 TONS OF CARGO

Ballast water
1,695 metric tons

ACTUAL LOAD CARRIED

2,142

ACTUAL LOAD CARRIED

761

In ferry deaths, a South Korean tycoon's downfall

FERRY, FROM PAGE 4

badly during loading and unloading, sometimes forcing them to drive forklifts onto one side to hold the boat steady while cars were driven off the other side.

On a blustery day in January, three months before the Sewol capsized, the ship's trouble with balance became glaringly obvious during a port stop in Jeju. Hit by gusts, the ship's oversize superstructure acted like a huge sail, pinning the vessel to the dock and preventing it from departing. The episode was worrisome enough to company officials in Jeju that they sent a report to their management warning of the ship's instability, prosecutors say.

When company officials decided that the ship was so troubled that it should be sold, their plan was vetoed by Mr. Yoo himself, prosecutors say. Instead, company executives colluded to "load as much cargo as possible, whatever the costs," according to prosecutors.

But there were warning signs well before January.

Some dockworkers on Jeju said they held small demonstrations in front of local government offices last year to complain that the ferry company was putting more cargo on the Sewol and its other vessels than it reported in cargo manifests. Their particular complaint was that understating the amount of cargo resulted in less pay for the dockworkers, who are paid by the ton.

Ko Do-ho, a 35-year-old member of the dockworkers' union from Jeju, said he and some co-workers first complained about such loading practices in a newspaper advertisement four years ago, but it got little attention.

"If the problem was corrected when we blew the whistle four years ago, we might not have had the Sewol disaster," he said.

The many ways in which the ferry company cheated came back to haunt

the Sewol on April 16, the day of the accident, when all of the vessel's problems combined in a cascading series of events. As it headed toward the most dangerous part of the journey, a narrow waterway with treacherous currents called the Maenggol Strait, it was burdened with 2,142 metric tons, or about 2,300 tons, of cargo, about twice the maximum permitted, according to prosecutors.

Beyond that, it had only 761 metric tons of ballast water, less than half the minimum required. Then the ship's helmsman turned too far to the right, more sharply than the five-degree turn that the regular captain, who was not working that day, had recommended because the ship was so wobbly, prosecutors said. Crew members and surviving passengers watched as stacks of cargo containers that had been badly tied down suddenly started sliding, throwing the ship's weight to one side.

Soon after the first coast guard rescue

boat arrived, it reported that the ferry was already listing by 60 degrees, making its top deck nearly perpendicular to the water. When rescuers clambered onto the exposed right side of the capsizing vessel, they could see the trapped passengers through the windows but could not help them in time because they did not have the ropes and climbing equipment needed for a rescue, said Kim Sae-in, a coast guard official in Mokpo, the port from which the first rescue vessel came. "A ship of that size should have taken several hours to flip, not less than two," Mr. Kim said.

Three months later, salvage crews are still looking for 10 missing bodies, and the ship remains where it sank. Since the accident, prosecutors have frozen more than \$100 million in assets from the extended Yoo family, including Bentley sedans and more than 200 apartments in South Korea.

But in recent years, the Yoo family

"Yoo Byung-eun is a cult leader. He is deified as a Moses or a messiah among his followers, and they give him money as he pleases."

companies have moved at least \$33 million abroad, according to the Financial Supervisory Service, the country's financial watchdog. It, as well as prosecutors, says much of this money flowed into companies controlled by Mr. Yoo's younger son, Keith, a fluent English speaker who married an American. The Korean authorities have asked their American counterparts to find and apprehend him. His brother, Dae-kyoon, was arrested in South Korea on Friday.

The elder Mr. Yoo, who had spent so much time and money trying to rehabilitate his image, suddenly found his photos splashed on posters across South

Korea as the nation's most wanted man. His body was ultimately found in an apricot orchard, near the villa where he hid behind a wall. The police said his corpse was too badly decomposed to determine the cause of death, leaving unanswered whether he committed suicide, died a natural death or was a victim of foul play.

In the end, the accident that toppled the Yooos involved just a tiny piece of their sprawling empire. Prosecutors say that the practice of dangerously overloading the ferry over 13 months had earned the ferry company a relatively paltry \$2.9 million, or about \$9,500 for every passenger who died.

Choe Sang-Hun and Martin Fackler reported from Seoul, Alison Leigh Cowan from New York, and Scott Sayare from Paris. Su-Hyun Lee contributed reporting from Seoul, and Susan Beachy contributed research from New York.

With militant revival, dread returns to Swat

SWAT VALLEY, PAKISTAN

Taliban violence is rising in Pakistani valley where army had claimed victory

BY ZIA UR-REHMAN AND DECLAN WALSH

As battle rages in North Waziristan, where the Pakistani military says it has killed more than 500 militants, unfinished business from the army's first major assault on the Taliban lingers painfully in the Swat Valley, at the other end of Pakistan's Pashtun belt.

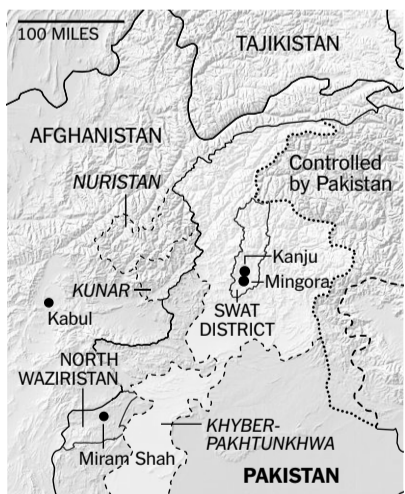
Five years ago, Pakistani soldiers flooded into Swat as part of an operation to banish the Taliban from the valley. The offensive became a cherished victory for Pakistani generals, who presented it as evidence of their counterinsurgency prowess.

But a steady drumbeat of killings, by both militants and soldiers, has whipped up fear in Swat in recent years and blighted hopes for a return to normality in a place known for its beauty and tourist industry. Taliban fighters have slowly crept back to attack and kill pro-government community leaders. The army faces accusations of gross human rights abuses, including the execution of at least dozens of detainees whose bodies have recently been returned to their families.

And Maulana Fazlullah, the ruthless cleric and militant commander who led the original Swat uprising in 2007, has evaded capture and risen to greater heights as the supreme leader of the Pakistani Taliban.

"For a long time there was a narrative of the Swat operation as a total success," said Rahimullah Yousafzai, a veteran journalist based in Peshawar. "Now that success is being questioned."

Few doubt that conditions in Swat have improved dramatically. Bloodied bodies no longer hang from traffic lights in the town square where the Taliban once executed their enemies. Markets are bustling, and more girls are attending school.



But the campaign of Taliban violence, though sporadic, has rattled public confidence. "This is a controlled peace," said Akbar Khan, a 38-year-old bookseller. And it offers a sobering check on the limits of military engagement at a time when the army is engaged in a fresh anti-Taliban drive in the tribal district of North Waziristan.

There, more than one million people have fled their homes since the operation started on June 15. The military, which tightly controls media access, has portrayed it as an unalloyed success, drip-feeding reports of battlefield victories to the Pakistani news media. On Saturday, a spokesman said its forces had killed 531 militants and lost just 34 men.

Similarly triumphant claims followed the 2009 Swat offensive, but some successes proved to be temporary. Although hundreds of Taliban fighters were captured, many more slipped across the porous border into the Afghan provinces of Kunar and Nuristan, where they have successfully regrouped.

In the past two years, small pockets of fighters have infiltrated back into Swat, moving along remote mountain trails on horseback and on foot, according to villagers. One of their most infamous at-

tacks was on Malala Yousafzai, the teenage schoolgirl who was shot in the head in October 2012 but survived her injuries and became a global icon.

But for the most part, the Taliban gunmen have targeted the Village Defense Committees — local militias, mounted by the army to keep the Taliban at bay — which lost nine leaders to Taliban attacks in 2013, and eight so far this year. In the most recent shooting, on Tuesday, gunmen opened fire on Umar Hayat Khan, the committee leader in Takhta Band village, as he said his prayers in a local mosque. Two weeks earlier, gunmen killed Khan Saib, a landowner who had just returned from self-imposed exile in Saudi Arabia. A relative said that Mr. Saib had fled Swat after the Taliban demolished his house in 2009, and had been attacked twice before his death.

The shootings have scared Swat residents because their targets are prominent community leaders — often landowners or members of the Awami National Party, a secular party that has borne the brunt of Taliban violence across Khyber-Pakhtunkhwa Province.

The army itself has been another cause of concern in Swat as it has cast a wide net for militants. Human rights groups say that hundreds of suspected militants have died in military custody since 2009. In 2010, Gen. Ashfaq Parvez Kayani, then the army chief, announced an investigation into a video that appeared to show soldiers executing six detainees. The result of the investigation was never made public; some activists questioned whether it ever took place.

Since April 2013, some Swat detainees have turned up dead, their bodies quietly returned to their families for burial. Many have reportedly been held in an army-run internment center in Kohat, 30 miles south of Peshawar. Relatives say the army often attributes the deaths to heart attacks — an explanation that human rights activists say is consistent with similar violations elsewhere in northwestern Pakistan.

"Most of these detainees are in their 20s or early 30s. It's unusual for men of that age to die from a heart attack," said Mustafa Qadri of Amnesty International. In Swat, the wives and children of detained men hold regular demonstrations against the military. The most recent took place on July 20 in the village of Kanju, where women waved photos and held placards calling for judicial intervention. "Let the courts decide if they are guilty," read one.

While mistreatment of detainees offends rights groups, many Swat residents have a more ambivalent attitude, said Mr. Yousafzai, the journalist. "The community is very polarized," he said. "Many people don't want to hear about the suffering of militants or their families."

Public opinion had been further divided by plans for three military bases in Swat. Some citizens want the army to leave; others fear a return to civilian rule would lead to a Taliban resurgence.

"People remember that the last time, the civilians ran away," Mr. Yousafzai said. The military, for its part, is focused on the campaign in North Waziristan. But that has also touched Swat, in the form of refugees who have made an arduous journey across northwestern Pakistan to the verdant valley in search of shelter.

The authorities in Swat have registered almost 600 refugees from Waziristan, many of whom are living in cramped rented accommodations.

Speaking at a religious charity's food distribution event, Hajji Nooruddin, a 50-year-old truck driver from Miram Shah, said he was sharing a house with 25 other people. Asif Nawaz, 21, said he was stuck in a traffic jam for two days as he fled North Waziristan. During that time, he saw two mothers take the bodies of their dead infants to the soldiers, shouting that they had died from hunger, he said with tears in his eyes.

However, many of the refugees said they were glad to have reached Swat — a place of relative safety, compared with North Waziristan.

An employee of The New York Times contributed reporting from the Swat District in Pakistan.



Afghan police recruits training in Kabul. The United Nations has found that more fighting is taking place near populous areas, closer to district centers that serve as the government seats.

Taliban are making gains in Afghanistan

MAHMUD RAQI, AFGHANISTAN

Advance in key areas throws doubt on U.S. plan to withdraw troops

BY AZAM AHMED

Taliban fighters are scoring early gains in several strategic areas near the capital this summer, inflicting heavy casualties and casting new doubt on the ability of Afghan forces to contain the insurgency as the United States moves to complete its withdrawal of combat troops, according to Afghan officials and local elders.

The Taliban have found success beyond their traditional strongholds in the rural south and are now dominating territory near crucial highways and cities that surround Kabul, the capital, in strategic provinces like Kapisa and Nangarhar.

Their advance has gone unreported because most American forces have left the field and officials in Kabul have largely refused to talk about it. The Afghan ministries have not released casualty statistics since an alarming rise in army and police deaths last year.

At a time when an election crisis is threatening the stability of the government, the Taliban's increasingly aggressive campaign is threatening another crucial facet of the American withdrawal plan, full security by Afghan forces this year.

"They are running a series of tests right now at the military level, seeing how people respond," one Western official said, describing a Taliban effort to

gauge how quickly they could advance. "They are trying to figure out: Can they do it now, or will it have to wait" until after the American withdrawal, the official added, speaking on the condition of anonymity because the coalition has officially ceded security control.

Interviews with local officials and residents in several strategic areas around the country suggest that, given the success of their attacks, the Taliban are growing bolder just two months into the fighting season, at great cost to Afghan military and police forces.

In Kapisa, a verdant province just north of Kabul that includes a vital highway to northern Afghanistan, insurgents are openly challenging and even driving away the security forces in several districts. Security forces in Tagab District take fire daily from the Taliban, who control everything but the district center. Insurgents in Alasay District, northeast of Kabul, recently laid siege to an entire valley for more than a week, forcing hundreds of residents and 45 police officers to flee. At least some of the local police in a neighboring district have cut deals with the Taliban to save themselves.

In the past month, a once-safe district beside the major city of Jalalabad, east of Kabul, has fallen under Taliban control, and a district along a crucial highway nearby is under constant threat from the Taliban. South of Kabul, police forces in significant parts of Logar and Wardak provinces have been under frequent attack, to deadly effect.

But there are only anecdotal reports to help gauge just how deadly the offensive has been. The Afghan defense and interior ministries stopped releasing casualty data after a shocking surge of military and police deaths in 2013 began

raising questions about the country's ability to sustain the losses. By September, with more than 100 soldiers and police officers dying every week, even the commander of the International Security Assistance Force suggested the losses could not be sustained.

Asked for figures on the latest security force casualties this year, both ministries refused to provide data or confirm accounts from local officials. But there are signs that the casualty rate is already likely to be at least as bad as it was last year.

In one important indicator, the United Nations reported a 24 percent rise in civilian casualties for the first half of this year compared with a similar period from 2013, hitting a new peak since the United Nations Assistance Mission in Afghanistan began tracking the data in 2009. More significant, for the first time, the highest number of those casualties came from ground fighting between the Afghan forces and insurgents rather than from roadside bombs.

The United Nations found that more fighting was taking place near populous areas, closer to the district centers that serve as the government seats. Ground violence also seemed to increase in areas where coalition bases had been closed.

One important effect of those gains, particularly where police forces are being driven away, is that the Taliban are establishing larger sections of lawless territory where they can intimidate local populations. They become staging grounds for more ambitious attacks against Kabul and other major cities, like the militant assault on Kabul's airport on July 17.

The efforts of this fighting season have not been solely in the countryside,

or traditional strongholds like those in Helmand. The Taliban have made strides in Nangarhar Province, home to one of the most economically vibrant cities in the country and a strategically important region. Surkh Rod, a district that borders the provincial capital Jalalabad and was safe to visit just three months ago, has become dangerous to enter.

"The difference is that five months ago there were more government forces here; now it is the Taliban," said Nawab, a resident of Shamsapur village.

Bati Kot District, too, has become more dangerous. Outside the district center, residents say, the Taliban dominate a crucial swath of territory that straddles the main highway leading from Kabul to the eastern border with Pakistan. Villagers living in the district say the Taliban force them to feed and house insurgents, and threaten to kill them if they refuse.

Much like Nangarhar, Kapisa is connected directly to Kabul, presenting a troubling threat for the government as it struggles to safeguard the security corridor around the capital. Trouble in three districts has been the focus of a concerted American Special Forces campaign to ferret out the insurgents, who many say appear more trained and disciplined than the average Taliban.

"The command and control is incredible," said one American Special Forces officer who has fought with his men in insurgent-controlled valleys in Kapisa. "They have found an awesome safe haven."

Haris Kakar and Jawad Sukhanyar contributed reporting from Kabul, and Khalid Alokozay from Jalalabad, Afghanistan.



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