

CHINA'S FUGITIVE OFFICIALS AND VANISHING FORTUNE

Lance L. P. GORE

EAI Background Brief No. 965

Date of Publication: 30 October 2014

Executive Summary

1. Since 22 July 2014, China's Ministry of Public Security has gone on a worldwide man-hunt, code-named "Fox-hunt 2014", for suspects of major economic crimes or "fugitive corrupt officials" (FCOs) who fled the country. By 10 October, 128 fugitive suspects had been repatriated from 40 countries and territories.
2. The move is prompted by the sudden surge in the number of FCOs, massive selling off of luxury properties, and large withdrawal of foreign exchanges from banks by state officials and their families after President Xi made anti-corruption a top priority at his inauguration in November 2012.
3. In January 2014, Xi reiterated his determination to "maintain the high pressure in the anti-corruption campaign and stick to the zero tolerance principle"; Wang Qishan, China's anti-corruption tsar, pledged to double the effort to track down fugitive officials so as to deter those who want to flee the country.
4. An award winning 2008 study released by the Chinese Academy of Social Sciences estimated that since the mid-1990s, 16,000 to 18,000 public sector employees had fled the country with funds totalling around 800 billion yuan. According to Global Financial Integrity, illicit financial outflow from China was as high as US\$2.18 trillion between 2000 and 2008.
5. The top destinations for high-ranking FCOs are developed countries; lower ranking ones mostly fled to neighbouring countries, South America and Africa. Hong Kong and Singapore are favoured as midway stations to other destinations.
6. The flight of officials suspected of corruption started as early as the 1980s. Over time it has developed a general pattern consisting of roughly four phases: the accumulation of illicit wealth, resettlement of family members abroad, moving financial assets to them and fleeing the country at an opportune timing.

7. China has adopted three main approaches to pursuing FCOs: extradition, repatriation and persuasion. The first two approaches are time-consuming and with a low success rate. The “persuasion” method pioneered by the Chinese government has achieved some success, repatriating some 40% of the FCOs in Fox-hunt 2014.
8. The Chinese system has no shortage of rules, laws and institutional safeguards. However, the excessive concentration of power in the hands of leading cadres and the pervasive *guanxi* networks effectively neutralise many system designs.