

PLUMBING A BLACK HOLE OF CORRUPTION

A PETITION BY VILLAGERS OF ZIGONG CITY, SICHUAN PROVINCE

In June this year, some 4,000 peasants from villages in the vicinity of Zigong City, Sichuan Province signed a petition to the central government alleging that the deputy secretary of the disciplinary inspection committee of Sichuan Province, Liu Youlin, and his cohorts unlawfully appropriated more than 15,000 *mu* of rural land with an estimated value of more than 5 billion *yuan*, and displaced some 30,000 villagers.

Villagers were compensated for the loss of their homes at a rate that covered only one fifth of the cost of replacement homes, and jobs promised in the newly developed industrial zone have not materialized.

Chinese sociologist Zhang Yaojie reports that on May 20, 2003, seven days after a visit to Zigong by Chinese president Hu Jintao, local authorities deployed 200 police officers to suppress a protest by residents of Hongqi Xiang who were attempting to prevent clearance of their land, resulting in more than a dozen villagers injured and dozens detained. On July 4, 2003, villagers told the news media that municipal and county public security bureaus deployed around 1,000 uniformed police officers to forcefully clear Hongqi Xiang, resulting in dozens of villagers being injured, and more than 30 detained.

The following petition was a last resort by

villagers to press for official intervention into the matter.

In this unfathomable black hole of crime, Liu Youlin and his cohorts, Shi Jun, Liu Weilin, Chen Wenxian and others have plundered the land and personal assets of more than 30,000 peasants, who have now lost their land, their homes and their livelihoods. We believe that the information provided below exposes only the tip of an iceberg.

Liu Youlin and his cronies

Liu Youlin: Currently deputy secretary of the disciplinary inspection committee of Sichuan Province, and head of the provincial procuratorate. He has previously held a variety of top-level postings in Zigong City, including chairman of the Zigong City Huidong High Tech Manufacturing Development Zone Management Committee, deputy secretary of the Zigong Municipal Party Secretariat, and vice-mayor and mayor of Zigong City.

Liu Weilin: The younger brother of Liu Youlin. He was originally a worker at a construction company in Zigong, as well as being a peasant, but after his brother became the chairman of the Zigong City Huidong High Tech Manufacturing Development Zone Management Committee, he became the proprietor of a real estate company called Hong Wei Property Development Co., and from then on became a major player in the development zone. Many developers found that they had to go through Liu Weilin to obtain property, and Liu found himself a multimillionaire within a few years.

Shi Jun: After Liu Youlin was promoted from chairman of the Development Zone Management Committee to become vice-mayor of Zigong City in 1990, Shi Jun was promoted from general secretary of the Zigong Municipal Communist Youth League to chairman of the Development Zone Management Committee. Shi Jun has now been in charge of the Development Zone for 14 years. During this time, all of the property transactions of the Development Zone have passed through the hands of Shi Jun and Liu Youlin, and they have also determined all of the fees that must be paid.

Chen Wenxian: Village Chairman and Party Secretary of Hongqi Xiang in Da'an District, and the faithful lieutenant of Liu Youlin

and Shi Jun. Since becoming village head and Party Secretary in 1986, he has remained firmly in place for 18 years. This is not because he is so good at managing Hongqi Xiang, but because of his ability to rule with an iron hand. He has gained a reputation of a local tyrant. Local residents sum him up with a few phrases: “He lives in a luxury villa, rides in a Benz instead of walking, wears the best clothes, has one wife and five mistresses, and eats the most costly delicacies.” In the South Lake Villas Development District developed by his Jin Ma Company, Chen owns a luxurious 500 square meter villa, as well as several other residences for his mistresses. The mayor, the director of the State Land Bureau, the director of the Construction Bureau and other such officials are always seen driving their high-class sedans to and from his villa. In the 18 years that he has served as Village Chairman and Party Secretary of Hongqi Xiang, Chen Wenxian at the same time has served as managing director and legal representative of Jin Ma Company, Hongqi Real Estate Company, Huidong Property Company and Rui'er Financial Development Company. He also runs a private company, Dongchuan Trading Company, of which his son is ostensibly the head, which is a classic example of “privatizing” public property and collusion between officials and commercial interests. His personal property includes 40 mu of land, his son's Dongchuan Trading Company, a lubricant wholesaler in the Development Zone, a used goods market, a variety of heavy machinery, villas, luxury cars and other goods with a total value of tens of millions of yuan. It is believed he has another 50 million yuan in hidden assets. This local official, who is a classic example of profiteering through privatization and of officials bound up with business interests, is both hated and feared by the people.

Lü Rongyuan: A close confederate of Chen Wenxian, or in local parlance, a “pebble-hearted dog's leg” [henchman]. In the early 1990s he and Chen created forged documents, deeds and official stamps to defraud the Sichuan Provincial Light Industrial Products Import and Export Company of \$101,376 worth of tea leaves, ultimately causing the company to declare bankruptcy. The two were subjected to criminal prosecution, but Lü, in accordance with the principles of brotherhood, took on the burden of guilt and punishment single-handedly, leaving Chen to escape with impunity and eventually become an official. As soon as Lü was released from prison, Chen repaid his loyalty by making him the legal representative of the Hongqi Property Development Company. In September 1999, Chen sold the company, valued at 8 million yuan, to Lü for a bargain price of 140,000 yuan, thus converting the former SOE into a private enterprise under the name of Zigong Ronglong Property Development Co.

The Zigong Economic Development Zone began accumulating land as early as the end of the 1980s. After Deng Xiaoping's groundbreaking Southern Tour in 1992, the Zigong Municipal Party Secretariat and government formally applied to the Sichuan provincial government for the establishment of the Zigong City High Tech Manufacturing Development Zone. In May of that year the provincial government granted its permission. In 1993 the Zigong City High Tech Manufacturing Development Zone Management Committee hung out its shingle. In 1994 the Municipal Party Secretariat and government

issued a joint document to the effect that “within the 10 square kilometer area designated within the boundaries of Zigong City, the Management Committee is delegated with the power to appropriate land, draw up plans, transfer leases and conduct overall management.” Because the designated 10 square kilometers of land largely coincided with the property held by Hongqi Property Development Company, the managers of the development zone in Hongqi Xiang, Da'an District became in effect the only grassroots authority under the Management Committee.

In rapid succession, the Management Committee established a land appropriation office, a state land bureau and a planning bureau, which from 1993 until the present has appropriated roughly 15,000 mu of land, with the standard price set in stone by the Management Committee—but in fact, actually by Liu Youlin and Shi Jun. The standard price ranged from 100,000 yuan to 1.8 million yuan per mu, with most falling in the 300,000 yuan to 450,000 yuan range. Conservatively estimated, the Management Committee was able to realize a profit of 5 billion yuan on the leases for that 15,000 mu of land! The people who paid the painful price were 30,000 peasants who suffered the loss of their land, livelihood and homes.

The Management Committee paid local peasants a clearance compensation fee of 150 yuan per square meter, but replacement homes cost 850 yuan per square meter, resulting in severe financial loss to the homeless peasants. For this reason, many peasants petitioned continuously with their complaints, and Shi Jun at one point deployed hundreds of public security police wielding electrical prods and handcuffs to intimidate and suppress the peasants who fought for their rights. The result was long-term hostility between the local government and the powerless peasants who had lost their land, their homes and their jobs.

The Zigong Municipal Party Secretariat, municipal government and Development Zone Management Committee at the time of appropriating the land voiced the slogans of “Develop Zigong, Make a New Zigong, Help Zigong Make an Outstanding Development,” openly calling on the peasants to make a small sacrifice. But while the local villagers lost their land, homes and jobs, Liu Yaolin and his brother, Shi Jun, Chen Wenxian and the others conspired to reap immoral profits. Here we can only describe a small portion of the enormous private and state assets swallowed by this gang through their privileged positions. But even these few examples can lead the observer to understand why the central government must come forward and intervene in and investigate the unlawful actions of these corrupt officials.

Turning power into personal profit

On October 9, 2000, Shi Jun, in his capacity as head of the Zigong Municipal Consolidated Planning and Development Committee, and as Zigong's Vice-Mayor, organized the relevant government departments to carry out a feasibility study, the conclusion of which included a decision to grant Ronglong Property Development the development rights of 13 mu of land at a cost of 150,000 yuan per mu in development fees and 10 yuan per square meter in various municipal administration fees.

There are three points that must be made here:

1) *The leases for this 12 mu of land were never put out for public tender.*

Before the investigation and research, Ronglong Company proprietor Lü Rongyuan had already sealed a private agreement with Shi Jun and Chen Wenxian to develop that piece of land into residential and commercial units. There is every reason to believe that the transaction for this piece of land was illegal—if not, how could the land development fee have been as low as 150,000 yuan per mu?!

2) *This plot of land included seven mu that the Hongqi Xiang government had received permission to set aside in the 1980s for the development of rural enterprises, including factories and a health clinic.*

In 1996 the municipal land bureau issued a document that authorized the Hongqi Xiang government to issue a “State Land Use Certificate” for a piece of land measuring 4,275 square meters. The Hongqi Machine Factory in 1995 leased the land to its representative, Zeng Shunqing, thereby transforming a rural enterprise into a private enterprise. From that seven mu piece of land, the township government designated 2.82 mu to be leased to Zeng Shunqing to build a factory. The lease was set for 50 years, terminating in 2045. The lease agreement remains in the hands of Zeng Shunqing, and has not been amended or canceled.

Without notifying Zeng Shunqing or his Hongqi Machine Factory, on February 5, 2001 the municipal land bureau issued a document that reclaimed possession of the 4,275 square meter plot of land and transferred the lease to Ronglong Company. Chen Wenxian and the others, in the name of the township government, quickly signed a “Joint Construction Agreement” with Lü Rongyuan and Ronglong Company. The underhanded dealings in that agreement must be revealed as follows:

- The land use rights to this 7 mu of land held by the Hongqi Xiang Government had already been revoked by the State Land Bureau, and the Hongqi Xiang government had no right to enter into a joint development agreement with Ronglong Company and Chen Wenxian for this land at a price of 150,000 yuan per mu.
- For the Hongqi Xiang government to set a one-off price of 300,000 yuan for the two rural enterprises already existing on the seven mu of land (the health clinic and a factory) smacks of a black market transaction! Those two enterprises had assets worth at least 1.7 million yuan, but were sold to Lü Rongyuan for only 200,000 yuan. In addition, the machine factory being operated on that land, which had a value of more than a million yuan, was cleared without any compensation being paid!
- The “Joint Construction Agreement” stated that the township government was investing the payment of 1.05 million yuan for the property and the 300,000 yuan for the enterprises into the joint development, but in fact that 1.35 million yuan never existed—it was a transaction that existed only on paper. But in order to make the show staged by Chen and Lü more plausible, Ronglong Company had to do something. For that reason, the distribution method set in the agreement states: “Party B will transfer to Party A (the township government) ownership of the building design-

nated on the plan, valued at 2,400 yuan per mu . . .” This is meant to represent the 1.35 million yuan investment. Ronglong Company ultimately transferred ownership of shop space on the first to third floors of Block B of its Ronglong Gardens to the township government, a total of 550 square meters at a valuation of 2,400 yuan per square meter. But that shop space was actually valued at only 800 to 1,000 yuan per square meter. In this clumsy fashion, Chen and Lü sought to cover up the 1.4 million yuan in assets they had swallowed up from the original enterprises! On the surface it appears that the township government gave up the assets of the village enterprises practically cost-free to Lü Rongyuan, but in fact it was a blatant tactic by Chen and Lü to divide up the assets between them.

- The land on which the Hongqi Machine Factory stands was acquired fraudulently by Chen Wenxian and his associate Lü Rongyuan. They misrepresented the facts of the transaction, and transferred possession of 2.15 mu of land to Hongqi Machine Factory at a price of 400,000 yuan per mu. Thus they realized an immediate huge profit of 537,500 yuan.

The “Joint Construction Agreement” concluded and signed by Chen Wenxian and Lü Rongyuan was clearly illegal, but their two-man comic show was a great success.

On November 2, 2000, Chen Wenxian and Lü Rongyuan, having scored a success with their two-man comic show, used Chen Wenxian, in his official capacity representing the “people’s government of Hongqi Xiang,” to officially request that the municipal government reduce the land development fee of 150,000 yuan per mu. This “request” was a sham on several fronts: First of all, the request stated that the three rural enterprises, including the Hongqi Machine Factory, which the township government had built on this seven mu plot of land in the 1980s, “were extremely difficult to manage and were [therefore] relocated.” In fact, the operation of these enterprises was normal and they were not relocated. In 1995, the Hongqi Machine Factory was turned over to Zeng Shunqing to be run as a private enterprise. Chen Wenxian’s township government thus told a blatant lie in its request for instructions. Second, the minutes of the meeting on the Zigong Consolidated Planning and Development Committee’s master plan clearly stated that the seven mu of land on Xueyuan Road were transferred to the Ronglong Property Development Company. Whether the land development fee was to be reduced had nothing to do with the township government. What right did Chen Wenxian have to officially request this fee reduction in the name of the Hongqi Xiang government? What was he up to? Third, the township government had no right to sign a “Joint Construction Agreement” with Ronglong Company for the use of the land. Nor did it have a right to collect a fee of 150,000 yuan per mu from Ronglong Company. Fourth, the commercial development rights to these seven mu of land were

granted to Ronglong Company. Whether or not the developer makes a profit has nothing to do with the township government. What were the motive and goal for Chen Wenxian and the township government to make an official request for the reduction of the 150,000 yuan development fee? What shady deal was behind all this?

Even more absurd is the fact that Vice-Mayor Shi Jun wrote a memo in his own hand on this agreement! The memo contained two elements that expose the game: First, without any basis in fact Shi Jun wrote in the memo the words “in order to tackle the problem of developing the rural enterprises.” But the township government stated that the reason for its official request for instructions to reduce the land development fee was that “since the [rural enterprises] were founded, they have not only failed to turn a profit, but have actually suffered very substantial losses.” The township government said nothing about the need to solve the problem of developing the enterprises! Why did Shi Jun spout such nonsense and provide an excuse for the Ronglong Company’s land development fee of 150,000 yuan to be reduced? Second, Shi Jun’s memo said that a land compensation of 150,000 yuan per mu had already been collected. Yet another piece of nonsense! The request for instructions clearly stated that “the two parties have formally concluded and signed a Joint Construction Agreement that stipulates that 150,000 yuan per mu be collected from the development company.” What compensation was collected? A land compensation or a compensation for pulling down houses and relocating its residents? What right did the township government have to collect a compensatory payment of 150,000 yuan per mu? Shi Jun not only failed to deny the validity of this illegal agreement and to personally stop the township government from unlawfully collecting 150,000 yuan per mu, but he actually sought an excuse for the township government’s illegal behavior by falsely designating the money as “compensation.” Even the request for instructions did not label the 150,000 yuan per mu as compensation. It would appear that Vice-Mayor Shi Jun was too clever by half!

No sooner had the Zigong City government received Shi Jun’s memo than it sent a letter from the Zigong City Land Management Office entitled “Written Reply of the Zigong City People’s Government Regarding the Case of the Supply of Land to Ronglong Real Estate Development Corporation for the Construction of Commercial Buildings.” Clause 2 of this reply clearly stated that “4,450 square meters of land” were transferred. Clause 3 stipulated that “in view of the fact that 150,000 yuan per mu in land compensation and 20,000 yuan in urban infrastructure compensation have been paid for this land, no land lease fees shall be subsequently paid for it.” This letter contains two falsehoods that need to be exposed: First, it is flat wrong that 150,000 yuan per mu in land compensation were paid for the land. This compensatory payment was a pure fabrication in Shi Jun’s memo. Second, based on what law or regulation does the municipal government decree that no land lease fees must be paid once land compensation has been paid?

As soon as it received the letter from the Zigong City Land Management Office, the city’s State Land Bureau concluded and signed a right of use agreement with Ronglong Company

for the transfer of state-owned land. Article 8 of this agreement is particularly interesting: “The land lease fee for these 4,450 square meters of land amounts to 380,323.05 yuan. According to official reply No. 9 of 2001 of the Zigong Municipal Consolidated Planning and Development Committee, the land lease fee is already included in the land compensation and infrastructure fees that Party B (i.e., Ronglong Company) has already paid.”

This agreement contained further falsehoods: First, the land lease fee for the 4,450 square meters of land was more than 380,000 yuan, i.e., upwards of 57,000 yuan per mu, but the land on Xueyuan Road was Grade 2 land, which has a standard land lease fee of approximately 360,000 yuan. On what basis was the land transferred for such a low price? Second, the minutes of the meeting [of the Zigong Consolidated Planning and Development Committee] make no mention whatever that “the land lease fee is already included in the land compensation and infrastructure fees that Party B (i.e., Ronglong Company) has already paid.” On what basis does this agreement distort the facts? Although the official reply of the Land Management Office states that “no land lease fees shall be subsequently paid for [the land],” it certainly does not state that the land lease fee is already included in the land compensation and infrastructure compensation which Party B has already paid.

The result of this con game, which was directed by Shi Jun and in which Chen Wenxian and Lü Rongyuan played the leading roles, was that without paying a penny Lü Rongyuan’s Ronglong Company obtained a lease for these seven mu of state-owned land worth 2.5 million yuan. In other words, 2.5 million yuan of property belonging to the state was simply gobbled up by Shi Jun, Chen Wenxian and Lü Rongyuan!

Additional supporting evidence proves that these men stole state-owned resources: During the same period (the year 2000) and in the same location (Xueyuan Road), the Dongsheng Real Estate Development Company obtained 13 mu of land of the same grade (Grade 2), and had to pay a land lease fee of 340,000 yuan per mu, as well as a compensatory payment of 100,000 yuan per mu. Another company, the Phoenix Real Estate Development Company, also bought the right to use land on Xueyuan Road to build a recreational garden, and had to pay a standard price of more than 300,000 yuan per mu. Why was Lü Rongyuan the only one to obtain a land lease fee of only a little more than 50,000 yuan, which included a land compensation fee that was never paid? The only explanation is that Shi Jun, Chen Wenxian and Lü Rongyuan were an interest group, a sinister gang that had operated through thick and thin for many years.

3) Shi Jun, Chen Wenxian, Lü Rongyuan and Liu Weilin became rich and powerful by selling state-owned land on a massive scale and laundering their ill-gotten gains.

In 1995, Chen Wenxian, village chairman and Party secretary of Hongqi Xiang, founded Jin Ma Company in Zigong City. Shi Jun, chairman of the Development Zone Management Committee, promptly transferred 500 mu of land to Chen as a development base. Chen Wenxian immediately invited his subordinates and relatives to become shareholders of Jin Ma Company, and succeeded in turning it into a limited liability

company managed jointly by officials and private entrepreneurs. Jin Ma Company was founded in 1995, but it wasn't until December 1997 that the Bureau of Commerce and Industry granted it a business license. The shareholder agreement makes it clear that the transfer of the 500 mu of land was carried out at the suggestion of the High Tech Manufacturing Development Zone Management Committee. Jin Ma Company had only five shareholders; Chen Wenxian was chairman of the board and legal representative, while the others were involved in name only to provide cover for the criminal deal whereby Shi Jun and Chen Wenxian had transferred 500 mu of land to Jin Ma Company.

After Hongqi Xiang was put under the administration of the development zone, the zone's management committee allotted 2,000 mu of land to Jin Ma Company to build an industrial park that would accommodate the relocated rural enterprises. But to date, not a single rural enterprise has been established in the "industrial park." Instead, Jin Ma Company has used these 2,000 mu of land to develop an exclusive neighborhood, "South Lake Villas." Chen Wenxian also built a 500 square meter villa for his own use and enjoyment, and Liu Weilin and Shi Jun let him do as he pleased.

Chen Wenxian's Dongchuan Trading Company, of which his son, Chen Gang, is titular owner, took over the three South Lake Villas engineering projects. Jin Ma Company paid Dongchuan Trading Company not in cash, but in land. It appears that Jin Ma Company transferred ownership of 40 mu of land to Dongchuan Company as a project fee. Using land to pay these project fees provided two big advantages: First, there was no need to make out project fee invoices, which made it possible to avoid paying a substantial sum in taxes. Second, it enabled them to fraudulently lower the value of the land. Forty mu of land is usually worth more than 10 million yuan, but this land transfer was valued at a little over 2 million yuan.

In addition to the business with the land mortgage, they also engaged in laundering their ill-gotten gains.

When Chen Wenxian's Jin Ma Company transferred the land, it naturally demanded a land lease fee and a compensatory payment. To launder their ill-gotten money and embezzle the land lease fee and compensatory payment, Chen Wenxian and his associates wrote no invoices themselves. Instead, they had the company of Liu Weilin, younger brother of Liu Youlin, write out the invoice. They thus killed two birds with one stone: First, Chen Wenxian was able to pay land lease fees that he had not collected or which he had already collected to Liu Weilin's Wang Jin Construction Company and Yantan Construction Company as project fees, and thus divert and launder his illicitly obtained land lease fees. Second, Wang Jin Construction Company and Yantan Construction Company were registered in Yantan district but paid no taxes to the Yantan tax bureau; rather, the Yantan tax bureau authorized a "quota tax" for them. Under these circumstances, although Wang Jin Construction Company and Yantan Construction Company wrote out invoices for more than 100 million yuan on behalf of Chen Wenxian, they paid hardly any tax, thus enabling Chen to launder money and evade taxes. Chen Wenxian thus obtained large sums of money in the form of land lease fees and compensa-

tory payments, and lined his pockets through the payments to Wang Jin Construction Company and Yantan Construction Company, and then shared the loot with Liu Youlin, Shi Jun and Liu Weilin. Once all of this becomes clear, it is not at all surprising that Chen Wenxian amassed huge amounts of wealth and property, as well as numerous mistresses, at the expense of the peasants who lost their land, homes and livelihoods.

What are the personal assets of Liu Youlin and Shi Jun? There is no way for ordinary citizens to tell, but one thing is certain: their private assets are at least as huge as Chen Wenxian's. These days, Chinese society is becoming criminalized. A great mass of government officials at all levels have formed into a special interest group for whom laws, regulations and government policies exist only in name. They control the machinery of the state in its public, police and judicial functions, and all of society's resources are allocated by them. Common people are utterly weak and powerless, and their only hope is that the central government will take a firm stand in making and implementing its decisions.

We have tried to report the Zigong City situation to the central government, the provincial Party secretariat, the provincial government, the municipal Party secretariat and the city government. CCTV and numerous news magazines have also reported the case, but it has all been to no avail. Liu Youlin, deputy secretary of the disciplinary inspection committee of Sichuan Province and head of the provincial procuratorate, has simply acted as Shi Jun's protector, fellow traveler and umbrella. What hope can weak and powerless citizens who have lost their land, homes and livelihood, hold out that the law will be enforced impartially?

Today we have been entrusted by the majority of honest Zigong City cadres and ordinary citizens to bring to light this scandal and report it to the authorities. It is our last and most fervent hope that the central government will take this report seriously and will take active measures to deal with the situation. We trust that the central government will not ignore the last hope of decent citizens and that it will certainly not let those unscrupulous and corrupt officials get off with impunity!

Peasants who have lost their land, homes and livelihood in the Zigong City High-Tech Manufacturing Development Zone, June 6, 2004.

Signed of their own accord by peasants of Hongqi Xiang, Zigong City, Sichuan Province:
 Liu Zhenyou, Sichuan Province, Zigong City, Da'an District, Hongqi Baiguo (I.D. # and fingerprint code provided)
 Xie Shuiming, Sichuan Province, Zigong City, Da'an District, Hongqi Baiguo (I.D. # and fingerprint code provided)
 [Followed by names of more than 4,000 other signatories]

Translated by Stacy Mosher and Paul Frank