

Children of party elite quick to prosper in China

FAMILY TIES / *Connections have always mattered, but never as much as today with decentralization and new economic opportunities abounding.*

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LATE last year, when Wang Jun opened China's first business club, in a skyscraper high above this city's glittering night lights, the elite flocked to sip champagne and offer congratulations.

But few exuded the warmth of Xiao Rong, the youngest daughter of China's paramount leader, Deng Xiaoping. While other guests politely shook hands with Mr. Wang, a gruff engineer-turned-financier, Ms. Xiao kissed him on one cheek, then prompted her 15-year-old daughter to "give Daddy a kiss" on the other.

Ms. Xiao and Mr. Wang aren't related, but their families are close. More than four decades ago, Mr. Deng and Mr. Wang's father fought in the revolution to bring communism to China. Their descendants remain tight: Wang Jun, who runs China International Trust & Investment Corp., or CITIC, is a business and golfing partner of Ms. Xiao's husband; Ms. Xiao's brother-in-law heads several CITIC subsidiaries; and Mr. Wang's niece works for Ms. Xiao's property company.

Family ties have always mattered in China, but never so much as today. In the so-called classless society of the past, one leader reigned supreme; everybody else lived in relative equality, which usually meant poverty. Now, with decentralization of control and growing economic opportunities, power in China is being diffused. As the nation is prospering, so are the children of the revolutionaries who founded the Communist Party.

This small group claims a major hold on the power, wealth and opportunity that elude most of China's 1.2 billion people. Members of these loose, family-based alliances lead lives of privilege: attending the right schools, making the right friends, securing the right jobs — and staying far from the limelight to avoid criticism of their lifestyles.

All this makes China's ongoing leadership transition look ever more like a shift from a dictatorship of one — Mao Tseung or Mr. Deng — to rule by a Latin American-style oligarchy of powerful families.

Clan members "feel the future China is theirs and they're using their networks to ensure it," said writer Dai Qing, whose adoptive father, the late Marshal Ye Jiaoping, was patriarch of a powerful clan in thriving Guangdong province. Such networks, Ms. Dai said, mean "you promote my son while I promote yours, and your bank helps my export company while my company helps yours."

Leading clans have a vital stake in keeping the country on the path of economic change — so long as it doesn't prevent them from profiting. Members of the big clans often are more open to the West, where many

studied or sent children.

Any Western company doing business in China is likely to deal with the top families, and some firms have already discovered the value of clan connections. CS First Boston Inc. employs the daughter of Communist Party propaganda chief Ding Guangren, while Smith Barney has hired the daughter of Vice-Premier Zou Jiahua. Even members of out-of-favour clans can be assets since they have inside knowledge of how China works; Margaret Ren, a daughter-in-law of former premier Zhao Ziyang, deposed during the Tiananmen Square crackdown, is managing director of Bear, Stearns & Co. in Hong Kong.

The right family name, however, isn't an iron-clad guarantee of success — or immunity from the law. Alleged economic crimes, for example, led to the downfall earlier this year of the Zhou Guanwu clan, which ran one of China's largest steel companies. Public anger runs deep over the privileges top families enjoy. And intraclass competition and conflicts make the families less a unified force than a loose grouping that could unite if their interest are threatened.

Though these may be the waning days of Mr. Deng, his family remains powerful, boasting a vice-minister and two corporate bosses. His daughter, Ms. Xiao, wields enormous influence as secretary to her ailing father, and his son, Zhifang, heads a fast-growing property company called Grand Development Co.

Since opening in 1991, Grand Development has expanded to 14 cities and taken roles in more than 100 real-estate projects. "People know our background, so they all want to do business with us," a company executive said. "We can get land no one else can. We can see officials no one else can."

A Hong Kong developer added: "When Zhifang goes to any city the mayor wants to see him. They'll give him first choice of good projects or they might let him pay later for a piece of land."

Now China's clans are seeking to institutionalize their power. They are using their privileges to get rich, an opportunity that didn't exist before the economic changes. They are placing their kin in government, party or military posts.

Take the case of Wang Bing, 57-year-old chairman of China Ocean Helicopter Corp. and the older brother of CITIC's Wang Jun. In the frenetic Shenzhen Special Economic Zone just north of Hong Kong, the official lunch hour has long passed when Wang Bing drifts into his chairman's office at China Ocean. He checks in only briefly each day, though he draws a monthly salary equivalent to a factory worker's annual pay. He has use of a sports car with driver and occasional access to

a company plane. The rest of the time, he said, he plays golf free at a local club — often with another brother who runs a big computer company — or hunts rabbits in Australia.

Life wasn't always so easy. Sitting in his office surrounded by model airplanes, he recalled the opposition China Ocean encountered when it was first set up in 1983 to break the monopoly over helicopter services held by the Civil Aviation Administration of China.

But other friendly families helped. Zhao Ziyang, the party chief later deposed, wrote a letter calling for "enthusiastic support of our company," Wang Bing said. An introduction by Marshal Ye, patriarch of the Ye clan, helped get China Ocean's first contract, with Occidental Petroleum Corp.

When China Ocean sought an additional shareholder in the late 1980s, CITIC, which is run by his brother, injected \$1.2-million for a stake.

Like the warlords who occasionally carved China into fiefs during its tumultuous history, some clans claim regional power bases. Most of the huge Ye clan have stayed — and prospered — in the south.

Seizing opportunities brought by a decade of blistering growth in the region, they have built a sprawling business empire with interests in real estate, telecommunications, air transport and jewelry.

The clan has deep roots in Guangdong, with the governor, the vice-governor and the mayor of Guangzhou among their friends. One of their closest ties is to the leader of another powerful clan, former Chinese president Yang Shangkun, who helped Marshal Ye's son, Xuanning, get the go-ahead to set up China Carrie Enterprises Ltd. Today, China Carrie is a large commercial arm of the capitalist-minded People's Liberation Army, with interests in trade and property.

The Guangdong clan is even elbowing its way into the neighbouring British colony of Hong Kong and the Portuguese enclave of Macau. Ye Xuanning's son Xinfu has interests in one of its biggest jewelry chains and an up-and-coming merchant bank, PW Asia (Holdings) Ltd.; another Ye owns a huge apartment in Hong Kong with a dozen servants and a fountain in the living room, according to a visitor.

To maintain their power and privilege, China's clans also seek high party, government and military posts.

The main goal of clan politicians, a person who has worked for them said, is "to transform the Communist Party from a revolutionary party to a ruling party." That means building a stable, prosperous China under a strong central government.

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