

## Shumchun in smuggling fiddle

# \$4.3m tax racket exposed

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China yesterday announced that it had exposed a HK\$4.3 million smuggling and tax evasion racket involving the Shumchun branch of a national import and export corporation.

The racket is said to involve huge quantities of television sets, radio cassette recorders and watches.

China also claimed that "foreign businessmen" had colluded with the racket by providing false invoices to the Shumchun customs.

While it did not say who the businessmen were, observers believe some Hongkong

people may be involved as well.

A People's Daily article and editorial also named two leading members of the branch office as the main culprits and seriously questioned the attitude of the local government in allowing the racket to go on.

The racket was broken only after a special committee from the party Central Commission for Inspecting Discipline was organised, believed at the direction of the party Vice-Chairman, Mr Deng Xiaoping, and went south to investigate the matter.

The two leading members of the branch office have since been relieved of their jobs and are now being detained for investigation.

Other people are also believed to be involved and it may take months before the case is cleared.

Similar cases may also be exposed in the ongoing investigation in the special economic zone.

The branch office is that of the China National Electronics Technology Import and Export Corp., which comes under the control of the Fourth Ministry of Machine-Building Industry of the State Council.

This is the first time that a major smuggling racket in Shumchun has been exposed by the Peking authorities.

The fact that the People's Daily published an editorial on the case, which was also issued by the New China News Agency, reflects the seriousness with which the Peking authorities view the rampant smuggling and corruption in coastal provinces, observers said.

The case came to light as Peking announced the new Criminal Code, which also regulates economic crime, providing much heavier penalties, including the death sentence.

A separate People's Daily article called on those officials guilty of such offences as corruption and smuggling, to surrender themselves before May 1, one month after the new law comes into effect.

They will then be dealt with in accordance with the current, less severe, law, the newspaper said.

The Shumchun racket involved the import of TV sets, radio cassette recorders and watches.

So huge was the quantity (cassette recorders alone numbered 24,000 sets) that in the nine months from January to September last year, the tax evaded amounted to 1,240,000 yuan (about HK\$4.3 million), the newspaper said.

The two men named were Zhou Zhirong and Xu Zhiliang.

The case was apparently suppressed until December when "the leading comrade in the party centre" directed that a special committee be set up to investigate.

The newspaper did not disclose who "the leading comrade" was but observers believe it was Mr Deng, who himself was in Canton in mid-January.

It was while he was in Canton that another serious smuggling case, involving the head of the Canton Postal Department, Wang Weijin, was dealt with.

At that time a local left-  
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wing newspaper reported that Mr Deng might also be visiting Shumchun.

It is not known whether he actually visited the special economic zone.

Apart from the two main "ringleaders," it appears that the whole branch office was implicated.

And several senior members of the Shumchun municipal government could also have been questioned.

An indication of this came recently in reports that lately there had been a reorganisation of the leadership in the special economic zone and several leading members have been removed in what was described as streamlining the local government.

The People's Daily editorial said both Zhou and Xu were members of an organisation charged with the responsibility of developing the country's electronics industry.

What they had done dealt a severe blow to that industry. "This is most shocking," it said.

The main task of the Shumchun branch was to handle imports and exports of electronics products.

"But this branch flouted the business plans, indulged in speculation with the foreign exchange in its possession and engaged in large-

scale smuggling."

In the first nine months, there were at least nine such smuggling activities. It was on the ninth occasion that customs uncovered and seized 5,000 radio cassette recorders.

The tax evaded on the goods imported or smuggled in totalled 1,240,000 yuan (about HK\$4.3 million), the report said.

The "racketeers" used several methods to evade tax.

Some of the goods were imported in accordance with customs regulations.

But the goods were either under false descriptions or fake import purposes so that the tax would be much less.

The branch was also accused of collaborating with foreign businessmen who issued two sets of invoices, one for customs purposes and the other to obtain bank credits.

There were also instances of deliberately falsifying the date of the order, the newspaper said.

In its editorial, the People's Daily questioned the attitude of "responsible members" of the local authorities and organisations in allowing the Shumchun branch to carry on their illegal activities.

"Is it because such authorities and organisations, in ignoring such criminal acts

and even protecting such activities, are unaware or unclear of the policies? Definitely not!

"There is a very clear distinction in the policies laid down. They (the organisations concerned) have placed the interests of the region and their own interests above those of the nation, openly flouted the law and policies of the state, and supported smuggling, tax evasion and speculative activities.

"This is where the crux of the matter lies!"

Observers said widespread smuggling and other economic malpractices have been common knowledge for some time since Guangdong and Fujian were given economic autonomy in dealing with foreigners.

In the past year, several cases have been reported. But this is the first time that a whole branch of a national organisation has been implicated and the attitude of the local authorities questioned.

Meanwhile, Radio Peking announced the arrest of the director of the cultural bureau of Hangzhou, Sun Xiaoguan, for corruption.

Sun, who has since been expelled from the party, was said to have taken for his own use a large quantity of priceless arts and crafts.

The radio said Sun would be dealt with in accordance with the law.