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China Insists Party Elites Shed Overseas Assets, Eyeing Western Sanctions on Russia

An internal Communist Party directive bars senior officials from owning property abroad or stakes in overseas entities, whether directly or through spouses and children

By *Chun Han Wong* [Follow](#)

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HONG KONG—China's Communist Party will block promotions for senior cadres whose spouses or children hold significant assets abroad, people familiar with the matter said, as Beijing seeks to insulate its top officials from the types of sanctions now being directed at Russia.

The ban, outlined in an internal notice by the party's powerful Central Organization Department, could play a role in Chinese leader Xi Jinping's efforts to increase his influence at a twice-a-decade leadership shuffle scheduled for later this year.

Issued in March, the directive prohibits spouses and children of ministerial-level officials from holding—directly or indirectly—any real estate abroad or shares in entities registered overseas, the people said.

Senior officials and members of their immediate families would also be barred from setting up accounts with overseas financial institutions unless they have legitimate reasons for doing so—such as study or work—the people said.

It isn't clear if the rules apply retroactively, but family members of some senior officials have sold shares in overseas companies in order to comply, the people said. It isn't known if the directive will be made public.

The directive came as Mr. Xi seeks to minimize geopolitical risks for the Communist Party amid concerns that officials with overseas financial exposure could become a liability if the U.S. and other Western powers impose sanctions against Chinese leaders and their

relatives, similar to what was done against Moscow following Russia's invasion of Ukraine, the people said.

“Leading cadres, especially senior cadres, must pay attention to family discipline and ethics,” Mr. Xi told the party's top disciplinary agency in January. Officials must “lead by example in managing their spouses and children properly, being a dutiful person and doing things in a clean way,” he said.

The Central Organization Department didn't respond to a request for comment.

Officials must sign pledges declaring compliance with the new rules, a requirement that would give Mr. Xi more leverage over the political elite ahead of the party's 20th national congress, which is set to take place late this year.

Mr. Xi is expected to secure a third five-year term as party chief at the congress while packing his leadership bench with more trusted associates, in an effort to shore up his status as China's most powerful leader in decades. The compliance pledges would give Mr. Xi leverage over any official found violating the overseas-assets rules, as the offending cadre would become liable for serious offenses like disloyalty and dishonesty to the party.

Since taking power in 2012, Mr. Xi has waged a high-profile campaign to fight corruption and curb displays of extravagance among officials, saying that the party faced an existential battle against moral decay within its ranks.

In 2014, the party said it discovered some 3,200 “naked officials” who sent spouses and children abroad and stashed financial assets overseas and demoted about a third of them, citing their seniority and their families' refusal to return to China. Beijing has also gone after offshore assets linked to economic fugitives, as part of its “Fox Hunt” and “Sky Net” campaigns against alleged white-collar criminals and corrupt officials.

The party has demanded greater financial disclosure from its cadres over recent decades, albeit only to internal monitors. The requirements still fall short of a so-called sunshine law, as advocated by some scholars, which would require officials to publicly declare their personal assets. The party introduced rules in 1995 that required leading cadres to report their income and has since added regulations asking officials to disclose more personal and financial information, including details of their spouses' and children's employment, as well as real estate and investment holdings.

In the early 2010s, public debate over wealth-disclosure requirements for officials evolved into a series of protests by activists demanding greater transparency into the family assets of senior officials. Authorities later arrested many members of the campaign.

China's mounting tensions with the West have fueled concerns that any financial exposure that senior Chinese officials have overseas could be used as leverage against Beijing, particularly after seeing how the U.S. and European governments unleashed far-reaching sanctions against Russia after its Ukraine invasion, some of the people said.

China doesn't prohibit its citizens from setting up or investing in offshore firms, which can serve legitimate purposes but have also been used to evade taxes and funnel illicit funds abroad. Relatives of party officials are known to have used offshore companies to hold assets.

In 2016, the International Consortium of Investigative Journalists issued a report that linked the relatives of two senior party leaders—both since retired—to offshore commercial activities conducted through law firm Mossack Fonseca & Co., citing a leaked trove of documents known as the “Panama Papers.”



The consortium reported the names of members of elite party families identified as directors or shareholders of offshore companies, including a brother-in-law of Mr. Xi, as well as relatives of Mao Zedong, former party chief Hu Yaobang and former Vice President Zeng Qinghong. The report didn't accuse any individual or organization of wrongdoing.

The U.S. has imposed sanctions on a number of Chinese officials in recent years, including freezing any U.S.-based assets they may control, citing their alleged roles in directing

rights abuses in the northwestern region of Xinjiang and suppressing civil liberties in Hong Kong. Targets included two members of the party's 25-member Politburo, specifically Wang Chen, a senior official in China's legislature, and Chen Quanguo, the Xinjiang party chief from 2016 to 2021.

In April, U.S. Deputy Secretary of State Wendy Sherman said she hoped Beijing "takes the right lessons out of the Russia-Ukraine crisis," suggesting that the West would impose heavy sanctions on China should it use military force against the democratically self-governed island of Taiwan, which Beijing claims as its territory. Chinese Vice Foreign Minister Le Yucheng insisted that "China won't be scared" by the threat of sanctions similar to those applied against Russia.

"What kind of storms haven't we weathered in the more than 70 years since the founding of 'new China,'" Mr. Le told a forum. "Not only has China not collapsed, but it is still thriving and developing at a rapid speed. What else should we be afraid of?"

