Another turn of the screw
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The detention of Fosun's boss shows that even China's biggest tycoons are no longer safe from the regime's crackdowns

THE three-year crackdown overseen by President Xi Jinping against corruption and other threats to the leadership of China's Communist Party has taken aim at many targets: senior party figures and officials, the bosses of state firms, civil-rights activists, labour organisers and human-rights lawyers. This week in Beijing, outside the trial of Pu Zhiqiang, a free-speech campaigner, diplomats and foreign journalists were among those manhandled by organised goons. Until now, however, one group of Chinese citizens had seemed immune from such harassment: the country's self-made, private-sector billionaires.

But over the past week, Guo Guangchang (pictured), the chairman and majority shareholder of Fosun, one of China's most successful and globalised private conglomerates, suddenly disappeared and then just as mysteriously reappeared, having apparently been held for questioning by the judicial authorities in the interim. No official explanation has been given for his detention. That such a thing can now happen to one of China's most popular business figures--someone who accompanied Mr Xi on his recent state visits to Britain and America--should serve as a warning to investors that the regime's crackdown may now start to menace private businesses.

On December 10th local press reports suggested that Mr Guo had been bundled into hiding by security officials as he got off a plane in Shanghai. Fosun claimed its missing boss was merely "assisting" the authorities with an investigation, but still asked for its shares briefly to be suspended from trading. That sent ripples across the globe, since Fosun now has billions of dollars invested in prominent firms and buildings in Europe and America. After a nerve-racking weekend, Mr Guo reappeared at an internal company conference on December 14th, but offered no explanation for his absence.

Fosun said that, in its directors' opinion, the inquiry that its boss is helping with did not threaten any "material adverse impact" on the firm's finances or operations. But if the company were to become the focus of any corruption investigation, the blow could be devastating. Although the firm has a history of sound management, it has splashed out to buy insurance companies and banks outside China, and spent a further fortune purchasing foreign firms--from jewellers to holiday-resort operators--with brands that it can peddle to the country's rising middle classes. In a report issued on November 30th, Standard & Poor's (S&P), a credit-rating agency, gave the firm its lowest grade in the category of "financial risk".

It may turn out that Mr Guo was simply giving evidence to an inquiry into corrupt officials, and is not himself under any suspicion. Even so, the high-handed treatment of such a prominent business figure is worrying. It is not just a reminder of the lack of due process and transparency in China's weak and politicised legal system; it also sends a message that the party can do what it likes, to whomever it likes.

T.J. Wong of the Chinese University of Hong Kong Business School points out that what he calls the "original sin" of Chinese private business provides a mechanism for the party leaders to take down any tycoon they choose to. Thanks to Mao Zedong's destruction of capitalism and the rule of law, most private businesses got started in legal limbo. "A lot of assets did not have defined property rights, and tax rates were often negotiated," notes Mr Wong. So even if an entrepreneur is not corrupt, there will be enough ambiguity in his past to paint him as a crook if that suits the leadership.

The risk posed by such an event is greater for investors in private firms than for those in state-backed companies. The guanxi (web of connections) of a state firm remains even if its boss is removed, but if the founder of a private firm is arrested, its guanxi may simply evaporate.

Already, this episode has jeopardised Fosun's bids for Phoenix Holdings, an Israeli insurer; BHF Kleinwort Benson, a British merchant bank; and Hauck & Aufhauser, a German private bank. On December 14th S&P warned that "an extended investigation of Mr Guo could potentially have a negative impact on the company's access to funding." The next day Moody's, another credit-rating agency, applied a "negative outlook" to the debt of Fosun International, the group's main listed arm--that is, it gave warning of a potential downgrade of its rating.

China's leading tycoons are now rushing to pledge loyalty to Beijing. This week Mr Xi hosts the World Internet Conference in Wuzhen, a pleasant river town in eastern China. Despite its name, the three-day event is not a celebration of the joys of the borderless internet. Rather, it is meant to promote China's view of "internet sovereignty", which Balkanises the web and throttles free speech. Predictably, a rogue's gallery of political leaders from illiberal states--Russia, Pakistan, Kazakhstan, Kyrgyzstan and Tajikistan--have confirmed their attendance. More to the point, so too have the founders of China's top internet and technology companies, from Alibaba to Xiaomi.

Indeed, the clearest sign of the current pressures on the private sector comes from Jack Ma, Alibaba's boss and the most visible of all Chinese tycoons. Mr Ma has long avoided political controversies, saying that he much prefers to date government than to marry it. So it came as a surprise when Alibaba confirmed recently that it was buying the South China Morning Post, a 112-year-old English-language paper in Hong Kong. The paper's vigorous reporting of the city's political protests has greatly upset Mr Xi's censors, who have blocked such content from readers on the mainland.

Will Mr Ma prove the saviour of free speech in Hong Kong? "Trust us," he says. But on December 11th, after securing Alibaba's bid for the paper, the firm let it be known that its leadership stands firmly with the censorious mainland regime. Joseph Tsai, Alibaba's vice-chairman (a sophisticated Taiwanese-Canadian with a Yale law degree), complained in uncharacteristically boorish language that Western media merely see China "through the lens that China is a Communist state and everything kind of follows from that." An "independent" editorial team at the Post, he vowed, will present things "as they are". But China is, in fact, a Communist state and, as the Fosun affair makes plain, things do very much follow from that.