

COVER STORY

The Missing Mogul

One tycoon's story of the cost of doing business in China.

BY DESMOND SHUM — SEPTEMBER 5, 2021



Illustration by Tim Marrs

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Editor's Note: Just after The Wire published this story, Desmond Shum said in an [interview with NPR](#) that Whitney Duan, his ex-wife who he had not heard from in four years, called to press him not to go ahead with publication of his book, [Red Roulette](#). She had disappeared and had likely been arrested by the state on corruption charges. Their 12-year-old son had not heard from his mother in four years, until the call over the weekend. Desmond suspects she is still in detention but is being pressured by the Chinese government to stop publication of his book. Here is Desmond's story.

On September 5, 2017, Whitney Duan, age 50, [disappeared](#) from the streets of Beijing. She was last seen the day before in her sprawling office at Genesis Beijing, a development project she and I had built that was worth more than \$2.5 billion. There, cocooned in a work space that visitors reached after running a gauntlet of security guards, meticulously landscaped gardens, and a dozen varieties of Italian marble, Whitney had masterminded real estate projects worth billions more. And now suddenly she was gone.

Whitney Duan¹ was my wife and business partner for more than a decade. By that point, we were divorced, but for many years we'd been close collaborators and confidants and together had enjoyed the wildest of rides. We'd achieved our shared dream of doing great things in China for China. Coming from poverty, we'd been seized with a desire to make something of our lives. We were awed by our own success. We'd built the Beijing Airport Cargo Terminal, one of the biggest logistical hubs in the world. We'd conceived and constructed the Bulgari Hotel, the swankiest hotel in China's capital. We'd done stock deals that netted us hundreds of millions of dollars. We'd operated at the center of power in China, cultivating premiers, high-ranking members of the Chinese Communist Party, and their families. We'd counseled the up-and-coming officials who had all of China in their grasp. We'd pushed for social and

political changes to make China a better place. By doing well, we believed we could do good.

But now she'd disappeared. From my home in England, I called people in the company we'd founded and learned that Whitney wasn't the only one to have vanished. Two senior executives in her firm — along with a junior assistant who doubled as a housekeeper — were also missing. None have been heard from since. I'd only just left Beijing in late July, having dropped off our son for a summer with his mother. I wondered: Might I have disappeared, too, if I'd stayed a few more weeks in China?



Duan and Shum's business empire. Left: The Genesis Beijing; right: the Bulgari Hotel, both conceived and developed jointly by the couple. Credit: Courtesy of Desmond Shum

Unexplained disappearances occur regularly in China, where the Communist Party holds a monopoly on power. Despite legal protections enshrined in China's constitution, Party investigators flout those rules to seize anyone on the flimsiest of pretexts and hold them indefinitely. These days, Chinese Communist operatives even perform snatch-and-grab operations overseas, targeting newspaper publishers, businessmen, booksellers, and dissidents. You've heard about America's extraordinary rendition of terrorist suspects. Well, this is China's version.

Whitney always used to say, "If you pulled my corpse out of my coffin and whipped it, you'd still find no dirt." She is (or was) as strong headed as they come, and she had been extraordinarily useful to her friends. She'd arranged for promotions for scores of people inside the Chinese Communist Party and the government. She'd managed their careers and spent countless hours strategizing with them about the next move.

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But as I tried all our contacts in China to figure out what had happened to Whitney, nobody had any answers. People were so worried about being ensnared by her case and so afraid of the Party's Central Commission for Discipline Inspection — which I've concluded is the organization that is holding Whitney — that they were unwilling to lend a hand. The more I asked around, the more I realized that every relationship formed among those who work within the Party system is saturated by calculations of benefit and loss.

As I thought frantically about what to do, what clever approach would deliver back to my son the mother who'd gone missing and the ex-wife who'd had such a transformative effect on my life, I reflected on the years-long series of incredible events that had led to this. When Whitney disappeared, her net worth vastly exceeded what either of us might have imagined back in the early days of our relationship. A woman of outsize talents in a patriarchal society,

she'd played the roulette-like political environment of the New China with unparalleled skill, parlaying an alliance with the family of a political titan into almost unimaginable success. She'd understood the real China, until she didn't.

THE DINNER

I met Whitney in the winter of 2001, when the private equity firm I was working for visited her company's Beijing office to discuss a merger. At five-seven, Whitney was tall for a Chinese woman, and she was introduced to me as Duan Zong, or "The Lady Chairman Whitney Duan." Clothed in a Chanel suit with an Hermès bag, she talked fast and brooked no dissent. It was impossible to get a word in edgewise. I had never before encountered such an independent-minded female entrepreneur.

We were both in our mid thirties, but I was racked with self-doubt. Though I was born in Shanghai, I had been raised in Hong Kong and educated in the United States. Returning to the mainland to do business, I constantly felt out of step, like an alien who had landed on another planet. Whitney, on the other hand, knew personally the officials whom I'd only read about in newspapers. She conveyed an image of affluence and success, and I wanted to be like her.

We started dating, and bonded over our ambition and mutual desire to leave something behind, to make a mark on China and the world. Our romance was underpinned by a logical pragmatism, the calculation that, with my familiarity with numbers and Western culture and her knowledge of China's political landscape, we could be more successful together than apart.

In 2002, after we had been dating for some months, Whitney said that before we moved to the next stage in our relationship, she needed to get our union endorsed by a special friend — an important elder whom Whitney said she respected enormously. On a late-summer evening, we met the friend for dinner at the trendy Cantonese restaurant, Yue Ting, in the basement of Beijing's Grand Hyatt hotel.

The hotel was a testimony to China's idea of itself in the 2000s — somewhat garish and a little over-the-top. Among the clientele were representatives of the two Chinas that coexisted in Beijing. One was newly rich and comically flamboyant. Men who intentionally left the tags on their jacket sleeves to show off the brands. The other China, the official China, avoided flash to escape unwanted attention and potential jealousy.

I had no idea who we were hosting — Whitney told me that she'd only reveal the elder's identity after the meal — but I knew that it was going to impact our future. Shortly before 6:30, we headed to the lobby's front door to await our guest. A chauffeured black BMW rolled up and out stepped a rather plain-looking middle-aged lady in a blue Max Mara outfit offset by a floral scarf. Whitney introduced her to me as Zhang Ayi, or "Auntie" Zhang, using the endearingly respectful Chinese appellation for an older woman. Auntie Zhang had a welcoming smile that put me immediately at ease, and as we dined on steamed grouper and stir-fried Chinese broccoli, she peppered me with questions about my background.

As the meal drew to a close, I still couldn't guess who she was. Early into the banquet, I'd discounted the possibility that she was a high-ranking official or married to one. To my mind, those types moved differently than us commoners and spoke a peculiarly stilted form



Whitney Duan in Tiananmen Square, undated. Credit: Courtesy of Desmond Shum

of Mandarin sprinkled with buzzwords like “the organization” (for the Communist Party). Auntie Zhang seemed well-to-do, for sure, and self-confident, but she was approachable and comfortable in her skin.

Only after Auntie Zhang’s car had eased into Beijing’s nighttime traffic did I learn that Auntie Zhang was Zhang Beili, the wife of one of China’s then vice premiers, Wen Jiabao. It was an open secret that Wen was going to succeed Zhu Rongji as China’s next premier in 2003, meaning that Wen would soon become the head of China’s government and the second most powerful man in the Chinese Communist Party. And Whitney was friends with his wife. I was floored.



Zhang Beili, wife of former premier Wen Jiabao. Credit: Aboluowang

Whitney had met Auntie Zhang in 2001, some two years after Whitney had arrived in Beijing. Auntie Zhang had just turned 60 and her husband was the vice-premier in charge of managing China’s entry into the World Trade Organization. Whitney had been invited to a girls’ night out that Auntie Zhang had also attended. That evening, Whitney’s magnetic personality had been on full display. She’d quoted from the classics and thoroughly charmed Auntie Zhang who told Whitney to call her “Auntie,” a sign she was willing to consider a more personal relationship.

The two started to meet regularly, and Whitney became Auntie Zhang’s closest female companion. Hundreds of people wanted to get close to Auntie Zhang, but Whitney bested them all. Before Auntie Zhang realized she even required something, Whitney provided it.

Whitney was a master at teasing out the details of other people’s lives, and she soon discovered why Auntie Zhang didn’t exude the phoniness so common among the wives of other Chinese officials. For one, she wasn’t a child of the red aristocracy. Her parents were commoners, so she hadn’t grown up cared for by nannies, eating food from a dedicated supply chain, and attending elite schools as had the offspring of Party luminaries. In addition, Auntie Zhang had had her own career as a trailblazer in China’s jewelry industry before her husband’s rise forced her to take a backseat.

She had met Wen Jiabao in 1968 in Gansu province while she was a graduate student in geology and he was leading a geological survey team. Word has it that Auntie Zhang, who was Wen’s senior by a year, pursued Wen. She was outgoing and liked to sing and dance, and she won his heart by regularly surfacing at the door to his dormitory, offering to do his laundry. A serious-minded bookworm, Wen was attracted to her bubbly personality and love of adventure.

As Wen shifted his focus from geological work to politics, Auntie Zhang became her husband’s chief cheerleader and adviser. Her spirited disposition and willingness to take risks complemented his introverted, cautious nature. In 1985, after a stint as deputy minister of geology, Wen got a huge promotion to deputy director of the General Office of the Central Committee of the Chinese Communist Party — the main gatekeeper of all Party functions, somewhat akin to the office of the White House chief of staff. In 1986, he became director, which is known colloquially as China’s “chief eunuch,” a throwback reference to China’s imperial past when castrated males constituted the backbone of the administrative workforce inside the Forbidden City.



Then-Chinese Premier Wen Jiabao toasts the guests marking 63th anniversary of the founding of the PRC, September 2012. Credit: Lintao Zhang/[Getty Images](#)

Wen would direct the General Office for the next seven years, serving not one but three “emperors”: Communist Party general secretaries Hu Yaobang, Zhao Ziyang, and, finally, Jiang Zemin. During normal times it would have been quite a feat to work for three Party chairmen, but during this period of political turbulence it was nothing short of herculean. Party elders purged Wen’s first two bosses for failing to crack down on student demonstrators. After the army’s assault on Tiananmen Square in 1989, hard-liners picked his third boss, Jiang Zemin.

Wen’s personality had saved him. More so than most officials, he stayed in his lane. He hewed to the rules of the Chinese power structure and had no desire to upset the status quo. To get to his position, he obviously had to have ambition, but it was a restrained type of ambition that didn’t threaten his comrades at the Party’s heights. In 1998, China’s then premier Zhu Rongji moved Wen from his Party post to a top government position as a deputy premier. With Zhu Rongji terming out in March 2003, Wen was the natural compromise candidate to replace him.

At the time of our Grand Hyatt dinner, Whitney and Auntie Zhang were in an early stage of business collaboration. Whitney had already brought in people with ideas to meet with Auntie Zhang. But they’d yet to settle on a way forward. With our dinner, Whitney was introducing Auntie Zhang to a prospective partner. They didn’t know exactly how we’d ultimately work together, but they needed to be convinced that I’d be a good fit. Did I possess the necessary business acumen to complement Auntie Zhang’s political heft and Whitney’s networking flair? Could I be trusted, completely and totally?

A few days after the Grand Hyatt banquet, Whitney reported back: “Auntie Zhang says you’re not bad.” I’d passed the test.

THE DEALS

Auntie Zhang’s desire to remain engaged in the wider world wasn’t really for the money; she’d already made a decent chunk from her earlier career in the diamond business and, given her husband’s position as a top Party official, the rest of her life was going to be comfortably subsidized by the state. (In 2005, the Party paid out \$12 million to each family of a former National Leader.)

For Auntie Zhang, we concluded, it was the thrill of the chase. With Wen Jiabao poised to become China’s premier, she wanted to carve out her own sphere of influence and not wither on the sidelines as an irrelevant appendage to her husband’s career. She saw herself as

creating a new industry in China. Like us, she was seized by a desire to do something extraordinary.

Whitney and Auntie Zhang had a verbal agreement that Auntie Zhang would get 30 percent of any profit from our joint enterprises, and we and any other partners would share the remaining 70 percent. In theory, the Wens were responsible for putting up 30 percent of the capital as well, but they rarely did. In the few instances that they provided capital, it was always after the project was a sure bet. Auntie Zhang never took any risk, so we deducted their investment stake when we distributed the profits. Nothing was on paper; it was all done on trust.

In the fall of 2002, a few months after I'd passed my test with Auntie Zhang, Whitney got a tip from a contact at the China Ocean Shipping Company (COSCO) who said the company wanted to sell a portion of its stake in Ping An Insurance Company, one of the few companies in China licensed to offer a full suite of financial and insurance services. It had been a difficult year for COSCO's shipping business, and facing a cash crunch, its CEO wanted to sell a small part of COSCO's stake in Ping An to dress up the firm's balance sheet.

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Whitney approached the CEO, Wei Jiafu, and expressed interest. Wei wasn't averse to selling to Whitney and, by extension, the Wen family. He didn't have any specific demands at the time, but for an executive at a state-run firm, getting on the good side of the premier's family might serve his purposes later on. Wei wanted to sell 3 percent of Ping An; we figured we could buy 1 percent of the company and thought Auntie Zhang would be interested in the remaining 2 percent. As this was going to be our first transaction with Auntie Zhang, and a one-shot investment to boot, it didn't follow the 70-30 template. Besides, we lacked the capital to take more than one-third of the allotment.

In December 2002, Whitney purchased 3 percent of [Ping An](#) from COSCO for \$36 million. Under the terms of our deal, the Wen family would take two-thirds of those shares and Whitney's company, Great Ocean, would get the remainder. Whitney, Auntie Zhang, and I determined that all of our combined shares would be held in Great Ocean's name to avoid public scrutiny of the Wen family.

Notably, no one in the family thought to inform its most powerful member, Wen Jiabao, what was going on with Ping An or any other deals. While other families of high-ranking Party members cashed in on their political influence, Auntie Zhang conducted her business essentially without Wen's knowledge or implicit support. Neither Whitney nor I believed that Premier Wen was fully aware until very late that his family members had become billionaires. When Auntie Zhang came home with a fat rock on her finger or a priceless jade bracelet, Wen would admire it with the eye of a geologist, not of a seasoned jeweler. Wen had never checked out an Hermès store and had no idea that a handbag could cost \$10,000 or more. There was something in him that recalled George H. W. Bush's 1992 visit to a grocery store and his puzzled reaction to a barcode scanner.



Ping An Group's initial public offering on the Hong Kong Stock Exchange, June 2004. Credit: [Ping An Group](#)

As I think back on the Ping An deal, I can't really say it was corrupt. Although [The New York Times](#) would report in 2012 that the price we paid was lower than others, we actually paid the same price as two other shareholders who bought in at the same time. COSCO's sale to us also wasn't too dissimilar from deals like this overseas. Private sales of stock in unlisted firms are not done publicly. A large Chinese state-owned enterprise is not going to announce that it wants to sell one of its investments to dress up its balance sheet and then offer the shares in a public auction. Only people within a limited network are going to get wind of it — no matter whether the deal is done in Beijing, London, or New York.

When Ping An listed on the Hong Kong Stock Exchange in January of 2004, the share price jumped to eight times what we paid for it. We'd invested \$12 million, and all of a sudden we were looking at almost \$100 million. I wanted to sell at least a portion of our shares to pay back the bank loan we'd used to buy them. But we were legally banned from selling our shares on the Hong Kong market because of China's controls on the movement of capital.

Then, on March 1, 2007, Ping An listed on the Shanghai Stock Exchange, opening up the possibility that we could sell our shares. At the time, we were deep in the hole on another project — the Beijing Airport Cargo Terminal — and selling our shares meant we could use more of our own capital to save it. So, six months after Ping An listed on the Shanghai Stock Exchange, we sold and cleared a profit of over \$300 million, about 26 times our initial investment.

Auntie Zhang's stake was worth double ours with a potential profit above \$600 million. But she didn't sell. Worried that so much of her family's fortune was technically owned by Whitney's company, Auntie Zhang decided instead to transfer the name on the stock from Whitney's company to that of Wen Jiabao's mother — a retired schoolteacher with no source of income other than a government pension. That move would prove to be a fateful mistake.



Duan and Shum together in 2004. Credit: Courtesy of Desmond Shum

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Desmond Shum, who was born in Shanghai and raised in Hong Kong, developed the largest air cargo logistics facility in China, the Beijing Airport Cargo Terminal. He also led the development of the Bulgari Hotel in Beijing. His new book [Red Roulette](#) comes out on September 7th, 2021.

COVER STORY



Pole Position

BY EYCK FREYMAN

In public, Chinese diplomats and climate negotiators deny that they see any link between climate change and geopolitics. But there is a deeply cynical consensus within China's academic and policy communities that climate change creates geopolitical opportunities that China can exploit — and must exploit before its rivals do. Greenland was the proof of concept for this strategy. And it caught the U.S. flat-footed.

THE BIG PICTURE



Transsion's Triumph

BY GARRETT O'BRIEN

A look at Transsion's monumental growth, unique marketing strategies and future growth potential.

Q & A



Jörg Wuttke on China's Self-Destruction

BY ANDREW PEAPLE

The EU Chamber of Commerce in China president talks about China's self-inflicted problems; how he gets away with being so outspoken; and why he believes in China's comeback gene.



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