vinetur

Fall of a Chinese Wine Empire in Bordeaux

Chinese Investor's Bordeaux Châteaux Confiscated in Corruption Probe

Saturday, May 25, 2024



Qu Naijie in court

The quiet vineyards of Bordeaux have been rattled by a recent verdict from a Parisian court against Qu Naijie, the founder of the Chinese conglomerate Haichang Group. At 63, Qu has been handed a three-year suspended prison sentence, slapped with a €1 million fine, and had nine of his Bordeaux châteaux, valued at about €35.5 million ($38.4 million), confiscated. The case has unveiled a tangled web of corruption that has sent shockwaves through the region's wine industry.

Qu Naijie was no stranger to Bordeaux. In partnership with Christian Delpeuch, former president of the Bordeaux Wine Council (CIVB) and ex-director of the wine merchant Ginestet, Qu acquired 27 Bordeaux wineries in just four years starting in 2010, pouring in $67 million. Delpeuch's expertise in vineyard management enabled Qu to snap up properties that were struggling or on the brink of decay, whose owners were eager to sell.

These wineries weren't the ones making headlines in the American market. They were estates that had difficulty finding consumers in Europe or America but could be rebranded to appeal to the then-booming Chinese market. During this period, other wealthy Chinese investors like Jack Ma of Alibaba, real estate mogul Pan Sutong, and movie star Zhao Wei were also making significant inroads into Bordeaux's vineyard landscape.

Qu's fortune originated in the oil trade, but he diversified into chemicals, plastics, diamonds, real estate, and theme parks. His ambition knew no bounds: he aimed to forge a commercial and cultural link between his hometown, the industrial port of Dalian, and Bordeaux. To this end, he embarked on building an elaborate château-themed residential community in Dalian, complete with a vineyard and a vast cellar to store and sell Bordeaux wine.

The project was announced with much fanfare in 2011 at the Bordeaux Chamber of Commerce and Industry (CCIB), with wine merchants and officials from Bordeaux and Dalian in attendance. Qu, who kept a low profile publicly, was in the audience, letting officials and consultants take center stage.

Qu also sought to boost wine tourism in Dalian. Inspired by the success of the Hong Kong Wine and Dine Festival, a version of Bordeaux's popular wine festival co-organized with the CCIB, the CIVB, the Bordeaux Tourism Office, and various wine promotion associations, Qu invited the CCIB to host a similar event in Dalian.

Political Shifts in China and Emerging Troubles

The problems began after the inaugural festival. Collaboration weakened, and other warning signs emerged when Delpeuch legally distanced himself from Qu's properties. Media reports highlighted labor practices that violated French law.

The situation became more complex with political changes in China. When Xi Jinping took office in 2013, he launched a high-profile anti-corruption campaign. Arrests, property seizures, disappearances, and even executions became common. While the economic boom enriched ordinary citizens, many close to the government amassed vast fortunes.

In 2014, China's National Audit Office issued a damning report on companies involved in corruption, including Haichang Group. It revealed that Haichang and another Dalian firm had diverted 268 million yuan (over $30 million at the time) of government funds intended for foreign investments in science and technology to purchase Bordeaux vineyards. These funds, part of China's strategy to acquire key overseas assets, were meant to bolster the country's economy by securing essential resources, manufacturing, and infrastructure. Agriculture, broadly defined, fell under this category.

No arrests or trials were reported in China, but Qu vanished from public view. Meanwhile, the audit report caught the attention of French investigators at the Interregional Directorate of Judicial Police in Bordeaux.

The Investigation and Legal Battle

French investigators uncovered offshore companies in the British Virgin Islands and a loan from the Chinese bank ICBC in Paris secured with falsified legal documents. They found numerous violations, which led to the seizure of several of Qu's châteaux in 2018. The Central Office for the Repression of Major Financial Crime joined the investigation. Attention also turned to Qu's enablers in France—the people who facilitated his acquisitions. However, authorities stated there was no evidence of fraud in the winemaking operations of the châteaux.

In 2019, the French government's financial prosecutor's office announced its case. The focus was on Qu, an enologist, and the Bordeaux accounting firm Exco Ecaf, previously led by Pierre Goguet, president of the CCIB.

In Paris court, French financial prosecutors presented a labyrinth of shell companies in the British Virgin Islands, evidence of money laundering, and other violations. Some wineries were registered in Qu's wife's name.

Alongside Qu, his employee Jian Liu received an 18-month suspended prison sentence and a fine of about $54,000 for forgery, using forged documents, and fraud. Exco Ecaf was found not guilty of failing to report crimes to government auditors.

Qu's defense lawyer, Maxime Delhomme, suggested they would likely appeal the verdict. His clients, Mr. Qu and Mr. Liu, had been "plucked twice" with the confiscation of the châteaux, he argued.

This scandal has sent ripples through Bordeaux's wine industry, highlighting vulnerabilities in an area renowned for its viticulture. The influx of foreign investments, particularly from China, had brought both revitalization and controversy to the region. While Qu's ambitions were grand, they ultimately collided with legal and political realities, casting a shadow over the vineyards he once sought to transform.

As Bordeaux grapples with the fallout, the case serves as a stark reminder of the complexities and risks involved in the global wine trade. The region now faces the challenge of restoring trust and stability while continuing to navigate the delicate balance between heritage and modern investment.