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Plan B for China's wealthy: Moving to the US and Europe

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This time last year, Shi Kang considered himself a happy man.

Photo credit: Poeloq

Writing 15 novels had made him a millionaire. He owned a luxury apartment and a new silver Mercedes. He was so content with his carefree life in Beijing that he never even travelled overseas.

Today, a year later, Shi is considering emigrating to the US—one of a growing number of rich Chinese either contemplating leaving their homeland or already arranging to do it.

"Things are real there," said Shi, who has been trying to learn English by listening to language CDs in his car. "Here you don't know what to believe." He added: "I like China a lot. But if I have kids, I wouldn't necessarily want them to live in China."

With a fortune of at least $1.6m, Shi is part of the wealthy elite that benefited most from the Communist Party's brand of capitalism. He is riding the crest of arguably the biggest economic expansion in history.

And yet, while the party touts the economic success of the "Chinese model," many of its poster children are heading for the exits. They are in search of things money can't buy in China: Cleaner air, safer food, better education for their children. Some also express concern about government corruption and the safety of their assets.

The movement represents the fraying of an unwritten social contract between the Communist Party and China's citizens that has held the nation together through wrenching changes since Deng Xiaoping launched market reforms in 1978: The rulers deliver economic growth; the ruled make few political demands. The underlying message seems to be that after three decades of rising prosperity, wealthier Chinese are either looking beyond their economic gains, or taking them for granted, and now crave improvements in their quality of life.

It is happening just as the ruling Communist Party prepares for its once-a-decade leadership change in October or November, when a generation of leaders led by current president and party chief Hu Jintao is expected to start retiring.

The elite exodus is a potentially troubling development for party leaders, many of whose relatives have long since chosen to live or study overseas. Vice president Xi Jinping, who is expected to succeed Hu and who visited the US last week, has a daughter at Harvard, an ex-wife in Britain and a sister in Canada.

So what changed Shi's mind? A year ago, for the first time, he traveled outside China. Initially he just planned to visit a girlfriend studying in New Jersey, but he ended up buying a BMW X3 sport-utility vehicle and doing a 40,000-mile road trip around the US.

His first impressions weren't good: He lost a bag at a New York City airport and thought New York was a "trash city" at first. But when he headed into the countryside, with Beethoven blaring on the stereo, he had something of an epiphany.

"As soon as you leave the city, the US is really a big garden," said Shi. "It's like a symphony: When Chinese people listen to these idyllic pastoral tunes, they can't picture it, because China just doesn't have these things."

Shi, 43 years old, is famous in China for novels like "Loafing Around," documenting the dissolute lives of young Beijingers in the 1980s. His 2007 book "Strive" was turned into a hugely popular television series.

As he toured the US, he wrote about it on his micro-blog - a Chinese version of Twitter - which now has more than 800,000 followers. He dwelt in detail on the relative affordability of a large house with a garden.

Some readers accused him of being anti-Chinese. But his sentiments are common among China's wealthy, now estimated to include about one million millionaires, in dollar terms, and 150 to 300 billionaires, according to various studies.

A survey published in November found that 60% of about 960,000 Chinese people with assets over 10 million yuan ($1.6m) were either thinking about emigrating or taking steps to do so. The US was the top destination, followed by Canada, Singapore and Europe, according to the survey by the state-run Bank of China and Hurun Report, which analyses trends among China's wealthy.

Most people cited their children's education as the main reason, followed by concerns over air quality, food safety and financial security. Another survey last year, by management-consulting firm Bain & Co. and state-run China Merchants Bank, showed similar results.

Recent statistics show rising demand for "investment immigration" visas to the US, Canada and other Western countries. The US program, EB5, can grant up to 10,000 visas annually to people who invest $1m and create at least 10 jobs in the US, or invest $500,000 in a rural or high-unemployment area.

In fiscal 2011, the US received 2,969 applications (each of which can cover several family members) from China for EB5 immigration, compared with just 787 two years earlier, according to the US immigration agency. Chinese applications accounted for 78% of the global total in 2011.

Canada received 2,567 Chinese applications for a similar program in 2011, up from just 383 in 2009, according to its immigration authorities. Demand has been so strong—particularly from China—that Canada imposed a cap of 700 applications per year, starting 1 July 2011. That quota was filled within a week, with 697 of 700 applications from China.

China's officialdom has taken notice. "Without doubt, the skyrocketing living costs, worsening environment, poor social welfare and growing tax burden in China are partly responsible for this loss," wrote Zhang Monan, an economic researcher with the official State Information Centre, in a recent commentary in the state-run China Daily.

"It is natural for people to choose a place to live where they think they will enjoy the best quality of life," she wrote. "Only by making the country more attractive to its talent can China keep them and their wealth from leaving."

Party leaders have begun pledging to focus more on quality-of-life issues. Last year, for instance, they promised to pay more attention to improving public services and solving environmental issues in the current five-year plan that runs until 2015.

But some millionaires aren't hanging around until then. Su Bin is sending his wife and son to Vancouver this year and aims to head there himself soon afterward. The son of an army officer, he started his career in 1986 working in an aircraft-design institute in Beijing. He recalls passing through Tiananmen Square on his way back from work in June 1989—just before China's historic crackdown on protesters there—and being hustled away by Liu Xiaobo, who would later win the 2010 Nobel Peace Prize.

Su was no dissident, though. Like many of his generation, he turned his attention to getting rich. Today, at 46, Su runs his own aerospace technology company and estimates his own net worth, including the various properties he owns, at around 80 million yuan, or close to $13m.

His main reason for leaving, he said, is the business environment. "The government has too much power," he said. "Regulations here mean that businessmen have to do a lot of illegal things. That gives people a real sense of insecurity." He said four of his distributors have also applied for investment immigration to Canada.

The second reason he lists is the education of his son, whom he wants to learn to speak English and think more freely.

Su said he was struck by this when the boy first came home from his state-run primary school wearing the red scarf of the "young pioneers," a Communist equivalent of the scouts that recruits most children between the ages of 7 and 14, and requires them to sing revolutionary songs and pledge allegiance to the party.

"I told him to take it off, but I couldn't explain to him what it meant," he said.

Su lived briefly in Canada in 2003, but returned after just a few months, in large part because he discovered the only job he could find was as a car salesman. A decade on, he worries not about earning money but preserving it.

"The problem is that government power is too great," Su said. "When the economy is going up, they think that everything they are doing is right." If they don't change, he worries, "another revolution will come soon."

Of course, some people who say they want to migrate may never do so. And some analysts point out that the movement of wealthy people from China may also be a natural consequence of three decades of China's high growth, mirroring the outflow from Hong Kong and Taiwan from the 1960s onward.

Nonetheless, there are signs the exodus has touched a nerve among Chinese leaders. State-media mouthpieces including People's Daily and the Xinhua news agency have published a series of articles warning that applicants for investment immigration to the US could lose their money. China Youth Daily warned that "this free lunch could be a trap."

Migration has long been a sensitive political issue in China and a telling indicator of the national condition. The Qing dynasty, which ruled China from 1644 to 1912, was so opposed to Chinese living abroad that it banned citizens from settling in foreign countries. (The penalty was beheading).

Despite that ban, in the 1840s tens of thousands fled to the US to escape the chaos that followed China's defeat by Britain in the First Opium War. Many ended up joining the California Gold Rush or helping to build the first transcontinental American railroad.

More recently, the Communist Party also banned emigration when it took power in 1949; that ban was lifted only in the 1980s. After that, a new generation of migrants came to the US, this time to study or earn money, although many chose to return to the booming China in the 1990s and 2000s.

The current migrant wave is different in that they are escaping neither poverty nor political unrest—and many say they are leaving for good. The Hurun survey showed that the average respondent had 60 million yuan in assets and was 42, old enough to remember the 1989 Tiananmen crackdown, but young enough to have learnt how to prosper in a market economy.

Deng Jie fits the profile. Twenty-seven years ago, in the fledgling years of China's market reforms, he began his career in a state-run ceramics factory in Beijing, sharing a cramped dormitory with colleagues and earning 50 yuan a month (about $13 in those days).

Today, at 48, he runs his own chemical pigments business and lives with his wife and daughter in one of the three luxury apartments he owns. In dollar terms, he is a millionaire several times over. His properties alone have appreciated by 800% in a decade.

Yet the hope he felt for his country in the 1980s, he said, has "been doused with bucket after bucket of cold water." He cited a host of concerns, including rampant corruption among the officials he deals with, and new labour regulations that he said have made his work force too costly and demanding.

"I'm representing a lot of other people like me," he said. "We used to want to contribute to the nation. But now we just feel so disappointed. China cannot continue like this. It has to change."

This year Deng plans to move to Canada, where his 18-year-old daughter is applying to Brock University, near Toronto. He intends to live nearby. "I want her to have an international education, and eventually to live in Europe," he said.

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