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Top of Chinese wealthy's wish list? To leave China

For China's richest, after the money and fancy homes it is time for a foreign passport



Louise Watt, Associated Press, On Wednesday September 7, 2011, 11:49 am EDT

BEIJING (AP) -- Chinese millionaire Su builds skyscrapers in Beijing and is one of the people powering China's economy on its path to becoming the world's biggest.

He sits at the top of a country -- economy booming, influence spreading, military swelling -- widely expected to dominate the 21st century.

Yet the property developer shares something surprising with many newly rich in China: he's looking forward to the day he can leave.

Su's reasons: He wants to protect his assets, he has to watch what he says in China and wants a second child, something against the law for many Chinese.

The millionaire spoke to The Associated Press on condition that only his surname was used because of fears of government reprisals that could damage his business.

China's richest are increasingly investing abroad to get a foreign passport, to make international business and travel easier but also to give them a way out of China.

The United States is the most popular destination for Chinese emigrants, with rich Chinese praising its education and healthcare systems. Last year, nearly 68,000 Chinese-born people became legal permanent residents of the U.S., seven percent of the total and second only to those born in Mexico. Canada and Australia are also popular.

It is a bothersome trend for China's communist leaders who've pinned the legitimacy of one-party rule on delivering rapid economic growth and a rising standard of living. They've succeeded in lifting tens of millions of ordinary Chinese out of poverty while also creating a new class of super rich. Yet affluence alone seems a poor bargain to those with the means to live elsewhere.

Despite more economic freedom, the communist government has kept its tight grip on many other aspects of daily life. China's leaders punish, sometimes harshly, public dissent and any perceived challenges to their power, and censor what can be read online and in print. Authoritarian rule, meanwhile, has proved ineffective in addressing long standing problems of pollution, contaminated food and a creaking health care system.

"In China, nothing belongs to you. Like buying a house. You buy it but it will belong to the country 70 years later," said Su, lamenting the government's land leasing system.

"But abroad, if you buy a house, it belongs to you forever," he said. "Both businessmen and government officials are like this. They worry about the security of their assets."

Leo Liu, marketing manager at Beijing emigration consultants Goldlink, said the company has noticed an increasing trend of rich Chinese wanting to emigrate, particularly to Canada, in the 15 years since it was founded.

The main reasons people want to move abroad, he said, are their children's education and for better healthcare. Some want to leave because they got their money illegally, such as corrupt government officials and businesspeople, while others are inspired by friends who have already emigrated to the U.S.

"They want to get a green card even though they may still do business here in China," Liu said. "They might have sent their wife and children abroad.

"And some of them just love life in a foreign country, the Western style," he said.

There is also a yawning gap between rich and poor in China, which feeds a resentment that makes some of the wealthy uncomfortable. The country's uneven jump to capitalism over the last three decades has created dozens of billionaires, but China barely ranks in the top 100 on a World Bank list of countries by income per person.

Getting a foreign passport is like "taking out an insurance policy," said Rupert Hoogewerf, who compiles the Hurun Rich List, China's version of the Forbes list.

"If there is political unrest or suddenly things change in China -- because it's a big country, something could go wrong -- they already have a passport to go overseas. It's an additional safety net."

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Among the 20,000 Chinese with at least 100 million yuan (\$15 million) in individual investment assets, 27 percent have already emigrated and 47 percent are considering it, according to a report by China Merchants Bank and U.S. consultants Bain & Co. published in April.

Nearly 60 percent of the people surveyed said worries over their children's education are a reason for wanting to leave.

A millionaire who works in the coal industry, who also spoke on condition of anonymity, said the main push behind his plans to emigrate is China's test-centric school system, often criticized for producing students who can pass exams but who lack skills for the world of work.

He will take his 7-year-old to the U.S. as soon as the child graduates from junior high at an international school in Beijing where pupils are instructed in English.

"The U.S. has a good educational system and excellent health care," said the 39-year-old, who has three homes in China and assets worth \$5 million. "That's why we look forward to going there."

Other top motivations cited in the Merchants Bank study are to protect assets and to prepare for retirement. Also cited as reasons for leaving: having more children and making it easier to develop an overseas business.

Alongside increased emigration there has also been a massive outflow of private money from China despite its strict currency controls. The report estimates that rich Chinese -- those with assets of more than 10 million yuan -- have about 3.6 trillion yuan (\$564 billion) invested overseas.

"The Chinese economy now looks like a massive funnel," said Zhong Dajun, director of the non-governmental Dajun Center for Economic Observation & Studies in Beijing.

Zhong said it is mostly corrupt government officials who transfer entire fortunes overseas because they have been illegally acquired and "they have fears and feel guilty."

Wealthy Russians have also been establishing footholds abroad for the past decade, seeking a safe haven both for their money and their children. In recent years, the trend has extended to Russia's emerging middle class. They cannot afford to invest in London, a favorite destination for Russia's billionaires and millionaires, so have been setting up second homes in less expensive European countries, including those like the Czech Republic that were once part of the Soviet bloc.

Su, the property developer, intends to stay in China and continue building residential high-rises and office buildings for another 10 years because he fears it would be too difficult for him to replicate his mainland business success abroad.

His wife is already in the U.S., expecting their second child. Under China's one-child policy in place for the last three decades to control population growth, couples can be penalized for having more than one child. In Beijing, the penalty is a one-off fee 3-10 times the city's average income, a maximum of 250,000 yuan (\$40,000).

"The living conditions abroad are better, like residential conditions, food safety and education," said the millionaire as he dined in the VIP room of a Beijing restaurant. Lowering his voice, he said for many rich there are worries about the authoritarian government. "This is a very sensitive topic. Everyone knows this. It's freer and more just abroad," he said.

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