

Special report from **The Economist**

Citizens of the world

# Why many rich Chinese don't live in China

*Wealthy Chinese increasingly choose to live abroad*



[Print edition | Special report](#)

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A STRAIGHT TRACK through a wood, and a guard hut at the end of it, is all there is to “China City of America”. A sign on a flimsy barrier says, “Do not enter”. It is hard to imagine that if the developer, a Chinese emigrée, has her way, this rural nook in the Catskill Mountains of upstate New York might one day become a sprawling complex of residential properties, China-themed entertainments, a casino, shops, restaurants, offices, an exhibition hall and educational facilities covering hundreds of acres. That, at any rate, was Sherry Li’s original plan, unveiled in 2013. Her aim was to attract 1.5m visitors annually to a “Chinese-concept Disney” that would transform the struggling economy of this sleepy area about two hours’ drive north-west of New York City.

Crucially, it would also attract Chinese investors. The project, Ms. Li hoped, would be approved under the American government's "EB-5" scheme, which offers permanent residency in the United States to foreigners who put at least \$500,000 into rural projects that create at least ten American jobs; or who invest \$1m into other developments. In effect, this means you can buy the right to live in America. The greatest demand is from China. About 75% of those who qualify for the scheme are Chinese.

The desolate track is evidence that Ms. Li has made little progress with her project. It has encountered stiff resistance from local environmentalists, who fear it would threaten protected wetlands. She has scaled back her plans. The current aim is to build a private college offering vocational courses in subjects including nursing, cooking and business, as well as accommodation for some 2,500 students and more than 270 staff—still big, but not quite such a potential crowd-puller. The funding plan remains the same, however. The Thompson Education Centre, as it is known, aims to become an EB-5 project. It is looking for money from rich Chinese.

Catering to the visa needs of would-be wealthy émigrés is big business in China. Several Chinese companies promote Ms. Li's still non-existent centre on their websites. Remarkably, a flattering article about it is even displayed in Chinese on the government's main news portal, China.com.cn. Investors in the scheme, it gushes, will find emigrating to America "so easy". Those two words are written in English.

There seems to be plenty of potential demand. America has an annual quota of 10,000 visas for EB-5 investors. In November the number of applicants on the waiting list stood at more than 30,000, nearly 90% of whom were from China. Canada had a similar scheme but scrapped it in 2014 after it became heavily oversubscribed by wealthy Chinese. The American one has come under growing scrutiny since it emerged that Nicole Meyer, the sister of President Donald Trump's influential son-in-law, Jared Kushner, had touted her connections with the Trump family when trying to attract investors to an EB-5 project during a trip to China last May.

In 2017 more than 46% of Chinese with fortunes between 10m and 200m yuan (\$1.3m-26.3m) were thinking of emigrating, according to a survey by Hurun, the research company in Shanghai. In a joint survey with Visas Consulting Group, a Canadian firm, more than three-quarters of respondents mentioned their children's education as a reason. Nearly one in six pointed to the political environment in China, and almost one in five said they were hoping to protect their assets.

## **The rise of the ethnoburb**

The insecurity of wealthy Chinese, and their craving for Western education for their children, is evident in the rapid growth of whole communities of them in the suburbs of big Australian, American and Canadian cities. Hurstville in Sydney, Box Hill in Melbourne and Richmond in San Francisco, as well as Richmond in Vancouver, are places for which 20 years ago Wei Li, an academic now at Arizona State University, coined the word “ethnoburb”: prosperous city districts where recent migrants from China form a large share of the population.

Such places also point to a contradiction in the story of China’s own development. Despite more opportunities at home, growing numbers of those who can afford it seem to want to leave. Even China’s state-owned media admit this. “The passion shown by China’s super-rich for settling down abroad and obtaining overseas passports has reached a record high,” said *China Daily*, an official English-language newspaper, in 2014.

The lecture halls of Australian universities provide more visible evidence. In subjects that score highly in the Australian government’s points-based system for acquiring permanent residency, such as accountancy and information technology, the share of students from China is always much larger than in subjects that do not. The number of Chinese students in Australia increased by 17% last year, to 140,000. Apart from the quality of the education, and less fierce competition for places than at China’s best universities, there is another powerful draw: the relative ease with which foreigners who have graduated in Australia can become resident there.

In Sydney, Monika Tu, the founder of Black Diamondz Property Concierge, specialises in selling expensive houses to rich Chinese. She says she sees little impact from China’s recent clampdown on the movement of capital abroad, or from the government’s efforts to stop corrupt officials from fleeing the country with their wealth. Growing numbers of her clients are young Chinese who have made their fortunes in the country’s booming tech industries. They see bargains to be had in what is often jokingly referred to as *tu Ao* (coarse Australia). Beijing and Shanghai are “much more expensive than Sydney”, says Ms. Tu.

Many poorer Chinese, too, are attracted by life abroad. The country’s economy may be booming, but for people from rural China, settling and prospering in a big Chinese city can often be as hard as going to work in a foreign country, sometimes even harder. Internal migrants in China are often treated as second-class citizens. Too tough in Ningbo? Try Namibia.

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