THE EXODUS OF THE RICH FROM CHINA

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Executive Summary

1. For centuries China used to export to the world the destitute and coolies. But in recent years, rich and well-educated Chinese are streaming out of the country to resettle in foreign countries.

2. There have been three main waves of emigration since the late 1970s. The first, in the late 1970s and 1980s, was dominated by family reunions of people with overseas ties. The second took place in the 1990s when professionals and people with technical skills responded to the high-tech boom in the West. The current one is featured by the exodus of the rich.

3. Meanwhile students seeking foreign education and illegal smuggling of cheap labor have been a constant throughout. Most of them have not returned. China's three decades of long boom have created a large number of wealthy families and individuals who are also well-endowed with human capital.

4. In 2012 China's high net worth individuals (HNWIs)—those with 600,000 yuan investable assets or above—was estimated at 15.44 million; the investable assets of those between 600,000 and 6 million yuan alone totaled 83.1 trillion yuan (S$17.04 trillion).

5. Investment emigration of the rich has become trendy in recent years. Major destinations include the US, Canada, Australia, New Zealand, Europe, Hong Kong and Singapore. In 2010, 40.95% of investment immigrants to the US were from mainland China and in 2011, it rose to 69.53%. China is also the second largest source (next to India) of skill-based immigrants to the US.

6. Topping the list of emigration objectives are children's education, safety of wealth and various quality-of-life issues such as food safety, pollution, a general hostile society towards the rich etc. caused by a widening income gap and inadequate protection of private property.

7. The massive exodus of the rich is a rejection of the Chinese system and way of life from which they are the main beneficiaries. Their preference for the US is indicative of the kinds of reforms China needs to implement in order to restore confidence and sustain growth in the long haul.

8. The Third Plenum of the CCP Central Committee has proclaimed a comprehensive set of reforms, of which further market liberalization and enhancement of the rule of law are important components. These are steps in the right direction.