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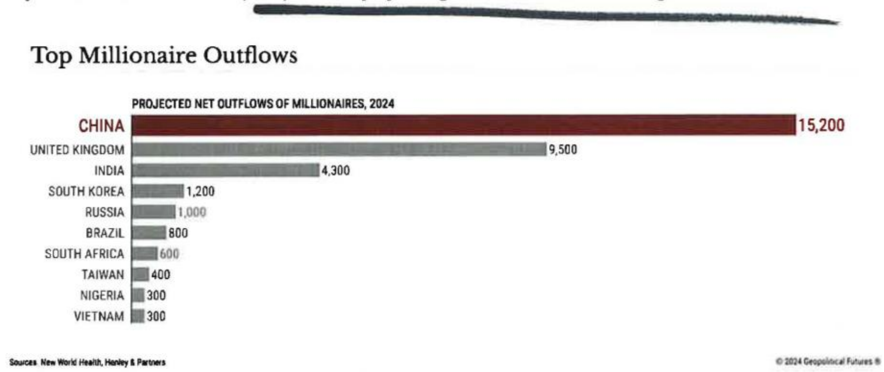
Young, Rich and Restless in China

by **Victoria Herczegh** - June 28, 2024

According to an analysis published by British investment migration consultancy Henley & Partners, an unprecedented 128,000 millionaires are expected to relocate to different countries this year, surpassing last year's record of 120,000. China is at the top of the list, having already seen an exodus of millionaires thanks to the COVID-19 pandemic and its economic discontents – not to mention President Xi Jinping's anti-corruption campaign. All told, H&P estimates that China is set to lose some 15,200 of its most wealthy people this year, up from 13,800 the year before. (According to one estimate, there were in 2023 roughly 1.7 million people in China with personal wealth worth over 10 million yuan, or $1.4 million.) Importantly, young Chinese are starting to follow suit.



(click to enlarge)

Chinese flight isn't exactly a new phenomenon, but in the past people left often for political reasons – for example, human rights activists and certain religious practitioners fleeing from persecution. This kind of exodus intensified after Xi came to power in 2012, when he began to exert more control over the country's already strict political system and crack down on those who expressed opinions deemed harmful to party leadership. Even earlier, around the turn of the 21st century, a growing number of students and scholars began to go abroad. Between 1978 and 2010, the total number of Chinese students who had studied abroad since 1978 reached roughly 1,600,000; only 600,000 or so returned, the rest staying to finish their studies, find more employment opportunities or simply enjoy more political freedom. The number of students who originally planned to stay in China for university and instead chose to study overseas went up from 3 percent in 2021 to 15 percent in 2023. The most popular destinations were the United States, Australia and New Zealand – all places that are growing more suspicious of young Chinese immigrants.

Other than the occasional speech by Xi and other officials at university campuses, Beijing did not seem overly concerned. But the pandemic changed that. People of virtually all ages and walks of life began to express their dissatisfaction not just with the malaise of the economy but with the way the government handled it. Out of the uncertainty and disillusionment came an expression used to illustrate this new phase of Chinese emigration: runxue, roughly translated to "run-ology," or the study of running away from China.

When it became apparent that more people, especially the young, the wealthy and the highly educated – that is, the kinds of people who would, in theory, help revive the economy – were leaving, the government took notice. Beijing's concern was made all the more acute because it had begun to prioritize sci-tech modernization and innovation as a vehicle for its economic rebound. (Real estate and banking were, at the time, already losing their luster.) For tech to develop dynamically, young talent is crucial. And so, in the hopes of retaining fresh graduates, the government adopted a new policy in 2022 that made the issuance of passports extraordinarily difficult and cumbersome and subject to denial for practically any reason. So far, the policy has not had the desired result. There is simply a greater demand for graduates abroad than there is in China. Universities aren't preparing their students for work in the fields that will drive future innovation (AI and fintech). And many graduates don't want to return to their hometowns to work.

Wealthy emigrants have other motivations. In 2020, Beijing initiated a sweeping regulatory crackdown on big tech companies. The 18-month campaign was waged specifically to restructure these companies, reducing their influence on the tech sector in the name of "wealth redistribution" and putting an end to unchecked growth and disorderly competition. The crackdown worked in some ways but backfired in others: While it disproportionately burdened smaller firms less able to afford the costs of heightened regulatory compliance, it also stripped wealthy Chinese company owners and investors of their freedom to conduct certain business and place shares in big tech projects proposed by giant firms. Officially, the crackdown ended last year, but wealthy investors and business owners are as disillusioned as ever, not least because the bursting property bubble is making the property sector an uninviting area for investment.

Though the U.S., Australia and New Zealand are growing less popular, the European Union, particularly Malta and Portugal, are becoming chosen destinations for the millionaires fleeing China. Japan has also seen an uptick; recent reports show that the number of Chinese citizens entering Japan on business manager visas hit a record of more than 2,000 last year. In simple terms, the political and financial connections of the upper class make it easy to avoid Beijing's emigration restrictions.

"Runxue" shows that in cracking down on big tech, the Chinese government achieved the exact opposite of what it wanted. Instead of narrowing the wealth gap and allaying the concerns of its citizens, it encouraged the rich and the young to leave, even as the poor still protest. If the government can't find a way to improve the economy or provide new, safe ways for citizens to express their dissatisfaction, there's no reason to believe this new exodus will end any time soon.

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