

# Editorial & C

THE GLOBE WAS FOUNDED IN 1844.

## MILLIONAIRE EMIGRATION

# Is China in danger of losing its wealthy class?



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In April, the U.S. consulting firm Bain & Co. and China Merchants Bank released a study that disclosed that about half of China's richest people were thinking of emigrating. Now, another study broadly confirms those findings.

The first study found that nearly 60 per cent of the 2,600 "high net worth individuals" surveyed were either considering emigration through investment overseas or had already completed the process. The second one, conducted by the Hurun Research Institute and the Bank of China, reported that 46 per cent of the 980 wealthy individuals interviewed between May and September - all of whom had personal assets over 10 million yuan (about \$1.5-million) - said they intended to emigrate.

There are about a million such millionaires in China.

The study found that a third of such high net worth individuals already own assets overseas, mostly in real estate. Another 30 per cent are considering acquiring such assets within three years. Acquiring overseas assets is a step toward applying for investment immigration.

The reasons wealthy people want to leave China, mostly for the U.S. and Canada, include access to better education overseas, better living conditions and concerns about the security of their assets on the mainland. The fact that such a high proportion of the country's most successful citizens want out clearly suggests they perceive problems in China. Their departure will also inevitably be accompanied by a massive outflow of funds.

This is a wake-up call for the Chinese government. Almost a decade ago, the Communist Party decided to admit capitalists into the party to give business people a bigger voice in decision-making. Evidently, however, more needs to be done. Con-

cerns expressed about the security of assets reflect continuing apprehension about changes in the party's policies. For example, although private property is now enshrined in the constitution, state-owned enterprises are favoured when banks give out loans.

The attraction of a better standard of living overseas is understandable, especially when major Chinese cities are regularly enveloped in a haze and the drinking water is unsafe.

The government isn't even reporting the gravity of the polluted air. In recent days, for instance, the U.S. embassy has said it's hazardous to breathe the air in Beijing; the municipal authorities, however, say the air is only slightly polluted. Chinese leaders, it turns out, benefit from special air purifiers in their offices and homes. This is in addition to receiving organic foods grown on government-run farms that don't use synthetic pesticides or chemical fertilizers.

Most Chinese people don't have the means to leave, but the rich do. If the government wants to halt the stampede, it will have

to respond to their demands.

Some things should not be hard to do. To ease apprehension over changes in policy, the government could increase the transparency of the decision-making process and allow the free flow of information. Allowing more international schools with high educational standards without interference by the Communist Party could also be possible. If parents feel their children are getting as good an education in China as they would overseas, there'd be less reason for them to leave.

Another step may be harder: Dismantle the system of privileges for party leaders. By doing so the leaders would show they aren't living in a cocoon but really sharing weal and woe with the people.

If the Chinese government takes such steps, it will show it has confidence in itself, and that, in turn, will lead to greater confidence in it on the part of the people. If it doesn't, the hemorrhage in wealth and talent will continue.

JEFFREY SIMPSON will return