

# The Impacts of the Late 2000s Financial Crisis on International Migration: The Case of China

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*By making use of indirect indicators and some materials from the Internet, this paper examines the impacts of the late 2000s financial crisis on international migration to and from China. The results suggest that the financial crisis impacted internal migration more than international migration both to and from China. This is especially the case when considering only the factors within China, as evidenced by the increasing number of exits from China as well as the volume of student departures in 2008. However, when the situation of the destination countries is factored in, it is clear that international migration to and from China was indeed affected in 2008, reflected in the decrease in volume of foreigners entering China, the decrease of Chinese workers migrating overseas, and the increase of overseas Chinese students and scholars returning home. It is expected that as the global economy recovers from the crisis, international labor emigration from China may increase again.*

**Keywords:** *Late 2000s financial crisis, international migration, entry and exit, student migration, labor emigration, China*

## Introduction

The late 2000s global financial crisis led to a serious slowdown of the world economy, and international migrants, who are often said to be “the last hired and first fired” (Taran, 2009:1), were inevitably hit by the impacts of this crisis. China was no exception in this regard, and it is of both academic and policy interest

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to examine such impacts on international migration to and from China—especially from the latter perspective as China is still a developing country. This paper will make some effort to achieve this purpose.

However, it has to be noted from the outset that in China, the main concern is the impact of the crisis on internal migrants. This is not surprising as China is neither a major origin of nor destination for international migration. So far, international migration has been far less important in policy making, compared to the enormous internal flows of migrants within China. Indeed, at the height of the financial crisis in February 2009 it was reported that about 20 million migrant workers in China lost their jobs and returned to their hometowns (China Net, 2009). This is certainly a more alarming message than the impact of the financial crisis on international migration, although policy makers in China have already faced and will increasingly confront more thorny issues relating to international migration in the future. Furthermore, as international migration has been relatively insignificant in China, far less effort has been made by the government to systematically collect data on international migration. Even fewer data are available to the public, making it difficult to conduct solid data-based research on international migration to and from China and its relationship with the financial crisis (Zhu, Lin, Qi & Xia, 2008).

This paper is prepared in such a context. Thus some unconventional approaches, such as making use of indirect indicators and some materials from the Internet, have been adopted to overcome the constraints in the data available to gauge the impact of the financial crisis on international migration. Furthermore, we will examine the changing trends of these indicators in the years before the financial crisis, and attempt to infer the impact of the financial crisis by comparing changes in those indicators in 2008 with their trends before 2008. These indicators have rarely been analyzed before and deserve to be examined on their own right. As the latest available data are mostly from the pre-2008 period, our examination of the effects of the financial crisis in and after 2009 is limited. We realize though that the financial crisis reached its height in 2009 and may have had different effects since then.

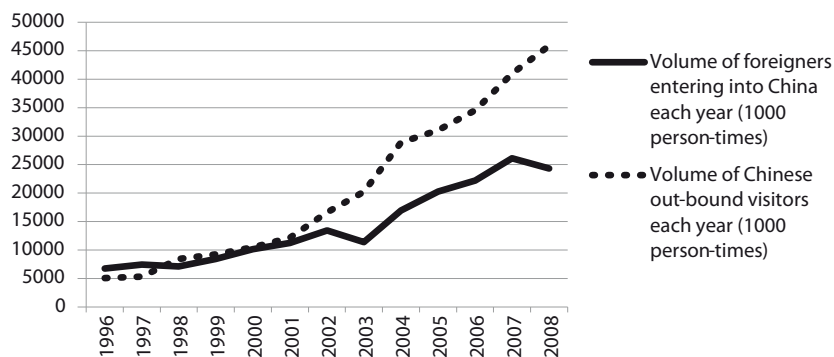
The paper will be divided into the following parts. First, the impact of the financial crisis on entry and exit volume trends to and from China will be examined; second, the effect of the financial crisis on student migration patterns to and from China; and third, the impacts of financial crisis on the trends in deployment of migrant workers.

## The Impact of the Financial Crisis on Entry and Exit to and from China

One of China's major socioeconomic changes since the late 1970s has been the increase in migration flows between China and the outside world. As data on international migration is not available, we will use proxy indicators to analyze the impacts of the financial crisis on China's international migration.

As can be seen from Figure 1, during the period from 1996-2008 for which data are available, the frequency of foreigners entering China, measured in person-times, increased significantly. In this 12-year period, the person-times of foreigners entering into China increased by 709 percent, reflecting the rapid development of cross-border movement into China. The rate of increase has been accelerating, with a greater number of foreign national arrivals in China between 2003 and 2008 than in the period 1996-2002. However, it is also noticeable that the above trend was interrupted three times: the first in 1998 as a result of the Asian financial crisis, the second in 2003 because of the SARS pandemic, and the third in 2008, which was a result of the recent financial slump. Data released by the National Tourism Administration (2009a) suggest that the volume of foreigners entering China continued to decline in the first half of 2009. Clearly, international movements into China are vulnerable to the unfavorable global socioeconomic situations like the financial crisis. Although we cannot separate foreigners who stay in China long enough to be counted as international migrants from the above figures, their changing trends in volume may well be indicative of changes that coincide with international migration.

**Figure 1:** Entry and exit to and from China, 1996-2008



**Sources:** National Bureau of Statistics of China, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008; National Tourism Administration of The People's Republic of China, 2008, 2009b & 2009c

However, it is interesting to note in Figure 1 that movement out of China exhibits a different trend. As with movement into China, there was an increase in the outflow of Chinese nationals from 1996 to 2008, with an acceleration of the rate of increase since 2001. However, that increase was not interrupted by the events that decelerated foreign entry into China, as was the case with the 1997-98 Asian financial crisis and the SARS pandemic, as well as the recent economic crunch.

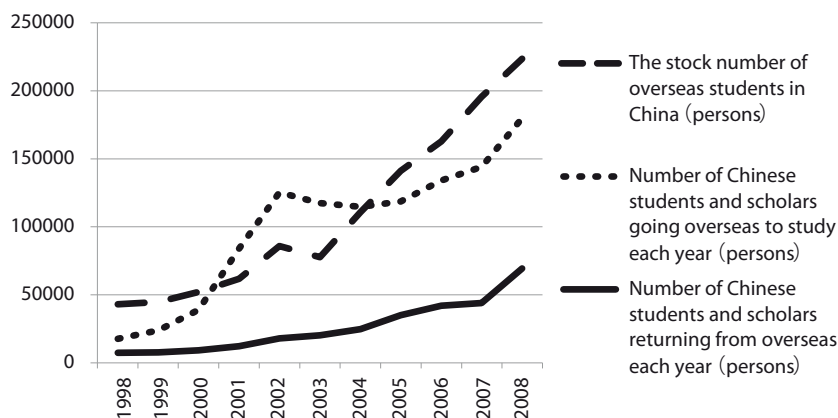
The above trends in movements to and from China are consistent with China's rapid socioeconomic development and its increasing integration into the global community over the past decades, especially since the turn of the current century. Such developments have not only facilitated movements between China and the rest of the world, but also enhanced the capability of Chinese nationals to travel overseas. As it is generally agreed that China was less affected by the two financial crises than many other countries (CCTV International, 2008), the capacity of its residents to travel was not impeded by the two financial crises, a possible explanation for the trends demonstrated above. Based on this assumption, it can be inferred that movements out of China would keep growing during the financial crisis. However, this judgment is not conclusive, as the economic downturn also affects potential destination countries. We will discuss this in the latter section of the paper.

## **The Effects of the Financial Crisis on Student Migration to and from China**

Student migration is one of the chief components of international migration between China and the rest of the world for which some data are available. These data show that both the number of overseas students entering China and the volume of students and scholars going abroad to study has increased rapidly between 1998 and 2008. The increase in the number of overseas students and scholars returning to China is also noticeable. Although starting later than the increases in the numbers of students to and from China previously noted, a significant increase in these returns in recent years is also evident. This is good news for China, as it is regarded as a country with the lowest returning rate of its overseas students in the world. In fact, recent data from the Ministry of Education suggest that in the last 30 years, 1.39 million Chinese students and scholars went abroad to study, with only 28 percent of them, or 390,000 returning (Zaobao.com, 2009). These figures have raised public concern about the loss of the country's most talented people. The increasing number of returning students seems to suggest that the rapid social and economic development in China,

and the employment opportunities created in the process, has served to attract overseas Chinese students and scholars. The return rate is expected to increase in the future.

**Figure 2:** Numbers of international student migrants to and from China, 1998-2008



**Sources:** College of International Education of Jiaozuo University, 2009; National Bureau of Statistics of China, 2008; Ministry of Education of the People's Republic of China, 2009

Two interesting points can be made by examining Figure 2, especially in the context of the financial crisis. First, both the number of overseas students coming to China and the number of students and scholars going overseas declined between 2003 and 2004, coinciding with the SARS outbreak. This illustrates that the public health crisis had significant negative effects on international migration to and from China. However, from Figure 2, we can see that the upward trends in international student migration to and from China were not interrupted by the recent financial crisis; in fact, the number of students going abroad increased at a faster rate in 2008 than in the previous years. This is consistent with the aforementioned observation of an increasing number of nationals from China who went abroad, a process uninterrupted by the financial crisis as well. It can hence be surmised that China was less affected by the financial crises compared to many other countries in the world, since Chinese nationals could still afford to study abroad despite the economic downturn.

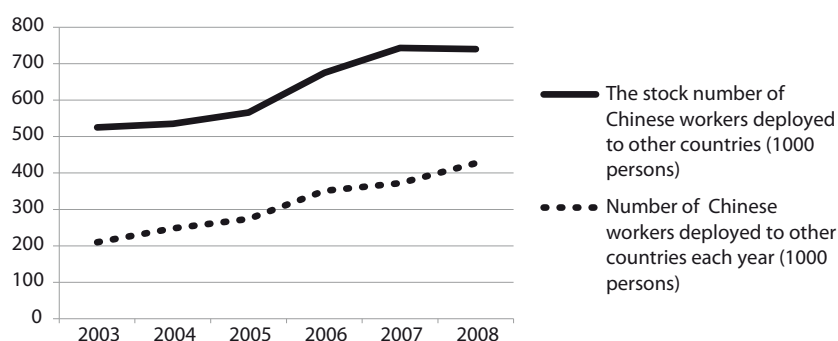
Second, as can be seen from Figure 2, there was a ‘jump’ in the number of overseas students and scholars returning to China in 2008, on top of the gradual increase for several years since the turn of the century. This suggests that, aside from the forces that facilitated the rise in the number of overseas students returning to China mentioned earlier, there was an extra factor in that year that led to an even bigger increase. Evidence suggests that the recent financial crisis, which made it more difficult for overseas Chinese students and scholars to find jobs in countries where they studied or caused them to lose their jobs, is that extra factor. Since China was less affected by the financial crisis, it could be inferred that many overseas Chinese students and scholars returned home to find employment opportunities. Evidence from both China and abroad supports such an inference. In the United States, the biggest destination for Chinese students studying overseas, it was reported that 300,000 Chinese students and scholars were deeply affected by the recent financial crisis (You, 2009). In the 8<sup>th</sup> North American High-Tech and Talented Persons Exchange Fair for Chinese Overseas Students and Scholars in May, 2009, 90 percent of the nearly 1,000 registered participants expressed their aspirations to find employment in China. They included Chinese nationals who had worked in North America for many years, and fresh graduates who would normally seek employment in North America for a few years to garner some form of overseas working experience before considering whether to return to China or not. In fact, these groups of overseas students and scholars had rarely been seen at the same fairs in the past (You, 2009). Consequently, the number of overseas Chinese students and scholars returning home to seek employment opportunities significantly increased. For instance, in Fuzhou, China, the number of applications for the validation of experiences and degrees of overseas students received by the Center for Overseas Talented Persons increased (Taisha Net, 2008). The jump could reflect the decreasing demand for overseas labor as a result of the economic downturn outside China.

## **The Impact of the Financial Crisis on Labor Emigration from China**

Global economic slowdowns would most likely have effects on labor emigration. However, data relating to this are poor in China. The only available figures on international labor emigration come in the form of ‘stock number of workers deployed to other countries at the end of the year’ and ‘number of workers deployed to other countries each year’ (see Figure 3) provided by the Department of Foreign Economic Cooperation of Ministry of Commerce. They only reflect the part of

international labor migration registered with the Ministry, and therefore are not complete. We attempt to overcome this problem, however, and make inferences based on available data from sources such as the Internet.

**Figure 3:** Flow and stock numbers of Chinese workers deployed to other countries, 2003-2008



**Sources:** Department of Foreign Economic Cooperation of Ministry of Commerce of the People's Republic of China, 2004-2008

Unlike the results on international departures and international student migration from China, data on international labor emigration reflect the impacts of the financial crisis. Between 2003 and 2007, both the stock and volume of Chinese workers leaving for other countries increased. However, this trend was interrupted in 2008, with the stock number of Chinese workers abroad slightly diminishing for the first time since 2003 from 743,000 in 2007 to 740,000 in 2008. Although the number of Chinese workers deployed to other countries still increased in 2008, this was probably the result of the implementation of labor deployment contracts with other countries signed before the financial crisis. This seems to be supported by the information provided by Wu Xilin, Director-General of the Department of International Co-operation of Ministry of Commerce, in a press conference in April 2009 (Information Office of Ministry of Commerce, 2009). He stated that the stock number of Chinese workers in other countries began to decrease in October, 2008. The decrease could be attributed to the decreased capacity of employers overseas to pay wages as a result of the economic downturn. As in the case of returning student migrants, the smaller stock number of migrant workers abroad could be explained by return migration. The stock number of Chinese workers abroad continued to decrease in early 2009 to 714,800 workers abroad, and the most affected destinations were Japan, South Korea, Singapore, Saudi Arabia, and Mauritius (Information Office of Ministry of Commerce, 2009).

The impact of the recent financial crisis is not only reflected in the number of Chinese workers in other countries, but is corroborated by data from potential receiving areas as well. In Japan, the number of Chinese nationals participating in the trainee program significantly decreased in the last few months of 2008 (Department of Outward Investment and Economic Cooperation of Ministry of Commerce, 2009). In Shanghai, 530 migrants were repatriated back to China through the Pudong Station of Exit and Entry Frontier Inspection in the second half of 2008. This figure represents a 50 percent increase from the same period in 2007 (Chinanews Net, 2009). Hong (2009) reported that 500 Chinese nationals who had worked illegally were sent back to China through the Beijing General Station of Exit and Entry Frontier Inspection in January and February 2009, a 30 percent increase from the same period in 2008. They were mostly low-skilled laborers with no experience of working overseas and were among the first to be fired when the crisis led to the closure or forced reduction of manpower at restaurants, garment factories, and construction projects. In the meantime, governments of destination countries enhanced efforts to combat irregular migration to reduce employment pressures on their own citizens, making it even more difficult for irregular migrants to secure jobs. Some of the unauthorized migrants even reported voluntarily to the relevant authorities so as to be repatriated to China (Hong, 2009; Yang and Ji, 2009). At the same time, irregular emigration decreased, according to figures from the Beijing General Station of Exit and Entry Frontier Inspection in the first month of 2009 (Beijing Evening Newspaper, 2009).

The unfavorable employment situation also caused more cases of labor disputes between overseas Chinese workers and their employers, and has caught the attention of government agencies. The Ministry of Commerce as a result created institutions that would protect the interests of Chinese workers and help them resolve disputes with their employers (Department of Outward Investment Economic Cooperation of Ministry of Commerce, 2009). The ministry also advised individuals who intended to work overseas to check the information about agents and potential employers (Department of Outward Investment Economic Cooperation of Ministry of Commerce, 2008). Issues such as combating illegal recruitment agencies, the establishment of public service systems for labor deployment, and better management, regulation and legislation of overseas labor service markets have been raised (Department of Outward Investment Economic Cooperation of Ministry of Commerce, 2009; Economic Reference Daily, 2009).



## Summary and Conclusions

Albeit limited and indirect, the data suggest that the late 2000s financial crisis impacted internal migration more than international migration, both to and from China. This is especially the case when considering only the factors within China, as evidenced by the increasing number of exits from China as well as the volume of student departures in 2008. However, when the situation of the destination countries is factored in, it is clear that international migration from China was indeed affected, leading to both the decrease of Chinese workers migrating overseas and the increase of overseas Chinese students and scholars returning home.

It has been suggested that China should seize this opportunity to lure its talented workers back home. Measures have been taken to address the problems of overseas Chinese workers, particularly with regard to disputes with their employers, and to protect their interests. Also, some adjustments to the situation in the context of the economic crisis have been drawn up to mitigate possible negative effects on international labor cooperation between China and other countries. A report says that the number of returning Chinese workers from overseas has been decreasing since April 2009 compared to the previous period, as the global economy is recovering from the crisis (Chen, 2009). If this is indeed the case, international labor emigration from China is expected to increase.

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