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# **Chinese Returnees: Impact on China's Modernization & Globalization**

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# Overview

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- China first overseas student Wing Yung, a Yale graduate in 1854, there are five waves of Chinese studying abroad
- The first wave: 1854--1900, first China railway builder, first Republic's premier, first China's university president; first founder of WRSA...
- The second wave: 1900—1927, major founders of KMT and CCP, major culture figures in May 4th movement...
- The third wave: 1927-1949, Nobel Prize winners of Chinese origin, China's nuclear and Space industries builders...
- The Fourth wave: 1950-1965, mainly trained in Russia and Eastern block countries, such as Jiang Zeming and Li Peng...
- The Fifth wave: 1978—present, the largest wave of all

# **Contemporary Chinese returnees**

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- Since 1978, Chinese going abroad to study has become an emerging China globalization phenomena
- Today, over 200,000 Chinese go overseas annually to study, now over 1.6 million who have studied mainly in developed countries such as USA, UK, Canada, Australia, Japan and other EU countries
- To date, over 500,000 Chinese graduates have returned to China, or to be called Sea Turtles
- About 100,000 Chinese overseas students travel in between other countries and China or to be called Seagull .
- There are also about 1.1 million students and scholars still overseas, many of them are professionals .

# Roles of different generation of returnees

- First three generations of returnees primarily to revolutionize China
- The fourth generation of returnees primarily to modernize China
- The fifth generation of returnees primarily to globalize China

# Returnee contributions to China

- 78% university presidents in China,
- 72% directors in China who in charge of state and provincial key research centers and labs,
- 81% academicians of Chinese Science Academy
- 54% academicians of Chinese Engineering Academy
- In 2005, a total 581 ministerial level officials, 48 of them are returnees, which accounts 8.2%

## **Evolution on government policy on study overseas**

- 1) Restrictive Option: Before 1990's, the opportunities for Chinese students to study abroad were very limited.
- 2) Encouragement option: In 1992, Chinese government announced a major policy on students studying overseas, basically is “support study overseas, encourage returns and guarantee freedom of movement”
- 3) Diaspora option, after 2000, more flexible policies and relax on visas and permanent resident status etc.

# **Chinese government programs on returnees**

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- Started 1998, Changjiang Scholars Program, 14000 scholars awarded for making services to over 130 universities in China
- Started 1997, Spring Light Program, 12000 returned on short term basis for the service
- Started 1994, Hundred Person Program by Chinese Science Academy
- There are also 150 returnee entrepreneurial parks set up in China and over 10000 enterprises set up by returnees

# New Thousand Talent Program 2009

- Started 2009, Chinese government launched most liberal and ambitious Thousand Talent Program
- In 5 to 10 years time, China central government will attract 2000 top level overseas scholars, scientists and entrepreneurs and senior MNC managers
- Beijing, Shanghai, Tianjing, Guangdong, Jiangsu, Zhejiang, Fujian, Shandong, Liaoning will each attract 1000 top level overseas talents for the same period



# National Strategy, Talent Change China

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# **Study returnees roles in China's globalization**

This study draws primarily on three sets of data:

- First, based on face-to-face interviews with 50 highly successful returned entrepreneurs;
- Second, based on questionnaire survey with Western Returned Scholars Association Chamber of Commerce.
- Thirdly of 300 returned entrepreneurs who were recognized by Chinese government agencies as successful contributors to the Chinese economy.

# Literature

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- **Brain Drain Theory**

--(Bhagwati, 1976; DeVoretz & Laryea, 1998; Broad, 1993; DeVoretz and Maki, 1980; Guha, 1977)

- **Brain Gain Theory**

-- (Lucas, 1990; DaVanzo, 1983; Fields, 1979; Warren and Peck, 1980; Warren and Kraly, 1985; Mountford, 1997; DeVoretz and Ma, 2001)

- **Brain Circulation Theory**

-- (Johnson and Regets, 1998; Saxenian, 1999; Straubhaar, 2000; Saxenian and Hsu, 2001)

# Study on returnees roles in China's globalization

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Publication: 《Returning Times》



# Study on returnees roles in China's globalization

Publication: Contemporary Chinese Returnees



# **Returnees roles in China's globalization**

- **Bringing Technology, Internet and Hi-Tech**
- **Listing Chinese Enterprises Overseas, including most of them in Nasdaq**
- **Leading Venture Capital Firms**
- **Helping Chinese Firms Going Global**
- **Heading Global Investment Houses**
- **Managing MNCs such as Microsoft, UBS, Google, Novartis, Blackberry etc..**
- **Introducing New Management Practices to China,**

# **Returnees successful factors**

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## **1. Better Education**

-- 48% PhD, 35% master's, 12% visiting scholars, 5% bachelors

## **2 .Hi-Tech Focus**

--70% in high-tech sectors, 20% in consulting, legal services, education etc., 5% manufacturing, less than 1% in the real estate.

## **3.Overseas Experience**

-- on average about 5 years overseas before returning.

## **4.Team Building Culture**

-- 95% of these successful returnee enterprises have a management team of at least three returnee members.

# Returnees successful factors

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## 5 Social Network

- 80% of the successful returnees had been involved in at least one of different associations, chambers, industry organizations, alumni associations, enterprise parks, or returnee visiting clubs.

## 6. Venture Capital

- VC is crucial in helping returnee startup success, especially for these listed on global market.

## 7 . The Optimal Age

- on average they set up their own business around 35 years old

## 8. Geographic Impact

- 54% of the returnee entrepreneurs came back from the US, 23% from Europe, 10% from Canada, 9% from Japan and 3% from Australia.



# **Some case studies**

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## Three Presidents of Huan Yuan Science and Technology Association in Silicon Valley

1. Chen Hong, Investment banker
2. Zhu Min, entrepreneur and angel investor
3. Deng Feng, entrepreneur and venture capitalist

# Returnee entrepreneurial strategies

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<b>Firm</b>	<b>Environment Characteristics</b>	<b>Strategic Orientation</b>	<b>Business Performance</b>
<i>Baidu</i>	Complex	Technology	Leader in Single Market
<i>Asiainfo</i>	Dynamic	Networking	Leader in Multiple Markets
<i>Venus</i>	Dynamic	Networking	Leader in Specialised Market
<i>Ctrip</i>	Munificent	Market	Leader in Industry Market
<i>Vimicro</i>	Complex	Technology	Leader in Int'l Market

# **Problems and Challenges**

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- Too many concentration in Beijing, Shanghai and Guangzhou, need to go to other cities
- Most worked for MNCs and Startups in China, needs more to work for SOEs, private enterprises and government at all levels
- More policy liberalizations, such as visas, green card, dual citizenships, start-up capitals, tax etc.
- To transform more Chinese overseas students or diasporas into brain circulation

# Conclusions

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- The “brain circulation” of Chinese returnees deepens
- Returnees are increasingly playing *the leading role* in many aspects of China’s going out strategy.
- Returnees are important driving forces for China’s New Economy.
- Returnees are major forces to list high tech firms overseas.
- Returnees help to bring more venture capital to power China’s entrepreneurs evolution.
- More and more returnees are managing MNCs China, strengthen China’s business engagement with the world.
- Returnees remain actively involved in the global economy, exporting, networking, travelling, and owning overseas enterprises.

# Conclusions

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- Returnees phenomena will continue in a big way as China deepens globalization process
- Returnees will become active catalysts in supplement MNC roles as globalization forces
- More returnees engage in entrepreneurial activities as China opportunities become real
- Returnees will expand into other areas such as SOEs and government as Thousand Talent Program progress

# 50 returnee entrepreneurs' education

## Appendix 1

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### Degrees Rec'd by 50 High Flying Entrepreneurs Interviewed

	No. of degrees
Stanford	5
Harvard	3
SUNY	3
U Penn	4
-----Wharton –	3
Columbia	3
Oxford	2
UCLA	2

Others: Princeton, Yale, Carnegie Mellon, University of Chicago, Berkeley, University of London, Georgia Tech, Texas Tech, Northwestern, George Washington University, MIT, Boston U, Rutgers, University of Indiana, University of Illinois (Urbana/Champaign), Bonn, Heidelberg, HEC (Paris), U.S. National Laboratories, York University (Toronto), University of Saskatchewan, University of Arkansas.\* Three had degrees from universities in China but had worked abroad.

# Returnee Firms Listed on Overseas Markets

## Appendix 2

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Successful returnees who led a business to list on Wall Street, interviewed for the study:

- Tian Suning, founder of Asiainfo, first Chinese returnee enterprise listed on NASDAQ,
- Li Yanhong, founder and CEO of Baidu,
- Deng Zhonghan, founder and CEO of ViMicro,
- Yang Ning, founder and president of Kongzhong Corporation,
- Deng Feng, founding partner of Northern Light Venture Capital,
- Zhu Min, chairman of WebEx,
- Shen Nanpeng, a founder of CTRP and Home Inns,
- Liang Jianzhang, Chair, Board of CTRP,
- Xu Xiaoping, Beijing New Oriental Education Group
- Wu Ping, President of Spreadtrum.

# Senior returnee staff in MNC interviewed

## Appendix3

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- Ya-Qin Zhang, President, Microsoft China,
- David Li Yi, Chairman and country head, UBS, China,
- Kai-Fu Lee, President of Google China,
- Liu Jiangnan Chairman of Alcatel (China) Investment Co. Ltd,
- Jack Gao, VP, News Corporation and CEO of Star China,
- Raymond Wang, VP, Siemens China,
- Jack Shu, VP, Hewlett Packard China;
- Huang Hui, CEO, Juneyao Group; Ex-President, BearingPoint China
- Jeremy Xiao, Managing Partner, Herbert Smith, Beijing;
- Ge Ming, Chair, Ernst & Young Hua Ming (China).
- Yi Min, VP, BP China,
- Chen Wei, GM of Hay Group,
- Mao Daqing, GM, Capitaland China Investment Co., Ltd., Beijing Operations
- Chen Xingdong, MD, & Chief China Economist of BNP Paribas Peregrine Securities Limited
- Charles Cheng, CEO of China District of Investment Department of Standard Chartered Bank
- Fred Hu, MD, of The Goldman Sachs Group,(Asia) Inc.
- Richard Ji, Executive Director of Asia-Pacific District of Morgan Stanley
- Erfei Liu, Chairman of Merrill Lynch China
- Christianson Sun Wei, MD of the Chinese District of Morgan Stanley
- Min Tang, Ex-Chief Economist of Asian Development Bank Resident Mission in PRC
- Yichen Zhang, Director and CEO of CITIC Capital Markets Holdings Ltd.
- Dennis D.Zhu, MD of Oaktree Capital (Hong Kong) Limited



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# Thank you very much!

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