MIGRATION, REMITTANCES AND DEVELOPMENT: THE SIGNIFICANCE OF CHINA’S EXPERIENCES SINCE THE 1980s

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The developmental effects of migration and remittances: Experiences of China’s coastal areas

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Abstract: Based on recent experiences of China’s coastal areas, especially those of Fujian Province in China, this paper explores the links between migration and development of source areas, and the roles of remittances in such links. The paper examines some major characteristics of recent migration-related development processes in the coastal areas of China, including the important role of overseas Chinese and non-mainland Chinese\(^1\) in linking the hometowns to the global networks, the importance of migrant business networks, the enthusiasm of international and cross-border migrants from the coastal areas of China in sending remittances to and investing in their hometowns, and the adoption of certain local development strategies to bring the developmental potential of migrants into full play while avoiding the negative effects of migration such as the development of the ‘culture of migration’. The paper suggests that the experiences of overseas Chinese and non-mainland Chinese in the coastal areas have important implications for policy making regarding migration and the development of migrant source areas, and can be shared by other migrants and their places of origin.

Introduction

In recent years, ‘forge the link between migration and development’ (GCIM, 2005: 30) has reemerged as a major issue attracting increasing attention. This is particularly the case for migrant source areas. Contrary to the conventional pessimistic views on the effects of migration on source areas, studies have increasingly demonstrated that migration can play much bigger and more positive roles in the development of source areas; However, there is also increasing evidence suggesting that the realization of such roles depends on whether there are right conditions; if conditions are not right, migration can also have negative effects such as ‘brain drain’ and the development of a ‘culture of migration’ (GCIM, 2005: 29) causing over-dependence on migrant remittances. Thus, exploring ways to maximize the positive developmental effects of migration while minimizing its negative effects on the source areas, and identifying conditions under which such results of migration can be achieved, are important tasks for both academics and policy makers in the field.

The experiences of China since the 1980s are of great significance in this regard, and deserve close examination. Observers have now noted that overseas Chinese and

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\(^1\) Non-mainland Chinese refers to Chinese in Taiwan, Hong Kong and Macao. Statistically China records investment from these regions as foreign investment.
Chinese in Taiwan, Hong Kong and Macao, who are or whose ancestors were migrants, have played important roles in the tremendous development of Mainland China’s coastal areas in the last three decades (eg. Hugo, 2003; Zhu, 2003; Newland and Patrick, 2004). The significances of these developmental effects of migration in China are particularly reflected in the following two characteristics of the migration-related development process since the late 1970s.

First, examining the international literature on the effects of migration on source areas, one can find that the role of remittances in the development of source areas occupies a central position (Newland and Patrick, 2004), and less has been done on diaspora’s roles in linking places of origin to the global networks in terms of investment, production and trade. China’s experience since the 1980s suggests that the latter is of great importance. Since the 1980s investments in Mainland China made by migrants from it has been enormous, suggesting the need of going beyond the approach focusing on migrant remittances, and the importance of examining migrant transnational networks and their links with migrant places of origin. The role of remittances in China’s coastal areas should be also examined in such a context. As will be demonstrated by case studies later, remittance investment, although in small amount, played crucial roles in the early stage of development of China’s coastal areas, and offers new perspectives for a better understanding of remittance roles in migrant sending areas.

Second, the migration-and-remittance-related development in China has been achieved under some conditions not well explored in other migrant sending areas and inadequately examined in academic research and policy-making. One of such conditions has been the adoption of local development strategies similar to those of ‘development from below’ advocated in the 1970s and 1980s (Zhu, 1999). These strategies have been important not only in bringing the developmental potential of migrants into full play, but also in avoiding the negative effects of migration such as the development of the ‘culture of migration’ mentioned earlier. This offers a new perspective complementing existing studies focusing on macro-economic, administrative, and legal environments in the source areas.

Based on recent empirical evidence from China’s coastal areas, especially its Fujian Province, this paper attempts to explore the developmental implications of migration and remittances for migrant source areas in the context of the above two characteristics. Fujian Province is one of the major source areas for international and cross-border migration from China. It is estimated that the number of overseas Chinese originating from Fujian Province is more than 10 million, accounting for a quarter to one third of the total number of overseas Chinese; the number of international migrants from Fujian Province from the late 1970s to the late 1990s amounted to around half a million, accounting for one third to half of all international migrants from Mainland China during the same period (Zhu, 2001) The province is the hometowns of 1.23 million Chinese living in Hong Kong and Macao, and the
ancestral home of 80 per cent Taiwanese compatriots. The paper will mainly draw on the experiences of this province to shed light on the above mentioned migration, remittances, and developments issues, focusing on the above two characteristics of the migration-related development process.

From remittances to investment: Chinese diaspora’s roles in the development of their hometowns

One of the major successes of China since the 1980s has been attracting enormous amount of foreign investment. During the period 1985-2008, actualized foreign investment\(^2\) in China amounted to US$ 898 billion (China State Statistical Bureau, 1986-2009). By the end of 2009 China has ranked as the top developing country in attracting foreign investment for 18 years consecutively. Various sources suggest that overseas Chinese and non-mainland Chinese have been the major source of foreign investment in Mainland China, and have made major contribution to the above success. The OECD estimate shows that the investments from overseas Chinese in Mainland China accounted for 45 per cent of its total FDI in 2004 (GCIM, 2005: 30). Chinese statistical data suggest that in the period 1985–2008, investments from Hong Kong, Macao and Taiwan accounted for 47.85 per cent of the total foreign investment in Mainland China (China, State Statistical Bureau, 1986-2009). The correlation between the top 10 countries in terms of the number of overseas Chinese from Fujian and the top 10 countries in terms of the source of foreign investment for Fujian Province in Table 1 reflects this important role of overseas Chinese and non-mainland Chinese to some extent, although cautions should be taken in interpreting the table that such correlation is affected by other socioeconomic factors, and that foreign investments from Hong Kong, Macao and Taiwan are not included in this table.

\[\text{Table 1 Top ten countries in terms of number of Chinese overseas from Fujian and actualized investment in Fujian}\]

<table>
<thead>
<tr>
<th>Country</th>
<th>Malaysia</th>
<th>Indonesia</th>
<th>Philippines</th>
<th>Singapore</th>
<th>USA</th>
<th>Burma</th>
<th>Thailand</th>
<th>Japan</th>
<th>Vietnam</th>
<th>Canada</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Chinese overseas from Fujian (000s)</td>
<td>2,873</td>
<td>2,472</td>
<td>1,607</td>
<td>1,410</td>
<td>413</td>
<td>3,302</td>
<td>236</td>
<td>182</td>
<td>119</td>
<td>62</td>
</tr>
<tr>
<td>Actualized investment from the country, 1979-2004 (000s, US$)</td>
<td>3,594,670</td>
<td>1,650,450</td>
<td>1,099,430</td>
<td>1,057,110</td>
<td>746,170</td>
<td>514,110</td>
<td>263,630</td>
<td>229,910</td>
<td>188,090</td>
<td>170,700</td>
</tr>
</tbody>
</table>


\(^2\) Here the term ‘foreign investment’ rather than ‘foreign direct investment’ (FDI) is used because detailed statistics by source and destination areas are available only for foreign investment rather than foreign direct investment for some years. The former includes foreign direct investment, and other foreign investment in the forms of shares sale, international lease, compensation trade, and processing and assembly, with FDI accounting for 94 per cent of total foreign investment in China during the period 1979-2004.
Studies at the regional level, such as that done by the author in Jinjiang and Fuqing Municipalities of Fujian Province for the period 1979-1996 (Zhu, 1999: 166-170), shows clearly that the sources of foreign investment in China are closely related to the distribution of overseas Chinese and non-mainland Chinese originating from it. In both places, Hong Kong ranked the first as the source of foreign investment. This is not only because many foreign investments from overseas Chinese and non-mainland Chinese were made through Hong Kong, but also because Hong Kong itself was a major destination of migration from the two places, especially Jinjiang. Apart from Hong Kong, Taiwan and Philippines ranked as the second and third most important sources of foreign investments for Jinjiang. This is closely related to the facts that there were one million Taiwanese with Jinjiang origin, and that 69 per cent of the nearly 1 million overseas Chinese from Jinjiang or of Jinjiang origin were living in Philippines. Similarly, Indonesia ranked as the second most important source of foreign investment for Fuqing, and this is closely related to the fact that among the 268,365 overseas Chinese who were from Fuqing or of Fuqing origin in early 1990s, 73 per cent of them were living in Indonesia. Case studies on various overseas and non-mainland Chinese investors, including both business Tycoons in Fuqing and small business owners coming back from Hong Kong to invest in their hometown Jinjiang, suggest that their links to their ancestral areas played an important role in their decision to invest in Mainland China. Studies in Fuqing Municipality show further that through their business networks around the world, overseas Chinese and non-mainland Chinese have helped to attract more foreign investors, including large consortia such as Samsung, Siemens, Toyota, Shell, and BHP, which had no previous links to Fuqing (Zhu, 2000).

Fujian is not the only province with overseas Chinese and non-mainland Chinese as the major source of foreign investments. Studies in other southeastern provinces of China also demonstrate that these provinces are the major sources of out-migration to other parts of the world, and that this has been an important reason for the influx of foreign capital into these provinces (Lin and Liu, 1998: 1). Thus it is not a coincidence that during the period 1985-2003, the amount of actualized foreign investment in the coastal region accounted for 83 per cent of the actualized foreign investment of US$ 506 billion in Mainland China. Although such concentration of foreign investment in this region may be attributed to many factors, including its favorable location, the fact that this region is the places of origin of most overseas Chinese and Chinese in Hong Kong, Macao and Taiwan is an important reason. These investments have not only contributed directly to the economic growth, but also provided both technology transfer from and marketing channels to the outside world, linking the coastal region closely to the rest of the world (Lin and Liu, 1998: 48–50).

China’s international standing as a remittance recipient is less impressive than its performance in attracting foreign investment. This is particularly evident when China and India are compared in terms of the relative roles of investment and remittances in the two countries. As noted by Newland and Patrick (2006), direct investment from
Chinese diaspora was ‘twenty times the volume of India’s’ whereas ‘Indian remittances were seven times the Chinese in the 1990s’. Although there may be problems in the accuracy of such a strong contrast due to data reliability, there is no doubt that ‘diaspora relations with the Mainland [China] follow a business model with investment as the main vehicle’ (Newland and Patrick, 2006). However, this does not mean that remittances have not been important in China’s development since the 1980s. On the contrary, overseas Chinese remittances have served as important initial capital in the early stage of development in the coastal areas, as will be detailed in the next section. In this sense, remittances have paved the way for the influx of foreign investment from overseas Chinese and non-mainland Chinese into China’s coastal areas, and the latter can be regarded as the continuation of remittance-based development. This remittance-investment connection, together with its developmental effects, is also an important characteristic of the developmental roles of overseas Chinese and non-mainland Chinese in their hometowns.

In summary, the development of China’s coastal areas since the 1980s has been closely related to the international and cross-border migration from China, including that of overseas Chinese and Chinese in Hong Kong, Macao and Taiwan in the past. These migrants have contributed to the development of their hometowns through their remittances, investments and other business activities in their hometowns, with direct investment as the main vehicle. Thus, international and cross-border migrants have served as active agents in linking their hometowns to the increasingly important global networks of investment, production and trade. These important roles of international and cross-border migrants should be greatly promoted, and their experiences can be shared by other migrants and their places of origin.

Facilitating the positive and avoiding the negative effects of migration for development: the roles of migrant business networks and local development strategies

The active role of overseas Chinese and non-mainland Chinese in the development of their hometowns have been facilitated by some favourable conditions. As pointed out by some observers, government policies that create an economic environment conducive to local investment are critical for the productive use of remittance and active role of migrants in the development of source areas (Massey et al., 1998: 272-4). Furthermore, like other foreign capital, investment of overseas Chinese and non-mainland Chinese in their hometowns is not without any negative effects, and need to be dealt with effectively so that such negative effects can be avoided. It is beyond the scope of this paper to give a comprehensive review of Chinese

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government policies towards foreign investment, especially those from overseas Chinese and non-mainland Chinese. However, a review of some case studies in this respect in Fujian Province, especially its Jinjiang and Fuqing Municipalities (Zhu, 1999; 2000; 2002; 2003), two major source areas of international and cross-border migration from China, will contribute to the understanding of this issue.

Evidence from case studies in Fujian Province at the macro-level suggests that in addition to the generally healthy macro-economic environment of low inflation and reduced economic uncertainty, which encourage productive rather than speculative investment (Massey, et al., 1998: 273), a friendly environment has been created for foreign investment since the late 1970s, especially the late 1980s. Foreign investment has been increasingly used as a means of overcoming the shortage of domestic funds and of improving management, productivity and competitiveness, and of increasing employment. It has been greatly encouraged by the government and by local authorities.

Various measures have been taken to attract foreign investment, including the setting up of Special Economic Zones and Technological and Economic Development Zones. These offer many economic incentives such as tax holidays and low tax rates for investors. Other measures include delegating the approval authority for foreign investment projects to local governments and simplifying the relevant approval procedures. Governments at various levels have also made great efforts to develop and improve infrastructure to boost the confidence of investors for positive returns (Zhu, 1999: 101-48). These measures have certainly played important roles in attracting investment from overseas Chinese and non-mainland Chinese.

These government policies and measures at the macro-level are however still not complete explanations of successful remittance uses and investment from overseas Chinese and non-mainland Chinese. Case studies from Fujian Province suggest that more attention should also be paid to the following two aspects at the regional and community levels.

The roles of migrant business networks

The first aspect is related to the role of Chinese migrant business networks in the development of their hometowns. As pointed out elsewhere, the enthusiasm of overseas Chinese and non-mainland Chinese in investing in their hometowns is closely related to one of their culturally-underpinned business practices, i.e. the construction of business networks facilitated by their ethnic, historical and cultural links to each other and to their hometowns (Zhu, 1999: 166-70). In fact, it has been found that the business expansion of overseas Chinese and non-mainland Chinese into Mainland China frequently uses old family and dialect ties (East Asia Analytical Unit, 1995: 176). Business networks are seen as an essential part of their success in China as well as in other parts of the world (Tracy, 1996: 8).
Evidence from both Fuqing Municipality, where the investment has been dominated by large overseas Chinese consortia, and Jinjiang Municipality, where investment has been dominated by smaller investors, many of whom were from Hong Kong, are consistent with the above findings. As mentioned earlier, Fuqing is a famous hometown for overseas Chinese in Indonesia, and some of them are very successful in business. These overseas Chinese maintained close links with their hometown, and had already made donations to help develop public undertakings and industry in Fuqing, before the 1980s. Such links readily transformed into business ties when China adopted reform and open-door policies, especially when China’s State Council promulgated ‘the regulations encouraging foreign investment’ in October 1986. In April 1987, invited by the local government of Fuqing County and initiated by Liem Sioe Liong, an Indonesian Business Tycoon from Fuqing, a ‘Fuqing-origin overseas Chinese delegation’ visited Fuqing, and decided to establish the ‘Rongqiao Industrial Development Zone’\(^4\). This paved the way for the subsequent large-scale foreign investment in Fuqing, and the establishment of more development, investment and industrial zones (Zhu, 1999: 136-141; 166-70). In Jinjiang, many enterprises started in the form of family workshops through compensation trade and intermediate processing of goods, and the family ties between local residents and their overseas relatives played an important role in such business activities (Zhu, 1999: 124-131). Thus, making full use of the international migrants’ ethnic, historical and cultural links to their hometowns and connecting them to the migrant business networks are important aspects in achieving full benefits of migration for development.

The role of local development strategies

The second aspect is related to the fact that the productive use of remittances and efficient investment from overseas Chinese and non-mainland Chinese have been facilitated by certain development strategies of migrant source areas. They have incorporated some key elements of the ‘development from below’ approach (Stöhr and Taylor, 1981: 1-2), i.e. its emphasis on labor-intensive and small-scale industries and the use of ‘appropriate’ rather than ‘highest’ technology, to effectively mobilize local natural, human, and institutional resources of migrant source areas, especially at the early stage of development. One objective of this approach has been to enable remittances and foreign investments to benefit the majority of community members. In the meantime, these development strategies have avoided some important limitations of the conventional ‘development from below’ approach, especially its one-sided targeting of agricultural development and its isolated approach towards the global and domestic economic systems. Therefore, they have been more effective in achieving development goals (Zhu, 1999: 192-3). Township and village enterprises (TVEs) have played important roles in implementing such strategies, and served as important agents for the effective uses of remittances and investments from overseas

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\(^4\) In Chinese ‘Rongqiao’ literally means Fuqing’s overseas Chinese.
Chinese and non-mainland Chinese.

Again the case of Jinjiang Municipality can explain this point. Before the late 1970s when China adopted reform and open-door policies, rural surplus labor was a serious problem in Jinjiang. There was an urgent need to develop non-agricultural activities to absorb rural surplus labourers, but this was constrained by the lack of investment and poor availability of bank credit, as in other developing regions (Zhu, 2002). However, as mentioned earlier, Jinjiang is one of the major hometowns of overseas Chinese and Chinese in Hong Kong, Macao and Taiwan, many of whose dependants have received overseas remittances on a regular basis. Many of them have been able to save some money, and to build a house. At the level of the individual family, these funds have not been significant, and not enough for the establishment of enterprises. But putting them together creates a different story.

In the late 1970s, a form of family workshops jointly established by several households, most of which had connections with overseas Chinese and non-mainland Chinese, emerged in Jinjiang and became the forerunners of TVEs. The remittances from these overseas Chinese and non-mainland Chinese, although small, constituted an important part of the initial capital for the TVEs, and their unused houses became the first workshops for these enterprises. Apart from their collaborative and household-based nature, these enterprises were mostly engaged in labour-intensive industries such as sewing, construction materials, and food industries. They only required limited initial funds, infrastructure, and labour skills. Therefore, they were able to overcome the constraints of lacking investments, infrastructure, and skilled labour in rural development, as commonly encountered in developing countries.

In the following years these enterprises flourished in Jinjiang, and benefited a large number of community members due to the many employment opportunities created by the labour-intensive industries, and created a solid basis for further development of more advanced TVEs, which have become major receivers of investment from overseas Chinese and non-mainland Chinese since the late 1980s, accounting for 64 per cent of foreign funded enterprises in Jinjiang in 1988. The establishment and development of foreign-funded TVEs have in turn greatly improved their production techniques and equipment, and enhanced their competitiveness, especially their export capability. In the above process governments at various levels played important roles by giving the family workshops and TVEs the legitimate status and administrative support, and promoting their development in more places not only within but also outside Jinjiang. Such stories are not restricted to Jinjiang; they can also be found in many places in China’s southeastern provinces, especially Fujian and Guangdong Provinces (Zhu, 2000; 2003).

The case study from Fuqing may further complement the case of Jinjiang to illustrate the importance of suitable development strategies in migrant source areas in achieving positive and avoiding negative effects of migration for development. As mentioned
earlier, investment in Fuqing has been dominated by large overseas Chinese and other consortia with large investment projects. This kind of investment was more capital-intensive, technically more advanced, and spatially more concentrated, and had the advantage of bringing more and faster physical changes in the forms of factory buildings, roads, and residential and commercial centers in the areas concerned, compared with the case of Jinjiang.

However, as such investments and the accompanying development model were not based on local resources and labour force, and as they were more capital intensive than labour intensive, they were not as effective in providing employment opportunities as TVEs in Jinjiang. This is reflected in the fact that during the period of 1990-1994, although there was massive influx of foreign investment in Fuqing, the percentage of the rural labor force engaged in the agricultural sector only decreased by 3.2 points, and nearly 50 percent of the economically active population in Fuqing was still engaged in agricultural activities in 1994. In contrast, in Jinjiang only 16 per cent of the labour force were still engaged in the agricultural sector in the middle of 1995, according to the 1995 one per cent sample survey of the population. The development in Fuqing even had the negative effects of creating landless and unemployed farmers whose land was taken for use by foreign-funded enterprises. Such farmers were not able to find new employment opportunities as the foreign-funded enterprises were not employment-oriented and had much higher skill requirements for the labourers (Zhu, 2000).

The contrast between the development models of Jinjiang and Fuqing has had important impacts on the trends of international migration from the two places. Despite the enormous foreign investment and physical changes in Fuqing, it has continued to be a major source of international migration, as not everyone can find opportunities there. However, much fewer people have emigrated overseas from Jinjiang since the 1980s, as most people feel they have plenty of opportunities to explore locally and domestically. This difference in emigration is reflected in the fact that in the 2000 census, 33,821 people were recorded as ‘used to live here but working or studying abroad and therefore temporarily not having local household registration’ in Fuqing, compared to only 1,070 such individuals in Jinjiang.

Some major source villages of emigration in Fuqing have developed a ‘culture of migration’ mentioned earlier, as a result of which villagers place excessive hopes on moving abroad to earn their living, while neglecting in situ development of their hometowns. As observed by Thunø and Pieke (2005) in their field study village in Fuqing, 680 persons, which was equal to one third of the village population and most of which were young, migrated overseas by early 2004, leaving only old people and women with young children at home. Although remittances from the emigrants had improved villagers’ lives, they had been mostly used in the construction of family houses and daily consumption, and even the expansion and renovation of ancestral halls and temples in the migrant source villages, and have not been as effective in
promoting productive investment as in Jinjiang, thus producing less developmental effects in migrant hometowns.

The comparison of the cases of Jinjiang and Fuqing suggests the importance of suitable development strategies for the source areas. Having said this, it has to be emphasized that proper application of the above experiences in the circumstances of other migrant source areas should be based on a more complete understanding of the experiences of the two places. In fact, despite their general success, the strategies adopted in Jinjiang had their own disadvantages at the earlier stage of development in that its development was too dispersed and unfavorable to achieving economies of scale and agglomeration, and had negative environmental consequences. In this sense, the strategies of Jinjiang could be complemented by some of the positive elements of the case of Fuqing, such as its more concentrated nature in spatial development. More general and solid development strategies for migrant source areas could be formulated on such a basis.

Conclusions

The experiences of China, particularly those of its Fujian Province presented in this paper, support the view that migration can have important positive developmental effects on migrant source areas, as evidenced by the fact that overseas Chinese and non-mainland Chinese contribute to their hometowns with remittances and investments, new skills and ideas, managerial experience, technological transfer and market connections, which they gain from the places of destination and bring back to their hometowns. However, migrants’ roles in their source areas are not always positive. Evidence from this paper also suggests that if not handled properly, migration could drain away the most needed human resources of migrant hometowns, and create a culture of excessive dependence on migration and remittances, with in situ development being neglected in migrant source areas and the sustainability of migration-related development not being able to be maintained. Further examination of China’s experiences provides some important knowledge basis for policy making to maximize the positive effects while minimizing the negative ones. One valuable piece of experience is the roles of diaspora from the coastal areas of Mainland China as the main source of foreign investment for their hometowns, and the way in which the productive uses of remittances from international and cross-border migrants at the earlier stage paved the way for investment-based development at the later stage, as demonstrated in the case of Jinjiang, both of which has greatly strengthened the roles of migration and remittances for development of migrant source areas in the coastal areas of Mainland China. Also important are the creation of favorable environment for the productive uses of remittances and productive investment; the establishment and successful operation of the links between migrants’ business networks and their source areas, and the adoption of certain development strategies mobilizing local resources, especially local labour force. These experiences can be shared by other

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5 More details in this regard can be seen in Zhu (1999).
source areas of international and cross-border migration, and this calls for more collaborative and comparative research among different countries and regions for achieving a better and more complete understanding of the related issues, so that the experiences can be properly drawn on and made better use of.

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